

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

v.

RHAKEEM EUGENE BROWN
3324 Curtis Drive, Apt. 302
Suitland, Maryland 20746

* BEFORE THE MARYLAND
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* INSURANCE COMMISSIONER
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CASE NO. : MIA-2018-05-027
Fraud Division File No.: R-2018-1128A

ORDER

This Order is entered by the Maryland Insurance Administration (“MIA”) against Rhakeem Eugene Brown (“Respondent”) pursuant to §§ 2-108, 2-201, 2-204 and 2-405 of the Insurance Article, Md. Code Ann. (2017 Repl. Vol. & Supp.) (“Insurance Article”).

I. Facts

1. Respondent obtained a Valuable Personal Property (“VPP”) Insurance Policy for a diamond ring, from United Services Automobile Association (“USAA”), an authorized insurer. The policy contained the following fraud warning at page 12 of the policy:

Any person who knowingly or willfully presents a false or fraudulent claim for payment of a loss or benefit who knowingly or willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

2. As proof of ownership, Respondent submitted to USAA a sales receipt dated January 24, 2017, for the purchase of a diamond ring. The purchase price totaled \$605.70. The policy was effective on May 23, 2017, through May 23, 2018.

3. Seven days later, on June 30, 2017, Respondent reported to USAA that while his vehicle was parked and unoccupied in the parking lot of the Giant Food Supermarket in Marlow Heights, Maryland, someone broke into his car and stole the insured ring. USAA opened a claim, and paid Respondent \$1,844.95 on July 1, 2017, to settle his claim.

4. On July 5, 2017, USAA determined it overpaid Respondent, and made a referral to its Special Investigations Unit (“SIU”) for further investigation; a USAA representative conducted an Insurance Service Office (“ISO”) search and discovered Respondent made a claim with Jewelers Mutual Insurance Company (“Jewelers”), an authorized insurer, for a ring he lost on May 13, 2017, ten days before the USAA policy went into effect.

5. On July 6, 2017, a USAA investigator contacted Jewelers regarding the claim Respondent made to it, on May 13, 2017. A Jewelers’ representative advised that Respondent submitted a receipt to Jewelers as proof of loss. The receipt reflected the purchase of a diamond ring on January 24, 2017, for a purchase price of \$605.70. The same purchase date and price as the receipt Respondent submitted to USAA when applying for his USAA VPP policy. On or about May 31, 2017, Jewelers paid Respondent the policy limit of \$550.00 to settle his claim.

6. On July 20, 2017, a USAA representative interviewed Respondent who confirmed making a claim to Jewelers for a ring he lost on May 13, 2017, which he purchased in January, 2017. He advised that as a requirement of his Jewelers’ policy, he had to purchase a replacement ring and was reimbursed. Respondent reported that he “accidentally submitted” the January 24, 2017 receipt to USAA, when he should have submitted the receipt for the replacement ring he purchased on June 5, 2017. (Thirteen days after the USAA policy went into effect.)

7. On July 31, 2017, Respondent submitted to USAA a sales receipt for a ring he ordered online on May 31, 2017, for \$588.07.

8. On August 2, 2017, Respondent submitted to USAA an itemized statement of loss, in which he identified a ring purchased on June 5, 2017, for \$588.07.

9. On September 12, 2017, a USAA investigator interviewed a representative for the retailer where Respondent purchased the rings he reported lost or stolen to Jewelers and USAA.

The representative advised USAA that the ring Respondent purchased on June 5, 2017, was returned to the retailer on June 7, 2017.

10. On September 12, 2017, Respondent notified USAA that on September 8, 2017, the insured ring was found and he would reimburse USAA \$1,844.95; however, he has failed to do so.

11. On October 3, 2017, USAA sent Respondent a letter advising that his claim was denied for material misrepresentation.

12. On November 29, 2017, and January 24, 2018, USAA sent Respondent letters requesting reimbursement in the amount of \$1,844.95.

13. Section 27-802(a)(1) of the Maryland Insurance Article states,

“An authorized insurer, its employees, fund producers, or insurance producers, ... who in good faith has cause to believe that insurance fraud has been or is being committed shall report the suspected insurance fraud in writing to the Commissioner, the Fraud Division, or the appropriate federal, State, or local law enforcement authorities.”

USAA, having a good faith belief that Respondent committed insurance fraud, referred the matter to the MIA, Fraud Division.

14. During the course of its investigation, the MIA contacted USAA and confirmed its handling of the Respondent's claim.

15. On April 3, 2018, the MIA issued a subpoena to the retailer identified on the receipts Respondent submitted to USAA, as proof he owned the rings. In response to the subpoena, MIA received records that confirmed Respondent purchased a ring on January 24, 2017. He purchased a second ring on June 5, 2017, and returned it on June 7, 2017.

II. Violation(s)

16. In addition to all relevant sections of the Insurance Article, the Administration relies on the following pertinent sections in finding that Respondent violated Maryland's insurance laws:

17. § 27-406

It is a fraudulent insurance act for a person:

(1) knowingly or willfully to make a false or fraudulent statement or representation in or with reference to an application for insurance[.]

18. § 27-403

It is a fraudulent insurance act for a person:

(2) to present or cause to be presented to an insurer documentation or an oral or written statement made in support of a claim...with knowledge that the documentation or statement contains false or misleading information about a matter material to the claim.

19. § 27-408(c)

(1) In addition to any criminal penalties that may be imposed under this section, on a showing by clear and convincing evidence that a violation of this subtitle has occurred, the Commissioner may:

(i) impose an administrative penalty not exceeding \$25,000 for each act of insurance fraud; and

* * *

(2) In determining the amount of an administrative penalty, the Commissioner shall consider:

(i) the nature, circumstances, extent, gravity, and number of violations;

(ii) the degree of culpability of the violator;

(iii) prior offenses and repeated violations of the violator; and

(iv) any other matter that the Commissioner considers appropriate and relevant.

20. By the conduct described herein, Respondent knowingly violated §§ 27-403 and 27-406(1). Because the fraudulent insurance act of submitting false documents in support of a claim and making false statements in support of an application for insurance are complete upon

making the false representations and are not dependent on payment being made. Respondent committed violations of the Insurance Article when he made false representations to USAA in support of his claim and application for insurance. As such, Respondent is subject to an administrative penalty under the Insurance Article § 27-408(c).

III. Sanctions

21. Insurance fraud is a serious violation, which harms consumers in that the losses suffered by insurance companies are passed on to consumers in the form of higher premiums. The Commissioner may investigate any complaint that alleges that a fraudulent claim has been submitted to an insurer. Insurance Article §§ 2-201(d) (1) and 2-405.

22. Having considered the factors set forth in § 27-408(c)(2) and COMAR 31.02.04.02, the MIA has determined that \$3,500.00 is an appropriate penalty.

23. Additionally, Respondent is ordered to reimburse USAA in the amount of \$1,844.95, which was the amount he fraudulently obtained from USAA when submitting a claim for a diamond ring he reported lost to Jewelers thirteen days before obtaining the USAA policy.

24. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2018-1128A) and name (Rhakeem Eugene Brown). Unpaid penalties will be referred to the Central Collections Unit for collection. Payment of the administrative penalty shall be sent to the attention of: Associate Commissioner, Insurance Fraud Division, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202.

25. Notification of reimbursement to USAA shall be made in writing to the Associate Commissioner, Insurance Fraud Division, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202. Such Notification shall include a copy of the money order or cancelled check issued to

USAA as proof of reimbursement and identify the case by number (R-2018-1128A) and name (Rhakeem Eugene Brown).

26. This Order does not preclude any potential or pending action by any other person, entity, or government authority, regarding any conduct by the Respondent including the conduct that is the subject of this Order.

WHEREFORE, for the reasons set forth above, and subject to the right to request a hearing, it is this 23rd day of May 2018, **ORDERED** that:

- (1) Rhakeem Eugene Brown shall pay an administrative penalty of three thousand five hundred dollars (\$3,500.00) within 30 days of the date of this Order.
- (2) Rhakeem Eugene Brown shall pay restitution to USAA in the amount of \$1,844.95 within 30 days of the date of this order.

ALFRED W. REDMER, JR.
Insurance Commissioner

BY:

signature on original

STEVE WRIGHT
Associate Commissioner
Insurance Fraud Division

RIGHT TO REQUEST A HEARING

Pursuant to § 2-210 of the Insurance Article and Code of Maryland Regulations (“COMAR”) 31.02.01.03, an aggrieved person may request a hearing on this Order. This request must be in writing and received by the Commissioner within thirty (30) days of the date of the letter accompanying this Order. However, pursuant to § 2-212 of the Article, the Order shall be stayed pending a hearing only if a demand for hearing is received by the Commissioner within ten (10) days after the Order is served. The written request for hearing must be addressed to the Maryland Insurance Administration, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202, Attn: Hearings and Appeals Coordinator. The request shall include the following information: (1) the action or non-action of the Commissioner causing the person requesting the hearing to be aggrieved; (2) the facts related to the incident or incidents about which the person requests the Commissioner to act or not act; and (3) the ultimate relief requested. The failure to request a hearing timely or to appear at a scheduled hearing will result in a waiver of your rights to contest this Order and the Order shall be final on its effective date. Please note that if a hearing is requested on this initial Order, the Commissioner may affirm, modify, or nullify an action taken or impose any penalty or remedy authorized by the Insurance Article against the Respondent in a Final Order after hearing.