

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

v.

GREGORY HELLEN
404 Nollmeyer Road
Baltimore, Maryland 21220

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BEFORE THE MARYLAND
INSURANCE COMMISSIONER

CASE NO. : MIA-2018-07-007
Fraud Division File No.: R-2018-0252A

ORDER

This Order is entered by the Maryland Insurance Administration (“MIA”) against Gregory Hellen (“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 had homeowner’s insurance with United Services Automobile Association (“USAA”), an authorized insurer. The policy was in effect from March 27, 2016 to March 27, 2017.
2. On December 20, 2016, Respondent notified USAA that his home suffered water damage and personal property was damaged. USAA opened a claim.
3. On March 27, 2017, Respondent submitted an invoice to USAA. The invoice failed to identify the contractor but specified repairs and noted, total material and labor was \$8,600.00. Further, the invoice reflected a deposit of \$3,000.00 was paid on February 4th, and the balance was paid on March 18th.

4. On March 31, 2017, a USAA representative asked Respondent for the name of the contractor who performed the repairs noted on the aforementioned invoice, Respondent identified the contractor as R.S¹.

5. On April 5, 2017, a USAA representative spoke with R.S. who confirmed he had performed work for Respondent but the cost was \$4,250.00, not \$8,600.00. The contractor advised that Respondent called him and mentioned a price of \$8,800.00, but R.S. did not charge Respondent that amount.

6. On April 7, 2017, USAA referred Respondent's claim to its Special Investigations Unit ("SIU"), for further investigation.

7. On June 2, 2017, a USAA investigator interviewed R.S. who reported that Respondent hired him to frame-out and install drywall and tile in Respondent's basement for \$4,250.00, labor only, Respondent obtained the materials. R.S. stated he did not make any flood damage repairs. R.S. examined the invoice Respondent submitted to USAA and said it was not from his company, and he never provided an invoice to Respondent. R.S. provided the USAA investigator with an actual invoice from his company for comparison. R.S. stated he spoke with Respondent prior to April 5, 2017; Respondent told him USAA would call him and "suggested" the repair cost was \$8,300.00, which was not true.

8. On July 10, 2017, a USAA investigator interviewed Respondent who stated, he acted as the contractor to make repairs to his home and used several sub-contractors to do the work. Respondent confirmed R.S. did tile and dry-wall repairs. Respondent had no written contract and paid R.S. with a combination of cash and checks. Respondent admitted he made the invoice because USAA told him he had to have receipts.

¹ The MIA uses initials to protect witness identity.

9. On July 27, 2017, USAA denied Respondent's claim as "You [Respondent] stated that the work on the invoice you submitted was completed by [R.S.]" and ...[Y]ou admitted that you had fabricated the receipt you submitted on 3/27/2017."

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

An authorized insurer, its employees, fund producers, 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.

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

12. On February 13, 2018, an MIA fraud investigator interviewed R.S. who advised although he worked for Respondent, the work was not related to water damage, he quoted Respondent \$4,250.00 for the job, but never provided Respondent with an invoice; instead he verbally agreed to the scope and price for his work with Respondent. The contractor examined the invoice Respondent submitted to USAA and advised it was not from his company, he used custom-generated invoices containing his business name, address, phone number.

II. Violation(s)

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

14. **§ 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[.]

15. § 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.

16. By the conduct described herein, Respondent knowingly violated § 27-403 of the Insurance Article and therefore, is subject to an administrative penalty under § 27-408(c). Because the fraudulent insurance act of submitting a false document and making a statement in support of a claim is complete upon submission of the false document or making the statement and is not dependent on payment being made, Respondent committed a violation of the law when he submitted a false document and made a false statement to USAA.

III. Sanctions

17. 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 a fraudulent claim has been submitted to an insurer. Insurance Article §§ 2-201(d) (1) and 2-405.

18. Having considered the factors set forth in § 27-408(c)(2) and COMAR 31.02.04.02, the MIA has determined that \$1,500.00 is an appropriate penalty.

19. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2018-0252A) and name (Gregory Hellen). 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.

20. 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 5th day of July 2018, **ORDERED** that:

Gregory Hellen shall pay an administrative penalty of \$1,500.00 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.