

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

v.

CARMEN DELIA FERRELL
AKA: Carmen Delia Ferrell-Gipson
5009 55th Avenue
Hyattsville, Maryland 20781

BEFORE THE MARYLAND
INSURANCE COMMISSIONER

CASE NO. : MIA-2019-04-007

Fraud Division File No.: R-2019-1390A

ORDER

This Order is entered by the Maryland Insurance Administration (“MIA”) against Carmen Delia Ferrell (“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 was a named insured on a homeowner’s insurance policy with Liberty Mutual Insurance Company (“Liberty”), an authorized insurer, for her residence at 5009 55th Avenue, Hyattsville, Maryland. The policy was in effect from March 10, 2018 through March 10, 2019.

2. Respondent’s policy stated:

2. Concealment or Fraud

a. Under Section I- PROPERTY COVERAGES, with respect to all “insureds” covered under this policy, we provide no coverage for loss under SECTION I- PROPERTY COVERAGES if, whether before or after a loss, one or more “insureds” have:

- (1) Intentionally concealed or misrepresented any material fact or circumstance;
- (2) Engaged in fraudulent conduct[.]

3. On August 7, 2018, Respondent notified Liberty that on August 3, 2018, someone vandalized her home air conditioning (“A/C”) unit. Liberty opened a claim.

4. On August 8, 2018, Liberty referred Respondent’s claim to its Special Investigation Unit (“SIU”) as, among other things, Respondent made an insurance policy change, the day prior to the alleged loss, wherein she lowered her insurance deductible from \$1,000.00 to \$500.00. Liberty contracted Covent Bridge, Inc., (hereinafter “CB”) a full service investigation company to assist investigating Respondent’s claim.

5. On August 9, 2018, Respondent emailed Liberty, photographs of an A/C unit and a letter purportedly written by a representative from Elevated Collective Heating & A/C contractor (“Elevated”), explaining why the A/C unit needed to be replaced, along with an estimate from Elevated for the removal and replacement of the A/C units, totaling \$4,821.00. The estimate was dated, “8/4/18,” although to the left of the “description” field, it was also dated “6/4/18.” The estimate contained an invoice number of 1000487334. Both the estimate and letter documented the website for Elevated as www.elevatedcollective.com. The estimate stated, “Make check payable to: STONE AGE, L.L.C.”

6. On August 10, 2018, in an effort to authenticate the repair estimate, a Liberty investigator conducted a Maryland State Corporation and Business Entity search for Elevated, with negative results. A search for the address listed on the Elevated estimate revealed it was the address for a Salvation Army store, not Elevated.

7. On September 10, 2018, in an effort to authenticate the Elevated estimate, a CB investigator went to the business address listed on the estimate. He confirmed the address was a Salvation Army retail store.

8. A Liberty investigator discovered that Respondent's mother was also insured by Liberty, and made a similar A/C unit claim for a loss occurring on April 30, 2018. The Liberty investigator examined the invoice submitted in that claim and noted similarities to the estimate submitted by Respondent. Similarities between the estimate and the invoice included:

- 1) the date 6/4/18;
- 2) the invoice number;
- 3) the description of work to be performed;
- 4) the total cost; and
- 5) the website for Elevated listed as www.elevatedcollective.com.

9. On September 14, 2018, a CB investigator interviewed Respondent, who advised that her mother, who lives on the same street, had the same type of vandalism occur six months earlier. A technician from Elevated identified as J.S. replaced her mother's A/C unit; he is the same person who gave Respondent her repair estimate. Respondent provided a phone number for J.S. Respondent stated she obtained other A/C repair estimates, but Elevated was the cheapest.

10. On September 20, 2018, Respondent filed an Incident Report with Prince George's County Police to report vandalism to the A/C unit on August 3, 2018.

11. On September 21, 2018, a CB investigator interviewed J.S. who stated that he is the maintenance supervisor for the Salvation Army, and lived on-site. J.S. stated that he never wrote an estimate for Respondent. He examined a copy of the estimate Respondent submitted to Liberty, and advised he does not know anything about a written estimate or Elevated, the address listed is not his business address and it is not his estimate. J.S. confirmed that he had recently installed an A/C unit for Respondent's mother.

12. On October 4, 2018, a CB investigator went to the address on the Elevated estimate, a Salvation Army retail store, and interviewed the store manager who examined the

Elevated estimate as well as the letter that accompanied it, referred to in paragraph 4 *Supra*. The manager was not familiar with the name of the person whose signature appeared on the letter, but verified that a person, named J.S. does work for the Salvation Army.

13. On October 8, 2018, Respondent sent a CB investigator three additional A/C unit replacement estimates ostensibly issued to Respondent by the following contactors:

- Circuit Electric ("Circuit") for \$5,975.00, dated August 3, 2018
- Abel Construction Firerestoration [*sic*] ("Abel") for \$5,560.00, dated August 5, 2018
- CRM Construction, Inc. ("CRM") for \$5,683.00 dated, August 6, 2018

14. In an effort to authenticate the aforementioned A/C unit repair estimates, a CB investigator interviewed representatives for Circuit and CRM on October 15, 2018. The Circuit representative examined the alleged estimate and advised that Circuit had not been to the address listed on the estimate since 2013 and the estimate was not written by any of its employees. The CRM representative stated the estimate was not a CRM estimate, but was able to locate an estimate CRM did for Respondent in May, 2013. The CB investigator learned that the address on the Abel estimate was a residential dwelling. Consequently, he could not authenticate the Abel estimate.

15. On October 22, 2018, Liberty Mutual sent Respondent a letter denying her claim, which stated:

As we recently discussed, I have completed my review of your claim, which revealed misrepresentation of material facts related to the presentation of a claim. After a careful investigation of your claim, we have determined that your policy does not afford coverage for concealment or fraud.

16. 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.

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

17. In the course of its investigation, the MIA contacted Liberty and confirmed the facts regarding its handling of the Respondent's claim.

18. On March 5 and 14, 2019, an MIA investigator interviewed J.S. who confirmed that he did not provide Respondent with an estimate to replace her A/C unit, and he has no knowledge of a company named Elevated. J.S. stated he performed A/C work for Respondent's mother but never provided her with an estimate.

19. On March 7, 2019, an MIA investigator interviewed the owner of Circuit who stated, his company does not perform A/C repair or replacement work, and the address on the estimate was incorrect as Circuit moved from that location prior to the date on the estimate. Circuit never worked for Respondent, but wrote her mother an estimate in 2014.

20. On March 7, 2019, an MIA investigator went to the address listed on the Abel estimate and confirmed it was a house located in a residential neighborhood. There was no indication a business was operating at the location.

21. On March 8, 2019, an MIA investigator interviewed the office manager for CRM. She examined a copy of the alleged CRM estimate and confirmed it was not authentic; the signature of the estimator was forged. She noted that CRM had provided Respondent with an estimate for a different address in 2013.

22. An MIA investigator identified the owner of the domain name, www.elevatedcollective.com. The investigator contacted the domain owner who advised that he does not work in Maryland; the web address was for a start-up skiing company, not an A/C repair business.

II. Violation(s)

23. 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:

24. § 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.

25. § 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.

26. By the conduct described herein, Respondent knowingly violated § 27-403.

Because the fraudulent insurance act of submitting a false document in support of a claim is complete upon submission of the false document and is not dependent on payment being made, Respondent committed violations of the Insurance Article when she submitted false documents to Liberty in support of her claim. As such, Respondent is, therefore subject to an administrative pursuant to § 27-408(c) of the Insurance Article.

III. Sanctions

27. 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.

28. Having considered the factors set forth in § 27-408(c)(2) the MIA has determined that \$3,000.00 is an appropriate penalty.

29. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2019-1390A) and name (Carmen Delia Ferrell). 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.

30. 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 4th day of April 2019, **ORDERED** that:

Carmen Delia Ferrell shall pay an administrative penalty of three thousand dollars (\$3,000.00) 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: Melanie Gross, Executive Assistant to the Deputy Commissioner. 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.