

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

v.

AITA RAJ RAI
1617 Four Georges Court, Apt. B4
Dundalk, Maryland 21222

*
*
*
*
*
*
*
*
*
*
*

BEFORE THE MARYLAND
INSURANCE COMMISSIONER

CASE NO. : MIA-2019-07-009

Fraud Division File No.: R-2019-2165A

ORDER

This Order is entered by the Maryland Insurance Administration (the "MIA") against Aita Raj Rai ("Respondent" or "Rai") pursuant to §§ 2-108, 2-201, 2-204 and 2-405 of the Insurance Article, Md. Code Ann. (2017 Repl. Vol. & Supp.) (the "Insurance Article").

I. Facts

1. Respondent was a named insured on a personal automobile insurance policy issued by Safeco Insurance Company, (a Liberty Mutual Company) (hereinafter, "Safeco"), an authorized insurer, for his 2016 Dodge Charger. The policy was in effect from July 10, 2018 through July 10, 2019.

2. On October 15, 2018, at about 5:40 p.m., Respondent notified Safeco, on a recorded phone line, that sometime between October 14, and October 15, 2018, the front bumper of his insured vehicle was damaged when an unknown vehicle struck it, while it was parked and unattended, in the parking lot of his apartment building. Respondent advised that the vehicle had no damage prior to this incident. Respondent instructed the Safeco representative to pay the automobile body shop directly for the repairs.

3. On October 19, 2018, a Safeco representative conducted an Insurance Service Office ("ISO") search and discovered that Respondent submitted a claim to GEICO on October

1, 2018, for damage to his insured vehicle. The Safeco representative contacted GEICO, which confirmed Respondent's October 1, 2018 loss. GEICO sent Safeco copies of its estimate as well as photographs it took of the damage to Respondent's vehicle. The estimator noted that the vehicle had prior damage to the hood and the front bumper was cracked and scraped.

4. On October 24, 2018, a Safeco representative interviewed Respondent who reiterated that his vehicle was parked and unoccupied when it was struck. He stated that the insured vehicle had no prior damage and it had never been repaired. To the contrary of Respondent's October 15, 2018, request for Safeco to pay the automobile body shop directly to repair his vehicle, Respondent stated that he would like to handle repairs on his own and requested Safeco to send the check directly to him. The Safeco representative noted that Respondent did not disclose the previous claim he made to GEICO. Consequently, Safeco referred Respondent's claim to its Special Investigations Unit ("SIU") for further investigation.

5. On November 9, 2018, a Safeco investigator completed a side-by-side comparison of photographs provided by GEICO subsequent to Respondent's October 1, 2018 GEICO claim, with the photographs taken by Safeco following the loss Respondent reported as having occurred between October 14 and 15, 2018. The investigator concluded that the damage was the same.

6. 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.

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

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

8. On May 21, 2019, the Safeco investigator provided the MIA with photographs of Respondent's vehicle taken following the GEICO and Safeco claims. The investigator highlighted the specific areas, which demonstrated identical damage. He reviewed the photographs in order to reach his conclusion that the damage reported to Safeco predated the policy. An examination of the photographs provided conclusive evidence that the damage Respondent reported to Safeco predated the policy and was not associated with a loss occurring between October 14 and 15, 2018.

9. On June 5, 2019, an MIA investigator contacted the collision repair facility identified on GEICO's repair estimate referenced in paragraph 3, *Supra*. The representative advised that Respondent's vehicle was at the repair facility until October 15, 2018, at about 5:16 p.m., when it was released to Respondent. (Approximately 24 minutes before Respondent made his claim to Safeco). The representative stated repairs were made to the vehicle's fender, not the front bumper.

II. Violation(s)

10. Based on the foregoing and considering all relevant sections of the Insurance Article, the Administration finds that Respondent violated the Maryland Insurance Article as follows:

11. **§ 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[.]

12. § 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.

13. By the conduct described herein, Respondent knowingly violated § 27-403. The fraudulent insurance act of making a false statement in support of a claim is complete upon making the false statement and is not dependent on payment being made; Respondent committed a violation of the Insurance Article when he made a false statement to Safeco. As such, Respondent is, therefore subject to an administrative penalty pursuant to § 27-408(c) of the Insurance Article.

III. Sanctions

14. Insurance fraud is a serious violation, harmful to consumers because the losses experienced by insurance companies are passed on to consumers in the form of higher premiums. Pursuant to §§ 2-201(d) (1) and 2-405 the Commissioner has the authority to investigate any complaint alleging that a fraudulent claim has been submitted to an insurer.

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

16. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2019-2165A) and name (Aita Raj Rai).

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. Unpaid penalties will be referred to the Central Collections Unit for collection.

17. This Order does not preclude any potential or pending action by any other person, entity, or government authority regarding any conduct by 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 10th day of July 2019, **ORDERED** that:

Aita Raj Rai shall pay an administrative penalty of One Thousand Five Hundred Dollars (\$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: 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.