

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

v.

LUDWIG JOHANNAS SCOTT
And
PORSCHA RENEE SCOTT
703 Linden Grove Place, Apt. 302
Odenton, Maryland 21113

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BEFORE THE MARYLAND
INSURANCE COMMISSIONER

CASE NO. : MIA-2020-01-028

CASE NO. : MIA-2020-01-029

Fraud Division File No.: R-2019-4313A

ORDER

This Order is entered by the Maryland Insurance Administration (the “MIA”) against Ludwig J. Scott (“Ludwig”) and Porscha R. Scott (“Porscha”) (collectively, “Respondents”) 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. Respondents had an automobile insurance policy with United Services Automobile Association, (“USAA”) an authorized insurer, for a 2011 Cadillac. The policy was in effect from April 28, 2019 to September 8, 2019.

2. On May 16, 2019, Ludwig notified USAA that on May 15, 2019, he parked his insured Cadillac on the parking lot of his apartment building, and left it unattended. When he returned to his vehicle on May 16, 2019, he discovered that it had been damaged. USAA opened a claim. Respondents’ insured vehicle was inspected at a collision repair facility, which prepared a repair estimate. USAA issued Respondent Porscha a \$2,324.88 electronic payment on May 16, 2019, to repair the vehicle.

3. On May 17, 2019, a USAA representative spoke to the collision repair facility representative (the “Appraiser”) who inspected Respondents insured Cadillac and learned that the damaged area displayed visible signs of rust, and white paint. The appraiser noted that, in his opinion, something didn’t make sense. Consequently, USAA referred the claim to its Special Investigation Unit (“SIU”) for further investigation.

4. On May 17, 2019, a USAA representative conducted a recorded interview with Ludwig who reported that his vehicle was previously damaged, but that damage had been repaired.

5. On May 20, 2019, a USAA investigator examined prior claims made by Respondents and discovered a November, 2018, hit and run accident claim involving the insured Cadillac. The damage reported in the November, 2018, accident was to the same area of the vehicle as in the May, 2019, accident claim. The investigator compared the photographs of the damage in both claims and concluded the damages were exactly the same.

6. On May 23, 2019, a USAA investigator interviewed Respondent Porscha who reported that the insured Cadillac was not damaged prior to the May 16, 2019, hit and run accident. Porscha acknowledged making the November, 2018, hit and run accident claim to USAA. A USAA investigator explained that the damage in both claims was exactly the same, and it did not appear that the prior damage was repaired because of the “unique looking damage,” in both claims. Porscha stated that the prior damage was repaired, but she does not remember the name of the repair facility but would send it to USAA when she located it.

7. On June 3, 2019, USAA sent a letter to Respondents denying the May 16, 2019, claim for the following reasons:

On 5/16/19, Mr. Ludwig Scott contacted USAA to report right rear and quarter panel damage to the 2011 Cadillac SRC insured on your Maryland Auto policy. Mr. Scott stated he noticed the damages to the vehicle when he came home from work for

lunch. He advised the vehicle was parked at the front of the apartment complex, and there was no damage to the vehicle when he saw it the day prior.

USAA inspected your vehicle and noticed rust in the damaged area. A review of the vehicle's prior claim history shows similar damages were claimed in a loss that occurred on 11/8/18. For those damages you were paid \$1,585.49. A review of the photos from the 11/8/18 loss and this most recent loss show the damages being claimed are the same.

On 5/23/19, USAA contacted you to discuss both claims. You said the damages from 11/8/18 had been repaired. USAA requested you provide documentation to show the repairs, however as of this letter, no documentation has been submitted.

8. On June 25, 2019, a USAA representative contacted Porscha and explained USAA's decision to deny the claim.

9. On July 5, 2019, Porscha contacted USAA and requested to make monthly payments to return monies she received in the May 16, 2019 settlement.

10. 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 Respondents committed insurance fraud, referred the matter to the MIA, Fraud Division.

11. In the course of its investigation, the MIA contacted USAA and confirmed its handling of Respondents' claim.

12. An MIA investigator compared the photographs of the damage claimed in the November 8, 2018 loss with the photographs of the damage claimed in the May 16, 2019 loss, and confirmed that the damage was identical in both claims.

13. An MIA investigator confirmed that Respondents entered into a restitution agreement with USAA.

II. Violation(s)

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

15. **§ 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[.]

16. **§ 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.

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

III. Sanctions

18. 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.

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

20. Additionally, Respondents are ordered to reimburse USAA \$2,324.88, which is the amount they fraudulently obtained from USAA by making false statements in support of a claim.

21. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2019-4313A) and name (Ludwig Johannas Scott) and (Porscha Renee Scott). 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.

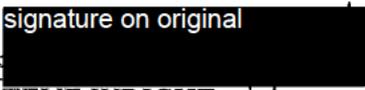
22. Notification of reimbursement to USAA shall be made in writing to the Associate Commissioner, Insurance Fraud Division, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21201. Such notification shall include a copy of the money order or cancelled check issued to USAA as proof of reimbursement and identify the case by number (R-2019-4313A) and names (Ludwig Johannas Scott and Porscha Renee Scott).

23. This Order does not preclude any potential or pending action by any other person, entity, or government authority regarding any conduct by Respondents, 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 15th day of January 2020, **ORDERED** that:

- (1) Ludwig Johannas Scott shall pay an administrative penalty of one thousand five hundred dollars (\$1,500.00) within 30 days of the date of this Order.
- (2) Porscha Renee Scott shall pay an administrative penalty of one thousand five hundred dollars (\$1,500.00) within 30 days of the date of this Order.
- (3) Ludwig Johannas Scott and Porscha Renee Scott shall pay restitution in the amount of \$2,324.88 to USAA, according to any agreed to terms previously made with USAA.

ALFRED W. REDMER, JR.
Insurance Commissioner

BY:  _____
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.