

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

v.

JEROME RICHARD VEST JR.
VEST CONTRACTING SOLUTIONS, LLC
2805 Water Edge Court
Bryans Road, Maryland 20616

BEFORE THE MARYLAND
INSURANCE COMMISSIONER

CASE NO. MIA-2020-04-043
Fraud Division File No. R-2019-4384A

ORDER

This Order is entered by the Maryland Insurance Administration (“MIA”) against Jerome Richard Vest Jr. (“Respondent”) 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. A “certificate of insurance” (“COI”) is a document that is “prepared or issued by an insurer or insurance producer as evidence of property insurance or casualty insurance coverage.” Insurance Article § 19-116(a)(3)(i). The COI is an important document in that it serves as evidence to customers, contractors or other third parties that the business has obtained insurance. The COI indicates that the business or individual named as the insured has the financial resources available to protect those who may come to harm through the insured’s negligence.

2. Section 19-116(g) of the Insurance Article states:

A person may not prepare or issue a certificate of insurance that the person knows contains false or misleading information or that purports to amend, alter, or extend the coverage provided by the policy of insurance referenced in the certificate.

3. On May 3, 2019, a representative for Patuxent Insurance Group, LLP (“Patuxent”), notified the MIA that a former client, Vest Contracting Solutions, LLC (“Vest, LLC”), owned by Jerome Vest (“Vest”), (together, “Respondents”), had been using altered Certificates of Insurance (“COI’s”) for approximately five years to obtain contracts, and rentals. The Patuxent representative provided the MIA with copies of two fraudulent COI’s in which she identified slight changes that had been made to the email addresses and phone numbers for Patuxent. One COI identified the certificate holder as The Children's Inn at NIH, Inc. (“NIH”) and the insurers as National Casualty Insurance Company, (“National”) and Scottsdale Insurance Company (“Scottsdale”); both are authorized insurers. That COI was dated June 28, 2017. The second COI identified the certificate holder as Enterprise RAC Company of Maryland, (“Enterprise”) and the insurers as National and Agency Insurance Company (“Agency”), also an authorized insurer. That COI was dated June 28, 2018.

4. Patuxent reported to the MIA that on December 22, 2014, Respondents applied to Patuxent for Worker’s Compensation Insurance through Chesapeake Employer’s Insurance Company (“Chesapeake”). The policy effective date would be January 1, 2015.

5. On December 31, 2014, Respondents issued an initial premium payment check to Chesapeake for \$1,371.00. A Patuxent representative issued a COI to Respondents for this policy.

6. On January 7, 2015, a Patuxent representative notified Respondents that the policy represented by this new COI had not gone into effect because the initial premium payment was short by \$7.00.00. Respondent Vest asked the Patuxent representative to hold off on issuing the policy because he was waiting to secure a job. He said that he would contact Patuxent when he was ready to finalize coverage.

7. On February 27, 2015, because Patuxent had not heard further from Respondent Vest, Patuxent returned his \$1,371.00 check, and confirmed to him that coverage had not been bound.

8. On March 29, 2019, a representative of NIH contacted Patuxent to request that it validate a COI that it had received from Vest. The COI identified Patuxent as the insurance producer. A Patuxent representative told NIH that COI was fraudulent and that the Respondents had never bound any insurance coverage through Patuxent.

9. May 2, 2019, a representative for Enterprise asked Patuxent to provide an updated COI because the COI it had on file was about to expire. Enterprise provided a copy of the COI that it had on file; it was dated June 28, 2018 and showed that Vest had commercial liability, automobile and umbrella insurance coverage through Patuxent with National and Agency insurance companies. Patuxent concluded the COI was false.

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.

On May 3, 2019, Patuxent, having a good faith belief that Respondent had committed insurance fraud, referred the matter to the MIA's Fraud Division. The Fraud Division commenced an investigation.

11. In the course of its investigation, the MIA contacted Patuxent and confirmed the facts surrounding Respondents' application for insurance as well as its handling of inquiries from Enterprise and NIH related to the COIs provided by Respondent Vest.

12. An MIA investigator confirmed through the Maryland State Department of Assessment and Taxation ("SDAT") that Respondent Vest Contracting Solutions is a business registered in Maryland. It has been out of good standing. Respondent Jerome Vest was identified as the resident agent.

13. On January 6, 2020, an MIA investigator contacted Enterprise and learned that it had done business with Respondents from August of 2018, to May of 2019. Respondent Vest had submitted to Enterprise as proof of insurance a COI which Enterprise later learned was fraudulent. In reliance on Respondents' COI, Enterprise had waived the cost for a Collision Damage Waiver and Business Travel Liability insurance.

14. On March 17, 2020, an MIA investigator interviewed a Patuxent representative. The representative stated that she had been contacted by Enterprise and NIH, both of which requested verification of COIs showing that Respondents had insurance coverage through Patuxent. The Patuxent representative confirmed that the COIs were invalid. Although Respondents had applied for insurance through Patuxent in December, 2014, the initial premium payment was not paid. The insurance coverage, therefore, never went into effect. The Patuxent representative further stated that the insurance policy numbers on the COI submitted to NIH are not consistent with policy numbers issued by National or Scottsdale.

15. On March 26, 2020, the MIA investigator contacted NIH. A representative confirmed that NIH was doing business with the Respondents. Also in March, 2020, she contacted Patuxent to authenticate Respondents' COI, and learned the COI was invalid.

16. An MIA investigator contacted Agency, Scottsdale and National Insurance Companies, all of which stated that they did not insure Respondents and that the COIs were invalid

II. Violation(s)

17. In addition to all other applicable sections of the Insurance Article, the Administration invokes the following sections in finding that the Respondents violated Maryland's insurance laws:

18. §27-406(5)

It is a fraudulent insurance act for a person:

(5) with intent to deceive, knowingly to exhibit a false account, document, or advertisement about the affairs of an insurer.

19. § 19-116(g)

A person may not prepare or issue a certificate of insurance that the person knows contains false or misleading information or that purports to amend, alter, or extend the coverage provided by the policy of insurance referenced in the certificate.

20 § 27-408(c)

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.

21. By engaging in the conduct described herein, Respondents have knowingly violated sections 19-116(g) and 27-406(5).

III. Sanctions

22. The facts and violations stated above justify the imposition of an administrative penalty against Respondents pursuant to § 27-408(c) of the Insurance Article.

23. Respondent Vest violated the Insurance Article when he presented fraudulent COIs to NIH and Enterprise, falsely stating that he had insurance coverage through Patuxent with National, Scottsdale and Agency insurance companies.

24. Having considered the factors set forth in § 27-408(c)(2), MIA has determined that \$12,000.00 is an appropriate penalty.

25. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2019-4384A) and name (Jerome Richard Vest Jr.). 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.

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 22nd day of April 2020, ORDERED that:

Jerome Richard Vest Jr. shall pay an administrative penalty of \$12,000.00 (twelve thousand dollars) 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.