

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

v.

STEPHANIE CHRISTINA SCHLEY
500 Sylvan Court
Frederick, Maryland 21703

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BEFORE THE MARYLAND
INSURANCE COMMISSIONER

CASE NO. : MIA- 2020 - 04 - 044
Fraud Division File No.: R-2019-4262A

ORDER

This Order is entered by the Maryland Insurance Administration (the "MIA") against Stephanie Christina Schley ("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. Respondent had an Accident insurance policy ("Accident Policy"), as well as a Hospital Confinement Indemnity insurance policy ("Hospital Policy") with American Family Life Assurance Company of Columbus ("AFLAC"), an authorized insurer. The policies provided benefits for Respondent and her dependents. On May, 21, 2015, Respondent signed the Hospital Policy application immediately after the following fraud warning:

Any person who knowingly or willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly or willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

2. Respondent submitted numerous claims to AFLAC, for treatment she and her dependents purportedly received between May 3, 2017 and March 5, 2018. The claim forms included fifteen for alleged treatments provided by Mid-Maryland Musculoskeletal Institute ("MMI"), and two for alleged treatments provided by Potomac Physicians ("Potomac"). Relying

on those claims as well as supporting documentation, ostensibly from the treatment facilities, AFLAC paid Respondent \$2,000.00 in benefits for twelve of those seventeen claims. Respondent signed each of the aforementioned claim forms immediately after the following fraud warning:

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime, and subjects such person to criminal and civil penalties. By signing this claim form, I verify the information above is accurate and correct.

3. On March 8, 2018, an AFLAC representative contacted MMI to verify treatment Respondent alleged she received on March 2, 2018, as well as treatment for one of Respondent's dependents on March 5, 2018. In response, the MMI representative advised that Respondent had not been a patient at MMI since May, 2017, and her dependent was last seen in February, 2018. Consequently, AFLAC referred Respondent's claims to its Special Investigation's Unit ("SIU") for further investigation.

4. On April 1, 2019, an AFLAC investigator examined Respondent's claims history. During her investigation, she contacted MMI and Potomac. The investigator sent each provider a spreadsheet containing dates Respondent and her dependents were reportedly treated, for which Respondent submitted claims. In response, representatives from MMI and Potomac identified dates wherein Respondent claimed to AFLAC she or her dependents had been treated when they were not. Therefore, the AFLAC investigator concluded that Respondent filed seventeen invalid claims on her Accident, and Hospital policies in order to gain financial benefits from Aflac.

5. On May 30, 2019, AFLAC sent Respondent a letter which stated:

During the course of the investigation, we were unable to validate information submitted in the claim(s). As a result, benefits were paid to you

erroneously. At this time, Aflac requests that the total amount of benefits you received in the amount of \$2,000.00, be paid back as soon as possible.

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.

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

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

8. On February 27, 2020, an MIA investigator contacted Potomac to authenticate claims Respondent submitted to AFLAC for treatment she claimed to have received at its facility. A representative confirmed, Respondent was not treated on two of the dates as she claimed to AFLAC.

9. On February 28, 2020, an MIA investigator requested that MMI authenticate the fifteen MMI treatment claims Respondent submitted to AFLAC for treatment she or her dependents reportedly received at MMI. An MMI representative examined the documents Respondent submitted to AFLAC as proof she or her dependents were treated at MMI. The representative reported to MIA that the documents were not valid as neither Respondent nor her dependents were treated at MMI on the dates reflected on the claims Respondent submitted to AFLAC.

10. On March 27, 2020, an MIA investigator sent Respondent documents highlighting the 17 claims wherein the named healthcare providers denied treating Respondent or her

dependents. In response, Respondent admitted to the MIA's investigator that she had in fact submitted false documents.

II. Violation(s)

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

12. **§ 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[.]

13. **§ 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.

14. By the conduct described herein, Respondent violated § 27-403. Respondent committed a violation of the Insurance Article when she submitted false documents to AFLAC. As such, Respondent is subject to administrative penalties pursuant to § 27-408(c) of the Insurance Article.

III. Sanctions

15. 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.

16. Having considered the factors set forth in § 27-408(c)(2), the MIA has determined that \$3,500.00 is an appropriate penalty.

17. Additionally, Respondent is ordered to reimburse AFLAC \$2,000.00, which is the amount she fraudulently obtained from AFLAC by submitting fraudulent claims.

18. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2019-4262A) and name (Stephanie Christina Schley). 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.

19. Notification of reimbursement to AFLAC shall be made in writing to the Associate Commissioner, Insurance Fraud Division, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202. Such notification shall include a copy of the money order or cancelled check issued to AFLAC as proof of reimbursement and identify the case by number (R-2019-4262A) and name, (Stephanie Christina Schley).

20. 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 22nd day of April 2020, ORDERED that:

(1) Stephanie Christina Schley shall pay an administrative penalty of \$3,500.00 (three thousand five hundred dollars) within 30 days of the date of this Order.

(2) Stephanie Christina Schley shall pay restitution in the amount of \$2000.00 (two thousand dollars) to AFLAC 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.