

IN THE MATTER OF THE  
MARYLAND INSURANCE  
ADMINISTRATION

v.

SHERRAH SHANNON SMITH  
3517 Maryvale Road  
Windsor Mill, Maryland 21244

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BEFORE THE MARYLAND  
INSURANCE COMMISSIONER

CASE NO.: MIA-2020-11-006

Fraud Division File No.: R-2020-2328A

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**ORDER**

This Order is issued by the Maryland Insurance Administration (“MIA”) against Sherrah Shannon Smith (“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 an automobile insurance policy she had with Liberty Mutual Insurance Company (“Liberty”), an authorized insurer, for a 2015 BMW. The policy was purchased on November 22, 2019, and was in effect from November 23, 2019, to November 23, 2020.

2. On November 30, 2019, Respondent notified Liberty that on November 29, 2019, she left her insured vehicle unattended. Upon her return, she discovered that an unknown vehicle struck her car and left the scene of the accident. Liberty opened a claim.

3. On December 10, 2019, Respondent submitted to Liberty photographs of her insured vehicle, depicting damage to the front bumper, grille and hood.

4. On December 12, 2019, in reliance on information provided by Respondent, Liberty completed a damage repair estimate and issued her a payment in the amount of \$1,144.52, to repair her vehicle.

5. On December 13, 2019, Liberty referred Respondent's claim to its Special Investigation Unit ("SIU"), after it discovered that Respondent's BMW was the subject of a November 22, 2019, claim (one day before Respondent's Liberty policy took effect). That claim was made under a Liberty insurance policy issued to Respondent's mother and step-father, wherein the BMW was being operated by a person other than Respondent (hereinafter, "AH"). The November 22, 2019, claim was denied because the 2015 BMW was not insured under her mother's and step-father's Liberty policy.

6. On December 17, 2019, a Liberty investigator conducted a recorded interview with Respondent. She identified AH as her "half-sister." Respondent denied that her vehicle was involved in an accident on November 22, 2019, and reiterated to Liberty's investigator that the hit and run accident occurred on November 29, 2019.

7. On December 17, 2019, a Liberty investigator obtained photographs of the damage to Respondent's, taken following the November 22, 2019 accident. The Liberty investigator noted that the photographs taken following the November 22, 2019 accident "appear to show the same front damage to the 2015 BMW as being claimed...in the 11/29 loss."

8. A Liberty investigator performed a Maryland judiciary case search for AH and discovered that AH was issued several traffic citations following a November 22, 2019 motor vehicle accident wherein she was operating the 2015 BMW.

9. On December 23, 2019, a Liberty investigator photographed the damage to Respondent's insured vehicle. Respondent reported to Liberty that the damage to her vehicle occurred on November 29, 2019. The Liberty investigator found the damage to be consistent with the November 22, 2019 claim.

10. On January 8, 2020, Liberty sent a letter to Respondent denying her claim, which stated, in pertinent part:

On 12/17/2019 you reported that damages were found on your vehicle on 11/29/2019 while parked and unoccupied. Through the investigation it was discovered that the insured 2015 BMW ... damages presented are from a loss that occurred on 11/22/2019.

And

Our investigation concluded that there was misrepresentation of the facts of loss by claiming damages from 11/22/2019 loss as new damages in the 11/29/2019 [sic] since policy inception was on 11/23/2019.

11. On February 11, 2020, Liberty sent a letter to Respondent, wherein it directed payment of restitution. The letter stated in part:

In a previous correspondence provided January 8, 2020, you were informed that coverage was not afford for this loss. Therefore, a refund is owed to [Liberty] ...Please send a check for \$1,144.52...

12. 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.

Liberty, having a good faith belief that Respondent committed insurance fraud, referred the matter to the MIA, Insurance Fraud Division, which opened an investigation.

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

14. On September 22, 2020 an MIA investigator contacted the operator (hereinafter "claimant") of the vehicle, which was struck by Respondent's insured 2015 BMW on November 22, 2019, he confirmed having an accident, wherein the BMW rear-ended his vehicle. Claimant

provided the MIA's investigator with photographs he took following the November 22, 2019 accident, which depicted the same damage as in the photographs Respondent submitted to Liberty, in her November 29, 2019 claim.

## II. Violation(s)

15. Based on the foregoing and considering all relevant sections of the Insurance Article, the MIA finds that Respondent violated the follow sections of the Maryland Insurance Article:

16. **§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[.]

17. **§ 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

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(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.

18. At the time Respondent reported the damage to her vehicle, Respondent was aware that the vehicle was damaged prior to the time the policy became effective. Such conduct violates § 27-403. A fraudulent insurance act of making false statements in support of a claim is complete upon making the false statements. Respondent committed violations of the Insurance Article when

she made false statements to Liberty. As such, Respondent is subject to an administrative penalty under the Insurance Article § 27-408(c).

### **III. Sanctions**

19. 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.

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

21. Respondent is ordered to reimburse Liberty \$1,144.52, which is the amount she fraudulently obtained when Liberty tendered payment in reliance on information provided by Respondent, later determined to be false.

22. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2020-2328A) and name (Sherrah Shannon Smith). 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.

23. Notification of reimbursement to Liberty 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 Liberty as proof of reimbursement and identify the case by number (R-2020-2328A) and name (Sherrah Shannon Smith).

24. 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 16<sup>th</sup> day of November 2020, **ORDERED** that:

(1) Sherrah Shannon Smith shall pay an administrative penalty of One thousand five hundred dollars (\$1,500.00) within 30 days of the date of this Order.

(2) Sherrah Shannon Smith shall pay restitution of \$1,144.52 to Liberty Mutual Insurance Company within 30 days of the date of this order.

KATHLEEN A. BIRRANE  
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.