

IN THE MATTER OF THE  
MARYLAND INSURANCE  
ADMINISTRATION

v.

EDWARD W. KRUSE  
19137 Brooke Grove Court  
Montgomery Village, Md. 20886

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BEFORE THE MARYLAND  
INSURANCE COMMISSIONER

CASE NO. : MIA- 2015 - 06 - 030

Fraud Division File No.: R-2015-3058A

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**ORDER**

This Order is entered by the Maryland Insurance Administration (“MIA”) against Edward W. Kruse (“Kruse” or “Respondent”) pursuant to §§2-108, 2-201, 2-204 and 2-405 of the Insurance Article, Md. Code Ann. (2011 Repl. Vol. & Supp.)(“the Insurance Article”).

**I. Fact**

1. Respondent applied for marine insurance with Boat U.S., an authorized insurer, for his 1974 Coronado sailboat (“Sea Kruser”), identification number CYNA00840174 (hereinafter, “vessel”). Within the application, Respondent answered “No” to the question, “Was this boat ever damaged?” On March 10, 2015, Respondent emailed photographs of the vessel to Boat U.S. as well as a Sound and Seaworthy statement, declaring the “vessel is in working order.”

2. Boat U.S. issued Respondent an insurance policy [REDACTED] for his vessel, which was in effect from March 12, 2015 through March 12, 2016.

3. On March 13, 2015, Respondent filed a claim with Boat U.S. and reported that on the same date, his vessel, which was docked at a marina in Solomons Island, Maryland, had submerged. Boat U.S. assigned claim # [REDACTED].

4. On March 14, 2015, as part of the claims handling process, a marine survey company inspected Respondent's vessel, and later prepared a claims damage report for Boat U.S. The surveyor's report noted that the date of loss was reported as March 13, 2015; however, according to marina personnel, the vessel was discovered "low in the water" on Tuesday March 10, 2015.

5. On March 17, 2015, a Boat U.S. claims agent referred the claim to its Special Investigations Unit (SIU) based upon preliminary information that the date of loss was prior to the policy inception.

6. On March 25, 2015, an investigator for Boat U.S. interviewed employees of the marina where Respondent's vessel was located at the time of loss. They informed him that Respondent's vessel had been discovered with "a great deal of water in it" on March 10, 2015. On the same day, a marina employee notified Respondent that his vessel had taken on water.

7. Section 27-802(a)(1) of the Maryland Insurance Article states, "An authorized insurer, its employees, or insurance producers, who in good faith have 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." Boat U.S., having a good faith belief that Respondent committed insurance fraud, referred the matter to the Maryland Insurance Administration, Fraud Division.

8. In the course of its investigation, MIA contacted Boat U.S. and confirmed its handling of Respondent's insurance application and subsequent claim.

9. MIA interviewed the marine surveyor who inspected Respondent's vessel for Boat U.S. He advised the actual date of loss was March 10, 2015, which he learned by speaking

with a marina employee who had discovered the vessel low in the water on that date. The surveyor documented his findings in his claims damage report.

10. On May 27, 2015, MIA interviewed the General Manager of the boatyard for the marina where Respondent docked his vessel. He advised that the yard manager discovered Respondent's vessel low in the water on March 10, 2015. On the same date, the General Manager spoke with Respondent via telephone, and advised him that his vessel had taken on water. He took photographs of the vessel and maintained notes of the incident, both of which he provided to MIA, along with an invoice dated March 10, 2015, for pumping water out of the vessel.

11. On May 27, 2015, MIA interviewed the Yard Manager. He reported discovering Respondent's vessel low in the water on March 10, 2015. He boarded the vessel and observed water up to the seat cushions.

## **II. Violation(s)**

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

13. **§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.

14. **§27-406**

It is a fraudulent insurance act for a person:

(1) to knowingly or willfully to make a false or fraudulent statement or representation in or with reference to an application for insurance.

15. §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.

16. By the conduct described herein, Respondent violated §§27-403 and 27-406, when he completed an insurance application, and falsely declared that his vessel was not damaged, and was in working order. Subsequently, Respondent filed a claim, alleging the loss occurred after the policy was bound, when the loss actually occurred days prior. Therefore, Respondent is subject to the imposition of an administrative penalty under the Insurance Article.

### III. Sanctions

17. 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.

18. Having considered the factors set forth in §27-408(c)(2) and COMAR 31.02.04.02, MIA has determined that \$3,000.00 is an appropriate penalty.

19. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2015-3058A) and name (Edward W. Kruse). Unpaid penalties will be referred to the Central Collections Unit for collection. 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.

20. 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 11<sup>th</sup> day of June 2015, **ORDERED** that:

(1) Edward W. Kruse pay an administrative penalty of \$3,000.00 within 30 days of the date of this Order.

ALFRED W. REDMER, JR.  
Insurance Commissioner

signature on original

BY:

CAROLYN HENNEMAN  
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 issued. The written request for hearing must be addressed to the Maryland Insurance Administration, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202, Attn: Hearings and Appeals Coordinator. 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.