

IN THE MATTER OF THE

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**MARYLAND INSURANCE
ADMINISTRATION**

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v.

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CASE NO. MIA-2023-07-016

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**24-7 Design/Build
8349 Montgomery Run Road Suite C
Ellicott City, MD 21143**

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CASE NO. MIA-2023-07-017

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And

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**BRUCE LANE ROSE
Resident Agent / Owner
8349 Montgomery Road Suite C
Ellicott City, MD 21143**

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Fraud Division File No. R-2023-3944A

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ORDER

This Order is issued by the Maryland Insurance Administration (the “MIA”) against Bruce Lane Rose ("Rose") and 24-7 Design/Build, LLC (“Design/Build”) (collectively "Respondents") pursuant to Md. Code Ann., Ins. Art. §§ 2-108, 2-201, 2-204 and 2-405 (2017 Repl. Vol. & Supp.) for the violations of the Maryland Insurance Article identified and described.¹

I. RELEVANT MATERIAL FACTS

1. Insurance is a form of risk financing that may be required as evidence of financial responsibility in order to engage in certain activities.

2. 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.” § 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

¹ Unless otherwise indicated, all statutory references in this Order are to the Insurance Article of the Maryland Code.

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.

3. Section 19-116(g) 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.

4. Design/Build is a Maryland limited liability company formed in 2007. Rose is the owner and resident agent. Its principal place of business is in Ellicott City, Maryland. Design/Build's authority to conduct business in the State is currently active and in good standing with the Maryland Department of Assessment and Taxation ("SDAT").

5. On June 21, 2022, a Maryland resident (hereinafter "K.C.") entered into a contract with Design/Build to do renovation work to his home. The work began on or about July 7, 2022. The renovations did not go as expected. Consequently, K.C. terminated his contract with Design/Build. K.C. asked Rose for a copy of Design/Build's COI. The document proffered to K.C. as a COI by Rose identified certain coverages allegedly procured for Design/Build by Yates Insurance, Inc. ("Yates"), a Maryland licensed insurance producer agency. The insurance producer was identified as Rodney Yates, Jr. ("Yates, Jr."). The COI was dated August 19, 2021, and reflected that Design/Build had the following active insurance coverages:

- General liability coverage, policy number ***6845 issued by Firstline Insurance Company ("Firstline"), identified as insurer "A," in effect from March 1, 2022 to March 1, 2023;
- Automobile liability coverage, policy number ***6938 issued by Harford Mutual Insurance Company ("Harford"), identified as insurer "B," in effect from March 1, 2022 to March 1, 2023;
- Umbrella liability coverage, policy number ***9493 issued by Harford, identified as insurer "B," in effect from March 1, 2022 to March 1, 2023;

- Workers compensation (“WC”) and employers’ liability insurance coverage policy number WCV***2727 issued by Accident Fund Insurance Company of America (“AF Group”), identified as insurer “C,” in effect from March 1, 2022 to March 1, 2023.

6. K.C. contacted Yates and provided it with a copy of Design/Build's purported COI. In response, Yates, Jr. replied:

To follow up on our conversation on Thursday 8/28/22 thank you for calling to verify the authenticity of the certificate of Insurance. I have confirmed this certificate was altered and therefore it is not valid. We have reported this incident to the insurance carriers [Firstline, Harford, and AF Group] and they are completing an investigation into the matter.

7. Section 27-802(a)(1) of the 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.

8. On May 22, 2023, an AF Group representative having a good faith belief that a fraudulent COI was presented to a Maryland consumer, notified the MIA Insurance Fraud and Producer Enforcement Division, which opened an investigation.

The MIA Investigation

9. An MIA investigator interviewed Yates, Jr. who confirmed that the COI Design/Build provided to K.C. had been altered. Design/Build did not have any of the aforementioned insurance coverages through Yates as reflected on the fraudulent COI. When Yates Jr. was contacted by K.C., he examined the purported COI and believed it to be a copy of a COI issued to one of his clients, hereinafter “B & S Electric,” which had been altered to falsely identify Design/Build as the insured.

10. On June 30, 2023, an MIA investigator interviewed K.C. who reported that he hired Design/Build to perform renovations at his home. Design/Build inadvertently knocked down a

wall, exposing gas pipes. K.C. notified the county building inspector who advised that the issue was a violation of the building code. Due to its negligence, K.C. terminated his contract with Design/Build. K.C. asked Rose for a copy of Design/Build's COI. Rose provided K.C. with the COI described in paragraph 5 *supra*.

11. In an effort to authenticate the COI, K.C. contacted Yates and learned that the COI Rose presented to him was fraudulent. The insurance policies listed on the COI were actually policies issued through Yates to B & S Electric. K.C. recognized the electric company as a company subcontracted by Rose to perform electrical work at K.C.'s home. K.C. reported that he paid Rose approximately \$89,000.00 for renovations. Due to Design/Build's negligence, K.C. incurred approximately another \$20,000.00 in unexpected expenses.

12. On June 26, 2023, an MIA investigator interviewed the Managing Partner for B & S Electric, hereinafter "J.S." J.S. was aware of the issue surrounding the Design/Build fraudulent COI. J.S. reported that B & S Electric has used Yates for several years for its insurance needs. B & S Electric was contracted by Rose to perform work at K.C.'s home. Design/Build has previously subcontracted with B & S Electric, and Rose was previously provided with a B & S Electric COI. J.S. examined the COI Rose provided to K.C. and concluded that it was a COI B & S Electric provided to Rose in August of 2021. The COI had been altered to falsely reflect that Design/Build was the insured, and not B & S Electric. J.S. advised that he spoke with Rose about the altered COI, and advised Rose that his actions were "stupid, and unprofessional."

13. An MIA investigator interviewed representatives of Firstline, Harford and AF Group, who confirmed the policies listed on the fraudulent COI described in paragraph 5, *supra*, were policies previously issued to B & S Electric, and not Design/Build. Each of those policies expired in 2021, not 2023, as reflected on the fraudulent COI.

14. On July 10, 2023, an MIA investigator interviewed Rose who admitted to altering information on a COI and providing it to K.C. as proof that Design/Build had requisite insurance. Rose stated that he accepts full responsibility for his actions. Rose reported that he actually had insurance at the time, and would provide evidence of such to the MIA investigator; however, Rose has failed to provide such evidence.

II. VIOLATIONS

15. In addition to all relevant sections of the Insurance Article, the MIA relies on the following pertinent sections of the Insurance Article, which apply to acts and omissions of the Respondents in the State:²

§ 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.

§ 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.

§ 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;

² The failure to designate a particular provision in this proposed Order does not deprive the Commissioner of the right to rely on that provision.

- (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 engaging in the conduct described herein, Respondents knowingly violated §§ 19-116(g) and 27-406(5) of the Insurance Article, and are therefore subject to the imposition of an administrative penalty in accordance with § 27-408(c).

III. SANCTIONS

17. Respondents knowingly submitted a fraudulent COI which falsely reflected that Design/Build had commercial general liability insurance coverage with Firstline from March 1, 2022, to March 1, 2023; had automobile liability insurance coverage with Harford from March 1, 2022, to March 1, 2023; had umbrella liability insurance coverage with Harford from March 1, 2022, to March 1, 2023; and had workers compensation and employers' liability insurance coverage with AF Group from March 1, 2022, to March 1, 2023, when it did not actually have those coverages.

18. Having considered the factors set forth in § 27-408(c)(2), the MIA has determined that \$4,000.00 is an appropriate penalty to be paid jointly and severally by Design/Build and Rose.

19. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2023-3944A) and name (Design/Build - Rose). Payment of the administrative penalty shall be sent to the attention of: Joseph Smith, Acting Associate Commissioner, Insurance Fraud and Producer Enforcement Division, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202. Unpaid penalties will be referred to the Central Collections Unit for collection.

20. This Order does not preclude any potential or pending action by any other person, entity, or government authority, regarding any conduct by the 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 25th day of July 2023, **ORDERED** that:

Design/Build, LLC and Bruce Lane Rose shall jointly and severally pay an administrative penalty of Four Thousand Dollars (\$4,000.00) within 30 days of the date of this Order.

KATHLEEN A. BIRRANE
Insurance Commissioner

BY: **signature on original** _____
JOSEPH E. SMITH
Acting Associate Commissioner
Insurance Fraud & Producer Enforcement 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.