

**IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION**

v.

**CHELSEA NICOLE JONES
aka CHELSEA SMITH
4631 Harrier Way
Belcamp, MD 21017**

CASE NO. : MIA-2023-11-001

Fraud Division File No.: R-2023-1639A

ORDER

This Order is issued by the Maryland Insurance Administration (the “MIA”) against Chelsea Nicole Jones (“Respondent”) 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. The Respondent had an automobile insurance policy issued by United Services Automobile Association (“USAA”), an authorized insurer, for her 2018 Infiniti. The policy was in effect from July 7, 2022, until September 25, 2022, when USAA cancelled the policy due to the Respondent’s failure to pay her insurance premium.

2. Prior to canceling the policy, on September 10, 2022, USAA sent a notice to the Respondent telling her that USAA had not received her premium payment, and that, the policy would be canceled if payment were not received no later than September 25, 2022. Respondent did not make the required payment by that date. On September 25, 2022, USAA cancelled Respondent’s policy.

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

3. On October 31, 2022, a person (hereinafter “S.V.”²) who had automobile insurance with the Government Employees Insurance Company (“GEICO”), an authorized insurer, notified USAA that earlier that day, she had been involved in an automobile accident with the Respondent, who was operating her 2018 Infiniti. USAA advised S.V. that Respondent’s USAA policy was no longer in effect; USAA therefore denied the claim.

4. S.V. notified GEICO that she had been involved in an automobile accident with the Respondent. GEICO opened a claim. S.V. reported that while at the accident scene, the Respondent displayed her driver’s license, as well as an automobile insurance card, which S.V. photographed. The insurance card indicated that Respondent had an in-force automobile insurance policy issued by USAA. S.V. provided a copy of Respondent’s driver’s license and USAA policy information to GEICO. S.V. told GEICO that Respondent’s USAA policy was not in effect on October 31, 2022; she was unable to file a claim with USAA.

5. On November 3, 2022, Respondent applied for automobile insurance for her 2018 Infiniti with National General Insurance (“NGI”), an authorized insurer. Within Respondent’s NGI insurance application, Respondent answered “No” to the question, [has any driver had] “Any accidents or minor violations in the last 3 years?” The Respondent electronically signed the NGI application, which contained the following fraud warning:

It is a crime to knowingly provide false, incomplete, or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines, and denial of insurance benefits. 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 material information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

² The MIA uses initials to identify consumers and to protect their privacy.

6. Relying on information provided by Respondent on application, NGI issued an automobile insurance policy to Respondent that covered her 2018 Infiniti.
7. On November 8, 2022, the Respondent notified NGI that earlier that day, a vehicle “ran the light and struck the driver side of” her 2018 Infiniti. NGI opened a claim.
8. On November 10, 2022, because Respondent’s claim was made within fifteen days of the effective date of her NGI insurance policy, NGI referred Respondent’s claim to its Special Investigations Unit (“SIU”) for further investigation.
9. On November 11, 2022, an NGI representative learned that Respondent previously had a USAA insurance policy, which was canceled on September 25, 2022.
10. On November 14, 2022, an NGI investigator photographed the damage to Respondent’s 2018 Infiniti that she alleged had occurred on November 8, 2022.
11. On November 15, 2022, an NGI investigator interviewed the Respondent who reported that on November 8, 2022, she was at a traffic light in Baltimore City, Maryland, when another vehicle went through a red light, struck her vehicle and fled the scene. The Respondent confirmed that her USAA insurance policy lapsed on September 25, 2022. She claimed that she did not know it had lapsed until October 19, 2022, when she was notified by the Maryland Motor Vehicle Administration (“MVA”). The Respondent denied having a motor vehicle accident before obtaining the NGI insurance policy.
12. November 16, 2022, an NGI investigator performed an Insurance Services Office (“ISO”) search for Respondent. That search revealed the October 31, 2022 accident involving Respondent and S.V. The NGI investigator contacted an investigator for USAA, who said that USAA had received reports of two motor vehicle accidents involving Respondent, both of which occurred

after Respondent's USAA policy had been canceled. The accident dates were October 14, 2022, and October 31, 2022.

13. On November 16, 2022, the NGI investigator interviewed S.V. who confirmed that on October 31, 2022 Respondent was operating a 2018 Infiniti when she struck S.V's vehicle. She further confirmed that Respondent had presented her driver's license and insurance card, which S.V. photographed. The insurance card reflected that Respondent had an in-force automobile insurance policy with USAA. S.V. provided the photographs of Respondent's driver's license and insurance card to the NGI investigator.

14. On November 16, 2022, an NGI investigator interviewed Respondent, who denied having an accident on October 31, 2022. The Respondent said that she had not left her home that day.

15. On November 17, 2022, NGI sent Respondent a letter denying her claim, which stated, in pertinent part,:

We have completed our investigation of this matter and have also reviewed the applicable policy information. We have concluded that the policy issued to CHELSEA JONES, *** was not in effect at the time of the 10/31/2022 [*sic*]. Policy was not in effect when the loss occurred.. [*sic*] Therefore, *** hereby disclaims and denies any and all coverage or obligations to you...

16. 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.

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

17. As part of the investigation, an MIA investigator confirmed that Respondent's USAA insurance policy had been canceled on September 25, 2022 because the Respondent failed to pay her insurance premium. He also confirmed that on November 3, 2022, Respondent applied for

automobile insurance with NGI. In response to a question on the NGI application that asked whether any driver had had any accidents or minor violations in the previous 3 years, Respondent answered “No.”

18. On August 31, 2023, an MIA investigator interviewed S.V., who said that on October 31, 2022, Respondent, while operating her 2018 Infiniti, struck S.V.’s vehicle. Following the accident, Respondent displayed an image of her driver’s license and a USAA insurance card. The photograph on the driver’s license appeared to be the same person who was driving the Infiniti. S.V. attempted to submit a claim to USAA, but was told that Respondent’s USAA policy was no longer in effect.

19. S.V. was shown photographs that had been taken by NGI on November 14, 2022 of the damage to Respondent’s 2018 Infiniti, She said that it appeared to be the same damage to Respondent’s Infiniti that she observed following the October 31, 2022 accident.

20. An MIA investigator interviewed a USAA investigator who said that USAA received reports that Respondent had been involved in two accidents since her USAA policy was cancelled. One accident that reportedly occurred on October 14, 2022, involved a vehicle insured by State Farm Insurance Company (“State Farm”). An attorney representing the Respondent attempted to submit a claim to USAA. The second accident on October 31, 2022 was the one reported by S.V. USAA denied both claims as Respondent’s USAA policy had been canceled on September 25, 2022.

21. An MIA investigator contacted State Farm, which confirmed that it had received a claim, stemming from an October 14, 2022 accident involving Respondent and one of its insured drivers.

22. An MIA investigator examined Respondent’s November 3, 2022 NGI insurance application and confirmed that despite having been involved in accidents on October 14 and 31,

2022, Respondent denied having any accidents or auto damage claims within the previous 3 years.

The application included Respondent's electronic signature.

II. MARYLAND INSURANCE LAWS:

23. The following provisions of the Maryland Insurance Article apply to acts and omissions of the Respondents in the State.³

§ 27-403 says:

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.

§27-406 says:

It is a fraudulent insurance act for a person:

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

§ 27-408(c) says:

(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

³ The failure to designate a particular provision in this proposed Order does not deprive the Commissioner of the right to rely on that provision. The Order also does not contain references to regulations contained in Title 31 (Maryland Insurance Administration) of the Code of Maryland Regulations (COMAR), which may be applicable.

(iv) any other matter that the Commissioner considers appropriate and relevant.

24. By engaging in the conduct described herein, Respondent knowingly violated §§ 27-403 and 27-406 of the Insurance Article. Respondent provided false information on her NGI insurance application when she denied having any accidents within the previous three years. Respondent falsely reported to NGI that she had an accident on November 8, 2022. Respondent falsely denied having an accident on October 31, 2022. The fraudulent insurance act of making a false statement in support of a claim is complete upon making the false statement and is not dependent on payment being made. Respondent committed violations of the Insurance Article when she submitted a false application for insurance to NGI, and when she made false statements to NGI in support of her claim submission. Respondent is, therefore, subject to an administrative penalty under the § 27-408(c).

III. SANCTIONS:

25. Insurance fraud is a serious violation, harmful to consumers because the losses experienced by insurance companies are passed on to consumers in the form of higher premiums. As authorized by §§ 2-210(d)(1) and 2-405 of the Insurance Article, the Commissioner has the authority to investigate complaints alleging that a fraudulent claim has been submitted to an insurer.

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

27. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2023-1639A) and name (Chelsea Nicole Jones). Payment of the administrative penalty shall be sent to the attention of: Acting Associate Commissioner, Joseph E. Smith, Insurance Fraud and Enforcement Division, 200 St. Paul Place, Suite 2700,

Baltimore, Maryland 21202. Unpaid penalties will be referred to the Central Collections Unit for collection.

28. 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 1st day of November 2023, **ORDERED** that:

Chelsea Nicole Jones shall pay an administrative penalty of Two-Thousand Dollars (\$2,000.00) 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 & 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: Clerk – Office of Hearings. 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.