

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

v.
SACHITA BASTOLA
612 Providence Road
Towson, Maryland 21286

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BEFORE THE MARYLAND
INSURANCE COMMISSIONER

CASE NO. : MIA-2020-06-017
Fraud Division File No.: R-2019-4475A

ORDER

This Order is entered by the Maryland Insurance Administration (“MIA”) against Sachita Bastola (“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 a homeowner’s insurance policy she had with Travelers Insurance Company (“Travelers”), an authorized insurer, for her house at 612 Providence Road, Towson, Maryland. The policy was in effect from December 31, 2016 until December 31, 2017.
2. On December 29, 2017, a person who identified herself as Respondent’s sister notified Travelers that Respondent was out of town; therefore, on behalf of the Respondent, she reported that a pipe broke at her sister’s home, and caused a water leak, resulting in property damage. Travelers opened a claim.
3. On January 3, 2018, a Travelers’ representative inspected Respondent’s home and subsequently completed a repair and restoration estimate.

4. On March 6, 2018, Respondent sent the following email to Travelers:

Your estimate is way off track and not happy with it when we are already delayed. Please find 2 estimates one from your vendor and one from ours. One is \$84K and another is \$57K just for Dwelling. The estimate is based on what we agreed when you walked together with us. If that is your stand, we will hire public adjuster as we both don't have time and patience to deal with this anymore.

Attached to Respondent's email was an estimate from a contractor, (hereinafter "TC") dated February 19, 2018.

5. On March 19, 2018, Respondent hired Landmark Public Adjusters ("Landmark"), to assist with her Travelers' insurance claim.

6. On April 26, 2018, Travelers along with Landmark, conducted another inspection of the damage to Respondent's home, and completed another repair and restoration estimate.

7. On October 15, 2018, a Travelers' representative asked the Landmark public adjuster whether Respondent hired a contractor to repair her home, and if she did, to forward the contractor's quote, as well as Respondent's signed contract.

8. On February 27, 2019, Landmark sent an email to Travelers, wherein Landmark included Respondent as a recipient. Attached to the email was, among other things an unsigned construction proposal, purportedly prepared by a Baltimore construction company (hereinafter "KCC"), wherein, repair work to Respondent's home was itemized, totaling \$127,756.73. A Travelers' representative noted that the proposal appeared to be altered, and made a referral to Travelers' Special Investigations Unit ("SIU") for further investigation.

9. On March 21, 2019, a Travelers' representative sent an email to Landmark, wherein, he requested a signed copy of the KCC proposal, and asked whether Respondent paid

KCC. On March 28, 2019, the Travelers' representative sent an email to Landmark, requesting a signed copy of KCC's proposal.

10. On May 13, 2019, and June 6, 2019, a Travelers' investigator interviewed the owner of KCC. The owner denied preparing the \$127,256.23 proposal and stated that he prepared a \$40,000.00 estimate, to repair areas of Respondent's home which sustained water damage. He prepared an estimate for \$15,000.00 for additional work to Respondent's home, unrelated to the water damage. The owner of KCC advised that Respondent sent him an \$84,666.19 estimate, from TC, and asked if he would rewrite his contract, to be more in line with that amount. Respondent provided him with an \$86,993.47 repair estimate, which identified KCC as the contractor. Respondent asked him to sign it, which he refused to do. Respondent told the contractor that she prepared the \$86,993.47 estimate, and that any monies she received over what she owed KCC would be money for herself and her husband.

11. Travelers scheduled a July 10, 2019, examination under oath ("EUO") with Respondent, who failed to participate.

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.

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

13. During the course of its investigation, the MIA investigator contacted Travelers and confirmed the facts regarding its handling of Respondent's claim.

14. An MIA investigator compared the \$86,993.47 estimate; the KCC representative stated was sent to him by Respondent with the \$127,756.73 proposal, submitted by Respondent, through Landmark. Both estimates were identical in structure and formatting. The differences included an additional \$7,000.00 charge for basement repairs and another \$7,000.00 for repairs to the sitting room, along with a \$26,763.26 profit and overhead charge, which were added to the \$127,756.73 proposal, but excluded from the \$86,993.47 proposal.

15. On April 16 and 17, 2020, an MIA investigator interviewed the owner of KCC who reported that he provided Respondent with a \$40,000.00 estimate. Respondent provided him with an \$84,666.19 estimate, issued by another contractor, and asked him to increase the amount of his estimate to be a little higher than the other contractor's estimate. He refused. Respondent gave the owner of KCC an \$86,993.47 estimate, on which KCC was the named contractor, although it was not issued by KCC. Respondent asked him to sign that estimate, so she could keep any insurance money beyond what he had actually charged. Again, he refused. Travelers presented him with a \$127,756.73 proposal, which identified KCC as the contractor. The owner advised that he did not prepare that proposal and that it was fraudulent. The contractor reported that Respondent, her husband, as well as an insurance adjuster, who identified himself as Randy, from Landmark came to his home; but he refused to speak with them.

16. On May 1, 2020, KCC's owner provided the MIA investigator with the email sent to him by Respondent on December 5, 2018, wherein, Respondent sent him the estimate for \$86,993.47, which named KCC as the contractor, although it was not prepared by KCC.

17. On May 5, 2020, the owner of KCC provided the MIA investigator with a copy of the actual contract, which he provided to Respondent, to perform repair and restoration work, for \$40,000.00 and additional work for \$15,000.00, totaling, \$55,000.00.

II. Violation(s)

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

19. **§ 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.

20. **§ 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.

21. By the conduct described herein, Respondent knowingly violated § 27-403. A 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 a violation of the Insurance Article when she made a false statement to Travelers. As such, Respondent is subject to an administrative penalty under the Insurance Article § 27-408(c).

III. Sanctions

22. 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. Pursuant to §§ 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.

23. Having considered the factors set forth in § 27-408(c)(2) the MIA has determined that a fine of \$4,000.00 is an appropriate penalty.

24. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2020-4475A) and name (Sachita Bastola). 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.

25. 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 11th day of June 2020, ORDERED that:

Sachita Bastola shall 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
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.