

2. SCK is an incorporated business with its principal office in West River, Maryland. Stefanos Kalivas is the resident agent of SCK and Sara Kalivas is the Chief Financial Officer (“CFO”). SCK is licensed as a home improvement "contractor/salesman" with the Maryland Home Improvement Commission (“MHIC”) (License No. 126505). Respondents are not now, and have never been, licensed to act as public adjusters in Maryland.

3. In October, 2019, a homeowner whose home was insured by Erie Insurance Company (“Erie”), an authorized insurer, noticed that the roof of his home was damaged. The homeowner contacted SCK. An SCK representative performed an inspection of the homeowner’s residence, concluded that there was storm damage, and recommended to the homeowner that he make a claim for the cost of repairs under his policy with Erie.

4. On October 26, 2019, SCK entered into a contract with the homeowner to repair the damage to the insured residence (the “SCK Contract”). In pertinent part, the SCK Contract provided:

I/We agree to retain SCK Contractors LLC to represent me/us in obtaining my/our insurance company’s approval to do the replacement of....and/or repairs to the property listed above. SCK Contractors LLC is empowered to contact my/our insurance carrier and meet with their adjuster/representative to discuss damage and replacement work to be done to the property listed above in order to negotiate the payment/amount of damage to the property. Upon the insurance carrier and SCK Contractors LLC’s agreement.... SCK Contractors LLC may begin work on the above listed property... I/we agree for my/our insurance company to pay SCK Contractors LLC for the cost of repairs or replacement...I/we hereby give SCK Contractors LLC permission to work directly with my/our insurance carrier and receive confidential documents i.e. estimates regarding any adjustments (supplemental, etc.) necessary to my insurance claim...I/we the insured authorize the named, “SCK Contractors LLC” to be included as a co-pay on all checks/drafts pertaining to this loss as is related to this claim...The undersigned, hereinafter referred to as the “Client(s)”, and SCK Contractors LLC....assign and set over unto SCK, all of the right, title and interest of the undersigned Client(s) in and to those certain insurance claim(s) made by: (homeowner)...including but not limited to any and all insurance proceeds owed under Claim Number:_____...Client(s) agrees to cooperate with SCK to have those insurance proceeds released to or made payable to SCK.

5. On November 5, 2019, the homeowner notified Erie of the storm damage. Erie opened a claim (the “Erie Claim”).

6. On November 15, 2019, CFO Kalivas emailed the SCK Contract and SCK's estimate of the cost of repairs to the insured home (the "SCK Estimate") to Erie. The SCK Estimate identified CFO Kalivas as the "Claim Rep."

7. On December 18, 2019, Kalivas contacted Erie on behalf of the insured and requested that Erie email claim documents to her. Erie replied that it was unable to provide documents related to the Erie Claim with CFO Kalivas, but sent the requested documents directly to its insured.

8. On December 19, 2019, Kalivas replied to Erie's email, stating that she was the insured's licensed PA and that her license number was listed on the SCK Estimate. On December 19 and 21, 2019, Kalivas sent additional emails to Erie repeating her request that Erie provide her with copies of documents relating to the Erie Claim.

9. On January 2, 2020, an Erie representative advised CFO Kalivas that Erie was unable to confirm her status as a licensed PA; therefore, it was unable to provide her with details of the Erie Claim investigation. In response, CFO Kalivas made the following statements to Erie via email:

- "Representation [sic] is thru SCK Contractors, the hired General Contractor from Mr.(Homeowner). I'm the license [sic] PA handling this claim on their behalf."
- "We provided the contract with SCK Contractors for Mr. (Homeowner) giving authorization to communicate on behalf of him to his carrier."
- "We would like the client to have his required claim handled and closed as soon as we can limiting anymore delay then [sic] it has been for him."
- "The contract is with SCK Contractors LLC. I am the CFO of SCK Contractors LLC as well as I carry license as a PA for all of SCK Contractors LLC insurance claims we handle with Homeowners."
- "I provided originally the contract signed by Mr. [homeowner] giving SCK Contractors the permission to communicate and receive documentation regarding the claim."
- "My All Lines Public Adjuster license # 2****59"

10. On January 2, 2020, an Erie representative advised CFO Kalivas that Erie would communicate directly with the insured, because Erie could not confirm her status as a licensed PA. Erie suggested that CFO Kalivas submit a copy of her actual PA license. In response, CFO Kalivas emailed to Erie a copy of that document that she represented to be the public adjuster's license that authorized her to act as a public adjuster in Maryland.

11. The document that CFO Kalivas provided was titled "Adjuster – Designated Home State Texas," with the subheading, "Adjuster – All Lines Designated Texas." The document appeared to be issued by the State of Texas on November 6, 2019. The license number was listed as 2****59.

12. CFO Kalivas informed Erie that the license "carries over certain state lines that have no regulation on who can perform any type of adjusting duties...Maryland is one of those non regulated states." CFO Kalivas ended her email to Erie's representative by once again requesting the claim documents.

13. On January 10, 2020, Erie referred this matter to its Special Investigations Unit ("SIU") for further investigation, because it suspected that CFO Kalivas was representing herself as a PA in Maryland without the requisite Maryland license.

14. Section 27-802(a)(1) of the Maryland Insurance Article states,

An authorized insurer, its employees, fund producers, 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.

Having a good faith belief that Respondents were acting as unlicensed PA's, in violation of § 27-405 of the Insurance Article, Erie made a referral to the MIA.

15. Respondent's license displayed the seal of the Texas Department of Insurance with the title, "Adjuster – Designated Home State Texas" with the subtitle, "Adjuster – All Lines Designated Texas – Sara Kalivas" license number 2****59.

16. An MIA investigator examined the SCK Estimate that was sent to Erie on November 15, 2019. The estimate identified CFO Kalivas as the “Claim Rep” and listed SCK's Maryland Home Improvement Commission license number. The Estimate did not reflect a PA license number.

17. An MIA investigator examined the document submitted by CFO Kalivas to Erie as a public adjuster’s license allegedly authorizing her to act as a public adjuster in Maryland. Respondent’s license displayed the seal of the Texas Department of Insurance with the title, “Adjuster – Designated Home State Texas” with the subtitle, “Adjuster – All Lines Designated Texas – Sara Kalivas” license number 2****59.

18. On April 26, 2021, an MIA investigator contacted the Texas Department of Insurance (“TDI”), which verified that TDI had issued a designated home state – all lines adjuster license to CFO Kalivas.

19. The license issued to CFO Kalivas was issued pursuant to § 4101.001- 4101.062 of the Texas Insurance Code (“TIC”), which allows individuals to become licensed as an “adjuster” and to designate Texas as the individual’s “home state” regardless of their actual place of residence. The designated home state (DHS) license issued to CFO Kalivas authorized her to act as an insurance adjuster *in Texas*. The applicable sections of TIC define an insurance adjuster as a person performing services on behalf of an insurance company. Because some states (including Maryland) do not require a person adjusting claims on behalf of the insurance company (or its affiliates and independent contractors) to be licensed, individuals in those states can obtain a DHS license in Texas, that will enable the individual to secure non-resident licenses in all other states that have enacted reciprocity provisions for insurance adjuster licensing. However, because Maryland does not require a person to be licensed to adjust claims on behalf on an insurance company in Maryland, the DHS license issued to CFO Kalivas had no legal significance and provided CFO Kalivas with no authority in Maryland.

20. Further, the DHS license issued to CFO Kalivas did not authorize her to act as a *public adjuster* in Texas or in Maryland. TIC defines a person who performs those acts identified in Md. Code Ann.,

Insurance § 10-403(a) as a “public insurance adjuster.” TIC § 4102.001(3). Public insurance adjusters are subject to licensure under §§ 4102.001 – 4102.201 of TIC. The Texas public insurance adjuster licensing laws do not include a designated home state option. Only residents of Texas are eligible to obtain a resident public insurance adjuster license from TDI. TDI confirmed to the MIA that CFO Kalivas was *not* licensed as a public insurance adjuster in Texas.

21. On May 10, 2021, an MIA investigator interviewed the Erie claim adjuster who had handled the Erie Claim (hereinafter, “J.H.¹”). J.H. reported that the primary reason for referring the claim to SIU was CFO Kalivas’ repeated demands for claim documents and her assertion that she was a licensed PA, which Erie could not confirm.

22. On May 19, 2021, an MIA investigator interviewed CFO Kalivas, who stated that the Erie Claim was the first job for which SCK used the contract containing the language, quoted in paragraph 4 of this Order; the home improvement job was one of its first involving an insurance claim, therefore, CFO Kalivas obtained her Texas Adjusters License, which was issued to her on November 6, 2019. SCK created the aforementioned contract around the same time as she obtained the Texas license. CFO Kalivas reported that she thought she needed the license for any home improvement projects involving an insurance claim. Based on statements on the TDI website (<https://www.tdi.texas.gov>), she thought it was valid in Maryland, and she did not think she needed a Maryland PA License.

II. MARYLAND INSURANCE LAWS

23. In addition to all other relevant sections of the Insurance Article, the Administration relies on the following provisions of the Maryland Insurance Article, which apply to acts and omissions of the Respondents in the State.²

¹ Initials are used to protect the identity of witnesses.

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. 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.

24. **Section 10-401(g)** of the Insurance Article provides, in pertinent part:

(g)(1) "Public adjuster" means a person who for compensation or any other thing of value:

- (i) acts or aids, solely in relation to first-party claims arising under an insurance policy that insures the real or personal property of the insured, on behalf of the insured in negotiating for, or effecting the settlement of, a claim for loss or damage covered by an insurance policy;
- (ii) except as provided in § 10-403 of this subtitle, directly or indirectly solicits for employment as a public adjuster of insurance claims, solicits business, or represents oneself to the public as a public adjuster of first-party insurance claims for losses or damages arising out of insurance policies that insure real or personal property; or
- (iii) Investigates or adjusts losses, or advises an insured about first-party claims for losses or damages arising out of an insurance policy that insures real or personal property for another person engaged in the business of adjusting losses or damages covered by an insurance policy, for the insured.

25. **Section 10-403** of the Insurance Article provides, in pertinent part:

- (a) Except as otherwise provided in this subtitle, a person must obtain a license before the person acts as a public adjuster in the State.

26. **Section 27-405** of the Insurance Article provides, in pertinent part:

- (a) It is a fraudulent insurance act for a person to act as or represent to the public that the person is:
 - (1) an insurance producer or a public adjuster in the State if the person has not received the appropriate license under or otherwise complied with Title 10 of this article[.]

27. **Section 4-205(b)** of the Insurance Article provides, in pertinent part:

An insurer or other person may not, directly or indirectly, do any of the acts of an insurance business set forth in subsection (c) of this section, except as provided by and in accordance with the specific authorization of statute.

28. **Section 4-205(c)** of the Insurance Article provides, in pertinent part:

- (6) except as provided in subsection (d) of this section, with respect to a subject of insurance resident, located, or to be performed in the State, directly or indirectly acting as an

insurance producer for, or otherwise representing or helping on behalf of another, an insurer or other person to:

* * *

(vii) investigate or adjust claims or losses;

* * *

(ix) in any other manner represent or help an insurer or other person to transact insurance business;

(7) doing any kind of insurance business specifically recognized as doing an insurance business under statutes relating to insurance;

(8) doing or proposing to do any insurance business that is substantially equivalent to any act listed in this subsection in a manner designed to evade the statutes relating to insurance[.]

29. **Section 4-212** of the Insurance Article provides, in pertinent part:

An unauthorized insurer or person that violates this subtitle is subject to a civil penalty of not less than \$100 but not exceeding \$50,000 for each violation.

30. **Section 27-408(c)** of the Insurance Article provides, in pertinent part:

(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.

31. By the conduct described herein, Respondents acted as authorized public adjusters, despite lacking the requisite license to do so.

32. Among other things, SCK entered into the SCK Contract, in which SCK expressly agreed to represent the Erie Insured in negotiating the Erie Claim with Erie. CFO Kalivas was identified on the SCK Estimate as the individual performing these public adjusting services. CFO Kalivas attempted to perform public adjusting services on behalf of the Erie Insured by seeking information and documentation on the Erie Claim from Erie.

33. In addition, CFO Kalivas misrepresented to Erie that she was authorized to act as a *public adjuster* in Maryland, relying on an insurance adjuster license issued by the State of Texas, which only authorized her to adjust insurance claims on behalf of insurance companies in Texas.

34. The public justifiably expects the Administration and the Maryland Insurance Commissioner to ensure that only competent and trustworthy public adjusters are permitted to conduct the business of insurance in the State and with Maryland. Respondents' conduct violated §§ 27-405(a)(1), 10-401(g), 10-403(a), and 4-205(b) of the Insurance Article.

III. Sanctions

35. 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 bring an action in a court of competent jurisdiction to enforce this article or an order issued by the Commissioner under this article. Insurance Article §§ 2-201(a) and 2-405.

36. By the conduct described herein, Respondents violated §§ 10-403(a), 27-405(a)(1), 10-401(g), and 4-205(b) of the Insurance Article and are subject to the imposition of administrative penalties under the Insurance Article.

37. In consideration of the violations set forth above, the seriousness of those violations, and the need to protect the public by enforcement of the Insurance Article, the Administration issues the following directives and imposes the following sanctions:

- (a) Respondents shall immediately **DISCONTINUE** all business activities in the State of Maryland that fall within the scope of activities defined in § 10-401;
- (b) Respondents shall immediately **DISCONTINUE** making any written contract or agreement with any Maryland policyholder related to home repair or remodeling services for damages to a private residence for which the homeowner has or will make an insurance claim which:
 - (i) Authorizes or permits the Respondents to prepare and submit appraisals or estimates, or to meet or discuss or negotiate the value of damages sustained by insured property in connection with a first-party insurance claim, except through a person or entity licensed to act as a public adjuster in the State;
- (c) Respondents shall immediately **DISCONTINUE** holding themselves out as persons or entities qualified to act on behalf of Maryland policyholders' in the evaluation, appraisal, estimation or negotiation of the cost to repair damages covered by a policy of insurance.

38. In addition, having considered the factors set forth in § 27-408(c)(2), the MIA imposes an administrative penalty in the amount of \$3,000.00 against SCK Contractors, LLC and Sara Kalivas, jointly and severally.

39. The aforesaid administrative penalties shall be made payable within thirty (30) days of the date of this Order to the Maryland Insurance Administration. Payments shall be made by immediately payable funds and shall identify the case by number (R-2020-2422A) and Respondents' names (SCK Contractors, LLC and/or Sara Kalivas). Payment of the administrative penalty shall be sent to the attention of: 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.

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.