

**STATE OF MAINE  
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION  
BUREAU OF INSURANCE**

***In re* STACI STILES**

**] DECISION AND ORDER**

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**Maine License No. PRR40161  
National Producer No. 3351330**

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**Docket No. INS 09-210**

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The Staff of the Bureau of Insurance has requested that the Superintendent revoke the insurance producer license of Staci Stiles,<sup>1</sup> and to impose other appropriate disciplinary sanctions as permitted by law, for multiple incidents of insurance fraud. Ms. Stiles has admitted to some of the charges, and does not contest the remaining charges. Based on a pattern of dishonest acts and abuse of her training and status as an insurance producer, as discussed more fully below, her privilege to act as an insurance producer is revoked, and she is ordered to pay a civil penalty of \$2500.

***Background and Procedural History***

Ms. Stiles was first licensed in 1994, and worked for many years for a large insurance agency. On July 20, 2009, Bureau of Insurance Staff filed a Petition for Enforcement alleging that Ms. Stiles had engaged in fraudulent acts both in her capacity as an insured and in her capacity as a producer. Although she allowed her license to lapse on November 1, 2009 for failure to complete mandatory continuing education (*Staff Exh. 5*),<sup>2</sup> Maine law provides that the Superintendent retains full enforcement authority over a producer whose license has been surrendered or has lapsed by operation of law while under investigation or charged with a violation of the Insurance Code. 24-A M.R.S.A. § 1420-K(5). The Superintendent issued a Notice of Hearing on February 22, 2010, and held a public adjudicatory hearing on March 31, 2010, with Bureau Staff appearing as a party pursuant to 5 M.R.S.A. § 9054(5).<sup>3</sup> Ms. Stiles submitted a supplemental statement on April 7, 2010; Staff waived its right to submit a response, and the record closed on April 9, 2010.

***The Diamond Ring***

In April of 2005, Ms. Stiles filed a homeowners insurance claim for the "mysterious disappearance" of a diamond ring. (*Staff Exh. 7*) Pacific

Indemnity Company paid her \$29,682 on this claim. (*Staff Exh. 9*) Later, when she was interviewed in connection with another suspicious insurance claim, the investigator reported that she wore the same ring.

Staff contends that the ring never disappeared and the claim was fraudulent from the beginning. Ms. Stiles testified that she really did lose the ring, and that the ring was still missing at the time she cashed the insurance check, but that she found it a few weeks later. (*Tr. 16*)

It is unnecessary to determine exactly how and when she committed the fraud. As Ms. Stiles has admitted, she was fully aware of her obligation to return the money as soon as she found the ring, but she kept the money knowing that it was not rightfully hers, and she acknowledges that her behavior was fraudulent. (*Tr. 16, 86*)

### ***Failure to Disclose the Claim***

Slightly more than two years after filing the claim for the lost ring, in May of 2007, Ms. Stiles applied for a new homeowners policy with Middlesex Mutual Insurance Company. She acted as the producer on her own application. The application asked whether she had "ANY LOSSES, WHETHER OR NOT PAID BY INSURANCE, DURING THE LAST 3 YEARS, AT THIS OR ANY OTHER LOCATION?" She listed no losses. (*Staff Exh. 12*)

Ms. Stiles denies any dishonest intent. She does not say she forgot about the \$30,000 she had wrongfully collected for her ring. Rather, she testified: "that has a little bit of gray area. The application said three years, and I wasn't sure of the date .... I knew it was on the cusp, but I wasn't sure of the date." (*Tr. 23, 29*) She testified that "as a producer what I would normally do is pull a report," and she consulted the CLUE database to see whether her claim fell within that period." (*Tr. 23*) Thus, Ms. Stiles contends that she took appropriate measures to verify that her claim was not reportable, and it was not her fault that those measures did not work.

Staff, on the other hand, contends that it is not plausible that she could have forgotten by 2007 that she collected the \$30,000 claim in 2005, and that her use of the CLUE report incriminates rather than exonerates her. The report did not say that the claim was more than three years old - it said nothing about the claim at all. (*Tr. 23, 24*) She knew, as an experienced producer who had worked with this insurance company, that the report she looked at was the same report the company would use to verify the accuracy of the application. (*Tr. 29-33*) Someone who really was uncertain about the date of the claim, according to Staff, would have looked it up directly in her own records. (*Tr. 106*)

Although it is conceivable that Ms. Stiles might have forgotten exactly when she filed the claim, her testimony that she used the CLUE report to verify the date is not credible, particularly in light of the evidence that the report contained no record of a claim at all. Even if Ms. Stiles was telling the truth when she testified that she really did not know the date, she made no real effort to ascertain it. Based on the evidence in the record, I find it is more likely that Ms. Stiles consulted the CLUE report for the purpose of determining whether the absence of any reported loss history would allow her to get away with failing to disclose the claim.

I therefore find that her misstatement of her loss history on her 2007 homeowner's application was knowing and fraudulent.

### ***The False Appraisal***

What did happen almost three years to the day after the claim for the lost ring was an application by Ms. Stiles to cover a diamond ring as "scheduled property" in the Middlesex Mutual policy, effective May 1, 2008. (*Staff Exh. 13*) The application included an appraisal report on three rings. The diamond ring, the most valuable of the three, was described as similar, but not identical, to the ring she had reported lost in April of 2005. In reality, it was not a replacement. It was the same ring.

Ms. Stiles had the rings appraised in April of 2008. Instead of going to the jeweler who had previously appraised the rings (*Staff Exh. 16-18*), she went to Northeast Gemlab in Camden, Maine, which is approximately 100 miles from her home in Raymond. (*Staff Exh. 14-15*) She admits that she altered the appraisal report before submitting it to the insurance company. (*Tr. 19*) As she explained it, "I knew that if I had used the legitimate appraisals, that we would be where we are today," facing the consequences of her original fraudulent claim." (*Tr. 94*) She upgraded the weight of the center stone from 2 carats to 2.5 carats, the clarity grade from SI-1 to VVS-1, and the color grade from K to G. (*Tr. 20; Staff Exh. 13-14*)

Ms. Stiles testified that the only reason she falsified the appraisal was to make it appear that she had replaced a lost ring rather than keeping both the original ring and the insurance money. (*Tr. 94*) However, the alterations she made went beyond what was necessary to cover up her earlier fraud. She also inflated the appraised values of all three rings, raising them from \$28,500 to \$38,000, from \$4000 to \$5000, and from \$3100 to \$4095. (*Tr. 20-21*) This meant the rings were insured for substantially more than they were actually worth.

### ***The False Boat Trailer Documents***

A week later, on May 8, 2008, Ms. Stiles submitted another false application for increased insurance coverage, this time on a boat trailer. She asked the underwriter to "correct value on trailer to \$8000. We noticed on the renewal that the amount is currently \$3000 - this was an error." (*Staff Exh. 20*) On June 1, she then reported the trailer stolen. (*Staff Exh. 23*) She submitted a claim for \$8000, which Middlesex Mutual paid. (*Staff Exh. 24*)

In support of her claim for \$8000, she submitted a purported bill of sale, dated 4-20-07, reciting that a David Wallingford sold a 2007 28' Northlander trailer to her then-husband for \$7999. (*Staff Exh. 23*) The document appears to have been originally dated 4-20-08 and then corrected to read 4-20-07. (*Staff Exh. 23, 28*) She also submitted a copy of a vehicle registration slip that had been altered so that it appeared to list the trailer's model year as 2007. (*Staff Exh. 27; Tr. 65*) Staff obtained an official copy of the same registration slip from the Maine Secretary of State, and it clearly shows the model year as 2003.<sup>4</sup> (*Staff Exh. 26; Tr. 66*)

When questioned by Staff, Ms. Stiles declined to admit that she "knowingly misrepresented to Middlesex the trailer was a 2007 model and valued at \$8,000 in order to increase the amount of insurance coverage on the boat trailer." (*Tr. 25*) However, she did not contest the allegation, and acknowledged that Staff had "sufficient evidence to prove this violation by a preponderance of the evidence." (*Id.*)

Staff presented the testimony of Marc Youngquist, who has worked in the Middlesex Mutual special investigations unit for the last 11 years. (*Tr. 38*) When he investigated the theft claim, he tried to find David Wallingford, the seller named on the bill of sale. Ms. Stiles had told him she thought he was from Connecticut and that her husband had bought the trailer over the Internet and met the seller in New Hampshire to take delivery. Mr. Youngquist found this story suspicious, and testified that it was unlikely that an \$8000 cash transaction would occur in this manner. (*Tr. 60-61*) Mr. Youngquist found only two David Wallingfords then living in New England, and a third who had lived in Boston seven years earlier. One lived in the Sebago Lake area within a few miles of Ms. Stiles and her husband, and had sold boat trailers on occasion, but neither he nor the other two David Wallingfords had sold this particular trailer. (*Staff Exh. 28; Tr. 61-62, 70-71*)

Mr. Youngquist then used Uncle Henry's, a weekly advertising publication, to find the couple who make and sell Northlander trailers. (*Tr. 64*) They confirmed Ms. Stiles' husband had bought the trailer directly from them. (*Tr. 63; Staff Exh. 28*) They explained that they do not make any trailer with a price anywhere near \$8000, and that this particular trailer could not have cost more than \$3000. (*Tr. 64; Staff Exh. 28*)

Based on this evidence, I conclude that the "Wallingford bill of sale" was a fabrication.

Ms. Stiles testified that she was not involved in the purchase of the trailer, and relied on the documents she found in her husband's boat file. (*Tr. 100-101*) She also challenged the credibility of Mr. Youngquist's testimony, asserting when cross-examining him that the boat would not fit on the \$3000 trailer because "in fact, our boat was a 30-foot boat." (*Tr. 83*) The "Wallingford bill of sale," on the other hand, described the trailer as a 28-foot trailer (*Staff Exh. 23*), and the yacht insurance policy application, which Ms. Stiles filled out as co-owner and submitted as producer, described the boat as a 28-foot boat. (*Staff Exh. 19*) A document fabricated to support an increase in coverage might overstate the length of the trailer, but it would not understate it.

Ms. Stiles' suggestions that she took no part in this deception are not credible. The forged bill of sale and the altered registration were submitted at about the same time as the altered appraisal, for which Ms. Stiles has admitted responsibility. Although it was her husband's boat, she acknowledged that she was familiar with the boat and he would take her out for rides. (*Tr. 101*) She would not be unaware of the purchase of a new trailer.

I therefore find that when Ms. Stiles submitted the request to increase the coverage on the trailer from \$3000 to \$8000, she knew that the true value was no more than \$3000, and she intentionally submitted false documents in support of her request.

### ***The Fraudulent Theft Claim***

Finally, Staff asserts that the trailer was never stolen and the theft claim was fraudulent. Ms. Stiles testified that she does not contest the charge that she filed a fraudulent claim, and that she concedes that there is sufficient evidence to prove that charge. (*Tr. 25-26*) She reported the theft within a few weeks of the fraudulent increase in insurance coverage. (*Staff Exh. 22; Tr. 42*) In the absence of any independent evidence that the trailer was stolen, this raises a strong inference that the purported theft was staged in order to collect the insurance. Ms. Stiles has offered no evidence or argument that would call that conclusion into question. Based on her prior experience with claim fraud, and her active role in the fraudulent increase in coverage, I conclude that she knew the trailer had not been stolen when she called the police to report the theft.

### ***Conclusion***

24-A M.R.S.A. § 2178 prohibits anyone from knowingly making false statements or representations in connection with insurance applications

and claims. 24-A M.R.S.A. § 1420-K(1)(H) subjects insurance producers to disciplinary sanctions if they have used fraudulent or dishonest practices or have demonstrated untrustworthiness. I have found that Ms. Stiles has repeatedly violated both laws. Furthermore, I find that she used her insurance training and her position as insurance producer to facilitate her fraudulent activities on her own policies. Her privilege to act as an insurance producer must therefore be revoked.

Ms. Stiles has filed a request for leniency, asserting that she has taken responsibility for her actions and is now suffering the consequences in every way. Her acceptance of responsibility, however, has been limited to the specific points where the evidence against her was most overwhelming. Even in her description of how she collected \$30,000 and kept both the money and the ring, and then altered the appraisal, she has sought to minimize her responsibility. Therefore, monetary sanctions in addition to revocation are called for. For each of the five incidents described above, I am imposing a penalty of \$500 pursuant to 24-A M.R.S.A. § 12-A.

### ***Order and Notice of Appeal Rights***

It is therefore *ORDERED*:

1. The Petition for Enforcement is *GRANTED*.
2. Ms. Stiles' privilege to act as an insurance producer is *REVOKED*.
3. Ms. Stiles shall pay a civil penalty of \$2500, by check payable to the Treasurer of State.

This Decision and Order is a final agency action of the Superintendent of Insurance within the meaning of the Maine Administrative Procedure Act. It is appealable to the Superior Court in the manner provided in 24-A M.R.S.A. § 236 and M.R. Civ. P. 80C. Any party to the hearing may initiate an appeal within thirty days after receiving this notice. Any aggrieved non-party whose interests are substantially and directly affected by this Decision and Order may initiate an appeal on or before June 16, 2010. There is no automatic stay pending appeal; application for stay may be made in the manner provided in 5 M.R.S.A. § 11004.

<sup>1</sup> Also known as Staci Stiles-Hannes.

<sup>2</sup> Citations to the record, abbreviated as follows, are to the hearing transcript (*Tr.*) and to the exhibits offered by Staff and admitted at the hearing (*Staff Exh.*).

<sup>3</sup> During a March 19, 2010 prehearing conference, Ms. Stiles stated that she had not received the Notice of Hearing, but waived her right to 14 days' advance pursuant to 24-A M.R.S.A. § 230 and agreed to proceed to hearing on March 31 as scheduled. A letter was mailed to Ms. Stiles on March 23, confirming her waiver and enclosing a copy of the Notice of Hearing.

<sup>4</sup> It also shows the trailer as "home-made." However, Mr. Youngquist explained that because Northlander is a "mom and pop" business rather than an "accepted manufacturer," this is the correct way to register a Northlander trailer. (Tr. 77)

MAY 7, 2010

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MILA KOFMAN, Superintendent of  
Insurance