Circuit Court for Prince George's County
Case No. CAL-17-38334

UNREPORTED

IN THE COURT OF SPECIAL APPEALS

OF MARYLAND

No. 187

September Term, 2021

JAMES T. WALKER

v.

CENTRE INSURANCE COMPANY

Zic,
Ripken,
Wright, Alexander, Jr.
(Senior Judge, Specially Assigned),

JJ.

Opinion by Wright, J.

Filed: February 23, 2022

*This is an unreported opinion, and it may not be cited in any paper, brief, motion, or other document filed in this Court or any other Maryland Court as either precedent within the rule of stare decisis or as persuasive authority. Md. Rule 1-104.

This appeal arises from a complaint filed with the Maryland Insurance Administration (the "MIA") in 2002 by James Walker, appellant, against Centre Insurance Company ("Centre") regarding nonpayment of funds pursuant to a homeowner's insurance policy (the "Policy") on a home owned by Mr. Walker and his wife (the "Property") that had been destroyed by a tornado.[1] In 2003, the parties entered into a settlement agreement (the "Settlement Agreement") in which Centre agreed to pay funds into an escrow account for the Walkers' benefit. In 2013, Centre withdrew the funds from the escrow account.

In 2017, Mr. Walker filed the instant complaint with the MIA, arguing that Centre had breached the Policy and the Settlement Agreement by withdrawing the funds from the escrow account. The MIA ultimately found in favor of Centre, and Mr. Walker filed an appeal in the Office of Administrative Hearings (the "OAH"). Following a hearing, the OAH dismissed Mr. Walker's complaint for lack of subject matter jurisdiction. Mr. Walker then appealed to the circuit court, which dismissed the appeal without a hearing. Mr. Walker noted an appeal to this Court, and, in an unreported opinion, we held that the circuit court erred in dismissing the action. *Walker v. Centre Insurance Company*, 2019 WL 6040496, No. 1036, September Term, 2018 (filed November 14, 2019). We vacated the court's judgment and remanded the case for appropriate judicial review of the OAH's decision to dismiss Mr. Walker's appeal.

On remand, the circuit court affirmed the OAH's decision. Mr. Walker thereafter noted this appeal, in which he raises a single question, which we have rephrased for clarity:

---

[1] Mr. Walker's wife is not a party to the instant appeal.

> Did the OAH err in dismissing Mr. Walker's complaint for lack of subject matter jurisdiction?

For reasons to follow, we hold that the OAH did not err. We therefore affirm the judgment of the circuit court.

BACKGROUND[2]

In 2001, the Walkers owned the Property, a home in La Plata, Maryland. The Property was covered by the Policy, which had been issued by Centre. The Policy had a general coverage limit of $290,000.00, but the Walkers had purchased a "Platinum Endorsement," under which Centre agreed to pay an additional $145,000.00 if the Walkers met certain conditions.

In 2002, the Property and all of its contents were destroyed by a tornado. The Walkers subsequently filed a loss claim with Centre for $435,000.00. Centre paid the general coverage limit of $290.000.00, but it refused to pay the remaining $145,000.00 under the Platinum Endorsement.

Mr. Walker thereafter filed a complaint with the MIA. In 2003, the parties entered into the Settlement Agreement. The pertinent provisions of the agreement were as follows:

> [Centre] will pay to "Chase" Manhattan Mortgage Corporation, as escrow agent for the [Walkers] pursuant to the [Walkers'] mortgage, the remaining sum of $145,000.00 for coverage of the [Property] ($290,000.00 having previously been paid).

* * *

[2] The procedural history of this case is extensive and was set forth in some detail in Mr. Walker's prior appeal. *See Walker*, 2019 WL 6040496, *1-4. Here, we have included only those facts necessary to the determination of the instant appeal.

> These payments are intended to resolve all claims as to [the Property], leaving only for further litigation, if necessary, in The District Courts of Maryland or Circuit Courts of Maryland, the issue of whether [and] to what extent the [Walkers] may recover under the Policy. . . . The [Walkers] waive and release [Centre] and all agents and assigns from all but the specifically excluded sums referred to on page 4 of the [Agreement] and withdraw their appeal in the [OAH].

In July 2003, Centre sent a check for $145,000.00 to Chase Manhattan Mortgage Corporation ("Chase") per the terms of the Settlement Agreement. The check, according to Centre, was to be held until such time that the Walkers incurred certain costs in constructing a new residence. The funds remained in escrow for the next nine years.

In January 2013, Centre sent a letter to Chase requesting that the $145,000.00 be returned. In that letter, Centre alleged that the Walkers never constructed a new residence and that, as a result, Centre was entitled to recoup the $145,000.00. In March 2013, Chase returned the funds to Centre.

In 2017, Mr. Walker filed the instant complaint with the MIA pursuant to § 27-1001 of the Insurance Article and § 3-1701 of the Courts and Judicial Proceedings Article of the Maryland Code. Under those statutes, an individual may recover damages if an insurer does not act in good faith in settling a claim under a property insurance policy. Md. Code, Ins. § 27-1001; Md. Code, Cts. & Jud. Proc. § 3-1701. Mr. Walker alleged that Centre, by withdrawing the funds from the escrow account, had breached the terms of the Policy and the Settlement Agreement, had acted in bad faith, and had engaged in unfair claim settlement practices.

Following a contested hearing, the MIA found in favor of Centre. Mr. Walker thereafter filed an appeal with the OAH.

Before holding a hearing, the OAH issued a written decision dismissing the appeal. The OAH found that the MIA, and by extension the OAH, lacked subject matter jurisdiction over the complaint:

> Although [Mr. Walker] asserts [Centre's] withdrawal of the $145,000.00 from the [Chase] escrow account violated the Policy and constituted bad faith, the issues of whether [Centre] acted in bad faith or improperly refused to pay [Mr. Walker] the $145,000.00 as provided in the Platinum Endorsement, has been soundly resolved, as is clear by the express language of the June 25, 2003 settlement agreement.
>
> * * *
>
> The Settlement Agreement further provides that the agreement was intended to resolve all past claims between [Mr. Walker] and [Centre]. Although [Mr. Walker] asserts [Centre's] withdrawal of the $145,000.00 constitutes a new claim, I disagree. The issues enunciated in section 27-1001 are fully addressed in the June 2003 Settlement Agreement. [Mr. Walker's] argument in the instant matter is that [Centre's] interpretation of the Settlement Agreement is incorrect, and [Centre] breached the terms of the Settlement Agreement when it withdrew the $145,000.00 from the escrow account.
>
> * * *
>
> The interpretation and enforcement of a settlement agreement involves principles of contract law and is outside the scope of my authority. [Mr. Walker's] allegation that [Centre] breached the Settlement Agreement must be pursued in a court of competent jurisdiction.

(Footnote and emphasis omitted.)

Following the OAH's decision, Mr. Walker appealed to the circuit court. Centre filed a motion to dismiss, which was granted by the court without a hearing. The court did not provide an explanation for its decision. After Mr. Walker appealed to this Court, we vacated the court's judgment and remanded the case for appropriate judicial review of the OAH's decision. *Walker, supra*, 2019 WL 6040496, *9.

On remand, the circuit court held a hearing and ultimately affirmed the OAH's decision. This timely appeal followed.

DISCUSSION

Parties' Contentions

Mr. Walker contends that the circuit court erred in affirming the OAH's decision to dismiss his complaint for want of subject matter jurisdiction. He asserts that § 27-1001 of the Insurance Article (hereinafter "§ 27-1001") and § 3-1701 of the Courts and Judicial Proceedings Article (hereinafter "§ 3-1701") gave the MIA and the OAH the authority to determine whether Centre failed to act in good faith under the Policy and the Settlement Agreement. He maintains that the MIA and the OAH also had the authority to interpret the Settlement Agreement to determine if Centre violated those statutes. Mr. Walker asserts further that, because he received an adverse decision from the MIA, which decided the complaint on the merits, and because he subsequently requested a hearing on the merits in the OAH pursuant to the MIA's express directive, the OAH was granted the authority to adjudicate the claims. Finally, Mr. Walker claims that the OAH's decision to dismiss the complaint for lack of subject matter jurisdiction was "legally inconsistent and erroneous" because the OAH "exercised jurisdiction over the matters that were discussed or raised in the complaint as grounds for its dismissal."[3]

[3] Mr. Walker also claims error regarding several findings by the circuit court. We need not address those claims. As discussed, our review is limited to the OAH's decision.

Centre counters that § 27-1001 and § 3-1701 are not applicable here because there was no insurance policy, and hence no subject matter, over which the MIA and the OAH could exercise jurisdiction. Centre asserts that the insurance policy was no longer extant when Mr. Walker filed the instant claim because it had been replaced by the 2003 Settlement Agreement. Centre maintains that any claims Mr. Walker made in the instant case should therefore be evaluated based on the terms of the Settlement Agreement. Centre asserts that because settlement agreements are akin to contracts, any interpretation of the Settlement Agreement in the instant case should fall within the purview of the courts of general jurisdiction, not the MIA or the OAH.[4]

Standard of Review

"The overarching goal of judicial review of agency decisions is to determine whether the agency's decision was made in accordance with the law or whether it is arbitrary, illegal, and capricious." *Sugarloaf Citizens Ass'n v. Frederick Cnty. Bd. of Appeals*, 227 Md. App. 536, 546 (2016) (citation and quotations omitted). During that review, "we [assume] the same posture as the circuit court . . . and limit our review to the agency's decision." *Anderson v. Gen. Cas. Ins. Co.*, 402 Md. 236, 244 (2007) (citation omitted). Moreover, our review of the agency's decision "is 'limited to determining if there is substantial evidence in the record as a whole to support the agency's findings and conclusions, and to determine if the administrative decision is premised upon an erroneous conclusion of law.'" *People's Ins. Couns. Div. v. State Farm Fire and Cas. Ins. Co.*, 214

[4] Centre raises several other arguments that are ineffectual. Because those arguments are not relevant to the disposition of this appeal, we have omitted them.

Md. App. 438, 449 (2013) (citing *United Parcel Serv. v. People's Couns.*, 336 Md. 569, 577 (1994)).

Regarding the agency's findings of fact, "we review the record in the light most favorable to the agency and 'defer to [its] fact-finding and drawing of inferences' if supported by any evidence in the record." *Id.* (citing *Bd. of Physician Quality Assurance v. Banks*, 354 Md. 59, 67 (1999)). Conclusions of law, however, are reviewed *de novo*. *Id.* Nevertheless, "we give 'considerable weight' to the agency's 'interpretation and application of the statute which the agency administers.'" *Id.* (citing *Banks*, 354 Md. at 69).

Analysis

"Subject matter jurisdiction is the court's ability to adjudicate a controversy of a particular kind." *John A. v. Bd. of Educ. for Howard Cnty.*, 400 Md. 363, 388 (2007). In the case of an administrative agency, that ability is derived from, and circumscribed by, the statute or statutes the agency administers. *Adamson v. Corr. Med. Servs., Inc.*, 359 Md. 238, 250 (2000). "Stated differently, agencies have no powers beyond those that have been conferred upon them by statute." *Brzowski v. Maryland Home Improvement Comm'n*, 114 Md. App. 615, 626 (1997); *see also Thanner Enters., LLC v. Baltimore Cnty.*, 414 Md. 265, 276 (2010) ("An agency's authority extends only as far as the General Assembly prescribes."). Moreover, the OAH and its administrative law judges "cannot enlarge agency jurisdiction, nor may subject matter jurisdiction be conferred upon the agency by the courts or the parties before the OAH." *John A.*, 400 Md. at 388. "When it is doubtful that the General Assembly has vested powers in an agency to decide certain issues, the

agency's ability to exercise that power will be circumscribed by the courts." *Adamson,* 359 Md. at 251. "A determination of the limits of an agency's authority, therefore, requires a construction of an agency's enabling statute." *Brzowski*, 114 Md. App. at 626.

"The paramount object of statutory construction is the ascertainment and effectuation of the real intention of the Legislature." *Andrews & Lawrence Pro. Servs., LLC v. Mills*, 467 Md. 126, 149 (2020) (citation and quotations omitted). "The starting point of any statutory analysis is the plain language of the statute, viewed in the context of the statutory scheme to which it belongs[.]" *Kranz v. State*, 459 Md. 456, 474 (2018) (citations and quotations omitted). "If the language of the statute is unambiguous and clearly consistent with the statute's apparent purpose, our inquiry as to legislative intent ends ordinarily and we apply the statute as written, without resort to other rules of construction." *Noble v. State*, 238 Md. App. 153, 161 (2018) (quoting *Espina v. Jackson*, 442 Md. 311, 321-22 (2015)) (quotations omitted). If, on the other hand, words of a statute are ambiguous, "a court must resolve the ambiguity by searching for legislative intent in other indicia, including the history of the legislation or other relevant sources intrinsic and extrinsic to the legislative process." *Id.* at 162 (citation and quotations omitted).

At issue here are § 3-1701 of the Courts and Judicial Proceedings Article and § 27-1001 of the Insurance Article. Under § 3-1701, an insurer has a duty to act in good faith in making decisions on a claim, and an aggrieved party may bring a civil action to recover certain damages, expenses, and costs in the event that an insurer fails to act in good faith. Md. Code, Cts. & Jud. Proc. § 3-1701. "'Good faith' means an informed judgment based on honesty and diligence supported by evidence the insurer knew or should have known at

the time the insurer made a decision on a claim." Md. Code, Cts. & Jud. Proc. § 3-1701(a)(5). The statute "applies only to first-party claims under property and casualty insurance policies or individual disability insurance policies issued, sold, or delivered in the State." Md. Code, Cts. & Jud. Proc. § 3-1701(b). In addition, the statute applies only in a civil action:

> (1)(i) To determine the coverage that exists under the insurer's insurance policy; or
>
> (ii) To determine the extent to which the insured is entitled to receive payment from the insurer for a covered loss;
>
> (2) That alleges that the insurer failed to act in good faith; and
>
> (3) That seeks, in addition to actual damages under the policy, to recover expenses and litigation costs, and interest on those expenses or costs, under subsection (e) of this section.

Md. Code, Cts. & Jud. Proc. § 3-1701(d).

Before bringing such an action, however, an aggrieved party must first file a complaint with the MIA pursuant to § 27-1001.[5] Md. Code, Cts. & Jud. Proc. § 3-1701(c); *see also* Md. Code, Ins. § 27-1001(c). Section 27-1001 "applies only to actions under § 3-1701 of the Courts Article." Md. Code, Ins. § 27-1001(b). Under § 27-1001, a complaint must "be accompanied by each document that the insured has submitted to the insurer for proof of loss; specify the applicable insurance coverage and the amount of the claim under the applicable coverage; and state the amount of actual damages, and the claim for expenses and litigation costs[.]" Md. Code, Ins. § 27-1001(d)(2)(i-iii). Once a complaint is received,

---

[5] There are a few limited exceptions to this requirement, but none of those exceptions is applicable here. Md. Code, Ins. § 27-1001(c)(2).

the MIA must then forward the complaint to the insurer and allow the insurer the opportunity to respond. Md. Code, Ins. § 27-1001(d)(4). Within 90 days after receiving a complaint, the MIA must issue a decision that determines:

> 1. whether the insurer is obligated under the applicable policy to cover the underlying first-party claim;
>
> 2. the amount the insured was entitled to receive from the insurer under the applicable policy on the underlying covered first-party claim;
>
> 3. whether the insurer breached its obligation under the applicable policy to cover and pay the underlying covered first-party claim, as determined by the [MIA];
>
> 4. whether an insurer that breached its obligation failed to act in good faith; and
>
> 5. the amount of damages, expenses, litigation costs, and interest, as applicable under paragraph (2) of this subsection.

Md. Code, Ins. § 27-1001(e)(1)(i).

If a party ultimately receives an adverse decision from the MIA, the party may request a hearing in the OAH. Md. Code, Ins. § 27-1001(f). That hearing must be heard *de novo* and must "result in a final decision that makes the determinations set forth in subsection (e) of this section." Md. Code, Ins. § 27-1001(f)(2)(iii). If that hearing results in an adverse decision for a party, the party may seek judicial review in the circuit court. Md. Code, Ins. § 27-1001(g). Once those administrative remedies have been exhausted, the aggrieved party may file an action pursuant to § 3-1701. Md. Code, Cts. & Jud. Proc. § 3-1701(c).

From that plain language, it is evident that the purpose of § 3-1701 is to require insurers to act in good faith when making a decision on a first-party claim under certain

insurance policies, and to provide individuals with an independent cause of action in the event that an insurer fails in that duty. The statute also makes clear that an individual may not pursue such a claim until they file a complaint in the MIA and then receive a final decision on that complaint under § 27-1001. Section 27-1001 grants the MIA the power to render a decision on a complaint, but that power may only be exercised in an action under § 3-1701. Moreover, the MIA's power is, in all relevant respects, limited to making the determinations set forth in § 27-1001(e). That is, the MIA's power is limited to determining whether the insurer is obligated to cover a claim under an applicable policy; the amount the insured was entitled to receive on the claim; whether the insurer breached its obligation to pay the claim; whether the insurer failed to act in good faith in settling the claim; and the amount of appropriate damages. In the event that a party receives an adverse decision from the MIA and requests a hearing in the OAH, the OAH's power in reviewing the MIA's decision is also limited to making the determinations set forth in § 27-1001(e).

Against that backdrop, we hold that the OAH was correct in dismissing Mr. Walker's complaint for lack of subject matter jurisdiction. When Mr. Walker's complaint was filed in 2017, there was no longer an applicable insurance policy under which he could file a first-party claim for which Centre would be obligated to pay. That policy was eliminated when the parties entered into the 2003 Settlement Agreement. That agreement, by its express terms, extinguished Mr. Walker's right to bring a § 3-1701 claim based on Centre's actions and obligations under the Policy. Absent such a right, the MIA did not have the power to render a decision on Mr. Walker's 2017 complaint.

In addition, Mr. Walker's 2017 complaint, in which he alleged that Centre had wrongly recouped the $145,000.00 held in escrow by Chase, was based on the terms of the 2003 Settlement Agreement, not any applicable insurance policy. That is, the $145,000.00 at issue in the 2017 complaint existed solely as a result of the Settlement Agreement. Any claim by Mr. Walker that Centre had misappropriated those funds needed to be evaluated based on the terms of that agreement. *See Moore v. Donegal Mut. Ins. Co.*, 247 Md. App. 682, 689 (2020) ("Settlement agreements are enforceable as independent contracts, subject to the same general rules of construction that apply to other contracts.") (citations and quotations omitted). Thus, Mr. Walker's 2017 complaint was not a "first-party claim[] under property and casualty insurance policies or individual disability insurance policies issued, sold, or delivered in the State." Md. Code, Cts. & Jud. Proc. § 3-1701(b). It was, rather, a complaint that Centre breached the terms of the Settlement Agreement. Such a complaint does not fall within the ambit of § 27-1001 and § 3-1701.

Mr. Walker argues that, because his 2017 complaint alleged that Centre acted in "bad faith" under the terms of the Policy and the 2003 Settlement Agreement, the MIA and the OAH had the authority to interpret the Settlement Agreement to determine whether Centre violated § 27-1001. Mr. Walker is mistaken. The MIA, and by extension the OAH, does not acquire subject matter jurisdiction over a complaint simply because the complaining party raises a "bad faith" claim. Rather, such jurisdiction is acquired when a party makes a claim pursuant to an applicable insurance policy under which the insurer has an obligation. Again, there was no insurance policy under which Centre had an obligation to Mr. Walker, as the policy that was in effect had been replaced by the Settlement

Agreement. Moreover, regardless of how Mr. Walker characterized the claims in his complaint, those claims were clearly based on the terms of the Settlement Agreement. And because the Settlement Agreement is a contract and not an insurance policy, the MIA and the OAH did not have the power to address Mr. Walker's bad faith claims.

Mr. Walker also argues that, by rendering an adverse decision on his claim, the MIA granted the OAH the authority to hear his appeal, and the OAH accepted that authority when it exercised its jurisdiction over the matters raised in his complaint. Again, Mr. Walker is mistaken. The OAH's authority to hear Mr. Walker's appeal is granted by § 27-1001(f), not the MIA. That authority necessarily requires that the MIA have subject matter jurisdiction over the action, which, as discussed, the MIA did not have. Neither the MIA nor the OAH can gain subject matter jurisdiction by virtue of its own actions, nor can subject matter jurisdiction be granted by one agency to another. The MIA did not have subject matter jurisdiction over the complaint in the first place; therefore, the OAH did not have subject matter jurisdiction over Mr. Walker's appeal. That the MIA decided Mr. Walker's claims on the merits is irrelevant. *See John A.*, 400 Md. at 382 ("Although we often will give considerable weight to the agency's experience in interpreting a statute that it administers, it is within our prerogative to determine whether an agency's conclusions of law are correct, and to remedy the situation if found to be wrong.") (internal citations omitted).

In sum, because the Policy was not in existence when Mr. Walker filed his 2017 complaint, and because the claims raised in that complaint were based on the 2003 Settlement Agreement (and not an applicable policy), the MIA and the OAH did not have

subject matter jurisdiction over the complaint. Accordingly, the circuit court did not err in affirming the OAH's decision to dismiss the complaint.

JUDGMENT OF THE CIRCUIT COURT FOR PRINCE GEORGE'S COUNTY AFFIRMED; COSTS TO BE PAID BY APPELLANT.