

Compwest Partners with RJN Investigations to Provide SIU Investigation Services (Special Investigation Unit)

RJN Investigations has been providing SIU services to the insurance industry since SIU Divisions were mandated by the Department of Insurance for all insurance companies to have. This mandate became effective January 1, 1994.

CompWest utilizes RJN's services for investigating, packaging of fraud cases and training.

For the 2008 calendar year our suspected fraud referral totals are as follows:

- 27 referrals to DOI and the District Attorney / Medical or Chiropractic Board
- Of the 27 referrals, 1 was for suspected premium fraud
- Of the 27 referrals, 6 were for provider fraud
- Of the 27 referrals, 20 were for applicant fraud
- Of the 27 referrals, 1 applicant was charged and pending trial on 9 counts
- Of the 27 referrals, 4 are currently accepted by the DOI and are under investigation

Our mission is to enable our policyholders to provide their employees with a safer work place and financial assistance in the event of occupational injury or illness.

Compwest in Training

The Department of Insurance mandates ongoing fraud detection training to all integral and key personnel. On August 22, 2008, RJN provided a fraud training (What Fraud Is and What Fraud Is Not) to the entire staff of the Santa Ana Office of CompWest.

The session was repeated to the entire staff of the

San Francisco Office on 10-20-08 and 10-21-08. Premium Fraud awareness training was provided to Premium Services, Underwriting and Auditing by two guest speakers from the Premium Fraud Division of the DOI. The guest speakers were Detectives Bill Meador and Gladys Rivera.

Janina Lopez, SIU Manager for CompWest gave an overview of the DOI Audit, which CompWest successfully passed.



SIU & You

By Janina V. Lopez

Recently, a family member of mine became a victim of identity fraud. Thankfully, it was discovered very early and didn't result in serious consequences. Somehow, someone had just about cleaned out mom's checking account using a fake credit/debit card in Las Vegas. That opened up some interesting conversations and I was shocked to hear how many of us at work have fallen victim in some form or another to this most common fraud.

I knew that it was happening out there but didn't really know why certain people were targeted. It appears that drug use is at the root of this horrible crime namely Methamphetamine, and I learned that any company producing checks is at risk for falling victim, as well as any individual with a social security number, credit card or a bank account.

Coincidentally I was invited to a 'Southern California Insurance Fraud Association' (SCFIA) meeting in November 2008 covering identity theft. Sergeant Nancy Franklin, identity theft expert with Chino Police Department spoke on the subject, so pen and paper in hand, I took down lots of notes that I hope will help you not fall prey to this form of fraud.

"O.K. so it's not just the mail which I thought I had covered by scanning my personal financial documents and going paperless with my bank including statements and my paystubs."

According to the US Postal Inspection Service, identity theft is America's fastest growing crime with, last year alone, more than 9.9 million American's falling victim at a cost of roughly \$5 billion. Identity theft can involve a multitude of other criminal acts such as credit card fraud, internet fraud, real estate fraud, mail theft, forgery, counterfeiting, embezzlement and ATM skimming. The Federal Trade Commission (FTC) reports that only 4% of identity theft victims cited mail theft as the source of obtaining personal information.

O.K. so it's not just the mail which I thought I had covered by scanning my personal financial documents and going paperless with my bank including statements and my paystubs.

How are they stealing our identity?

*Computer spyware programs that capture our personal information by forwarding your keystrokes to a fraudulent server (the crook). *Don't download any spyware at home or at work. IT should cover us here at work and at home you should contact your home server to verify any program before you download it.*

Mail stolen from home via outgoing bill payments. A good way to avoid this is to drop off your mail at your local post office or a secured mailbox.

Incoming or discarded pre-approved credit card applications. Shred everything but know that they can be stolen before you even get them in the mail – sorry, I know that is pretty scary but it's true.

*ATM skimming – this is a device that is placed over ATM's which capture your card/account and PIN information. It is recommended that you jiggle or pull up the area in which you place your card into – these skimmers are foreign objects that are simply double taped to the top of the ATM machines. These skimmers have computer chips that capture your credit card numbers and your PIN's. The ATM will allow you to process your transaction normally but your information will be duplicated. Report any suspicious ATM's to the local police and your bank. Don't use ATMs that have brochure holders near the keypads because tiny cameras have been hidden in them which will capture your PIN. Another ATM scam includes placing X-ray film in the slot that you put your card in which causes your card to get stuck in the machine, the criminal responsible will offer to help you to get your card out citing 'the same thing just happened to me yesterday', they will tell you to key in your PIN and press cancel & they will help you get your card out, while they memorize you PIN. *Report all trapped cards to your bank immediately.*

If you ever get a W-2 with an employer you never worked for report that information to the Social Security Administration office.

What should you do if your personal information has been stolen and how can you avoid becoming a victim?

Stolen or tampered mail – Call the US Postal Inspector 410) 715-7700. They have investigators that are very helpful and they take this offense very seriously and begin to investigate immediately.

*****Attention Examiners & Claims Assistants – give this phone number to our injured workers who have claimed stolen disability checks.***

Determine the amount of your financial loss and have all documents ready for investigators.

Call the Social Security Fraud Hotline 800) 269-0271 or visit www.socialsecurity.gov.

Call your bank immediately! Do not wait. Your bank will question you on late reporting.

Call and write all of your credit card holders & the three credit bureaus.

Lock your mailbox and have someone pick up your mail when you are on vacation. You can also call the post office and ask them to hold your mail for you. Call your bank to let them when you will be on vacation and don't use your ATM/bank credit card while making reservations, or while on vacation, use a credit card that doesn't take funds directly out of your personal account.

Check your bank accounts and report all suspicious activity immediately to your bank. Don't ignore small amounts taken out of your account that appear to be ATM charges which may amount to only change. Criminals will tap into your account to see if they can make a transaction then hit your account for max amounts when you are normally unaware (late evening or early mornings). They can take the max allotted by your bank in the late p.m. then again in the a.m. before you even realize it.

If your cards are lost or stolen, report them right away. Don't wait for them to be found because criminals know that you will look for them before reporting them stolen thus they will get what they can in a short time.

Banks don't call to verify any information; don't ever give your personal or financial information to someone who calls you on the phone.

Another common vehicle for ID theft is via head hunters. Beware of who you give your personal information to.

Well known internet sites selling items that sound too good to be true sometimes are. Beware of selling your own personal items on-line. Buyers often are looking for ways to steal your identity and gain access to your financial institution by processing electronic transfers of funds. Also, money orders coming from outside of the country are often counterfeit. Beware of a buyer who will only communicate via email because it's very hard to trace.

Here is a great tip – You can run credit checks one time a year with each credit bureau for free – run one every 4 months and you can safely verify if there are any creditors who need to be questioned.

Finally, contact your financial institution if you are interested in purchasing identity protection. There are several vendors offering this type of protection and it can be of great value. Once again be sure you are buying this protection from a reputable company because these types of vendors will need all of your personal information and have also been a mode for identity theft.



RJN Leadership Team

RJN's leadership team is lead by Ty Montoya, VP of Special Projects and Mike Gomez, VP of Business Development.

Ty began his career in law enforcement and served several years in the San Bernardino Police Department's Community Response Unit where the focus was on career criminals. Many of Mr. Montoya's duties were undercover, conducting buy-bust operations. In his law enforcement career, Mr. Montoya was awarded the Medal of Valor by California State Senator Ruben Ayala and also the Police Star of Merit Medal for Bravery.

Mr. Montoya, looking for a safer career, chose RJN Investigations in 1989. His leadership and reputation is well known throughout the insurance defense and legal communities. Mr. Montoya is the V.P. of Special Projects and manages our key client accounts. Mr. Montoya is an accomplished trainer and lectures regularly to senior claims personnel and other audiences in the industry. He has been an invited speaker/lecturer with organizations such as the Southern California Fraud Investigator's Association,

Employer's Fraud Task Force, Orange County District Attorney's Office, and the California Joint Powers Insurance Authority to name a few.

Mr. Montoya continues his education in this ever changing case law world and has attended, Cal-State Fullerton and California Southern School of Law.

Mr. Gomez is happy to be part of the RJN Investigation team. He is the former Vice President -Western Region for a national investigation firm. During his tenure at with his former company, he was responsible for the operation of this territory, which included three offices and over 75 investigators throughout the Western U.S. Prior to this, he directed the Western Region of Confidential Business Resources, formerly Gallagher Bassett Investigative Services, which was sold to an national firm, in 2005.

Mr. Gomez has been a guest speaker at numerous national and local conferences on Fraud and SIU topics. He was also instrumental in forming a National SIU unit for a Major TPA. Mr. Gomez started his

career with Allstate Insurance Company in 1987. Due to his expertise in investigations, he was given the opportunity to work in the first SIU unit for the company in Orange County. He worked closely with former law enforcement employees in this unit and they were instrumental in saving the company approximately \$1 million dollars in denied claims. He departed Allstate in 1995 to pursue a career in SIU with The Home Insurance Company.

Mr. Gomez has a B.A. in Business Administration from Whittier College and is a licensed Private Investigator in California.

RJN Investigations is a regional firm covering the states of California, Oregon, Nevada, Arizona, Colorado, Utah, Texas, New Jersey, Washington and Florida.



CA Fraud Assessment Commission

The legislature implemented the California Fraud Assessment Commission in the early 1990's when capping and medical provider fraud was rampant. The concept was that District attorneys had limited resources and would not dedicate their resources to fighting fraud. Therefore if a separate funding source were developed, it would result in increased workers compensation fraud investigations, arrests, prosecutions and convictions.

The Commission comprises of seven members.

- 1 Representative of the State Fund
- 1 Representative of self insured employers
- 1 Representative of insurance companies
- 2 Representatives of employers
- 2 Representatives of Labor

In early fall the commission determines the total budget for the next fiscal year. At this meeting the funds are also divided between the Department of Insurance Fraud Division and the District Attorneys

In late spring the District Attorney funds are allocated to the individual District Attorneys who participate in the process. Not all counties participate.

The Fraud Assessment Commission met on Tuesday of this week and voted to increase the funding for the next fiscal year by 2 ½ percent.

The District attorneys had asked for a 12% increase. With the budget crisis in California there will be fewer funds and less ability for the elected district attorneys to use supplemental funds to help fund the fraud fighting.

There has also been a significant increase in expenses for the District Attorneys, such as fuel, rent, scheduled increases in pay etc. A 2 ½ percent increase does not match their current inflation. In effect, we are asking for the attorneys to continue (and in some cases increase) their efforts with fewer resources during the next fiscal year.

The assessments are paid for by the employers of California. In these difficult times, any increase is a severe burden for the employers who all pay their fair share. In addition, the employers of California have been asked to pay for the EAMES project which cost over \$29M last fiscal year and will come near that this year. In addition the employers have also had to pay for \$13M of California OSHA budget (through the workers compensation funding program).

As the chair of the California Fraud Assessment Commission, I presided over the vote.

My vote for an increase of 2 1/2 percent was based on the following:

Though the assessment in California has the largest fraud assessment in the country; it is lower on a per capita basis than several other states (including, I believe, New Jersey and Florida). The total size is due to the fact that this state is so large with so much fraud identified.

California is number one in the nation with regards to the amount of reported suspected fraud.

In California for the fiscal year 07/08 there were 1063 total cases pending in the prosecution case load, with over 1196 total defendants. Those cases involved over \$270,465,073 of chargeable fraud.

There were 2,772 fraud investigations performed by the DOI and the DA's.

Of those, 1,342 were claimant, 254 were premium fraud, 73 were single entity provider fraud, 945 were uninsured employer fraud, and 92 were other types of investigations.

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Fraud Assessment Commission

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There were 192 felony convictions and 334 misdemeanor convictions.

The judges ordered \$658,616 in fines and \$23,515,914 in restitution.

Not all restitution ordered will be collected nor will all fines be paid because many of these

defendants are now in jail and have no income from which to pay.

In California as the fraud has evolved, the fraud fight has been evolving. Ten years ago almost 90% of the arrests were claimant fraud. For employers, claimant fraud is the most irritating type of fraud, because they

usually personally know the fraudster. However, from studies done on the system, I believe that the bigger cost drivers to the system are employers who do not get any insurance, and large medical provider groups involved with performing unnecessary services or billing for services that were never performed.

We have asked the District Attorneys to take a balanced approach to their efforts. As a result, there has been a significant increase in uninsured employer prosecutions and medical provider fraud prosecutions. However they still prosecute claimant fraud.

William M. Zachry, Chair
Fraud Assessment
Commission

TO: FRAUD INTERDICTION PROGRAM MEMBERS

**FROM: ALBERT H. MACKENZIE, Deputy in Charge
Fraud Interdiction Program
Bus. (213) 580-3357**

SUBJECT: NEW CASE FILINGS

DATE: SEPTEMBER 11, 2008

PEOPLE v. STANLEY AZRILYAN

CASE NUMBER BA343542:

A felony complaint has been filed charging the defendant, Stanley Azrilyan, with five felony counts of violation of the Revenue & Taxation Code 19706.

According to the investigation, Stanley Azrilyan failed to file California Resident Income Tax Return for tax years 2003 through 2005. In addition, he failed to file California Corporation Franchise or Income Tax Returns for Bio-Pharmaceutical Industries (BPI), Inc. for tax year 2004.

The investigation revealed that the defendant failed to file tax returns and report income in excess of \$2,663,000 for tax years 2003 through 2005. Furthermore, Mr. Azrilyan's business, Bio-Pharmaceutical Industries, Inc., received in excess of \$10,347,000 for tax year 2004.

The defendant has been arrested and is currently in custody in the Los Angeles County Jail.

The addresses used for Bio-Pharmaceutical Industries are 16370 Meadow Ridge Road Encino, CA 91436 and 1100 Alta Loma, Suite 1006 West Hollywood, CA 90069

The California Corporation number is 2535507.

If you have paid any money to the defendant or his companies, please get that information to the SIU.



FRAUD INTERDICTION PROGRAM MEMBERS

PEOPLE v. ILYA CHATSKY

CASE NUMBER BA343541:



A felony complaint has been filed charging the defendant, Ilya Chatsky, with two felony counts of the Revenue & Taxation Code 19705 and four felony counts of the violation of the Revenue & Taxation Code 19706.

According to the investigation, Ilya Chatsky failed to include income on his California Resident Income Tax Returns for tax years 2004 and 2005. In addition, he failed to file California Corporation Franchise or Income Tax Returns for JP Wholesale Drugs, Inc. for the 2004 and 2005 tax years.

The investigation revealed that Mr. Chatsky received in excess of \$1,315,000 for tax years 2004 and 2005 and JP Wholesale Drugs, Inc. received in excess of \$16,838,000 for tax years 2004 and 2005.

The addresses used for JP Wholesale Drugs, Inc. are 7660 Beverly Boulevard, Suite 348 Los Angeles, CA 90036 and 325 North Oakhurst Drive, Suite 501 Beverly Hills, CA 90210.

The California Corporation number is 2638428.

The defendant posted bail in the amount of a one million dollar bail bond and is scheduled to be arraigned in Division 30 on Wednesday November 5th.

If you have paid any money to the defendant or his companies, please get that information to the SIU.

PEOPLE v. ARMEN ARAKELYAN

CASE NUMBER BA345275:

A felony complaint has been filed charging the defendant, Armen Arakelyan, with three counts of failure to file tax returns in violation of Revenue & Taxation Code 19706.

The investigation revealed that Armen Arakelyan failed to file a California Resident Income Tax Return for the year 2004 in the name of Armen Arakelyan. The investigation also revealed that Armen Arakelyan failed to file California Corporation Income Tax Returns for the 2004 taxable year for businesses he owned in the name of AAA Diagnostic Center, Inc. and in the name of Simon Marketing and Billing Corp.



AAA Diagnostic Center, Inc. has a California Corporation number 2626138. The taxpayer id number used was 77-0637700.

Simon Marketing and Billing Corp. has a California Corporation number 2614905. The taxpayer id number used was 11-3720623.

The address used for the two businesses was 1321 North Poinsettia Place Suite 11 Los Angeles, CA 90046.

The total unreported income amounted to \$1,503,638 for the taxable year 2004.

An arrest warrant was issued today, September 10th, for the defendant whose whereabouts are currently unknown. The judge set bail at \$ 2,000,000.00.

CompWest Insurance Company is the leading provider of Workers' Compensation with Care™ to more than 2,000 mid-market employers in California and the Western States. Through its select network of independent Partner Brokers, CompWest achieves significant claims cost savings for their clients while also providing personal care to care to injured workers. To find out more about the 'CompWest Difference' go to www.compwestinsurance.com



P.O. Box 12849
Newport Beach CA 92648

California Labor Commissioner Issues Fines of \$267,600 During Statewide Enforcement Activity

Investigators from the California Labor Commissioners' Office issued 71 citations totaling \$267,600 in fines in a two-day statewide enforcement sweep of businesses in the agricultural industry including nurseries, greenhouses, landscapers, farm labor contractors, dairies, growers and other agricultural businesses.

Forty eight businesses that were inspected received fines of \$198,000 for failure to provide workers' compensation coverage for their employees and stop orders were immediately issued prohibiting the use of employee labor until they obtained workers' compensation insurance.

"Employers must maintain workers' compensation insurance," said California Labor Commissioner Angela Bradstreet. "If they continue to operate without the proper coverage we will refer the case to the local district attorney's office for possible criminal prosecution."

More than \$64,000 in fines were levied against 16 businesses for failure to provide employees a wage deduction statement or failure to keep records as required under subdivision (a) of Section 226 of the Labor Code.

"Our goal is to protect workers from unfair treatment by unscrupulous employers and provide a more competitive environment for law-abiding businesses," Bradstreet said.

The statewide enforcement sweep ended on Nov. 6 and covered 25 counties with investigators visiting 269 employers. Los Angeles County had the largest number of inspections, followed by Orange, Monterey and San Diego counties.

The DLSE adjudicates wage claims, investigates discrimination and public works complaints, and enforces state labor law and Industrial Welfare Commission wage orders