

CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE DISTRICT ATTORNEY



GEORGE GASCÓN
DISTRICT ATTORNEY

July 1, 2019

Janis Perschler
Manager, Local Assistance Unit
California Department of Insurance
Enforcement Branch Headquarters
2400 Del Paso Road, Suite 250
Sacramento, CA 95834

Dear Ms. Perschler,

Enclosed please find the original fiscal year 2019-2020 Automobile Insurance Fraud Program Grant Application for the City and County of San Francisco. A CD containing a digital copy of the application is also included in this package.

For fiscal year 2019-2020, the District Attorney's proposed budget will include an expenditure of up to \$390,189 for the investigation and prosecution of automobile insurance fraud. A San Francisco Board of Supervisors Resolution authorizing the acceptance and expenditure of grant funding is forthcoming and will be submitted no later than December 31, 2019. A draft of the proposed language is included in Form 4 of the application.

Our year-end report for fiscal year 2018-2019 is in the process of being completed. Our office will forward the report to you once it is finalized. The anticipated carry-over funds are approximately \$29,733.

Thank you for your attention to this request. Should you have any questions or need additional information, please feel free to contact Supriya Perry of my office at (415) 551-9586.

Very truly yours,


George Gascon
District Attorney

**GRANT APPLICATION TRANSMITTAL
AUTOMOBILE INSURANCE FRAUD PROGRAM**
Grant Period: July 1, 2019 to June 30, 2020

Office of the District Attorney, City and County of San Francisco,
hereby makes application for funds under the Automobile Insurance Fraud Program pursuant to
Section 1872.8 of the California Insurance Code.

Contact: Supriya S. Perry

Address: 732 Brannan St., San Francisco, CA 94103

Telephone: (415) 551-9586

New Funds Being Requested: \$ 390,189

Estimated Carryover Funds: \$ 29,733

Supriya S. Perry
Program Director

Eugene G. Clendinen
Financial Officer


District Attorney's Signature

Name: George Gascon

Title: District Attorney

County: San Francisco

Address: 850 Bryant Street

San Francisco, CA 94103

Telephone: (415) 553-1752

Date: July 1, 2019

**AUTOMOBILE INSURANCE FRAUD PROGRAM
CITY AND COUNTY OF SAN FRANCISCO
FISCAL YEAR 2019 - 2020
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**GRANT APPLICATION CHECKLIST and SEQUENCE
AUTOMOBILE INSURANCE FRAUD PROGRAM
FISCAL YEAR 2019-2020**

		<u>YES</u>	<u>NO</u>
1.	GRANT APPLICATION TRANSMITTAL (FORM 02)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2.	PROGRAM CONTACT FORM (FORM 03)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.	Original or certified copy of the BOARD RESOLUTION (FORM 04) included? If NOT, the cover letter must indicate the submission date. (Please see cover letter.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.	TABLE OF CONTENTS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5.	The County Plan includes:		
	a) COUNTY PLAN QUALIFICATIONS (FORM 05)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	b) STAFF QUALIFICATIONS (FORM 06(A))	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	c) ORGANIZATIONAL CHART (FORM 06(B))	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	d) PROGRAM REPORT (DAR OR FORM 07)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	e) COUNTY PLAN PROBLEM STATEMENT (FORM 08)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	f) COUNTY PLAN PROGRAM STRATEGY (FORM 09)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6.	Projected BUDGET (FORMS 10-12)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	a) LINE-ITEM TOTALS VERIFIED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	b) PROGRAM BUDGET TOTAL (FORM 12)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7.	EQUIPMENT LOG (FORM 13)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8.	JOINT PLAN (Attachment A)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9.	CONFIDENTIAL CASE DESCRIPTIONS (Attachment B)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10.	ELECTRONIC VERSION (CD/DVD)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**AUTOMOBILE INSURANCE FRAUD PROGRAM
SAN FRANCISCO PROGRAM CONTACT FORM
FISCAL YEAR 2019-2020**

1. Provide contact information for the person with day-to-day operational responsibility for the program, who can be contacted for questions regarding the program.

- a. Name: Supriya S. Perry
- b. Title: Managing Attorney/Program Director
- c. Address: 732 Brannan Street
San Francisco, CA 94103
- d. E-mail address: supriya.perry@sfgov.org
- e. Telephone Number: (415) 551-9586 Fax Number: (415) 551-9594

2. Provide contact information for the District Attorney's Financial Officer.

- a. Name: Eugene G. Clendinen
- b. Title: Chief Administrative and Financial Officer
- c. Address: 850 Bryant Street
San Francisco, CA 94103
- d. E-mail address: eugene.clendinen@sfgov.org
- e. Telephone Number: (415) 553-1895 Fax Number: (415) 553-9700

3. Provide contact information for questions regarding data collection/reporting.

- a. Name: Supriya S. Perry
- b. Title: Managing Attorney/Program Director
- c. Address: 732 Brannan St.
San Francisco, CA 94103
- d. E-mail address: supriya.perry@sfgov.org
- e. Telephone Number: (415) 551-9586 Fax Number: (415) 551-9594

**BOARD OF SUPERVISORS RESOLUTION
CITY AND COUNTY OF SAN FRANCISCO
FISCAL YEAR 2019-2020**

The following is preliminary and draft language of the Resolution that the SFDA will submit for the San Francisco Board of Supervisors to consider and approve regarding the acceptance and expenditure of grand funding for FY 2019-2020.

[Accept and Expend Grant - California Department of Insurance, Automobile Insurance Fraud Program – \$ _____]

Resolution authorizing the Office of the District Attorney to accept and expend a grant in the amount of \$ _____ from the California Department of Insurance for the Automobile Insurance Fraud Program for the grant period July 1, 2019 through June 30, 2020.

WHEREAS, The San Francisco Administrative Code requires City departments to obtain Board of Supervisors’ approval to accept or expend any grant funds (Section 10.170 et seq.); and

WHEREAS, The Board of Supervisors provided in Section 11.1 of the administrative provisions of the FY20__-20__ Annual Appropriation Ordinance that approval of recurring grant funds contained in departmental budget submissions and approved in the FY20__-20__ budget are deemed to meet the requirements of the San Francisco Administrative Code regarding grant approvals; and

WHEREAS, The Department of Insurance of the State of California that provides grant funds to the Office of the District Attorney requires documentation of the Board’s approval of their specific grant funds (California Insurance Code section 1872.83, California Code of Regulations, Title 10, Section 2698.55 et seq.); and

WHEREAS, The Office of the District Attorney applied for funding from the California Department of Insurance for the “Automobile Insurance Fraud Program” and was awarded \$ _____ and

WHEREAS, The purpose of the grant is to provide enhanced investigation and prosecution of Automobile insurance fraud cases, including the application process and subsequent reporting requirements as set forth in the California Insurance Code section 1872.83, California Code of Regulations, Title 10, Section 2698.55 et seq.; and

WHEREAS, The adopted budget for FY2019-2020 is \$ _____; and

WHEREAS, The amount of \$ _____ is required to be appropriated to equal the total amount of \$ _____ awarded to the Office of the District Attorney for the 2019-20 fiscal year; and

WHEREAS, The grant does not require an amendment to the Annual Salary Ordinance (ASO) Amendment; and

WHEREAS, The grant includes indirect costs of \$ _____; and now, therefore, be it

RESOLVED, That should the Office of the District Attorney receive more or less money than the awarded amount of \$ _____, that the Board of Supervisors hereby approves the acceptance and expenditure by the Office of the District Attorney of the additional or reduced money; and be it

FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Office of the District Attorney to accept and expend, on behalf of the City and County of San Francisco, a grant from the California Department of Insurance for the Automobile Insurance Fraud Program to be funded in part from funds made available through California Insurance Code section 1872.83, California Code of Regulations, Title 10, Section 2698.55 et seq. in the amount of \$ _____ to enhance investigation and prosecution of automobile insurance fraud cases; and be it further

FURTHER RESOLVED, That the District Attorney of the City and County of San Francisco is authorized, on its behalf, to submit the attached proposal to the California Department of Insurance and is authorized to execute on behalf of the Board of Supervisors the attached Grant Award Agreement including any extensions or amendments thereof; and be it

FURTHER RESOLVED, That it is agreed that any liability arising out of the performance of the Grant Award Agreement, including civil court actions for damages, shall be the responsibility of the grant recipient and the authorizing agency. The State of California and the California Department of Insurance disclaim responsibility for any such liability; and be it

FURTHER RESOLVED, That the grant funds received hereunder shall not be used to supplant expenditures controlled by this body.

**CITY AND COUNTY OF SAN FRANCISCO PLAN: QUALIFICATIONS
FISCAL YEAR 2019-2020**

Description of the San Francisco District Attorney's experience in investigating and prosecuting automobile insurance fraud during the last two (2) fiscal years.

Over the last two fiscal years, the San Francisco District Attorney's Automobile Insurance Fraud Program ("SFDA Program" or "Program") has investigated and prosecuted multiple types of cases, including claimant fraud, auto body shop fraud, organized insurance fraud rings, and staged collisions. Many of our successful prosecutions originate from leads and referrals resulting from our outreach and collaboration with the enforcement community. We continue to conduct regular case reviews with the Department of Insurance (CDI) detectives from the Golden Gate Regional Office and meet regularly with members of carriers' Special Investigations Units (SIUs) to discuss case referrals, develop effective investigative plans, and prepare cases for prosecution.

1. The SFDA Program Areas of Success

A. Complex and Organized Auto Insurance Fraud Investigations

The SFDA Program investigates cases that involve complex insurance fraud schemes. For example, fraud perpetrated by passenger transportation companies and auto body shops can be complex investigations where the loss is often much greater than claimant fraud cases, the schemes are more sophisticated and difficult to detect, and more conspirators are potentially involved. The following are examples of complex investigations and prosecutions that have been handled by the SFDA Program:

- Through the collaborative efforts of the assigned prosecutor, then-assigned Program District Attorney Investigator Pollie Pent (now a CDI Detective), and the SIU of a major insurance carrier, the SFDA Program completed a massive investigation into a multi-faceted fraud enterprise and filed People v. Grechko, et al. in December 2018. This case involves an airport transportation company employer who used fake identifications to purchase insurance, and in ten separate claims, allegedly overstated "loss of use" of the transportation vans by falsifying documents with inflated average profits. This case is currently proceeding against four defendants with a fifth defendant having been charged, but who is an international fugitive.
- A two-year-long investigation culminated in April 2019 with the SFDA Program filing People v. Prado and Rios, involving multiple claims, in which a partner of an automotive repair shop subscribed to each estimate drawn up by the insurance company, but then performed substandard repairs or made repairs using non-OEM (original equipment manufacturer) replacement parts. Sometimes this partner waived

the insureds' deductibles for repairs. In all instances, inspections uncovered substandard repairs or repairs using non-OEM replacement parts. The shop did not disclose these substandard repairs to the carrier. The differences between the repairs for which the insurance companies paid and the actual value of the repairs ranged between \$700 and \$3,000 per claim.

- An enormous current investigation involves a body shop in San Francisco whose owners also run a towing company, a towing storage company, a vehicle rental company, and an automobile insurance company. Suspects within or affiliated with the shop are suspected of staging many of the collisions or claiming collisions occurred when there were none – often using vehicles they own. There are fraud complaints from nine different carriers based on claims for what is suspected to be preexisting vehicle damage created by the shop. An auto body shop employee claims to be a different person and the driver of the vehicle in some of these claims. The auto body shop seeks coverage for fraudulent tow fees or inordinately high storage fees for vehicles. In some cases, the shop used substandard parts to repair at a cost lower than what had been estimated and billed to the insurance companies. The SFDA Program has collected forty FD-1s associated with the auto body shop spanning a 13 year period beginning in 2006.
- The SFDA Program will soon file an arrest warrant for a suspect who claimed his car was stolen. In an elaborate scheme involving a luxury vehicle and a family co-conspirator this suspect attempted to stage an automobile theft to recover insurance proceeds.

B. Significant Claimant Fraud Investigations

The SFDA Program recognizes that automobile insurance fraud needs to be investigated at all levels, including standard fraudulent claims that have been made by individuals. The following are examples of those types of significant, but less complex automobile insurance fraud matters that are being handled by the SFDA Program:

- A suspect purchased collision coverage after he was involved in an accident with another vehicle. He then filed a hit and run claim with his insurer. He denied being involved in any other accidents besides the hit and run. The insurer was contacted by the other driver's insurance company to report that the suspect had rear-ended that driver's vehicle. The damages appeared identical, and an accident reconstructionist confirmed that the only damages to the suspect's vehicle were those sustained from his having rear-ended the other driver/claimant vehicle. The suspect appears to have reported a false hit and run to have damages from an at-fault loss covered. This investigation is ongoing.
- Another current investigation involves a suspect who lied about the circumstances and the date of a collision. She said she had been sideswiped in a hit and run, but an inspection of the vehicle revealed that this was not the likely cause of the damage.

The suspect lied when she told the insurance company that the collision had occurred hours after she purchased a collision and comprehensive coverage policy. The tow invoice reflected a date that was three days before the purchase of that coverage. She ultimately admitted to the material misrepresentation.

- In another pending investigation, the suspect was uninsured at the time of her accident. She purchased an automobile insurance policy and then filed a claim. She appears to have lied on at least two separate occasions about the accident having happened after the policy was purchased. The metadata from photographs submitted with the claim indicate that the accident occurred prior to the policy purchase. Recorded statements from both parties to the accident appear to confirm this. This investigation is pending preparation of the arrest warrant.

C. Successful Prosecutions that originated from SFDA Program investigations

Through the collaborative efforts of the SFDA Program prosecutors and inspector with carrier SIUs, the SFDA Program initiated its own investigations in many cases that have resulted in successful prosecutions in the past two fiscal years:

- On May 16, 2019, in People v. Tiara Matau, the SFDA Program secured a misdemeanor Penal Code section 550(b)(1) conviction. This defendant purchased a GEICO policy, and eight days later filed a claim stating that her car had been struck while parked on the street, sustaining front and side damage. The evidence gathered through investigation revealed that the collision occurred while defendant's boyfriend (who was not a covered party) was driving the vehicle, defendant's boyfriend had struck another vehicle while both vehicles were in operation, and (3) this collision occurred prior to defendant obtaining insurance coverage. It was only after months of investigation and interviewing the driver of the other vehicle involved in this collision that the defendant admitted that the damage had been sustained to her vehicle prior to the purchase of her GEICO policy. Had the fraud gone undetected, the potential loss was \$3,970.69.
- In People v. Alicia Alvarado, the SFDA Program secured a felony Penal Code section 550(b) conviction in April 2018. The defendant purchased Esurance hours after she was involved in an auto accident. She later filed a claim, falsely stating that the accident had happened after the inception of her policy. However, the other driver and the metadata from the photos taken at the scene revealed fraud. The potential loss to the carrier was \$3,368.22.
- In People v. Douglas Harper, the SFDA Program secured a three-year prison sentence on a PC 550(a)(4) felony conviction in November 2017. The defendant falsely reported his vehicle stolen to the San Francisco Police Department. He subsequently filed a claim for payment of a stolen vehicle and received \$13,205.54 from GEICO. Nearly three years later, the same vehicle was located by the Roseville Police

Department at the defendant's former residence, establishing that the defendant had falsely reported that his car had been stolen.

- In People v. Ricky McLane, the SFDA Program secured a misdemeanor Penal Code section 550(b) conviction in October of 2017. This defendant purchased a GEICO policy, and two days later filed a claim stating that his car had been struck while parked in a lot, sustaining damage to both sides. However, when confronted, the defendant admitted that the damage had been sustained in two separate collisions, both of which occurred prior to the purchase of his policy. Had the fraud gone undetected, GEICO would have been responsible for \$2,500.

D. Current Prosecutions from SFDA Program Investigations

The SFDA Program investigated, filed, and is currently prosecuting the following cases, which are pending in Court:

- In April 2019, in People v. Raymondo Prado and Eric Rios, the two defendants were charged with 29 felony counts including charges of insurance fraud under Penal Code section 550(a)(5) and 550(b)(3); grand theft under Penal Code section 487; and embezzlement under Penal Code section 503. Between August of 2014 and May of 2015, eight vehicles were involved in nine auto collisions. Eric Rios, an owner of Pacific Heights, was simultaneously the insurance agent for six of the eight insureds. He told the insureds they could take their vehicles to Pacific Heights Auto Body for repairs, however he failed to tell them that he had a financial interest in the Pacific Heights Auto Body shop. On eight of the nine repair claims, a claims representative noted speaking with an individual identifying himself as "Ray," at the shop. The insurance company paid all nine claims, and while Pacific Heights repaired all the vehicles to a certain extent, all repair jobs were substandard, and none were performed as quoted. Farmers paid out a total of \$13,572.31 that did not go to repairs. Additionally, as their insurance agent, Eric Rios deposited \$3,290 in cash that was supposed to go to Farmers as insurance premium payments, into his own personal bank account.
- In March 2019, the SFDA Program filed felony Penal Code sections 550(a) and 550(b) charges in People v. Ligia Latino, a case where the defendant got into an accident while uninsured. The defendant purchased a CSAA/AAA auto insurance policy, and one day later filed a claim for the damage. Investigation in this case, which included interviewing the tow truck driver and company for defendant's vehicle, as well as analyzing the metadata of the photographs provided by defendant, revealed the damage occurred prior to defendant obtaining insurance coverage. Because of the fraud, CSAA/AAA paid \$578.50 in rental vehicle costs and spent \$2,887 in investigative costs. Had the fraud gone undetected, CSAA/AAA would have been responsible for approximately \$1,100.07.

- In February 2019, the SFDA Program filed People v. Darren Brown. The defendant was charged in San Francisco Superior Court with felony violations of Penal Code sections 550(a)(1), 550(a)(2) and 550(b)(1). Brown was involved in a vehicle collision without active auto insurance. He then bought insurance after the fact and attempted to obtain insurance benefits by lying about the time of his accident. The metadata from the photos he submitted to the carrier established that the accident preceded the insurance purchase. When the claim was denied, Brown filed another claim for the same damages but under a new accident description. Had the fraud gone undetected, Esurance could have been out up to \$10,869.42.
- In December 2018, multiple defendants were charged in People v. Grechko et al. with staging fake collisions between high-end cars and SuperShuttle vans on Treasure Island from 2012 to 2014, in a conspiracy to defraud Farmers. The eighty-three counts include conspiracy, staging automobile collisions in violation of Penal Code section 550(a)(3), insurance fraud in violation of Penal Code section 550(a)(1), obtaining money through false pretenses, grand theft, identity theft and filing a false instrument for public record. Brother and sister defendants Sergey and Lyudmila Grechko owned a SuperShuttle franchise. They complaint alleges that they arranged for their shuttle vans to be involved in collisions with high-end vehicles. Prior to the collisions, the insurance for the high-end vehicles was purchased from Farmers by defendants Mykhailo Fomin and Illia Suhaka, using false or stolen identities. One of the defendants, Vadzim Klimasheuski, who is still at large, obtained a California Driver's License using the same false identity he would use to purchase insurance from Farmers. Knowing that the SuperShuttle vans would not be used for business while they were being repaired, the franchise owners inflated the loss of use claims they submitted to Farmers by falsely stating how much business they had engaged in prior to the collisions. Farmer's paid out \$190,854.52 because of this fraud.
- In June 2018, the SFDA Program filed felony Penal Code sections 550(a) and 550(b) charges in People v. Madison Alexander, a case where the defendant got into an accident while driving for Uber – with a passenger in the car – and fled the scene. The victim followed the suspect for a period of time, and then filed a police report when the suspect did not stop driving. The defendant made a claim with his personal auto insurance and stated that he had not been driving for Uber at the time of the accident. The suspect also lied about the circumstances of the accident. When the Uber passenger later complained of pain to Uber, her claim went through Uber's auto insurance. However, the defendant's personal insurance company initially paid for the damages to the defendant's car and the victim's car based on the material misrepresentations the defendant made in his claim to them.

E. Collaborative Successes Through Our Partnerships

During the FY 2017-19 period, the SFDA Program continued to enjoy a close partnership with CDI. The SFDA Program worked on multiple investigations with CDI, and kept CDI apprised of pending prosecutions. CDI was an invaluable partner in effecting the filing of the

People v. Grechko et al. case. CDI Detective Pollie Pent was familiar with this investigation from her prior work at SFDA and completed her investigation of this matter as a CDI Detective. Although now filed, the SFDA prosecutor and Detective Pent continue to work closely together to prepare this multi-defendant, complex automobile fraud case for preliminary hearing.

During FY 2018-19, the SFDA Program continues to work with the National Insurance Crime Bureau (NICB) and the SIUs of multiple carriers in connection with a large investigation involving a body shop in San Francisco. The auto body shop runs a towing company, a towing storage company, a vehicle rental company, and an automobile insurance company. Individuals within or affiliated with the shop are suspected of staging many of the collisions or claiming there were collisions when there were none. It is also suspected that these individuals are staging collisions involving vehicles owned by the body shop. There are fraud complaints from nine different carriers based on claims for what is believed to be preexisting vehicle damage created by the shop. The auto body shop also seeks coverage for fraudulent tow fees or inordinately high storage fees for vehicles. The auto body shop is also suspected of engaging in fraud by using substandard parts to repair at a cost lower than what was estimated and billed to the insurers.

The SFDA Program prosecutors and inspectors met with Special Agents from the NICB, who have been providing the SFDA Program with information about the extensive auto insurance fraud associated with this auto body shop and one of its employees, who is also a licensed insurance agent. This fiscal year the SFDA Program has made progress in this investigation by identifying and reviewing more than forty FD-1s associated with the auto body shop spanning a 13 year period and requesting file information for more than ten incidents that have preliminarily been identified as the most promising leads.

2. Unfunded Contributions

The SFDA Program prosecutors are only partially funded by the California Department of Insurance Fraud Program. As illustrated by our Organizational Chart (described in Form 06(b) below), automobile insurance fraud is a branch of our Economic Crimes Unit and falls under the supervision of the managing attorney, Supriya Perry. Ms. Perry, who supervises the auto insurance fraud prosecution team, spends approximately 20-25% of her time supervising the investigation and prosecution of auto insurance fraud cases: she reviews all FD-1s submitted to our office; communicates directly with the SIUs and law enforcement on cases initially presented to our office; approves all investigative plans; edits and approves all search warrants and arrest warrants; conducts regular team meetings to monitor the progress of pending investigations and prosecutions; arranges and oversees case reviews with the local regional office; identifies and directs operational issues with the SFDA Program personnel; and oversees all negotiations of auto insurance prosecutions. Ms. Perry's salary is not funded by the SFDA Automobile Insurance Fraud Program.

Lieutenant Robert Guzman, the supervisor of the District Attorney Inspectors in the Economic Crimes Unit, is also unfunded. He spends more than 5% of his time supervising the automobile insurance fraud inspectors: he assists in the drafting and execution of their search or arrest warrants; oversees and manages their investigations in conjunction with the managing

attorney; oversees and participates in field operations involving the inspectors, such as surveillance and witness interviews; tracks and logs grant related inspector activity; and supervises the execution of insurance fraud related search warrants and arrest warrants. Lt. Guzman's salary is not funded by the SFDA Automobile Insurance Fraud Program.

The SFDA program relies on the office's several well qualified paralegals who work to ensure the success of the SFDA Program by preparing pleadings, preparing documents for filing and discovery, maintaining electronic and hard copy case files, and providing general administrative assistance to the program inspectors and attorneys. These individuals' contributions are unallocated resources that are not Program funded.

3. Continuity of Assigned Personnel

The San Francisco District Attorney's Office does not have a formal rotations policy. However, the Office understands the importance of continuity when investigating and prosecuting complex automobile insurance fraud cases. Maintaining control over investigations and fostering relationships with outside agencies such as CDI and carrier SIUs is crucial to our Program's success, which is why the San Francisco District Attorney's Office strives to ensure that seasoned career law enforcement professionals are assigned to the Program.

Assistant District Attorney Alexis Fasteau has served as a primary Program prosecutor since March 2016. Ms. Fasteau has worked for the San Francisco District Attorney's Office for twelve years. She is a highly experienced attorney who has had forty-five jury trials during her fourteen years as a prosecutor. She previously worked at the Solano County District Attorney's Office. Ms. Fasteau has spent the bulk of her prosecutorial career in the following specialized units: Child Assault and Sexual Assault, Economic Crimes, Public Integrity, and Domestic Violence. She has tried high profile and complex cases involving charges of premeditated attempted murder, aggravated mayhem, torture, stalking, criminal threats, possession and distribution of child pornography, child molest, and child endangerment resulting in death. In the Economic Crimes Unit, she has also prosecuted cases involving workers' compensation insurance fraud, life insurance and annuity fraud, and major fraud/embezzlement. Ms. Fasteau graduated Phi Beta Kappa in Economics from the University of California, Berkeley, where she also attended law school. She speaks Spanish fluently.

Assistant District Attorney Stephanie Zudekoff has been with the Program for nearly one year. She received her Bachelor of Arts degree from the University of Georgia, and her Juris Doctor degree from Georgia State University, College of Law. Ms. Zudekoff practiced law in Georgia for several years, including with the Georgia Attorney General's office prior to joining the San Francisco District Attorney's office. She came to the SFDA Economic Crimes Unit having completed many general felony trials in San Francisco. Ms. Zudekoff is currently prosecuting several automobile claimant fraud cases, and will continue to do so in the upcoming fiscal year.

District Attorney Inspector John O'Reilly has served as our Program's inspector since January 2018. He became a peace officer in February of 1991 for the Oakland Police

Department. In the 27 years he worked for the Oakland Police Department, he held the position of Police Officer where he was assigned to the Patrol Division, Community Policing Division and the Recruiting and Backgrounds Unit. While in Patrol, Community Policing, and Recruiting and Backgrounds he served as an Acting Sergeant when needed by the department. He conducted criminal investigations involving a variety of crimes including murder, rape, robbery, assault, burglary, theft, fraud, forgery, embezzlement, possession of firearms and narcotics. He also conducted hundreds of civilian and sworn Peace Officer Standards and Training (POST) compliant background investigations for sworn and civilian positions with the City of Oakland. He holds a Bachelor of Arts degree in History from Saint Mary's College of California and possesses an Advanced Certificate from the California Commission on POST.

4. Partnerships with Governmental Agencies

The SFDA Automobile Insurance Fraud Program has developed collaborative relationships with the United States Attorney's Office, Northern District; United States Postal Service; Internal Revenue Service; Federal Bureau of Investigations; California Department of Insurance, Bureau of Investigations; California Department of Consumer Affairs, Bureau of Automotive Repair; California Department of Transportation; California Franchise Tax Board; California State Board of Pharmacy; California State Board of Chiropractic Examiners; California State Bar; California Highway Patrol; University of California, San Francisco Hospital; San Francisco Police Department; San Francisco Sheriff's Department; San Francisco Fire Department; San Francisco Department of Parking and Traffic; San Francisco Municipal Transit Authority; San Francisco General Hospital; Alameda County District Attorney's Office; Marin County District Attorney's Office, Santa Clara County District Attorney's Office, and Solano County District Attorney's Office.

The SFDA meets with these agencies on a case specific basis, but also regularly meets with attorneys and investigators from these agencies at various annual anti-fraud related trainings, events, and consortiums. Examples of these events include the Anti-Fraud Alliance quarterly meetings and annual conference, the annual CDAA fraud conference, the Golden Gate consortium meetings, and NICB events and trainings.

5. Frozen Assets

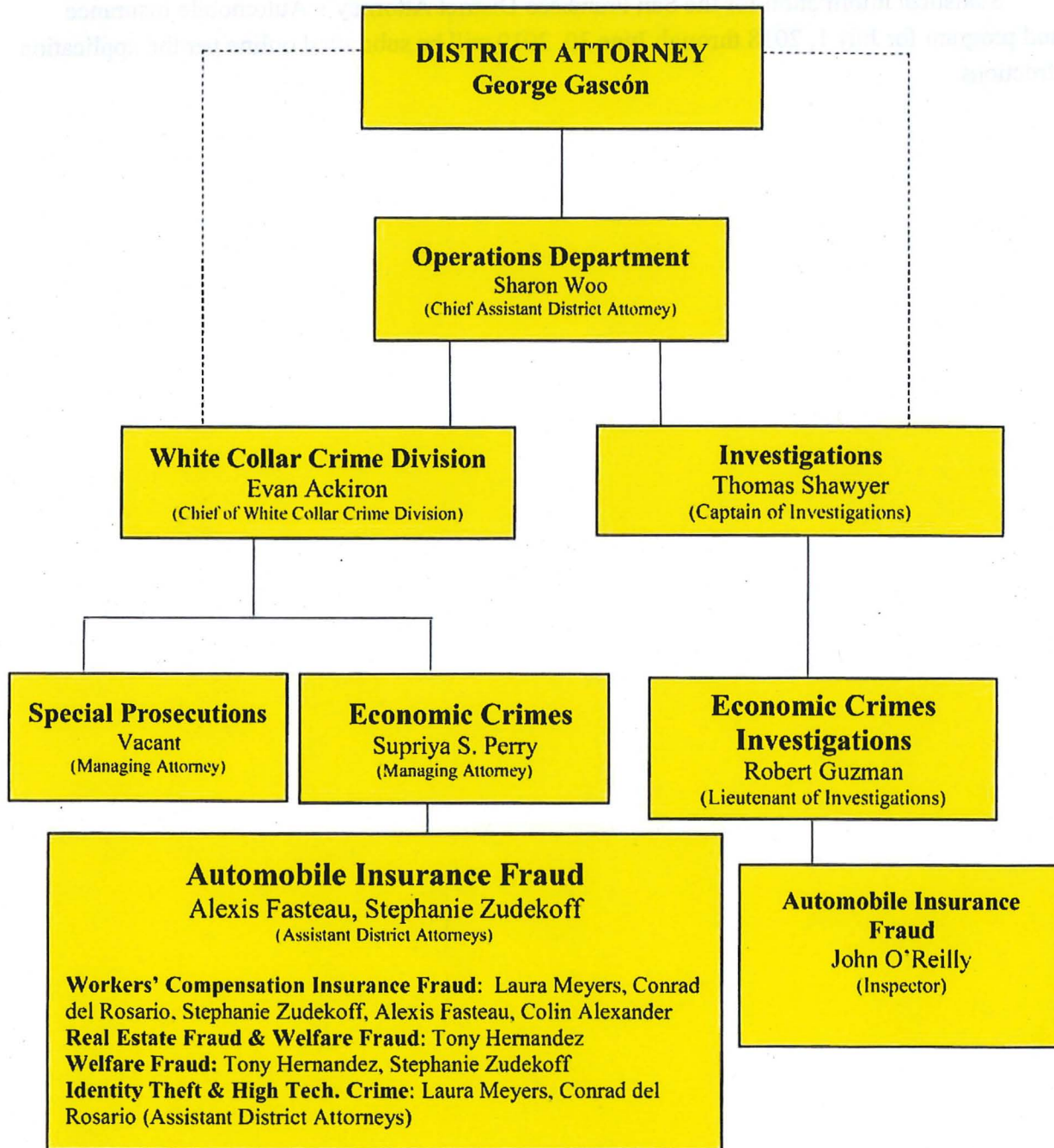
No frozen assets were distributed.

**CITY AND COUNTY OF SAN FRANCISCO PLAN: STAFFING
FISCAL YEAR 2019-2020**

Prosecutors	% Time	Time With Program Start Date/End Date
Alexis Fasteau	35	March 2016 to present
Stephanie Zudekoff	15	August 2018 to present

COUNTY OF <u>SAN FRANCISCO</u>		
Inspectors	% Time	Time With Program Start Date/End Date
John O'Reilly	85	January 2018 to present

**CITY AND COUNTY OF SAN FRANCISCO PLAN:
ORGANIZATIONAL CHART
FISCAL YEAR 2019-2020**



**CITY AND COUNTY OF SAN FRANCISCO PLAN:
DISTRICT ATTORNEY PROGRAM REPORT
FISCAL YEAR 2019-2020**

Statistical information for the San Francisco District Attorney's Automobile Insurance Fraud program for July 1, 2018 through June 30, 2019 will be submitted online per the application instructions.

**CITY AND COUNTY OF SAN FRANCISCO PLAN:
PROBLEM STATEMENT, FISCAL YEAR 2019-2020**

The San Francisco District Attorney's Automobile Insurance Fraud program ("SFDA Program" or "Program") investigates all forms of automobile insurance fraud that occur in the county including applicant fraud, insider fraud, staged collisions, and large fraud rings. San Francisco draws commuters from throughout the Bay Area and beyond and is a densely populated and frequently visited City. An obvious consequence of such a highly trafficked area is a significant number of vehicle thefts and accidents resulting in heightened fraudulent activity.

1. Sources and Causes of Automobile Insurance Fraud

Automobile insurance fraud is generally motivated by the prospect of financial gain. The fraud can exist when an uninsured motorist is seeking coverage after an accident, or when a body shop owner is looking to make money by falsely representing that a car was repaired as estimated when, in reality, the shop owner used substandard replacement parts or performed a substandard repair. Basic greed appears to drive each offender, no matter how large or small.

Opportunities present themselves where first-time uninsured offenders may look to capitalize on a single, quick, and easy fraudulent claim to pay for damage or injuries. On the other hand, repeat offenders – encouraged by past success – continue to defraud insurance carriers on either: 1) subsequent claims; or 2) multiple scams at once in a more sophisticated manner.

The SFDA Program continues to review referrals, open investigations, and prosecute cases involving fraud perpetrated by those who orchestrate and stage accidents as well as insurance "insiders" who abuse their positions to cheat victim carriers. The Program also pursues dishonest repair facilities, medical providers, and anyone else who seeks to capitalize from the claims process by reaping undue profit.

2. Economic and Social Impact of Automobile Insurance Fraud

Automobile insurance fraud presents obvious costs to the insurance industry at large as carriers are faced with absorbing the costs of fraudulent claims, costs of internal investigations, and costs associated with assisting law enforcement and being witnesses for court proceedings. Automobile insurance fraud also costs law-abiding consumers who diligently pay their automobile insurance premiums and then potentially face increased prices when carriers must raise rates to cover costs associated with losses suffered as a result of criminal activity. Fraud also presents costs to law enforcement agencies, such as the District Attorney's offices, the Enforcement branch of the Department of Insurance, and local police agencies tasked with investigating and prosecuting such cases. Moreover, successful, unrestrained fraudsters invite others to follow their lead and engage in fraudulent activity.

3. Aspects Unique to San Francisco

A unique aspect of San Francisco is its dense population and high concentration of roadways in a relatively small geographic area, indicating the prevalent role of vehicles in the City and County. According to U.S. Census data as of July 1, 2018, the City and County of San Francisco, despite its relatively small size (49 square miles), had a population of 883,305.¹ However, U.S. Census statistics have shown that people who commute into San Francisco increase the City's daytime population by 21 percent.²

Moreover, in 2010, San Francisco County's estimated population density was 17,179.2 per square mile of land area.³ By contrast, Alameda County's estimated population density in the same year was 2,047.6 people per square mile⁴ and Santa Clara County's 2010 estimated population density was 1,381.0 people per square mile.⁵

The City and County of San Francisco has 1,088 total miles of roads,⁶ 59 miles of which are freeways including ramps to freeways and freeway-to-freeway exchanges.⁷ Both Highway 1 and Route 101 run through San Francisco on surface streets, 19th Avenue to Park Presidio and Van Ness Avenue, respectively. In all, San Francisco has 19,500,000 square feet of paved street area⁸ and an estimated 7,200 intersections.⁹ San Francisco's street pattern is much more grid-like than the more suburban communities that surround the County. These statistics emphasize the importance that vehicles play in San Francisco.

4. Discussion Relative to Specific Areas of Automobile Insurance Fraud

A. Auto Body & Repair Shops Fraud

Insurance fraud in San Francisco County is also driven by a combination of demographics unique to San Francisco that create a very fertile environment for local auto body and repair shops to simultaneously defraud their customers and California's insurance carriers.

A current complex investigation involves the owner and employees of a large auto body shop. The auto body shop runs a towing company, a towing storage company, a vehicle rental company, and an automobile insurance company. Suspects within or affiliated with the shop are suspected of staging many of the collisions, or claiming there were collisions when there were none – oftentimes using vehicles they own. It is suspected that they are also staging collisions involving vehicles owned by the body shop. There are fraud complaints from nine different carriers based on claims for what is suspected to be preexisting vehicle damage created by the shop. One auto body shop employee claims to be both a different person and the driver of the

¹ U.S. Census Bureau, 2018 Census data.

² U.S. Census Bureau, Commuter Adjusted Daytime Population: 2009-2013 5-year American Community Survey.

³ U.S. Census Bureau, 2010 Census.

⁴ Ibid.

⁵ Ibid.

⁶ San Francisco County Transportation Association (SFCTA).

⁷ SFCTA.

⁸ San Francisco Department of Public Works.

⁹ San Francisco Municipal Transportation Agency (SFMTA), Traffic Sign, Pain and Signal Shops.

vehicle in some of these claims. The auto body shop seeks coverage for fraudulent tow fees or inordinately high storage fees for vehicles. The auto body shop routinely makes false statements. In some cases the shop used substandard parts to repair at a cost lower than what had been fraudulently billed to the insurance companies. The SFDA Program has collected forty FD-1s associated with the auto body shop, spanning a 13-year period beginning in 2006. (Attachment B, Case #17BA023448)

As noted above, San Francisco is densely populated and has a high number of streets and intersections for a county of its geographical size. Judging by the large number of injury accidents, it is safe to assume that San Francisco experiences an even higher number of property-only accidents than a jurisdiction with less population density, longer distances between intersections, and freeways that are separated from the regular surface streets. As stated above, these property-only accidents are generally not documented by the police department, thereby enabling the auto body shops to overestimate or exaggerate the damage incurred in these collisions. Similarly, many of the property-only collisions occur at lower speeds due to the frequency of intersections, which results in lesser dollar amounts of damage. Lower claim amounts will receive less scrutiny from the auto insurance carriers, which also provides a greater opportunity for auto body shops to submit fraudulent claims to the carriers.

According to recent statistics from the San Francisco Municipal Transit Authority, the annual total of fatal vehicle collisions in San Francisco was 20 in 2017 and 23 in 2018. The annual total of approximately 3,100 non-fatal injury collisions in 2015 has changed little since 2006. Pedestrian collisions were 724 in 2015.

In a recent statistical study, San Francisco was identified as having the most factors contributing to dangerous driving conditions in California. The statistic study considered such factors as: collision rate, fatality rate, injury rate, alcohol-related crash rate, speed-related crash rate, hit and run rate, and population density.¹⁰

Additionally, the County has a large population of residents who are isolated from the rest of the community by language and cultural differences.¹¹ The U.S. Census Bureau estimated that from 2012-2016, of San Francisco's total population, 34.9% were foreign-born. Furthermore, 94.4% of people were age five and older with the City's total population as of 2016, and the data for the language spoken at home by these San Franciscans was estimated as follows:

- 44 % speak a language other than English;
- 11.1 % speak Spanish;
- 6.2 % speak Other Indo-European languages;

¹⁰ Study by Liljegren Law Group and 1point21 Interactive. Based on source data from California Office of Traffic Safety and CHP SWITRS Data for 2015.

¹¹ In response to concerns expressed by data user groups, the Census Bureau decided to eliminate the term "linguistic isolation" for data products issued starting in 2011. The terminology was changed to be more descriptive and less stigmatizing. The phrase that will appear in all new products will be "Households in which no one 14 and over speaks English only or speaks a language other than English at home and Speaks English 'Very Well.'" (April 18, 2011 email from David S. Johnson, Chief, Housing and Household Economic Statistics Division of the U.S. Census Bureau.)

- 26.0 % speak Asian and Pacific Island languages; and
- 1.0 % speak other languages.

In addition, the U.S. Census Bureau defines a *limited English speaking household* as one in which no member age 14 years and over (1) speaks only English or (2) speaks English “very well.”

The 2012-2016 5-year ACS estimated the following figures for the number of *limited English speaking* households located in San Francisco County, the State of California, Alameda County, and Santa Clara County (margin of error for each estimate is in parenthesis):

State of California:

All households	9.4% (+/- 0.1)
Households speaking --	
Spanish	20.7% (+/-0.2)
Other Indo-European languages	16.3% (+/-0.3)
Asian and Pacific Island languages	27.3% (+/-0.2)
Other languages	19.3% (+/-0.8)

San Francisco:

All households	12.2% (+/-0.4)
Households speaking --	
Spanish	21.0% (+/-1.5)
Other Indo-European languages	17.0% (+/-1.5)
Asian and Pacific Island languages	36.2% (+/-1.2)
Other languages	13.1% (+/-3.7)

Alameda County:

All households	9.8% (+/-0.3)
Households speaking --	
Spanish	22.1% (+/-1.0)
Other Indo-European languages	10.9% (+/-0.9)
Asian and Pacific Island languages	27.9% (+/-0.9)
Other languages	22.4% (+/-3.0)

Santa Clara County:

All households	11.0% (+/-0.3)
Households speaking --	
Spanish	17.9% (+/-1.0)
Other Indo-European languages	10.4% (+/-0.8)
Asian and Pacific Island languages	26.5% (+/-0.9)
Other languages	13.1% (+/-2.3)

As illustrated by the data above, with respect to the number of *limited English speaking* households, San Francisco County is clearly:

- above the state-wide average *and*
- above (or at least comparable to) that of two other major counties within the Bay Area region.

Insurance fraud perpetrators can take advantage of linguistically isolated individuals' lack of English language comprehension, cultural traits and deep-seated habits. One would expect linguistically isolated individuals to feel more comfortable around people of the same background, and to trust people who speak the same language who have been referred to them by a relative, friend or co-worker – as was the case in one of the automobile body shop fraud cases described above.

For these reasons, fraudulent automobile body or repair shops that cater to linguistically isolated individuals may be more likely to exaggerate the amount of damage to their vehicles or to charge for brand new replacement parts when the shop simply pulled, filled, and painted over the dents or scratches. Such shops know that a monolingual customer may not know the available enforcement remedies, or will not realize they have been defrauded in the first place. Alternatively, auto and repair shops that cater to a linguistically isolated community often hire mono-linguistic employees who may be asked to facilitate schemes where the customers are committing fraud, but those employees are likely unaware of the criminal consequences that result from submitting exaggerated damage estimates or falsified invoices in support of fraudulent claims.

The losses due to fraud therefore flow in two directions: 1) the linguistically isolated person can be defrauded because they did not receive the quality of repairs to which they were entitled; and/or 2) the insurance carrier is defrauded because it overpaid for the services that were rendered.

B. Claimant Fraud

During the fiscal years 2017 -2019, the SFDA Program has continued to investigate and prosecute claimant fraud cases, as evidenced by the following sample of felony filings, arrests, and prosecutions:

- In May 2019, the SFDA program secured a conviction in People v. Tiara Matau. The defendant's boyfriend was driving alone in her car and found himself unable to navigate a turn in San Francisco and crashed into an oncoming vehicle, which was totaled. Concerned that her insurance had lapsed, she called Western General to file a claim anyway, with the hopes of obtaining coverage. She never had coverage for her boyfriend to drive her car and lied and said she was the one driving her car at the time, with her aunt as a passenger. When Western General denied her claim because of the lapse, she purchased a policy through GEICO. She went on to file a claim with GEICO online regarding what she referenced as a hit and run. She also filed a police report in support of the false claim of the hit and run with the incorrect incident date. In May 2019, she was convicted of a misdemeanor Penal Code section 550(b) charge, was placed on probation, and ordered to pay restitution for investigative costs incurred by GEICO.

- In February 2019, the SFDA Program filed People v. Darren Brown charging defendant with felony violations of Penal Code sections 550(a)(1), 550(a)(2) and 550(b)(1). Brown was involved in a vehicle collision without active auto insurance. He then bought insurance after the fact and attempted to obtain insurance benefits by lying about the time of his accident. The metadata from the photos he submitted to the carrier established that the accident preceded the insurance purchase. When the claim was denied, Brown filed another claim for the same damages but under a new accident description. Had the fraud gone undetected, Esurance could have been out up to \$10,869.42
- In People v. Alicia Alvarado, the SFDA Program secured a felony Penal Code section 550(b) conviction in April 2018. The defendant purchased Esurance hours after she was involved in an auto accident. She later filed a claim, falsely stating that the accident had happened after the inception of her policy. However, the other driver and the metadata from the photos taken at the scene revealed fraud. The potential loss to the carrier was \$3,368.22.
- In People v. Douglas Harper, the SFDA Program secured a three-year prison sentence on a PC 550(a)(4) felony conviction in November 2017. The defendant falsely reported his vehicle stolen to the San Francisco Police Department. He subsequently filed a claim for payment of a stolen vehicle and received \$13,205.54 from GEICO. Nearly three years later, the same vehicle was located by the Roseville Police Department at the defendant's former residence, establishing that the defendant had falsely reported that his car had been stolen.
- In People v. Ricky McLane, the SFDA Program secured a misdemeanor Penal Code section 550(b) conviction in October of 2017. This defendant purchased a GEICO policy, and two days later filed a claim stating that his car had been struck while parked in a lot, sustaining damage to both sides. However, when confronted, the defendant admitted that the damage had been sustained in two separate collisions, both of which occurred prior to the purchase of his policy. Had the fraud gone undetected, GEICO would have been responsible for \$2,500.

These cases are examples of the types of claimant fraud that continue to be at issue in San Francisco, and that the SFDA Program investigates and prosecutes.

C. Staged Accidents

As referenced in the Qualifications Section above, the SFDA Program has launched an organized auto insurance fraud investigation. Because the investigation is continuing, the case is described in Attachment B as case #17BA023448. This case appears to include evidence of staged accidents.

As discussed above, the SFDA also filed a multi-defendant case this year, People v. Grechko et al. that involves numerous allegations of staged accidents. This case also highlights a unique aspect of San Francisco as a worldwide tourist destination where airport transportation is

a booming business. The defendants owned a SuperShuttle franchise and were involved in staged collisions that occurred in the late night and early morning hours on Treasure Island. Knowing that the SuperShuttle vans would not be used for business while they were being repaired, the franchise owners inflated the loss of use claims they submitted to Farmers, by lying about how much business they had engaged in prior to the collisions. The complaint alleges that Farmer's paid out close to \$200,000 in excess payments because of this fraud.

D. Insider Fraud

In May 2019, the SFDA Program filed the case of People v. Rios and Prado, where Eric Rios, was independently contracted as an insurance agent, and was also a part owner of an auto body shop. Rios told the insureds they could take their vehicles to Pacific Heights Auto Body for repairs, however he failed to tell them that he had a financial interest in the body shop. Subsequent inspections of eight vehicles revealed sub-standard repairs. In his role as insurance agent, Eric Rios deposited \$3,290 in cash into his own personal bank account that he received for insurance premium payments owed to Farmers.

The organized auto insurance fraud investigation mentioned in Attachment B, case #17BA023448, also includes one or more possible corrupt sales agents who knowingly issued fictitious policies to facilitate fraudulent schemes.

**CITY AND COUNTY OF SAN FRANCISCO PLAN:
PROGRAM STRATEGY, FISCAL YEAR 2019-2020**

1. Plans to address the issues described in the Problem Statement

The SFDA Program will continue to investigate and prosecute automobile insurance fraud through our continued outreach efforts and aggressive prosecution of viable cases.

We maintain regular contact with CDI's Golden Gate Regional Office regarding case referrals. The managing attorney schedules regular case-review sessions with CDI's detectives regarding the status and direction of open investigations to ensure that time and resources are allocated appropriately. These case reviews and frequent communications between the SFDA Program staff and CDI detectives ensure: (1) a close working relationship with CDI for reviewing suspected fraud complaints; (2) guidance and advice on open CDI investigations to expedite filings and ensure the best evidence will be secured for prosecution; and (3) timely closure of investigations as soon as prosecutions no longer become viable.

In addition, the managing attorney, the assigned Program prosecutor, and the assigned Program inspector have established close working relationships and open lines of communication with numerous carrier SIUs. We have always reached out to victim carriers to identify, understand, and improve their investigations for fraud referrals. Regardless of whether a fraud referral comes from a large insurer from which we receive regular suspected fraud referrals, or from a smaller company reaching out to our fraud unit, we contact the witnesses who were involved in identifying the suspect criminal activity.

2. Plans to meet goals of the Insurance Commissioner

The SFDA Program believes that a balance of enforcement actions and public education can discourage people from committing automobile insurance fraud.

As to the problems that we have identified in San Francisco (e.g., staged accidents, insider fraud, auto body or repair shop fraud), the SFDA Program maintains open communications with carrier SIUs and agencies such as CDI and the Bureau of Automotive Repair (BAR) concerning possible case referrals.

The SFDA Program also remains committed to contributing its time and efforts to CDI programs aimed at combatting automobile insurance fraud. For instance, our Memorandum of Understanding with the Golden Gate Regional Office ensures our close working relationship with CDI detectives and their operations.

3. Goals requiring multi-year commitment

An automobile insurance fraud case will often take several months to go from an SIU complaint to final disposition in court. Quite often, it takes more than one month to receive the carrier's claim file and supporting evidence after we formally commence an investigation. After the claim file is received, the investigator and prosecutor must carefully review its contents before they decide whether to proceed and develop an investigative plan. Depending upon the nature of the suspected fraud, further investigation may be required to truly assess the case: we may need to obtain follow-up statements from witnesses, and/or obtain search warrants for materials such as cell phone records or bank records.

After we have completed the investigation, obtained an arrest warrant, and charged the case, it may still take time to locate a defendant. Further, despite the efforts of the prosecuting attorney to move towards a swift disposition, automobile insurance fraud cases also typically take several months before going to preliminary hearing. Due to the amount of documentary evidence that we often turn over to the defense, additional time is usually required to allow the defense to carefully review the discovery. Defense attorneys are often granted continuances before the court schedules formal evidentiary hearings.

In short, automobile insurance fraud cases can require more than one year from the initiation of the investigation to conviction. In the case of a massive investigation, significant time will be required to review and process several individual policy and claim files; numerous audio recordings; individual repair estimates; and other documents before we can begin to interview the many witnesses who will help us establish the existence of a criminal enterprise of such magnitude.

4. Training and outreach

This year, members of the SFDA Program have attended several meetings and trainings presented by the Anti-Fraud Alliance, CDI, CDAA and NICB, specifically on topics related to the investigation and prosecution of automobile insurance fraud cases. These trainings and lectures covered a broad range of relevant topics including claimant fraud investigation, auto body shop fraud investigation, auto fraud ring investigations, accident reconstruction, digital vehicle forensics, trial techniques, and prosecutorial ethics. Most recently, on June 25, 2019, one of the SFDA program prosecutors, Ms. Fasteau, attended the Anti-Fraud Alliance, 2nd quarter meeting on insurance fraud investigative techniques in Lafayette, CA.

Ms. Fasteau and the SFDA Program Manager Ms. Perry, attended the 2018 CDAA Fraud Symposium held in Orange County, CA, from October 15 to 18, 2018. The four-day conference covered a wide-range of relevant topics including the fundamentals of automobile insurance fraud prosecution, vehicle system forensics, prosecuting cases involving staged collisions, and a case study related to automobile arson.

The SFDA Program staff and managing attorney have attended quarterly SIU roundtables sponsored by the NICB throughout Northern California. Within the current fiscal year, various

SFDA Program members have met on numerous occasions with carrier SIUs and CDI detectives to discuss active and potential case referrals related to fraudulent behavior. The Program attorneys also attend weekly in-house trainings offered by the SFDA as part of their State Bar mandated continuing legal education. These trainings cover topics of particular relevance to criminal prosecutors ranging from discovery and ethical obligations, to best practices related to the recovery of restitution.

An SFDA program prosecutor, Ms. Zudekoff, and the SFDA Program Manager attended two Anti-Fraud Alliance quarterly meetings held on September 25, 2018 and December 4, 2018. San Francisco District Attorney Inspector O'Reilly also attended the Anti-Fraud Alliance, 3rd quarter training in September. Ms. Zudekoff attended a CDAA Advanced Search Warrants seminar in Sacramento in February 2019.

Ms. Zudekoff and Ms. Perry also attended the 30th Annual Anti-Fraud Alliance Conference in Monterey, CA from April 16 through April 19, 2019. The conference drew experts and attendees from across the state. Topics covered at this conference included discovery and deposition strategies, investigative strategies in a digital age, and how to assemble a compelling insurance case.

Inspector O'Reilly, Ms. Zudekoff, and Ms. Perry attended a May 30, 2019, training presented by CDI, NICB, and the Alameda County District Attorney's office, regarding the investigation and prosecution of automobile insurance fraud cases.

The SFDA Program understands that providing and receiving training is not only important for knowledge sharing, but also important for purposes of discussing best practices and as a form of outreach. The SFDA Program is committed to engaging in further training and outreach in the upcoming fiscal year.

5. Efforts to obtain fines and restitution

The SFDA Program actively seeks restitution in each prosecution involving automobile insurance fraud. Whenever feasible, we insist that each defendant – as part of his/her plea agreement – make full and complete restitution on or before the date of the sentencing hearing. Included in the restitution calculations is the cost the carrier expended in identifying and investigating the claim. We notify the local representative of the victim carrier (usually the assigned SIU investigator) to attend the sentencing hearing and personally receive a cashier's check to recover restitution, including the costs of the investigation.

In cases where full and complete restitution cannot be paid by a defendant prior to sentencing, the SFDA Program ensures that the sentencing court reserves jurisdiction over the issue of restitution for purposes of collection during the defendant's probationary period. Further, the SFDA Program asks the judge to sign a Judicial Council CR-110 criminal restitution form that specifies the amount of restitution and which enables the victim to easily obtain a civil judgment.

6. Performance objectives

The SFDA Program anticipates being able to initiate 10-12 new investigations during Fiscal Year 2019-2020.

The SFDA Program anticipates being able to initiate 6-8 new prosecutions during Fiscal Year 2019-2020.

7. County plan to utilize grant funds

<u>\$390,189</u> FY 2019-2020 Grant REQUEST	<u>\$ 298,336</u> FY 2018-2019 Grant AWARD	<u>\$ 91,853</u> FY 2019-2020 Increase Requested
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Utilization Plan: The SFDA Program has an investigator designated to work full-time on the investigation of auto insurance fraud cases. Several arrest warrants are currently in preparation, and multiple other investigations are pending. We also have more than one large, complex investigation, which require the analysis of voluminous evidence. The SFDA Program expects that the coming year will see progress in large, complex investigations and initiation of several new prosecutions based on the current investigations being undertaken and described in Attachment B.

**AUTOMOBILE INSURANCE FRAUD PROGRAM
BUDGET: PERSONNEL SERVICES
SAN FRANCISCO, FISCAL YEAR 2019-2020**

7/1/19-6/30/20					
Positions	Biweekly Salary	pay periods	FTE	Amount	Total Budget
8177 Trial Attorney (S. Zudekoff), Step 5	\$ 5,495	26.2	0.15	\$ 21,595	\$ 21,595
Social Security	\$ 8,249			\$ 1,237	
Social Sec. - Medicare	1.45%			\$ 313	
Health Ins	\$ 3,261			\$ 489	
Dependent Cov	\$ 11,771			\$ 1,766	
Retirement	23.92%			\$ 5,165	
Unemployment Ins	0.27%			\$ 58	
Long Term Disability	0.35%			\$ 76	
Dental Rate	\$ 1,517			\$ 228	
Total Benefits	43%				\$ 9,332
8177 Trial Attorney (A. Fasteau), Step 16	\$ 8,245	26.2	0.35	\$ 75,605	\$ 75,605
Social Security	\$ 8,249			\$ 2,887	
Social Sec. - Medicare	1.45%			\$ 1,096	
Health Ins	\$ 3,261			\$ 1,141	
Dependent Cov	\$ 11,771			\$ 4,120	
Retirement	23.92%			\$ 18,085	
Unemployment Ins	0.27%			\$ 204	
Long Term Disability	0.35%			\$ 265	
Dental Rate	\$ 1,517			\$ 531	
Total Benefits	37%				\$ 28,329
8550 DAI (J. O'Reilly), Step 6 (includes FLSA pay)	\$ 5,315	26.2	0.80	\$ 111,394	\$ 111,394
Social Sec. - Medicare	1.45%			\$ 1,615	
Health Ins	\$ 3,084			\$ 2,467	
Dependent Cov	\$ 11,579			\$ 9,263	
Retirement	28.43%			\$ 31,669	
Unemployment Ins	0.27%			\$ 301	
Dental Rate	\$ 1,520			\$ 1,216	
Total Benefits	41.77%				\$ 46,531
8550 DAI (TBD), Step 6 (includes FLSA pay)	\$ 4,591	26.2	0.20	\$ 24,057	\$ 24,057
Social Sec. - Medicare	1.45%			\$ 349	
Health Ins	\$ 3,084			\$ 617	
Dependent Cov	\$ 11,579			\$ 2,316	
Retirement	28.43%			\$ 6,839	
Unemployment Ins	0.27%			\$ 65	
Dental Rate	\$ 1,520			\$ 304	
Total Benefits	43.60%				\$ 10,490
Subtotal Salary					\$ 232,651
Subtotal Benefits					\$ 94,682
TOTAL SALARY & BENEFITS			1.50		\$ 327,333

**AUTOMOBILE INSURANCE FRAUD PROGRAM
BUDGET: OPERATING EXPENSES
SAN FRANCISCO, FISCAL YEAR 2019-2020**

Lease of Office Space (\$19,287/FTE)	\$19,287		\$ 28,931	\$ 28,931
Audit Expense			\$ 7,660	\$ 7,660
Travel and Training Expenses			\$ 3,000	\$ 3,000
Materials & Supplies				
Indirect Cost (10% of direct salary)	10%		\$ 23,265	\$ 23,265
TOTAL OPERATING				\$ 62,856

**AUTOMOBILE INSURANCE FRAUD PROGRAM
BUDGET: EQUIPMENT
SAN FRANCISCO, FISCAL YEAR 2019-2020**

EQUIPMENT					
None Requested					\$ -
TOTAL EQUIPMENT					\$ -

GRAND TOTAL				\$ 390,189
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**AUTOMOBILE INSURANCE FRAUD PROGRAM
BUDGET: EQUIPMENT LOG
FISCAL YEAR 2019-2020**

COUNTY NAME: SAN FRANCISCO

Equipment Ordered	Equipment Cost	Date Ordered	Date Received	Serial Number	Equipment Tag Number
-	-	-	-	-	-

No equipment purchased.

I certify this report is accurate and in accordance with the Grant guidelines.

Name: Supriya Perry Title: Managing Attorney

Signature:  Date: 7-1-2019

ATTACHMENT A

SAN FRANCISCO DISTRICT ATTORNEY'S OFFICE AND DEPARTMENT OF INSURANCE, FRAUD DIVISION, JOINT INVESTIGATIVE PLAN

A. Statement of Goals

The purpose of this Joint Plan is to ensure that the Department of Insurance's Fraud Division and the San Francisco District Attorney's Office will continue to operate in a cooperative effort to achieve successful insurance fraud prosecutions in the City and County of San Francisco. Members of both offices will meet with each other on a regular basis to share information and to coordinate activities. By this agreement, it is hoped that both agencies will avoid duplicating efforts and will maximize the use of the limited resources of both offices.

Insurance Code Section 1871 requires that a joint operational plan be in effect between the Fraud Division and each local district attorney's office.

This Joint Plan shall be effective from July 1, 2019 until June 30, 2020, and shall supersede the Joint Plan currently in effect.

B. Joint Objectives

1. Utilize Fraud Division and County resources in a coordinated manner to reduce the impact of automobile insurance fraud and other related criminal activity.
2. Develop investigative and prosecution strategies that will significantly deter incidents of automobile insurance fraud.
3. Investigate and prosecute individuals, professionals, businesses, and enterprises that commit or attempt to commit automobile insurance fraud and other related criminal activity.

4. Work together to educate employers and employees and the general public about the costs of fraud in terms of compromised public safety, loss of profits, loss of jobs, and high costs of payouts.

5. Form alliances with entities and agencies in both the public and private sector whose common goal is the detection, investigation and prosecution of automobile insurance and related fraud.

C. Receipt and Assignment of Investigations

All procedures now in effect in this area will remain in effect in the next fiscal year. The Insurance Code requires that suspected fraudulent automobile claims be reported to both the Fraud Division and to the local district attorney. As a practical matter, this does not always occur. Simple investigations will therefore be conducted by the agency that first receives the report. If, for some reason, the primary agency is unable to initiate or complete an investigation, the secondary agency may assist or take over the investigation. Complex investigations will be handled jointly by both agencies with the Fraud Division generally as the lead investigator. If needed, a separate investigative plan may be drafted to fit a particular investigation.

In matters where an apparently simple case might require extensive time and effort, both offices will work together to expeditiously complete the investigation to bring the matter to a successful conclusion.

Regular monthly meetings will continue to be conducted at the Golden Gate regional office of the Fraud Division. The Captain of the Golden Gate regional office and investigators from that office will meet with attorneys from the San Francisco Economic Crimes Unit to discuss new cases and the status of ongoing investigations. Initial determination will be made as to whether the matter appears to be appropriate for further investigation or should be closed immediately. This will avoid a needless waste of valuable investigative resources. The insurance company which referred a case that is rejected will be notified of the rejection. Should the insurance company request information about a rejection, the Fraud Division and the assigned Assistant District Attorney will make himself or herself available to discuss the file.

In an additional effort to avoid unnecessary duplication of investigative efforts, when an insurance company, private investigator, employer or third-party administrator asks for a

meeting with the Assistant District Attorney or the Fraud Division to present a “documented referral,” both offices will be invited to be present. If one agency is unable to attend such meeting, the other member agency will advise whether the referral merits the opening of an investigation.

Once an investigation is opened, an investigator and an attorney will be assigned and an investigative plan, including a proposed timeline, will be initiated. All parties agree that any timeline is a projection and may be modified as the investigation dictates.

In addition to regular case review meetings, the manager of the District Attorney’s Economic Crimes Unit and the Captain of the Golden Gate regional office are in frequent, regular contact by phone, e-mail and in person. These regular meetings are meant to keep both agencies informed about issues relating to the common goal of fighting insurance fraud.

D. Investigations

Investigators from the Golden Gate regional office and district attorney investigators will use all their skill and resources to develop cases and to pursue investigations. In addition, investigators and prosecutors from both agencies will use outreach and education in the business community to develop sources for potential fraud referrals. Investigators from both offices have a long standing personal working relationship and a tradition of mutual aid. It is generally understood that most investigations will be conducted by the Fraud Division. If one agency or the other needs assistance, all reasonable efforts will be made to render that assistance. Once a case is filed, it is also generally understood that a district attorney investigator will handle follow up investigative work.

Ongoing investigations will be discussed at the regular meetings between the agencies. A San Francisco prosecutor assigned to each investigation will assist with any legal issues that might arise and will work to ensure that all elements of the case are present to meet charging requirements. That prosecutor should be directly available to the investigator throughout the course of the investigation. This team concept will serve to reduce unnecessary investigative efforts and will guarantee that a matter will be terminated at the earliest possible time if it becomes apparent that no further amount of work will result in a prosecution.

E. Undercover Operations

Undercover investigations are conducted in the San Francisco area. All undercover operations will be conducted in a professional manner giving priority to officer and public safety. The progress of any ongoing undercover investigation will also be a topic at the regular review meetings and in conversations between the manager of the Economic Crimes Unit and the Captain of the Golden Gate regional office.

If the Fraud Division undertakes the goal of conducting a joint undercover operation, they will do so only with the mutual agreement of the District Attorney's Office. Prior to the commencement of any joint undercover operation involving both the Fraud Division and members of the District Attorney's Office, a separate joint investigative plan will be drafted setting forth the roles of investigators from both agencies, the estimated time frame of the investigation, the duties of each agency with respect to collection and storage of evidence, secretarial duties, and the like.

If, in the opinion of either agency, the integrity of the investigation, the safety of officers, or the safety of the public is at risk, the investigation will be terminated.

It is also agreed between the two agencies that the conduct of any joint undercover investigation will be treated with the highest priority, and that any personnel participating in the investigation will be given complete support during their involvement in the operation.

F. Informants

There may be occasions when an informant may be utilized to develop and investigate a case. The use of informants will be consistent with the policies of each agency, with procedures agreed upon by members of the two agencies, and consistent with the laws of the State of California.

G. Filing Requirements

Both agencies understand that the charging of a suspect(s) with criminal conduct is the sole duty of the district attorney. San Francisco has adopted the filing protocol of the California District Attorneys' Association (CDAAs). Copies of that protocol are located in both offices. In most insurance fraud matters the cases are filed as felonies. The Assistant District Attorney has the discretion to select other options available in the county.

Before a case is filed, the district attorney must be satisfied that there is sufficient admissible evidence present to prove a case beyond a reasonable doubt to a judge or jury. Cases must contain:

1. Complete investigative reports and supporting documents including search warrants, videos, photos, and the like;
2. Copies of all items in the possession of the investigator, or, if voluminous, a description of such items and where they may be viewed;
3. A list of all actual and potential witnesses, including exculpatory witnesses, together with a criminal history check on each civilian witness, and information about any inducements or agreements regarding their statements or potential testimony;
4. A complete description of all suspects.

H. Training

Both agencies will work together to provide training to insurance industry personnel, third party administrators, self-insured, employers, employee organizations and the general public. Both agencies have outreach plans in effect, and both agencies will continue to work together to host training sessions. A schedule of training opportunities will be discussed at each case review meeting. Both the Fraud Division and the District Attorney will respond as promptly as possible to requests for training sessions.

In addition to outreach, San Francisco Insurance Fraud personnel and members of the Golden Gate regional office periodically meet to discuss any new filing techniques, and to share intelligence on fraud activity in Northern California.

I. Problem Resolution

Prosecutors and investigators from both agencies have enjoyed a close working relationship. As a result, very few disputes arise which cannot be resolved expeditiously at the lowest possible level. It is anticipated, however, that there may be a need for resolution of a disagreement at a higher level. As in the past, the matter will be handled between the Captain of the Golden Gate regional office and the manager of the District Attorney's Economic Crimes Unit. Charging decisions will be the ultimate decision of the District Attorney.

Dated: 5/30/19



Eric Williams
Captain, Golden Gate Regional Office
California Department of Insurance, Fraud Division

Dated: 5/30/19



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