

CALIFORNIA DEPARTMENT OF INSURANCE

News: 2011 Press Release

For Release: April 15, 2011

Media Calls Only: 916-492-3566

Insurance Commissioner Jones Announces Arrest Of Bay Area Business Owner For Insurance Fraud

Case exceeds \$10,000,000 in under-reported payroll

Insurance Commissioner Dave Jones today announced that Teresa Reif, 31, was arrested in San Mateo County after surrendering to the Redwood City Police Department on multiple counts of suspected workers' compensation insurance premium fraud. Reif was booked into the San Mateo County Jail and was subsequently released during arraignment on supervised O.R. (own recognizance). If convicted, she could face up to five years in prison and/or a \$50,000.00 fine. The case is being prosecuted by the San Mateo County District Attorney's Office.

"Business owners should be on notice, egregiously under-reporting wages to avoid premium payments will not go unpunished," said Commissioner Jones. "These violations will be fully investigated by my Department."

Genesis Building Services, Inc. (Genesis) operates a janitorial & pest control company in the Bay Area. Between 2005 and 2009, Genesis purchased workers' compensation insurance through Redwood Fire & Casualty Insurance Company (Redwood) and the State Compensation Insurance Fund (SCIF). In 2008, Redwood suspected Genesis of under-reporting its payroll. Redwood first became aware of the suspected fraudulent activity when it received conflicting statements from Genesis staff regarding the number of employees working for the company. Redwood suspected Genesis of misrepresenting approximately \$544,440.00 in employee payroll. Based on this suspicion, Redwood referred the suspected fraudulent activity to the California Department of Insurance (CDI).

The CDI Fraud Division conducted an investigation and determined that Genesis owner and president, Teresa Reif, had misrepresented both the number of employees working at the company and its payroll when they applied for their workers' compensation insurance, while they were insured, and during the annual audits that were conducted by the insurance carriers. Genesis allegedly employed in excess of 140 employees, yet reported less than half of the employees' payroll to its insurance carriers. Monthly reports submitted by Genesis to its insurance carriers were subject to verification through annual payroll audits. Teresa Reif allegedly provided auditors with fraudulent paperwork in order to support the fraudulent monthly reports. While insured by SCIF and Redwood (March 8, 2005 through March 8, 2009), Genesis allegedly under-reported \$10,567,776.69 in payroll. It is alleged that Teresa Reif avoided paying a total of \$2,957,089.20 in insurance premium through fraudulent activity.

If you have any questions, please contact Sergeant Kathleen Harris at the California Department of Insurance, Fraud Division, Silicon Valley Regional Office, (408) 201-8800.