

CheckMate Raided in Insurance Probe

By Marla Dickerson and Karen Robinson-Jacobs, Times Staff Writers, LA Times, November 05, 2003

More than 100 law enforcement officers and investigators raided California offices of a major temporary staffing company Tuesday as part of a probe into workers' compensation fraud.

Search warrants were served at 22 offices of **CheckMate Staffing Inc.**, said Dale Banda, chief of the fraud division for the California Department of Insurance. Banda said the investigation, which he characterized as "large, complex ... and ongoing," focused on misrepresentations Orange-based CheckMate may have made to its insurance carriers in an alleged attempt to qualify for lower premiums.

Banda said no arrests were made and would not disclose what law enforcement officials seized from CheckMate's offices, which were closed on Tuesday after the early-morning sweep. But he said investigators would be analyzing financial and computer records.

Javier Chavolla, president of CheckMate, said Tuesday's raid stemmed from a misunderstanding. He declined to comment further, saying only that the offices would reopen today.

The investigation of CheckMate is part of a stepped-up effort by the Department of Insurance and its commissioner, John Garamendi, to fight abuses in the state's troubled workers' comp system.

Banda said some employers have resorted to defrauding their carriers in an attempt to lower their rates, which have skyrocketed in California in recent years.

Employer schemes include underreporting the size of their staffs or payrolls, classifying workers engaged in high-risk jobs as having lower-risk occupations and hiding the true number of workplace-related injuries, he said.

Tuesday's raid, he said, was a coordinated effort between Department of Insurance investigators and law enforcement officials from the San Bernardino County district attorney's office, as well as personnel from the San Bernardino County Sheriff's Department.

The search warrants were authorized by a Superior Court judge in San Bernardino County, where Banda said complaints about CheckMate first originated from an insurance carrier writing policies there.

Banda, who declined to identify the insurer, said "multiple" carriers could be victims.

He would not speculate on the amount of potential insurance fraud linked to the probe, but he said the investigation was the biggest of its type this year.

"We would not expend this many officers if we didn't think it was a very large case," he said.

Insurance fraud is a felony that carries a penalty of as many as five years in prison, fines of as much as \$50,000 or double the amount of the fraud for each count.

CheckMate was founded in 1991 by Lou E. Perez. It maintains 47 branch locations in California, Arizona, Nevada and Texas, according to Dunn & Bradstreet.

Industry sources say its specialty is providing temporary workers for manufacturing and light-industrial firms.

Perez could not be reached for comment Tuesday.

According to published reports, Perez was born in a small town near the Mexican resort of Mazatlan and grew up in Orange.

The Orange County Business Journal last year ranked CheckMate No. 4 on its list of Orange County's largest minority-owned firms, with revenue of \$159.9 million, up 62% from the year before.