

# **\* NEWS RELEASE \***

## **DEFENDANTS SENTENCED TO 250 DAYS JAIL & 10 YEARS PROBATION FOR WORKERS' COMPENSATION FRAUD**

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**FOR IMMEDIATE RELEASE**

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Monterey County District Attorney Dean D. Flippo announced today that the former owners of Del Real Produce Packing - Jaime Rosario Del Real (age 61) and Israel Del Real (age 37) - were sentenced on October 11, 2017, for their role in an insurance fraud scheme resulting in the denial of insurance and health benefits to injured workers and defrauding insurers out of as much as \$370,187.37.

Between 2011 and 2016, the Defendants, father and son, operated a business that offered farm labor to growers in Monterey County and Yuma, Arizona. Under California law, the Defendants were required to have purchased and maintained workers' compensation insurance to cover their workers for work-related injuries. In October 2013, one of the Defendants' insurers – the State Compensation Insurance Fund (SCIF) – became aware of suspicious activity when three Del Real Produce employees submitted injury claims. These claims contradicted the Defendants' payroll reporting wherein they had denied having any employees. SCIF reported this information to the California Department of Insurance. (CDI)

In December 2014, CDI began a criminal investigation of the Defendants' business, an investigation which involved surveillance and obtaining documents from insurance companies and state government agencies. On March 30, 2016, the CDI, with assistance from the District Attorney, served search warrants on the Defendants' Salinas business and home. Through the investigation, the CDI uncovered evidence that the Defendants had committed premium fraud by misrepresenting material information to insurers to obtain lower workers' compensation premiums. In addition, the CDI found evidence that Defendants failed to pay payroll tax returns with the intent to evade payroll tax; failed to accurately report employee wages and payroll tax to the Employment Development Department (EDD) between October 1, 2011 and October 1, 2014; concealed the occurrence of worker injuries; and, conspired to commit insurance fraud from October 1, 2011 through April 18, 2016.

On April 28, 2017, both Defendants plead guilty to 4 felony counts. At sentencing on October 11, 2017, Judge Liu suspended the imposition of a prison sentence for each Defendant and ordered each Defendant be placed on 10-years felony probation. A violation of probation could result in lengthy prison sentences for each Defendant. Each Defendant was ordered to 250 days in county jail and to pay restitution to the insurers they defrauded. As part of their probation, the Defendants have been ordered to make restitution of \$382,951.59. The restitution recipients are the Defendants' insurers – SCIF and Travelers - and the Uninsured Employers' Trust Fund.

The case was investigated by the California Department of Insurance Detective Stuart Rind, with assistance from the Monterey County District Attorney's Workers' Compensation Unit's Investigator Martin Sanchez.

Under California criminal law, making a material misrepresentation to obtain a lower workers' compensation insurance premium has a maximum penalty of five years and a fine of up to double the amount of the fraud. Failing to file payroll tax returns with intent to evade tax has a maximum penalty of three years and up to a \$20,000 fine. Employers are required to register their businesses, report and pay taxes to EDD for all employees. Additionally, business owners and the public need to be aware that California law requires all employers to secure workers' compensation insurance for their employees so that there is adequate medical coverage and other benefits for employees for any work-related injuries that may occur.