



NEWS

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A DOCTOR & TWO ATTORNEYS ARRESTED FOR INSURANCE FRAUD **Eleven Individuals Suspected of Staging Auto Accidents in Bay Area**

San Francisco -- The ring leader suspected of running a major auto insurance fraud ring in the Bay Area and a number of his lieutenants have been arrested and charged with insurance fraud, conspiracy and theft, Insurance Commissioner John Garamendi announced today. The individuals taken into custody yesterday include the ring leader and his wife, two attorneys, a chiropractor, an insurance agent, and an office manager. Four other individuals allegedly involved in the ring, including two doctors, are still at large.

The arrests were the result of a joint investigation by the California Department of Insurance Fraud Division and the California Highway Patrol Investigative Services Unit. Charges against the suspects are being filed in both Alameda and San Francisco Counties.

"Today we have successfully put a major insurance fraud ring out of business," said Garamendi. "This gang alone could be responsible for as much as \$1 million in fraudulent claims, and that's money that comes out of California motorists' pockets. We have shut this ring down and will continue to tighten the vise on anyone else who attempts to defraud the system."

The department's investigation of this ring began in September, 1991 upon a referral by the Alameda Police Department of a suspected staged auto accident committed by individuals believed to be affiliated with local Asian gangs. During the course of the investigation, it was discovered that these individuals were involved in numerous other staged accidents. The trail of the investigation led to Tony Tran, the apparent ring leader. In addition to Tran, the other suspects in custody are Stewart Chen, a chiropractor, Ron Maidenberg and Magdalene Saunders, both personal injury attorneys, Tran's wife, Debbie To, Chinh Doan Pham, a medical clinic office manager, and Leonard Savino, an insurance agent.

The scheme involved the staging of accidents between insured individuals recruited by Tran. Following the staged accidents, it is alleged that falsified medical records were completed by Chen or one of the other doctors still at large, Dr. Robert Bocknek and Dr. Eugene Tapia. It is alleged that the lawyers would then use the records to file fraudulent claims with the insurance companies.

After serving search warrants last year, investigators gathered evidence on seven staged accidents, five of which were settled by the insurance companies. Each settlement is estimated to have netted between \$50,000-60,000, for a total of almost \$300,000. Investigators suspect, however, that the ring may have staged dozens of other accidents every year for as many as five years and may have cost insurance companies hundreds of thousands more dollars.

Tran, who is being held on a \$250,000 warrant from San Francisco County and \$650,000 from Alameda County, is alleged to be the owner of several law offices that filed the falsified insurance claims. The attorneys appear to have been hired simply for the use of their names and to make it look as though the law offices were legitimate. Current state law prohibits a non-attorney from owning a law practice and from acting as an attorney.

Auto insurance fraud costs approximately \$1 billion every year -- about 30 cents of every insurance premium dollar paid. Garamendi has made the fight against insurance fraud a top priority of the department since taking office in 1991. In 1992, the department's Fraud Division arrested a total of 135 individuals suspected of defrauding insurance companies of \$10.6 million. Of those, 55 were involved with suspected staged auto accident claims. The department opened a total of 640 new auto fraud investigations in 1992. To date, the Fraud Division has arrested 1,635 individuals on state and federal charges arising out of its investigations.

"We are in the process of hiring 57 more law enforcement officers to investigate insurance fraud -- more than doubling our current number," said Garamendi. "And we are opening new offices throughout the state. With these additional resources, we will be able to step up our aggressive pursuit of the doctors, lawyers and others that are ripping off the system and raising the cost of insurance for all of us."

Tran and his wife were arrested at their residence in Oakland; Chen was taken into custody at his clinic at 212 9th Avenue in Oakland; Maidenberg was arrested at his law offices at 1650 Mission Street in San Francisco; the other attorney, Saunders, was apprehended at her offices at 223 E. 14th Street in Oakland; investigators arrested Pham at her residence at 225 Lincoln Avenue in Alameda (the Oakland Health Care Clinic she allegedly ran, located 2700 E. 14th Street in Oakland, is now closed); and Savino was arrested at his insurance offices at 1890 E. 14th Street in San Leandro.

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