

1 to Allstate Insurance, by color and aid of deception, that the value of such property did exceed
2 \$5,000;

3 Contrary to RCW 9A.56.030(1)(a) and 9A.56.020(1)(b), and against the peace and
4 dignity of the State of Washington.

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COUNT III

5 And I, Daniel T. Satterberg, Prosecuting Attorney aforesaid further do accuse MICHAEL
6 ALAN PERKINS of the crime of **Theft in the First Degree**, based on a series of acts connected
7 together with another crime charged herein, committed as follows:

7 That the defendant MICHAEL ALAN PERKINS in King County, Washington, during a
8 period of time intervening between September 1, 2005 through December 31, 2009, with intent
9 to deprive another of property, to-wit: Money, did obtain control over such property belonging
10 to MetLife Insurance, by color and aid of deception, that the value of such property did exceed
11 \$5,000;

10 Contrary to RCW 9A.56.030(1)(a) and 9A.56.020(1)(b), and against the peace and
11 dignity of the State of Washington.

12 DANIEL T. SATTERBERG
13 Prosecuting Attorney

14 By: _____
15 Andrew R. Hamilton, WSBA #8312
16 Senior Deputy Prosecuting Attorney

Certification for Determination of Probable Cause
State of Washington v. Michael Alan Perkins
Office of Insurance Commissioner, Special Investigation Unit case number 09-0025.

70-1-06365-6 SEA

Your Affiant, Bennie R. Hamilton, declares under penalty of perjury:

Your Affiant has been employed since December 16th, 2006, by the Office of Insurance Commissioner (OIC) and is a full-time Criminal Fraud Investigator assigned to the Special Investigations Unit (SIU). In this capacity, your Affiant has limited police authority granted under RCW 48.135; thereby, empowered to conduct investigations of and to make arrests for, crimes involving insurance fraud. Your Affiant is currently responsible for the investigation detailed hereinafter under OIC-SIU Case #09-0025.

On **November 20, 2008**, State Farm Insurance received information from LYNX Services regarding potential fraudulent billing practice associated with AUTOGLASS EXPRESS INC. LYNX Services is a company that State Farm and numerous other insurance companies use to manage the large volume of daily glass claims on a nationwide basis.

Michael Perkins and his wife Trena Perkins are co-owners of AUTOGLASS EXPRESS INC. and PREMIER AUTO GLASS, LLC. Both companies are a mobile glass repair business being operated from the Perkins' private residence located in Burien. Glass repair parts for vehicles can be for a windshield, back glass, vent glass, door glass, quarter glass, sunroof glass or a mechanical part. The aforementioned glass parts can be either Original Equipment Manufacture (OEM) Dealership Glass or an aftermarket glass part. Typically, OEM glass parts are more expensive than aftermarket glass parts.

LYNX conducted a random search of their computer database to compare the OEM job installation history of Washington based glass shops. AUTOGLASS EXPRESS INC. showed an unusually high percentage of OEM jobs that rose over a short period of time, which prompted LYNX to notify State Farm of this anomaly. LYNX informed State Farm that AUTOGLASS EXPRESS INC. may be billing for expensive OEM/ Dealership Glass, but installing less expensive aftermarket glass. LYNX left it up to State Farm to decide on further investigation.

Based upon the LYNX findings, State Farm focused on the 1,727 jobs AUTOGLASS EXPRESS INC. billed State Farm for OEM glass during the period of 09/28/05 through 10/30/08. State Farm's investigative unit subsequently contacted policyholders and conducted follow-up inspections to confirm which piece of glass was actually installed.

In **February 2009**, State Farm Investigator Rick Glein began contacting 73 policy holders selected by proximity that had their vehicle repaired by AUTOGLASS EXPRESS INC.

State Farm Investigator Glein found that 44 vehicles had aftermarket glass installed, instead of the distinctive OEM glass that was billed for. This was a loss of **\$25,789.66** to State Farm.

Additionally, while the investigation of AUTOGLASS EXPRESS INC. progressed, State Farm became aware of PREMIER AUTO GLASS, which showed indicators of the same fraud scheme. This information prompted State Farm Investigator Glein to inspect 44 vehicles that had glass repair done by PREMIER AUTO GLASS. These inspections revealed that 22 policy holders' vehicles had aftermarket glass installed instead of OEM Glass. The average fraud amount on each of these 22 claims was \$377.69, totaling **\$8,309.17** in additional loss to State Farm.

As required by law, State Farm Investigator Glein provided OIC Investigator Hamilton with all documents from State Farm's investigation, which included spreadsheets and claim notes of each affected policyholder. Based upon this information, OIC Investigator Hamilton obtained search warrants seeking business records from the two glass shops.

On **January 6, 2010**, separate search warrants for each company were served by members of the OIC-SIU and local law enforcement. During the search, investigators seized 52 boxes containing invoices of the glass shop's completed jobs and imaged computer hard drives that contained an electronic record of jobs completed by the shops. Additionally, OIC Investigator Hamilton and WSP Detective Sergeant Sharp conducted a taped interview with Mr. Perkins.

During the interview, Mr. Perkins stated that he was aware that his shops had been removed from State Farm's preferred list for suspected fraud and Allstate Insurance had placed them on six months probation. Mr. Perkins stated that he accepted sole responsibility for the actions of his shops, citing that even though his wife's name was listed as president, he was in control. Mr. Perkins further indicated that he was responsible for the ordering of glass parts and the billing to respective companies, although his office staff worked at his direction. Mr. Perkins explained how his companies purposely mislead LYNX, by indicating "Customer Requests OEM" on the part authorization form. This false entry allowed the company to bill for an expensive OEM part, even though his office staff routinely searched for a less expensive aftermarket glass part to install. When asked if he was aware that he was stealing money that he was not entitled to, Mr. Perkins replied "yes".

On **January 7, 2010**, Investigator Hamilton asked State Farm to provide a record of all OEM glass billed by either AUTOGLASS EXPRESS or PREMIER AUTO GLASS. The primary information being requested for each claim was the OEM glass part number authorized by LYNX that was to be installed and the price that was paid for the glass part.

On **January 12, 2010**, State Farm provided a spreadsheet listing 2,189 AUTOGLASS EXPRESS paid claims and 27 PREMIER AUTO GLASS paid claims. OIC investigators then randomly selected 771 claims, which represented a sampling from different months in each of the target years to gauge the amount of fraud. This was done by merging claims data from the glass shops own computer records to the claims data State Farm had provided. All of the merged computer data was then verified by physically locating the corresponding paper invoice and supporting documents for each claim entry on the spreadsheet. These documents were in the 52 seized boxes of invoices that were labeled by month and year. It was during the analysis of these documents that OIC investigators saw the fraud scheme truly unfold.

The supporting documents consisted of the billing page to LYNX for an OEM glass part, a customer deductible paid page, a page from LYNX authorizing the glass part to be installed, and a work order page showing the type of glass that was actually ordered. This was usually one or more aftermarket glass pieces. There was an install page, which shows what the mobile installer put in the vehicle, and a page(s) of proof of purchase for the glass part. The proof of purchase would be either a dealership invoice or an invoice from a glass wholesaler.

In the majority of the suspected fraudulent claims, the proof of purchase was an altered dealership invoice that was actually a quote, which had the word "quote" covered with white out tape. There would also be a legitimate invoice from an aftermarket glass dealer, showing what glass was actually purchased and matched the information on the install page. Investigators saw a wide range of fraudulent purchase invoices, including wrecking yard purchases.

The pattern of the fraud scheme was for the shop to bill for a more expensive piece of glass and then have some type of false documentation to indicate the glass was purchased. However in the end, the shop installed a less expensive aftermarket glass. Throughout these invoice documents, office workers made written notes, circled the aftermarket part that was used and/or wrote the invoice number of the aftermarket part on the work order page.

On **January 21, 2010**, OIC investigators provided State Farm a spreadsheet listing 771 claims with OEM and aftermarket glass part numbers. State Farm was asked to determine the actual dollar amount for the aftermarket part the shop should have been paid on the invoice date for each claim. Moreover, OIC investigators decided to focus mainly on claims from AUTOGLASS EXPRESS, which had been operating the longest period of time.

On **March 1, 2010**, State Farm returned the spreadsheet showing the monetary amounts paid for each OEM glass part the shop billed LYNX for installation and the monetary amounts of the aftermarket glass parts actually installed. However, the amounts did not include the sales tax that would have been applied at the time of each claim. State Farm was asked to update the spreadsheet to include the sales tax information.

Meanwhile, OIC investigators continued to process the remaining 1,437 claims, which included claims that State Farm did not have listed on their initial spreadsheet but were listed in the AUTOGLASS EXPRESS'S own electronic records. OIC investigators used the glass company's own records to verify and merge with the data provided by State Farm. The result was a spreadsheet showing what the glass company was paid by State Farm and what they actually installed. OIC investigators randomly selected paper invoices to compare to the electronic data that had been entered by the glass company was correct.

On **March 10, 2010**, State Farm was sent another spreadsheet listing the 1,437 claims. However, State Farm decided not to further analyze this new data. They informed your Affiant that their attorney would be contacting Mr. Perkins regarding civil action.

State Farm reversed this decision on May 13, 2010 and decided to analyze the remaining claims.

On **June 11, 2010**, State Farm returned the final spreadsheet which represents the company's **total** monetary loss. The data shows that AUTOGLASS EXPRESS had been paid **\$1,058,697.31** for 2,194 OEM installations, when the glass shop should have been paid **\$268,587.01** for the actual glass part the shop's own records indicate was installed. Therefore, AUTOGLASS EXPRESS fraudulently received **\$859,640.01** from State Farm. This amount includes the lowest King County tax rate of 0.88%. Labor and other amounts associated with each claim were not factored in.

Furthermore, as the analysis of the invoices and computer records progressed, OIC investigators discovered that the glass shops dealt with 42 different insurance companies and a cash customer base. It became evident that Allstate and MetLife Insurance companies had processed a significant amount of claims for AUTOGLASS EXPRESS INC.

Allstate Investigation

On **January 13, 2010**, Det. Sgt. Sharp notified Allstate of the suspected fraud claims being discovered with regards to Allstate invoices. Allstate was asked to provide a data spreadsheet listing OEM jobs billed by and paid to AUTOGLASS EXPRESS and PREMIER AUTO GLASS.

On **March 1, 2010**, Allstate provided spreadsheets listing 1,673 claims for AUTOGLASS EXPRESS and 39 claims for PREMIER AUTO GLASS. Utilizing the same merging and verification format used with State Farm, OIC investigators prepared a spreadsheet for Allstate that listed 2,572 claims. This amount included **all** OEM glass claims billed to Allstate, not just windshields as reported in the spreadsheets they provided.

On **April 26, 2010**, Allstate returned a finalized spreadsheet showing that AUTOGLASS EXPRESS had been paid **\$1,112,700.33** for 2,572 OEM installations, when the glass shop should have been paid **\$526,754.25** for the actual glass part the shop's own records indicate was

installed. Therefore, AUTOGLASS EXPRESS fraudulently received \$637,724.23 from Allstate. This amount includes the lowest King County tax rate of 0.88%. Labor and other amounts associated with each claim were not factored in.

MetLife Investigation

On **March 1, 2010**, MetLife Insurance was sent an official request to provide a spreadsheet listing all OEM jobs completed by AUTOGLASS EXPRESS INC and PREMIER AUTO GLASS during the time frame of 1/5/05 through 12/31/09.

On **March 31, 2010**, LYNX on behalf of MetLife provided a spreadsheet query of all OEM jobs billed to LYNX by the respective shops. Unfortunately, the information was incomplete. Still, OIC investigators were able to take the data provided by LYNX and construct a spreadsheet that listed the same parameters used by the other two insurance companies. OIC investigators applied the same merging and verification format and identified 75 potential glass claims for LYNX to analyze.

On **May 10, 2010**, LYNX returned a finalized spreadsheet showing that AUTOGLASS EXPRESS had been paid \$39,741.47 for 75 OEM installations, when the glass shop should have been paid \$16,870.73 for the actual glass part the shop's own records indicate was installed. Therefore, AUTOGLASS EXPRESS fraudulently received \$24,888.37 from MetLife. This amount includes the lowest King County tax rate of 0.88%. Labor and other amounts associated with each claim were not factored in.

Your Affiant submits that Michael Alan Perkins has committed the crime of Theft in the First Degree, RCW 9A.56.030, against three separate insurance companies. Mr. Perkins, through his companies, has fraudulently received \$1,520,234.98, which is an amount that he was not entitled to.

This fraud scheme is based upon a deceptive billing practice that utilizes altered invoices designed to prove to the respective victim insurance companies that a generally more expensive OEM glass part was purchased and installed, when in actuality that was not the case. If LYNX Services had not conducted the computer search, there is a high probability that this fraud scheme would have continued.

SIGNED AND DATED this 28 day of June, 2010, in Olympia, Washington.



Bennie Hamilton

Criminal Fraud Investigator

1 CAUSE NO. 10-1-06365-6 SEA

2 PROSECUTING ATTORNEY CASE SUMMARY AND REQUEST FOR BAIL AND/OR
3 CONDITIONS OF RELEASE

4 The State incorporates by reference the Certification for Determination of Probable
5 Cause written by Investigator Bennie R. Hamilton, Special Investigations Unit, Office of the
6 Insurance Commissioner, regarding incident number 09-0025.

7 REQUEST FOR BAIL

8 Pursuant to CrR 2.2(b)(2)(i), the State requests that the Court issue a summons directing
9 the defendant to appear in court. The defendant appears to have no prior criminal history.

10 Signed this _____ day of July, 2010.

11 _____
12 Andrew R. Hamilton, WSBA #8312 6

