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Jeffrey S. Chiesa
 Attorney General

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For Immediate Release:

November 16, 2012

Office of The Attorney General
- Jeffrey S. Chiesa, *Attorney General*- Stephen J. Taylor, *Director*- Stephen J. Taylor, *Director*
Office of the Insurance Fraud Prosecutor
- Ronald Chillemi, *Acting Insurance Fraud Prosecutor*
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Burlington County Company Sentenced for Stealing Insurance Premiums

TRENTON - Attorney General Jeffrey S. Chiesa announced that a Burlington County company was sentenced today for under-reporting the number of its employees and wages to evade the full payment of workers' compensation insurance premiums.

Techdan, LLC, which, at the time of the crime, was located at 2092 Rt. 130 North in Florence, was ordered to pay \$75,000 in restitution to Liberty Mutual Insurance Company. The sentence was based on the company's Sept. 26 guilty plea to second-degree theft by deception before Superior Court Judge James W. Palmer, Jr. in Burlington County. The charge was contained in a July 3 state grand jury indictment.

In pleading guilty, Techdan, LLC admitted that between March 12, 2004 and July 5, 2007, the company gave the false impression to Liberty Mutual Insurance Company that it was entitled to lower workers' compensation premiums. Techdan, LLC admitted that it under-reported the number of its employees and/or the misclassification of its employees' occupational classes and/or under reported the total employee payroll amounts to evade paying the full payment of workers' compensation.

Deputy Attorney General Cheryl A. Maccaroni, Detective Natalie Brotherston and Civil Investigator Wilbert Sowney were assigned to the case. Acting Insurance Fraud Prosecutor Ronald Chillemi thanked Liberty Mutual Insurance Company for its assistance in the investigation.

The investigation began with a call to the Insurance Fraud toll-free hotline. Acting Insurance Fraud Prosecutor Chillemi noted that some important cases have started with anonymous tips. "People who are concerned about insurance cheating and have information about a fraud can report it anonymously by calling the toll-free hotline at **1-877-55-FRAUD**, or visiting the Web site at www.NJInsurancefraud.org." State regulations permit a reward to be paid to an eligible person who provides information that leads to an arrest, prosecution and conviction for insurance fraud.

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THE STATE OF NEW JERSEY
DEPARTMENT OF LAW & PUBLIC SAFETY
OFFICE OF THE ATTORNEY GENERAL

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For Immediate Release:

November 28, 2012

Office of The Attorney General

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Division of Criminal Justice

 - Stephen J. Taylor, *Director*
Office of the Insurance Fraud Prosecutor

 - Ronald Chillemi, *Acting Insurance Fraud Prosecutor*
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**President of Now-Defunct Mercer County Construction
 Company Pleads Guilty to Stealing More Than \$450,000
 from State of New Jersey & Insurance Company**


Herlindo Garcia Merlos

TRENTON – Attorney General Jeffrey S. Chiesa announced that the president of a now-defunct Mercer County construction company pleaded guilty today to stealing a total of more than \$450,000 by providing false and misleading information to its workers' compensation carrier and failing to file tax returns or underreporting wages for his business and himself to the New Jersey Department of Treasury.

Herlindo Garcia-Merlos, 49, whose last known address was in Trenton, pleaded guilty to a criminal accusation charging him with two counts of second-degree theft by deception before Superior Court Judge Gerald Council in Mercer County.

Judge Council scheduled sentencing for Jan. 23. Under the plea agreement, the state will recommend that Garcia-Merlos be sentenced to eight years in state prison. In addition, the state is seeking restitution on behalf of New Jersey Manufacturers Insurance Group in the amount of \$315,680 and New Jersey Department of Treasury in the amount of \$135,462.

"This defendant was responsible for making sure that he had adequate and lawful workers' compensation coverage for his companies," Acting Insurance Fraud Prosecutor Ronald Chillemi said. "By providing misinformation to his workers' compensation

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carrier, he not only failed in this responsibility but also defrauded an insurance company out of hundreds of thousands of dollars. The cost of such fraud is passed on to consumers through increased premiums."

Garcia-Merlos was the president of the now-defunct Orients Construction Company, Inc. (Orients), located in Trenton. In March 2009, Garcia-Merlos ceased doing business as Orients and began doing business as Melrose Construction, Inc.

In pleading guilty, Garcia-Merlos admitted that, between February 2007 and April 2010, false and misleading information was provided to NJM Insurance Group. The investigation determined that the type of services rendered by Orients as well as the amount of payroll during the specified policy periods were not true. As a result of the fraud, Garcia-Merlos obtained reduced premiums that his company was not entitled to resulting in the premium difference of \$315,680.

Garcia-Merlos also pleaded guilty to stealing more than \$135,462 by failing to file tax returns for his companies, Orients and Melrose Construction. The investigation determined that Garcia-Merlos failed to file tax returns for Orients and/or Melrose in 2006, 2007, 2008, 2009 and 2010. The investigation also determined that Garcia-Merlos underreported wages on his individual tax returns during the aforementioned years.

Deputy Attorney General Cheryl Maccaroni and Detective Natalie L. Brotherston coordinated the investigation. Acting Insurance Fraud Prosecutor Chillemi thanked Supervising Auditor Michael Mullane and Auditor William Makar, both from the New Jersey Division of Taxation, Office of Criminal Investigation, for their assistance in the investigation.

Acting Insurance Fraud Prosecutor Chillemi noted that some important cases have started with anonymous tips. People who are concerned about insurance cheating and have information about a fraud can report it anonymously by calling the toll-free hotline at 1-877-55-FRAUD, or visiting the Web site at www.NJInsurancefraud.org. State regulations permit a reward to be paid to an eligible person who provides information that leads to an arrest, prosecution and conviction for insurance fraud.

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