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United States Attorney
Eastern District of Washington

PRESS RELEASE

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“AUTO GLASS COMPANY FINED ½ MILLION DOLLARS”

Spokane – James A. McDevitt, United States Attorney for the Eastern District of Washington, announced that DKN Industries, Inc, doing business as, Legacy Auto Glass International, a Washington corporation, pleaded guilty and was fined \$500,000 for perpetrating wire fraud against the auto insurance industry.

According to the plea agreement filed in the case, between October 1, 2001, and January 31, 2004, Legacy Auto Glass, operated a nationwide auto glass repair business through a centralized call center located in Spokane, Washington. At the time, insurance carriers paid auto glass repair claims at different rates depending on the location of the repair facilities. Rural repairs were paid at a higher rate than urban repairs were paid. The rate schedule classified locations under an alphabetical designation of A through E, with A regions being the most urban and E areas being the most rural. This system was based upon the increased transportation and related costs associated with rural repair facility locations compared to urban repair facility locations. Legacy Auto Glass offered a mobile repair service by which the repair would occur at the insured’s residence or place of employment. Legacy Auto Glass claimed that the repair would originate from one of twenty-three repair shops located around the country in D or E designated areas. In fact, the repair shops identified by Legacy Auto Glass were non-functional “shell” facilities rented by Legacy Auto Glass in order to maintain the impression that the repairs were originating from a D or E designated region. The repairs were actually conducted by employees or contractors working out of their residences in A or B designated regions. As a result, Legacy Auto Glass used the insurance company rate schedule to submit false claims to insurance companies for auto glass repairs. Legacy Auto Glass used interstate telephone calls and interstate computer-based electronic transmissions to communicate with customers, potential customers, insurance companies, and third-party administrators to submit fraudulent electronic bills and to be paid. During the period of its operation, Legacy Auto Glass defrauded more than sixty insurance companies primarily represented by two third-party claim administrators: Safelite Solutions (“Safelite”), located in Columbus, Ohio, and Lynx Services, located in Fort Meyer,

Florida. The total amount of claims paid through Safelite and Lynx Services to Legacy over this period was \$25,160,571, of which \$6,000,000 was an overpayment based upon Legacy Auto Glass' misrepresentations concerning the true location of its repair facilities.

As an example, in May 2003, an insured person seeking repair for a damaged windshield on a 2000 Ford Explorer, requested his insurance company, Farmers Insurance Company, working through Safelite, to cover the costs for the repair and requested that the repair be conducted by Legacy Auto Glass. Although the repair was completed at the insured customer's residence in Spokane, Washington, Legacy Auto Glass represented that the repair was done from its repair shop in Davenport, Washington. Spokane was located in region B for purposes of determining the allowable costs of repair and Davenport was located in region E. The difference in the allowable repair costs between these regions was approximately twenty-four percent. Subsequent investigation determined that the repair shop in Davenport was inoperable and was never used nor intended to be used by Legacy Auto Glass to conduct repairs. Based on Legacy's representations, Safelite and Farmers approved the repair. On May 30, 2003, Safelite received a bill electronically transmitted in interstate commerce by Legacy Auto Glass for repair costs on claims that included the insured customer's repair. Safelite subsequently paid Legacy Auto Glass \$384.95 for the replacement windshield. This amount included an overpayment of \$119.47 based on Legacy Auto Glass' false claim that the repair originated in Davenport, Washington.

A civil settlement was reached between Legacy Auto Glass and Farmers Insurance Exchange, which received full restitution for its claimed losses. Additionally, at least in part due to this investigation, the insurance industry has revised its policies and practices to prevent this type of fraud from occurring in the future.

This investigation was conducted by the Federal Bureau of Investigation and National Insurance Crime Bureau. This case was prosecuted by Timothy Ohms and Thomas Hopkins, Assistant U.S. Attorneys for the Eastern District of Washington.

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