



**FOR IMMEDIATE RELEASE:** April 16, 2015  
#042

**NEWS RELEASE**

**Subcontractors of True Religion Brand Jeans allegedly conspired with CPA in multi-million dollar workers' comp insurance fraud scheme**

*Businesses underreported more than \$78 million in payroll*

**LOS ANGELES, Calif.** – Sung Hyun Kim, 57, and her sister Caroline Choi, 59, CEOs of sewing companies that were subcontracted by True Religion Brand Jeans were arrested yesterday along with their CPA, Jae Kim, 71, on 18 felony counts of workers' compensation insurance fraud totaling more than \$11 million in losses. The three allegedly conspired to underreport \$78.5 million in payroll to multiple insurers including the State Compensation Insurance Fund and two insurance companies owned by Berkshire Hathaway.

According to California Department of Insurance detectives, sisters Kim and Choi, CEOs of Meriko, Inc. and SF Apparel, Inc., allegedly conspired with their CPA to hide tens of millions in payroll to avoid paying workers' compensation insurance premiums. Their underground economy conspiracy led to multi-million dollar premium losses for several workers' compensation insurers including State Fund.

"The underground economy is not a victimless crime," said Insurance Commissioner Dave Jones. "By underreporting payroll, paying employees under the table and committing workers' compensation insurance fraud, these employers cheat the system and leave their employees at risk."

The alleged fraud was committed by fabricating payroll records provided to insurance carrier auditors with the help of CPA Jae Kim. State Fund notified Department of Insurance detectives when they discovered payroll reports submitted to them by the

companies showed significantly less total payroll than similar reports submitted to the California Employment Development Department (EDD). Evidence also revealed many employees were paid under the table through a bank account that was never disclosed to EDD or insurance carriers.

“Workers’ compensation fraud affects everyone and drives up costs in the system,” said State Fund Chief of Internal Affairs Dante Robinson. “That’s why State Fund actively pursues fraud detection and prosecution. We commend the Department of Insurance and the other agencies and carriers involved for their diligence in pursuing this significant alleged fraud case.”

If convicted, Sung Hyun Kim faces 28 years in state prison and her bail is set at \$700,000; Caroline Choi faces 15 years and her bail is set at \$430,000; Jae Kim faces 22 years and his bail is set at \$520,000. Sung Hyun Kim and Caroline Choi were booked into the Los Angeles County Jail and Jae Kim was booked into the Men’s Central Jail in Los Angeles. The Los Angeles County District Attorney’s Office is prosecuting this case.

#### **Media Notes:**

- [Sung Hyun Kim’s arrest photo. https://www.flickr.com/photos/ca\\_dept\\_insurance/16549308133/](https://www.flickr.com/photos/ca_dept_insurance/16549308133/)
- [Caroline Choi’s arrest photo. https://www.flickr.com/photos/ca\\_dept\\_insurance/17168862931/in/photostream/](https://www.flickr.com/photos/ca_dept_insurance/17168862931/in/photostream/)
- [Jae Kim’s arrest photo. https://www.flickr.com/photos/ca\\_dept\\_insurance/16983305639/in/photostream/](https://www.flickr.com/photos/ca_dept_insurance/16983305639/in/photostream/)
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- The factory address for Meriko, Inc. and SF Apparel, Inc. is 4871 S Santa Fe Avenue Vernon, CA 90058.
- Arraignments are tentatively scheduled for April 17, 2015 at the Los Angeles Superior Court.
- Search warrants for all three individuals are public information and were served on July 17, 2014 with the Los Angeles County Court.
- This case was a joint effort of the LA County Premium Fraud Task Force including State Fund and EDD.
- Victim insurers include: State Fund, Tower Insurance/AM Trust North America, Star Insurance Company, Granite State Insurance Company (Chartis), Insurance Company of the West, National Liability and Fire Insurance Company (owned by Berkshire Hathaway) and Cypress Insurance Company (owned by Berkshire Hathaway).

- Both companies are subcontractors and manufacturers of True Religion Brand Jeans. True Religion Brand Jeans is not suspected of any fraud or wrongdoing in this case.
- For 2007, Meriko, Inc. reported \$12.2 million less to State Fund than what they reported to EDD for the same period. In 2008, they again underreported by \$12.3 million. For each of these years, State Fund lost \$1.5 million in premiums owed.
- Sung Hyun Kim's aliases are Jasmine Kim and Cindy Kim.
- Sung Hyun Kim was the CEO/CFO for Meriko, Inc., in Vernon, CA, from 2004 – 2011.
- Caroline Choi is the CEO/CFO of SF Apparel, Inc. in Vernon, CA, from 2010 to present.

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