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ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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TWO CONNECTICUT MEN INDICTED IN STRANGER-ORIGINATED LIFE INSURANCE SCAM

WASHINGTON, DC - Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and Deirdre M. Daly, United States Attorney for the District of Connecticut, today announced that a federal grand jury in Hartford, Conn., has returned a 33-count indictment charging Daniel Carpenter, 59, of Simsbury, Conn., and Wayne Bursey, 63, of Bloomfield, Conn., with wire fraud, mail fraud, and conspiracy offenses stemming from a scheme to defraud insurance companies, including TARP recipient Lincoln National Corporation, into issuing insurance policies on the lives of elderly people for the benefit of the defendants and other investors, also known as a stranger-originated life insurance (STOLI) scheme. The indictment was returned on December 12, 2013, and unsealed on December 30.

“Carpenter and Bursey stand charged of operating a STOLI life insurance scam that defrauded TARP recipient Lincoln National Corporation,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “The duo is alleged to have orchestrated a scam that caused harm to insurance providers, including Lincoln National, by obtaining life insurance policies for elderly clients they recruited as sham insureds, not for legitimate purposes but instead to obtain the policies themselves and sell the policies as investments, which if known would have caused the insurance companies to deny the policies. SIGTARP and our law enforcement partners will aggressively investigate allegations of fraud related to TARP, and those guilty of exploiting taxpayers’ TARP investments will be held accountable and brought to justice.”

According to the indictment, Carpenter and Bursey ran a series of companies, based in Simsbury and Stamford, that developed an employee welfare benefit plan and trust (the “Trust”) whose primary objective was to secure insurance policies on the lives of elderly individuals that could be held by the defendants and others as investments, or resold on the life settlement market, which is a third-party market for life insurance policies. Typically, insurance agents working with, for, or on behalf of the defendants approached individuals who were over the age of 70 (the “Straw Insureds”). The agents promised to provide the Straw Insureds with free life insurance for two years, and, at the end of the two years, would attempt to sell the policies on the life settlement market. In most cases, the agents promised the Straw Insureds that they would receive a portion of any sale proceeds. In other cases, the Straw Insureds were offered a cash inducement up front to participate.

The indictment alleges that Carpenter and Bursey, working with insurance agents, caused to be submitted to several insurance providers numerous insurance applications that contained several material misrepresentations, including falsely denying that third-parties were paying the premiums for the insurance, falsely denying discussions about the resale of the policies, falsely inflating the net worth and/or income of the insured, and falsely claiming that the insurance was being purchased for legitimate estate planning-related needs. All applications were signed by Bursey, who acted as trustee of the Trust, which was to be the "owner" of all policies in the Trust. Moreover, the applications purported that the Trust was a bona fide welfare benefit trust under Internal Revenue Code Section 419(e), wherein employers would be making contributions to the Trust in order to fund the life insurance policies for the benefit of certain select employees.

The indictment further alleges that, in truth, no "employer" or Straw Insured ever paid a premium into the Trust, and the premiums were funded by loans, which typically came to the Trust from another company headquartered in Simsbury and controlled by Carpenter. In many cases, those loans were, in turn, financed by another third-party financing company based in Stamford. The loan arrangements were withheld from the insurance providers, who would likely not have issued policies had they known the true nature of the Trust, and had the insurance applications been filled out truthfully.

Carpenter and Bursey are scheduled to be arraigned on January 17 before U.S. Magistrate Judge Donna F. Martinez in Hartford.

If convicted, Carpenter and Bursey face a maximum term of imprisonment of 20 years on each count of wire fraud and mail fraud.

In July 2009, Lincoln National Corporation, of Radnor, Pa., received $950 million in funds through the U.S. Department of the Treasury Troubled Asset Relief Program (TARP). The company repaid the funds in full in June 2010.

This case is assigned to U.S. District Judge Robert N. Chatigny in Hartford and is being investigated by SIGTARP, the U.S. Department of Labor Office of the Inspector General, and the U.S. Department of Labor Employee Benefits Security Administration's Boston Office. The case is being prosecuted by Assistant U.S. Attorneys David E. Novick and Neeraj N. Patel.

This prosecution was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force. To learn more about the President's Financial Fraud Enforcement Task Force, please visit www.StopFraud.gov.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP.

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