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TWO CONNECTICUT MEN FACE ADDITIONAL CHARGES IN STRANGER-ORIGINATED LIFE INSURANCE SCHEME

WASHINGTON, DC - The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) today announced that Daniel Carpenter, 60, of Simsbury, Conn., and Wayne Bursey, 63, of Bloomfield, Conn., have been charged in a 57-count superseding indictment with various conspiracy, fraud, and illegal monetary offenses stemming from a scheme to defraud insurance companies 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.

In December 2013, Carpenter and Bursey were charged in a 33-count indictment with conspiracy to commit mail and wire fraud, and multiple wire fraud and mail fraud offenses. The superseding indictment, which was returned by a grand jury in Hartford on May 14, 2014, adds one count of conspiracy to commit money laundering, 10 counts of money laundering, and 13 counts of making illegal monetary transactions.

Carpenter appeared before U.S. Magistrate Judge Donna F. Martinez in Hartford on May 27, 2014, and entered a plea of not guilty to the charges. Bursey's arraignment is not yet scheduled.

"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 superseding 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") with the primary objective of securing 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.

The indictment further alleges that one Straw Insured died within the first two years of the issuance of the two insurance policies on his life. Those policies had been issued in late-2006 and early-2007 based on misrepresentations similar to those described above, specifically that his policies were not being funded by a third party and were not intended for resale. The two insurance policies had a combined death benefit of \$30 million, which the insurer paid to the Trust in May 2009, in part based upon further misrepresentations made by Carpenter, Bursey, and others. According to the indictment, the Trust, directed by Carpenter and Bursey and others, failed to pay the \$30 million to the Straw Insured’s beneficiary, and instead used the funds to pay for various expenses, including other insurance premiums that were related to the underlying fraud, as well as to purchase a home in Rhode Island.

If convicted, Carpenter and Bursey face a maximum term of imprisonment of 20 years on each count of wire fraud and mail fraud, a maximum term of imprisonment of 20 years of each count of money laundering and conspiracy to commit money laundering, and a maximum term of imprisonment of 10 years on each count of making illegal monetary transactions.

This case is assigned to U.S. District Judge Robert N. Chatigny in Hartford, Conn.

This matter 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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