



THE TREASURER OF THE STATE OF FLORIDA

Bill Nelson

MEDIA RELEASE

May 19, 2000

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EIGHT SUSPECTS CHARGED IN VIATICAL FRAUD ACTIVITY

TALLAHASSEE -- Eight men in six Florida cities are named in arrest warrants issued today for their part in fraudulent activity that Insurance Commissioner Bill Nelson says ultimately targets elderly who invest in life insurance policies sold as viaticals.

The warrants are part of an ongoing state insurance department investigation focusing on Florida's entire viatical industry since late 1998. Within this industry, there are eight viatical provider companies and about 90 brokers licensed to buy life insurance from policyholders for resale to investors, who then become the beneficiaries. By selling a policy for a portion of its face value, the policyholder can get quick cash up front.

Before Friday's arrests, the investigation had produced indictments by the Statewide Grand Jury against seven individuals and one company on charges related to criminal fraud totaling \$12.4 million. To date, the insurance department has executed seven search warrants and seized more than 1,000 viatical settlement files, representing more than \$76 million worth of life insurance policies that investigators suspect were fraudulently obtained.

"Fraud will flourish in this industry if suspected con artists aren't stopped," Nelson said. "That's why our investigation continues – and will, until we're satisfied the industry in Florida is safe for policyholders, investors and insurers."

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The eight suspects targeted for arrest today are charged with submitting false information on a total of 11 life insurance applications to get more than \$1.1 million worth of coverage from various insurers. The policies then were sold to viatical settlement providers for more than \$700,000. These provider-companies marketed the fraudulently obtained policies to unsuspecting investors.

The warrants sought by the state's Division of Insurance Fraud, and approved by the Office of Statewide Prosecution, charge seven of the suspects with one count of grand theft and one count of dealing in stolen property. They're identified as Ralph Cahall and Richard Fraher Jr., both of Pensacola; Anthony Marano and Guy Leopold, both of West Palm Beach; Albert Esposito Jr. of Boynton Beach; Joel Seidman of Fort Lauderdale; and, Edward Hoseclaw of Miami Beach. The eighth – a Bal Harbour man still at large – was charged with an organized scheme to defraud and four counts of grand theft.

Although seven of the suspects initially are being charged with fraud as to only one life insurance policy each, investigators said evidence implicates them in the sale of multiple policies ranging from two to 10 each. In fact, according to Ron Poindexter, head of the insurance fraud division, one of the men sold 10 policies worth \$630,000.

All told, the eight are linked to the purchase of a total of 47 policies worth \$4.9 million from 32 different insurance companies.

Most of the suspects resold fraudulently obtained policies through brokers to a single company, the Fort Lauderdale-based Mutual Benefits Corporation. Investigators said these policies first were "warehoused" with brokers and then marketed by Mutual Benefits to investors after a two-year "contestability period" had lapsed. That meant the insurance companies could not contest or cancel the policies, despite alleged fraud by the individuals who obtained them.

Mutual Benefits, among the state's biggest viatical dealers, earlier this year lost a court challenge to prevent the insurance department from examining its records. Beyond clearing the way for the examination, the court found that a preliminary review by the department indicated "obvious fraud" in life insurance applications on file with the company. Further, in February, Nelson imposed a \$10,000 administrative penalty on the company based on a complaint that it balked at keeping an agreement with one consumer.

This spring, a report by the Statewide Grand Jury on ways to reduce viatical fraud, including tougher prison terms, was sent to the Florida Legislature along with a legislative proposal by Nelson. During their annual two-month session in the Capitol, state lawmakers enacted a majority of the recommendations, and the legislation is awaiting the governor's signature.

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