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San Francisco Man Sentenced for \$6-Million Fraud Scheme

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NEW YORK, NY -- (03/13/2007; 1015)(EIS) -- A San Francisco man was sentenced to 10 years in prison for a \$6-million insurance fraud scheme uncovered as the result of an investigation by the New York State Insurance Department and the U.S. Postal Inspection Service, Acting Insurance Superintendent Eric R. Dinallo announced.

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Richard Peterson, 66, was sentenced in Manhattan Federal Court after pleading guilty to wire fraud and selling insurance without a license. He was also ordered to pay restitution of \$6.6-million, as well as forfeit four real estate properties and another \$6.6-million.

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"This case represents a massive scheme that involved defrauding millions of dollars from nearly 500 victims between 2000 and 2003," Mr. Dinallo said. "Insurance fraud is a serious crime and this Department is committed to fighting it vigorously."

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Peterson is scheduled to surrender to U.S. Marshals later this month to begin serving his prison sentence.

According to Rosalind Thomas, an investigator with the Insurance Department's Frauds Bureau, Peterson pocketed money he gained from selling bogus commercial liability insurance to various businesses, typically bars and restaurants. In some cases, Peterson even paid customers' policy settlement claims to conceal the scheme.

Peterson was once licensed to sell insurance in California, but his license had been revoked.

Peterson's activities were uncovered after the Insurance Department launched an earlier probe into Ian Stuart, a 57-year-old Canadian, who allegedly operated a fraudulent New York City brokerage. The brokerage, Surplus Lines, Inc., also known as Heritage, Inc., purportedly issued several bogus commercial liability policies for Peterson.

Both Peterson and Stuart were accused of selling insurance to victims who had found it difficult to purchase conventional retail policies because of high risk factors.

Complaints from two Long Island insurance brokers led to the investigation. The brokers told the Insurance Department's Frauds Bureau that they were unable to confirm insurance coverage they had placed with Stuart or to contact him. One of the brokers had purchased 19 fraudulent policies from Stuart.

Stuart, who was charged last year with selling more than \$7-million in fraudulent commercial liability policies, subsequently pled guilty. He is now being held in the custody of Canadian authorities pending his extradition to the United States.

Both the Peterson case and the earlier Stuart case were prosecuted by the office of the United States Attorney of the Southern District of New York. The California Department of Insurance assisted in the Peterson investigation.

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