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TWO "SOVEREIGN CITIZENS" SENTENCED IN ILLEGAL INSURANCE SCHEME

SACRAMENTO, Calif.—United States Attorney Benjamin B. Wagner announced today that JAMES S. KALFSBEEK, 72, of Arbuckle, and DONNA JEAN ROWE, 59, of Lodi, were sentenced yesterday by United States District Judge Lawrence K. Karlton to terms of imprisonment of 10 years and four years respectively. On June 11, 2009, both defendants were convicted by a federal jury of conspiracy, mail fraud, and money laundering in connection with a fraudulent insurance scheme. Both defendants were also ordered to pay restitution in an amount to be determined at a later hearing and to serve a term of supervised release after serving their prison sentences.

This case was the product of an extensive investigation by the Federal Bureau of Investigation and the California Department of Insurance.

According to Assistant United States Attorneys R. Steven Lapham and Russell L. Carlberg, who prosecuted the case, KALFSBEEK was the founder, president, and chairman of the board of Puget's Sound Agricultural Society, Limited (PSASL), which operated from 1994 to 2002. While claiming not to be an insurance company and not to be selling insurance, PSASL nevertheless sold a product that for all intents and purposes was automobile insurance. For a lifetime membership fee of $500 and an additional lifetime fee of $250 per vehicle, PSASL agreed to pay accident claims involving the PSASL member. PSASL paid those claims by assessing its members after the fact for the money needed to pay claims. Between 1996 and 2002, many states, including California, where PSASL was based, issued cease and desist orders and other regulatory actions against PSASL for illegally engaging in the business of insurance. Two Canadian provinces also took regulatory action against PSASL.

KALFSBEEK and ROWE are self-avowed "sovereign citizens," claiming that the United States and state governments are "alien corporations" with no authority over the "organic, Christian people." They put their beliefs into action by operating PSASL completely outside of state insurance regulatory authorities, but they issued insurance identification cards through PSASL that purported to be "in compliance with all state law." Against state law and public policy, PSASL's "policies" excluded coverage if alcohol was involved. Also contrary to state law, they did not pay for pain and suffering associated with car accidents because they considered pain and suffering part of "God's plan."

The evidence at trial showed that, from 1994 through 2002, PSASL collected millions of dollars in fees. PSASL paid the smaller automobile insurance claims, but ignored large claims. In some cases PSASL members involved in accidents were sued or had to pay for the damages out of their own pocket. They also had their licenses suspended when it was determined that they did not have real insurance, and had to pay costs associated with getting their driving privileges restored, including paying higher insurance premiums because of the licenses' suspension.

But by far the biggest victims were the innocent third parties who were involved in accidents with PSASL members. In a Michigan case, a man was killed and a woman was severely disabled in a single car accident in which a PSASL member was driving. That case resulted in a $20 million judgment against PSASL. The defendants “paid” the grieving families the $20 million judgment, plus $5 million in interest, with a bogus financial document called a “Bill of Exchange.” That document fraudulently purported to authorize the Secretary of the Treasury to pay $25 million to the families.

In a South Carolina case, a homeless man who was riding his bicycle was struck and severely injured by a PSASL member. PSASL paid the man approximately $6,000, but only after the injured man hired an attorney and secured a $25,000 judgment. PSASL’s meager payment was not even enough to cover the medical bills much less pain and suffering and future rehabilitative care.

“The loss in this case was by no means confined to the individuals who unwittingly purchased the defendants’ bogus insurance. Innocent third parties suffered grievous injuries for which they never received adequate compensation,” stated U.S. Attorney Wagner.

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