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Acting United States Attorney Lawrence G. Brown
Eastern District of California

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TWO “SOVEREIGN CITIZENS” CONVICTED IN ILLEGAL INSURANCE SCHEME

SACRAMENTO, Calif.—Acting United States Attorney Lawrence G. Brown announced today that a federal jury convicted JAMES S. KALFSBEEK, 71, of Arbuckle, and DONNA JEAN ROWE, 58, of Lodi, of conspiracy, mail fraud, and money laundering in connection with a fraudulent insurance scheme. KALFSBEEK was also convicted of related wire fraud counts. AMY LYNN POLNOFF, 51, of Lathrop, and KURT LAKOTA, 61, of Galt, previously entered guilty pleas in connection with the scheme.

This case is the product of an extensive investigation by the Sacramento Division of 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 tried the case, KALFSBEEK, a Colusa County supervisor from 1987 to 1991, was the founder, president, and chairman of the board of Puget’s Sound Agricultural Society, Limited (PSASL), which operated from approximately 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 action, 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. Yet, 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.”

“Through their actions, the defendants defrauded their own members as well as, state departments of motor vehicles, and law enforcement. And they victimized innocent third parties who were injured by PSASL members,” stated Acting U.S. Attorney Brown.

From 1994 through 2002, PSASL collected millions of dollars in fees. The evidence at trial showed that PSASL paid the smaller automobile insurance claims, but ignored large claims. For instance, they claimed that PSASL did not have to pay a \$20 million Michigan judgment

stemming from a crash that killed one person and left another person gravely injured for life. In the end, 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. After less than five hours of deliberation, the jury convicted on all counts of conspiracy, mail fraud, wire fraud, and money laundering.

KALFSBEEK and ROWE are out of custody and are scheduled to be sentenced on August 25, 2009, by United States District Judge Lawrence K. Karlton. They face a statutory maximum penalty of up to 20 years on each mail fraud and wire fraud count, 20 years for each count of money laundering, and five years for the conspiracy count. The actual sentence, however, will be determined at the discretion of the court after consideration of the Federal Sentencing Guidelines, which take into account a number of variables and any applicable statutory sentencing factors.

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