

# NEWS

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U.S. Attorney, District of New Jersey  
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Newark, New Jersey 07102

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***Paul J. Fishman, U.S. Attorney***

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## Indictment Charges Two With Selling Sham Life Insurance Policies to Unions and N.J. Municipality

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NEWARK – A former Berkeley Heights man was arrested in Georgia today on an Indictment accusing him and a co-defendant of creating and marketing fraudulent life insurance policies to unions and one New Jersey municipality, U.S. Attorney Paul J. Fishman announced.

A federal grand jury returned the Indictment Monday against Edward Dombrowski, 44, who now resides in Acworth, Ga., and Stephen Locrotondo, 50, of Bridgewater, for developing and marketing the sham group life insurance policies to several unions in New Jersey and one New Jersey municipality.

Dombrowski was arrested early today at his home by Special Agents of the U.S. Department of Labor, Office of Inspector General and is expected to appear before a U.S. Magistrate Judge in Georgia for an initial appearance. He and Locrotondo will have to appear in federal court in New Jersey on a date to be determined for arraignment on the Indictment. Locrotondo was not arrested and will be allowed to self-surrender for his court appearance in New Jersey.

The life insurance policies marketed by Dombrowski and Locrotondo required no contribution from the union members/union or municipal employees/city, according to the defendants and as described in the Indictment. Instead, the policies would be funded by a third-party financing company that would recoup its investment at the time of the employee's death by being made a beneficiary of the policy in addition to the beneficiary designated by the employee and the union/municipality. So, according to Dombrowski's and Locrotondo's alleged scheme, at the time of the employee's death, the death benefit would be split three ways: a portion to the employee's beneficiary; a portion to the union/municipality; and a portion to the third-party financing company.

Although no life insurance policies were ever bound, Dombrowski and Locrotondo represented to the various unions and municipality that policies were in fact bound and in place, according to the Indictment. It was only when employees died, and no death benefits were paid, that the unions and municipality discovered the truth – that there were no life insurance policies. (The Indictment does not identify the victim municipality or victim unions.)

Dombrowski and Locrotondo made similar false representations to the third-party financing company that, based on their representations and forged documents sent through interstate wires, paid \$15 million to an account controlled by Dombrowski to fund a group life insurance policy for the New Jersey municipality. Rather than paying the monies to the insurance company, however, Dombrowski diverted nearly \$2 million of the funds for his own use, purchasing real estate, stock, and buying two luxury automobiles, according to the Indictment.

In addition to defrauding the financing company, Dombrowski and Locrotondo represented to a factoring company based in New Jersey that commissions were due and owing to Locrotondo for his role in helping bind group life insurance policies for the unions and municipality. Factoring is a financial transaction whereby a business or an individual (here, Locrotondo) sells its accounts receivable due from a debtor (here, the commissions purportedly owed to Locrotondo for the sale of the life insurance policies), to a third party – the factoring company – in exchange for immediate payment.

Based on false and fraudulent documents sent through interstate wires, the factoring company made payments to Locrotondo with the expectation that Dombrowski would pay it, rather than Locrotondo, the commissions purportedly due and owing. However, since no commissions were in fact due Locrotondo, the factoring company was never paid back. In total, Dombrowski and Locrotondo defrauded the factoring company out of more than \$1 million.

The two-count Indictment charges both Dombrowski and Locrotondo with one count of conspiracy to commit wire fraud and one count of wire fraud. Each count carries a maximum statutory penalty of 20 years in prison and a \$250,000 fine.

Despite indictment, all defendants are presumed innocent unless and until proven guilty beyond a reasonable doubt.

Fishman credited Special Agents of the U.S. Department of Labor, Office of Inspector General, under the direction of Special Agent in Charge John Spratley, Office of Labor Racketeering and Fraud Investigations, Philadelphia Regional Office; and investigators from the State of New Jersey Office of the Insurance Fraud Prosecutor in the New Jersey Division of Criminal Justice (DCJ), under the direction of DCJ Director Deborah Gramiccioni, with the investigation leading to today's Indictment.

The case is being prosecuted by Assistant United States Attorneys Zach Intrater and Lee Vartan.

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