United States Attorney
District of New Jersey

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CONTACT: Rebekah Carmichael
Office of Public Affairs
(973) 645-2888

LOS ANGELES MAN CONVICTED FOR ROLE IN CONSPIRACY TO SELL BOGUS INSURANCE POLICIES IN NEW JERSEY AND ELSEWHERE

CAMDEN, N.J. – A Los Angeles man who claimed to be the president of an insurance company was convicted today for his role in a conspiracy to defraud purchasers of liability insurance by selling them policies issued by a bogus company, United States Attorney Paul J. Fishman announced.

The jury returned a guilty verdict against Ronald Allen, 62, of North Hollywood, Calif., following a seven-day trial before United States District Judge Jerome B. Simandle in Camden. Allen was convicted of the count charged in the Indictment: conspiracy to commit mail and wire fraud.

According to documents filed in this case and the evidence at trial:

Allen identified himself as the president of Universal Pacific Insurance Company Ltd., a corporation that was purportedly formed in Rotuma, part of the Fiji Islands. Universal Pacific was not licensed to engage in the insurance business anywhere in the United States.

In early 2004, Allen was introduced to Gilbert Morgan, an insurance agent out of Houston who specialized in selling commercial general liability policies to bars, nightclubs, and restaurants. Allen and Morgan entered into an agreement that Morgan would sell liability insurance in the name of Universal Pacific to Morgan's customers. Morgan and Allen agreed to do this knowing that Universal Pacific was not licensed to do business in the United States and did not have the ability to pay the claims that might arise under the policies.

Between March and December 2004, Morgan sold the policies to bar and nightclub owners throughout the county, including in New Jersey. Morgan sold policies both directly to his customers and to customers of other agents with whom he developed relationships, including Aconorate Insurance Agency in Hammonton, N.J.

In addition to selling bogus policies in the name of Universal Pacific, Allen made inquiries to the president of a legitimate insurance company about buying or investing in that company. Although those inquiries never developed into a serious negotiation, Allen told Morgan that Allen was authorized to sell insurance in the company's name in light of his pending acquisition of the company. Allen then authorized Morgan to sell insurance in the name of this company, which he did. Allen and Morgan continued the conduct even after the company sent Morgan a cease and desist letter, telling him he was not authorized to sell insurance backed by company. Ultimately, Allen told Morgan to switch all the businesses that had bought policies in the legitimate company over to Universal Pacific, which Morgan did.

Between March and December 2004, Morgan sold dozens of policies pursuant to the unlawful scheme, collecting over $692,000 in premiums. Morgan transferred over $366,000 of this money to a bank account that Allen controlled. Allen spent the money on himself, including making over $123,700 in cash withdrawals at ATMs, leaving no money to pay claims. Universal Pacific never paid any claims that arose under the bogus policies.

At the trial, several unwitting purchasers of the bogus policies testified that they purchased the coverage believing it was legitimate, paid real premiums for the policies, and then realized the policies were fake when claims arose. Several victims testified that they paid claims out of pocket, and some were forced to sell their businesses to cover the claims.

The count on which Allen was convicted carries a statutory maximum sentence of 20 years in prison and a $250,000 fine, as well as restitution to the victims of his offense. Sentencing is currently scheduled for March 25, 2011.

The trial of Allen was part of a larger investigation into the sale of these bogus policies, which has resulted in the following guilty pleas before Judge Simandle:

Gilbert Morgan, 62, of Houston, pleaded guilty on September 22, 2008, to one count of conspiracy to commit mail and wire fraud. Morgan testified for the government at Allen's trial, and is currently scheduled to be sentenced on January 28, 2011.

John Petrillo, 56, of Hammonton, a former principal of Aconorate, pleaded guilty on January 29, 2009, to one count of conspiracy to commit mail and wire fraud, and one count of conspiracy to obstruct justice. On July 21, 2009, he was sentenced to 40 months in prison and ordered to pay restitution in the amount of $618,408.

Thomas Kulig, 35, of Little Egg Harbor, N.J., a former Aconorate employee, pleaded guilty on September 22, 2008, to one count of conspiracy to commit mail and wire fraud, and one count of conspiracy to obstruct justice. On September 23, 2009, he was sentenced to a year and a day in prison and ordered to pay restitution in the amount of $16,900.

Thomas Grubb, 56, of Voorhees, N.J., was charged in a criminal Complaint with one count of obstruction of justice and arrested on April 14, 2008. On November 5, 2008, Grubb failed to appear in court, and a bench warrant was issued for his arrest. He is currently considered a fugitive.

U.S. Attorney Fishman credited special agents of the FBI, under the direction of Special Agent in Charge Michael B. Ward, for the investigation leading to the convictions.

The government is represented by Assistant U.S. Attorneys Eric M. Schweiker and Sarah M. Wolfe of the U.S. Attorney's Office Criminal Division in Trenton.

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Defense counsel: Christopher O'Malley and Richard Coughlin, Esqs., Camden