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Criminal Prosecutions Abound In National Heritage Life Case

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On May 25, 1994, a Rehabilitation and Injunction Order was entered against National Heritage Life ("NHL") by the Delaware Court of Chancery which appointed the Honorable Donna Lee Williams, Insurance Commissioner for the State of Delaware, as Receiver. Ultimately, a Liquidation Order was entered against NHL in November 1995. The life and health insurance guaranty associations affected by the NHL insolvency funded over $400 million in policyholders liabilities as a result.

The demise of NHL was caused by a series of acts, omissions and fraudulent conduct by numerous individuals resulting in what has been characterized as the largest failure of a life insurance company resulting from fraud.

Often times, questions are posed such as, "How do people get away with it? Why aren't responsible persons prosecuted for fraudulent conduct which causes insurance company insolvency?" In the case of NHL, responsible individuals and entities were vigorously prosecuted, resulting in numerous convictions and perhaps the longest criminal sentence handed down in the history of United States jurisprudence.

The tangled web of financial transactions and schemes perpetrated with respect to NHL were untangled, to a large degree, by NHL Deputy Receivers George Piccoli and Fred Marro, with a team of attorneys and other professionals pursuing asset recoveries in the civil courts. These efforts, when coordinated with the parallel efforts by federal authorities in the criminal courts, resulted in numerous successful prosecutions of wrongdoers. Some of those prosecutions are reviewed in this article.

Development of NHL'S Problems

During the years, 1986-1989, NHL was a small company selling traditional life insurance products. NHL's financial statement reflects that its business was generally not profitable.

The demise of NHL began in May of 1990 when three individuals – Lambert Aloisi, David Davies, and Patrick Smythe – assumed control of NHL through an entity known as Tri-Atlantic Holdings. Through an elaborately constructed artifice, Tri-Atlantic appeared to infuse $4 million of badly needed capital into NHL. The true source of the money was carefully concealed from all scrutiny, including that of the Delaware Insurance Department. Tri-Atlantic was represented by attorney Michael Blutrich, who subsequently became a primary attorney for NHL, thus paving the way for many of the fraudulent schemes which followed.

Under the management of Aloisi, Davies and Smythe, NHL increased its premium volume by extensively marketing annuity products. Annual premium volume rose from $24 million to $77 million.

During this time, Davies made a series of commercial loan mortgages which were not properly documented and had other significant problems. As a result of these transactions and other facts, Davies was investigated by the Delaware Insurance Department, which determined that Davies had earlier been convicted of kidnapping and a weapons violation in the United Kingdom and had served an 18 month prison sentence. Pursuant to Department action, Davies resigned from the company in May 1991.

Despite Davies' resignation, Smythe and Aloisi continued to collect increasing premium volume for NHL. NHL's $77 million in premiums in 1991 increased to approximately $188.6 million in 1992. Nearly all premium was related to the sale of annuities.

This dramatic increase in premiums created additional investment challenges. To meet these new investment challenges, NHL invested tens of millions of dollars in collateralized mortgage obligations (CMOs). At the same time, NHL deposited large amounts of money in loan and mortgage transactions designed to primarily benefit the principals of NHL or companies or other individuals associated with the principals, including Blutrich, Lyle Pfeffer and Sholam Weiss.

In late 1992, interest rates began

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In This Edition

President's Column

The Winds of Change

Peter G. Gallanis

Seasoned NAIC meeting veterans were heartened both by the tone and substance of the Spring 2000 meeting in Chicago. Recognizing that the twenty-first century has arrived for insurance regulation, President Nichols and his fellow Commissioners appear positively to have embraced the concept of modernizing the regulation of insurance for the good of consumers and the industry that serves them. For that the Commissioners deserve congratulations and, more importantly, support, as they now move from an optimistic launching into the turbulent waters of actual reform.

It is not news that the markets for financial services have been converging for some time. Now, however, in the wake of the Gramm-Leach-Bliley Act (GLB), the NAIC has recognized that there is also a marketplace for the *regulation* of financial services, including insurance. The theoretical possibility of competing insurance regulatory systems has existed since the Supreme Court's 1944 South-Eastern Underwriters decision. That theory acquired substance with the Dingell and Metzenbaum legislative proposals of the early '90s, GLB's vivisection of the McCarran-Ferguson Act, and public support in some quarters for optional federal chartering of insurers. The sum of that substance is that insurance does not have to be regulated by the states, and President Nichols and his colleagues are visionary in appreciating and confronting the challenge of that reality.

Whether states will continue to be the primary regulators of insurance depends significantly on the success of the recent NAIC initiatives to streamline and modernize the current regulatory apparatus. If the states do not succeed in clearing the pathways for putting producers and their products together with consumers, the search for new pathways will only accelerate, to the detriment of state regulation.

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Finally, as a toiler for some years in the vineyards of insurer insolvency, I wonder whether the NAIC will, in connection with the current reform initiatives, conduct an entirely appropriate, Commissioner-level review of the current system for administering liquidations and rehabilitations. Using the same sort of analytical microscope proposed for the examination of other areas of insurance regulation, the Commissioners might properly ask whether more modernization, standardization, openness, efficiency, and fairness might benefit consumers and the other stakeholders in insurer receiverships. As in other areas where reform is now explicitly sought, tools exist to improve the system. And perhaps, where there is a way, there may be a will.

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NOLHGA Continues Educational Mission

by Peter J. Marigliano
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While the primary mission of NOLHGA is undoubtedly resolving multi-state insurer insolvencies, part and parcel of this mission is keeping those involved with the guaranty system up to date on the latest developments, be they legal, legislative or insolvency-related. In the upcoming months, NOLHGA has a number of educational meetings planned that will help guaranty association administrators, board members and NOLHGA consultants better understand how developments in the courts, in Congress, and in specific insolvencies will affect the system and NOLHGA.

NOLHGA Legal Seminar

On July 20-21, NOLHGA will hold its annual Legal Seminar in Boston, Massachusetts. This is the ninth year that NOLHGA has hosted the meeting, and once again it will feature high-level discussions of the pressing legal issues that will have an impact on NOLHGA, the guaranty association system and the insolvency task forces that are at the heart of its work.

Among the featured speakers at this year's Seminar will be Ellen Pollock, a Wall Street Journal reporter who covered Martin Frankel and the Thunor Trust Case and is writing a book on the subject, as well as a panel discussion by key Thunor Trust Task Force and Working Group members on a number of issues raised by the case.

The major issue likely to have potential implications for the guaranty association system is last year's passage of the Gramm-Leach-Bliley Act. The Seminar will feature two panel discussions exploring the potential impact of this revolutionary legislation on the industry and guaranty association system. Panelists include Illinois Director of Insurance Nathaniel S. Shapo, discussing the implications of the act from an insurance regulation perspective, and Thomas E. Cimeno, Jr. of the Federal Reserve Bank of Boston giving the view of the banking regulator.

Another topic with potential significant implications for the system that will be addressed at the Seminar are the solvency woes plaguing some managed care providers. Among the panelists examining that issue is Massachusetts Insurance Commissioner Linda Ruthardt, discussing her experience with the Harvard Pilgrim case and possible regulatory solutions to HMO insolvency issues.

Other topics to be discussed at the Seminar include: the effect of the internet on the industry; a case study examination of troubled financial holding companies; a debate on multi-disciplinary practices; information sharing in insolvencies, a case law and legislative update; a look at receiver activity in the NHL case; and legal ethics.

For more information about the Legal Seminar and for CLE credit information, contact Karen Early at 703.787.4101.

NOLHGA Annual Meeting

NOLHGA's 17th Annual Meeting will be held October 9-11 in Orlando, Florida. The theme for this year's meeting is "New Realities." Given the changing political, regulatory, economic and technological environment in which the industry and the guaranty association system will operate, this year's meeting will feature speakers who will attempt to put into perspective what the new realities mean for the industry. From a global perspective, no change will be more important than that of the election of a new President. To provide attendees with a view of the upcoming elections and what they might mean for the country, Pulitzer Prize winning journalist Clarence Page will share his perspectives on the Presidential and Congressional campaigns and their likely outcomes.

Another reality with which the industry and guaranty system must cope is that of the possibility of a markedly different regulatory structure. Federal Reserve Vice President James W. Nelson will give attendees his thoughts on how the Federal Reserve views the future of insurance industry regulation and the role of the Federal Reserve in the regulatory equation.

Other topics to be addressed at the meeting include internet sales of insurance, capital and financial markets and emerging industry issues.

Preliminary meeting information will be mailed this month.

Joint NOLHGA/NCIGF/IAIR Workshop

NOLHGA, along with the National Conference of Insurance Guaranty Funds (NCIGF) and the International Association of Insurance Receivers (IAIR), will host a joint insolvency workshop November 15-17 in San Antonio, Texas. The workshop will divide attendees into teams who will be charged with developing a plan for resolving the hypothetical insolvency of a multinational financial services conglomerate. Teams will have to address a wide range of potential issues, such as financial holding companies with banking and insurance subsidiaries, and a host of other challenges in a changing economic environment that could very well be present in a future real-life insolvency.

Preliminary meeting information will be mailed this summer.

Move Over McCarran-Ferguson and Make Room For Gramm-Leach-Bliley

by William P. O'Sullivan
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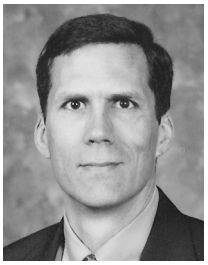

Much has been written about the Gramm-Leach-Bliley Act and the revolutionary changes that it portends for the financial services industry. However, there has been relatively little written about the potential implications of this landmark legislation to the state-based systems for handling insolvent insurers and providing a financial safety net for insurance consumers. This is understandable since the law does not expressly deal with insolvency matters but rather was enacted for the purpose of eliminating long standing prohibitions on affiliations among banks, insurers and securities firms and establishing a regulatory framework to oversee the operations of such affiliated entities. Nevertheless, the law does give rise to many significant issues for regulators, receivers, guaranty associations and others who work in the insurer insolvency arena.

NOLHGA's Legal Committee has undertaken a review of Gramm-Leach-Bliley for the purpose of identifying these issues and analyzing their possible implications to guaranty associations and insurer insolvency proceedings. The Committee anticipates finalizing its report for distribution to member guaranty associations later this year. In addition, a substantial portion of this year's NOLHGA Legal Seminar will be devoted to reviewing Gramm-Leach-Bliley from the perspective of insurer insolvencies and the guaranty system. This review will include a fast paced, lively debate of the issues arising from a hypothetical case of a troubled financial holding company with bank and insurer affiliates, as well as a dialogue panel consisting of experts from the Federal Reserve, a state insurance department, the insurance industry, and the guaranty system.

While there is much work to be done to complete the analysis of Gramm-Leach-Bliley, a discrete number of areas have been identified as having potential implications to the insurer insolvency area and by extension to guaranty associations. One of these areas is the authority of the Federal Reserve Board to take actions with respect to insurance companies, in particular in the context of a troubled financial situation. This aspect of Gramm-Leach-Bliley is the focus of this article.

Authority of the Federal Reserve Board under GLB

Gramm-Leach-Bliley (GLB) expressly recognizes that the McCarran-Ferguson Act remains the law of the land (Section 104(a)), and preserves to the states the functional regulation of the business of insurance (Section 301). Notwithstanding these provisions, the Act also recognizes the Federal Reserve Board as the "umbrella supervisor" for financial holding companies, including those that control companies engaged in insurance activities regulated under state law (Section 307). The term umbrella supervisor is not defined in the Act. However, the Act (when read together with the Bank Holding Company Act of 1956 of which it amends) makes it clear that the Federal Reserve has regulatory supervisory authority over entities licensed as financial holding companies (FHCs) under the Act. It is also clear that this authority is to be exercised for the principal purpose of protecting depository institutions (i.e., banks), and the domestic and international payment system from material adverse financial effects.

GLB contains provisions expressly authorizing the Federal Reserve to take certain actions with respect to functionally regulated subsidiaries of FHCs, including insurance companies. As an example, Section 111 of GLB recognizes that the Federal Reserve has authority to require reports and conduct financial examinations of functionally regulated subsidiaries in certain instances. GLB also authorizes the Federal Reserve to impose restrictions or requirements on relationships and transactions between bank and non-bank subsidiaries (including insurers) of an FHC (Section 114 (b)). As a condition to exercising this authority, the Federal Reserve must find that the use of such restrictions or requirements is consistent with GLB and other federal banking law, and is appropriate to prevent evasion of any such law or to avoid significant risk to the safety or soundness of depository institutions or a federal deposit insurance fund or other adverse effects (e.g., undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices).

In addition, certain sections of GLB expressly prohibit the Federal Reserve from taking certain actions with respect to functionally regulated subsidiaries, but by implication or exception recognize limitedFederal Reserve authority over functionally regulated subsidiaries. As an example, GLB prohibits the Federal Reserve from imposing capital requirements on insurers and other functionally regulated subsidiaries that are in compliance with the capital requirements imposed by their functional regulators (Section 111). By implication, this provision seems to recognize that the Federal Reserve could impose capital requirements on functionally regulated subsidiaries (including insurers) that are out of compliance with the capital requirements of their functional regulator. In addition, GLB prohibits the Federal Reserve from imposing regulations, orders, restraints, restrictions, guidelines, requirements, safeguards or standards on functionally regulated subsidiaries unless certain conditions are met (Section 113). The conditions for taking such actions are (i) the action is necessary to prevent or redress an unsafe or unsound practice or the breach of a fiduciary duty by a functionally regulated subsid-

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Gramm-Leach-Bliley

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iary that poses material risk to an affiliated bank or the payment system and (ii) the Federal Reserve determines that the risk cannot be abated by action directed at the affiliated bank or banks generally.

From an insolvency perspective, the most important limitation on the FRB's authority is found in Section 112 of GLB. This section limits the Federal Reserve's ability to utilize the so-called "source of strength" doctrine to require functionally regulated subsidiaries to provide funds to prop up a troubled bank affiliate. (The source of strength doctrine is based on Federal Reserve Board Regulation Y (12 C.F.R. § 225.4), which provides that a bank holding company shall serve as a source of financial and managerial strength to its subsidiary banks). Prior to causing a functionally regulated subsidiary to provide an affiliated bank with an infusion of funds, the Federal Reserve must provide notice to the applicable functional regulator. If the functional regulator objects on the basis that the transfer of funds would have a material adverse effect on the financial condition of the functionally regulated subsidiary, the Federal Reserve is prohibited from requiring the transfer.

What are the Implications of the Federal Reserve's Authority?

What does this all mean in the context of a real world case in which there is a troubled FHC with bank and insurer subsidiaries? While the definitive answer to this question will require much careful analysis and is beyond the scope of this paper, it is clear that the Federal Reserve has the authority under GLB to require or proscribe certain actions by insurers under certain circumstances. It also is clear that there is ample room for disagreement over whether the required circumstances have arisen and the extent of the Federal Reserve's resulting authority. Since the Federal Reserve's apparent objective in any such case will be to protect the bank affiliate, the bank's deposit holders and the payment system, it is also clear there is the potential for conflicts and tensions with state insurance regulators and by extension the interests of guaranty associations.

Of course, the specific nature of the conflicts and tensions will depend upon the given factual circumstances. As a general matter, one would expect the chief area of disagreement to be over the use of assets. While the ability of the Federal Reserve to use the source of strength doctrine has been significantly limited under GLB, uncertainties remain regarding the ability of the state regulator to block the Fed's use of insurer assets in support of a bank affiliate. As stated above, a state insurance regulator can block the Fed's use of insurer assets if the use of the assets would have a material adverse effect on the financial condition of the insurer. Thus, a key issue will be: what does "material adverse effect on the financial condition of the insurer" mean? In addition is a state regulator's determination that the material adverse effect standard has been triggered subject to challenge by the Fed? If so, it would appear that the challenge would be resolved in accordance with GLB Section 304, which provides for an expedited federal court review of regulatory conflicts that is to be carried out "without unequal deference" to either regulator. This then leads to further questions about the meaning and application of the "without unequal deference" standard of review.

Even if "source of strength" is unavailable, GLB appears to give the Federal Reserve other options for taking action. As stated above, Section 114(b) authorizes the Federal Reserve to restrict or impose requirements on transactions between bank and non-bank affiliates. In addition, Section 113 arguably provides the Federal Reserve with authority to take a broad range of actions against a functionally regulated insurer provided that the action is in response to an unsafe or unsound practice or breach of fiduciary duty by the insurer that poses material risk to an affiliated bank or the payment system. Again, these provisions give rise to some significant questions. Could the Federal reserve use these provisions to cause an FHC or its insurer subsidiary to provide guarantees for the benefit of a bank affiliate as condition for allowing the affiliation with the bank? Could the Federal Reserve use these sections to force an insurer to provide security prior to engaging in inter-affiliate transactions with its bank affiliate? Would these provisions allow the Fed to force an insurer to repay a loan, extension of credit or other amount due to its bank affiliate on a preferential basis? Conversely, could the Federal Reserve block the payment of inter-affiliate obligations owed by a bank or an FHC to an insurer affiliate? Finally, would the Fed have the authority to prevent an FHC from providing financial support to its insurer subsidiary in a time of need? The answers to these questions could have a significant impact on assets and resources available to protect policyholders in the event the insurer subsidiary becomes financially troubled.

> "There is the potential for conflicts and tensions with state insurance regulators and by extension the interests of guaranty associations."

Conclusion

There are many questions that need to be answered regarding the implications of the Federal Reserve's authority as it relates to insurer insolvency matters. In the event of a financially troubled FHC/insurer/bank conglomerate, it would be in the interest of all concerned for the relevant regulators and other interested parties to avoid protracted, wasteful disputes and resolve the issues on a cooperative basis. One hopeful sign that these situations can be worked out amicably is the apparent cooperation that now exists between federal banking regulators and state insurance regulators in working through GLB implementation issues. In fact, this type of cooperation is exactly what the drafters of GLB had envisioned when they included Section 307, which provides for information sharing and other interagency consultation between federal banking and state insurance regulators with respect to the supervision of FHCs owning insurers.

NHL Prosecutions

NHL, *From Page 1*

to decline. Many mortgage holders either refinanced or entirely paid off their loans. As a consequence, there was a dramatic drop in the value of NHL's CMOs.

George Piccoli
Special Deputy
Receiver, NHL

In an attempt to restructure its deteriorating investment portfolio, NHL, through Smythe and Aloisi, contracted with Richard Plato and his associated companies in a transaction calling for an exchange of certain NHL securities for similarly valued mortgages. Although NHL was led to believe that a security-mortgage exchange had been successfully accomplished and that it had received $145 million in mortgage loans, in fact, NHL's securities were actually liquidated for far less money and much of the proceeds diverted.

In December 1993, NHL purchased debentures from National Housing Exchange ("NHE") through a private placement. These debentures were collateralized by mortgage loans which were purported to be "equal to at least 100% of the initial principal amount of the debentures." NHL, as the debenture holder, was the exclusive beneficiary of the mortgage loans which were held in trust with a Trustee.

NHE made several representations and warranties to NHL concerning the mortgage loans indicating that the loans were not in default nor did they have the potential to be in default, when in reality, many of the mortgage loans were non-performing. Other misrepresentations were made concerning the existence of escrow deposits and payments. Various parties caused NHL to transfer over $40,000,000 into various escrow accounts for the purported purpose of funding a reinsurance transaction. These parties then caused the formation of an entity which purchased numerous non-performing mortgages with the NHL escrowed funds. After purchasing the non-performing mortgages, the entity failed to assign or transfer them to NHL. Rather, most mortgages were assigned to NHE for the purpose of collateralizing mortgage loans. Many remaining mortgages purchased with NHL funds were retained by the entity for its own use and benefit. Keith Pound and entities related to him became involved in the NHE transactions.

The NHL house of cards began to tumble under regulatory scrutiny. In May 1994, a Rehabilitation and Injunction Order was entered against NHL with a Liquidation Order following on November 21, 1995, after rehabilitation efforts were unsuccessful.

Federal Prosecution

In July 1997, a criminal indictment was filed in the United States District Court for the Middle District of Florida, Orlando Division asserting various counts of wire fraud; money laundering, transportation of stolen goods, securities or monies; transfer of property derived from unlawful activity; and RICO forfeiture against 14 individuals and entities arising out of the financial schemes concerning NHL. The defendants included Lyle Pfeffer and Michael Blutrich, two of the principal architects of the series of financial frauds conducted against NHL. The 70-page indictment alleges in minute detail the various scheme-upon-scheme for absconding with NHL's assets. These schemes include the granting of mortgage loans in the approximate amount of $14 million to Blutrich's friends and associates; mortgage loans in excess of $8.5 million to corporations controlled by Blutrich and others and related transactions. When challenged with regulatory action by the Florida Insurance Department (NHL's home office was located in Orlando), the defendants became involved in a scheme whereby it would appear that NHL divested itself of 65% of these questionable loans. Actually, the 65% interest in the loans was purchased by another related entity and the transaction financed with NHL funds.

The defendants also engaged in a series of transactions whereby funds from escrow accounts were confiscated; inappropriate and inflated commissions, costs and fees were charged by the defendants or their related entities to NHL -- security was posted for credit lines at financial institutions on behalf of defendants and related entities, then defaults taken -- and other similar financial transactions.

In an interesting twist, one of the financial transactions NHL became involved in was a $300,000 mortgage loan made to Scores Entertainment, Inc., a popular Manhattan gentlemen's club. The club was owned or operated by Blutrich and Pfeffer who used the loan proceeds to upgrade the club and purchase furniture and fixtures. After Scores defaulted on the loan, and after the liquidation proceedings, the Receiver instituted and ultimately prevailed in litigation against Scores Entertainment, Inc. collecting all amounts due.

After Blutrich and Pfeffer were implicated in the NHL downfall, they began to cooperate with federal authorities on an unrelated criminal investigation in New York. It seems that Blutrich and Pfeffer, as operators of Scores, were subject to demands for payoffs from the Gambino crime family. After being implicated in the NHL scandal, Blutrich and Pfeffer agreed to work undercover with federal agents, taping more than 100 conversations that prosecutors say contributed to the indictments in January 1998 of 38 members of the Gambino crime family, including John A. Gotti, Jr.

In April 1998, Blutrich, Pfeffer and co-defendant Smythe entered into plea agreements with the United States. They admitted as true the allegations alleged in a civil RICO complaint filed by the Receiver, as well as the indictment and superceding indictment filed by the United States.

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The defendants agreed to make full restitution to NHL and agreed to forfeit to the United States various assets as a result of their plea to RICO claims. Specifically, Blutrich agreed to forfeit cash, bonds, certificates, personal property, and real estate, including a Porsche, a boat, a Rolex watch, $1 million in accounts receivable from Sholam Weiss and other assets. Pfeffer agreed to forfeit cash, bonds, certificates, personal property and real estate, $250,000 in stocks, approximately $1-1/2 million accounts receivable and $60,000 held in trust for his benefit.

After a seven hour sentencing hearing, the United States District Court sentenced Blutrich, Pfeffer and Smythe to 25 years in prison, three years of probation, 150 hours of community service and ordered each to pay $82 million in restitution. Sentence reduction hearings are possible for the defendants as a result of their continued cooperation in the investigation, and Smythe's sentence has been reduced by four years.

Three entities owned or controlled by defendants also pleaded guilty to various felonies resulting in forfeiture and restitution orders.

United States v. Sholam Weiss, et al.

In April 1998, an indictment was filed in the United States District Court, Middle District of Florida, Orlando Division against nine individuals and seven entities controlled by some of those individuals arising out of the NHL insolvency. They included Sholam Weiss and Keith Pound. The indictment consisted of 96 separate felony counts ranging from fraud and theft to RICO and money laundering.
The case proceeded to trial in Orlando in February 1999, and continued for approximately ten months. Throughout the trial, the defendants, including Sholam Weiss and Keith Pound, sat through trial on a daily basis. After the case was submitted to the jury in October 1999, defendant Sholam Weiss failed to return to court and has not been seen by authorities since.

The jury deliberated until November 1, 1999, when they returned a verdict and special interrogatories. Weiss was convicted of 78 counts of racketeering, wire fraud, interstate transportation of stolen property, money laundering and filing false documents. Likewise, Pound was convicted of numerous felony counts.

In mid-February 2000, a sentencing hearing was held with respect to the convicted defendants including Weiss and Pound. After an extensive hearing, United States District Court Judge Patricia Fawsett sentenced Sholam Weiss to 845 years in federal prison for stealing $125 million from NHL. It may be the longest federal sentence ever imposed. He was also ordered to pay a $123 million fine and $125 million restitution.

Keith Pound, who was convicted of 76 counts, was sentenced to 740 years in prison. Pound was remanded into the custody of the United States Marshall's Service.

Sholam Weiss has not been located by the authorities. In a unique development, the NHL Estate has posted a $25,000 reward in conjunction with an FBI reward of $95,000 for information leading to the arrest of Sholam Weiss.

Conclusion

The substantial monetary recoveries and numerous and lengthy prison sentences are the product of an extraordinary cooperation between representatives of the Delaware Insurance Department, federal law enforcement authorities (FBI and IRS) and United States Attorneys.

Several additional civil actions, which had been effectively stayed by the lengthy criminal trial, are now proceeding with vigor and will lead to further monetary recoveries.

Several of those listed are cooperating with authorities in their efforts to recover stolen assets and punish those involved. It is expected that the search for Sholam Weiss and his assets will continue until the fruits of this massive fraud are disgorged and those responsible punished appropriately.

Some of the many convictions and sentences that have been obtained with respect to individuals as a direct result of their involvement in the failure of NHL.

Sholam Weiss
845 years
fine of $123 million, restitution of $125 million

Keith Pound
740 years plus fines and restitution

Jan Starr
87 months in prison, three years of supervised release, 75 hours of community service and $70 million in restitution

Robert Gorski
30 months in prison, $4 million in restitution

Nadine Allen
37 months in prison, $4 million in restitution

Jan Schneiderman
294 months in prison, $101,746,119 in restitution

Richard Langer
12 months and 1 day in prison, $6,000 fine

Michael Blutrich
25 years in prison, three years probation, 150 hours of community service, $82 million in restitution, forfeiture of various assets

Lyle Pfeffer
25 years in prison, three years probation, 150 hours of community service, $82 million in restitution, forfeiture of various assets

Patrick Smythe
25 years in prison, three years probation, 150 hours of community service, $82 million in restitution, forfeiture of various assets

UPCOMING EVENTS

July 20-21	**NOLHGA Legal Seminar** **Boston, MA**
August 16-18	**NOLHGA MPC Meeting** **San Francisco, CA**
September 9-13	**NAIC Fall Meeting** **Dallas, TX**
October 9-11	**NOLHGA Annual Meeting** **Orlando, FL**
November 14-17	**Joint NOLHGA/NCIGF/IAIR Workshop and NOLHGA MPC Meeting** **San Antonio, TX**

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