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District of Connecticut

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Connecticut Man Found Guilty in Multimillion Dollar Stranger-Originated Life Insurance Scheme

Deirdre M. Daly, United States Attorney for the District of Connecticut, Jonathan Mellone, Acting Special Agent-in-Charge, U.S. Department of Labor – Office of Inspector General, Susan A. Hensley, Regional Director, U.S. Department of Labor – Employee Benefits Security Administration's Boston Office, and Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), today announced that U.S. District Judge Robert N. Chatigny has found **DANIEL CARPENTER**, 62, formerly of Simsbury, guilty of 57 counts of conspiracy, mail and wire fraud, money laundering and illegal monetary transaction offenses stemming from a scheme to defraud insurance companies into issuing insurance policies on the lives of elderly people for the benefit of the defendant and other investors, also known as a stranger-originated life insurance scheme.

The verdict follows a five-week long bench trial before Judge Chatigny in Hartford that began on February 16, 2016 and concluded on March 21, 2016. CARPENTER had waived his right to a trial by jury.

According to the evidence at trial, CARPENTER controlled a series of companies, based in Simsbury and Stamford, that developed the Charter Oak Trust (the "Trust"), an employee welfare benefit plan and trust whose primary objective was to secure insurance policies on the lives of elderly individuals that could be held by CARPENTER's companies as investments, or resold on the life settlement market, which is a third-party market for life insurance policies. Typically, insurance agents working with, for, or on behalf of CARPENTER and his companies approached elderly individuals (the "Straw Insureds"). The agents promised to provide the Straw Insureds with free life insurance for two years, and, at the end of the two years, would attempt to sell the policies on the life settlement market. In most cases, the agents promised the Straw Insureds that they would receive a portion of any sale proceeds.

The evidence at trial established that CARPENTER, working with insurance agents, caused to be submitted to several insurance providers numerous insurance applications that contained several material misrepresentations, including falsely denying that third-parties were paying the premiums for the insurance, falsely denying discussions about the resale of the policies, falsely inflating the net worth and/or income of the insured, and falsely claiming that the insurance was being purchased for legitimate estate planning-related needs. All applications were signed by CARPENTER's brother-in-law, who acted as trustee of the Charter Oak Trust, which was to be the "owner" of all policies in the trust. Moreover, the applications purported that the Charter Oak Trust was a bona fide welfare benefit trust under Internal Revenue Code Section 419(e), wherein employers would be making

contributions to the Charter Oak Trust in order to fund the life insurance policies for the benefit of certain select employees.

The evidence further established that, in truth, no “employer” or Straw Insured ever paid a premium into the Charter Oak Trust. Rather, the premiums were funded by loans primarily from another company headquartered in Simsbury and controlled by CARPENTER. In many cases, those loans were, in turn, financed by another third-party financing company based in Stamford. The loan arrangements were withheld from the insurance providers, who would not have issued policies had they known the true nature of the Charter Oak Trust, and had the insurance applications been filled out truthfully.

Based on the false applications that were submitted to the insurance providers, the Charter Oak Trust procured 84 insurance policies that had a total aggregate death benefit of more than \$459 million on the lives of 76 different Straw Insureds. In addition, another company controlled by CARPENTER received more than \$12 million in commissions from the insurance providers, who would not have paid the commissions had they known about the false representations on the insurance applications and the true nature of the Charter Oak Trust.

Finally, the trial evidence showed that one Straw Insured died within the first two years of the issuance of the two insurance policies on his life. Those policies had been issued in late 2006 and early 2007 based on misrepresentations similar to those described above, specifically that his policies were not being funded by a third party and were not intended for resale. The two insurance policies had a combined death benefit of \$30 million, which the insurer paid to the Charter Oak Trust in May 2009. At CARPENTER’s direction, the Charter Oak Trust failed to pay the \$30 million to the Straw Insured’s beneficiary, and instead used the funds to pay for various expenses, including other insurance premiums that were related to the underlying fraud, as well as to purchase a home in Rhode Island.

Judge Chatigny has scheduled sentencing for August 26, 2016, at which time CARPENTER faces a maximum term of imprisonment of 20 years on each count of mail and wire fraud and conspiracy to commit mail and wire fraud, a maximum term of imprisonment of 20 years on each count of money laundering and conspiracy to commit money laundering, and a maximum term of imprisonment of 10 years on each count of making illegal monetary transactions.

CARPENTER is currently serving a 36-month term of imprisonment for a previous mail and wire fraud conviction in the District of Massachusetts.

This matter is being investigated by the U.S. Department of Labor – Office of the Inspector General, the U.S. Department of Labor – Employee Benefits Security Administration’s Boston Office, and the Special Inspector General for the Troubled Asset Relief Program. The case is being prosecuted by Assistant U.S. Attorneys David E. Novick and Neeraj N. Patel.