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Southern District of New York*

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**CALIFORNIA MAN SENTENCED TO TEN YEARS IN PRISON
FOR \$6 MILLION INSURANCE FRAUD INVOLVING
FAKE LLOYD'S OF LONDON POLICIES**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that RICHARD PETERSON, a/k/a "Robert James," was sentenced today to ten years in prison for his role in a massive fraud scheme involving bogus Lloyd's of London insurance policies. United States District Judge DENNY CHIN imposed the sentence today in Manhattan federal court. The defendant was convicted following his plea of guilty, on July 19, 2005, to two counts of the pending Indictment against him: wire fraud, and engaging in the business of insurance after having been convicted of a felony. At sentencing, Judge CHIN also ordered PETERSON to pay restitution of \$6,663,439 and ordered the preliminary forfeiture of \$6,663,439, as well as PETERSON's interest in four properties (two buildings located in San Francisco, a condominium in Las Vegas, and a condominium in the Cayman Islands). According to the Indictment, the criminal Complaint filed in the case, and PETERSON's statements at his guilty plea:

PETERSON operated a purported insurance brokerage variously called United Restaurant Services, a/k/a "United Restaurant Services Corporation," a/k/a "United Restaurant Services Cooperative," a/k/a "United Restaurant Services, Inc." a/k/a "United Restaurant Insurance Services," a/k/a "California Restaurant Specialty Cooperative, Inc.," (collectively "URSC") located primarily in San Francisco, which claimed to specialize in placing commercial liability insurance for restaurants and bars.

From in or about 2000 through in or about 2003, PETERSON perpetrated a massive scheme to defraud by inducing various entities, typically restaurants and bars, through their insurance agents, to purchase commercial liability insurance policies through URSC which were fraudulently issued.

In connection with this scheme, PETERSON held himself out as an insurance broker able to place insurance coverage even though his license to engage in the insurance business in California had been revoked. Additionally, PETERSON, acting through URSC, issued commercial liability insurance policies purportedly placed with underwriters at Lloyd's of London and obtained through two purported insurance brokerages -- Surplus Lines, Inc. and Heritage, Inc., both of New York, New York -- but, in fact, these policies were completely fraudulent and had not been placed with underwriters at Lloyd's. In issuing these bogus policies, PETERSON falsely represented them to have been authorized by "Robert James," which, in fact, was PETERSON's alias, according to the Indictment.

PETERSON, acting through URSC, collected premium payments for the commercial liability insurance policies purportedly placed with underwriters at Lloyd's. These funds were required to be held in trust until the premiums had been earned. Rather than holding the premiums in trust, however, PETERSON used them for, among other things, PETERSON's personal expenses.

In order to conceal the bogus nature of the insurance policies and to continue his fraudulent scheme, PETERSON, acting through URSC, but without Lloyd's authorization, would handle insurance claims arising under the bogus insurance policies, by investigating or causing the claims to be investigated, retaining attorneys to represent underwriters at Lloyd's, and, in certain cases, paying money purportedly in settlement of the claims. Further, PETERSON, acting through URSC, continued to issue commercial liability insurance policies purportedly placed with underwriters at Lloyd's and to collect premium payments for the purported insurance even after agents of Lloyd's informed PETERSON and URSC in writing that PETERSON and URSC lacked authority to issue policies on behalf of underwriters at Lloyds, according to the Indictment.

PETERSON, acting through URSC, defrauded close to 500 individuals and entities of over \$6.6 million.

In addition, PETERSON's California insurance licensing rights were revoked in 1999 after he was accused of running an insurance program for restaurants and bars for which PETERSON obtained insurance policies but then altered the policies in a number of ways, including by fraudulently obtaining additional money from the insureds beyond what was owed for the premiums. According to the complaint, this revocation of PETERSON's licensing rights in 1999 came after his license had been revoked

for cause in 1994 due to, in relevant part, PETERSON soliciting the purchase of certificates of insurance from an insurance company PETERSON owned that was not authorized to transact business in California.

In addition, according to the Indictment and PETERSON's statements during his guilty plea, he engaged in the business of insurance after having been convicted of a felony, specifically bankruptcy fraud in the Northern District of California in 2001.

PETERSON, 66, resides in San Francisco, California.

Mr. GARCIA, praised the outstanding efforts of the United States Postal Inspection Service, and thanked the California Department of Insurance and the State of New York Insurance Department for their assistance in the investigation of this case.

Assistant United States Attorneys ALEXANDER H. SOUTHWELL, DANIEL W. LEVY, and ANNA ARREOLA are in charge of the prosecution.

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