



*United States Attorney  
Southern District of New York*

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**INSURANCE BROKER FACES FEDERAL CHARGES FOR ALLEGEDLY  
DEFRAUDING MAJOR INSURANCE COMPANY OF MILLIONS**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced that MARTIN HOFFMAN, an international broker of property and casualty insurance, and the president and principal owner of Eton Management Corporation, was arrested in Florida yesterday on federal mail and wire fraud charges, stemming from his alleged diversion - to himself through Eton - of more than \$9 million in premiums that were owed to Clarendon America Insurance Company.

According to the 10-Count Indictment unsealed in Manhattan federal court, beginning in or about 1995, HOFFMAN's company, Eton, entered into a consulting agreement ("Consulting Agreement") with Clarendon - a property and casualty insurance company - whereby Eton could act as Clarendon's agent, assisting Clarendon in booking insurance business. Among other things, the Consulting Agreement permitted Eton to book insurance contracts on behalf of Clarendon, and provided that Eton would manage that business, including communicating with other insurance brokers, processing claims, and monitoring the collection of premium

payments to Clarendon, it is charged.

According to the Indictment, the Consulting Agreement required Eton to instruct brokers to send all premiums directly to Clarendon, and expressly forbade Eton from collecting or keeping any premiums. But, according to the Indictment, HOFFMAN defrauded Clarendon by diverting those premiums to himself - in excess of \$9 million between 1996 and 1999.

According to the Indictment, over the course of the Consulting Agreement's operation, Eton booked a substantial amount of insurance with Clarendon, worth in excess of \$100 million in total premiums. But, according to the Indictment, around the end of 1997, employees in Clarendon's accounting department discovered a large shortfall - approximately \$8.6 million - in the premiums Clarendon expected to receive from the Eton business. Unbeknownst to Clarendon management at the time, and in violation of the terms of the Consulting Agreement, since as early as about 1996, Eton and HOFFMAN had been receiving premium payments through the mail from producers, and had been depositing those premium payments into Eton accounts, it is charged.

The Indictment alleges that by about November 1999, HOFFMAN had secretly diverted premium payments due to Clarendon totaling in excess of \$9 million.

As described in the Indictment, between late 1997 and

November 1999, Clarendon executives sought an explanation from HOFFMAN for the large premium shortfall and repeatedly demanded that HOFFMAN resolve the \$8.6 million shortfall as soon as possible. The Indictment alleges that HOFFMAN provided false and misleading explanations for the shortfall and affirmatively denied that he had been collecting and keeping those premiums.

According to the Indictment, in part because HOFFMAN had still not resolved the \$8.6 million shortfall, in February 1999 Clarendon terminated the Consulting Agreement, thereby terminating Eton's authority to book insurance business for Clarendon. Nevertheless, despite having been terminated, HOFFMAN and Eton allegedly continued, without authority, to portray themselves as having the power to bind Clarendon to new insurance policies, and booked insurance policies in Clarendon's name fraudulently at least until October 1999.

In addition to terminating the Consulting Agreement, according to the Indictment, Clarendon management asked HOFFMAN to find a company to reinsure the insurance policies booked by Eton for Clarendon prior to the termination. HOFFMAN promised to attempt to do so, and around the summer of 1999, HOFFMAN told Clarendon management that he had reached an agreement with CNA Insurance Company (Europe), Ltd., for CNA to reinsure the Eton related business. Clarendon asked to see written confirmation of the purported CNA agreement, and HOFFMAN sent a document to a Clarendon executive that appeared to be a genuine term sheet

confirming the purported CNA reinsurance commitment. The term sheet allegedly bore what appeared to be a CNA stamp, and a CNA executive's initials. The Indictment alleges, however, that in fact the CNA Slip was a forgery, and no such agreement with CNA existed.

According to the Indictment, in the end, Clarendon was left responsible for a substantial amount of insurance obligations fraudulently booked by HOFFMAN, and suffered losses totaling approximately \$20 million.

The Indictment charges HOFFMAN with six counts of mail fraud and four counts of wire fraud. HOFFMAN faces a maximum sentence on each count of 30 years in prison and a fine of \$1 million or twice the gross gain or gross loss from the offense.

HOFFMAN, 70, lives in Bal Harbour, Florida.

Mr. KELLEY praised the efforts of the United States Postal Inspection Service in this case.

Mr. KELLEY said that the investigation is continuing.

Assistant United States Attorney DAVID SIEGAL is in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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