



Department of Justice

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Middle District of Louisiana

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LEADER OF LIFE INSURANCE FRAUD SCHEME SENTENCED

BATON ROUGE, LA – United States Attorney Donald J. Cazayoux, Jr. announced today that TIMOTHY R. SCHLATRE, 35, of Denham Springs has been sentenced for his creation and execution of a scheme to defraud life insurance companies, including New York Life and Lincoln Financial. District Court Judge James J. Brady sentenced SCHLATRE for his convictions of mail fraud and money laundering. SCHLATRE was sentenced to the Bureau of Prisons to serve a term of 57 months imprisonment and pay restitution of \$1,424,931.12 to the victims of his offenses. SCHLATRE was ordered to repay fraudulently obtained commissions of \$908,098.17 to New York Life and \$516,832.95 to Lincoln Financial. He also was sentenced to a term of 2 years supervised release and ordered to pay a special assessment of \$200. Additionally, Judge Brady ordered SCHLATRE to forfeit the gross proceeds of his crimes, including a Cadillac Escalade and \$1,424,931.12.

Along with SCHLATRE, the United States Attorney has also charged and convicted JASON PAUL AUSTIN, 32, of Walker, JODI MARIE AUSTIN, 34, of Walker, RICKY J. AUSTIN, 49, of Denham Springs, JIMMY O. CASSELS, 33, of Denham Springs, TODD D. CUMMINGS, 34, of Walker, and DENA A. GAUDET, 33, of Denham Springs; each has been convicted of Conspiracy to Commit Mail Fraud. Each of Schlatre's co-conspirators, except for Ricky J. Austin, has already been sentenced to a term of probation.

The Bill of Information to which SCHLATRE pled guilty and was sentenced alleges that SCHLATRE used his position as a life insurance agent for New York Life and Lincoln Financial to devise a scheme to defraud the insurers for the purpose of fraudulently obtaining commission payments. SCHLATRE executed the fraud by selling life insurance policies based on false statements and representations. Specifically, SCHLATRE recruited individuals and persuaded them to submit false information to the companies regarding the applicant's net worth and annual income, thereby defrauding New York Life and Lincoln Financial into approving the policies and issuing the commission payments to SCHLATRE to which he was not entitled. Because the policy values were so large, the applicants could not afford to make the premium payments. In order to accomplish his scheme, SCHLATRE further agreed to provide the premium payments on behalf of the applicants. This process, known as "rebating," was prohibited by both company's policies as well as state law. In order to conceal the fact that he was the source of the premiums, SCHLATRE deposited money directly into the individual applicant's bank account. SCHLATRE further misrepresented the source of the premium payments by falsely declaring that he was not paying or allowing the rebating of any premiums.

SCHLATRE was sentenced for defrauding New York Life and Lincoln Financial into issuing life insurance policies in excess of \$100 million dollars. This resulted in the receipt of commissions to which he was not entitled of approximately \$1,424,931.12.

United States Attorney Donald J. Cazayoux, Jr. stated, "Today, the ringleader of this insurance scheme which caused a loss of almost of one and a half million dollars has received a fair and just sentence. Further, I applaud the outstanding investigative efforts of the state and federal agents which have resulted in seven federal convictions in this case."

"This investigation should be a clear reminder that federal law enforcement's reach into white collar crime extends beyond traditional health care, investment and corporate fraud to bring those responsible to justice," stated FBI Special Agent-in-Charge Michael J. Anderson.

"People who conspire to create elaborate insurance fraud schemes run a very high risk of prosecution," stated Damon Rowe, Acting Special Agent-in-Charge, IRS Criminal Investigation. "IRS is committed to working diligently with the Department of Justice to dismantle these organizations."

Louisiana State Inspector General Stephen Street stated, "Hopefully this sends a message that there is a price to be paid for engaging in fraud schemes. Mr. Schlatre did so, and will now be held accountable."

The investigation of this matter was conducted by the Federal Bureau of Investigation, the Internal Revenue Service - Criminal Investigation, and the Louisiana Office of Inspector General. The Louisiana Department of Insurance assisted in the investigation. The case was prosecuted by Assistant United States Attorneys Rene I. Salomon and Jay Thompson.

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