

A daily look at people, places and events making news in the Reno

Washoe District jury awards \$5.3 million in embezzlement case

Firms to collect:
Two Reno agencies
and two Michigan
agencies benefit.

By Mike Henderson
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A Washoe District Court jury awarded four insurance companies — two of them based in Reno — \$5.3 million in a complex case involving allegations of embezzlement.

The jury made the awards on Tuesday to Frontier Insurance Agencies and American Insurance Agencies of Reno and to Star Insurance Co. and Meadowbrook Inc. of Southfield, Mich., against five people who at one time worked for Frontier and American.

In 1994 and 1995, Meadowbrook and Star were doing business with Frontier and American. Meadowbrook and Star claimed through lawyer Pat Cashill.

American and Frontier were

TODAY'S FOLLOW-UP

PEOPLE AND EVENTS THAT
HAVE MADE HEADLINES

unable to pay bills or secure financing, so three managers of those companies approached Meadowbrook for a \$1.5 million loan, according to court documents.

Meadowbrook learned one of the people it believed to be a principal in Frontier did not own any part of it and had been convicted of a felony embezzlement charge in Arizona eight years earlier, Cashill wrote.

He contended Meadowbrook also discovered \$366,000 used as collateral for surety bonds was missing and the company was also missing premium and trust funds totaling \$1.7 million to \$2 million. Subsequent audits confirmed those figures, he contended.

Confronted with that information, the three managers of American and Frontier resigned and signed their company over to Meadowbrook and Star. Cashill claimed.

But the managers, represented by lawyer Kevin Mirch, claimed Star and Meadowbrook had illegally taken over Frontier and American.

An additional \$3 million, Frontier and American claimed through their lawyer, Vernon Leverty, could not be accounted for.

The three men and two women employed by the companies constituted their control group, according to testimony by an expert witness, former Nevada Insurance Commissioner Dick Rottman.

The Nevada Insurance Commissioner's office found in 1996 that American and Frontier invested money designated for use as collateral with a stock broker and that the investments declined in value, partially depleting the collateral money.