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FOR IMMEDIATE RELEASE:

**TRIO CHARGED IN EMBEZZLEMENT CONSPIRACY FROM
INSOLVENT INSURANCE CARRIER**

PRESS RELEASE

Susan W. Brooks, United States Attorney for the Southern District of Indiana, announced that PAUL SCALI, RUSSELL ROTH and DAVID NORRIS , Indianapolis, Indiana, were indicted by a federal grand jury sitting in Indianapolis for conspiracy to embezzle a health care provider, following an investigation by the Department of Labor, Employee Benefits Security Administration and the Indiana State Insurance Commissioner, Indiana Insolvency Corporation.

Federal law allows for associations of businesses to purchase health insurance for its members through the formation of a trust. These trusts are known as Multiple Employer

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Welfare Arrangements (MEWAs). Indiana construction industry trade associations formed one of these trusts called the Indiana Construction Industry Trust (ICIT), and ICIT purchased health care for its members. A representative from each association was a trustee of the board of ICIT and oversaw the collection of premiums and provision of health care benefits.

For many years, ICIT contracted with Anthem Blue Cross to provide virtually all its health benefit services. The board of trustees of ICIT decided it could provide health benefit services much cheaper if it administered the services itself. In May 1999, ICIT formed an insurance company called Indiana Construction Industry Life Insurance Company (ICI Life) as a vehicle for ICIT to administer the plan, and by early 2000, the plan was operating independently. As the trust began administering the benefits itself, Scali and Roth ran the day to day operations of the administration of the benefits. In March 2001, Scali hired David Norris, a CPA, to serve as the plan's accountant.

As part of running the plan, Scali opened numerous financial accounts. The indictment alleges that between February 2001 and March 2002 Scali wrote **over \$400,000** in checks to himself, Roth and Norris for their personal use. Other personal benefits were arranged for all three, including private airplane travel for vacations, and health insurance for friends and **family members**.

According to the indictment, as the trust was failing by the end of 2001, the auditors were scheduled to appear for the 2001 end-of-year audit. Scali, Roth and Norris concocted a

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scheme in which they leased precious gems for \$30,000 for 6 months, and declared them as an asset on the trust's balance sheet worth \$2.9 million. The plan became insolvent in July of 2002 and ceased operation.

According to Assistant United States Attorney Winfield D. Ong, who is prosecuting the case for the government, all three defendants face a maximum possible prison sentence of ten years and a maximum possible fine of \$250,000. An initial hearing will be scheduled for each defendant before a U.S. Magistrate Judge in Indianapolis.

The indictment is an allegation only, and the defendant is presumed innocent unless and until proven guilty at trial or by guilty plea.

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