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### New Forged Chubb Bonds Discovered, With Mounting Losses

11/04/2013

By Richard Korman

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In a coast-to-coast internet-and-telephone crime spree, alleged forgers who had websites that made them appear to be individual sureties have spread fake Chubb completion bonds across the U.S.

Twenty-two contractors in nine states have lost a total of more than \$3 million paid to two men with addresses in Georgia, Florida and Louisiana in the last 18 months. Acting as brokers, the two allegedly forged signatures of a former Chubb executive on bonds made to appear to be from Chubb subsidiaries Pacific Indemnity Co. and Federal Insurance Co.

Based in Warren, N.J., Chubb has been notifying obligees as the company learns of the forgeries but other than that has issued no bulletins or press releases about the matter.

The most recently discovered forgeries were of bonds accepted by the Memphis-Shelby County Airport Authority from a small, minority-owned contractor that had been ensnared in a dispute with one of its creditors and whose application for Chapter 11 bankruptcy protection in 2011 was terminated by a judge last year.

While shunning public announcements, Chubb has not been passive in dealing with the alleged forgers.

Attorneys for the insurer last month obtained a summary judgment from a federal judge in Pensacola, Fla., against two individuals Chubb had sued July 30 for fraud and racketeering. One of them, Steve Stokeling, holds a Florida insurance license and is based in Warner Robins, Ga. The other, Eric Campbell, is believed to be a resident of Louisiana.

Both operated publicly as individual sureties. Stokeling had been referred to the contractors through various intermediaries and agents, including JLM Risk Management in Atlanta and a Chicago-based individual surety broker who holds insurance licenses in Michigan and Illinois.

Attorneys for JLM and the Chicago broker, who collected commissions for their role, say their clients had no hand in the forgery and were themselves deceived.

#### No-Shows at Court

Neither Campbell nor Stokeling contested the lawsuits filed against them by Chubb, which sought unspecified damages.

Attempts to contact Stokeling and Campbell proved unsuccessful. A woman who answered a home phone number for Stokeling said he "wasn't at this residence" and didn't know where he could be found.

A Steve Stokeling had appeared at a New York State MWBE (Minority & Women's Business Enterprise) forum last October in Albany, N.Y., with Wayne Stokeling, apparently as representatives of a Brooklyn, N.Y. based housing development company. An individual named Steve Stokeling also apparently had operated a contracting company and a music and recording



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company, both under the names TSG, according to websites listing the companies. Phone calls to the companies resulted only in messages that the numbers were no longer in service.

Agents of the Federal Bureau of Investigation have interviewed owners of several of the defrauded companies, the contractors say, but the FBI has not confirmed or denied the existence of an investigation. It is possible, industry sources speculate, that charges related to the fraud have been presented to a grand jury, most likely in the Washington, D.C. area, but there is no way to be sure.

The first known instance of the forged bonds had been issued to a contractor awarded the prime contract on a St. Mary's County, Md., Navy visitors center and museum earlier this year. Stokeling and Campbell collected a \$185,000 premium from that contractor for completion bonds valued at about \$5.4 million.

Individual sureties often exaggerate or misrepresent the assets backing their bonds. But the forging of bonds by a Treasury-listed corporate surety, where the forger represents itself as a broker, is a departure from the customary fraud model. According to the National Association of Surety Bond Producers, a professional association, the multiple roles played by individual sureties, sometimes acting as the bond broker and other times as the bond underwriter, is consistent with patterns of fraud in individual surety.

The premiums collected in the last year by Stokeling and Campbell ranged from about \$8,000 to \$400,000.

According to Chubb's lawsuit, Stokeling and Campbell collected one of their biggest total premiums, \$399,894.00, from Whitehorn Construction Inc., the website for which describes the company as an 8(a), Native American-owned construction and facility maintenance coordinator based in Lake Elsinore, Calif.

Loran Whitehorn, described by Chubb as the company's owner, could not be reached for comment. Chubb alleged in its lawsuit that Whitehorn had obtained performance and payment bonds for an airport road project in Pago Pago, American Samoa, from Campbell. Whitehorn wired the payments to Campbell's account at the Bank of America, 9225 Bay Meadows Road, Jacksonville, Fla. Campbell's address on the wire transfer is 1855B Copperstone Drive, Orange Park Grove, Fla., according to Chubb.

### Big Pay-Day and Another Lawsuit

Another big payday came [at the expense of Allen Engineering Contractor Inc., San Bernardino, Calif., which filed a lawsuit against Campbell last month.](#)

Allen was searching for a new bonding agency last November when it started doing business with Campbell, Allen states in its complaint in federal district court in Riverside, Calif. Campbell represented himself and his company, Louisiana-based Individual Surety Group LLC, as capable of providing Allen surety credit of \$12 million per individual project and a \$27-million aggregate limit.

Over the months Allen wired \$374,000 for various project premiums to Campbell's Jacksonville, Fla., address, in increments as big as \$50,000.

According to Allen's lawsuit, Campbell sent a letter on forged Pacific Indemnity letterhead and had a telephone conversation confirming validity of the Pacific Indemnity bonds with a Navy contracting officer. The Navy approved the bonds in April based on the forged letters and conversation with Campbell, Allen says.

It is unlikely that the defrauded contractors, even if they win judgments against the alleged forgers, will be able to collect damages any time soon. That will probably require assistance from the court in enforcing the judgment. Most surety con artists simply pick up and move to other locations and other markets or change their names or company names and stay in business.

Robert Duke, corporate counsel for the Surety and Fidelity Association of America, says, "From our standpoint, we wish the authorities were a bit more aggressive in enforcement efforts."

Although it clearly isn't a priority, federal prosecutors haven't completely ignored surety fraud. In June, 2009, a federal judge in Florida [sentenced William Raymond Miller, 37, a former small surety underwriter, to ten years in prison for forging corporate surety bonds from 2005 to 2008.](#) He collected \$22.5 million in premiums during his forgery spree.

And in September a federal judge in Texas [sentenced individual surety George Douglas Black, Sr., to 30 months in prison](#) for fraud related to the assets backing bonds he issued to contractors.

Duke had advice about due diligence needed to check the authenticity of the bonds.

"The thing that can be done, and we preach, is to try to create awareness among obligees that it's a five minute phone call to verify the authorization of a bond and avoid any of this."

**Keywords:** Chubb;Forgery;Surety;Individual Surety;Stokeling;Campbell

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The risk to the taxpayers because of fraudulent bonds is much more significant than the loss of premium to the contractors. While not discounting the financial implications to the contractors, they did have the opportunity to do some due diligence on their own. While the contractors are out hundreds of thousands of dollars in premiums, the taxpayers looking for protection through performance in payment bonds are exposed to millions of dollars. Surety bonds play a vital role the Public works arena. We all need to be more diligent, including the contractors, the owners, surety companies, and bond brokers to prevent fraudulent bonds from surfacing again.

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