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Insurers No Longer Must Cover Allen Stanford's Legal Bills, Judge Rules

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R. Allen Stanford and two other Stanford Financial Group executives are cut off from insurance money to pay their legal bills.

On Wednesday, U.S. District Judge Nancy Atlas issued an order finding that two insurance companies holding directors-and-officers policies for SFG are not required to pay for the defense of three former SFG executives in a criminal case, *United States v. Robert Allen Stanford, et al.*

She also wrote that the insurance companies do not have to pay for the defense in a separate U.S. Securities and Exchange Commission civil suit, *Securities and Exchange Commission v. Stanford International Bank Ltd., et al.*

"[T]he court concludes that the Underwriters have met their burden of proof to show substantial likelihood that the preponderance of evidence would demonstrate that the Money Laundering exclusion applies to each plaintiff," Atlas, a judge in the Southern District of Texas, wrote in a 45-page [opinion](#) (pdf).

Stanford, former chairman of SFG; Mark Kuhrt, former global controller for Stanford Financial Group Global Management; Gilbert Lopez, former chief accounting officer of Stanford Financial Group Co., and Laura Pendergest-Holt, former chief investment officer of SFG, filed *Laura Pendergest-Holt, et al. v. Certain Underwriters at Lloyd's of London, et al.* to force the underwriters to pay their legal bills. Pendergest-Holt settled with the underwriters in August, the day before [a hearing](#) in Atlas' court on the coverage issue.

All four are defendants in the civil SEC suit and the criminal case. The defendants have denied the allegations in both cases.

While finding the money-laundering exclusion applies to "justify underwriters' denial of insurance coverage," Atlas notes that the findings and conclusions are "neither final findings of fact nor conclusions of law for use in the criminal or SEC cases pending against each plaintiff."

The insurance companies had alleged the executives engaged in money laundering as defined by the D&O policies, which the executives denied.

Atlas also denied a stay of her order pending appeal. She wrote that granting a stay of her order would harm underwriters because they would have to continue to pay the plaintiffs' attorney fees and expenses with little chance to recoup the funds.

The underwriters paid \$11.2 million in defense costs for work through July 14, and a portion of the \$3.2 million billed by the plaintiffs for the period through Sept. 15.

Atlas wrote that the plaintiffs may apply for payment of counsel's future fees and expenses under the Criminal Justice Act, 18 U.S.C. §3006A.

Stanford's criminal-defense attorney Robert S. Bennett of Bennett Nguyen Joint Venture of Houston says Stanford is "disappointed in Judge Atlas' ruling." But he notes, "It was not unexpected." He said he would apply for payment under

the Criminal Justice Act.

Lee Shidlofsky, a partner in Visser Shidlofsky in Austin who represents Kuhrt and Lopez in the coverage suit, did not immediately return a telephone message seeking comment.

An attorney for Lloyd's of London and Arch Specialty Insurance Co., Neel Lane, a partner in Akin Gump Strauss Hauer & Feld in San Antonio, declines comment.

Everyone involved in the criminal case against Stanford, Kuhrt, Pendergest-Holt and Lopez, including the criminal-defense lawyers, is under [a gag order](#) imposed by the judge presiding over the criminal case, Senior U.S. District Judge David Hittner of the Southern District of Texas.