

Md. Atty Not Owed Defense Coverage, 4th Circ. Finds

By **Emily Enfinger**

Law360 (January 4, 2024, 4:41 PM EST) -- A Maryland attorney is not entitled to defense costs under his law firm's insurance policy after he was indicted on allegations that he fraudulently seized control of \$13 million in Somalian government funds, the Fourth Circuit has ruled, affirming in full a district court's summary judgment.

In a **published opinion** on Thursday, the panel agreed that Axis Surplus Insurance Co., Endurance American Specialty Insurance Co. and Prosight Syndicate 1110 at Lloyds do not owe coverage to Jeremy Schulman in connection with the underlying fraud and money laundering charges.

Schulman, who is based in Bethesda, Maryland, has **asserted** that a part of the policy saying it covers "demands" should give him coverage after prosecutors said they were coming for his property.

But the indictment does not fall within several definitions of the word "demand," the panel said, noting that the forfeiture allegation in the indictment did not require the attorney to turn over any money or property to the government. Instead, at most, the forfeiture allegation is "a notice that there will be a demand in the future," the panel said.

"The ordinary meaning of 'demand' does not encompass a notice that, on the condition a triggering event occurs, something will be demanded in the future," the panel continued.

Schulman has also argued that a letter the insurers sent him in June 2017 was a binding contract in which the insurers promised to cover fees and costs related to the indictment, and that he relied on that promise "to his detriment," the panel's opinion read.

The panel was unconvinced that the letter triggered coverage, saying Thursday that "the insurers never made a clear and definite promise to cover the expenses over which Schulman has sued." Rather, the letter limits coverage for a subpoena, the panel said, not the indictment.

Federal prosecutors said Schulman assisted the Somali government in unfreezing nearly \$13 million in assets through fraud and money laundering, taking \$3.3 million for his law firm and hundreds of thousands of dollars for himself in the process.

Schulman is accused of forging documents and lying to banks about his authority to obtain the Somali government's money.

Prosecutors charged Schulman in December 2020 with 11 criminal counts, including conspiracy to commit mail fraud and money laundering, wire and bank fraud, and money laundering.

After being indicted, Schulman said he racked up about \$2 million in criminal defense costs.

U.S. Circuit Judges James Andrew Wynn, Pamela A. Harris and DeAndrea Gist Benjamin sat on the panel for the Fourth Circuit.

Counsel for Axis and Endurance declined to comment. Representatives for Schulman and Prosight did not immediately respond to requests for comment.

Schulman is represented by Robin L. Cohen and Jillian M. Raines of Cohen Ziffer Frenchman & McKenna LLP, and Deanna Layne Peters and Jeffrey Martin Schwaber of Stein Sperling Bennett DeJong Driscoll PC.

Axis Surplus Insurance Co. and Endurance American Specialty Insurance Co. are represented by Charles Collins Lemley and Gary Paul Seligman of Wiley Rein LLP.

Prosight Syndicate 1110 at Lloyds is represented by Marc Rechnic Kamin of Stewart Smith and John Joseph Murphy III of Walker Murphy & Nelson LLP.

The case is Jeremy Schulman v. Axis Surplus Insurance Co. Inc., case number 22-1621 in the U.S. Court of Appeals for the Fourth Circuit.

--Additional reporting by Travis Bland. Editing by Peter Rozovsky.