

4 FREED IN DAKOTA IN INSURANCE CASE

Cleared of Fraud in Collapse of Minnesota Company

BISMARCK, N. D., June 23 — A district court jury acquitted four defendants today in the American Allied Insurance Company mail fraud and conspiracy trial.

The jury returned its verdict shortly before 5 P.M. (central daylight time) after two and a half days of deliberation.

The defendants were Phillip Kitzer Sr. and Phillip Kitzer Jr., both of Chicago, owners of the company; Cyrus Magnusson, who is on leave as Minnesota insurance commissioner, and George Hruban, a former officer of American Allied from White Bear Lake, Minn.

The four were charged in connection with the 1965 financial collapse of American Allied, a St. Paul company that specialized in high-risk automobile insurance.

Each of the defendants was acquitted on 10 counts of mail or wire fraud and one count of conspiracy by the jury of eight women and four men, who began their deliberations shortly before noon Wednesday.

Phillip Kitzer Jr., 34 years old, wept when his acquittal was delivered. He was led from the courtroom by the other defendants and defense lawyers.

Phillip Kitzer Sr., 71, sat silently, as he did throughout the long trial.

Mr. Magnusson was not in the courtroom. He has been in a hospital since he was taken ill during closing arguments Monday.

During the three-month trial, the Government charged that Phillip Kitzer Jr. and his associates had indulged in high living at company expense.

Patrick Foley, United States Attorney for Minnesota, who was chief prosecutor in the trial, said grand jury evidence showed the Kitzers had taken more than \$3-million in policyholders' money.

The concern was declared bankrupt by court order in the summer of 1965, and two months later a Federal grand jury at Minneapolis indicted 17 men.

Two of the six major defendants, Frank Buffum, a New York stockbroker, and David Kroman, a former attorney in the Minnesota Insurance Department, were dropped for health reasons.

Mr. Kroman was found unconscious in his car with a shotgun across his lap a week after the trial opened. He told the police he was being pursued because he knew that someone other than Lee Harvey Oswald was the assassin of President Kennedy.

Judge Edward Devitt ordered him sent to a Federal hospital at Springfield, Mo., where psychiatrists found him mentally competent.

In the trial the Government contended that the Kitzers had worked their way into high levels of the Minnesota Insurance Department, using Mr. Magnusson to help cover up their defrauding operations.

The defendants asserted that they were the victims of a political plot among Democratic Farmer Labor party officials in Minnesota.

The cases of the 11 other defendants are pending.