



# Department of Justice

Robert M. Duncan, Jr.  
United States Attorney  
Eastern District of Kentucky

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CONTACT: Gabrielle Dudgeon  
PHONE: (859) 685-4887  
E-MAIL: [gabrielle.dudgeon@usdoj.gov](mailto:gabrielle.dudgeon@usdoj.gov)

## **Seventeen Tobacco Farmers Settle Civil Claims in Widespread Crop Insurance Fraud Investigation**

**LEXINGTON, Ky.**—Seventeen tobacco farmers throughout eastern Kentucky have agreed to resolve civil allegations that they violated the False Claims Act, a federal law that prohibits submitting false or fraudulent claims for payment to the government. As part of their civil settlement agreements, all of the defendants admitted that they submitted, or caused to be submitted, false claims to a federally-backed crop insurance program.

The United States Department of Agriculture administers its crop insurance program through approved private insurance companies, who sell federally-backed multi-peril crop insurance (“MPCI”) policies to farmers. MPCI policies provide insurance coverage for harvests that are at risk from inclement weather or other naturally occurring events. Under the crop insurance program, eligible farmers are paid benefits based, in part, on factual representations as to the amount of crop harvested and sold and the cause of loss.

As part of their civil settlement agreements, all 17 defendants admitted that they submitted, or caused to be submitted, false claims for MPCI indemnity payments to federally-funded approved crop insurance providers. Several defendants submitted claims for damaged tobacco crop in order to receive indemnity payments, but in fact sold the same tobacco for cash under fictitious names at Clay’s Tobacco Warehouse. Other defendants claimed ownership of the crops on their insurance applications, despite having partial or no ownership, in order to hide the identity of the crop owner and receive a cut of the indemnity payment. With assistance from crop insurance agents and adjusters, the defendants also inflated crop loss amounts and submitted falsified documentation about the quality of the tobacco crop to the insurance company. The 17 defendants acknowledged that they made these false statements and false claims in order to secure indemnity payments to which they were not otherwise entitled.

Collectively, these defendants received nearly \$900,000 in indemnity payments as a result of their false claims. The defendants all have agreed to pay the United States as part of their settlement agreements. Several of the defendants also have agreed to sell farmland, vehicles, and other property and remit the net sale proceeds to the federal government.

The government's work in this investigation illustrates its commitment to combatting crop insurance fraud through civil enforcement under the False Claims Act. Tips from all sources about potential fraud can be reported to the U.S. Department of Agriculture Office of Inspector General at <http://www.usda.gov/oig/hotline.htm>.

Robert M. Duncan, Jr., United States Attorney for the Eastern District of Kentucky; Jason Williams, Special Agent in Charge, United States Department of Agriculture Office of Inspector General; James Robert Brown, Jr., Special Agent in Charge, Federal Bureau of Investigation; Bryant Jackson, Special Agent in Charge, Internal Revenue Service-Criminal Investigation; and Juan Garrett, Director, Kentucky Department of Insurance Fraud Investigation Division, jointly announced the civil settlements.

These investigations are conducted by the United States Department of Agriculture Office of Inspector General, United States Department of Agriculture Risk Management Agency, Federal Bureau of Investigation, Internal Revenue Service-Criminal Investigation, and Kentucky Department of Insurance. The United States is represented by Assistant United States Attorneys Meghan Stubblebine and Christine Corndorf.

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