



Department of Justice

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Mt. Sterling Crop Insurance Agent and Adjuster Plead Guilty to Crop Insurance Fraud

LEXINGTON, Ky. - A Mt. Sterling, Kentucky husband and wife, Michael McNew, 49, and Karen Ann Nickell, 64, pleaded guilty on Thursday, before U.S. District Judge Karen Caldwell, to conspiracy to commit wire fraud and crop insurance fraud, respectively.

According to his plea agreement, McNew admitted that, in late 2013, he devised a scheme to defraud the federal government, on federal crop insurance policies, and ARMtech Insurance Services, on private crop-hail insurance policies. As to the federal policies, this scheme involved making material misrepresentations on crop insurance applications and claim of loss forms on a large scale, including knowingly misrepresenting ownership stakes, farm acreage, farming activity on the farms covered, and the consent of the parties in whose name the policies are taken out. McNew also admitted to submitting false claims of loss on the private crop-hail policies, knowing that the claims falsified acreage, percentage of damage, and photographs of the damage. McNew admitted to receiving a kickback from the farmers in the form of cash in exchange for these favorable adjustments. As a result of his conduct, fraudulent insurance policies were issued and paid, resulting in approximately \$23,618,351 worth of insurance indemnity payouts distributed to producers under false pretenses.

In her plea agreement, Nickell admitted that while acting as an independent insurance adjuster for ARMtech Insurance Services, she aided and abetted others in knowingly making false statements and reports for the purpose of making a false claim of loss on a federal crop insurance policy belonging to an individual identified as E.L.P. She admitted that on three occasions, she adjusted tobacco crops on a property insured under E.L.P.'s name, when in reality that specific claimed property was a wooded lot, incapable of growing tobacco.

Michael McNew was indicted in November 2019. Karen Ann Nickell was indicted in February 2020.

Robert M. Duncan, Jr., United States Attorney for the Eastern District of Kentucky, Jason M. 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 made the announcement.

The investigations were conducted by the United States Department of Agriculture Office of Inspector General, United States Department of Agriculture Risk Management Agency Special Investigations Staff, Federal Bureau of Investigation, Internal Revenue Service-Criminal Investigation, and Kentucky Department of Insurance. The United States is represented by Assistant United States Attorneys Erin Roth and Kathryn Anderson.

McNew is scheduled to be sentenced on January 15, 2021. He faces up to 20 years in prison and a maximum fine of \$250,000 or twice the gross gain or loss. Nickell is also scheduled to be sentenced on January 15, 2021. She faces probation for two years, a \$15,000 fine, and a payment of restitution of \$58,486. However, any sentence will be imposed by the Court, after its consideration of the U.S. Sentencing Guidelines and the federal statutes.

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