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**INSURER PAYS \$10M TO FEDS FOR DEFRAUDING CROP  
INSURANCE PROGRAM LARGEST SUCH SETTLEMENT EVER**

SACRAMENTO -- United States Attorney Paul L. Seave announced today that Rain and Hail Insurance Service, Inc. paid \$10 million to settle allegations that the company civilly defrauded the government by falsifying documents and inflating claims. The settlement is by far the largest False Claims Act recovery by the Federal Crop Insurance Corporation ("FCIC") in its history.

The United States alleged that Rain and Hail, in its handling of Fresno area raisin crop insurance claims in 1994, falsely represented to the government that raisins were not reconditionable because of rain damage, thereby causing the FCIC to pay insurance claims submitted by raisin growers. The United States alleged that, despite those representations, the raisins were in fact reconditioned and sold at full market value.

Moreover, the government alleged that Rain and Hail duplicated, falsified, and fabricated documents used to support the false insurance claims, including Agricultural Marketing Service test forms, reconditioner statements, and reconditioner bids, and also removed weigh tickets evidencing reconditioning from claim files, to conceal the fraud. In the settlement agreement, Rain and Hail denied that it submitted false or fraudulent claims to the FCIC.

Rain and Hail, with an office in Fresno and headquartered in West Des Moines, Iowa, is the managing general agent for ACE Property and Casualty Insurance Company, headquartered in Philadelphia, Pennsylvania, in carrying out claim administration and other duties under a Standard Reinsurance Agreement ("SRA") with the FCIC. ACE was not a party to and did not carry out the acts alleged by the United States, and was not the SRA holder with FCIC during the time at issue.

According to Assistant U.S. Attorney E. Robert Wright, the government alleged that Rain and Hail certified in proof of loss forms that the rain-damaged raisins had been sold as "distillery material" not fit for human consumption, despite the fact that Rain and Hail knew that those raisins had been reconditioned and sold at market value. Falsified records and documents in Rain and Hail's claim files suggested that the company sought to conceal the ultimate disposition of the raisins from government auditors.

The case was investigated by the U.S. Department of Agriculture's Risk Management Agency, Office of the General Counsel, and Office of Inspector General.

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