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Farm insurer must pay \$512K for fraud scheme

By The Associated Press

KALISPELL - The former president of Crop Hail Management Inc. in Bigfork has been sentenced to more than three years in prison and ordered to pay \$512,000 in restitution for money laundering and fraud.

Myron "Mike" Felt, 77, earlier admitted defrauding 23 insurance companies and other business and state governments with a scheme that began in 2001 to keep farmers' insurance premiums.

U.S. District Judge Donald Molloy sentenced him Friday to 40 months in prison plus three years of supervised release.

Crop Hail Management issued crop-hail insurance policies to farmers in Montana and other states on behalf of other companies.

When some of the farmers paid premiums to Felt, he deposited them in his personal accounts rather than paying on the insurance policies.

Crop Hail Management kept those "out-of-system" policies separate from the policies for which premiums were properly applied to the accounts, the U.S. attorney's office said.

Some farmers wound up making claims against the out-of-system policies, not knowing that Felt had kept their premium payments and they had no valid coverage. He then paid claims from the diverted premiums he had not yet spent.

In 2001, after paying the claims that came in, Felt kept \$141,000 in diverted premiums. In 2002, he kept about \$486,000 in diverted premiums.

Eventually, however, Felt did not have enough diverted premiums to pay all the claims. He then began "flipping" the numbers on policies. He would submit to insurance companies a claim on a policy that he had taken the premium payments for, using a policy number assigned to a legitimate policy.

Felt submitted claims against flipped policies totaling \$863,000 for payment by other insurance companies. The companies paid Crop Hail Management about \$656,000.

Felt used the money to pay creditors and for other personal expenses.

His actions cost 23 insurance companies lost premiums and/or commissions. Two reinsurance brokers and two managing general agencies lost commissions, and five states lost premium taxes.

The case was investigated by the state auditor's office, the Criminal Investigation Division of the Internal Revenue Service, and the FBI.

Montana's U.S. attorney, Bill Mercer, said Felt's prison sentence was appropriate.

"You look at the nature of what he admitted to," Mercer said. "The loss is a significant factor in terms of what the ultimate sentence will be. The only way to deter this type of crime, and the only way he is justly punished, is if the person is incarcerated. It is the only way we can promote respect for the law."

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