

Press Release



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AIG Fined \$20,000 by Minnesota Department of Commerce

Minnesota Commissioner of Commerce, Glenn Wilson, recently issued a Consent Order to AIG Personal Lines Claims alleging that the company violated Minn. Stat. § 72A.201, subd. 6(2)(a) (2006). AIG was ordered to pay a civil penalty of \$20,000 and to cease and desist from any further violations of the Statute.

The Order was issued based on allegations that AIG paid an alleged “prevailing rate” to Minnesota body shops that was less than the total charged by the body shops for certain repair costs and this practice resulted in certain insureds or claimants paying claim amounts that should have been paid by the insurer. The Order cited Minn. Stat. § 72A.201, subd. 6(2)(a) (2006), which requires insurers “...to pay all costs for the satisfactory repair to the insured’s or claimant’s vehicles.” AIG agreed to informal disposition of the matter without a hearing and accepted the terms of the Consent Order.

During the past year, the Alliance of Automotive Service Providers, Minnesota (AASP-MN) has submitted dozens of unfair claims practice reports to the Department of Commerce, many of which documented AIG “short paying” the hourly rate for paint and materials. The Association has continually encouraged its members to document cases of improper insurance company practices. In the case of short pays, AASP-MN has urged its members to stop absorbing these costs and to inform their customers that they will be responsible for their insurance company’s failure to pay reasonable costs.

“When these practices result in harm to consumers, regulatory agencies are much more likely to intervene and take corrective action,” said Judell Anderson, AASP-MN Executive Director.

“Unfortunately, in an effort to protect their customer, shops inadvertently perpetuate insurer practices that are detrimental to the repair industry and consumers in the long run. This is an example of how the repair industry can make a difference – provided they’re willing to take the time to document instances of insurer misconduct.”

The Commissioner also ordered AIG to provide reimbursement to insureds or claimants referenced in the Order for the amount they were required to pay out-of-pocket to body shops.

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