



Press Release

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GEICO Fined \$30,000 by Minnesota Department of Commerce

Minnesota Commissioner of Commerce, Glenn Wilson, has issued a Consent Order to GEICO Insurance Company alleging that the company violated Minn. Stat. § 72A.201, subd. 6(2)(a) (2008). GEICO was ordered to pay a civil penalty of \$30,000 and to cease and desist from any further violations of the Statute.

The Order was issued based on allegations that GEICO 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) (2008), which requires insurers “...to pay all costs for the satisfactory repair to the insured’s or claimant’s vehicles.” The Commissioner also ordered GEICO to contact insureds or claimants referenced in the Order and provide reimbursement for the amount they were required to pay out-of-pocket to body shops. GEICO agreed to informal disposition of the matter without a hearing and accepted the terms of the Consent Order.

The Department took similar action against AIG in December of 2007. In both cases, the investigations were advanced by unfair claims practice reports submitted by the Alliance of Automotive Service Providers, Minnesota (AASP-MN). The Association encourages its members to document cases of improper insurance company practices on an ongoing basis and, in the case of short pays, urges 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.

“We are very pleased by the Department’s action,” said Judell Anderson, AASP-MN Executive Director. “This sends a strong message to all insurers that they must play by the rules or be held accountable. It should also motivate repairers to be more proactive in their reporting and documentation of unfair insurer practices. It’s not enough to just complain, shops have to take action,” Anderson added.

AASP-MN is an association of independently-owned automotive service businesses and industry suppliers dedicated to improving Minnesota’s automotive service industry and the success of its 630+ members. For more information about AASP-MN, visit its website at www.aaspmn.org or call 612-623-1110.

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