



Alliance of Automotive Service Providers - Minnesota
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TO: AASP-MN Members

FROM: Judell Anderson, Executive Director

RE: 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.” The Commissioner 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. AIG agreed to informal disposition of the matter without a hearing and accepted the terms of the Consent Order.

During the past year, 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.

Well, it worked. This is a prime example of how the repair industry can make a difference – provided you’re willing to take the time to document instances of insurer misconduct. It further demonstrates that when these practices can be shown to harm consumers, regulatory agencies are much more likely to intervene and take corrective action. Too often, 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.

So, keep up the good work. Continue to document – from the consumer’s perspective – each and every incident of an unfair claims practice that you encounter and forward it to the AASP-MN office. Visit the *Members Only Resource Center* at www.aaspmn.org to find the Unfair Claims Practice Report and other tools to help you in this effort. It is important that we keep up the pressure on both the Department of Commerce and the insurance industry to protect the rights of policy holders and to deal fairly with the automotive repair industry.