

Minnesota leads the way in \$146 million nationwide settlement agreement

Written by
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A settlement agreement between the American International Group, Inc. (AIG) and its affiliates with all states and the District of Columbia has become fully effective, Commissioner Mike Rothman announced recently. Minnesota was one of eight leading states to conduct a Multistate Market Conduct Examination that revealed AIG misrepresented its workers' compensation insurance premiums to reduce their taxes and assessments, resulting in the \$2.1 million settlement for the State of Minnesota.

"Gaming the system at the expense of Minnesota businesses and taxpayers is unacceptable," said Commissioner Rothman. "Our investigators helped lead the charge to secure this settlement that resulted in millions of dollars returned to the states and implemented corrective measures to ensure a fair marketplace."

In December of 2010, Minnesota joined eight other states in entering into the AIG Multistate Market Conduct Examination. The examination found AIG intentionally misreported \$2.12 billion in workers' compensation premiums over the past few years. AIG filed workers' compensation insurance premiums into the general liability or commercial automobile liability categories, both of which required lower tax and assessment payments. Additionally, the examination found noncompliance with rating, forms, and financial reporting laws.

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Pursuant to the settlement agreement, AIG agreed to pay a national penalty of \$100 million, and \$46.5 million in additional premium taxes and assessments. AIG will correct previously filed financial reports and reallocate approximately \$2.12 billion of premiums from other lines of insurance to workers compensation. The settlement also calls for the eight lead states, including Minnesota, to monitor AIG's operations to ensure it meets its obligations under the Compliance Plan.

"As a lead state in this on-going examination, we will continue to monitor AIG's performance over the next 24 months to ensure corrective measures are implemented," said Commissioner Rothman. "Our investigators will audit internal reviews, randomly sample accounts, meet with senior management on an on-going basis, and closely monitor the progress of the AIG Compliance Plan."

The settlement agreement was subject to several conditions, all of which have now been resolved. The first condition was a \$450 million residual market settlement that was approved by the U.S. District Court in February 2012. The remaining open condition, a settlement with insurance guaranty associations, was satisfied on May 30, 2012 when a \$25 million settlement agreement was signed.