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Insurer ordered to pay \$20M to auto body shops

NEW HAVEN -- A judge has ordered The Hartford insurance company to pay \$20 million to auto body shops for an unfair trade practice related to hourly labor rates for vehicle repairs.

The judge's decision last week for punitive damages is in addition to a jury award of nearly \$15 million reached against the company in 2009.

The Auto Body Association of Connecticut alleged The Hartford pressured its in-house appraisers to put artificially low labor rates in their appraisals. The jury found the company's practices regarding hourly rates paid for auto body repairs were unfair, and the judge said the company tried to cover up its conduct by instructing employees not to write anything down about labor rates in favor of off-the record conversations.

"The punitive damages award is intended not only to punish The Hartford for its unfair trade practices, including what the court cited as The Hartford's intentional efforts to conceal its conduct from regulators and the public, but also to deter all insurance carriers in the market from engaging in the same unlawful conduct," said David Slossberg, attorney for the Auto Body Association. "The court has placed the entire industry on notice that forcing their appraisers to violate the code of ethics by writing estimates at unreasonably low labor rates must stop."

Slossberg said he believes it's the largest punitive damages award under the unfair trade practices law in state history.

The insurance company is disappointed and plans to appeal, said a spokesman, Thomas Hambrick. The company contends its conduct was not improper.

The case involves about 1,500 shops in Connecticut.

"This shows the breadth and extent of the damage caused by the defendant's misconduct," Stamford Superior Court Judge Alfred J. Jennings Jr. wrote.

The judge concluded The Hartford "knowingly and purposefully for the enhancement of its own profits engaged in conduct in willful or reckless disregard" of the rights of its appraisers to conduct independent appraisals of damage to vehicles. That had the effect of suppressing hourly labor rates paid to the body shops and led to lost revenue, he said.

He also issued an injunction prohibiting the company from interfering with the independence of

its employee appraisers or from threatening them with adverse employment consequences based on their determination of labor rates.