

Commerce Commissioner orders \$2.5 million in refunds to consumers, \$250,000 civil penalty

Written by

Tuesday, 14 February 2012 12:37

Minnesota Department of Commerce alleges travel insurance was sold improperly on Travelocity.com

The Minnesota Department of Commerce announced today that 81,970 Minnesota consumers who purchased travel insurance on *Travelocity.com* between June 1, 2009 and January 24, 2012 will receive nearly \$2.5 million in refunds.

A consent order issued by Commerce Commissioner Mike Rothman last Friday alleges that New York-based National Union Fire Insurance Company of Pittsburgh and Wisconsin-based Travel Guard Group, Inc. violated state law by automatically enrolling consumers in optional travel insurance policies. The order also requires NUFIC to pay the State of Minnesota a \$250,000 civil penalty for alleged market misconduct.

“Tens of thousands of Minnesota travelers were allegedly enrolled automatically in travel insurance policies when they purchased their airline tickets online,” said Commissioner Rothman. “These allegations show a clear violation of state law and represent a breach of consumer trust. We ordered the companies involved to stop these deceptive practices and properly reimburse all affected consumers.”

The Department alleges that prior to January 25, 2012, consumers who booked a flight on *Travelocity.com*

were automatically enrolled in travel insurance policies without making an affirmative selection to enroll in the plan. To decline coverage, a consumer was required to affirmatively make a selection to “opt-out” of the plan. The cost of the plan, which ranged between \$25 and \$45 per traveler, was automatically included in the total purchase price unless a consumer chose the opt-out selection.

By not receiving affirmative consent from consumers – either oral or written – the Department alleges that NUFIC and Travel Guard engaged in “an unfair method of competition and deceptive practices in the business of insurance in violation of MS 72A.20, subd. 18(b) (2010)

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and Minn. R. 2700.3200, subp. 2 (2011).

Based on those allegations, Commissioner Rothman has ordered that:

1. NUFIC and Travel Guard shall cease and desist, in Minnesota, the automatic enrollment of consumers in travel insurance plans or any other insurance policy on Travelocity's website or any other website powered, directly or indirectly, by Travelocity

2. NUFIC and Travel Guard shall refund the premium charged to each Minnesota resident who purchased the plan on Travelocity's website or any other website powered, directly or indirectly, by Travelocity, during the time period of June 1, 2009 through January 24, 2012. Such premiums total \$2,481,385.

3. NUFIC shall, within 30 days, implement a process acceptable to the Department whereby such premiums shall be refunded to Minnesota consumers for the time period referenced above. That process shall include the following:
 - a. Deposit \$2,481,385 into a fund within 30 days of the effective date of the consent order

 - b. For all individuals whose travel originated in Minnesota and made a claim, refund the premium paid by such individuals within 45 days of the effective date of the consent order

 - c. For all individuals whose travel originated in Minnesota other than those individuals identified by the Department, NUFIC shall post notices regarding the Fund in a manner approved by the Department, such that all individuals may seek a refund of the premium they paid for the insurance policy

 - d. NUFIC shall refund the premium paid by such individuals within 30 business days of receipt of a valid claim for refund, with said amounts being deducted from the fund

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e. The fund shall be available for eligible consumers until August 1, 2012. By no later than September 17, 2012, the balance of the fund shall be paid to the State of Minnesota General Fund

4. NUFIC shall pay a civil penalty of \$250,000 to the State of Minnesota

Minnesota consumers who think they may be eligible for reimbursement are encouraged to contact the Department of Commerce for additional information about how to collect their reimbursement.

Any Minnesota consumer who thinks they may have inadvertently purchased travel insurance on another website or from another insurer is encouraged to contact the Minnesota Department of Commerce Consumer Help Line by phone at [\(651\) 296-2488](tel:6512962488) or (800) 657-3602. Complaints can also be sent by email to consumer.protection@state.mn.us or by mail to Minnesota Department of Commerce, 85 7th Place East, Suite 500, Saint Paul, MN 55101.