

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

GEICO CASUALTY COMPANY
(BERKSHIRE HATHAWAY, INC., A DELAWARE COMPANY)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

Filed Date: 1-22-01

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I. INTRODUCTION

GEICO Casualty Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, July 1996 through May 2000. The examination began July 6, 2000 and ended August 16, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1996.

The purpose of this target examination was to determine whether initial placement and/or movement of private passenger automobile risks to an upgraded rating tier, upon qualifying at renewal, is in compliance with the Company's filed underwriting rules and applicable Florida Statutes.

During this examination, records reviewed included policies for the period of July 1996 through May 2000, as reflected in the report.

This report contains examination results addressing areas of noncompliance found during the course of the examination. In all instances, the Company was directed to take corrective action as required, issue appropriate refunds, make all necessary filings with the Department and immediately cease any activity that continues to place the Company in noncompliance with Florida Statutes/Rules.

As a result of the findings of this examination, \$252.07 was returned to Florida consumers due to overcharges of premium.

II. REVIEW OF POLICIES

A. PRIVATE PASSENGER AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

GEICO Casualty Company independently files rules/rates in accordance with Section 627.0651, Florida Statutes.

b. Form Filings

GEICO Casualty Company independently files forms in accordance with Section 627.410, Florida Statutes.

c. Statistical Affiliation

The National Association of Independent Insurers (NAII) acts as the Company's official statistical agent.

2. Premium and Policy Counts

Direct Premiums Written and in-force policy counts for the scope of the examination are as follows:

<u>Year</u>	<u>DPW</u>	<u>Policy Count</u>	
1996	\$ 27,208,638	23,410	
1997	\$ 55,729,136	46,338	
1998	\$ 92,786,197	73,505	
1999	\$110,615,071	84,447	
2000	\$ 43,086,401	89,097	(Policies in force as of April 30, 2000)

3. Exam Findings

One hundred (100) policy files were examined.

Eight (8) errors were found.

Errors affecting premium resulted in one (1) overcharge of \$252.07.

The errors are broken down as follows:

1. Four (4) errors were due to failure to obtain a signed Uninsured Motorists (UM) Selection form when UM limits were lower than the Bodily Injury limits. This constitutes a violation of Section 627.727, Florida Statutes.
2. Two (2) errors were due to failure to obtain a signed UM Rejection Form when the policy contained Bodily Injury Coverage but excluded UM Coverage. This constitutes a violation of Section 627.727, Florida Statutes.
3. One (1) error was due to failure to maintain applications in the file. This constitutes a violation of Section 627.318, Florida Statutes.
4. One (1) error was due to failure to follow the filed rating rules and underwriting guidelines. This involved a risk that was initially written in the nonstandard Company, GEICO Casualty, due to a lapse in coverage. After a full year of continuous coverage, the Insured was eligible for transfer to the Standard Company on January 6, 1997, but, was not moved until January 6, 1999. This error resulted in an overcharge of \$252.07, including 8% interest, that has been refunded by the Company. This constitutes a violation of Section 627.0651, Florida Statutes.

The Company has a procedure whereby risks are reviewed for possible transfer to the standard Company as they become eligible. Computer generated lists are produced each month for business that does not have a surcharge. The average list contains 10,000 policies for both GEICO Indemnity and GEICO Casualty Company in six states, including Florida. Each list is worked throughout the month with an average review ratio of 75.6%. This number represents those policies that from a preliminary review appear eligible for standard rates. After looking at Motor Vehicle Reports and Comprehensive Loss Underwriting Exchange (CLUE) data, and consulting the Transfer of Risks Guidelines on file with the Department of Insurance, approximately 25% of those reviewed are determined to be eligible for move-up.

An estimated 24% initially determined from the preliminary review to be ineligible for upgrading, may be eligible for review at the next policy renewal date provided the policy remains surcharge free. Exhibit I.

X. EXHIBITS

SUBJECT

EXHIBIT NUMBER

MOVE-UP REVIEW PROCEDURE

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