



**THE STATE OF FLORIDA**

**OFFICE OF INSURANCE REGULATION**

**MARKET INVESTIGATIONS**

**TARGET MARKET CONDUCT FINAL EXAMINATION**

**REPORT OF**

**GEICO Casualty Company (NAIC # 41491)**  
**GEICO General Insurance Company (NAIC # 35882)**  
**GEICO Indemnity Company (NAIC # 22055)**  
**Government Employees Insurance Company (NAIC #22063)**

**January 11, 2016**

**NAIC Group # 0031**

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## EXECUTIVE SUMMARY

A target market conduct examination of GEICO Casualty Company, GEICO General Insurance Company, GEICO Indemnity Company and Government Employees Insurance Company (hereinafter collectively referred to as “GEICO” or “the Company”) relating to private passenger automobile insurance was performed to determine compliance with Florida Statutes and the Florida Administrative Code.

The following table represents general findings. Specific details are found in each section of the report.

<b><u>TABLE OF TOTAL VIOLATIONS</u></b>			
<b>Statute/Rule</b>	<b>Description</b>	<b>Files Reviewed</b>	<b>Number of Violations</b>
627.4137, F.S.	Failure to timely or properly disclose required information within 30 days of the receipt of a written request (Complaints Review).	11	8
627.4137, F.S.	Failure to timely or properly disclose required information within 30 days of the receipt of a written request (Claims Review).	104	11

## **PURPOSE AND SCOPE OF EXAMINATION**

The Office of Insurance Regulation (Office), Market Investigations, pursuant to Section 624.3161, Florida Statutes, conducted a target market conduct examination of GEICO Casualty Company, GEICO General Insurance Company, GEICO Indemnity Company and Government Employees Insurance Company (hereinafter “GEICO” or “the Company”) by INS Regulatory Insurance Services, Inc. The period covered by this examination was January 1, 2011 through December 31, 2013. The examination began May 9, 2014 and ended September 19, 2014.

The purpose of this examination was to review Company operations and compliance with the Florida Insurance Code relating to private passenger automobile insurance including operations and management, the required disclosure of information requested in writing and the use of injury claim valuation software in the resolution of third party Bodily Injury (BI) liability claims.

The examination reviewed compliance with Sections 624.3161, 626.9541, 626.877, 627.318, 627.4137, Florida Statutes and Rule 69O-166.024, Florida Administrative Code. The examination procedures included:

- **Operations and Management Review** (History, Profile and Certificates of Authority)
- **Disclosure Review** (Review of complaints alleging failure to disclose required information relating to third party BI Claims)
- **Injury Claim Valuation Software** (Review of policies, procedures and the use of valuation software as a tool in third party BI liability claim handling)

The Company records were examined at its office located at 3535 West Pipkin Road, Lakeland, Florida, 33811. In reviewing materials for this report, the examiners relied on records provided by the Company. This Final Report is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners.

### **COMPANY OPERATIONS AND MANAGEMENT**

The Companies are direct or indirect subsidiaries of GEICO Corporation and are licensed to write property and casualty insurance, generally on a nationwide basis. Each Company reported written premium in Florida during the examination period, although GEICO Casualty Company is no longer writing private passenger automobile coverage in Florida. GEICO Corporation is an indirect wholly-owned subsidiary of Berkshire Hathaway, Inc.

Each Company has a Property and Casualty Insurer Certificate of Authority for the State of Florida as follows:

		Issue Date
GEICO Casualty Company	No. 857576	8-30-1983
GEICO General Insurance Company	No. 841347	8-30-1978
GEICO Indemnity Company	No. 815511	8-11-1961
Government Employees Insurance Company	No. 807412	8-14-1947

Total Direct Premium Written in Florida

Year	GEICO Casualty	GEICO General	GEICO Indem.	Gov't Employees
2011	\$5,948,061	\$1,269,717,598	\$621,859,552	\$421,405,359
2012	\$3,542	\$1,415,057,322	\$665,542,498	\$448,251,769
2013	\$ (4,648)	\$1,515,694,005	\$743,664,932	\$469,429,897

### **DISCLOSURE OF REQUIRED INFORMATION**

#### **I. POLICIES AND PROCEDURES**

The Company's written procedures for the disclosure of required information were reviewed for compliance with Sections 624.3161, 626.9541, 626.877, 627.318, 627.4137, Florida Statutes and Rule 69O-166.024, Florida Administrative Code.

No exceptions were noted.

## II. COMPLAINT FILE REVIEW

The Company was requested to provide all complaints reported during the examination period involving third party BI liability claims in private passenger automobile policies related to the disclosure of information required by Section 627.4137, Florida Statutes. The Company advised that they had not received any direct consumer complaints. Eleven Department of Financial Services (DFS) Complaints were identified and reviewed for compliance with the Florida Insurance Code. The following exceptions were noted:

- 1) **In 8 instances, the Company failed to timely or properly disclose required information by not providing the information or not providing it within 30 days after receipt of a written request, in violation of Section 627.4137, Florida Statutes.**

**CORRECTIVE ACTION:** It is recommended the Company review and monitor responses to eligible requests to ensure disclosure of all required information is provided within 30 days of receipt of a written request.

**COMPANY RESPONSE:** The Company agreed.

## III. CLAIM FILE REVIEW

The Company was requested to provide a list of all third party BI liability claims reported during the examination period in private passenger automobile policies that included a request for disclosure of information required by Section 627.4137, Florida Statutes. The Company was unable to isolate claims which included a request for disclosure of information. However, the Company provided a list of all BI liability claims during the review period that had attorney representation, indicating that nearly all requests for disclosures are from claimant attorneys. A random sample of 109 claim files was reviewed. This sample contained 104 files that involved a request for disclosure. The 104 files were reviewed to determine whether the required disclosures were in compliance with the Florida Insurance Code. The following exceptions were noted:

- 1) **In 11 instances, the Company failed to timely or properly disclose required information by not providing all required information or not providing it within 30 days after receipt of a written request, in violation of Section 627.4137, Florida Statutes.**

**CORRECTIVE ACTION:** It is recommended the Company review and monitor responses to eligible requests to ensure disclosure of all required information is provided within 30 days of receipt of a written request.

**COMPANY RESPONSE:** The Company agreed.

### **INJURY CLAIM VALUATION SOFTWARE**

The Company uses injury claim valuation software provided by a vendor as a tool in adjusting third party BI liability claims. This software provides claim personnel (claim examiners) with two separate calculations for third party BI claims: a liability valuation and a

recommended range for general damages (pain and suffering). The software provides a number of screen shots for claim personnel to enter data and select evaluation criteria from drop down menus.

The Company initially responded the software valuations are not classified based on geographic regions. The Company later explained that software valuations vary based on county. The examiners and Company maintain this contradiction may be a matter of semantics rather than misrepresentation.

The Company represents that the injury claim valuation software is used only as a tool and guidance as a way to organize, investigate, and evaluate BI liability claims. The Company represents that the amount of a settlement offer rests with the claim personnel, not the software. In using the software, the Company provided material stating there are 4 major areas that affect BI liability claim values: the injury or injuries; the evaluation of causation and severity; impact on lifestyle; and venue. Seminars are routinely held with claim personnel and Company experts to review and discuss these various factors.

## **I. POLICIES AND PROCEDURES**

The Company policies and procedures describing its use of the injury claim valuation software was reviewed. The Company provided in-person presentations of the software operation and use by claim personnel. Additionally, Company responses to a previous Office inquiry about the use of the software were reviewed. All of the material related to injury claim valuation software was identified by the examiners and reviewed for compliance with Sections 624.3161, 626.9541, 626.877, 627.318, 627.4137, Florida Statutes and Rule 69O-166.024, Florida Administrative Code.

No exceptions were noted.

## **II. CLAIM FILE REVIEW**

The Company was requested to provide a list of all third party BI claims reported during the examination period in private passenger automobile policies where the injury claim valuation software was used. A random sample of 109 claim files was reviewed to determine that they were adjusted in compliance with the Florida Insurance Code.

No exceptions were noted.

### **EXAMINATION FINAL REPORT SUBMISSION**

The Office hereby issues this Final Report based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company.