



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Notice of Adoption and Filing of Examination Report

Take notice that the proposed report of the market conduct examination of the

GEICO GENERAL INSURANCE COMPANY
5260 WESTERN AVE
CHEVY CHASE MD 20815-3799

dated August 3, 2012, and served upon the company on May 21, 2014, has been adopted as the final report, and has been placed on file as an official public record of this Office.

Dated at Madison, Wisconsin, this 15th day of October, 2015.

A handwritten signature in black ink, appearing to read 'Theodore K Nickel', written over a horizontal line.

Theodore K Nickel
Commissioner of Insurance

**STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF INSURANCE**

MARKET CONDUCT EXAMINATION

OF

**GEICO GENERAL INSURANCE COMPANY
MACON, GEORGIA**

JULY 23–AUGUST 3, 2012

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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August 3, 2012

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Honorable Theodore K. Nickel
Commissioner of Insurance
Madison, WI 53702

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was conducted July 23 to August 3, 2012, of:

GEICO GENERAL INSURANCE COMPANY
Macon, Georgia

and the following report of the examination is respectfully submitted.

I. INTRODUCTION

GEICO General Insurance Company (the company) is an automobile insurance company and writes private passenger automobile insurance in all 50 states, 2 territories, and Washington, D.C. The company was originally founded to provide automobile insurance directly to federal government employees and their families. The predecessor company to GEICO General was incorporated in Texas on May 15, 1934, under the name of Associated Casualty Company. Renamed as Equitable General Insurance Company, it merged with and into an Iowa company in 1978. Government Employees Insurance Company (GEICO) acquired complete financial control of Equitable General Insurance Company on March 31, 1982, and GEICO General Insurance Company's present name was adopted later that year. On June 22, 1989, GEICO General transferred its domicile to Maryland but retained its original Texas charter date.

Since 1982, GEICO General Insurance Company has been a wholly owned subsidiary of GEICO, which in turn is a wholly owned subsidiary of GEICO Corporation. GEICO

Corporation was, until January 2, 1996, a publicly owned Delaware corporation listed on the New York Stock Exchange. On that date, it became an indirect wholly owned subsidiary of Berkshire Hathaway Inc.

The following table summarizes total direct national premium written in 2010 and 2009 as compared to the total direct premium written in Wisconsin.

National Direct Premium Written to Wisconsin Direct Premium Written

Year	National Direct Premium Written	Wisconsin Direct Premium Written	Wisconsin as a Percentage of the National Premium
2010	\$5,576,364,737	\$31,370,953	0.54%
2009	\$5,411,182,019	\$26,917,021	0.50%

The majority of the premium earned by the company in 2010 and 2009 was private passenger automobile. The following table summarizes the premium earned and the incurred losses in Wisconsin for 2010 and 2009 broken down by line of business.

Wisconsin Direct Premium and Loss Summary

2010				
Line of Business	Premium Earned	Percent of Wisconsin Total	Losses Incurred	Pure Loss Ratio
Private Passenger Auto	\$30,556,426	1.3%	\$20,640,526	68%
Total	\$30,556,426	1.3%	\$20,640,526	68%
2009				
Line of Business	Premium Earned	Percent of Wisconsin Total	Losses Incurred	Pure Loss Ratio
Private Passenger Auto	\$25,578,275	1.2%	\$14,889,310	58%
Total	\$25,578,275	1.2%	\$14,889,310	58%

Since 2007, the company has appeared on the complaint summary list with an above-average complaint ratio for private passenger automobile. A complaint is defined as "a written communication received by the Commissioner's Office that indicates dissatisfaction with an insurance company or agent." The company ranked 15th in 2011, 20th in 2010, 10th in 2009, 21st in 2008, and 9th in 2007. The pattern for complaints involving claim handling in Wisconsin appears to have begun in 2006 with 50% of the claims involving this issue. The years 2007 and 2008 showed a decrease in claim handling issues to 25% and 29%, respectively, but again

increased in 2009 and 2011 from the previous years. Complaints on claim handling in 2010 decreased to 30% but again climbed to 45% in 2011. Complaint reasons for all complaints in the last 5 years were claim handling or unsatisfactory settlement/offer; claim denial; claim handling delays; policyholder service; premium and rating; and cancellation/nonrenewal.

The following table categorizes the complaints received against the company by type of policy and complaint reason. There may be more than one type of coverage and/or reason for each complaint.

Complaints Received

2011					
Reason Type	Underwriting	Marketing and Sales	Claims	Policyholder Service	Other
Coverage Type	No.	No.	No.	No.	No.
Personal Auto	1	0	9	0	0
Total	1	0	9	0	0

2010					
Reason Type	Underwriting	Marketing and Sales	Claims	Policyholder Service	Other
Coverage Type	No.	No.	No.	No.	No.
Personal Auto	1	1	5	2	0
Total	1	1	5	2	0

2009					
Reason Type	Underwriting	Marketing and Sales	Claims	Policyholder Service	Other
Coverage Type	No.	No.	No.	No.	No.
Personal Auto	1	0	5	0	0
Total	1	0	5	0	0

II. PURPOSE AND SCOPE

A targeted examination was conducted to determine whether the company's practices and procedures comply with the Wisconsin insurance statutes and rules. The examination focused on the period from July 1, 2010, through March 31, 2012. In addition, the examination included a review of any subsequent events deemed important by the examiner-in-charge during the examination.

The examination covered private passenger automobile business in Wisconsin and was limited to a review of claims, including subrogation, new business and terminations, underwriting and rating, producer licensing, and complaints.

The report is prepared on an exception basis and comments on those areas of the company's operations where adverse findings were noted.

III. CURRENT EXAMINATION FINDINGS

Claims

In settling claims under policies issued to Wisconsin insureds, the company primarily used employee representatives based out of the regional office located in Macon, Georgia. The company maintained online claim reporting, as well as a toll-free phone and fax number for policyholders to report a claim 24 hours a day, 7 days a week. The company also utilized designated independent adjusters as needed.

The examiners reviewed 200 closed private passenger automobile claim files. Of these claims, 100 were claims paid, 50 were claims closed without payment, and 50 were subrogated private passenger automobile claims. The company's claims handling practices and procedures were also reviewed. The following exceptions were noted.

The examiners found 1 file where the company received recoveries from the responsible third party in the amount equal to 90% of the insured's damages. The company reimbursed the insured for 80% of the insured's deductible. According to the Wisconsin Supreme Court decision Rimes v. State Farm Mutual Automobile Insurance Company, 106 Wis. 2d 263, when collecting subrogation, the insured is to be made whole before the company has a right to retain amounts collected from subrogation.

1. It is recommended that the company follow its written procedure to ensure that the insured is made whole before the company retains any portion of a subrogation collection in order to comply with the Wisconsin Supreme Court decision of Rimes v. State Farm Mutual Automobile Insurance Company, 106 Wis. 2d 263.

Company Operations and Management

The company is an indirect wholly owned subsidiary of Berkshire Hathaway Inc. There are 10 regions and a claims office. For all regions including Wisconsin, an underwriting review team within the underwriting, reserving and control department oversaw and reviewed operations for conformity with established underwriting, rating, and licensing procedures, and for

compliance with Wisconsin Statutes and regulations. The company's marketing plan was to create and implement marketing strategies that generate the new business necessary to achieve profitable growth in policies in force. The company's operations were geared to generate inquiries to its various sales distribution channels, phone/Internet/general field representative, in sufficient numbers to meet new business goals at an acceptable unit cost.

Policy Forms and Rates

Policy forms and rates filed during the examination period were reviewed with the company's responses to the interrogatories. The company's pricing and product management department was responsible for form and rate filings. Form content was developed and maintained through the coordination of a number of departments including underwriting reserving and control; pricing and product management; the Macon, Georgia regional office; and information services. For rate filings, the company established its own rates and did not use rates established by a rate service organization. The exception is ISO vehicle symbol assignments that were filed with the company's statistically supported deviations. During the review, 100 randomly selected personal passenger automobile new business files and 100 personal passenger automobile termination files were reviewed for the examination period. There were no exceptions noted.

Marketing and Sales

The company wrote preferred risk automobile insurance for the general population, as well as government employees or military personnel, primarily through direct response marketing. The company used a direct-to-consumer sales model and dealt directly with consumers via telephone and Internet through its employees located in various corporate offices in the United States.

The company sales training scripts, Web site, and compliance with Wisconsin insurance laws were reviewed for any unfair inducements. No exceptions were noted.

Underwriting and Rating

The examiners randomly selected and reviewed 100 new business personal passenger automobile files and 100 personal passenger automobile termination files in order to verify that the issuance and termination of policies complied with Wisconsin insurance laws and regulations. The examiners also reviewed the company's private passenger automobile underwriting procedures and manuals. The company independently filed personal passenger automobile policy forms and endorsements. The following exceptions were noted.

The examiners found that the company did not retain insurance applications for any of the new business files during the period of review. The company advised that agents used the company's aSnap quote system to capture the customers' information electronically. Upon supplying the requested information, the applicant received a quote. If the applicant completed the transaction with an electronic payment, the application and quote were immediately converted and coverage was bound.

The Internet application page used during the period of review was not the same as the application form DP-5-WI (02-03) filed with the Office of the Commissioner of Insurance (OCI) on March 3, 2003. Section 631.20 (1) (a), Wis. Stat., states, in part, that no form may be used unless it has been filed and approved by the commissioner and unless the insurer certifies that the form complies with all applicable Wisconsin Statutes and rules.

2. It is recommended that the company use the questions and information requested from a customer per the application form filed with the OCI and retain any copies of all completed and signed applications for insurance in order to comply with s. 631.20 (1) (a), Wis. Stat.

The examiners requested to view the application pages for the new business personal passenger automobile files. The examiners found that at the time coverage was

bound, the software system did not maintain a copy of the application page, which would contain the answers and representations made by the insured and the coverages offered to the insured. These application pages could not be reproduced either. Section Ins 6.80 (5), Wis. Adm. Code, states in part, that records regarding the company operations shall be maintained for three years and available to the commissioner or the regulatory agency of the insurer's state of domicile upon request.

3. It is recommended that the company retain copies of the electronic insurance applications in order to comply with s. Ins 6.80 (5), Wis. Adm. Code.

In addition, the examiners rated 30 new business private passenger automobile policies to verify that the company was issuing policies using rates and rate-related rules that had been filed for use in Wisconsin. The examiners found the company had written new personal passenger automobile policies with coverage limits lower than allowed by ss. 632.32 and 344.02, Wis. Stat. These laws defined the minimum private passenger automobile coverage limits. As a result of this finding, the examiners requested that the company supply declaration pages for policies where coverage limits were incorrect during the examination period and found the following:

1. The examiners found 51 new private passenger automobile declaration pages issued prior to November 1, 2011, with uninsured motorist (UM) limits less than the limits required by statute. At the time the policies were issued s. 632.32 (4) (a) (1.), Wis. Stat., required \$100,000 per person and \$300,000 per accident.
2. The examiners found 58 new private passenger automobile declaration pages issued prior to November 1, 2011, with underinsured motorist coverage (UIM) limits less than the required amount provided in the statute. At the time the policies were issued s. 632.32 (4) (a) 2m., Wis. Stat., required \$100,000 per person / \$300,000 per accident UIM limits.

3. The examiners found 26 private passenger automobile declaration pages issued between November 1, 2009, and November 1, 2011, with bodily injury liability (BI) less than the required \$50,000 per person / \$100,000 per accident as required by s. 344.02 (2) (am), Wis. Stat.
4. The examiners found 22 private passenger automobile declaration pages issued between November 1, 2009, and November 1, 2011, with a minimum liability property damage limit of \$10,000. At the time the policies were issued s. 344.02 (2) (am), Wis. Stat., required a minimum limit of \$15,000 for minimum liability property damage.
5. The examiners found 55 private passenger automobile declaration pages issued between November 1, 2009, and November 1, 2011, with medical payments coverage less than the limit required by statute. At the time the policies were issued s. 632.32 (4) (a) 3m., Wis. Stat., required a minimum limit of \$10,000 for medical payments coverage.

The company advised the examiners that a computer software update was implemented before November 1, 2011. This update supplied the not yet effective and lower coverage limits provided under 2011 Wisconsin Act 14 for all policies issued on or after November 1, 2011. The updated software was made available for agents to quote and resulted in the binding of new policies with the incorrect coverage limits for policies effective prior to November 1, 2011.

The current law at the time the new business was written, s. 632.32, Wis. Stat., stated, in part, that except as otherwise provided, the section applies to every policy of insurance issued or delivered in this state against the insured's liability for loss or damage resulting from an accident caused by any motor vehicle, whether the loss or damage is to property or to a person. Section 344.02, Wis. Stat., defines bodily injury and property damage coverage limits for mandatory personal passenger automobile insurance.

4. It is recommended that the company develop, document, and implement a quality control program to ensure that upon policy effective dates all personal passenger automobile policies are issued with minimum coverage limits

required by current Wisconsin insurance law in order to comply with ss. 632.32 and 344.02, Wis. Stat.

The company further reported that a computer system correction was implemented on October 14, 2011, and the Underwriting and Claims management team began to monitor all policies issued with the incorrect coverage limits for any claims activity. The company did not provide a written notice to affected customers. The company stated if any claims were submitted from policyholders with the lower coverage limits, the company procedure was to honor the mandatory coverage limits effective prior to November 1, 2011.

Before the computer software system correction, some new business personal passenger automobile policyholders were charged different premiums than policyholders whose policies were written after the October 14, 2011, computer software correction.

Section 628.34, (1) (a), Wis. Stat., regarding misrepresentation and conduct forbidden, provides that no person who is or should be licensed under chs. 600 to 646, no employee or agent of any such person, no person whose primary interest is as a competitor of a person licensed under chs. 600 to 646, and no person on behalf of any of the foregoing persons may make or cause to be made any communication relating to an insurance contract, the insurance business, any insurer or any intermediary which contains false or misleading information, including information misleading because of incompleteness.

5. It is recommended that the company develop, document, and implement a quality control program to ensure that upon policy effective dates all personal passenger automobile policies are issued with uniformly charged premiums for all new policyholders and to ensure that policies are issued with statutory coverage limits in order to comply with s. 628.34 (1) (a), Wis. Stat.

The examiners found the company offered a preferred group discount. The discount classified drivers into eight groups based on loss experiences within occupations. A review of the rate filing for this discount revealed that the company had not supplied the supplemental rate documentation to support the assignment of occupations within each discount group.

As defined under s. 625.02 (3), Wis. Stat., "supplementary rate information" includes any manual or plan of rates, statistical plan, classification, rating schedule, minimum premium, policy fee, rating rule, rate-related underwriting rule and any other information prescribed by rule of the commissioner.

Section Ins 6.06 (5), Wis. Adm. Code, minimum support of rate filings, states, in part, minimum supplementary information is required to be submitted with rate filings to the commissioner. Required items include, but are not limited to, definitions, three years of premium and loss data, statistical and actuarial methods utilized, loss development factors, and frequency trend factors.

6. It is recommended that the company file all supplementary rate information in order to comply with s. 625.02 (3), Wis. Stat.
7. It is recommended that the company include the minimum information required to be submitted with rate filings, to include three years of premium and loss data, statistical and actuarial methods utilized, loss development factors, and frequency trend factors in order to comply with s. Ins 6.06 (5), Wis. Adm. Code.

The examiners found that the company's named insured age rating factor did not include a corresponding filed rule that clearly defined which named insured age to use for rating when there were two named insureds. When a policy contains two named insureds and each named insured could be assigned a different rating factor for their respective ages, the rule does not define which of the named insureds' age to use for rating. The company advised the examiners that it always uses the oldest named insured in such instances. Absent a rule, the examiners could not apply a rating factor. Section 625.11 (4), Wis. Stat., states, in part, that one rate is unfairly discriminatory in relation to another in the same class if it clearly fails to reflect equitably the differences in expected losses and expenses.

8. It is recommended that the company file complete rules for determining which named insured age to use when rating premiums for policies with more than one named insured, and that the rule specifically state using the oldest age for rate classification in order to comply with s. 625.11 (4), Wis. Stat., regarding unfair discrimination.

Producer Licensing

The company's authorized and licensed producers were considered salaried company employees and conducted business from 1 of 11 call centers. The Wisconsin region business was conducted in Macon, Georgia. There were no formal producer contracts with salaried employees. Appointments and appointment terminations were handled by licensing technicians in each of the call centers, along with computer assistance and general oversight provided by the company's Licensing Operations Division. The division's responsibilities included assisting all producers in obtaining and complying with all state-required licensing and appointment laws and procedures.

The company maintained a contract with one GEICO field representative (GFR), in Madison, Wisconsin. The GFR was considered an independent contractor for the company, and was compensated by paid commissions.

The examiners reviewed 100 producer files. Of those files, 50 files represented producers appointed during the period of review and the remaining 50 files represented producers whose appointments were terminated during the period of review. The company's practices and procedures relating to the appointment and termination of its representatives were evaluated to assess compliance with Wisconsin insurance statutes and rules regarding producer licensing. In addition, the examiners compared company-provided producer license numbers with OCI's producer licensing records. The following exceptions were noted:

The examiners found that two producers were identified by the company as active when the appointment had been canceled with OCI. The examiners also found that the company's records contained seven license numbers which did not match the producer license numbers in OCI's records. The company indicated they will provide supplemental training to licensing technicians on internal producers for accurate data entry. While it appeared that these findings were clerical in nature and a licensed producer was identifiable, the company's database did not contain the correct licensed producer.

The examiners found 24 instances in which the letter of termination sent to producers had not included a formal demand for the return of all company indicia. Section Ins 6.57 (2), Wis. Adm. Code, states, in part, that prior to or within 15 days of filing a termination notice with OCI, the insurer shall provide the producer written notice that the producer is no longer to be appointed with or act as a representative of the company. This notice shall also include a formal demand for the return of all indicia of agency.

9. It is recommended that the company's written notice of producer termination include a formal demand for the return of all agency indicia in order to comply with s. Ins 6.57 (2), Wis. Adm. Code.

Upon employment termination, the human resources database sent a notice to the internal licensing database (ALIC). When applicable, this notice initiated termination letters to be sent to employees/producers. The examiners found 11 files missing termination letters sent to employees/producers who had terminated employment with GEICO General. In addition, the company had not provided documentation that it had sent four GFR producers termination letters during the period of review.

Section Ins 6.80 (5) (a), Wis. Adm. Code, states, in part, records with regard to insurance company operations in the state of Wisconsin for the preceding three years shall be maintained in the form specified under sub. (4) and be available to the commissioner or the insurance regulatory agency of the insurer's state of domicile.

10. It is recommended that the company develop and implement written quality control procedures to ensure it retains producer termination records in order to comply with s. Ins 6.80 (5) (a), Wis. Adm. Code.

Policyholder Service and Complaints

The on-site examination did not include a formal complaint review; however, the company's persistently above average complaint ratio for Wisconsin since 2006 resulted in a company interview regarding the complaint handling process and complaint reduction strategies. Complaint reasons in Wisconsin were highest for claim handling, and underwriting

and rating. The company described its complaint handling and customer service monitoring efforts to the examiners. However, despite the efforts, Wisconsin claim handling complaints had not decreased significantly from 2006. The company should continue to monitor and implement complaint-reducing strategies to sustain the reduction of Wisconsin complaints, especially in the area of claim handling.

IV. CONCLUSION

This market conduct examination involved a targeted review of the company's private passenger automobile business in Wisconsin and was limited to a review of claims, including subrogation, new business and terminations, underwriting and rating, producer licensing, and complaints during the period of review of July 1, 2010, through March 31, 2012. A total of 10 recommendations were made as a result of this examination, and they related to the company's need to amend claims, underwriting and rating, producer licensing and complaints procedures.

V. SUMMARY OF RECOMMENDATIONS

Claims

- Page 5 1. It is recommended that the company follow its written procedure to ensure that the insured is made whole before the company retains any portion of a subrogation collection in order to comply with the Wisconsin Supreme Court decision of Rimes v. State Farm Mutual Automobile Insurance Company, 106 Wis. 2d 263.

Underwriting and Rating

- Page 7 2. It is recommended that the company use the questions and information requested from a customer per the application form filed with the OCI and retain any copies of all completed and signed applications for insurance in order to comply with s. 631.20 (1) (a), Wis. Stat.
- Page 8 3. It is recommended that the company retain copies of the electronic insurance applications in order to comply with s. Ins 6.80 (5), Wis. Adm. Code.
- Page 9 4. It is recommended that the company develop, document, and implement a quality control program to ensure that upon policy effective dates all personal passenger automobile policies are issued with minimum coverage limits required by current Wisconsin insurance law in order to comply with ss. 632.32 and 344.02, Wis. Stat.
- Page 10 5. It is recommended that the company develop, document, and implement a quality control program to ensure that upon policy effective dates all personal passenger automobile policies are issued with uniformly charged premiums for all new policyholders and to ensure that policies are issued with statutory coverage limits in order to comply with s. 628.34 (1) (a), Wis. Stat.
- Page 11 6. It is recommended that the company file all supplementary rate information in order to comply with s. 625.02 (3), Wis. Stat.
- Page 11 7. It is recommended that the company include the minimum information required to be submitted with rate filings, to include three years of premium and loss data, statistical and actuarial methods utilized, loss development factors, and frequency trend factors in order to comply with s. Ins 6.06 (5), Wis. Adm. Code.
- Page 11 8. It is recommended that the company file complete rules for determining which named insured age to use when rating premiums for policies with more than one named insured, and that the rule specifically state using the oldest age for rate classification in order to comply with s. 625.11 (4), Wis. Stat., regarding unfair discrimination.

Producer Licensing

- Page 13 9. It is recommended that the company's written notice of producer termination include a formal demand for the return of all agency indicia in order to comply with s. Ins 6.57 (2), Wis. Adm. Code.
- Page 13 10. It is recommended that the company develop and implement written quality control procedures to ensure it retains producer termination records in order to comply with s. Ins 6.80 (5) (a), Wis. Adm. Code.

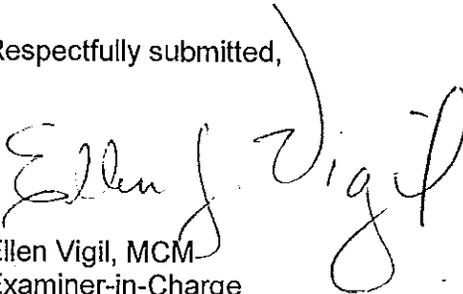
VI. ACKNOWLEDGEMENT

The courtesy and cooperation extended to the examiners during the course of the examination by the officers and employees of the company is acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination.

Name	Title
Karen Becker, MCM	Insurance Examiner
Jennifer Harris	Insurance Examiner
Pam Johnson	Insurance Examiner

Respectfully submitted,



Ellen Vigil, MCM
Examiner-in-Charge