

REPORT ON

THE MARKET CONDUCT EXAMINATION

OF

GEICO GENERAL INSURANCE COMPANY
NAIC Company Code: 35882

GEICO INDEMNITY COMPANY
NAIC Company Code: 22055

GOVERNMENT EMPLOYEES INSURANCE COMPANY
NAIC Company Code: 22063

GEICO CASUALTY COMPANY
NAIC Company Code: 41491

As of

April 30, 2007

State of Rhode Island
Department of Business Regulation
Insurance Division

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
233 RICHMOND STREET
PROVIDENCE, RHODE ISLAND 02903

_____)	
IN THE MATTER OF:)	
GEICO GENERAL INSURANCE COMPANY)	DBR No. 08-001
GEICO INDEMNITY COMPANY)	
GOVERNMENT EMPLOYEES INSURANCE COMPANY)	
GEICO CASUALTY COMPANY)	
 Respondent.)	
_____)	

CONSENT AGREEMENT

It is hereby agreed between the Department of Business Regulation ("Department") and the GEICO Insurance Companies ("Respondent") as follows:

1. Pursuant to R.I. Gen. Laws § 27-13.1-4, the Department initiated a Market Conduct Examination ("Examination") in order to evaluate Respondent's compliance with applicable R. I. Gen. Laws and Rhode Island Insurance Regulations.
2. The Examination was completed and a report was issued on October 10, 2007. On November 12, 2007, pursuant to R.I. Gen. Laws § 27-13.1-5(b), Respondent submitted written comments to the report.

WHEREFORE, based on the foregoing, Respondent and the Department have decided to resolve this matter without further administrative proceedings and hereby agree to the following resolution:

1. The Examination concluded that Respondent failed to comply with Rhode Island Insurance Regulation R27-73-005.D in 31 of the 120 private passenger automobile paid claim files reviewed, relative to the Companies not providing written acknowledgements to the claimants within 10 days of notification of the loss. The Department and Respondent agree that Respondent will pay an administrative penalty

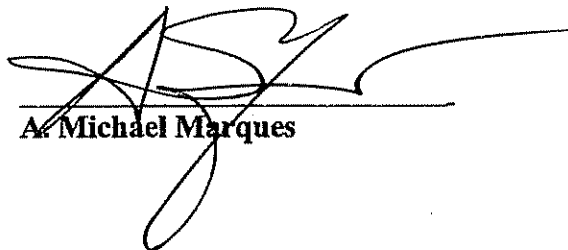
of seven thousand seven hundred and fifty dollars (\$7,750) as a result of this violation.

- 2. The Examination concluded that Respondent failed to comply with Rhode Island Insurance Regulation R27-73-005.E in 19 of the 120 private passenger automobile paid claim files reviewed, relative to the Companies' failure to advise in their letters of acknowledgement that coverage might exist for a rental vehicle. The Department and Respondent agree that Respondent will pay an administrative penalty of nine thousand five hundred dollars (\$9,500) as a result of this violation.

For all of the violations detailed herein Respondent is ordered to pay an administrative penalty of seventeen thousand two hundred and fifty dollars (\$17,250).

Department and Respondent hereby consent and agree to the foregoing on this 27th day of December 2007

**Department of Business Regulation
By its Director,**



At Michael Marques

**Respondent
By their attorney,**

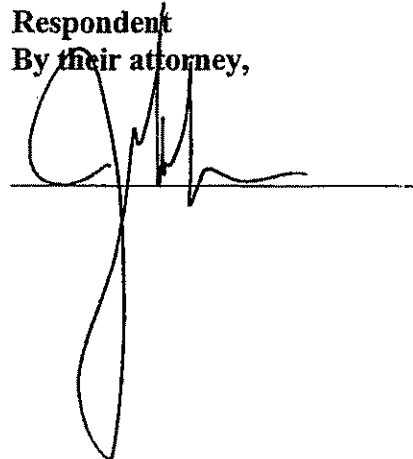


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Providence, Rhode Island

October 10, 2007

Honorable A. Michael Marques

Insurance Commissioner

State of Rhode Island

Commissioner:

In accordance with your instructions, and pursuant to the statutes of the State of Rhode Island, a Market Conduct Examination was conducted of the:

GEICO GENERAL INSURANCE COMPANY

GEICO INDEMNITY COMPANY

GOVERNMENT EMPLOYEES INSURANCE COMPANY

GEICO CASUALTY COMPANY

5260 Western Avenue

Chevy Chase, Maryland 20815-3799

Hereinafter referred to as the "Companies". The examination was conducted at the Department of Business Regulation, Insurance Division, 233 Richmond Street, Providence, Rhode Island.

FOREWORD

Our Market Conduct Examination Report is, in general, a report by exception. Information relating to practices, procedures, and/or files subject to review during our examination has been omitted from the report if errors and/or improprieties were not evidenced.

SCOPE OF EXAMINATION

Authority for this examination is provided by R.I. Gen. Laws §27-13-1 and §27-13.1-3. The examination covered the period from January 1, 2006 through April 30, 2007, and was conducted in accordance with standards established by the National Association of Insurance Commissioners, and procedures developed by the Rhode Island Department of Business Regulation, Insurance Division.

The examination encompassed a review of the following areas: Underwriting and Claims. The line of business reviewed was Private Passenger Automobile.

The primary purpose of the examination was to evaluate the Company's compliance with Rhode Island General Laws and Insurance Regulations, and to determine whether Rhode Island insureds and claimants were being treated equitably. The test work performed during the examination satisfied this purpose, and forms the basis for the findings and recommendations presented in this report. The examination consisted of verification and evaluation, on a test basis, of information contained in the insurer's files.

PROFILE OF COMPANY

History

GEICO General Insurance Company

The Company was incorporated on March 27, 1978 under the laws of the State of Iowa. Complete financial control of the Company was acquired on March 31, 1982, by Government Employees Insurance Company, a Maryland corporation, which, in turn, is a wholly-owned subsidiary of GEICO Corporation. On January 2, 1996, GEICO Corporation, previously a publicly held company, became an indirect wholly-owned subsidiary of Berkshire Hathaway Inc., a Delaware corporation.

GEICO Indemnity Company

The Company was incorporated on March 22, 1961, and reincorporated in 1980 in the District of Columbia under the name of Criterion Insurance Company. The Company commenced writing business on September 1, 1961. On January 3, 1986, the Company was reincorporated and redomesticated from the District of Columbia to the State of Maryland and the name of the Company was changed to GEICO Indemnity Company on June 25, 1986. Effective September 30, 1992, GEICO Indemnity Company became the wholly-owned subsidiary of GEICO Corporation, a Delaware corporation. On January 2, 1996, GEICO Corporation, previously a publicly held company, became an indirect wholly-owned subsidiary of Berkshire Hathaway Inc., a Delaware corporation.

Government Employees Insurance Company

The Company was incorporated in the District of Columbia on November 30, 1937. The Company commenced writing business on December 1, 1937. The insurance operations of the Company are conducted by its present management and employees as a subsidiary of GEICO Corporation. On January 2, 1996, GEICO Corporation, previously a publicly held company, became an indirect wholly-owned subsidiary of Berkshire Hathaway Inc., a Delaware corporation.

GEICO Casualty Company

The Company was incorporated on August 31, 1982, in the State of Maryland under the name Guardian Casualty Company as a wholly-owned subsidiary of Criterion Insurance Company (later renamed GEICO Indemnity Company). On January 6, 1994, the Company's name was changed to GEICO Casualty Company. The Company's parent, GEICO Indemnity Company (a Maryland corporation), is a wholly-owned subsidiary of GEICO Corporation, a Delaware corporation. On January 2, 1996, GEICO Corporation, previously a publicly held company, became an indirect wholly-owned subsidiary of Berkshire Hathaway Inc., a Delaware corporation.

Operations

The Companies' Rhode Island direct written premiums for the year 2006 were as follows:

<u>Line of Business</u>	<u>Written Premium</u>
Other Private Passenger Auto Liability	\$33,582,580
Private Passenger Auto Physical Damage	<u>\$12,621,787</u>
	Total <u>\$46,204,367</u>

Management

At May 9, 2007, the Directors of the GEICO General Insurance Company, GEICO Indemnity Company, Government Employees Insurance Company and GEICO Casualty Company were as follows:

Olza M. Nicely,	Chairman of the Board, President & Chief Executive Officer
Michael H. Campbell,	Vice President of Corporate Financial Reporting
John J. Geer, Jr.,	Vice President
Seth M. Ingall,	Vice President
S. Gregory Kalinsky,	Vice President
Donald R. Lyons,	Senior Vice President
Robert M. Miller,	Senior Vice President
Nancy L. Pierce,	Vice President
William E. Roberts,	Executive Vice President
David L. Schindler,	Senior Vice President

The officers at May 9, 2007 were as follows:

Olza Minor Nicely,	Chairman of the Board, President & Chief Executive Officer
Jan Cheryl Stewart,	Vice President & Secretary
Charles Gerard Schara,	Treasurer

CLAIMS

Private Passenger Automobile Paid Claims

A review of the Companies' private passenger automobile claim practices during the period under examination was conducted to determine whether the Companies complied with the applicable provisions of Rhode Island Insurance Regulation 73, Section 5.D. and Section 5.E. which requires every insurer, upon receiving Notification of a Claim from a Claimant to, within ten (10) days, acknowledge the receipt of such notice in writing and also inform the Claimant in the written acknowledgement, that coverage may be available for the rental of an automobile comparable to the Claimant's damaged vehicle.

The Companies provided the examiners with a listing of 3,717 private passenger automobile paid claims processed during the period under examination. From this listing, a sample of 120 claim files was selected for review. The selection of the sample files was based on established NAIC sampling criteria.

Based on the examination work performed, the examiners noted 31 files that did not comply with Rhode Island Insurance Regulation 73, Section 5.D, which requires every insurer, upon receiving Notification of a Claim from a Claimant to, within ten (10) days, acknowledge the receipt of such notice in writing.

Recommendation #1: It is recommended that the Companies monitor the processing of private passenger automobile paid claims to ensure compliance with Rhode Island Insurance Regulation 73, Section 5.D. In addition, the Companies should advise all personnel involved in the processing of Rhode Island private passenger automobile paid claims of the

requirements of Rhode Island Insurance Regulation 73.

Based on the examination work performed, the examiners noted 19 files that did not comply with Rhode Island Insurance Regulation 73, Section 5.E, which requires the insurer in their written acknowledgement of receipt of a Notification of a Claim, to inform the Claimant that coverage may be available for the rental of an automobile comparable to the Claimant's damaged vehicle.

Recommendation #2: It is recommended that the Companies monitor the processing of private passenger automobile paid claims to ensure compliance with Rhode Island Insurance Regulation 73, Section 5.E. In addition, the Companies should advise all personnel involved in the processing of Rhode Island private passenger automobile paid claims of the requirements of Rhode Island Insurance Regulation 73.

Private Passenger Automobile Claims Closed Without Payment

A review of the Companies' private passenger automobile claim practices during the period under examination was conducted to determine whether the Companies complied with the applicable provisions of Rhode Island Insurance Regulation 73, Section 5.D. which requires every insurer, upon receiving Notification of a Claim from a Claimant to, within ten (10) days, acknowledge the receipt of such notice in writing.

The Companies provided the examiners with a listing of 2,399 private passenger automobile claims closed without payment during the period under examination. From this listing, a sample of 50 claim files was selected for review. The selection of the sample files was based

on established NAIC sampling criteria.

Based on the examination work performed, the examiners noted two (2) files that did not comply with Rhode Island Insurance Regulation 73, Section 5.D., which requires every insurer, upon receiving Notification of a Claim from a Claimant to, within 10 days, acknowledge the receipt of such notice in writing.

Recommendation #3: It is recommended that the Companies monitor the processing of private passenger automobile claims closed without payment to ensure compliance with Rhode Island Insurance Regulation 73, Section 5.D. In addition, the Companies should advise all personnel involved in the processing of Rhode Island private passenger automobile claims closed without payment of the requirements of Rhode Island Insurance Regulation 73.

Rec #	Summary of Recommendations	Page #
1	<p>It is recommended that the Companies monitor the processing of private passenger automobile paid claims to ensure compliance with Rhode Island Insurance Regulation 73, Section 5.D. In addition, the Companies should advise all personnel involved in the processing of Rhode Island private passenger automobile paid claims of the requirements of Rhode Island Insurance Regulation 73.</p>	8
2	<p>It is recommended that the Companies monitor the processing of private passenger automobile paid claims to ensure compliance with Rhode Island Insurance Regulation 73, Section 5.E. In addition, the Companies should advise all personnel involved in the processing of Rhode Island private passenger automobile paid claims of the requirements of Rhode Island Insurance Regulation 73.</p>	9
3	<p>It is recommended that the Companies monitor the processing of private passenger automobile claims closed without payment to ensure compliance with Rhode Island Insurance Regulation 73, Section 5.D. In addition, the Companies should advise all personnel involved in the processing of Rhode Island private passenger automobile claims closed without payment of the requirements of Rhode Island Insurance Regulation 73.</p>	10

CONCLUSION

We have applied verification procedures to the data contained in this report using both subjective and statistical sampling techniques as deemed appropriate. While sampling techniques do not give complete assurance that all errors and irregularities will be detected, those that were detected during the course of this examination have been disclosed in this report. We were not informed of, and did not become aware of any other error or irregularity that could have a material effect on the market conduct condition of the Companies as presented in this report.

Assisting the undersigned in the conduct of this examination was Robert G. Arrow, FLMI, Senior Market Conduct Examiner and Dorothy E. Wendoloski, CFE, Senior Insurance Examiner.

Respectfully submitted,



Ronald R. Radtke
Senior Market Conduct Examiner
Rhode Island Insurance Division