

MARKET CONDUCT EXAMINATION REPORT

OF

GEICO ADVANTAGE INSURANCE COMPANY

GEICO CASUALTY COMPANY

GEICO CHOICE INSURANCE COMPANY

GEICO GENERAL INSURANCE COMPANY

GEICO INDEMNITY COMPANY

GEICO SECURE INSURANCE COMPANY

GOVERNMENT EMPLOYEES INSURANCE COMPANY

AS OF

MARCH 31, 2015

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE**

**Property and Casualty Division
Market Conduct Section**

COMMONWEALTH OF VIRGINIA



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I, Andrea D Baytop, Principal Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of GEICO Advantage Insurance Company, GEICO Casualty Company, GEICO Choice Insurance Company, GEICO General Insurance Company, GEICO Indemnity Company, GEICO Secure Insurance Company and Government Employees Insurance Company as of March 31, 2015, conducted at the companies' office in Virginia Beach, Virginia, is a true copy of the original Report on file with the Bureau and also includes a true copy of the companies' response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case Number INS-2018-00032 finalizing the Report.

IN WITNESS WHEREOF, I have
hereunto set my hand and affixed
the official seal of the Bureau
at the City of Richmond, Virginia,
this 30th of April, 2018.

Andrea D. Baytop
Examiner in Charge

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a comprehensive examination has been made of the private passenger automobile line of business written by GEICO Advantage Insurance Company, GEICO Casualty Company, GEICO Choice Insurance Company, GEICO General Insurance Company, GEICO Indemnity Company, GEICO Secure Insurance Company, and Government Employees Insurance Company at their office in Virginia Beach, Virginia.

The examination commenced July 27, 2015 and concluded July 6, 2016. Brandon Ayers, Andrea D. Baytop, William T. Felvey, Karen S. Gerber, Ju'Coby Hendrick, Melody S. Morrissette, and Gloria V. Warriner, examiners of the Bureau of Insurance, and Joyclyn M. Morton, Market Conduct Manager of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Market Action Tracking System on March 11, 2015 and was assigned the examination number of VA177-M11. The examination was conducted in accordance with the procedures established by the National Association of Insurance Commissioners (NAIC).

COMPANY PROFILES*

GEICO Advantage Insurance Company (GAIC) was incorporated under the laws of Nebraska on June 13, 2011.

GEICO Casualty Company (GCC) was incorporated under the laws of Maryland on August 31, 1982 as Guardian Casualty Company. The name of the company was subsequently changed to Criterion Casualty Company in early 1983 and commenced business in May 1983. The current name was adopted on January 6, 1994.

GEICO Choice Insurance Company (GCIC) was incorporated under the laws of

* Source: Best's Insurance Reports, Property & Casualty, 2015 Edition.

Nebraska on June 13, 2011.

GEICO General Insurance Company (GGIC) was incorporated under the laws of Iowa on March 27, 1978 as Equi-Gen Insurance Company in order to transfer the corporate domicile of the Equitable General Insurance Company from Texas effective December 31, 1978. This predecessor was previously incorporated under the laws of Texas on May 15, 1934 under the title Associated Casualty Company and began business the following day. That company name was changed to Houston Casualty Company on April 9, 1935, to Houston Fire and Casualty Insurance Company in 1936, and to Houston General Insurance Company on December 31, 1971. The company again changed its name to Equitable General Insurance Company on June 1, 1975. The current name was adopted on September 29, 1982. The company transferred its domicile to Maryland on June 22, 1989.

GEICO Indemnity Company (GIC) was incorporated under the laws of the District of Columbia on March 22, 1961 as Criterion Insurance Company. The company commenced underwriting activities on September 1, 1961. The company was reincorporated in 1980 in the District of Columbia. The company was reincorporated and changed its domicile to Maryland under the current name on June 25, 1986.

GEICO Secure Insurance Company (GSIC) was incorporated under the laws of Nebraska on June 13, 2011.

Government Employees Insurance Company (GEICO) was incorporated under the laws of Texas and reincorporated in the District of Columbia in 1937 and 1979. The company commenced business on December 1, 1937. The company was reincorporated and changed its domicile to Maryland on January 3, 1986.

The table below indicates when the companies were licensed in Virginia and the lines of insurance that the companies were licensed to write in Virginia during the examination period. All lines of insurance were authorized on the date that the company was licensed in Virginia except as noted in the table.

GROUP CODE:	GAIC	GCC	GCIC	GGIC	GIC	GSIC	GEICO
NAIC Company Number	14138	41491	14139	35882	22055	14137	22063
LICENSED IN VIRGINIA	7/02/12	4/13/83	7/02/12	1/01/79	7/28/61	7/02/12	1/09/45
LINES OF INSURANCE							
Accident and Sickness							3/12/78
Aircraft Liability				X			X
Aircraft Physical Damage				X			9/19/78
Animal							9/19/78
Automobile Liability	X	X	X	X	X	X	X
Automobile Physical Damage	X	X	X	X	X	X	X
Boiler and Machinery				X			9/19/78
Burglary and Theft				X			9/19/78
Commercial Multi-Peril				X			9/19/78
Credit							8/23/85
Farmowners Multi-Peril				X			X
Fidelity				X			8/23/85
Fire				X			X
General Liability				X			X
Glass				X			9/19/78
Homeowners Multi-Peril				X			X
Inland Marine				X			X
Miscellaneous Property				X			X
Ocean Marine				X			9/19/78
Surety				X			8/23/85
Water Damage				X			X
Workers' Compensation							

The table below shows the companies' premium volume and approximate market share of business written in Virginia during 2015 for those lines of insurance included in this examination.* This business was developed through captive agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
GAIC Automobile Liability	\$59,899,557	2.19%
GAIC Automobile Physical Damage	\$44,615,388	2.12%
GCC Automobile Liability	\$44,964,560	1.65%
GCC Automobile Physical Damage	\$45,356,860	2.15%
GCIC Automobile Liability	\$41,582,557	1.52%
GCIC Automobile Physical Damage	\$29,776,490	1.41%
GGIC Automobile Liability	\$106,992,993	3.92%
GGIC Automobile Physical Damage	\$90,485,793	4.30%
GIC Automobile Liability	\$92,951,495	3.40%
GIC Automobile Physical Damage	\$74,682,019	3.55%
GSIC Automobile Liability	\$27,738,980	1.02%
GSIC Automobile Physical Damage	\$14,524,025	0.69%
GEICO Automobile Liability	\$78,554,421	2.88%
GEICO Automobile Physical Damage	\$68,567,817	3.26%

* Source: The 2015 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

SCOPE OF THE EXAMINATION

The examination included a detailed review of the companies' private passenger line of business written in Virginia for the period beginning April 1, 2014 and ending March 31, 2015. This review included rating, underwriting, policy terminations, claims handling, forms, policy issuance*, statutory notices, agent licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the companies' operations were consistent with public interest. The Report is by test, and all tests applied during the examination are reported.

This Report is divided into three sections, Part One – The Examiners' Observations, Part Two – Corrective Action Plan, and Part Three – Recommendations. Part One outlines all of the violations of Virginia insurance statutes and regulations that were cited during the examination. In addition, the examiners cited instances where the companies failed to adhere to the provisions of the policies issued on risks located in Virginia. Finally, violations of other related laws that apply to insurers, characterized as "Other Law Violations", are also noted in this section of the Report.

In Part Two, the Corrective Action Plan identifies the violations that rise to the level of a general business practice and are subject to a monetary penalty.

In Part Three, the examiners list recommendations regarding the companies' practices that require some action by the companies. This section also summarizes the violations for which the companies were cited in previous examinations.

The examiners may not have discovered every unacceptable or non-compliant activity in which the companies engaged. The failure to identify, comment on, or criticize specific company practices does not constitute an acceptance of the practices by the

* Policies reviewed under this category reflected the companies' current practices and, therefore, fell outside of the exam period.

Bureau.

STATISTICAL SUMMARY

The files selected for the review of the rating and underwriting, termination, and claims handling processes were chosen by random sampling of the various populations provided by the companies. The relationship between population and sample is shown on the following page.

In other areas of the examination, the sampling methodology is different. The examiners have explained the methodology for those areas in corresponding sections of the Report.

The details of the errors will be explained in Part One of this Report. General business practices may or may not be reflected by the number of errors shown in the summary.

**Population
Sample Requested**

AREA	<u>GAIC</u>	<u>GCC</u>	<u>GCIC</u>	<u>GGIC</u>	<u>GIC</u>	<u>GSIC</u>	<u>GEICO</u>	<u>TOTAL</u>	<u>FILES REVIEWED</u>	<u>FILES NOT FOUND</u>	<u>FILES WITH ERRORS</u>	<u>ERROR RATIO</u>
Private Passenger Auto												
New Business ¹	<u>47,096</u>	<u>138</u>	<u>33,218</u>	<u>18</u>	<u>97</u>	<u>22,571</u>	<u>77</u>	<u>103,215</u>	56	0	26	46%
	11	11	11	6	5	7	6	57				
Renewal Business ²	<u>67,021</u>	<u>198,721</u>	<u>33,061</u>	<u>345,784</u>	<u>213,706</u>	<u>15,606</u>	<u>224,088</u>	<u>1,097,987</u>	93	0	25	27%
	6	15	6	20	26	5	20	98				
Co-Initiated Cancellations ³	<u>1,262</u>	<u>180</u>	<u>1,869</u>	<u>635</u>	<u>1,137</u>	<u>2,176</u>	<u>314</u>	<u>7,573</u>	51	0	12	24%
	7	8	5	13	14	5	7	59				
All Other Cancellations ⁴	<u>8,641</u>	<u>9,963</u>	<u>12,324</u>	<u>20,070</u>	<u>43,620</u>	<u>14,384</u>	<u>8,916</u>	<u>117,918</u>	37	0	7	19%
	4	4	5	8	10	4	4	39				
Nonrenewals	<u>222</u>	<u>412</u>	<u>260</u>	<u>688</u>	<u>1,738</u>	<u>153</u>	<u>293</u>	<u>3,766</u>	30	0	4	13%
	5	4	3	6	4	4	4	30				
Rejected Applications ⁵	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,669</u>	14	0	0	0%
	0	0	0	0	0	0	0	14				
Claims												
Auto ⁶	<u>30,455</u>	<u>56,840</u>	<u>19,848</u>	<u>112,572</u>	<u>87,467</u>	<u>11,073</u>	<u>76,323</u>	<u>394,578</u>	219	0	91	42%
	32	32	30	36	35	30	30	225				

Footnote ¹- One file was not reviewed because the company issued it as a South Carolina policy.

Footnote ²- Four files were not reviewed because the company incorrectly labeled the policies as renewal when they were new business. One file was a Maryland policy and not reviewed.

Footnote ³- One file was not reviewed because the company incorrectly labeled the policy as cancelled within the first 59 days, when it was cancelled after such time period. One file was not reviewed because the company incorrectly labeled the policy as cancelled after the first 59th day, when it was cancelled prior to such time period. Six files were not reviewed because the company incorrectly labeled the cancellations as company initiated when the insured had actually requested cancellation.

Footnote ⁴- Two files were not reviewed because the company incorrectly labeled them as insured requested cancellations when they were not cancelled.

Footnote ⁵- The company was unable to accurately indicate to which companies the applications were rejected for insureds as they applied for coverage with any available company.

Footnote ⁶- Six files were not reviewed because they were claims reported in error or claims for coverages not applicable in Virginia.

PART ONE - THE EXAMINERS' OBSERVATIONS

This section of the Report contains all of the observations that the examiners provided to the companies. These include all instances where the companies violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the companies violated any other Virginia laws applicable to insurers.

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The Bureau reviewed 56 new business policy files. During this review, the examiners found overcharges totaling \$2,095.56 and undercharges totaling \$1,039.26. The net amount that should be refunded to insureds is \$2,095.56 plus six percent (6%) simple interest.

The examiners found 43 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In three instances, the company failed to use the correct discounts and/or surcharges.
- b. In six instances, the company failed to apply accident and conviction surcharge points under its Safe Driver Insurance Plan (SDIP) correctly.
- c. In 28 instances, the company failed to use the correct symbol.
- d. In six instances, the company failed to use the correct tier eligibility criteria.

Automobile Renewal Business Policies

The Bureau reviewed 93 renewal business policies. During this review, the examiners found overcharges totaling \$2,749.22 and undercharges totaling \$900.98. The net amount that should be refunded to insureds is \$2,749.22 plus six percent (6%)

simple interest.

- (1) The examiners found one violation of § 38.2-502 1 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company's tier placement notice misrepresented the basis for the rating tier change.
- (2) The examiners found one violation of § 38.2-1905 C of the Code of Virginia. The company failed to assign points to the vehicle customarily driven by the operator responsible for incurring points.
- (3) The examiners found two violations of § 38.2-1906 A of the Code of Virginia. The company failed to file all rates and supplementary rating information with the Bureau prior to use
- (4) The examiners found 30 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In five instances, the company failed to use the correct discounts and/or surcharges.
 - b. In 17 instances, the company failed to use the correct symbol.
 - c. In three instances, the company failed to use the correct tier eligibility criteria.
 - d. In three instances, the company failed to use the correct driver classification factor.
 - e. In one instance, the company failed to use the correct base and/or final rates.
 - f. In one instance, the company failed to follow its filed rule.
- (5) The examiners found seven violations of § 38.2-2234 B of the Code of Virginia. The company failed to update the insured's credit at least once every three years.

TERMINATION REVIEW

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

Company-Initiated Cancellations – Automobile Policies**NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE**

The Bureau reviewed 11 automobile cancellations that were initiated by the companies where the companies mailed the notices prior to the 60th day of coverage in the initial policy period. During this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The Bureau reviewed 42 automobile cancellations that were initiated by the companies where the companies mailed the notices on or after the 60th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found one violation of § 38.2-2212 A of the Code of Virginia. The company attempted to cancel a portion of the policy.
- (2) The examiners found seven violations of § 38.2-2212 D of the Code of Virginia.
 - a. In one instance, the company cancelled the insured's motor vehicle policy for a reason not permitted after the 59th day of coverage.
 - b. In six instances, the company cancelled the insured's motor vehicle policy due to revocation or suspension of a driver's license that did not occur during the period of time allowed by the statute.

- (3) The examiners found two violations of § 38.2-2212 E of the Code of Virginia. The company failed to mail the notice of cancellation to the insured at least 45 days prior to the effective date of cancellation

Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the following as a violation of another law.

The examiners found two violations of § 46.2-482 of the Code of Virginia. The company failed to file the SR-26 within 15 days of canceling the policy as required by the Virginia Motor Vehicle Code.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The Bureau reviewed 19 automobile cancellations that were initiated by the companies for nonpayment of the policy premium. During this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

REQUESTED BY THE INSURED

The Bureau reviewed 18 automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found overcharges totaling \$14.40 and undercharges totaling \$8.13. The net amount that should be refunded to insureds is \$14.40 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.
- (2) The examiners found six occurrences where the company failed to comply with

the provisions of the insurance policy. The company failed to obtain advance notice of cancellation from the insured.

Rejected Applications – Automobile Policies

The Bureau reviewed 14 automobile insurance applications for which the companies declined to issue a policy.

The examiners found no violations in this area.

Company-Initiated Non-renewals – Automobile Policies

The Bureau reviewed 30 automobile nonrenewals that were initiated by the companies.

- (1) The examiners found three violations of § 38.2-2208 B of the Code of Virginia. The company failed to send the lienholder written notice of nonrenewing the insured's motor vehicle policy.
- (2) The examiners found one violation of § 38.2-2212 E of the Code of Virginia. The company failed to mail the nonrenewal notice to the insured at least 45 days prior to the effective date of cancellation.

CLAIMS REVIEW

Private Passenger Automobile Claims

The examiners reviewed 219 automobile claims for the period of April 1, 2014 through March 31, 2015. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$2,699.14 and underpayments totaling \$8,553.02. The net amount that should be paid to claimants is \$8,541.02 plus six percent (6%) simple interest.

- (1) The examiners found ten violations of 14 VAC 5-400-30. The company failed to

- document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found ten violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, the benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.
- a. In one instance, the company failed to inform the insured of the Collision or Other than Collision deductible when the file indicated that the coverage was applicable to the loss.
- b. In seven instances, the company failed to accurately inform an insured of the Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
- c. In two instances, the company failed to accurately inform an insured of the benefits or coverage, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM).
- (3) The examiners found one violation of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.
- (4) The examiners found four violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim in writing, and/or failed to keep a copy of the written denial in the claim file.
- (5) The examiners found two violations of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for the denial in its written denial of the claim.
- (6) The examiners found 20 violations of 14 VAC 5-400-70 D. The company failed

to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.

- a. In three instances, the company failed to pay the insured's UMPD claim properly when Collision and UMPD coverage applied to the claim.
- b. In one instance, the company failed to pay the insured's UMPD claim properly.
- c. In five instances, the company failed to pay the proper sales and use tax, title fee, and license fee on a first party total loss settlement.
- d. In two instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.
- e. In eight instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.
- f. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's Collision or Other than Collision coverage.

These findings occurred with such frequency as to indicate a general business practice.

- (7) The examiners found 27 violations of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
 - a. In 17 instances, the company failed to provide a copy of the repair estimate to the insured.

- b. In ten instances, the company failed to provide a copy of the repair estimate to the claimant.

These findings occurred with such frequency as to indicate a general business practice.

- (8) The examiners found one violation of § 38.2-236 A of the Code of Virginia. The company failed to notify the claimant within five business days that a settlement payment was issued to the claimant's attorney or representative.
- (9) The examiners found 11 violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (10) The examiners found eight violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonable clear.
- (11) The examiners found seven violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.
- (12) The examiners found three violations of § 38.2-2201 B of the Code of Virginia. The company failed to obtain a valid assignment of benefits to make Medical Expense Benefits payments directly to the medical provider.
- (13) The examiners found 23 occurrences where the company failed to comply with the provisions of the insurance policy.
 - a. In one instance, the company failed to determine the applicable diminished value for the insured's UMPD claim.
 - b. In one instance, the company failed to include the lienholder on the

insured's check.

- c. In 12 instances, the company paid an insured more than he/she was entitled to receive under the terms of the policy.
- d. In seven instances, the company failed to pay an Uninsured Motorist (UM) claim properly.
- e. In two instances, the company failed to pay the claim under the correct coverage.

Other Law Violations

Although not a violation of the Virginia insurance laws, the examiners noted the following as a violation of other Virginia laws.

The examiners found four violations of 52-40 of the Code of Virginia. The company failed to include the fraud statement on claim forms required by the company as a condition of payment.

REVIEW OF FORMS

The examiners reviewed the companies' policy forms and endorsements used during the examination period and those that are currently used for the line of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for the line of business listed below, the Bureau requested copies from the companies. In addition, the Bureau requested copies of new and renewal business policy mailings that the companies were processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance Process section of the Report. The examiners then reviewed the forms used on these policies to verify the companies' current practices.

Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 52 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found one violation of § 38.2-2214 of the Code of Virginia. The company used a rate classification statement other than the one filed and approved by the Bureau.
- (2) The examiners found 15 violations of § 38.2-2220 of the Code of Virginia. The company used policy forms that were not in the precise language of the standard forms filed and adopted by the Bureau.

POLICY FORMS CURRENTLY USED

The companies provided copies of two forms that were used at the time the examination was conducted to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found one violation of § 38.2-2214 of the Code of Virginia. The company used a rate classification statement other than the one filed and approved by the Bureau.
- (2) The examiners found seven violations of § 38.2-2220 of the Code of Virginia. The company used policy forms that were not in the precise language of the standard forms filed and adopted by the Bureau.

REVIEW OF THE POLICY ISSUANCE PROCESS

To obtain sample policies to review the companies' policy issuance process for the line examined, the examiners requested new and renewal business policy mailings that were sent after the companies received the Examination Data Call. The companies were instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the companies enclosed and listed all of the applicable policy forms on the declarations page. In addition, the examiners verified that all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those requested on the applications for those policies.

Automobile Policies

The companies provided nine new business policies mailed on the following dates: April 2, 6, and 9, 2015. In addition, the companies provided 21 renewal business policies mailed on April 4, 2015.

NEW BUSINESS POLICIES

The examiners found two violations of § 38.2-2206 A of the Code of Virginia.

The company failed to obtain a written rejection of higher UM limits when issuing a policy with UM limits lower than the Liability coverage limits.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

REVIEW OF STATUTORY NOTICES

The examiners reviewed the companies' statutory notices used during the examination period and those that are currently used for all of the line of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the statutory notices used during the examination period for the line of business listed below, the Bureau requested copies from the companies. For those currently used, the Bureau used the same new and renewal business policy mailings that were previously described in the Review of the Policy Issuance Process section of the Report.

The examiners verified that the notices used by the companies on all applications, on all policies, and those special notices used for vehicle and property policies issued on risks located in Virginia complied with the Code of Virginia. The examiners also reviewed documents that were created by the companies but were not required by the Code of Virginia. These documents are addressed in the Other Notices category below.

General Statutory Notices

The examiners found 14 violations of § 38.2-604 C of the Code of Virginia. The companies' short form Notice of Information Collection and Disclosure Practices did not contain all of the information required by the statute.

Statutory Vehicle Notices

The examiners found seven violations of § 38.2-517 A 3 of the Code of Virginia. The companies' Glass Script did not properly disclose the use of a third party administrator.

Other Notices

The companies provided copies of 130 other notices and documents including applications that were used during the examination period.

Other Law Violations

Although not a violation of the Virginia insurance laws, the examiners noted the following as a violation of other Virginia laws.

The examiners found seven violations of § 52-40 of the Code of Virginia. The companies failed to include the fraud statement on all applications.

LICENSING AND APPOINTMENT REVIEW

A review was made of new business private passenger automobile policies to verify that the agent of record for those policies reviewed was licensed and appointed to write business for the companies as required by Virginia insurance statutes. In addition, the agent or agency to which each company paid commission for these new business policies was checked to verify that the entity held a valid Virginia license and was appointed by the companies.

Agent

The examiners found no violations in this area.

Agency

The examiners found no violations in this area.

REVIEW OF THE COMPLAINT-HANDLING PROCESS

A review was made of the companies' complaint-handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia.

The examiners found no violations in this area.

REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES

The Bureau requested a copy of the companies' information security program that protects the privacy of policyholder information. The companies submitted their security information as required by § 38.2-613.2 of the Code of Virginia.

The companies provided their written information security procedures.

PART TWO – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the standards set forth by the NAIC. A seven percent (7%) error criterion was applied to claims handling. Any error ratio above this threshold for claims indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company and
Government Employees Insurance Company shall:

Provide a Corrective Action Plan (CAP) with their response to the Report.

Rating and Underwriting Review

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company and
Government Employees Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.

- (3) Complete and submit to the Bureau, the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges listed in the file.
- (4) File all rates and supplementary rating information with the Bureau.
- (5) Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, points for accidents and convictions, symbols, tier eligibility and driver classifications.
- (6) Update the insured's credit information at least once every three years as required by § 38.2-2234 of the Code of Virginia.

Termination Review

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company and
Government Employees Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau, the enclosed file titled "Termination Overcharges Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges listed in the file.

- (4) Calculate earned premium according to the rules and policy provisions filed with the Bureau.
- (5) Cancel the entire motor vehicle policy for a reason permitted by 38.2-2212 A of the Code of Virginia.
- (6) Cancel private passenger automobile policies when the notice is mailed after the 59th day of coverage only for those reasons permitted by § 38.2-2212 E of the Code of Virginia.
- (7) Cancel private passenger automobile policies for license suspension or revocation only during the time period permitted by § 38.2-2212 E of the Code of Virginia.
- (8) Send the cancellation or nonrenewal notice at least 45 days before the effective date of cancellation when the notice is mailed after the 59th day of coverage.
- (9) Send a nonrenewal notice to the lienholder.

Claims Review

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company and
Government Employees Insurance Company shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.
- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) Complete and submit to the Bureau, the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have paid the underpayments

listed in the file.

- (4) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.
- (5) Provide copies of repair estimates prepared by or on behalf of the companies to insureds and claimants.

Forms Review

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company and
Government Employees Insurance Company shall:

- (1) Use the rate classification statement filed and approved by the Bureau.
- (2) Use the precise language of the standard automobile forms as filed and adopted by the Bureau.

Review of Policy Issuance Process

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company and
Government Employees Insurance Company shall:

Obtain a written rejection of higher limits when the policy is issued with UM limits lower than the Liability limits.

Review of Statutory Notices

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company and
Government Employees Insurance Company shall:

- (1) Amend the short form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 C of the Code of Virginia.
- (2) Amend the Glass Script to comply with § 38.2-517 A 3 of the Code of Virginia.

PART THREE – EXAMINERS’ RECOMMENDATIONS

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies should carefully scrutinize these errors and correct the causes before these errors become business practices. The following errors will not be included in the settlement offer.

RECOMMENDATIONS

We recommend that the companies take the following actions:

Rating and Underwriting

- Verify driving convictions by obtaining proper documentation (DMV driving records or official court documents) when surcharging policies and retain the documentation in the policy file.
- Apply accident and conviction points to the vehicle customarily operated by the driver who incurred the points.
- Amend their filed symbols to remove duplicate Vehicle Cost classifications or add the necessary information to differentiate between the duplicate symbols.
- File symbols used to classify all vehicles insured on policies, including any charts or methods used to classify vehicles without filed symbols and definitions for the appropriate category to use in determining a comparable vehicle.
- Consistently use either E-Banking or Marketing Partner as the term to describe one type of affinity discount in the companies’ systems and filed manual rules.
- Consistently use either Renewal or Legacy as the term to describe the discount for continued years with GEICO in the companies’ systems and

filed manual rules.

- Amend the filed GEICO Indemnity Company manual so that the Section 7 rating steps corresponds to the Section 8 worksheet for calculating the UM premium.
- Amend the Section 8 worksheet of the GEICO Indemnity Company manual to only include computations for filed factors.
- Amend the filed GEICO Indemnity Company manual to clarify how the company calculates and applies the Combined Maximum Discount for the Transfer/Safe Driver/New Business Discount, Renewal Discount and Tier factors.
- Amend the GEICO Indemnity Company manual to clearly state how the tier placement would be affected by reissued policies.
- Record the cost new value used to determine the appropriate vehicle symbol in the policy file when a specific symbol is not filed for the vehicle.

Termination

- Obtain advance notice from insureds requesting cancellation of the policy in accordance with the filed rules and policy provisions.
- Retain the documentation of sending cancellation and nonrenewal notices to lienholders as required by § 38.2-2208 of the Code of Virginia.
- Provide lienholders with the same advanced notice given to insureds for cancellation.
- File an SR-26 with DMV within 15 days of cancellation of a motor vehicle policy and maintain proper documentation.
- Accurately record and classify insured requested cancellations, and maintain documentation that clearly reflects the insured initiated

cancellation, including the cancellation date requested by the insured.

Claims

- Document the claim file sufficiently to reconstruct events and/or dates that are pertinent to the claim.
- Document the claim file when all applicable coverages have been discussed with the insured. Particular attention should be given to Transportation Expenses and UM coverages, including rental benefits.
- Make all denials in writing and keep a copy in the claim file.
- Adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- Make prompt, fair and equitable settlements of claims where liability is clear.
- Make claim payments to insureds or beneficiaries that are accompanied by a statement setting forth the correct coverage(s) under which the payments are made.
- Make medical payments directly to the insured unless a statement from the insured authorizing the companies to make payments directly to the medical provider has been obtained first.
- Pay an insured no more than what he or she is entitled to receive under the terms of the policy.
- Make payments under the correct coverage(s) properly when both Collision and UM coverages pertain to the claim.
- Include the fraud statement on all claim forms required by the companies as a condition of payment.
- Correctly represent to insureds and claimants that certain rental

expenses, such as mileage and collision damage waivers, are reimbursable if they are reasonable and necessary to rent substitute vehicles.

- Clarify the companies' ridesharing inquiry to insureds.

Forms

- Correct the typographical errors identified in the companies' versions of the Virginia standard auto forms and endorsements.

Statutory Notices

- Provide the fraud statement to applicants during the verbal application process.

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

The Bureau conducted four prior market conduct examinations of Government Employees Insurance Company and three prior market conduct examinations of GEICO Casualty Company, GEICO General Insurance Company, and GEICO Indemnity Company. This is the first examination of GEICO Advantage Insurance Company, GEICO Choice Insurance Company and GEICO Secure Insurance Company.

During the private passenger automobile, assigned risk automobile, and homeowner examination of Government Employees Insurance Company as of October 31, 1980, the company violated §§ 38.1-52.7, 38.1-52.9, 38.1-52.14, 38.1-371.2, 38.1-381.1, 38.1-381.5 and 38.1-381.6 of the Code of Virginia.

During the private passenger automobile, assigned risk automobile, motorcycle and homeowner examination of GEICO Casualty Company, GEICO General Insurance Company, GEICO Indemnity Company, and Government Employees Insurance Company as of February 28, 1994, GEICO Casualty Company violated §§ 38.2-502,

38.2-510 A 6, 38.2-510 A 10, 38.2-610, 38.2-1905, 38.2-1906, 38.2-2208, 38.2-2210 and 38.2-2212 of the Code of Virginia, as well as Sections 4, 5.A, 8.D, and 9.D of the Commission's Rules Governing Unfair Claim Settlement Practices; GEICO General Insurance Company violated §§ 38.2-510 A 6, 38.2-510 A 10, 38.2-610, 38.2-1906, 38.2-2014, 38.2-2208, and 38.2-2212 of the Code of Virginia, as well as Sections 4, 5.A, 8.D, and 9.D of the Commission's Rules Governing Unfair Claim Settlement Practices; GEICO Indemnity Company violated §§ 38.2-510 A 6, 38.2-510 A 10, 38.2-610, 38.2-1906, 38.2-2208, 38.2-2210, 38.2-2212 and 38.2-2220 of the Code of Virginia, as well as Sections 4, 5.A, 8.D, and 9.D of the Commission's Rules Governing Unfair Claim Settlement Practices; Government Employees Insurance Company violated §§ 38.2-510 A 6, 38.2-510 A 10, 38.2-610, 38.2-1906, 38.2-1908, 38.2-2014, 38.2-2113, 38.2-2114, 38.2-2208, 38.2-2210, 38.2-2212, and 38.2-2214 of the Code of Virginia, as well as Section 4.5 of the Commission's Rules Governing Insurance premium Finance Companies, and Sections 4, 5.A, 8.D, and 9.D of the Commission's Rules Governing Unfair Claim Settlement Practices.

During the private passenger automobile and motorcycle examination of GEICO Casualty Company, GEICO General Insurance Company, GEICO Indemnity Company, and Government Employees Insurance Company as of September 30, 1999, GEICO Casualty Company violated §§ 38.2-610 A, 38.2-1822, 38.2-1833, 38.2-1906 D and 38.2-2223 of the Code of Virginia, as well as 14 VAC 5-400-40 A, 14 VAC 5-400-70 A and 14 VAC 5-400-70 D of the Virginia Administrative Code; GEICO General Insurance Company violated §§ 38.2-510 C, 38.2-1906 D, 38.2-2206, 38.2-2212, 38.2-2220 and 38.2-2223 of the Code of Virginia, as well as 14 VAC 5-400-40 A, 14 VAC 5-400-70 A and 14 VAC 5-400-70 D of the Virginia Administrative Code; GEICO Indemnity Company violated §§ 38.2-610 A, 38.2-1822, 38.2-1833, 38.2-1906 D, 38.2-2206, 38.2-2208, 38.2-2212, 38.2-2220 and 38.2-2230 of the Code of Virginia, as well as 14 VAC 5-400-40 A,

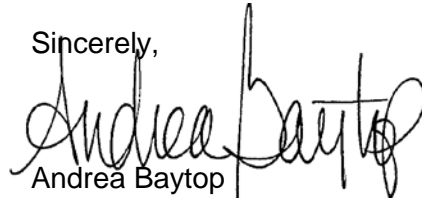
14 VAC 5-400-70 A and 14 VAC 5-400-70 D of the Virginia Administrative Code; Government Employees Insurance Company violated §§ 38.2-1906 D, 38.2-2206, 38.2-2220, and 38.2-2223 of the Code of Virginia, as well as 14 VAC 5-400-40 A, 14 VAC 5-400-70 A and 14 VAC 5-400-70 D of the Virginia Administrative Code. A cease and desist order was entered by the State Corporation Commission against the companies in case number INS000282.

During the private passenger automobile examination of GEICO Casualty Company, GEICO General Insurance Company, GEICO Indemnity Company, and Government Employees Insurance Company as of June 30, 2006, the companies violated §§ 38.2-604, 38.2-1906D, 38.2-2212, 38.2-2220, 38.2-2223 and 38.2-2234 of the Code of Virginia, as well as 14 VAC 5-400-70 D and 14 VAC 5-400-80 D of the Virginia Administrative Code. A cease and desist order was entered by the State Corporation Commission against the companies in case number INS-2007-00378.

ACKNOWLEDGEMENT

The courteous cooperation extended by the officers and employees of the companies during the course of the examination is gratefully acknowledged.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrea Baytop". The signature is written in a cursive style with a large initial "A" and a prominent "B".

Andrea Baytop
Principal Insurance Market Examiner

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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September 9, 2016

VIA UPS 2nd DAY DELIVERY

Kelly C. Sue-Ling
Legislative Attorney
GEICO Insurance Company
One GEICO Plaza 5-T
Washington, DC 20076

RE: Market Conduct Examination
GEICO Secure Insurance Company (NAIC #14137)
GEICO Advantage Insurance Company (NAIC #14138)
GEICO Choice Insurance Company (NAIC #14139)
GEICO Indemnity Company (NAIC #22055)
Government Employees Insurance Company (NAIC #22063)
GEICO General Insurance Company (NAIC #35882)
GEICO Casualty Company (NAIC #41491)
Examination Period: April 1, 2014 through March 31, 2015

Dear Ms. Sue-Ling:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced companies for the period of April 1, 2014, through March 31, 2015. The preliminary examination report (Report) has been drafted for the companies' review.

Enclosed with this letter is a copy of the Report and copies of review sheets that have been added, withdrawn or revised since July 6, 2016. Also enclosed are several technical reports that will provide you with the specific file references for the violations listed in the Report.

Since there appears to have been a number of violations of Virginia insurance laws on the part of the companies, I would urge you to closely review the Report. Please provide a written response. The companies do not need to respond to any particular item with which they agree. If the companies disagree with an item or wish to further comment on an item, please do so in Part One of the Report. Please be aware that the examiners are unable to remove an item from the Report or modify a violation unless the companies provide written documentation to support their position. When the companies respond, please do not include any personal

identifiable or privileged information (names, policy numbers, claim numbers, addresses). If the companies need to reference any of this information please use exhibits or appendices. In addition, please use the same format (headings and numbering) as found in the Report. If not, the response will be returned to the companies to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report.

Secondly, the companies must provide a corrective action plan that addresses all of the issues identified in the examination, again using the same headings and numberings as are used in the Report.

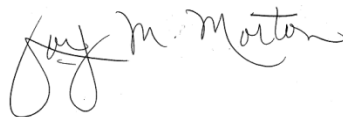
Thirdly, if the companies have comments they wish to make regarding Part Three of the Report, please use the same headings and numbering for the comments. In particular, if the examiners identified issues that were numerous but did not rise to the level of a business practice, the companies should outline the actions they are taking to prevent those issues from becoming a business practice.

Finally, we have enclosed an Excel file that the companies must complete and return to the Bureau with the companies' response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The companies' response and the spreadsheet mentioned above should be returned to the Bureau by October 20, 2016.

After the Bureau has received and reviewed the company's response, we will make any justified revisions to the Report. The Bureau will then be in a position to determine the appropriate disposition of the market conduct examination.

Sincerely,

A handwritten signature in cursive script that reads "Joy M. Morton".

Joy Morton, AMCM
Manager
Market Conduct Section
Property & Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov



- Government Employees Insurance Company
 - GEICO General Insurance Company
 - GEICO Indemnity Company
 - GEICO Casualty Company
 - GEICO Secure Insurance Company
 - GEICO Advantage Insurance Company
 - GEICO Choice Insurance Company
-

One GEICO Plaza ■ Washington, D.C. 20076-0001

October 19, 2016

Sent Via Email and Overnight Delivery

Ms. Joy Morton, AMCM
Manager, Market Conduct Section
Property & Casualty Division
Bureau of Insurance
Tyler Building, 1300 E Main Street
Richmond, Virginia 23219
(804) 371-9540
joy.morton@scc.virginia.gov

**RE: Responses to the Market Conduct Examination Report
GEICO Advantage Insurance Company
GEICO Casualty Company
GEICO Choice Insurance Company
GEICO General Insurance Company
GEICO Indemnity Company
GEICO Secure Insurance Company
Government Employees Insurance Company**

Dear Ms. Morton:

On behalf of GEICO Advantage Insurance Company, GEICO Casualty Company, GEICO Choice Insurance Company, GEICO General Insurance Company, GEICO Indemnity Company, GEICO Secure Insurance Company, and Government Employees Insurance Company (collectively known as the “companies”), I am responding to the Market Conduct Examination Report as of March 31, 2015 (“Report”). The confidential exhibits referenced throughout the companies’ response will be provided to the examiners via the Box, a secure filing sharing system.

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PART ONE – THE EXAMINERS’ OBSERVATIONS

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

- (1) The examiners found seven violations of § 38.2-1906 A of the Code of Virginia. The company failed to file all rates and supplementary rating information with the Bureau prior to use.

Company Response

The company respectfully disagrees with the examiners’ observations. Section 38.2-1906 A of the Code of Virginia requires insurers to file all rates and supplementary rating information with the Bureau prior to use. The company filed its rates in accordance with § 38.2-1906 A of the Code of Virginia. The company implemented its filing as it was written, where the term “First Occurrence” indicates the most recent occurrence or the first occurrence that is listed on state-reported conviction and accident reports. Therefore, the rating of these convictions and accidents is correct. The company has consistently applied these filed rating factors to all policyholders in accordance with Virginia law. The examiners’ interpretation and application of “First Occurrence” would cause the company to charge policyholders an inadequate rate, which conflicts with § 38.2-1904 of the Code of Virginia.

In reference to R&UNBPPA1438798439, the company respectfully disagrees with the examiners’ responses. The company did use the rates and factors that the examiner stated for the OTC premiums for vehicles 1 and 2. However, by rounding to the penny after each rating step as per the company’s filed and approved rule PPA-02.C, the examiner will receive the correct premium amount. Please see supporting information in the Confidential Exhibits.

- (2) The examiners found 71 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rate on file with the Bureau.
 - a. In five instances, the company failed to use the correct discounts and/or surcharges.

Company Response

In reference to R&UNBPPA388872346, the company respectfully disagrees with the examiners’ observations. The Company filed the UM factors for the Maximum Named

Insured age field with the Bureau under SERFF Tracking Number GECC-129541436. Please see supporting documentation in the Confidential Exhibits.

In reference to R&UNBPPA-678412870, R&UNBPPA-1478561441, and R&UNBPPA2061446705, the company respectfully disagrees with the examiners' observations. Filed and approved Rule 32 regarding the Sponsored Marketing Group Pricing Track states:

A -8% rate differential will be applied to the total policy premium, except for Uninsured Motorist coverage, if the named insured/applicant or spouse is an operator and is an active member of associations, societies, employers, organizations, or credit unions approved by the company at the time the differential is initially applied to the policy.

GEICO is calculating the discounts properly, in accordance with its filed rule. The rule indicates the Sponsored Marketing discount is applied at an 8% discount regardless of the Military discount. Additionally, the filed and approved Rule 43. Military Discount states:

If the policy is also eligible for either a Sponsored Marketing, Warehouse or Associate discount, **the combined amount will not exceed 17%.**

Based on the rule, when the Military and Sponsored Marketing discounts are combined, the 8% discount is applied for the Sponsored Marketing discount and a 9% discount is applied for the Military discount.

In reference to R&UNBPPA-1571398819, the company respectfully disagrees with the examiners' observations. The company applied the Level 1 Good Driver discount factors to the first driver on the policy, not the driver in question. The company correctly applied the Level 3 Good Driver discount to the driver in question. Please see supporting documentation in the Confidential Exhibits.

- b. In eight instances, the company applied accident and conviction surcharge points under its Safe Driver Insurance Plan (SDIP) incorrectly.

Company Response

In reference to R&UNBPPA-1570120785 and R&UNBPPA-2007301768, the company respectfully disagrees with the examiners' observations. Section 38.2-1904 D of the Code of Virginia states:

No insurer shall use any information pertaining to any motor vehicle conviction or accident to produce increased or surcharged rates above their filed manual rates

for individual risks for a period longer than 36 months. This period shall begin no later than 12 months after the date of the conviction or accident.

The company did not violate Section 38.2-1904 D of the Code of Virginia. The policyholders self-reported the convictions cited on their new business applications. Section 38.2-1904 D does not require convictions or accidents to be reported through a specific reporting agency. The company rated and underwrote the policies correctly, taking the policyholders' convictions into account in accordance with Section 38.2-1904 D.

In reference to R&UNBPPA584376949, the company respectfully disagrees with the examiners' observations. The company's filed and approved rule pages state:

any speeding traffic violation...

is considered under the "speeding violations" portion of the rule. The insured was convicted of reckless driving—speed 20 or more above the speed limit. Due to the fact this is a speeding traffic violation; the company surcharged it as such. Furthermore, the same observation on sheets R&UNBPPA-1748920964 and R&UNBPPA-1718966710 were withdrawn.

In reference to R&UNBPPA-1718966710, the company acknowledges the examiners' remaining observations. The company updated the internal systems on 8/4/2015 to reconcile collision-only accidents reported on CLUE as not-at-fault occurrences.

In reference to R&UNBPPA-337609743, the company acknowledges the examiners' observations. The company updated the internal systems on 11/17/15 so an expired registration conviction reconciles as a non-chargeable, non-moving violation.

In reference to R&UNBPPA-1461182013, the company acknowledges the examiners' observation. The insurance counselor inadvertently added accidents that the policyholder was not responsible for, therefore resulting in a premium overcharge. The counselor was subsequently advised of the error and retrained on proper handling.

c. In 38 instances, the company failed to use the correct symbol.

Company Response

In reference to Violation 2 on R&UNBPPA778551238, the company respectfully disagrees with the examiners' observations. Symbol 9 is not a valid ISO or company symbol for model years 1990 and later.

In reference to R&UNBPPA1733916012, Violations 1 and 2 on R&UNBPPA33719103, R&UNBPPA-1478882852, R&UNBPPA-402781306, R&UNBPPA-894721618, and Violations 1-3 on R&UNBPPA-1703494197, the company respectfully disagrees with the examiners' observations. Filed and approved Rule PPA-03 states that when the company rates a vehicle that does not have a filed symbol, the company assigns the symbol based on the prior model year of a comparable vehicle which has the same VIN structure as the vehicle that lacks a filed symbol. By following this process, the company is able to accurately rate the new vehicle. When a new vehicle does not have a filed symbol and there is not a matching VIN structure from a prior year filed, the company uses the Cost New chart. The company is amenable to clarifying Rule PPA-03 to state that all prior model years with matching VIN structures will be used for rating vehicles that do not have an assigned symbol.

In reference to R&UNBPPA1094198829, R&UNBPPA-1308626705, Violation 2 on R&UNBPPA-1589788029, Violation 3 on R&UNBPPA778551238, R&UNBPPA1437591032, Violation 2 on R&UNBPPA911385124, Violation 2 on R&UNBPPA957857051, Violation 2 on R&UNBPPA-1331674973, and Violation 2 on R&UNBPPA-1135866783, the company respectfully disagrees with the examiners' observations. The company appropriately used the correct physical damage symbols when determining the Vehicle Cost factors for BI and PD coverages. The filed pages for the Vehicle Cost factor indicate to use the physical damage symbol to select the factors for all coverages. When the physical damage symbol differs for collision and comprehensive, the rating system applies the collision symbol. Collision experience correlates more closely to other coverages than comprehensive experience does. Therefore, to the extent that the frequency of claims for vehicles influences the overall losses, the collision symbol assignment would be most appropriate.

In reference to R&UNBPPA342647789, the company respectfully disagrees with the examiners' observation. The company used the correct vehicle liability symbol that was filed for this vehicle in SERFF filing number USPH-6J6RVR371/00-00/00-00/00. Please see supporting documentation in the Confidential Exhibits.

In reference to Violation 2 on R&UNBPPA1625498762, the company respectfully disagrees with examiners' observation. For model years 2010 and prior the Company utilized alpha conversions for ISO numeric codes. The alpha codes are displayed in the filed Symbol Assignment rules and also shown on the symbol page reflecting Codes in the Symbol and Identification Section. The company used the filed ISO symbol and the company symbol deviations correctly. Please see supporting documentation in the Confidential Exhibits.

In reference to R&UNBPPA-506096316, the company respectfully disagrees with the examiners' observations. The examiner noted the correct physical damage symbol is E. The company agrees this is the correct physical damage symbol as the company applied this symbol to the policy.

In reference to Violation 1 on R&UNBPPA-1331674973, Violation 1 on R&UNBPPA778551238, R&UNBPPA52506410, Violation 1 on R&UNBPPA-1135866783, Violation 4 on R&UNBPPA1703494197, Violation 1 on R&UNBPPA1625498762, R&UNBPPA1407507022, R&UNBPPA1129523162, Violation 1 on R&UNBPPA1589788029, Violation 1 on R&UNBPPA911385124, Violation 2 on R&UNBPPA957857051, Violations 1 and 2 on R&UNBPPA1938323727, Violation 1 on R&UNBPPA-1170895603, and R&UNBPPA-1747330377, the company self-reported to the Bureau that the deviation symbol listing was unintentionally omitted from SERFF tracking number GECC-128980107, and provided the updated deviation symbol listing for GEICO Advantage, GEICO Secure, and GEICO Choice (which was submitted 7/2/2015 via SERFF tracking number GECC-130150421). However, since the company self-reported this issue after the Bureau notified the company of its intention to conduct a market conduct examination, we acknowledge these observations.

In reference to R&UNBPPA1118360490, the company acknowledges the examiners' observation.

- d. In eight instances, the company failed to use the correct tier eligibility criteria.

Company Response

In reference to R&UNBPPA1539540370 and R&UNBPPA2064504562, the company respectfully disagrees with the examiners' observation. The company submitted a filing under CONFIDENTIAL SERFF filing number GECC-130148842 on 7/1/15 as an informational filing. This filing clarified the already filed and approved "Appendix 4" which was on file during the audit period. The company's business practices for use of occupation did not change due to the 2015 filing. Please see additional documentation in the Confidential Exhibits.

In reference to R&UNBPPA1444233899, the company respectfully disagrees with the examiners' observation. The examiners did not use the correct value for Years Licensed. Per GEICO CHOICE Rule PPA-D-03:

A driver's years licensed will be equal to the number of years since his or her **US or Canadian** license date.

Because a Brazilian license was provided for this policy, the proper selection of years licensed is 0 years.

In reference to R&UNBPPA1589864057, R&UNBPPA1859165267, R&UNBPPA1018639988, R&UNBPPA1634454095, and R&UNBPPA223148230, the company acknowledges the examiners' observations.

- e. In three instances, the company failed to use the correct driver classification factor.

Company Response

In reference to R&UNBPPA542507419, the company respectfully disagrees with the examiners' observations. The company previously provided the examiners with factors that match the rate/rule pages as well as the examiners' calculations. The examiners stated the company rated for 3 drivers when only 2 drivers were shown on the declarations page. However, the policy was endorsed to add a youthful driver on the policy's effective date. Therefore, the policy was rated with 3 drivers. Please see supporting documentation, including the company's rating sheet illustrating the correct use of the Average Driver factors, in the Confidential Exhibits.

In reference R&UNBPPA-644402362, the company respectfully disagrees with the examiners' observations. The company appropriately rated the drivers with the correct age factors. Please see supporting documentation, including the company's rating sheet, in the Confidential Exhibits.

In reference to R&UNBPPA1911685320, the company respectfully disagrees with the examiners' observations regarding the company's rating of this policy. We have attached the rating worksheet which reflects the factors the company used, based on rates and rules that are filed with the Bureau, and matches the policy's premium. The company is utilizing the correct Named Insured Indicator for the husband in the rating of this policy, resulting in the correct premium. The driver class factors the examiner used to calculate the premium match the driver class factors the company used in the rating worksheet. Please see supporting documentation in the Confidential Exhibits.

- f. In four instances, the company failed to use the correct base and/or final rates.

Company Response

In reference to R&UNBPPA1883325062, R&UNBPPA1441826899, and R&UNBPPA1458661786, the company respectfully disagrees with the examiners' observations. The State Corporation Commission (SCC) and the company settled this matter which was addressed in Case No. INS-2014-00265. Since this matter was settled and the SCC dismissed this case, the examiners should not readdress this issue.

- g. In five instances, the company failed to use proper credit score information when rating a policy.

Company Response

The company respectfully disagrees with the examiners' observations regarding the company's failure to use proper credit score information when rating a policy. The company has previously explained to the Bureau that the company uses arbitrary codes within its internal system to identify a "no hit/no score" credit score. In situations where a "no hit/no score" credit score is returned, the company applies the appropriate rates that are filed with the Bureau. Additionally, the two codes in question are 000 and 994. These codes cannot be mistaken as actual credit scores since no credit reporting agencies utilize 000 or 994 as valid credit scores. Therefore, these codes suffice for use within the company for purposes of being placeholders in its internal system. Furthermore, the examiners' application of 000 and 994 as valid credit scores would cause the company to charge inaccurate premiums. Please see supporting documentation, including all credit scores used by reporting agencies, in the Confidential Exhibits.

Automobile Renewal Business Policies

- (1) The examiners found one violation of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company's tier placement notice misrepresented the basis for the rating tier change.

Company Response

The company acknowledges this observation. The company sent a form to the policyholder that included not-at-fault accidents when those accidents should not have been listed on the form. There was no impact, positive or negative, to the policyholder due to this error and the form will be updated in January 2017.

- (2) The examiners found one violation of § 38.2-1905 C of the Code of Virginia. The company failed to assign points to the vehicle customarily driven by the operator responsible for incurring points.

Company Response

The company acknowledges the examiners' observation regarding R&URBPPA1543076053. Vehicle 1 is the assigned vehicle the customer uses for the daily commute and is therefore is correctly receiving the surcharges as it's the vehicle customarily driven by the operator responsible for incurring the points. However, the agent made an administrative error by incorrectly selecting vehicle 2 as the customarily driven vehicle. The administrative error does not impact the underwriting or rating of the policy. Please see supporting documentation in the Confidential Exhibits.

- (3) The examiners found two violations of § 38.2-1906 A of the Code of Virginia. The company failed to file all rates and supplementary rating information with the Bureau prior to use.

Company Response

The company respectfully disagrees with the examiners' observations. Section 38.2-1906 A of the Code of Virginia requires insurers to file all rates and supplementary rating information with the Bureau prior to use. The company filed its rates in accordance with § 38.2-1906 A of the Code of Virginia. The company implemented its filing as it was written, where the term "First Occurrence" indicates the most recent occurrence or the first occurrence that is listed on state-reported conviction and accident reports. Therefore, the rating of these convictions and accidents is correct. The company has consistently applied these filed rating factors to all policyholders in accordance with Virginia law. The

examiners' interpretation and application of "First Occurrence" would cause the company to charge policyholders an inadequate rate, which conflicts with § 38.2-1904 of the Code of Virginia.

(4) The examiners found 80 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In 34 instances, the company failed to use the correct discounts and/or surcharges.

Company Response

In reference to R&URBPPA-16583407, R&URBPPA-121122701, R&URBPPA-547457941, R&URBPPA803108359, R&URBPPA-1104595433, R&URBPPA-1461177471, R&URBPPA-1630435697, and R&URBPPA1654654333, the company respectfully disagrees with the examiners' observations. The factors that are applied at the 8th renewal are not removed from a policy that continues to renew. Therefore, the factors for the 9th and subsequent renewals are filed with the Bureau. The company's filed intent and practice has been to apply the renewal factors at each subsequent renewal, including those beyond the 8th renewal. Page 10 of SERFF filing number GECC-126870272 includes the "Filing Memorandum" explaining:

In addition, we propose to change the structure of the Renewal Discount in GEICO Indemnity to apply the renewal discount at each of the first two qualifying renewals. Current policies receiving the discount level associated with the second through eighth qualifying renewal **will continue to be rated at that discount level on each subsequent renewal.**

In reference to R&URBPPA1083458328, the company respectfully disagrees with the examiners' observation. GEICO Secure Private Passenger rule PPA-V-03 defines an excess vehicle as the vehicle with the lowest annual mileage; therefore, the Extra Vehicle Discount was applied to the correct vehicle.

In reference to R&URBPPA-869042262 and R&URBPPA-987359265, the company respectfully disagrees with the examiners' observations. The company provided the examiners with a list of sponsored marketing discounts, including the discount for *Navy Federal Financial Group*. The *Navy Federal Financial Group* is the parent company for *Navy Federal Credit Union*. Because *Navy Federal Credit Union* is included under the *Navy Federal Financial Group* umbrella, the company correctly applied the *Navy Federal Credit Union* discount to the policies.

In reference to violation 2 on R&URBPPA-1017159069, the company respectfully disagrees with the examiners' observations regarding the Sponsored Marketing discount. The *Virginia Credit Union* is included on the sponsored marketing group list the company provided to the examiners. The discount expired in 2003 for all new business customers; however, the company does not remove the discount for existing customers when the relationship with the group ends.

In reference to R&UNBPPA1440006857 and violation 2 on R&URBPPA1830638042, the company respectfully disagrees with the examiners' observations. Filed and approved Rule 32 regarding the Sponsored Marketing Group Pricing Track states:

A -8% rate differential will be applied to the total policy premium, except for Uninsured Motorist coverage, if the named insured/applicant or spouse is an operator and is an active member of associations, societies, employers, organizations, or credit unions approved by the company at the time the differential is initially applied to the policy.

The company is calculating the discounts properly, in accordance with its filed rule. The rule indicates the Sponsored Marketing discount is applied at an 8% discount regardless of the Military discount. Additionally, the filed and approved Rule 43.Military Discount states:

If the policy is also eligible for either a Sponsored Marketing, Warehouse or Associate discount, **the combined amount will not exceed 17%.**

Based on the rule, when the Military and Sponsored Marketing discounts are combined, the 8% discount is applied for the Sponsored Marketing discount and a 9% discount is applied for the Military discount.

In reference to R&URBPPA786308053, the company respectfully disagrees with the examiners' observations. To be eligible for the Marketing Partner Discount, which includes the E-Banking Discount, a policyholder must be enrolled in paperless billing, paperless policy, and have an EFT with their Bank of America checking account. Please see supporting documentation in the Confidential Exhibits.

In reference to R&URBPPA1925598729, the company respectfully disagrees with the examiners' observations. It appears as though the examiner is not completing all rating steps to determine the correct factors. Please see supporting documentation, including the rating steps and factors used, in the Confidential Exhibits.

In reference to R&URBPPA1652755953, the company respectfully disagrees with the examiners' observations. Due to the fact that the policy moved tiers at the first renewal, it is appropriate to apply the tier 3/2nd renewal combined factor of 0.80 based on the note in the company's Filed and approved Rule 26:

NOTE: A policy's renewal discount will not increase more than one level at a time from the policy's prior renewal periods factor in the above chart. In addition, if a policy moves between tiers at renewal, the renewal discount will not increment.

Based on this rule, the policy's renewal discount will not increment at the first renewal and will increment one level at each subsequent renewal. Therefore, by the third renewal, the policy will have the combined tier/renewal discount of 0.80.

In Reference to R&URBPPA-372347728, the company respectfully disagrees with the examiners' observations. Filed Rule 43. Military Discount states:

A discount will apply to the policy when the named insured or **spouse** is an Active duty, traditional drilling Guard/Reserve, or Retired military member of the Armed Forces of the United States.

The company intends to extend the benefits of the Military discount to the spouse after the Active duty, Guard/Reserve, or Retired Military member is deceased as they are still recognized by the Military as a Military spouse.

In reference to Violation 1 on R&URBPPA1830638042 and Violation 1 on R&URBPPA1849064695, the company respectfully disagrees with the examiners' observations. The policies reviewed had active renters' policies at the time in question. Under filed and approved Rule 26. Multi-Line Discount:

A discount shall be applied to Bodily Injury, Property Damage, Comprehensive, Collision, and Medical Expense coverages when a named insured on the policy also has an active homeowner's, renter's, condominium, and/or mobile home policy written through Insurance Counselors, Inc., the GEICO Property Agency.

Please see the declarations pages from the Renters policies in the Confidential Exhibits.

In reference to R&URBPPA-543620556, Violation 1 on R&URBPPA-690371517, and Violation 1 on R&URBPPA-1017159069, R&URBPPA1002982172, R&URBPPA-1236573093, R&URBPPA-1248752104, R&URBPPA1684571031, R&URBPPA2058446596, R&URBPPA1412591673, R&URBPPA1458566574, R&URBPPA3184366064 and Violation 2 on R&URBPPA1849064695, the company respectfully disagrees with the examiners' observations. The company self-reported this issue to the Bureau and updated the Multi-

Car Risk to include ERS with SERFF filing GECC-129843061 effective 3/30/2015. The State Corporation Commission (SCC) and the company settled this matter which was addressed in Case No. INS-2015-00103. Since this matter was settled and the SCC dismissed this case, the examiners should not readdress this issue.

In reference to R&URBPPA-1910440097, the company acknowledges the examiners' observations. The company inadvertently maintained a multi-policy discount when the policy in question should not have been receiving one.

- b. In five instances, the company applied accident and conviction surcharge points under its Safe Driver Insurance Plan (SDIP) incorrectly.

Company Response

In reference to R&UNBPPA-1742352882, the company confirms it only surcharged for prior accidents when the CLUE report showed the prior carrier paid for the loss under the Liability coverage or the driver had a corresponding conviction.

In reference to R&URBPPA132449159, the company respectfully disagrees with the examiners' observations. Section 38.2-1906 A of the Code of Virginia requires insurers to file all rates and supplementary rating information with the Bureau prior to use. The company filed its rates in accordance with § 38.2-1906 A of the Code of Virginia. The company implemented its filing as it was written, where the term "First Occurrence" indicates the most recent occurrence or the first occurrence that is listed on state-reported conviction and accident reports. Therefore, the rating of these convictions and accidents is correct. The company has consistently applied these filed rating factors to all policyholders in accordance with Virginia law. The examiners' interpretation and application of "First Occurrence" would cause the company to charge policyholders an inadequate rate, which conflicts with § 38.2-1904 of the Code of Virginia.

In reference to R&URBPPA1411604937, the company respectfully disagrees with the examiners' observations. The company utilizes a vendor, Explore, which provides the company a conviction monitoring service based on a monthly batch file processed through the state DMV. The violations were reported on previous Explore provided reports and do not get re-reported on subsequent Explore provided reports. The company correctly applied the points to this policy based on the driving violations this customer received. Please see supporting documentation, including copies of the Explore reports to see violations received, in the Confidential Exhibits.

In reference to R&URBPPA1310240164, the company disagrees with the examiners' observations. The accident that occurred on 02/12/2012 was caused by the named insured's daughter, who borrowed her mother's vehicle. The company does not surcharge for a loss where the policyholder temporarily loaned their vehicle to a driver not listed on their policy, known as a lending loss. However, the company acknowledges it incorrectly assigned points to the driver in question. The company recognized the error, corrected it on March 17, 2015, removed the surcharge back to the effective date, and added the correct Good Driver discount; therefore, the policyholder did not have an adverse impact due to the company's error. Please see supporting documentation, including a print screen of the customer's policy illustrating the correct premium and discount backdated to the effective date in the Confidential Exhibits.

- c. In 23 instances, the company failed to use the correct symbol.

Company Response

In reference to R&URBPPA1154985001, R&URBPPA-716175402, R&URBPPA18205720, R&URBPPA-7826477, R&URBPPA1333536223, Violation 1 on R&URBPPA-430906377, Violation 2 on R&URBPPA1962128241, and Violations 3 and 4 on R&URBPPA2021495474, the company respectfully disagrees with the examiners' observations. Filed and approved Rule 8 and Filed and approved Rule PPA-03 state that when the company rates a vehicle that does not have a filed symbol, the company assigns the symbol based on the prior model year of a comparable vehicle which has the same VIN structure as the vehicle that lacks a filed symbol. By following this process, the company is able to accurately rate the new vehicle. When a new vehicle does not have a filed symbol and there is not a matching VIN structure from a prior year filed, the company uses the Cost New chart. The company is amenable to clarifying Rule 8 and Rule PPA-03 to state that all prior model years with matching VIN structures will be used for rating vehicles that do not have an assigned symbol.

In reference to violation 1 on R&URBPPA1962128241, the company respectfully disagrees. In order to accurately rate the customer, the company correctly applied an additive factor for each \$10,000 over \$140,000 of the cost new. Since the cost new of this vehicle was \$176,000, the company had to apply the additive factor four times to accurately rate the vehicle. The examiners applied the additive factor three times in their calculations.

In reference to Violation 2 on R&URBPPA-430906377, the company respectfully disagrees with the examiners' observations. The company appropriately used the correct physical damage symbols when determining the Vehicle Cost factors for BI and PD coverages. The filed pages for the Vehicle Cost factor indicate to use the physical damage symbol to select the factors for all coverages. The company correctly applies the collision symbol as

collision experience correlates more closely to other coverages than comprehensive experience does. Therefore, to the extent that the frequency of claims for vehicles influences the overall losses, the collision symbol assignment would be most appropriate.

In reference to Violation 1 and 2 on R&URBPPA2021495474 and Violations 3 and 4 on R&URBPPA1962128241, the company respectfully disagrees with examiners' observations. For model years 2010 and prior, the Company utilized alpha conversions for ISO numeric codes. The alpha codes are displayed in the filed Symbol Assignment rules and also shown on the symbol page reflecting Codes in the Symbol and Identification Section. The company used the filed ISO symbol and the company symbol deviations correctly. Please see supporting documentation in the Confidential Exhibits.

In reference to R&URBPPA474688584, the company respectfully disagrees with the examiners' observation. The company correctly applied the deviation for this vehicle which was filed in SERFF filing GECC-125873464. Please see supporting documentation, including the SERFF filing, in the Confidential Exhibits.

In reference to R&URBPPA-1208753939, the company self-reported to the Bureau that the deviation symbol listing was unintentionally omitted from SERFF tracking number GECC-128980107, and provided the updated deviation symbol listing for GEICO Advantage, GEICO Secure, and GEICO Choice (which was submitted 7/2/2015 via SERFF tracking number GECC-130150421). However, since the company self-reported this issue after the Bureau notified the company of its intention to conduct a market conduct examination, we acknowledge these observations.

In reference to R&URBPPA-1348374545 and R&URBPPA584206924, the company acknowledges the examiners' observation. Insurance counselors caused the errors by incorrectly entering the VINs into the company's system. The counselors were subsequently advised of the errors and retrained on proper handling.

In reference to R&URBPPA-451685315, the company acknowledges the examiners' observations.

In reference to R&URBPPA1044315509, the company acknowledges the examiners' observation.

d. In four instances, the company failed to use the correct tier eligibility criteria.

Company Response

In reference to R&URBPPA233066072, R&URBPPA1338272660, and R&URBPPA-1863125283, the company respectfully disagrees with the examiners' observation. The

company submitted a filing under CONFIDENTIAL SERFF filing number GECC-130148842 on 7/1/15 without effective dates, as this was an informational filing. This filing clarified the already filed and approved Appendix 4 which was on file during the audit period. The company's business practices for use of occupation did not change due to the 2015 filing. Please see additional documentation in the Confidential Exhibits.

In reference to R&URBPPA983573087 and R&URBPPA1472731266, the company respectfully disagrees with the examiners' observations. The company did not violate § 38.2-1906 D of the Code of Virginia, as the company issued the policies in accordance with rates filed with the Bureau.

In 2006, the company obtained the policyholders' consent to run their credit. The policyholders' scores placed them in the most favorably priced tier; therefore, in accordance with § 38.2-2234 D of the Code of Virginia, the company was not required to rerun the policyholders' credit at least once every three years. Furthermore, the company is not required to retain the credit information in the files due to the passage of time. Please see the Confidential Exhibits which include the signed M600 forms by which the policyholders gave the company permission to run their credit.

- e. In five instances, the company failed to use the correct driver classification factor.

Company Response

In reference to R&URBPPA753643385, the company respectfully disagrees with the examiners' observations. The company has attached the rating worksheet which shows the factors used, which are based on rates and rules filed with the Bureau, and matches the policy's premium. The company has confirmed it is using the correct Driving Experience Factors, as demonstrated in the rating worksheet. Please see supporting documentation in Confidential Exhibit X.

In reference to Violations 2 and 3 on R&URBPPA-1275697915, the company respectfully disagrees with the examiners' observations. The company accurately assigned the drivers to the vehicles; therefore, the driver classification factors are correct. Please see supporting documentation in the Confidential Exhibits.

In reference to R&UNBPPA1443620701, the company acknowledges the examiners' observation. As previously stated to the examiners, this was a counselor execution error. The counselor was retrained on proper handling.

- f. In five instances, the company failed to use the correct base and/or final rates.

Company Response

In reference to R&URBPPA1298233581, the company respectfully disagrees with this violation. The company correctly rated the policy at all of its renewals. The premium changes the examiners noted are due to multiple mid-term endorsements. Please see supporting documentation, including a transaction summary reflecting all premium-impacting changes, in the Confidential Exhibits.

In reference to R&URBPPA-632065820, the company respectfully disagrees with the examiners' observations. The company self-reported this issue to the Bureau and updated the Multi-Car Risk to include ERS in SERFF filing GECC-129843061, effective 3/30/2015. The State Corporation Commission (SCC) and the company settled this matter which was addressed in Case No. INS-2015-00103. Since this matter was settled and the SCC dismissed this case, the examiners should not readdress this issue.

In reference to R&URBPPA388238935, the company respectfully disagrees with the examiners' observations regarding the company's rating of this policy. The company's GEICO General rate page 7 (HCI Table 3) states:

The factors from HCI table 1, 2, and 3 are multiplied together and rounded to the hundredth to give the final HCI Factor.

SERFF filing GECC-128300958, which went into effect in 2012, requires rounding to the hundredth. Based on these filed rates, 1.06, 1.00, 1.07 were the correct HCI factors to use to rate the policy.

In reference to R&URBPPA1051329484, the company respectfully disagrees with the examiners' observations regarding the company's overcharge of \$8.89. The company believes the examiner used 8% for the sponsored marketing discount; however, the policy was rated in GE tier 2. To calculate the premium correctly, based on rates and rules filed with the Bureau, the 3% discount must be used—resulting in no overcharge. A note in the company's Rule 32. Sponsored Marketing Group Pricing Track states:

A -8% rate differential will be applied to the total policy premium, except for Uninsured Motorist coverage, if the named insured/applicant or spouse is an operator and is an active member of associations, societies, employers, organizations, or credit unions approved by the Company at the time the differential is initially applied to the policy. This differential will also be applied to the total policy premium, except for Uninsured Motorist coverage, if the named insured/applicant or spouse is an operator and is an active or retired federal employee in the equivalent of the General Schedule (GS) grades 7 or higher.

NOTE: If a policyholder qualifies for more than one of the following discounts: Sponsored Marketing Group Pricing Track, Associate Discount, or Warehouse Club Discount, only one with the greatest amount of discount will apply. **The Sponsored Marketing Group Pricing Track will be limited to -3% in tier 2.**

In reference to R&URBPPA1327783341, the company acknowledges the examiners' observation.

- g. In five instances, the company failed to use proper credit score information when rating a policy.

Company Response

In reference to R&URBPPA210255988, R&URBPPA759961938, R&URBPPA2126414197, and R&URBPPA1472754841, the company respectfully disagrees with the examiners' observations regarding the company's failure to use proper credit score information when rating a policy. The company has previously explained to the Bureau that the company uses arbitrary codes within its internal system to identify a "no hit/no score" credit score. In situations where a "no hit/no score" credit score is returned, the company applies the appropriate rates that are filed with the Bureau. Additionally, the two codes in question are 000 and 994. These codes cannot be mistaken as actual credit scores since no credit reporting agencies utilize 000 or 994 as valid credit scores. Therefore, these codes suffice for use within the company for purposes of being placeholders in its internal system. Furthermore, the examiners' application of 000 and 994 as valid credit scores would cause the company to charge inaccurate premiums. Please see supporting documentation, including all credit scores used by reporting agencies, in the Confidential Exhibits.

In reference to R&URBPPA1321336367, the company acknowledges the examiners' observation. The policy in question is already rated in the credit tier for the most favorable company/tier placement. Therefore, if the company were to re-run this customer's credit, there can be no impact, positive or negative, to this policy profile. Pursuant to § 38.2-2234 B of the Code of Virginia,

... no insurer **need obtain updated credit information** if the insured has the most favorably priced tier or rate based on his credit information.

(5) The examiners found eight violations of § 38.2-2234 B of the Code of Virginia. The company failed to update the insured's credit at least once every three years.

Company Response

In reference to R&URBPPA-1811913668, the company respectfully disagrees with the examiners' observations. The company ran credit on the policy in question. Please see supporting documentation in the Confidential Exhibits.

In reference to R&URBPPA94557870, R&URBPPA461043631, R&URBPPA604136844, R&URBPPA-937547419, R&URBPPA1694092746, R&URBPPA1892385697, and R&URBPP-2071733015 the company acknowledges the examiners' observations regarding credit. The company did not properly run credit on the policies in question. The company will address each of these cases at their next renewal.

TERMINATION REVIEW

Company Initiated Cancellations – Automobile Policies

Notice Mailed Prior to the 60th Day of Coverage

- (1) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

Company Response

In reference to TermFst60PPA821266801, the company respectfully disagrees with the examiners' observation. The policy had a mid-term endorsement that was backdated to the effective date of the policy. The company correctly applied the endorsement and collected an accurate amount of premium. Please see supporting documentation, including a transaction summary of premium-impacting endorsements, in the Confidential Exhibits.

Other Law Violations

- (1) The examiners found one violation of § 46.2-482 of the Code of Virginia. The company failed to file the SR-26 within 15 days of canceling the policy as required by the Virginia Motor Vehicle Code.

Company Response

The company respectfully disagrees with the examiners' observations in the following review sheets regarding the SR-26 filing: TermOvr60PPA1539522895, TermOvr60PPA1054245407, TermOvr60PPA1419276260, TermOvr60PPA1108528062, TermOvr60PPA1705973165, TermOvr60PPA1804248864, TermOvr60PPA1727343594, TermOvr60PPA1713488815, TermOvr60PPA-1957406516, TermOvr60PPA1013013129, TermNPPPA-351137296 and TermFst60PPA779743954. The company filed the SR26/FR46 within 15 days, in accordance with § 46.2-482 of the Code of Virginia, as documented in the policy file. Currently, the DMV's website does not list the filing date, so the examiners were unable to confirm this information on the DMV's website. The company provided the examiners with verification directly from the DMV indicating the DMV received the filing. After receiving this verification, one of the examiners withdrew these types of violations (e.g., TPA053), but another examiner did not. In addition, the company has confirmed in person with a DMV staff member that each one of these policies was received within the 15 days required by § 46.2-482 of the Code of Virginia. Please see supporting documentation in the Confidential Exhibits.

In reference to TermOvr60PPA-1491498183 and TermOvr60PPA1439400261, the company acknowledges the SR26 was filed; however it was not filed within 15 days.

Notice Mailed After the 59th Day of Coverage

- (1) The examiners found one violation of § 38.2-2208 B of the Code of Virginia. The company failed to retain a copy of the electronic transmittal sending the cancellation notice to the lienholder.

Company Response

The company respectfully disagrees with the examiners' observations. During a teleconference with the examiners, the company described its process of sending a lienholder termination for both paperless and electronic submissions. Subsequently, the company provided the examiners with documentation including print screens of the process. Upon receiving this documentation, the examiners withdrew all other similar violations, such as TermOvr60PPA-717908756, TermOvr60PPA-1610209981, TermOvr60PPA-1310717873, and TermOvr60PPA1108035301. Please see supporting documentation, including a re-submission of the proof regarding the policy under review, in the Confidential Exhibits.

- (2) The examiners found 14 violations of § 38.2-2212 D of the Code of Virginia.
 - a. In eight instances, the company cancelled the insured's motor vehicle policy for a reason not permitted after the 59th day of coverage.

Company Response

In reference to TermOvr60PPA-703058508, the company respectfully disagrees with the examiners' observations. Section 38.2-2212 D of the Code of Virginia lists permissible reasons that an insurer may cancel an insured's policy. Under this section of the law, "cancellation" or "to cancel" means "a termination of a policy during the policy period." The company did not cancel the insureds' policy; therefore, the company did not violate § 38.2-2212 D of the Code of Virginia. In this case, the company discovered the insureds' daughter was the registered owner of a vehicle on the policy and her vehicle was not garaged at the insureds' rated location. After discovering this information, the company rendered the daughter's vehicle null and void from the policy; however, the company did not cancel the insureds' policy. Statutes §38.2-2212 or §38.2-309 do not directly indicate that this type of action cannot be taken. Additionally, §38.2-309 clarifies that only statements material to the risk may bar recovery under a policy which is applicable in this case. The company has discontinued this practice and now only takes action to void an entire application where applicable after meeting with the BOI during a teleconference.

In reference to TermOvr60PPA-1410609897, TermOvr60PPA841830817, TermOvr60PPA1364052201, TermOvr60PPA-556874609, TermOvr60PPA29412293, and TermOvr60PPA931896110, the Company respectfully disagrees with the examiners' observations. Customers that return to the company after cancelling are considered new business customers through our reissue and move-in process. We write six month policy terms and when a customer cancels this is considered a break in coverage and is no longer considered a "successive policy period" as noted in § 38.2-2212. With the exception of filed discounts, customers in Virginia are treated the same at new business, reissue and when they move into Virginia from another state. The company does retain the customer's prior policy number and tenure for six months after cancellation as a matter of practice. However, this policy record treatment does not affect the policy status or underwriting treatment.

In reference to TermOvr60PPA-686790844, the company respectfully disagrees with the examiners' observations. The company did not violate § 38.2-2212 D of the Code of Virginia which states:

The named insured or any other operator who either resides in the same household or customarily operates a motor vehicle insured under the policy has had his driver's license suspended or revoked during the policy period or, if the policy is a renewal, during its policy period or the 90 days immediately preceding the last effective date.

The policyholder had an open suspension at the time the motor vehicle report was run during the policy period. Undoubtedly, the spirit of this statute is not to encourage drivers with suspended or revoked licenses to drive on the Commonwealth's roads. It is for this reason the company takes adverse action on these customers, so we are not insuring individuals who are not legally permitted to drive. The examiners are interpreting this statute to mean the named insured or operator's suspension must have occurred on a date during the policy period, rather than the named insured or operator has a license that is in a "suspended" or "revoked" status during the policy period.

- b. In six instances, the company cancelled the insured's motor vehicle policy due to revocation or suspension of a driver's license that did not occur during the period of time allowed by the statute.

Company Response

The company respectfully disagrees with the examiners' observations. The company did not violate § 38.2-2212 D of the Code of Virginia which states:

The named insured or any other operator who either resides in the same household or customarily operates a motor vehicle insured under the policy has had his driver's license suspended or revoked during the policy period or, if the policy is a renewal, during its policy period or the 90 days immediately preceding the last effective date.

The policyholder had an open suspension at the time the motor vehicle report was run during the policy period. Undoubtedly, the spirit of this statute is not to encourage drivers with suspended or revoked licenses to drive on the Commonwealth's roads. It is for this reason the company takes adverse action on these customers, so we are not insuring individuals who are not legally permitted to drive. The examiners are interpreting this statute to mean the named insured or operator's suspension must have occurred on a date during the policy period, rather than the named insured or operator has a license that is in a "suspended" or "revoked" status during the policy period.

(3) The examiners found 40 violations of § 38.2-2212 E of the Code of Virginia.

- a. In four instances, the company failed to send the cancellation notice to the insured.

Company Response

In reference to TermOvr60PPA624155411, the company respectfully disagrees with the examiners' observation. This customer's policy cancelled for non-payment and was reissued effective 6/5/2014. In order to correct a clerical error, the reissuing agent selected a cancellation reason that same day (6/5/2014). This is why the policy appeared on the reports to the examiners as a cancellation after the 60th day of coverage. The policy was not cancelled and the error was corrected, reflecting a reissue date of 6/5/2014, with no lapse in coverage. Please see supporting documentation, including the transaction summary illustrating this policy was not cancelled by the company, in the Confidential Exhibits.

In reference to TermOvr60PPA1544758545, TPAOvr60PPA-201981993, and TPAOvr60PPA-1304013764, the company respectfully disagrees with the examiners' observations. The company's Rule 9, "Cancellations, Changes, and Automatic Coverage," permits the insured to request a cancellation and does not specify that the insured's request must be documented in the policy file. In these instances, the company's insurance

counselors correctly applied the filed rule and cancelled the policies at the insureds' requests. The selection of a cancellation reason or further documentation regarding why the insured was requesting to cancel may be done for the company's records but is not required.

- b. In 14 instances, the company failed to mail the notice of cancellation to the insured at least 45 days prior to the effective date of cancellation.

Company Response

The company respectfully disagrees with the examiners' observations. Customers who return to the company after cancelling are considered new business customers through the company's reissue and move-in process. The company writes six-month policy terms and when a customer cancels, this is considered a break in coverage and is no longer considered a "successive policy period" as described in § 38.2-2212 of the Code of Virginia. With the exception of filed discounts, customers in Virginia are treated the same at new business, reissue and when they move into Virginia from another state. The company does retain the customer's prior policy number and tenure for six months after cancellation as a matter of practice. However, this policy record treatment does not affect the policy status or underwriting treatment.

- c. In 12 instances, the company failed to advise the insured of the right to request a review by the Commissioner of Insurance.

Company Response

The company respectfully disagrees with the examiners' observations. Customers who return to the company after cancelling are considered new business customers through the company's reissue and move-in process. The company writes six-month policy terms and when a customer cancels, this is considered a break in coverage and is no longer considered a "successive policy period" as described in § 38.2-2212 of the Code of Virginia. With the exception of filed discounts, customers in Virginia are treated the same at new business, reissue and when they move into Virginia from another state. The company does retain the customer's prior policy number and tenure for six months after cancellation as a matter of practice. However, this policy record treatment does not affect the policy status or underwriting treatment.

- d. In ten instances, the company failed to advise the insured of the availability of other insurance.

Company Response

The company respectfully disagrees with the examiners' observations. Customers who return to the company after cancelling are considered new business customers through the company's reissue and move-in process. The company writes six-month policy terms and when a customer cancels, this is considered a break in coverage and is no longer considered a "successive policy period" as described in § 38.2-2212 of the Code of Virginia. With the exception of filed discounts, customers in Virginia are treated the same at new business, reissue and when they move into Virginia from another state. The company does retain the customer's prior policy number and tenure for six months after cancellation as a matter of practice. However, this policy record treatment does not affect the policy status or underwriting treatment.

- (4) The examiners found four occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to mail the cancellation notice to the lienholder at least 15 days prior to the effective date of cancellation.

Company Response

In reference to TermOvr60PPA038397492536, TermOvr60PPA-927473098, and TermOvr60PPA1597978921, the company respectfully disagrees with the examiners' observations. Customers who return to the company after cancelling are considered new business customers through the company's reissue and move-in process. The company writes six-month policy terms and when a customer cancels, this is considered a break in coverage and is no longer considered a "successive policy period" as described in § 38.2-2212 of the Code of Virginia. With the exception of filed discounts, customers in Virginia are treated the same at new business, reissue and when they move into Virginia from another state. The company does retain the customer's prior policy number and tenure for six months after cancellation as a matter of practice. However, this policy record treatment does not affect the policy status or underwriting treatment.

In reference to TermOvr60PPA0521439400261, TermOvr60PPA038397492536, TermOvr60PPA-927473098, and TermOvr60PPA1597978921 the company respectfully disagrees with the examiners' observations that the company failed to abide by the provision of the insurance policy that requires a minimum number of days' notice for which the company should mail the notice of cancellation to the loss payee. The policy provision referenced is ISO form UE231 and states:

We will give the same advance notice of cancellation to the loss payee as we give to the named insured shown in the Declarations.

The purpose is to provide the loss payee with the same amount (or more) notice of cancellation as the named insured, as required by § 38.2-2212 of the Code of Virginia, not necessarily the same exact number of days' notice. The underlying intent is to ensure loss payees receive notices of cancellation so they are not under the impression a policy is in force when an insurer has in fact cancelled it. The company provided the loss payees and named insureds with the proper amount of notice in accordance with Virginia law.

Other Law Violations

- (1) The examiners found 11 violations of § 46.2-482 of the Code of Virginia. The company failed to file the SR-26 within 15 days of cancelling the policy as required by the Virginia Motor Vehicle Code.

Company Response

The company respectfully disagrees with the examiners' observations in the following review sheets regarding the SR-26 filing: TermOvr60PPA1539522895, TermOvr60PPA1054245407, TermOvr60PPA1419276260, TermOvr60PPA1108528062, TermOvr60PPA1705973165, TermOvr60PPA1804248864, TermOvr60PPA1727343594, TermOvr60PPA1713488815, TermOvr60PPA-1957406516, TermOvr60PPA1013013129, TermNPPPA-351137296 and TermFst60PPA779743954. In accordance with § 46.2-482 of the Code of Virginia, the Company filed the SR26/FR46 within 15 days as documented in the policy file. Currently, the DMV's website does not list the filing date, so the examiners were unable to confirm this information on the DMV's website. The Company provided the examiners with verification directly from the DMV indicating the DMV received the filings. After receiving this verification, one of the examiners withdrew these types of violations (e.g., TPA053), but another examiner did not. In addition, the company has confirmed in person with a DMV staff member that each one of these policies was received within the 15 days required by § 46.2-482 of the Code of Virginia. Please see supporting documentation in the Confidential Exhibits.

In reference to TermOvr60PPA-1491498183 and TermOvr60PPA1439400261, the company acknowledges the SR26 was filed; however, it was not filed within 15 days.

All Other Cancellations – Automobile Policies

Non-Payment of the Premium

- (1) The examiners found one violation of §38.2-2208 B of the Code of Virginia. The company failed to retain a copy of the electronic transmittal sending the cancellation notice to the lienholder.

Company Response

In reference to TermOvr60PPA1440074655 and TermNPPPA-125048940, the company respectfully disagrees with the examiners' observations. During a teleconference with the examiners, the company described its process of sending a lienholder termination for both paperless and electronic submissions. Subsequently, the company provided the examiners with documentation including print screens of the process. Upon receiving this documentation, the examiners withdrew other similar violations, such as TermOvr60PPA-717908756, TermOvr60PPA-1610209981, TermOvr60PPA-1310717873, and TermOvr60PPA1108035301. Please see supporting documentation, including a re-submission of the proof regarding the policy under review, in the Confidential Exhibits.

Other Law Violations

- (1) The examiners found one violation of §46.2-482 of the Code of Virginia. The company failed to file the SR-26 within 15 days of cancelling the policy as required by the Virginia Motor Vehicle Code.

Company Response

The company respectfully disagrees with the examiners' observations in the following review sheets regarding the SR-26 filing: TermOvr60PPA1539522895, TermOvr60PPA1054245407, TermOvr60PPA1419276260, TermOvr60PPA1108528062, TermOvr60PPA1705973165, TermOvr60PPA1804248864, TermOvr60PPA1727343594, TermOvr60PPA1713488815, TermOvr60PPA-1957406516, TermOvr60PPA1013013129, TermNPPPA-351137296 and TermFst60PPA779743954. The Company filed the SR26/FR46 within 15 days, in accordance with § 46.2-482 of the Code of Virginia, as documented in the policy file. Currently, the DMV's website does not list the filing date, so the examiners were unable to confirm this information via the DMV's website. The company provided the examiners with verification directly from the DMV indicating the DMV received the filing. After receiving this verification, one of the examiners withdrew this type of violation (e.g., TPA053), but another examiner did not. In addition, the company has confirmed in person with a DMV staff member that each one of these policies

was received within the 15 days required by § 46.2-482 of the Code of Virginia. Please see supporting documentation in the Confidential Exhibits.

In reference to TermOvr60PPA-1491498183 and TermOvr60PPA1439400261, the company acknowledges the SR26 was filed; however, it was not filed within 15 days.

Requested by the Insured

- (1) The examiners found two violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

Company Response

In reference to TermIRPPA45119416, the company respectfully disagrees with the examiners' observation. The policy was both rated and endorsed correctly to determine the premium amount. Please see supporting documentation, including declaration pages illustrating the premium changes, in the Confidential Exhibits.

In reference to TermIRPPA-2064571426, the company acknowledges the examiners' observation. For the benefit of the customer—to avoid duplicate charges or to pay premium for a vehicle which he or she no longer owns—the company has consistently allowed customers to backdate cancellations so we do not penalize them. The company is amenable to updating the contract to outline instances in which backdating a cancellation would be approved without advanced notice.

- (2) The examiners found seven occurrences where the company failed to comply with the provisions of the insurance policy.
 - a. In six instances, the company failed to obtain advance notice of cancellation from the insured

Company Response

The company acknowledges the examiners' observation. For the benefit of the customer—to avoid duplicate charges or to pay premium for a vehicle which he or she no longer owns—the company has consistently allowed customers to backdate cancellations so we do not penalize them. The company is amenable to updating the contract to outline instances in which backdating a cancellation would be approved without advanced notice.

- b. In one instance, the company failed to retain evidence of the insured's request for cancellation of the policy.

Company Response

The company respectfully disagrees with the examiners' observations. The company's Rule 9, "Cancellations, Changes, and Automatic Coverage," permits an insured to request a policy cancellation and does not specify that the insured's request must be documented on the policy file. In these instances, the company's insurance counselors correctly applied the filed rule and cancelled the policies at the insureds' requests. The selection of a cancellation reason or further documentation regarding why the insured was requesting to cancel may be done for the company's records but is not required.

Company-Initiated Non-renewals – Automobile Policies

- (1) The examiners found three violations of §38.2-2208 B of the Code of Virginia. The company failed to send the lienholder written notice of non-renewing the insured's motor vehicle policy.

Company Response

The company acknowledges the examiners' observations. These instances are the result of insurance counselor execution errors. All counselors have been retrained on the correct handling of these situations to prevent further errors.

- (2) The examiners found two violations of § 38.2-2212 E of the Code of Virginia.
 - a. In one instance, the company failed to mail the nonrenewal notice to the insured's address shown on the policy.

Company Response

The company respectfully disagrees with the examiners' observation regarding TermNRPPA525897373. The policyholder contacted the company's claims department to update his address and the company used this updated address for all further communication. Furthermore, the company searched public real estate records and the address the examiners cited is not a valid address for the city and county in which the policyholder lives. However, the address the company used is a valid address in the city and county in which the policyholder lives. Please see supporting documentation in the Confidential Exhibits.

- b. In one instance, the company failed to mail the nonrenewal notice to the insured at least 45 days prior to the effective date of cancellation.

Company Response

The company acknowledges the examiners' observations. This instance is the result of an insurance counselor execution error. The counselor has been retrained on the correct handling of nonrenewal notices to prevent further errors.

CLAIMS REVIEW

Private Passenger Automobile Claims

- (1) The examiners found 17 violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

Company Response

In reference to ClaimVehPPA-1480983944, the company respectfully disagrees with the examiners' observations. The insured owed \$500 in miscellaneous charges which were listed on the rental receipt. The company provided the examiners with documentation to prove the charges were for the insured's Collision deductible, stemming from a subsequent accident that occurred on 4/19/2014. During the 4/19/2014 accident, the insured was driving an Enterprise rental vehicle that was provided under Rental Reimbursement coverage for the 4/11/2014 loss. Enterprise properly charged the insured their \$500 Collision deductible to cover the damages sustained to the 2014 Hyundai Santa Fe. Since the company did not owe the \$500, the company did not pay it. The total loss evaluation also lists a refurbishment item for maintenance expenses wherein 10% of the maintenance costs were included in the evaluation. Please see supporting documentation in the Confidential Exhibits.

In reference to ClaimVehPPA-560238060, the company respectfully disagrees with the examiners' observations. The company confirmed the VIN the insured provided to the company at the time of policy endorsement was the same as the VIN of the vehicle involved in the claim. There was never an error regarding mismatched VINs. The Underwriting/Policy system shows the VIN that was reported at the time of policy inception in March 2014 and the VIN shown in photos of the vehicle taken during the initial estimate are identical. Please see supporting documentation in the Confidential Exhibits.

In reference to ClaimVehPPA859248100, the company respectfully disagrees with the examiners' observations. The company documented the claim file regarding the cause of loss. The company indicated in the claim file that a rock hit and punctured the air conditioning condenser, causing the air conditioner to stop working. The company appropriately selected "All Other- Comprehensive" as the cause of loss for this incident which was caused by a flying object. Please see supporting documentation in the Confidential Exhibits.

In reference to ClaimVehPPA-1320482390, the company respectfully disagrees with the examiners' observations. The company documented the total loss offer to the insured multiple times in the claim file. Additionally, the company documented the fact the insured requested to retain the salvage vehicle (please see screenshots in the exhibit). The total loss summary tab of the claim file notes the company discussed valuation with the insured and mailed the valuation information to the insured. The company advised the insured of the total loss offer on 6/2/2014. When the company determined who the lienholder was and that the insured had negative equity, the company documented the file on 6/16/2014. Also on 6/16/2014, the Insurance Auto Auctions (IAA)/salvage team documented the insured as being the releaser of the vehicle, which would be towed to IAA. In the claim file notes, the company advised the insured that he could not retain the vehicle because he had negative equity with his lienholder. The company faxed the breakdown of the total loss settlement to the insured. On the same date, the claim file notes indicate the company provided the Power of Attorney (POA)/title instructions to the insured, and reiterate the insured did not retain his vehicle due to negative equity. Please see supporting documentation in the Confidential Exhibits.

In reference to ClaimVehPPA-294850729, the company respectfully disagrees with the examiners' observations. The first evaluation in the claim file is marked with an "original" stamp. The subsequent evaluations are marked with date and time stamps that are located at the top right corner of the documents. The evaluations clearly outline and itemize the updates the company made. It is the company's policy to provide an accurate settlement based upon a vehicle's condition and vehicle options. If a vehicle option was omitted from an original or subsequent evaluation, the company produces an updated evaluation to reflect all known vehicle options. In this case, the adjuster did not add options in the first evaluation (base evaluation). In the second evaluation (dated 6/2/2014, 3:26 p.m.), the adjuster added major options, including power driver and passenger seats (+\$200) and a memory package (+\$183). In the third evaluation (dated 6/2/2014, 3:27 p.m.), the adjuster added leather seats and an electric sunroof (+\$900 in base value added). On 8/25/2014, the lienholder told the adjuster there were dealer items missing from the evaluation, so the adjuster added those items. On the fourth (dated 8/25/2014, 12:12 p.m.) and fifth (dated 8/25/2014, 12:13 p.m.) evaluations, which were updated over the phone with CCC, the following adjuster added the following items: premium package (+\$931), home link (+\$50), a communications system (+\$152), navigation (+\$700), and heated seats (+\$150). The final evaluation was the correct base value of \$25,194, which the examiner noted on ClaimVehPPA-294850729. The final settlement amount that the adjuster offered to the insured was authorized by both the adjuster's supervisor and manager on the same date the adjuster completed the final evaluation. The adjuster also informed the lienholder of the updated amount and the adjuster processed paperwork to

provide the appropriate amount. Please see supporting documentation in the Confidential Exhibits.

The company acknowledges the other observations, but disagrees that the company has a general business practice of failing to document claim files sufficiently. The company's training for claims associates emphasizes clear and concise documentation of all actions the associates take on claims. Additionally, it is the company's process to review a sample of files each month for every claims associate to ensure proper documentation of files.

In reference to ClaimVehPPA-1737810753, the company acknowledges the examiners' observations. The associate followed SIU's recommendations; however, the associate did not clearly document the file. The associate's supervisor advised him of the error and retrained the associate regarding proper handling.

In reference to ClaimVehPPA1452835302, the company respectfully disagrees with the examiners' observations. The associate documented his 7/7/2014 conversation with the insured who stated his vehicle had additional damages that needed to be repaired. The associate advised the insured that the proper procedure is for the insured to follow up with their body shop to address any outstanding repair issues. The associate even attempted a conference call with the body shop and the insured; however, the shop did not answer the call. The associate documented the file, indicating the insured should contact their shop. If the shop was able to address the customer's concern, the company does not have a reason to be involved; hence, the associate did not document the file any further.

In reference to ClaimVehPPA-830389022, the company respectfully disagrees with the examiners' observations. The company adequately documented the claim file. The company advised the insured of first party coverages including Transportation Expenses, as the company discussed rental availability for reasonable repair time with the insured. On 12/22/2014, the company advised the insured regarding the Collision coverage and deductible. It is also noted on 1/14/2015 that the insured's vehicle was being held by police due to its involvement in a fatal accident. The police did not release the insured's vehicle until 10/2/2015. Please see supporting documentation in the Confidential Exhibits.

In reference to ClaimVehPPA-678627270, the company acknowledges the typographical error on the letter in regard to the statute number. The company corrected its systems in July 2015 upon the realization of this error.

In reference to ClaimVehPPA-475394845, the company acknowledges the examiners' observations. However, the claim file indicates management reviewed the claim and determined it should be handled as two separate occurrences since the insured stated two different objects impacted the vehicle, causing damage separately to the front and rear

bumpers. The examiners and the company have a difference of opinion regarding proper handling and thorough file documentation; however, the company chose to reimburse the insured. Please see supporting documentation in the Confidential Exhibits.

In reference to ClaimVehPPA278593618, the company acknowledges the examiners' observations. The adjuster mistakenly referenced a Maryland policy instead of a Virginia policy. However, this was a mistake and not a general business practice. The company agrees the file lacks documentation regarding the reason for a previous \$11.31 payment on the rental bill. The adjuster was retrained regarding the proper documentation of files.

In reference to ClaimVehPPA-195675659, the company acknowledges the examiners' observations. The associate misunderstood the loss description and applied UMPD coverage for a hit and run loss when this was a vandalism loss. The associate attempted to give the insured accurate coverage for what she understood the loss to be, and provided rental coverage under UMPD coverage. The associate has been retrained on these subject matters.

In reference to ClaimVehPPA-1484315367, the company acknowledges the examiners' observations. The company received the demand from the construction company and reviewed and paid the demand, without surcharging our insured. The associate made an error by issuing payment on this claim where our insured was not negligent. The associate has been retrained on proper handling.

In reference to ClaimVehPPA-1871048478, the company acknowledges the examiners' observations. As the file indicated, the insured reported that his girlfriend vandalized his vehicle. The company is making efforts to secure additional information and reassess the potential for subrogation. The associate who was involved has been retrained on proper handling.

In reference to ClaimVehPPA589973048, the company acknowledges the examiners' observations. As the file indicated, the insured reported a minor child on a bicycle lost control and damaged her parked vehicle. The company is making efforts to secure additional information and reassess the potential for subrogation. The associate who was involved has been retrained on proper handling.

In reference to ClaimVehPPA1164409168, the company acknowledges the examiners' observations. The second payment of \$774.48 was a reissue of the check which had a stop-payment order. However, the vehicle was later declared a total loss and the company should not have paid the original estimate for damages. The associate who was involved has been retrained on proper handling.

In reference to ClaimVehPPA54345653, the company acknowledges the examiners' observations. The company's documentation was not clear regarding the rental charges. The company received the pertinent documentation from Enterprise Rent-A-Car and paid the appropriate amount to the insured (including 6% interest).

- (2) The examiners found 11 violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, the benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.
 - a. In one instance, the company failed to inform the insured of the Collision or Other than Collision deductible when the file indicated that the coverage was applicable to the loss.

Company Response

The company acknowledges the examiners' observation. The associate failed to advise the insured of the Collision or Other than Collision deductible. The associate was retrained on proper handling.

- b. In eight instances, the company failed to accurately inform an insured of the Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.

Company Response

In reference to ClaimVehPPA690516479, the company respectfully disagrees with the examiners' observations. The company documented it advised the insured of First Party Coverages, which includes limits and deductibles. Please see supporting documentation in the Confidential Exhibits.

In reference to ClaimVehPPA1902197687, ClaimVehPPA1117396691, ClaimVehPPA-1034243260, ClaimVehPPA-412886731, ClaimVehPPA383402255, and ClaimVehPPA-80794209, the company acknowledges the examiners' observations. The associates incorrectly told insureds that daily limits existed for rental coverage. The associates involved were retrained on proper handling. Additionally, the company is making a system change to remind associates there is not a daily maximum for rental in Virginia.

In reference to ClaimVehPPA-2105000089, the company acknowledges the examiners' observations. The associate did not advise the insured she was entitled to a comparable-sized rental vehicle. The associate was retrained on proper handling.

- c. In two instances, the company failed to accurately inform an insured of the benefits or coverage, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM).

Company Response

In reference to ClaimVehPPA1755626909, the company respectfully disagrees with the examiners' observations. When the company determined the insured had a valid Uninsured Motorist claim, the vehicle had already been repair under the Collision coverage. The company offered a rental vehicle to the insured upon the determination of applicable UM coverages. Please see supporting documentation in the Confidential Exhibits.

In reference to ClaimVehPPA-1687947836, the company acknowledges the examiners' observations. The associate erroneously advised the insured the company would not pay CDW on the rental vehicle; however, the company would have owed CDW since the insured vehicle did not carry collision or OTC. The associate has been retrained regarding the rental explanation process.

- (3) The examiners found one violation of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.

Company Response

The company acknowledges the examiners' observation. The company's established procedure is to send a delay letter every 30 days while an investigation is ongoing. The associate did not follow the company's procedure in the one claim; however, the associate was retrained on proper handling.

- (4) The examiners found four violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim in writing and/or failed to keep a copy of the written denial in the claim file.

Company Response

In reference to ClaimVehPPA-1169866252, the company acknowledges the examiners' observations. Contrary to the company's procedures, the associate erroneously advised the insured to submit documentation for Loss of Income coverage before the associate confirmed the coverage was on the policy. The associate has been retrained on proper handling.

In reference to ClaimVehPPA-1078366706, the company acknowledges the examiners' observations. Contrary to the company's procedures, the associate denied the claim for wear and tear without documenting the claim file. The associate has been retrained on proper handling.

In reference to ClaimVehPPA-356995683, the company acknowledges the examiners' observations. Contrary to the company's procedures, the associate did not send the denial letter and maintain a copy in the file. The associate has been retrained on proper handling.

In reference to ClaimVehPPA-193417669, the company acknowledges the examiners' observations. Contrary to the company's procedures, the associate did not send the denial letter and maintain a copy in the file. The associate has been retrained on proper handling.

- (5) The examiners found two violations of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for the denial in its written denial of the claim.

Company Response

In reference to ClaimVehPPA847807977, the company acknowledges the examiners' observations. Although the company's reason for denial was clear, the denial letter did not cite specific policy provisions as our training and procedures require. The company no longer employs the associate who wrote the denial letter.

In reference to ClaimVehPPA541344271, the company acknowledges the examiners' observations. Although the company's reason for denial was appropriate, the denial letter did not cite specific policy provisions as our training and procedures require. The company no longer employs the associate who wrote the denial letter.

- (6) The examiners found 22 violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
 - a. In three instances, the company failed to pay the insured's UMPD claim properly when Collision and UMPD coverage applied to the claim.

Company Response

The company acknowledges the examiners' observations. The company erroneously applied the Collision deductible instead of a \$200 deductible for UMPD coverage. The

company has established a process in which management reviews every Virginia UM claim to ensure it has been paid properly.

- b. In one instance, the company failed to pay the insured's UMPD claim properly.

Company Response

In reference to ClaimVehPPA-846688807, the company respectfully disagrees with the examiners' observations. Since the insured's vehicle was leased, the company does not have to pay taxes, tag, and title fees, unless the customer pre-pays the taxes (which is rare, but would be paid under the claim). The company does not owe the insured \$12.

In reference to ClaimVehPPA1143479379, the company respectfully disagrees with the examiners' observations. Since the insured's vehicle was leased, the company does not have to pay taxes, tag, and title fees, unless the customer pre-pays the taxes (which is rare, but would be paid under the claim). The company does not owe the insured \$1,099.95.

In reference to ClaimVehPPA145420350, the company acknowledges the examiners' observations. The company paid the \$10 tag fee, but did not pay the \$2 transfer fee. However, the company paid the appropriate tax rate of 4% as the date of loss was May 28, 2014. The tax rate did not increase to 4.05% until July 1, 2014. Please see supporting documentation in the Confidential Exhibits.

In reference to ClaimVehPPA672749943, the company acknowledges the examiners' observations. The company paid the insured 4% sales tax when the amount should have been 4.05%. The ACV of the vehicle was \$20,400, so the amount of tax owed is \$826.20. The company paid the insured \$816, so the company owes the insured \$10.20 (plus interest).

In reference to ClaimVehPPA1241147007, the company acknowledges the examiners' observations. Originally, the company did not owe the \$12 tax and title fees because the policy did not have first-party coverages. However, the company backdated and added these coverages to the policy, so the associate erred in not paying the fees. The associate was retrained on proper handling.

- c. In two instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.

Company Response

In reference to ClaimVehPPA-1764562040, the company respectfully disagrees with the examiners' observations. The company met its obligation to pay the reasonable and necessary bills relating to losses under Medical Expense Benefits coverage. Because a CT of the cervical spine for \$190 is not indicated for the diagnosis of an unspecified head injury, benign neoplasm of the vertebral column, or acute pain due to trauma, the CT is not reasonable and necessary. Please see supporting documentation in the Confidential Exhibits.

In reference to ClaimVehPPA991016970, the company acknowledges the examiners' observations. The company's process is to honor valid Assignment of Benefits forms and requests, pursuant to § 38.2-2201 of the Code of Virginia. The associate did not follow the company's process, and was retrained on proper handling.

- d. In nine instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.

Company Response

In reference to ClaimVehPPA647883769, the company acknowledges the examiners' observations. However, the company respectfully disagrees with the amount owed. The company paid \$1458.98 of the \$1879.90 rental bill, a difference of \$420.92. However, the examiners agreed the company did not owe the insured's additional expenses of \$336. Therefore, the company owes \$90.02—the difference between \$420.92 and \$336 (\$84.92) plus 6% interest.

In reference to ClaimVehPPA-1906218807, the company acknowledges the examiners' observations. The associate did not properly pay the full amount of the rental. The associate was retrained on proper handling.

In reference to ClaimVehPPA-1804542851, ClaimVehPPA-1260380222, ClaimVehPPA946440488, ClaimVehPPA-568383841, ClaimVehPPA469027819, and ClaimVehPPA-263285073, the company acknowledges the examiners' observations. The associates did not follow the proper procedure in explaining collision damage waivers to the customers and documenting the claim files. All associates involved were retrained regarding the rental explanation process.

In reference to ClaimVehPPA1398208566, the company acknowledges the examiners' observations. The associate did not clearly document the claim file regarding the rental charges and lack of coverage for the first 48 hours following the vehicle theft. The associate was retrained on proper handling. The company received the pertinent documentation from Enterprise Rent-A-Car and paid the appropriate amount plus 6% interest to the insured.

- e. In two instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Collision or Other than Collision coverage.

Company Response

In reference to ClaimVehPPA-322799910, the company respectfully disagrees with the examiners' observations. The company previously provided documentation to the examiners showing the damages to the vehicle were properly handled under a separate claim. Please see supporting documentation in the Confidential Exhibits.

In reference to ClaimVehPPA1545236221, the company acknowledges the examiners' observations. However, the claim file indicates management reviewed the claim and determined it should be handled as two separate occurrences since the insured stated two different objects impacted the vehicle, causing damage separately to the front and rear bumps. The examiners and the company have a difference of opinion regarding proper handling and thorough file documentation; however, the company chose to remediate the insured.

- (7) The examiners found 28 violations of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.

- a. In 17 instances, the company failed to provide a copy of the repair estimate to the insured.

Company Response

The company respectfully disagrees with the examiners' observations. The company did not violate 14 VAC 5-400-80 D. Throughout the course of the examination, the company provided information and documentation to the examiners that supported the fact the company provided estimates to the vehicle owners. Additionally, the company made the estimates available to the vehicle owners via geico.com. Furthermore, for all Auto Repair Express customers, the company has an established process to provide estimates to customers in a customer pickup folder upon completion of repairs.

- b. In 11 instances, the company failed to provide a copy of the repair estimate to the claimant.

Company Response

The company respectfully disagrees with the examiners' observations. The company did not violate 14 VAC 5-400-80 D. Throughout the course of the examination, the company provided information and documentation to the examiners that supported the fact the company provided estimates to the vehicle owners. Additionally, the company made the estimates available to the vehicle owners via geico.com. Furthermore, for all Auto Repair Express customers, the company has an established process to provide estimates to customers in a customer pickup folder upon completion of repairs.

- (8) The examiners found one violation of § 38.2-236 A of the Code of Virginia. The company failed to notify the claimant within five business days that a settlement payment was issued to the claimant's attorney or representative.

Company Response

The company acknowledges the examiners' observation. The associate did not send a notice of settlement letter to the claimant. Even though the loss occurred in Washington, DC and the claimant was represented by a Washington, DC attorney, the loss involved a Virginia policy. The associate did not follow the company's protocol and was retrained on proper handling.

- (9) The examiners found 12 violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

Company Response

In reference to ClaimVehPPA1436972257, the company respectfully disagrees with the examiners' observations. There was a lack of corroborating evidence to support which driver was negligent in this claim. However, it was determined the innocent minor passenger's bodily injury claim should be settled and divided between the two drivers. Please see supporting documentation in the Confidential Exhibits.

In reference to ClaimVehPPA-2111939528, the company acknowledges the examiners' observation. The insured reported a tow company damaged her vehicle when it was towed for unpaid parking tickets. The associate handled the claim under other-than-collision since he did not know exactly how the vehicle was damaged. The associate has been retrained on proper handling.

In reference to ClaimVehPPA2006077890, the company acknowledges the examiners' observation. The associate did not follow the company's established procedure to investigate the cause of loss after the insured lied about the theft of his vehicle. The company advised the associate of the error and retrained him on proper handling.

In reference to ClaimVehPPA-1514399272, the company acknowledges the examiners' observation. The associate made a decision based on the insured's statements without closely reviewing the official report. The company advised the associate of the error and retrained him on proper handling.

In reference to ClaimVehPPA1496702292, the company acknowledges the examiners' observation. The associate issued a payment of \$18,000 for one claimant's damages without considering the other claimant's proportional share. The associate no longer works for the company.

In reference to ClaimVehPPA1439929345, the company acknowledges the examiners' observations. The company originally denied the UMPD claim because the insured was ticketed for the accident; however, the police officer subsequently rescinded the ticket. The company has reassessed the claim, reached agreement on the UMBI matter for \$934.62 plus incurred medical expenses and has made arrangements to inspect and settle the UMPD matter.

In reference to ClaimVehPPA1438266842, ClaimVehPPA663572750, and ClaimVehPPA-3039472, the company acknowledges the examiners' observations. In these claims, the insureds had a Virginia policy; however, the loss occurred in another state or the insured had an out-of-state address. The associates involved did not investigate the discrepancies thoroughly; therefore, the company retrained the associates on proper handling.

In reference to ClaimVehPPA1438173797, the company acknowledges the examiners' observation. While the insured stated her husband was chasing her vehicle and she struck a parked car during her effort to flee; the associate should have investigated the claim more thoroughly to determine if some damages were the result of an intentional act. The associate was retrained on proper handling.

In reference to ClaimVehPPA858511133, the company acknowledges the examiners' observations. It appears the associate determined the insured's negligence without adequate information which is contrary to our procedure. The associate no longer works for the company.

In reference to ClaimVehPPA503998099, the company acknowledges the examiners' observations. The supervisor did not consider the permissive use coverage issue. The supervisor was retrained on proper handling.

- (10) The examiners found nine violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.

Company Response

In reference to ClaimVehPPA-1363796475, the company respectfully disagrees with the examiners' observations. The company handled this loss as an other-than-collision claim, as a sheet of ice fell from an unknown vehicle onto the insured's vehicle. The company reevaluated the cause of loss under UMBI months later when the insured's attorney became involved. Please see supporting documentation in the Confidential Exhibits.

In reference to ClaimVehPPA-1798151924, the company acknowledges the examiners' observations. The associate's delay in resolving the liability issue led to the settlement delay. The associate no longer works for the company.

In reference to ClaimVehPPA1598593785, the company acknowledges the examiners' observations. The associate's delay in resolving the liability issue led to the settlement delay. The associate was advised of the error and retrained on proper handling.

In reference to ClaimVehPPA1567413899, the company acknowledges the examiners' observations. There was a settlement delay due to the SIU investigation. The associate was retrained on proper handling.

In reference to ClaimVehPPA1439210826, the company acknowledges the examiners' observations. The settlement delay was caused by difficulty in receiving the Power of Attorney for the total loss.

In reference to ClaimVehPPA-970935405, ClaimVehPPA312300371, and ClaimVehPPA780448142, the company acknowledges the examiners' observations. The delays were due to efforts in obtaining an independent appraiser's report of the damage, evaluations to resolve the total loss, and lienholder payoff information, respectively.

In reference to ClaimVehPPA -41325647, the company acknowledges the examiners' observations. The associate was retrained on proper handling.

- (11) The examiners found seven violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was

not accompanied by a statement setting forth the correct coverage(s) under which payment was made.

Company Response

In reference to ClaimVehPPA1665418829, ClaimVehPPA1454986020, ClaimVehPPA-1285202437, and ClaimVehPPA-80866874, the company acknowledges the examiners' observations. Initially, the associates improperly issued full payment under Uninsured Motorist Coverage. However, the payments were subsequently recoded under Collision and Uninsured Motorist coverages. The associates were retrained on proper handling.

In reference to ClaimVehPPA1527160933, the company acknowledges the examiners' observations. Initially, the associate incorrectly coded the loss as vandalism. However, the loss was subsequently properly recoded as Fire. The associate was retrained on proper handling.

In reference to ClaimVehPPA1453216327, the company acknowledges the examiners' observations. The insured was not certain what caused the damages to her vehicle, but based on her description a phantom vehicle could have potentially been involved. However, when the adjuster inspected the damages, it appeared an object, not a vehicle caused the damages. Therefore, after the payment was issued, the associate changed the coverage type from collision to comprehensive. The associate was retrained on proper handling.

In reference to ClaimVehPPA-999801523, the company acknowledges the examiners' observations. The associate erroneously open UMPD coverage and paid excess rental costs. The associate has been retrained on proper handling.

- (12) The examiners found three violations of § 38.2-2201 B of the Code of Virginia. The company failed to obtain a statement from an insured authorizing the company to make payments directly to the medical provider.

Company Response

In reference to ClaimVehPPA1439986924, the company acknowledges the examiners' observations. The associate erroneously paid the service provider in lieu of the insured. The associate was retrained on proper handling.

In reference to ClaimVehPPA1438605079, the company acknowledges the examiners' observations. The associate erroneously paid the service provider in lieu of the insured. The associate was retrained on proper handling.

In reference to ClaimVehPPA1438085498, the company acknowledges the examiners' observations. The associate erroneously paid the service provider in lieu of the insured. The associate was retrained on proper handling.

- (13) The examiners found 23 occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In one instance, the company failed to determine the applicable diminished value for the insured's UMPD claim.

Company Response

The company acknowledges the examiners' observations. The adjuster incorrectly advised the claimant that the Diminished Value claim would not apply for the hit-and-run UMPD claim. The adjuster was retrained on proper handling.

- b. In one instance, the company failed to include the lienholder on the insured's check.

Company Response

The company acknowledges the examiners' observations. The associate issued the check to the insured and failed to include the lienholder. The associate was retrained on proper handling.

- c. In 12 instances, the company paid an insured more than he/she was entitled to receive under the terms of the policy.

Company Response

In reference to ClaimVehPPA-1658336139, the company acknowledges the examiners' observations. The adjuster who overpaid the tag and title fees, contrary to established procedures, no longer works for the company.

ClaimVehPPA1480121882, the company acknowledges the examiners' observations. The adjuster paid the claimant an incorrect amount. The adjuster was retrained on proper handling.

In reference to ClaimVehPPA1458586967, the company acknowledges the examiners' observations. Originally, the company did not owe the \$12 in tax and title fees since the policy did not have first-party coverages. However, the company backdated and added first-party coverage to the policy, so the company did owe the \$12 fee. The adjuster also

failed to apply the recently-added deductible. The adjuster was retrained on proper handling.

In reference to ClaimVehPPA1438106542, the company acknowledges the examiners' observations. The adjuster erroneously issued a check to the insured. The adjuster was retrained on proper handling.

In reference to ClaimVehPPA1438013626 and ClaimVehPPA1077209699, the company acknowledges the examiners' observations. The adjusters used incorrect tax rates as our training and procedures require. The company no longer employs either of the adjusters.

In reference to ClaimVehPPA-1307303421 and ClaimVehPPA-1302465260, the company acknowledges the examiners' observations. The adjusters erroneously paid tag and title fees in connection with vehicles the claimants retained. The adjusters were retrained on proper handling.

In reference to ClaimVehPPA1067991282, the company acknowledges the examiners' observations. The adjuster used an incorrect tax rate. The adjuster was retrained on proper handling.

In reference to ClaimVehPPA-1001300027, the company acknowledges the examiners' observations. The adjuster overpaid the claim because the towing bill was automatically paid. The adjuster was retrained on proper handling.

In reference to ClaimVehPPA621927119, the company acknowledges the examiners' observations. The associate miscalculated the amount of loss of income coverage that should have been paid to the claimant, contrary to established procedures. The associate currently works in a different capacity.

In reference to ClaimVehPPA427206595, the company acknowledges the examiners' observations. The associate misunderstood the loss description and applied UMPD coverage for a hit and run loss when this was a vandalism loss. The associate attempted to give the insured accurate coverage for what she understood the loss to be, and provided rental coverage under UMPD coverage. The associate has been retrained on these subject matters.

- d. In seven instances, the company failed to pay an Uninsured Motorist (UM) claim properly.

Company Response

The company acknowledges the examiners' observations. The company has corrected and recoded the payments. As corrective measures, the company instituted a system to review all UM claims to ensure proper allocation and retrained the associates.

- e. In two instances, the company failed to pay the claim under the correct coverage.

Company Response

The company acknowledges the examiners' observations. The company has corrected and recoded the payments. As corrective measures, the company instituted a system to review all UM claims to ensure proper allocation and retrained the associates.

Other Law Violations

- (1) The examiners found one violation of § 46.2-624 of the Code of Virginia. The company failed to notify the Virginia Department of Motor Vehicles when payment was made in excess of \$3,500 on a water-damaged vehicle.

Company Response

In reference to CLAIMVEHPPA98283513, the company respectfully disagrees with the examiners' observations. The company followed proper procedure based on the vehicle's loss location. This claim involved a Virginia policy; however, the loss occurred in Louisiana on 5/28/2014. The Baton Rouge, Louisiana branch of Insurance Auto Auctions (IAA) took possession of the vehicle on 6/5/2014; received the original Virginia title on 9/24/2014; received the new Louisiana title on 10/6/2014; and sold the vehicle at auction on 10/14/2014. Because the vehicle was sold in Louisiana, IAA applied for the Louisiana title in which the vehicle was properly branded as water-damaged. Please see supporting documentation in the Confidential Exhibit for Other Law Violations.

- (2) The examiners found four violations of 52-40 of the Code of Virginia. The company failed to include the fraud statement on claim forms required by the company as a condition of payment.

Company Response

The company acknowledges the examiners' observations. In August 2015, the company removed the old form from these associates' personal files and directed these associates to use the system form, per established procedures, which includes the fraud statement described in § 52-40 of the Code of Virginia.

REVIEW OF FORMS

Automobile Policy Forms

Policy Forms Used During the Examination Period

- (1) The examiners found one violation of § 38.2-2214 of the Code of Virginia. The company used a rate classification statement other than the one filed and approved by the Bureau.

Company Response

The company acknowledges the examiners' observation. The company inadvertently implemented the incorrect version of the form. The error was discovered and corrected on 7/23/2015.

- (2) The examiners found 15 violations of § 38.2-2220 of the Code of Virginia. The company used policy forms that were not in the precise language of the standard forms filed and adopted by the Bureau.

Company Response

The company acknowledges the examiners' observation. The company will make the revisions as requested.

Policy Forms Currently Used

- (1) The examiners found one violation of § 38.2-2214 of the Code of Virginia. The company used a rate classification statement other than the one filed and approved by the Bureau.

Company Response

The company acknowledges the examiners' observation.

- (2) The examiners found seven violations of § 38.2-2220 of the Code of Virginia. The company used policy forms that were not in the precise language of the standard forms filed and adopted by the Bureau.

Company Response

The company acknowledges the examiners' observations. The company identified the issue on May 5, 2015 and the corrected form was implemented on May 14, 2015. The company then conducted a special mailing and sent the corrected form to all impacted insureds. This additional mailing was completed by August 10, 2015.

REVIEW OF THE POLICY ISSUANCE PROCESS

Automobile Policies

New Business Policies

- (1) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to provide a written Adverse Underwriting Decision (AUD) notice to the insured.

Company Response

The company respectfully disagrees with the examiners' observations regarding PINBIPPA1014493361. The company provided all correct information regarding this policy with the initial submission. Subsequently, the company provided the same information again on 6/26/2015 after the start of the audit. All information submitted illustrates the same coverages both at the time of sale and on the declaration pages. Please see supporting documentation, including an additional copy of both the original sales application and declaration page, in the Confidential Exhibits.

- (2) The examiners found two violations of § 38.2-2206 A of the Code of Virginia. The company failed to obtain a written rejection of higher UM limits when issuing a policy with UM limits lower than the Liability coverage limits.

Company Response

The company acknowledges the examiners' observation.

- (3) The examiners found one violation of § 38.2-2234 A of the Code of Virginia. The company failed to provide the Insurance Credit Score Disclosure notice to the insured at the time of application.

Company Response

The company respectfully disagrees with the examiners' observations. Pursuant to Virginia Code Ann. § 38.2-2234 A:

An insurer must disclose, either on the insurance application or at the time the insurance application is taken (i) that it shall obtain credit information in connection with such application, (ii) that the insured may request that his credit information be updated; and (iii) that, if the insured questions the accuracy of the credit information, the insurer will, upon request of the insured, reevaluate in the insured based on corrected credit information from a consumer reporting agency.

Ms. Joy Morton
October 19, 2016
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Such disclosure shall be either written or provided to an applicant in the same medium as the application for insurance.

The company has credit disclosures that meet the requirements of the above mentioned statute for both sales that occur online and over the phone. Please see supporting documentation including the credit disclosures regarding review sheet PINBPIPPA908931520 in the Confidential Exhibits.

REVIEW OF STATUTORY NOTICES

General Statutory Notices

The examiners found 14 violations of § 38.2-604 C of the Code of Virginia. The companies' short form Notice of Information Collection and Disclosure Practices did not contain all of the information required by the statute.

Company Response

The company respectfully disagrees with the examiners' observation. Due to the fact that an applicant receives the long form notice upon the issuance of a policy, the sending of the short notice is not required. Based on review of § 38.2-604 C of the Code of Virginia, the short form notice is an option for an insurance company and may be sent instead of the long form notice.

Statutory Vehicle Notices

The examiners found seven violations of § 38.2-517 A 3 of the Code of Virginia. The companies' Glass Script did not properly disclose the use of a third party administrator.

Company Response

We respectfully disagree that the companies' Glass Script violates § 38.2-517 A 3 of the Code of Virginia; however, we acknowledged the Bureau's recommendation and adjusted the glass script on 12/21/15. Please see supporting documentation in the Confidential Exhibits.

Other Notices

Other Law Violations

The examiners found seven violations of § 52-40 of the Code of Virginia. The companies failed to include the fraud statement on all applications.

Company Response

The company acknowledges the examiners' observations.

LICENSING AND APPOINTMENT REVIEW

Agent

The examiners found one violation of § 38.2-1822 A of the Code of Virginia. The company permitted a person to act in the capacity of an agent who was not licensed in Virginia.

Company Response

The company respectfully disagrees with the examiners' observation. The agent did not negotiate an insurance contract while assisting the customer with their request. As defined in § 38.2-1822 A of the code of Virginia, "negotiating" means "selling, soliciting, or negotiating contracts of insurance or annuity on behalf of an insurer licensed in this Commonwealth or receiving or sharing, directly or indirectly, any commission or other valuable consideration arising from the sale, solicitation, or negotiation of any such contract, or both." The agent held a valid Indiana Insurance license and made a clerical error when attempting to set up one vehicle on a New York policy and leave the second vehicle on the existing Virginia policy. The agent unintentionally moved the Virginia policy to New York. To fix the mistake, she created a new policy number for the Virginia rated vehicle. The agent did not sell, solicit, or negotiate an insurance contract nor did she receive compensation.

REVIEW OF THE COMPLAINT-HANDLING PROCESS

The examiners found one violation of § 38.2-511 of the Code of Virginia. The company failed to maintain a complete complaint register in compliance with this statute.

Company Response

The company respectfully disagrees with the examiners' observations. In regards to complaint numbers 4 and 30, the company did not violate § 38.2-511 of the Code of Virginia. The company provided a complete record of all its complaints to the examiners prior to their on-site arrival. The record included the total number of complaints, classification by line of insurance, the nature of each complaint, the complaints' dispositions, and the amount of time it took to process each complaint. The company made a clerical error by listing the policy number in the "Insurance Department ID" field on complaint #4 and incorrectly recorded the BOI identifier as 94596 instead of 94948. These are not statutory violations but rather clerical errors.

PART TWO – CORRECTIVE ACTION PLAN

General

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company, and
Government Employees Insurance Company shall:

- (1) Provide a Corrective Action Plan (CAP) with their response to the Report.

Rating and Underwriting Review

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company, and
Government Employees Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.

Company Response

For applicable overcharges and undercharges, the companies have taken steps to correct the errors and provided refunds or credits to the affected insureds.

- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.

Company Response

The companies included six percent (6%) simple interest in the amounts refunded and/or credits to the insureds' accounts.

- (3) Complete and submit to the Bureau, the enclosed file title "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges listed in the file.

Company Response

The companies have submitted the file titled "Rating Overcharges Cited during the Examination" to the Bureau. The companies indicated which payments they disputed.

- (4) File all rates and supplementary rating information with the Bureau.

Company Response

As stated in Part One, the companies respectfully disagree the companies have failed to file rates and supplementary rating information with the Bureau.

- (5) Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, points for accidents and convictions, symbols, tier eligibility, driver classifications, base and/or final rates, and proper credit information.

Company Response

As stated in Part One, the companies respectfully disagree the companies have failed to use the rules and rate on file with the Bureau.

- (6) Update the insured's credit information at least once every three years as required by § 38.2-2234 of the Code of Virginia.

Company Response

The companies will begin conducting self-audits to ensure insureds' credit information is updated at least once every three years, as described in § 38.2-2234 of the Code of Virginia.

Termination Review

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,

GEICO Secure Insurance Company, and
Government Employees Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge at the date the error first occurred.

Company Response

The companies respectfully disagree with the listed overcharges and undercharges, and thus have not sent refunds at this time.

- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.

Company Response

Not applicable, as the companies did not issue refunds.

- (3) Complete and submit to the Bureau, the enclosed file titled "Termination Overcharges Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges listed in the file.

Company Response

The companies submitted the file titled "Termination Overcharges Cited during the Examination," but indicated the companies did not issue refunds.

- (4) Calculate earned premium according to the rules and policy provisions filed with the Bureau.

Company Response

As stated in Part One, the companies respectfully disagree that the companies failed to calculate earned premium according to the rules and policy provisions filed with the Bureau.

- (5) Cancel private passenger automobile policies when the notice is mailed after the 59th day of coverage only for those reasons permitted by § 38.2-2212 of the Code of Virginia.

Company Response

As stated in Part One, the companies maintain they cancelled private passenger automobile policies in accordance with § 38.2-2212.

- (6) Cancel private passenger automobile policies for license suspension or revocation only during the time period permitted by § 38.2-2212 of the Code of Virginia.

Company Response

As stated in Part One, the companies maintain they cancelled private passenger automobile policies in accordance with § 38.2-2212.

- (7) Send a cancellation notice to the insured.

Company Response

As stated in Part One, the companies respectfully disagree they failed to send cancellation notices to insureds.

- (8) Send the cancellation or nonrenewal notice at least 45 days before the effective date of cancellation when the notice is mailed after the 59th day of coverage.

Company Response

The companies maintain they send cancellation and nonrenewal notices at least 45 days before the effective date of cancellation when notice is mailed after the 59th day of coverage.

- (9) Advise the insured of the right to review by the Commission of Insurance.

Company Response

The companies maintain they advise the insured of the right to review by the Commission of Insurance when applicable.

- (10) Advise the insured of the availability of other insurance.

Company Response

The companies maintain they advise insureds of the availability of other insurance when applicable.

- (11) Send a nonrenewal notice to the lienholder.

Company Response

The companies maintain they send nonrenewal notices to lienholders when applicable.

Claims Review

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company, and
Government Employees Insurance Company shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.

Company Response

The companies have taken the necessary steps to correct the errors that caused the underpayments and overpayments to insureds and claimants. Systems enhancements, additional training and checks for compliance are all ongoing.

- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.

Company Response

The overpayments cited in (1) above include 6% simple interest as requested by the Bureau.

- (3) Complete and submit to the Bureau, the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have paid the underpayments listed in the file.

Company Response

The companies acknowledge the payment of the underpayments listed in the Claims Underpayment Report. Please see the Confidential Exhibits.

- (4) Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.

Company Response

As outlined in Part One, the company respectfully disagrees with many of examiners observations. However, the companies are providing additional training to their claims associates and management regarding the necessity of thorough and proper documentation of claim files.

- (5) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim in accordance with the insured's policy provisions.

Company Response

The companies believe they have implemented proper procedures so claims are paid in accordance with the policy provisions. Management has reminded the companies' claims staff of the necessity of fair and reasonable offers, made in accordance with the policy provisions. The companies will provide ongoing training to their associates to emphasize this important issue.

- (6) Provide copies of repair estimates prepared by or on behalf of the companies to insureds and claimants.

Company Response

As outlined in Part One, the companies respectfully disagree with the examiners' observations. Both the insureds and claimants are provided unlimited access to their estimates online at geico.com. The companies have previously provided documentation to support this view.

Forms Review

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company, and
Government Employees Insurance Company shall:

- (1) Use the rate classification statement filed and approved by the Bureau.

Company Response

As previously stated in Part One, the companies inadvertently implemented an incorrect version of the form. The companies discovered the error and corrected it on 7/23/2015.

- (2) Use the precise language of the standard automobile forms as filed and adopted by the Bureau.

Company Response

The companies are taking steps toward correcting the language of all standard automobile forms so that it is the precise language of the forms as filed and adopted by the Bureau.

Review of Policy Issuance Process

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company, and
Government Employees Insurance Company shall:

- (1) Obtain a written rejection of higher limits when the policy is issued with UM limits lower than the Liability limits.

Company Response

The companies are taking steps to ensure they obtain a written rejection of higher limits when the policy is issued with UM limits lower than the Liability limits.

Review of Statutory Notices

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company, and
Government Employees Insurance Company shall:

- (1) Amend the short form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 C of the Code of Virginia.

Company Response

As stated in Part One, the companies maintain they provide insureds with the long form Notice of Information Collection and Disclosure Practices.

- (2) Amend the Glass Script to comply with § 38.2-517 A 3 of the Code of Virginia.

Company Response

As stated in Part One, the companies respectfully disagree that the companies' Glass Script violates § 38.2-517 A 3 of the Code of Virginia; however, they acknowledged the Bureau's recommendation and adjusted the glass script on 12/21/15.

Licensing and Appointment Review

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company, and
Government Employees Insurance Company shall:

- (1) Accept business only from agents who are licensed in the Commonwealth of Virginia.

Company Response

As stated in Part One, the companies respectfully disagree they accepted business from an agent who was not licensed in the Commonwealth of Virginia.

Review of the Complaint-Handling Process

GEICO Advantage Insurance Company,
GEICO Casualty Company,
GEICO Choice Insurance Company,
GEICO General Insurance Company,
GEICO Indemnity Insurance Company,
GEICO Secure Insurance Company, and
Government Employees Insurance Company shall:

- (1) Maintain a complete complaint register that is in compliance with § 38.2-511 of the Code of Virginia.

Company Response

As stated in Part One, the companies opine they maintained a complete complaint register that is in compliance with § 38.2-511 of the Code of Virginia.

PART THREE – EXAMINERS’ RECOMMENDATIONS

RECOMMENDATIONS

Rating and Underwriting

- Apply accident and conviction points to the vehicle customarily operated by the driver who incurred the points.

The company will continue to ensure the points are assigned to the driver who incurred the points. When the policy has another vehicle with pleasure use, the company’s system recognizes the vehicle used for a work commute as the vehicle that is used most often. This system function ensures administrative errors do not affect a policy’s rating.

- Amend their filed symbols to remove duplicate Vehicle Cost classifications or add the necessary information to differentiate between the duplicate symbols.

The company will amend the filed symbols by the end of November to remove duplicate Vehicle Cost classifications.

- Consistently use either E-Banking or Marketing Partner as the term to describe one type of affinity discount in the companies’ systems and filed manual rules.

In SERFF filing number GECC-130500706, the company filed a change to its manual rule pages to describe the discount as the “marketing partner discount.” The filing is effective 10/6/2016 for new business and 11/14/2016 for renewals.

- Amend the filed GEICO Indemnity Company manual so that Section 7 rating steps corresponds to the Section 8 worksheet for calculating the UM premium.

The company will amend the Section 8 worksheet by the end of November to correspond to the Section 7 rating steps for calculating the UM premium.

- Amend the Section 8 worksheet of the GEICO Indemnity Company manual to only include computations for filed factors.

The company will amend the Section 8 worksheet of the GEICO Indemnity Company manual by the end of November to only include computations for filed factors.

- Amend the filed GEICO Indemnity Company manual to clarify how the company calculates and applies the Combined Maximum Discount for the Transfer/Safe Driver/New Business Discount, Renewal Discount and Tier factors.

The company will amend Rule 26 by the end of November to include clarification regarding how the company calculates and applies the combined discount.

- Amend the GEICO Indemnity Company manual to clearly state how the tier placement would be affected by reissued policies.

The company will amend Rule 26 A and the tier placement guide by the end of November to clearly state how tier placement is handled for reissued policies.

Termination

- Obtain advance notice from insureds requesting cancellation of the policy in accordance with the filed rules and policy provisions.

The company will amend the Personal Automobile Insurance Policy (A5) contract language and remove the word “advance.”

- Retain the documentation of sending cancellation and nonrenewal notices to lienholders as required by § 38.2-2208 of the Code of Virginia.

The company provided the process in a teleconference and documentation for sending cancellation and nonrenewal notices to lienholders and is using an electronic process. The company retains evidence of electronic transmittal or receipt of the notification for at least one year from the date of the transmittal.

- Provide lienholders with the same advanced notice given to insureds for cancellation.

The policy provision referenced is ISO form UE231 and has the statement, “We will give the same advance notice of cancellation to the loss payee as we give to the named insured shown in the Declarations.” The intent of this sentence is to provide the same or more notice of cancellation as the named insured as required by the statute § 38.2-2212 not the same exact number of days’ notice.

- File an SR-26 with DMV within 15 days of cancellation of a motor vehicle policy and maintain proper documentation.

The company files SR-26 notices to the DMV within 15 days as required by the statute § 46.2-482. The company notes the policy file and maintains proper documentation internally. The DMV requires the company to pay for an electronic site access key for the DMV’s website and submit these notices via its website. The DMV website does not maintain the date for which a submission was processed.

Claims

- Document the claim file when all applicable coverages have been discussed with the insured. Particular attention should be given to Transportation Expenses and UM coverages, including rental benefits.

The companies are making enhancements to our claims systems so applicable coverages, particularly UM and Transportation Expenses, are properly explained and documented accordingly.

- Make all denials in writing and keep a copy in the claim file.

The companies are providing refresher training to its claims associates and management regarding the need to make all denials in writing and keep a copy in the claim file.

- Adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

The companies are preparing investigation workshops for claims associates. Associates will also review unusual claim scenarios with their supervisors at the beginning of the investigation.

- Make prompt, fair and equitable settlements of claims where liability is clear.

The companies are preparing investigation workshops for claims associates which include discussion regarding prompt and fair settlement of claims. Associates will also review unusual claim scenarios with their supervisors at the beginning of the investigation.

- Make claim payments to insureds or beneficiaries that are accompanied by a statement setting forth the correct coverage(s) under which the payments are made.

The companies are in the process of implementing a system enhancement which will provide a statement setting forth the correct coverage(s) under which the payments are made.

- Make medical payments directly to the insured unless a statement from the insured authorizing the companies to make payments directly to the medical provider has been obtained first.

The companies have implemented a process to secure direction to pay statements from the insured with regards to payments to the medical provider.

- Pay an insured no more than what he or she is entitled to receive under the terms of the policy.

The companies will provide refresher training and continue to instruct claims staff on the proper procedures for issuing payments and settlement of claims under the appropriate provisions of the policy.

- Make payments under the correct coverage(s) properly when both Collision and UM coverages pertain to the claim.

The companies will provide refresher training and continue to instruct claims staff on the proper procedures for making payments when both Collision and UM coverages pertain to the claim.

- Include the fraud statement on all claim forms required by the companies as a condition of payment.

The companies acknowledge the instance in which a form did not contain the fraud statement. In August 2015, the company found an old form in its claims system. Upon this discovery, the company removed the old form and replaced it with the proper form which included the statutorily required fraud statement.

- Correctly represent to insureds and claimants that certain rental expenses, such as mileage and collision damage waivers, are reimbursable if they are reasonable and necessary to rent substitute vehicles.

In October 2015, the companies established guidelines regarding the proper explanation of rental expenses to insureds and claimants. To ensure compliance, the management staff regularly reviews claim files to ensure the explanation and documentation is correct.

- Clarify the companies' ridesharing inquiry to insureds.

The company acknowledges the Bureau's recommendation. Our current process is to ask our insured if they are using the vehicle for ridesharing purposes (with companies such as Uber or Lyft). If the answer to this question is yes, then the file is investigated further by asking more specific questions. See Exhibit B for copies of the training materials for our associates and sample questions that are asked of the insured.

Forms

- Correct the typographical errors identified in the companies' versions of the Virginia standard auto forms and endorsements.

The Company revised the form on 2/5/2016 and also deleted the statement "This endorsement forms a part of your policy. It is effective as of 12:01 A.M. local time at your address on the effective date shown above." The last sentence of the Standard Form PP12 57 01 05 is currently included on the form.


Statutory Notices

- Provide the fraud statement to applicants during the verbal application process.

The company will add the fraud statement to all new customer phone applications.

I appreciate you taking the time to review our responses and I look forward to hearing from you soon. Please contact me if you have any questions or would like to discuss any part of these responses or the Report.

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly C. Sue-Ling". The signature is fluid and cursive, with a large initial "K" and a long, sweeping underline.

Kelly C. Sue-Ling
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COMMONWEALTH OF VIRGINIA



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March 17, 2017

VIA UPS 2nd DAY DELIVERY

Kelly C. Sue-Ling
Legislative Attorney
GEICO Insurance Company
One GEICO Plaza 5-T
Washington, DC 20076

RE: Market Conduct Examination
GEICO Secure Insurance Company (NAIC #14137)
GEICO Advantage Insurance Company (NAIC #14138)
GEICO Choice Insurance Company (NAIC #14139)
GEICO Indemnity Company (NAIC #22055)
Government Employees Insurance Company (NAIC #22063)
GEICO General Insurance Company (NAIC #35882)
GEICO Casualty Company (NAIC #41491)
Examination Period: April 1, 2014 through March 31, 2015

Dear Ms. Sue-Ling:

The Bureau of Insurance (Bureau) has reviewed the October 19, 2016 response to the Preliminary Market Conduct Report (Report) of the aforementioned companies (Companies). The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE – THE EXAMINERS' OBSERVATIONS

Automobile New Business Rating

- (1) After further review, the violations for RPA001, RPA011, RPA014, RPA015, and RPA023 have been withdrawn from the Report. The Company has clarified how it applied accident and conviction surcharges within its Rating Plan. The Company has already filed to revise its manual to change the time period column headings to clearly state Most Recent instead of First Occurrence.

The second violation for RPA011 remains in the Report. The rating disparity was not caused by rounding, but a difference in the factors used to calculate the coverage premiums. The Company stated it calculated an Other Than Collision (OTC) premium of \$747.81 for Vehicle 1 when using its filed rates and rounding each step to the penny. The Bureau acknowledges this calculation; however, the Company charged an OTC premium of \$654.33 for Vehicle 1. This violation cites the Company for applying a factor of .875 to result in a premium of \$654.33 ($\$747.81 \times .875 = \654.33). The Company charged \$200.30 for OTC on Vehicle 2, although the Company acknowledged that the filed rates result in a premium of \$228.92 ($\$228.92 \times .875 = \200.30). For reconsideration, the Company should provide its calculation for determining the premiums charged on the April 2, 2014 declarations page for all vehicles.

- (2a) After further review, the violation for RPA016 has been withdrawn from the Report.

After further review, the violation for RPA019 has been withdrawn from the Report.

The violations for RPA043, RPA044 and RPA045 remain in the Report. The Company's filed Manual Rule stated there was a maximum discount of 17% if a policy qualified for both the Military Discount and the Sponsored Marketing Discount. The Company's rule did not state how each discount should be applied in the rate order calculation to reach the maximum 17%. Section 8 – Private Passenger Rating Steps of the Company's Rate Manual indicated that the order of calculation was as follows: Step 5 was applying the Military Discount (15%) and Step 13 was applying the Sponsored Marketing Discount (8%). Based on the Rating Steps on file the Company should have applied the full 15% Military Discount and then applied the remaining 2% discount for the Sponsored Marketing Discount to reach the maximum 17%.

- (2b) The violation for RPA012 remains in the Report. Section 38.2-1904 D of the Code of Virginia only permits insurers to surcharge for convictions. When an insured declares a violation on the application the Company must reconcile this information against the insured's Motor Vehicle Report (MVR) to confirm the validity of the violation and acquire the conviction date. The Company incorrectly stated the same violations were withdrawn for RPA002 and RPA011. The two referenced review sheets pertained to whether the speeding violation should be surcharged as a speeding violation (minor) or a reckless driving violation (major).

The violation for RPA046 remains in the Report. The Company responded that the insured self-reported the violation cited on the new business application; however, "MVR Record Clear" appears on the MVR provided by the Company. The Company cannot surcharge for violations that are self-reported by the insured unless those violations can be reconciled by the MVR. The insured must be convicted of a violation before points are surcharged.

After further review, the violation for RPA047 has been withdrawn from the Report.

The Bureau has added one violation for RPA023 upon reviewing the surcharges applied by the Company for accidents. The Company incorrectly attributed two accidents to the father when one accident was caused by the son, per the CLUE report.

- (2c) The violations for RPA003, RPA004, RPA006, RPA010, RPA012, RPA017, RPA021, RPA025 and RPA054 remain in the Report. The Company's filed manual did not specify which physical damage symbol should have been used to determine the non-physical damage coverage Vehicle Cost symbols.

After further review, the violation for RPA018 has been withdrawn from the Report.

The violations for RPA011 remain in the Report. The Company acknowledged Violation #2. For Violation #3 the Company has not provided the cost new value it used to determine the physical damage symbols for the 1985 Chevrolet C10. For Violation #4 the Company should provide the guidelines for determining a comparable vehicle and explain why a 1985 Jeep pickup was selected as comparable to determine the Liability symbol for the 1985 Chevy C10.

The violation for RPA016 remains in the Report. The vehicle in question did not have filed symbols. The Company's filed Rule PPA-03.2.d.1)b stated, "If a symbol is not available for the prior model year of the same or comparable vehicle, assign a symbol based on the cost new of the vehicle using the table shown at the end of the Rating Section." The Company did not have a comparable vehicle symbol filed and the policy file did not include the cost new amount that was necessary to rate this vehicle. For reconsideration, please provide a screen print showing the cost new for this vehicle.

The violation for RPA020 remains in the Report. The filed Transition Symbols rule provided by the Company stated, "For model year 2011 only" and did not pertain to the 2008 BMW M5.

The first violation for RPA035 remains in the Report. The Company did not identify what comparable vehicle was used to develop the liability symbols. In addition, the Company's filed rule did not state the Company used a comparable vehicle which has the same VIN structure as the vehicle that lacks a filed symbol. Rule 8 stated, "For vehicles not shown on the listing use the liability symbol for a comparable model for the prior model year." If the Company uses VIN information in its determination of liability symbols, then such information should be filed with the Bureau.

After further review, the second violation for RPA035 has been withdrawn from the Report.

After further review, the violation for RPA036 has been withdrawn from the Report.

After further review, the violations for RPA037 and RPA039 have been withdrawn from the Report. The Report has been renumbered to reflect this change.

The violations for RPA051 remain in the Report, although the violation count has been reduced to two. Violation #1 and Violation #2 have been merged since they both resulted from the Company failing to file the appropriate physical damage symbols for the 2013 Nissan Versa. The Company should ensure that its symbol pages correctly correspond to the Vehicle Classification and Vehicle Cost rate pages. For Violation #3, the Company's filed rules did not specify that the Collision symbol was used to determine the non-physical damage coverage Vehicle Cost factors.

- (2d) The violations for RPA002 and RPA019 remain in the Report. The Company only submitted filing GECC-130148842 in response to the Bureau's objection within previous filing GECC-129959015. On May 20, 2015, the Bureau's Rates and Forms Section informed the Company that its Occupation Group descriptions were inadequate. Insurers are responsible for filing all necessary rules and rates in Virginia, which is a file and use state. The examiners only cited those instances where the Company did not determine the tier according to its Group 4 Occupation descriptions filed for its use for the policy term under review.

The violation for RPA007 remains in the Report. Rule PPA-D-03 only pertained to the Driving Experience Discount. The manual did not indicate this rule also applied to the Policy Life Segment And Risk Tier Underwriting Criteria.

- (2e) After further review, the violation for RPA005 has been withdrawn from the Report.

After further review, the violation for RPA019 has been withdrawn from the Report.

After further review, the violation for RPA024 has been withdrawn from the Report. The restitution spreadsheet has been amended to reflect this change.

- (2f) After further review, the violations for RPA001, RPA002 and RPA011 have been withdrawn from the Report.

- (2g) These violations remain in the Report. The Company has not provided sufficient evidence that these insureds had "no hit" or "no score" insurance credit scores. The Company's system shows a credit score of "994" and does not reflect a "no hit/no score" as suggested in the Company's reply. The Company's filing did not specify scores of 000 or 994 identified "no hit" or "no

score” insurance credit scores. Insurers cannot simply use a credit score developed by reporting agencies. Insurers must develop and file a credit score model that calculates an insurance credit score because the statute prohibits insurers using credit scores based on information outlined in § 38.2-2234 D of the Code of Virginia. Therefore, insurers can develop scores that are not within the range of reporting agencies since insurers develop their own credit score models and score ranges. For reconsideration, the Company should provide a copy of the credit score information reflecting a “no hit” or “no score” obtained on December 8, 2014 for RPA007, February 9, 2015 for RPA014, April 1, 2014 for RPA016, July 22, 2014 for RPA018, and July 26, 2014 for RPA054.

Automobile Renewal Business Rating

- (3) The violation for RPA151 remains in the Report. The Company clarified that its Rating Plan determined First and Second Occurrences based upon the order in which the convictions and accidents appeared on the MVR and CLUE reports, respectively. The first speeding occurrence on the MVR was the 35 months prior conviction in 2012 and the second speeding occurrence was the 11 months prior conviction in 2014. However, the Company did not file surcharge factors for two occurrences where the 1st Occurrence was in the past 35 months and the 2nd Occurrence was in the past 11 months. Therefore, the Company did not have the appropriate speeding conviction surcharge factors filed to apply to the policy.

After further review, the violation for RPA153 has been withdrawn from the Report. The Company has clarified how it applied accident and conviction surcharges within its Rating Plan. The Company has already filed to revise its manual to change those headings to clearly state Most Recent instead of First Occurrence.

A violation for RPA103 was added to the item after applying the minor conviction surcharges in the manner explained by the Company. The first minor occurrence on the May 24, 2012 MVR was the February 1, 2012 (35 months prior) following too closely conviction and the second minor occurrence was the September 26, 2012 (23 months prior) child restraint conviction on the May 24, 2013 MVR. The Company clarified that the First Occurrence heading refers to the first incident appearing on the MVR. As such, the Company did not have the appropriate surcharge factors filed for a 35 month first occurrence and 23 month second occurrence.

- (4a) The violation for RPA065 has been moved from Item (4f) and remains in the Report. The Company self-reported the issue after the Bureau notified the Company of its intent to perform a Market Conduct exam.

The violations for RPA068, RPA070, RPA074, RPA078, RPA080, RPA082, RPA083, RPA086, RPA090, RPA091, and RPA098 remain in the Report. The Company self-reported the issue to the Bureau on January 13, 2015. The

Bureau had already notified the Company of a Market Conduct Exam on December 5, 2014; therefore, the violations are still applicable.

After further review, the violation for RPA072 has been revised. There are now two violations for the application of the maximum discount in regards to the Military Discount and the Sponsored Marketing Discount, as well as the application of the Multi-Car Discount to the Towing Coverage on the policy.

The violations for RPA075 and RPA076 remain in the Report. The Company's filed Manual stated there was a maximum discount of 17% if a policy qualified for both the Military Discount and the Sponsored Marketing Discount. The Company's Rule Manual did not state how each discount should be applied in the rate order calculation to reach the maximum 17%. Section 8 – Private Passenger Rating Steps of the Company's Rate Manual indicated that the order of calculation was as follows: step 5 was applying the Military Discount (15%) and Step 13 was applying the Sponsored Marketing Discount (8%). Based on the Rating Steps on file the Company should have applied the full 15% Military Discount and then applied the remaining 2% discount for the Sponsored Marketing Discount to reach the maximum 17%.

The violation for RPA082 remains in the Report. The spreadsheet provided by the Company on August 17, 2015 indicating all organizations that qualify for the Sponsored Marketing Discount did not list Virginia Credit Union. The Company has responded that Virginia Credit Union was an organization that qualified for the discount in 2003 and the policy retained the discount, the Company should provide the prior policy declarations page for verification.

After further review, the first violation for RPA088 has been withdrawn from the Report.

The violations for RPA103 and RPA147 remain in the Report. On July 29, 2015, the Company provided a "7.29 Active groups" Excel file in response to the Bureau's request for a list of all Sponsored Marketing groups active during the examination period. The Navy Federal Credit Union and Navy Federal Financial Group were not found on this list.

After further review, the violations for RPA110, RPA112, RPA113, RPA115, RPA117, RPA119, RPA120, RPA121, RPA122, RPA128 and RPA129 have been withdrawn from the Report.

The violation for RPA151 remains in the Report. The Company incorrectly applied the Extra Vehicle Discount to Vehicle 2. The Extra Vehicle Discount, Rule PPA-V-03, referenced by the Company specifically states, "The vehicle each driver customarily operates is ineligible for this discount factor." The insured customarily drove Vehicle 2, which was therefore ineligible for the Extra Vehicle Discount. The Company has not provided documentation that this vehicle was not customarily driven.

- (4b) After further review, the violations for RPA083, RPA103, RPA149 and RPA155 have been withdrawn from the Report. The Company has clarified how it applied accident and conviction surcharges within its Rating Plan. The Company has already filed to revise its manual to change the time period column headings to clearly state Most Recent instead of First Occurrence. The Report has been renumbered to reflect this change.
- (4c) The violations for RPA065, RPA078, RPA083 and RPA094 remain in the Report. Rule 27 in the Company's Rule Manual stated; "If the Symbol listing displays a symbol for the prior model year of the same or comparable vehicle, use the prior model year symbol. If the Symbol listing does not display a symbol for the prior model year of the same or comparable vehicle, assign a symbol based on the cost new of the vehicle using the Cost New chart located in the rate section." The symbol pages on file with the Bureau did not have corresponding symbols for the vehicles listed on the policy and a comparable vehicle could not be determined. Further, the policy files provided by the Company did not indicate the cost new amounts associated with each vehicle. For reconsideration, the Company should either identify the comparable vehicle used to rate each policy or provide documentation of the cost new value used for each vehicle.

After further review, the violation for RPA068 has been withdrawn from the Report.

The violation for RPA091 remains in the Report. The symbol deviation pages filed in SERFF filing GECC-125873464 did not include the correct "series" for the vehicle rated on the policy. The insured vehicle was series SRT-8 and the Company's filed symbol pages only included the following series: Grand Cherokee Base/Laredo/LTD/Overland, Grand Cherokee Laredo/Overland (4X2), and Grand Cherokee LTD (4X2).

The two violations for RPA102 remain in the Report. For violation #1, please refer to rule 27 in the Company's manual as outlined above. For violation #2 the manual on file does not specify if the OTC or COLL symbol will be used in determining the Vehicle Cost symbol when the symbols are different. If it is the Company's intent to use the COLL symbol when the physical symbol differs for OTC and COLL, the Company must contact the Rate and Forms Section of the Bureau and advise them of its intention.

The violation for RPA109 remains in the Report. The Company referenced RULE 10. SYMBOL ASSIGNMENT, which is not applicable to this violation. This violation pertains to the Company not having an appropriate Vehicle Liability Symbol filed with the Bureau for a 2005 Acura MDX AWD. The Company should amend RULE 8. VEHICLE LIABILITY RATING to indicate the procedure for handling new vehicle models.

After further review, the violation for RPA152 has been withdrawn from the Report.

- (4d) The violation for RPA066 has been addressed under item (4g) to follow the order of the Report.

The violation for RPA071 remains in the Report. For reconsideration, the Company should provide evidence that the insured was rated in the best possible tier (Tier 2) during the prior term, and therefore, credit would not have been required to be updated.

The violation for RPA104 remains in the Report. The Company referenced SERFF filing GECC-130148842 in its response, but this filing was effective after the examination period and was not applicable. Appendix 4-Occupation Group Definitions of SERFF filing GECC-129784340 was applicable during the examination period, but it did not include "unemployment" in Group 5. Therefore, the insured was placed in occupation group G2 – All Other.

The violations for RPA147 and RPA149 remain in the Report. The Company only submitted filing GECC-130148842 in response to the Bureau's objection within previous filing GECC-129959015. On May 20, 2015, the Bureau's Rates and Forms Section informed the Company that its Occupation Group descriptions were inadequate. Insurers are responsible for filing all necessary rules and rates in Virginia, which is a file and use state. The examiners only cited those instances where the Company did not determine the tier according to its Group 4 Occupation descriptions filed for its use for the policy term under review.

- (4e) The violation for RPA095 remains in the Report. The policy file and the exhibit provided by the Company indicated that the named insured's spouse drove vehicle 2 the most, as such the named insured's spouse should have been rated on vehicle 2. Since the Mature Driver Classification applied to the named insured's spouse, this classification would extend to the two excess vehicles listed on the policy per Rule 5.

The violation for RPA148 remains in the Report. The Company's spreadsheet reflected the correct individual Driving Experience factors, but the averaged factors applied to the policy were incorrect. For example, the Bodily Injury Driving Experience factors for the three drivers were: .8189, .9051 and 1.00. The averaged factors were .908; however, the Company applied a factor of .9099.

- (4f) After further review, the violation for RPA148 has been withdrawn from the Report. The Company provided the declarations page previously requested by the Bureau. As a result, the overcharge has been revised to \$1,689.56.

The violation for RPA061 remains in the Report with a revised overcharge of 39 cents. The violation resulted from the Company using superseded base rates instead of those filed under SERFF Tracking Number GECC-129443436 that was effective for renewal policies on and after June 23, 2014. The policy effective date under review was July 24, 2014.

After further review, the violation for RPA065 has been withdrawn from the Report and is now referenced under Item (4a).

After further review, the violation for RPA083 has been withdrawn from the Report.

- (4g) There were only four active violations in the Report under this item. The Company incorrectly referenced review sheets R&URBPPA2126414197 and R&URBPPA1321336367 that were withdrawn on September 1, 2016.

The violation for RPA066 remains in the Report. The Company should provide documentation showing that during the prior term the insured was rated in the best possible tier (Tier 2); and therefore, credit would not need to be updated.

The violations for RPA104, RPA151 and RPA152 remain in the Report. The Company has not provided sufficient evidence that these insureds had “no hit” or “no score” insurance credit scores. The Company’s filing did not specify scores of 000 or 994 identified “no hit” or “no score” insurance credit scores. Insurers cannot simply use a credit score developed by reporting agencies. Insurers must develop and file a credit score model that calculates an insurance credit score because the statute prohibits insurers using credit scores based on information outlined in § 38.2-2234 D of the Code of Virginia. Therefore, insurers can develop scores that are not within the range of reporting agencies since insurers develop their own credit score models and score ranges 000 or 994 could be applicable scores for this Company. For reconsideration, the Company should provide a copy of the credit score information obtained showing no hit or no score.

- (5) After further review, the violation for RPA134 has been withdrawn from the Report. The Company provided documentation showing the insured’s credit was pulled within the last three years.

Cancellation Notice Mailed Prior to the 60th Day of Coverage

After further review, the violation for TPA001 has been withdrawn from the Report.

Other Law Violations

After further review, the violation for TPA006 has been withdrawn from the Report.

Cancellation Notice Mailed After the 59th Day of Coverage

- (1) After further review, the violation for TPA013 has been withdrawn from the Report.

The violation for TPA018 has been added to the revised Report. Section 38.2-2212 A of the Code of Virginia states the following: "Cancellation" or "to cancel" means a termination of a policy during the policy period. The statute does not permit the Company to cancel a single vehicle from a policy.

- (2a) After further review, the violation for TPA018 has been withdrawn from the Report. This violation now appears as Item 1 in the revised Report.

The violations for TPA027, TPA032, and TPA038 remain in the Report. The termination data file provided by the Company listed these policies as being cancelled after the 59th day of coverage. The inception dates for these policies were at least two years prior to the policy effective dates. These policies are not considered new business policies and are not subject to the first 60 day underwriting review period. The examiners acknowledge that the Company is treating these policies as new business due to a reissue. The Bureau has indicated to the Company during the exit meeting and August 24, 2015 conference call that this practice is incorrect.

The violation for TPA035 remains in the Report. The effective date of this policy was February 4, 2014, and the insured's suspension became effective on April 25, 2013. The Company cancelled this policy for an accident, conviction, and suspension. The Company is not permitted to cancel for accidents or convictions after the 60th day of coverage. The Company is allowed to cancel for suspension; however, the suspension did not fall into the applicable time frame stated in § 38.2-2212 D of the Code of Virginia. The statute specifically states that the suspension or revocation must occur during the policy period or, if the policy is a renewal, during its policy period or the 90 days immediately preceding the last effective date. The Company's interpretation that if the MVR obtained during the policy period showed a suspended license then it was able to cancel the policy is incorrect. To properly terminate this risk the Company should have non-renewed this policy.

After further review, the violations for TPA049, TPA051, and TPA055 have been withdrawn from the Report. The Bureau was able to verify that there was a break in coverage from the insured's prior term. The Company then reissued the policies using the same policy numbers and treated the policies as new business. The Company needs to pay closer attention to the handling and reporting of its cancellations.

- (2b) The violations for TPA017, TPA019, TPA025, TPA026, TPA029 and TPA050 remain in the Report. The Company is allowed to cancel for suspension; however, the suspensions or revocations did not fall into the applicable time frame stated in § 38.2- 2212 D of the Code of Virginia. The statute specifically

states that the suspension or revocation must occur during the policy period or, if the policy is a renewal, during its policy period or the 90 days immediately preceding the last effective date. The Company's interpretation that if the MVR obtained during the policy period showed a suspended license then it was able to cancel the policy is incorrect. To properly terminate this risk the Company should have non-renewed this policy.

- (3a) After further review, the violation for TPA014 has been withdrawn from the Report. The documentation provided by the Company supported its claim of a clerical error.

After further review, the violation for TPA028 has been withdrawn from the Report. The file notes document the insured's request to cancel the policy. The Company needs to pay closer attention to the handling and reporting of its cancellations.

The violations for TPA031 and TPA044 remain in the Report. The Company stated in its response that these policies were insured requested cancellations; however, there is no information in the policy file to support this claim. The Company also stated that Rule 9, "Cancellations, Changes, and Automatic Coverage," does not specify that the insured's request must be documented in the policy file. The Company reported these policies as cancellations after the 60th day of coverage. The burden of proof is on the Company to prove that the cancellations were not company initiated. The Bureau cannot verify that the insured requested the policy be cancelled without such documentation.

- (3b) The violations for TPA027, TPA032, TPA038 and TPA040 remain in the Report. The Company stated in its response that these policies were reissued due to a break in coverage. The Bureau is unable to verify that there was a break in coverage from the insured's prior term. For reconsideration of these violations; the Company needs to provide the prior term declarations page, the prior term cancellation notice, and prior term billing screens for each policy.

The violations for TPA039 and TPA045 remain in the Report. The Company cannot send a notice of cancellation during one policy period to cancel into another policy period. The Company did not discover the license suspensions in time to non-renew the prior policies. Once the policies renewed, the Company needed to send the cancellation notice and provide the insureds with 45 days' notice before cancelling their policies.

After further review, the violations for TPA046, TPA047, TPA049, TPA050, TPA051, TPA052, TPA055 and TPA057 have been withdrawn from the Report. The Bureau was able to verify that there was a break in coverage from the insured's prior term. The Company then reissued the policies using the same policy numbers and treated the policies as new business. The Company needs to pay closer attention to the handling and reporting of its cancellations.

- (3c) The violations for TPA027, TPA032, TPA038 and TPA040 remain in the Report. The Company stated in its response that these policies were reissued due to a break in coverage. The Bureau is unable to verify that there was a break in coverage from the insured's prior term. For reconsideration of these violations; the Company needs to provide the prior term declarations page, the prior term cancellation notice, and prior term billing screens for each policy.

After further review, the violations for TPA046, TPA047, TPA049, TPA050, TPA051, TPA052, TPA055 and TPA057 have been withdrawn from the Report. The Bureau was able to verify that there was a break in coverage from the insured's prior term. The Company then reissued the policies using the same policy numbers and treated the policies as new business. The Company needs to pay closer attention to the handling and reporting of its cancellations.

- (3d) The violations for TPA038 and TPA040 remain in the Report. The Company stated in its response that these policies were reissued due to a break in coverage. The Bureau is unable to verify that there was a break in coverage from the insured's prior term. For reconsideration of these violations; the Company needs to provide the prior term declarations page, the prior term cancellation notice, and prior term billing screens for each policy.

After further review, the violations for TPA046, TPA047, TPA049, TPA050, TPA051, TPA052, TPA055 and TPA057 have been withdrawn from the Report. The Bureau was able to verify that there was a break in coverage from the insured's prior term. The Company then reissued the policies using the same policy numbers and treated the policies as new business. The Company needs to pay closer attention to the handling and reporting of their cancellations.

- (4) The violations for TPA032, TPA038, and TPA045 remain in the Report. The Company stated in its response that these policies were reissued due to a break in coverage. The Bureau is unable to verify that there was a break in coverage from the insured's prior term. For reconsideration of these violations; the Company needs to provide the prior term declarations page, the prior term cancellation notice, and prior term billing screens for each policy.

After further review, the violation TPA052 has been withdrawn from the Report. The Bureau was able to verify that there was a break in coverage from the insured's prior term. The Company then reissued the policy using the same policy number and treated the policy as new business. In this instance, the Company provided the proper days' notice to the lienholder. The Company needs to pay closer attention to the handling and reporting of its cancellations.

Other Law Violations

After further review, the violations for TPA023, TPA029, TPA033, TPA035, TPA040, TPA041, TPA047 and TPA050 have been withdrawn from the Report.

The violations for TPA049 and TPA057 remain in the Report. In both instances the documentation in the policy file was not clear as to the date the SR-26 was filed. The Company stated in its response that a GEICO employee spoke with a DMV representative who verified that an SR-26 was filed within 15 days of the cancellation date. If DMV can verify the SR-26 was filed within 15 days of the cancellation date, the Company should obtain documentation from DMV of the date the SR-26 filing was made.

Cancellation for Nonpayment of Premium

After further review, the violation for TPA070 has been withdrawn from the Report. The Report has been updated to reflect this change.

Other Law Violations

The violation for TPA068 remains in the Report. The documentation provided by the Company does not indicate the date that the SR-26 was filed for this policy. The Company stated in its response that a GEICO employee spoke with a DMV representative who verified that an SR-26 was filed within 15 days of the cancellation date. If DMV can verify when the SR-26 was filed, the Company should obtain documentation from DMV of the date the SR-26 filing was made.

Cancellation Requested by the Insured

- (1) The violation for TPA083 remains in the Report. The Company provided two endorsement declarations pages. The first endorsement was effective on March 13, 2014 and stated the total six month premium was \$1,611.51. The second endorsement was effective on May 31, 2014 and stated the total six month premium was \$1,641.51. The Company's billing screens did not correspond with the declarations page sent to the insured. For the violation to be reconsidered, the Company needs to provide an explanation as to the variation between the Company's system and the documentation provided to the insured, as well as a detailed return premium calculation to support its response.
- (2b) The violation for TPA083 remains in the Report. The Company failed to maintain evidence that the insured requested the policy to be cancelled effective June 23, 2014.

Company-Initiated Non-renewals

- (2a) After further review, the violation for TPA125 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

Private Passenger Auto Claims

- (1) After further review, the violation for CPA010 has been withdrawn from the Report. The Company has provided documentation for the cause of loss.

After further review, the violation for CPA032 has been withdrawn from the Report. The Company has provided documentation from the companion claim file.

After further review, the violation for CPA035 has been withdrawn from the Report.

After further review, the violation for CPA039 has been withdrawn from the Report. The Company has produced documents that were not available to examiner at the time of the review.

The violation for CPA120 remains in the Report. The Company has responded there was never an error regarding mismatched VINs; please refer to the claim note entered at 8:17 AM on October 24, 2014. The claim file did not document the reason the VIN on the policy and the VIN on the vehicle did not match. Further, the Company has not explained how the VIN was entered incorrectly on the policy or the vehicle the VIN actually identified.

The violation for CPA123 remains in the Report. The insured advised he had additional damages. The Company had an obligation to handle and conclude his claim. The file does not document how the claim was concluded on behalf of the insured.

After further review, the violation for CPA183 has been withdrawn from the Report. The Company has provided an explanation and documentation of the numerous evaluations.

The violation for CPA206 remains in the Report. The insured had a loss where the vehicle was struck by two different objects simultaneously. However, the Company considered this to be two different incidents and charged the insured two separate deductibles of \$250 and \$500. There is no explanation in the file regarding how the Company determined that the deductible on the policy was incorrect and charged \$500 for the second deductible.

- (2b) The violation for CPA057 remains in the Report. When the insured asked about her rental coverage, the Company told her the adjuster would advise

her. There is nothing in the file stating that she was told of her rental limits. Additionally, the estimate only allowed two days of rental when the actual rental was needed for six days.

(2c) The violation for CPA067 remains in the Report. The Company did not advise the insured that a rental was covered under UMPD. The Company discussed a rental with the insured after repairs were completed. This loss was March 31, 2015. The insured's vehicle was repaired and released to the insured on May 22, 2015. The Company did not discuss rental with the insured until May 22, 2015.

(6c) The Company incorrectly referenced the following violations under Item (6b) instead of (6c).

The violation for CPA083 remains in the Report. The Department of Motor Vehicles requires payment of title and tag transfer fees to the owner of the vehicle, if the vehicle is not exempt. Leased vehicles are not exempt under § 58.1-2403 of the Code of Virginia. The owner of the leased vehicle is entitled to reimbursement of the fees. If the fees are not owed to the insured, they are due to the leasing company.

The violation for CPA116 remains in the Report with an adjusted restitution of \$10.20.

The violation for CPA131 remains in the Report. The Department of Motor Vehicles requires payment of tax, title and tag transfer fees to the owner of the vehicle, if the vehicle is not exempt. Leased vehicles are not exempt under § 58.1-2403 of the Code of Virginia. The owner of the leased vehicle is entitled to reimbursement of the fees.

The violation for CPA183 remains in the Report but has been adjusted to remove the tax from the violation.

(6d) The violation for CPA026 remains in the Report with restitution reduced from \$694.51 to \$504.51. The Company incorrectly referenced this violation under Item (6c) instead of (6d).

(6e) The Company incorrectly referenced the following violations under Item (6d) instead of (6e).

The violation for CPA078 has been adjusted to \$100.02 to include applicable tax.

The violation for CPA120 remains in the Report. The loss occurred on October 2, 2014. The Company did not give the total loss check to the insured until November 13, 2014. The Company refused to authorize the rental after November 14, 2014; one day after the Company hand delivered

the check to the insured. This is not a reasonable time for the insured to obtain other transportation. November 14, 2014 was a Friday. The rental agency was closed Saturday and Sunday. The Company owed rental through Monday, November 17, 2014 at a minimum. As the Bureau has previously advised, the Company did not owe the CDW charges of \$336.00. However, the Company owes the insured for the rental fees through November 17, 2014 in the amount of \$151.07.

The violation for CPA213 has been adjusted to \$142.37 to include applicable tax.

- (6f) After further review, the violation for CPA094 has been withdrawn from the Report.

The violation for CPA206 remains in the Report. An object fell off of a truck in front of the insured, who drove over it. A second object almost immediately struck the rear of her vehicle. This was one incident. There is no explanation in the file as to why the Company insisted this was two separate incidents and charged the insured two separate deductibles.

The Company incorrectly referenced these violations under Item (6e) instead of (6f).

- (7a) These violations remain in the Report. The Company advised the Bureau that claim notes coded as "80" in the Company's system were emailed and available for the customer's access through a link provided to the customer by the Company. Out of the population of applicable claims, the Bureau found only four claims with this code. In addition, the Company's practice of providing estimates after repairs are completed (as referenced in the Company's October 19, 2016 response), is not in compliance with 14 VAC 5-400-80.

- (7b) After further review, the violation for CPA007 has been withdrawn from the Report.

- (9) The violation for CPA035 remains in the Report. The Company failed to properly investigate liability on behalf of the insured and further failed to investigate if coverage existed on the policy.

The violation for CPA069 remains in the Report. The Company should provide the Bureau with evidence of settlement and payment of interest once this matter is finalized.

- (10) After further review, the violation for CPA034 has been withdrawn from the Report.

Other Law Violations

- (1) After further review, the violation for CPA183 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

New Business Policy Issuance

- (1) The violation for MPA009 remains in the Report. The Company's exhibit provided a screen shot that represented part of an application. However, the partial application did not have any identifying information to indicate that it was connected to the declarations page reviewed by the Bureau.
- (3) After further review, the violation for MPA004 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

General Statutory Notices

The Company was required to provide the Notice of Information Collection and Disclosure Practices at the time of application, before the policy was issued, because the Company obtained non-public information about the applicant. The Company was permitted to provide applicants the notice of subsection B (long form) or C (short form) of § 38.2-604 of the Code of Virginia. However, the Company provided copies of its short form notices used during the examination period.

The violation for NGS012 remains in the Report. The short form notice was provided on the last page of the Company's application, but it did not meet the requirements of the statute. The notice failed to properly inform the applicant of the right to access or correct all personal information collected; the notice only stated that credit information could be accessed or corrected. Also, the notice failed to state that the long form notice would be provided upon request by the applicant or policyholder.

The violation for NGS021 remains in the Report. A script is required to be read to all applicants during a telephone application. However, the Company's short form script notice did not state the long form notice would be furnished to the applicant or policyholder upon request.

Statutory Vehicle Notices

The violation for NSV008 remains in the Report. Due to the fact that the Company is transferring the insured to a third-party representative (vendor), the Company is required to inform the insured that the third-party is not the insurer and is acting on behalf of the insurer. The revised Glass Script provided by the Company meets all of the requirements.

Agent Review

After further review, the violation for AG005 has been withdrawn from the Report.

Complaint Handling

After further review, the violation for CR006 has been withdrawn from the Report.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (3) The Company acknowledged the violation cited for RPA048; however it did not make restitution to the insured. The Company should send a check or credit the insured's account for the amount indicated in the attached restitution spreadsheet.

The Company advised that it made a pro-rated restitution payment of \$335.73 to the insured for RPA049 because the policy was only active for 42 days. However, the correct restitution amount was \$450.24 (\$424.75 Pro-rata Overcharge + \$25.49 six percent interest). The Company still owes the insured \$114.51 (\$450.24 – \$335.73). Please provide the check numbers and check dates or the account credit dates for both payments.

The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

Termination Review

- (1) The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

Claims Review

- (2) The Company has indicated six percent interest was applied to overpayments. This should read six percent interest was applied to underpayments. The Company is not required to make additional payments on overpayments.
- (3) The Company should make the outstanding restitution indicated in the revised restitution spreadsheet.

Forms Review

- (2) Please provide the estimated completion date for correcting the auto forms language.

Statutory Notices Review

- (2) Please provide a copy of the corrected Glass script.

Licensing and Appointment Review

This item has been removed from the Report after withdrawing the one violation in Part One.

PART THREE – EXAMINERS’ RECOMMENDATIONS

Rating and Underwriting

- Insureds should determine which vehicles they customarily operate; the Company should not automatically consider a vehicle as customary because it is used to commute to work. The Company should note that insureds do not always customarily operate the vehicle that is used to commute, as evidenced in RPA151. The Company should make sure an operator’s surcharges are only applied to the vehicle the operator customarily drives in accordance with § 38.2-1905 C of the Code of Virginia.
- The GEICO Indemnity Company manual should be amended to clarify that the Renewal Discount factor is determined by dividing the renewal factor by the tier factor in the COMBINED TIER / RENEWAL DISCOUNT FACTOR AT QUALIFYING RENEWAL table of Rule 26. B.

Terminations

- Please provide the estimated date the Company will file a broadening to remove the advance notice requirement from insured requested cancellations.
- The Bureau is not requiring the exact same number of days’ notice for the insured and lienholder. However, the Bureau requires the Company to provide lienholders at least as much advance days’ notice as that required for the insured’s cancellation notice per the Loss Payable Clause Virginia standard form, PP 03 05 08 86.
- The Company maintained documentation of filing the SR-26 with DMV, but the Company did not maintain proper documentation of when the filing was submitted electronically to DMV. The Company should properly record when the SR-26 filings are submitted to DMV.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports, the Restitution spreadsheet and any review sheets withdrawn, added or altered as a result of this review. The Companies' response to this letter is due in the Bureau's office by April 18, 2017.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is fluid and cursive, with the first name "Joy" and last name "Morton" clearly legible.

Joy M. Morton
Manager
Market Conduct Section
Property and Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

Enclosures



- Government Employees Insurance Company
 - GEICO General Insurance Company
 - GEICO Indemnity Company
 - GEICO Casualty Company
 - GEICO Secure Insurance Company
 - GEICO Advantage Insurance Company
 - GEICO Choice Insurance Company
-

One GEICO Plaza ■ Washington, D.C. 20076-0001

April 18, 2017

Sent Via Email and Overnight Delivery

Ms. Joy Morton
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Bureau of Insurance
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**RE: Market Conduct Examination Draft Report Response
GEICO Advantage Insurance Company
GEICO Casualty Company
GEICO Choice Insurance Company
GEICO General Insurance Company
GEICO Indemnity Company
GEICO Secure Insurance Company
Government Employees Insurance Company**

Dear Ms. Morton:

We appreciate the Bureau's detailed review of our initial responses, and are pleased to have the opportunity to further respond. On behalf of GEICO Advantage Insurance Company, GEICO Casualty Company, GEICO Choice Insurance Company, GEICO General Insurance Company, GEICO Indemnity Company, GEICO Secure Insurance Company, and Government Employees Insurance Company (collectively known as the "Companies"), I am responding to the Market Conduct Examination Draft Report as of March 31, 2015 ("Report"). The format is that of the Bureau's March 17, 2017 letter to the Companies and

only includes the violations that remained in the Report. The confidential exhibits referenced throughout the Companies' response will be provided to the examiners via the Box, a secure filing sharing system.

PART ONE – THE EXAMINERS' OBSERVATIONS

Automobile New Business Rating

- (1) The second violation for RPA011 remains in the Report. The rating disparity was not caused by rounding, but a difference in the factors used to calculate the coverage premiums. The Company stated it calculated an Other Than Collision (OTC) premium of \$747.81 for Vehicle 1 when using its filed rates and rounding each step to the penny. The Bureau acknowledges this calculation; however, the Company charged an OTC premium of \$654.33 for Vehicle 1. This violation cites the Company for applying a factor of .875 to result in a premium of \$654.33 ($\$747.81 \times .875 = \654.33). The Company charged \$200.30 for OTC on Vehicle 2, although the Company acknowledged that the filed rates result in a premium of \$228.92 ($\$228.92 \times .875 = \200.30). For reconsideration, the Company should provide its calculation for determining the premiums charged on April 2, 2014 declarations page for all vehicles.

Company's Response

The Company respectfully disagrees with the examiners' observations. The OTC premiums for Vehicles 1 and 2 were lower on the April 2, 2014 declarations page because not all of the Named Insured spouse's violations had been added to the policy at that time. The Policy Occurrence Factor for OTC as of April 2, 2014 was 1.8375 because a lower number of violations were accounted for at that time. After the Named Insured spouse's activity was added to the policy, the final OTC Policy Occurrence Factor was 2.100. The difference between the initial and final OTC Policy Occurrence Factor explains this 0.875 discrepancy ($1.8375/2.100=0.875$). See Confidential Exhibit RPA011.

- (2a) The violations for RPA043, RPA044, and RPA045 remain in the Report. The Company's filed Manual Rule stated there was a maximum discount of 17% if a policy qualified for both the Military Discount and the Sponsored Marketing Discount. The Company's rule did not state how each discount should be applied in the rate order calculation to reach the maximum 17%. Section 8 – Private Passenger Rating Steps of the Company's Rate Manual indicated that

the order of calculation was as follows: Step 5 was applying the Military Discount (15%) and Step 13 was applying the Sponsored Marketing Discount (8%). Based on the Rating Steps on file the Company should have applied the full 15% Military Discount and then applied the remaining 2% discount for the Sponsored Marketing Discount to reach the maximum 17%.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company consistently applied the Military and Sponsored Marketing discounts with a combined cap. The Sponsored Marketing rule states that a -8% differential will be applied to the total policy premium (except for Uninsured Motorist coverage)—indicating that the full 8% discount is applied to the policy premium.

The Military Discount rule states that if a policy is also eligible for a Sponsored Marketing discount, the combined amount will not exceed 17%. In accordance with the Company's filed rules, it applied the 8% Sponsored Marketing discount to these policies and then applied the remaining 9% for the Military discount.

The filed rules define the rating factors and the rate order calculation occurs after the capping is applied (i.e., Step 5 was applying the capped Military Discount and Step 13 was applying the Sponsored Marketing Discount). We acknowledge the opportunity to clarify the rule; however, the discounts were applied in accordance with the Company's filed rules.

- (2b) The violation for RPA012 remains in the Report. Section 38.2-1904 D of the Code of Virginia only permits insurers to surcharge for convictions. When an insured declares a violation on the application the Company must reconcile this information against the insured's Motor Vehicle Report (MVR) to confirm the validity of the violation and acquire the conviction date. The Company incorrectly stated the same violations were withdrawn for RPA002 and RPA011. The two referenced review sheets pertained to whether the speeding violation should be surcharged as a speeding violation (minor) or a reckless driving violation (major).

Company's Response

The Company respectfully disagrees with the examiners' observations. Section 38.2-1904D of the Code of Virginia states:

No insurer shall use any information pertaining to any motor vehicle conviction or accident to produce increased or surcharged rates above their filed manual rates for individual risks for a period longer than 36 months. This period shall begin no later than 12 months after the date of the conviction or accident.

While § 38.2-1904D of the Code of Virginia specifies the period for which an insurer may apply a surcharge for a conviction or accident, the statute does not specify the source from which this information must be obtained. Section 38.2-1904D does not indicate that convictions or accidents must appear on an insured's Motor Vehicle Report (MVR). Some states do not record all out-of-state convictions and accidents. In this particular case, the insured was serving in the Military, so the speeding conviction that he declared could have been an out-of-state violation that did not appear on his Massachusetts MVR.

The Company has always followed the procedure of surcharging for applicable convictions that are either listed on an MVR or reported by the insured. The Company does not recall having an issue with the procedure in the past. In the Company's opinion, the examiners' interpretation of § 38.2-1904D of the Code of Virginia is a new interpretation. The Company is willing to change its position; however, would ask that the Bureau issues an Administrative Letter to clarify its position to ensure equal application of the statute to all insurers in the Commonwealth.

The violation for RPA046 remains in the Report. The Company responded that the insured self-reported the violation cited on the new business application; however, "MVR Record Clear" appears on the MVR provided by the Company. The Company cannot surcharge for violations that are self-reported by the insured unless those violations can be reconciled by the MVR. The insured must be convicted of a violation before points are surcharged.

Company's Response

The Company respectfully disagrees with the examiners' observations. Section 38.2-1904D of the Code of Virginia states:

No insurer shall use any information pertaining to any motor vehicle conviction or accident to produce increased or surcharged

rates above their filed manual rates for individual risks for a period longer than 36 months. This period shall begin no later than 12 months after the date of the conviction or accident.

While § 38.2-1904D of the Code of Virginia specifies the period for which an insurer may apply a surcharge for a conviction or accident, the statute does not specify the source from which this information must be obtained. Section 38.2-1904D does not indicate that convictions or accidents must appear on an insured's Motor Vehicle Report (MVR). Some states do not record all out-of-state convictions and accidents. In this particular case, the insured was serving in the military, so the stop light conviction could have been an out-of-state conviction that did not appear on his California MVR.

The Company has always followed the procedure of surcharging for applicable convictions that are either listed on an MVR or reported by the insured. The Company does not recall having an issue with the procedure in the past. In the Company's opinion, the examiners' interpretation of § 38.2-1904D of the Code of Virginia is a new interpretation. The Company is willing to change its position; however, would ask that the Bureau issues an Administrative Letter to clarify its position to ensure equal application of the statute to all insurers in the Commonwealth.

The Bureau has added one violation for RPA023 upon reviewing the surcharges applied by the Company for accidents. The Company incorrectly attributed two accidents to the father when one accident was caused by the son, per the CLUE report.

Company's Response

The Company respectfully disagrees with the examiners' observations. The date of birth on the CLUE report for the accident on January 27, 2012 is that of the named insured and the license number for both accidents is that of the named insured. See Confidential Exhibit RPA023.

- (2c) The violations for RPA003, RPA004, RPA006, RPA010, RPA012, RPA017, RPA021, RPA025, AND RPA054 remain in the Report. The Company's filed manual did not specify which physical damage symbol should have been used to determine the non-physical damage coverage Vehicle Cost symbols.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company appropriately used the correct physical damage symbols for GEICO Advantage, GEICO Choice and GEICO Secure when determining the Vehicle Cost factors for BI and PD coverages. The filed pages for the Vehicle Cost factor indicate to use the physical damage symbol to select the factors for all coverages. When the physical damage symbol differs for collision and comprehensive, the rating system applies the collision symbol. We have since clarified our procedure in Private Passenger Rule PPA-03.B.2.d in SERFF filing GECC-130824920.

The violations for RPA011 remain in the Report. The Company acknowledged Violation #2. For Violation #3 the Company has not provided the cost new value it used to determine the physical damage symbols for the 1985 Chevrolet C10. For Violation #4 the Company should provide the guidelines for determining a comparable vehicle and explain why a 1985 Jeep pickup was selected as comparable to determine the Liability symbol for the 1985 Chevy C10.

Company's Response

The Company respectfully disagrees with the examiners' observations. Regarding violation #3, the N.A.D.A. appraisal guides reflect the cost new for the 1985 Chevrolet C10 is \$7,461.

Regarding violation #4, the 1985 Jeep pickup was used as the comparable vehicle to the 1985 Chevrolet C10 because both vehicles have the same body type - pickup.

The violation for RPA016 remains in the Report. The vehicle in question did not have filed symbols. The Company's filed Rule PPA-03.2.d.1)b stated, "If a symbol is not available for the prior model year of the same or comparable vehicle, assign a symbol based on the cost new of the vehicle using the table shown at the end of the Rating Section." The Company did not have a comparable vehicle symbol filed and the policy file did not include the cost new amount that was necessary to rate this vehicle. For reconsideration, please provide a screen print showing the cost new for this vehicle.

Company's Response

The Company respectfully disagrees with the examiners' observations. The symbols for this vehicle were selected based on a prior model year version of the same vehicle, not on cost new. Since the 2013 prior model year was not on file, we selected the 2012 model year, in accordance with the filed rule the examiner referenced above.

The 2012 version of the vehicle had ISO symbols of 24 collision and 23 comprehensive. The filed deviations of +2 collision and +3 comprehensive resulted in final symbols of 26 collision and 26 comprehensive.

The violation for RPA020 remains in the Report. The filed Transition Symbols rule provided by the Company stated, "For model year 2011 only" and did not pertain to the 2008 BMW M5.

Company's Response

The Company respectfully disagrees with the examiners' observations. The transition rule was not applied for this vehicle. We included the Transition Symbols page to illustrate the order of symbols for a 1990 - 2010 vehicle, and show that the base symbol of I with a +1 deviation resulted in a final symbol of L for this vehicle.

The first violation for RPA035 remains in the Report. The Company did not identify what comparable vehicle was used to develop the liability symbols. In addition, the Company's filed rule did not state the Company used a comparable vehicle which has the same VIN structure as the vehicle that lacks a filed symbol. Rule 8 stated, "For vehicles not shown on the listing use the liability symbol for a comparable model for the prior model year." If the Company uses VIN information in its determination of liability symbols, then such information should be filed with the Bureau.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company assigns the liability symbol by model in accordance with our filed listing (see SERFF tracking # GECC-129073200), not by individual VIN. The liability symbol was based on the Jeep Compass Sport which had a comparable body style - 4x2 4-door SUV.

The violations for RPA051 remain in the Report, although the violation count has been reduced to two. Violation #1 and Violation #2 have been merged since they both resulted from the Company failing to file the appropriate physical damage symbols for the 2013 Nissan Versa. The Company should ensure that its symbol pages correctly correspond to the Vehicle Classification and Vehicle Cost rate pages. For Violation #3, the Company's filed rules did not specify that the Collision symbol was used to determine the non-physical damage coverage Vehicle Cost factors.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company appropriately used the correct physical damage symbols for GEICO Advantage, GEICO Choice and GEICO Secure when determining the Vehicle Cost factors for BI and PD coverages. The filed pages for the Vehicle Cost factor indicate to use the physical damage symbol to select the factors for all coverages. When the physical damage symbol differs for collision and comprehensive, the rating system applies the collision symbol. The Company has since clarified its procedure in Private Passenger Rule PPA-03.B.2.d in SERFF filing GECC-130824920.

- (2d) The violations for RPA002 AND RPA019 remain in the Report. The Company only submitted filing GECC-130148842 in response to the Bureau's objection within previous filing GECC-129959015. On May 20, 2015, the Bureau's Rates and Forms Section informed the Company that its Occupation Group descriptions were inadequate. Insurers are responsible for filing all necessary rules and rates in Virginia, which is a file and use state. The examiners only cited those instances where the Company did not determine the tier according to its Group 4 Occupation descriptions filed for its use for the policy term under review.

Company's Response

In reference to RPA002 and RPA019, the Company respectfully disagrees with the examiners' interpretation. While filing GECC-130148842 was submitted in response to the Bureau's objection within previous filing GECC-1299559015, the Occupation Group list contained within GECC-130148842 represented the Occupation Group assignments that were effective when the policies in question were assigned Occupation Groups. GECC-130148842 was an informational

filing with the purpose of clarifying the already filed and approved “Appendix 4” which was on file during the audit period. It was not meant as a filing to define Occupation groups only on a going-forward basis.

The violation for RPA007 remains in the Report. Rule PPA-D-03 only pertained to the Driving Experience Discount. The manual did not indicate this rule also applied to the Policy Life Segment and Risk Tier Underwriting Criteria.

Company’s Response

The Company respectfully disagrees with the examiners’ observation. While the manual does not explicitly indicate that Rule PPA-D-03 applies to Policy Life Segment and Risk Tier Underwriting Criteria, only experience obtained in the US or Canada is used in placement. The Company agrees to update the filed manual to clarify this rule.

- (2g) These violations remain in the Report. The Company has not provided sufficient evidence that these insureds had “no hit” or “no score” insurance credit scores. The Company’s system shows a credit score of “994” and does not reflect a “no hit/no score” as suggested in the Company’s reply. The Company’s filing did not specify scores of 000 or 994 identified “no hit” or “no score” insurance credit scores. Insurers cannot simply use a credit score developed by reporting agencies. Insurers must develop and file a credit score model that calculates an insurance credit score because the statute prohibits insurers using credit scores based on information outlines in § 38.2-2234 D of the Code of Virginia. Therefore, insurers can develop scores that are not within the range of reporting agencies since insurers develop their own credit score models and score ranges. For reconsideration, the Company should provide a copy of the credit score information reflecting a “no hit” or “no score” obtained on December 8, 2014 for RPA007, February 9, 2015 for RPA014, April 1, 2014 for RPA016, July 22, 2014 for RPA018, and July 26, 2014 for RPA054.

Company’s Response

The Company respectfully disagrees with the examiners’ observations. Regarding RPA007, RPA014, RPA016, RPA018 and RPA054, the records in the attached Confidential Exhibits (“Credit Exhibit”) show the date

fields received from the Company's credit vendor as well as the translated values.

Automobile Renewal Business Rating

- (3) The violation for RPA151 remains in the Report. The Company clarified that its Rating Plan determined First and Second Occurrences based upon the order in which the convictions and accidents appeared on the MVR and CLUE reports, respectively. The first speeding occurrence on the MVR was the 35 months prior conviction in 2012 and the second speeding occurrence was the 11 months prior conviction in 2014. However, the Company did not file surcharge factors for two occurrences where the 1st Occurrence was in the past 35 months and the 2nd Occurrence was in the past 11 months. Therefore, the Company did not have the appropriate speeding conviction surcharge factors filed to apply to the policy.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company has clarified the terms "first occurrence" and "second occurrence" refer to the "first most recent occurrence" and the "second most recent occurrence," respectively. The logic is driven by the date of the convictions or at-fault accidents.

In other words, for a customer who has two speeding convictions, one on May 21st, 2014 and another on August 15th, 2012 the most recent occurrence (or "first occurrence" /"first most recent occurrence") is the May 21st, 2014 conviction. The "second occurrence"/"second most recent occurrence" is the August 15th, 2012 conviction.

The Company has consistently applied this logic and the surcharge factors were correctly applied to the policy. The examiners' interpretation and application of "first occurrence" and "second occurrence" would cause the Company to charge this policyholder an inadequate rate, which conflicts with § 38.2-1904 of the Code of Virginia.

A violation for RPA103 was added to the item after applying the minor conviction surcharges in the manner explained by the Company. The first minor occurrence on the May 24, 2013 MVR was the February 1, 2012 (35 months prior) following too closely conviction and the second minor

occurrence was the September 26, 2012 (23 months prior) child restraint conviction on the May 24, 2013 MVR. The Company clarified that the First Occurrence heading refers to the first incident appearing on the MVR. As such, the Company did not have the appropriate surcharge factors filed for a 35 month first occurrence and 23 month second occurrence.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company has clarified the terms "first occurrence" and "second occurrence" refer to the "first most recent occurrence" and the "second most recent occurrence," respectively. The logic is driven by the date of the convictions or at-fault accidents.

In other words, for a customer who has two speeding convictions, one on September 26, 2012 and another on February 1, 2012, the most recent occurrence (or "first occurrence" / "first most recent occurrence") is the September 26, 2012 conviction. The "second occurrence" / "second most recent occurrence" is the February 1, 2012 conviction.

The Company has consistently applied this logic and the surcharge factors were correctly applied to the policy. The examiners' interpretation and application of "first occurrence" and "second occurrence" would cause the Company to charge this policyholder an inadequate rate, which conflicts with § 38.2-1904 of the Code of Virginia.

- (4a) The violation for RPA065 has been moved from Item (4f) and remains in the Report. The Company self-reported the issue after the Bureau notified the Company of its intent to perform a Market Conduct exam.

Company's Response

The Company respectfully disagrees with the examiners' observations. The State Corporation Commission (SCC) has already opted to settle this matter with the Company through a binding Settlement Order. If the SCC and Company had not already settled the matter, then the Company could understand the Bureau's position, but the fact remains that this matter is settled. The Company has attached a copy of the Settlement Order that provides the matter is dismissed. See Confidential Exhibits

RPA065, RPA068, RPA070, RPA074, RPA078, RPA080, RPA082, RPA083, RPA086, RPA090, RPA091 and RPA098.

The violations for RPA068, RPA070, RPA074, RPA078, RPA080, RPA082, RPA083, RPA086, RPA090, RPA091, AND RPA098 remain in the Report. The Company self-reported the issue to the Bureau on January 13, 2015. The Bureau had already notified the Company of a Market Conduct Exam on December 5, 2014; therefore, the violations are still applicable.

Company's Response

The Company respectfully disagrees with the examiners' observations. The State Corporation Commission (SCC) has already opted to settle this matter with the Company through a binding Settlement Order. If the SCC and Company had not already settled the matter, then the Company could understand the Bureau's position, but the fact remains that this matter is settled. The Company has attached a copy of the Settlement Order that provides the matter is dismissed. See Confidential Exhibits RPA065, RPA068, RPA070, RPA074, RPA078, RPA080, RPA082, RPA083, RPA086, RPA090, RPA091 and RPA098.

After further review, the violation for RPA072 has been revised. There are now two violations for the application of the maximum discount in regards to the Military Discount and the Sponsored Marketing Discount, as well as the application of the Multi-Car Discount to the Towing Coverage on the policy.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company consistently applied the Military and Sponsored Marketing discounts with a combined cap. The Sponsored Marketing rule states that a -8% differential will be applied to the total policy premium (except for Uninsured Motorist coverage)—indicating that the full 8% discount is applied to the policy premium.

The Military Discount rule states that if a policy is also eligible for a Sponsored Marketing discount, the combined amount will not exceed 17%. In accordance with the Company's filed rules, it applied the 8% Sponsored Marketing discount to these policies and then applied the remaining 9% for the Military discount.

The filed rules define the rating factors and the rate order calculation occurs after the capping is applied (i.e., Step 5 was applying the capped Military Discount and Step 13 was applying the Sponsored Marketing Discount). We acknowledge the opportunity to clarify the rule; however, the discounts were applied in accordance with the Company's filed rules.

The Company also respectfully disagrees with the examiners' observation regarding the application of the Multi-Car Discount to the Towing Coverage on the policy. The State Corporation Commission (SCC) has already opted to settle this matter with the Company through a binding Settlement Order. If the SCC and Company had not already settled the matter, then the Company could understand the Bureau's position, but the fact remains that this matter is settled. The Company has attached a copy of the Settlement Order that provides the matter is dismissed.

The violations for RPA075 AND RPA076 remain in the Report. The Company's filed Manual stated there was a maximum discount of 17% if a policy qualified for both the Military Discount and the Sponsored Marketing Discount. The Company's Rule Manual did not state how each discount should be applied in the rate order calculation to reach the maximum 17%. Section 8 – Private Passenger Rating Steps of the Company's Rate Manual indicated that the order of calculation was as follows: step 5 was applying the Military Discount (15%) and Step 13 was applying the Sponsored Marketing Discount (8%). Based on the Rating Steps on file the Company should have applied the full 15% Military Discount and then applied the remaining 2% discount for the Sponsored Marketing Discount to reach the maximum 17%.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company consistently applied the Military and Sponsored Marketing discounts with a combined cap. The Sponsored Marketing rule states that a -8% differential will be applied to the total policy premium (except for Uninsured Motorist coverage)—indicating that the full 8% discount is applied to the policy premium.

The Military Discount rule states that if a policy is also eligible for a Sponsored Marketing discount, the combined amount will not exceed

17%. In accordance with the Company's filed rules, it applied the 8% Sponsored Marketing discount to these policies and then applied the remaining 9% for the Military discount.

The filed rules define the rating factors and the rate order calculation occurs after the capping is applied (i.e., Step 5 was applying the capped Military Discount and Step 13 was applying the Sponsored Marketing Discount). We acknowledge the opportunity to clarify the rule; however, the discounts were applied in accordance with the Company's filed rules.

The violation for RPA082 remains in the Report. The spreadsheet provided by the Company on August 17, 2015 indicating all organizations that qualify for the Sponsored Marketing Discount did not list Virginia Credit Union. The Company has responded that Virginia Credit Union was an organization that qualified for the discount in 2003 and the policy retained the discount, the Company should provide the prior policy declarations page for verification.

Company's Response

The Company respectfully disagrees with the examiners' observations. The declarations page has been provided in Confidential Exhibit RPA082.

The violations for RPA103 AND RPA147 remain in the Report. On July 29, 2015, the Company provided a "7.29 Active groups" Excel file in response to the Bureau's request for a list of all Sponsored Marketing groups active during the examination period. The Navy Federal Credit Union and Navy Federal Financial Group were not found on this list.

Company's Response

The Company respectfully disagrees with the examiners' observations. The list provided to the examiners (see Confidential Exhibit RPA103/ RPA147) shows Navy Federal Financial Group under the "complete list" workbook and reflects the date removed as April 6th, 2015.

The violation for RPA151 remains in the Report. The Company incorrectly applied the Extra Vehicle Discount to Vehicle 2. The Extra Vehicle Discount, Rule PPA-V-03, referenced by the Company specifically states, "The vehicle each driver customarily operates is ineligible for this discount factor." The insured customarily drove Vehicle 2, which was therefore ineligible for the

Extra Vehicle Discount. The Company has not provided documentation that this vehicle was not customarily driven.

Company's Response

The Company respectfully disagrees with the examiners' observations. Confidential Exhibit RPA151 provides detail showing this policy had one driver and two vehicles. The insured customarily drove vehicle 1 and the Extra Vehicle Discount is applied only to vehicle 2.

- (4c) The violations for RPA065, RPA078, RPA083, and RPA094 remain in the Report. Rule 27 in the Company's Rule Manual stated: "If the Symbol listing displays a symbol for the prior model year of the same or comparable vehicle, use the prior model year symbol. If the Symbol listing does not display a symbol for the prior model year of the same or comparable vehicle, assign a symbol based on the cost new of the vehicle using the Cost New chart located in the rate section." The symbol pages on file with the Bureau did not have corresponding symbols for the vehicles listed on the policy and a comparable vehicle could not be determined. Further, the policy files provided by the Company did not indicate the cost new amounts associated with each vehicle. For reconsideration, the Company should either identify the comparable vehicle used to rate each policy or provide documentation of the cost new value used for each vehicle.

Company's Response

The Company respectfully disagrees with the examiners' observations. Regarding RPA065, the Liability Symbol L for the 2007 Acura MDX was filed with VA tracking #018 0000037934, SERFF #USPH-6J6RVR371/00-00/00-00/00, on page 1 of the VA GE-GG-GI_GC VLR Symbol Assignments.pdf attachment.

Also regarding RPA065, the State Corporation Commission (SCC) has already opted to settle this matter with the Company through a binding Settlement Order. If the SCC and Company had not already settled the matter, then the Company could understand the Bureau's position, but the fact remains that this matter is settled. The Company has attached a copy of the Settlement Order that provides the matter is dismissed.

Regarding RPA078, the symbols for this vehicle were selected based on a prior model year version of the model, not on cost new. The 2012 Volkswagen Golf with VIN WVWDA7AJ&C had ISO symbols of 22

collision and 20 comprehensive. The filed deviations of +1 collision and -3 comprehensive resulted in final symbols of 23 collision and 17 comprehensive.

Regarding RPA083, the liability symbol was based on the 2010 Porsche Boxster based on the comparable body style - 2-door convertible.

Regarding RPA094, the 2015 Cadillac Escalade was not available in the system when the policy renewed, so the symbols for a comparable VIN of the same model were used. These symbols were based on the filed ISO symbols for the VIN 1GY&4BEF&C, 45 Collision/ 57 Comprehensive. The Company's filed deviations of +5 Collision/ +3 Comprehensive resulted in final symbols of 50 Collision/ 60 Comprehensive. The 2014 Mercedes Benz CLA250 was not available at the time of the last liability symbol filing, so the symbol for a comparable model was used - 2014 Mercedes Benz CL Class, filed with Symbol L.

The violation for RPA091 remains in the Report. The symbol deviation pages filed in SERFF filing GECC-125873464 did not include the correct "series" for the vehicle rated on the policy. The insured vehicle was series SRT-8 and the Company's filed symbol pages only included the following series: Grand Cherokee Base/Laredo/LTD/Overland, Grand Cherokee Laredo/Overland (4x2), and Grand Cherokee LTD (4x2).

Company's Response

The Company respectfully disagrees with the examiners' observations. The deviation for the 4x4 Grand Cherokee Base/Laredo/LTD/Overland was used because it most closely matches the 4x4 Grand Cherokee SRT-8 on the policy.

The two violations for RPA102 remain in the Report. For violation #1, please refer to rule 27 in the Company's manual as outlined above. For violation #2 the manual on file does not specify if the OTC or COLL symbol will be used in determining the Vehicle Cost symbol when the symbols are different. If it is the Company's intent to use the COLL symbol when the physical symbol differs for OTC and COLL, the Company must contact the Rate and Forms Section of the Bureau and advise them of its intention.

Company's Response

Regarding violation #1, this was self-reported and the Company acknowledged this violation.

Regarding violation #2, the Company respectfully disagrees with the examiners' observations. The Company appropriately used the correct physical damage symbols for GEICO Advantage, GEICO Choice and GEICO Secure when determining the Vehicle Cost factors for BI and PD coverages. The filed pages for the Vehicle Cost factor indicate to use the physical damage symbol to select the factors for all coverages. When the physical damage symbol differs for collision and comprehensive, the rating system applies the collision symbol. We have since clarified our procedure in Private Passenger Rule PPA-03.B.2.d in SERFF filing GECC-130824920.

The violation for RPA109 remains in the Report. The Company referenced RULE 10. SYMBOL ASSIGNMENT, which is not applicable to this violation. This violation pertains to the Company not having an appropriate Vehicle Liability Symbol filed with the Bureau for a 2005 Acura MDX AWD. The Company should amend RULE 8. VEHICLE LIABILITY RATING to indicate the procedure for handling new vehicle models.

Company's Response

The Company respectfully disagrees with the examiners' observations. The liability symbol was based on the comparable 2005 Lexus RX330 AWD based on the shared body style – 4x4 4-door SUV.

- (4d) The violation for RPA071 remains in the Report. For reconsideration, the Company should provide evidence that the insured was rated in the best possible tier (Tier 2) during the prior term, and therefore, credit would not have been required to be update.

Company's Response

The Company respectfully disagrees with the examiners' observations. See Confidential Exhibit RPA071 which includes a screenshot showing this customer was placed in GEICO Tier 2.

The violation for RPA104 remains in the Report. The Company referenced SERFF filing GECC-130148842 in its response, but this filing was effective

after the examination period and was not applicable. Appendix 4-Occupation Group Definitions of SERFF filing GECC-129784340 was applicable during the examination period, but it did not include “unemployment” in Group 5. Therefore, the insured was placed in occupation group G2—All Other.

Company’s Response

The Company respectfully disagrees with the examiners’ interpretation. While filing GECC-130148842 was submitted in response to the Bureau’s objection within previous filing GECC-1299559015, the Occupation Group list contained within GECC-130148842 represented the Occupation Group assignments that were effective when the policies in question were assigned Occupation Groups. GECC-130148842 was an informational filing with the purpose of clarifying the already filed and approved “Appendix 4” which was on file during the audit period. It was not meant as a filing to define Occupation groups only on a going forward basis. For RPA104, “Not Currently Employed” is listed under Occupation Group 5.

The violations for RPA147 and RPA149 remain in the Report. The Company only submitted filing GECC-130148842 in response to the Bureau’s objection within previous filing GECC-1299559015. On May 20, 2015, the Bureau’s Rates and Forms Section informed the Company that its Occupation Group descriptions were inadequate. Insurers are responsible for filing all necessary rules and rates in Virginia, which is a file and use state. The examiners only cited those instances where the Company did not determine the tier according to its Group 4 Occupation descriptions filed for its use for the policy term under review.

Company’s Response

The Company respectfully disagrees with the examiners’ interpretation. While filing GECC-130148842 was submitted in response to the Bureau’s objection within previous filing GECC-1299559015, the Occupation Group list contained within GECC-130148842 represented the Occupation Group assignments that were effective when the policies in question were assigned Occupation Groups. GECC-130148842 was an informational filing with the purpose of clarifying the already filed and approved “Appendix 4” which was on file during the audit period. It was not meant as a filing to define Occupation groups only on a going forward basis.

- (4e) The violation for RPA095 remains in the Report. The policy file and the exhibit provided by the Company indicated that the named insured's spouse drove vehicle 2 the most, as such the named insured's spouse should have been rated on vehicle 2. Since the Mature Driver Classification applied to the named insured's spouse, this classification would extend to the two excess vehicles listed on the policy per Rule 5.

Company's Response

The Company respectfully disagrees with the examiners' observations. The named insured's spouse was not rated as a primary driver on any of the vehicles insured. The named insured indicated he was the primary driver of all 4 vehicles. Confidential Exhibit RPA095 further clarifies the policy file.

The violation for RPA148 remains in the Report. The Company's spreadsheet reflected the correct individual Driving Experience factors, but the averaged factors applied to the policy were incorrect. For example, the Bodily Injury Driving Experience factors for the three drivers were: .8189, .9051 and 1.00. The averaged factors were .908; however, the Company applied a factor of .9099.

Company's Response

The Company respectfully disagrees with the examiners' observations. The driver level discount composite relativities are calculated using cumulative rating factors for each driver. To determine the rating factor for a specific discount, the cumulative discount factors for each driver are averaged and divided by the average cumulative factor in the prior step. The calculation for the BI factor is shown on attached confidential exhibit RPA148. We agree to clarify in rule PPA-03 Classifications to indicate that cumulative factors are averaged.

- (4f) The violation for RPA061 remains in the Report with a revised overcharge of 39 cents. The violation resulted from the Company using superseded base rates instead of those filed under SERFF Tracking Number GECC-129443436 that was effective for renewal policies on and after June 23, 2014. The policy effective date under review was July 24, 2014.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company used the rates filed under SERFF Tracking Number GECC-129443436, effective June 23, 2014 for renewal policies. The Company did not use superseded base rates. The attached rating in Confidential Exhibit RPA061 shows the calculation of the premium using the factors from this filing.

- (4g) The violation for RPA066 remains in the Report. The Company should provide documentation showing that during the prior term the insured was rated in the best possible tier (Tier 2); and therefore, credit would not need to be updated.

Company's Response

The Company respectfully disagrees with the examiners' observations. See confidential exhibit (RPA066) which includes a screenshot showing this customer was placed in GEICO Tier 2.

The violations for RPA104, RPA151, and RPA152 remain in the Report. The Company has not provided sufficient evidence that these insureds had "no hit" or "no score" insurance credit scores. The Company's filing did not specify scores of 000 or 994 identified "no hit" or "no score" insurance credit scores. Insurers cannot simply use a credit score developed by reporting agencies. Insurers must develop and file a credit score model that calculates an insurance credit score because the statute prohibits insurers using credit scores based on information outlined in § 38.2-2234 D of the Code of Virginia. Therefore, insurers can develop scores that are not within the range of reporting agencies since insurers develop their own credit score models and score ranges 000 or 994 could be applicable scores for this Company. For reconsideration, the Company should provide a copy of the credit score information obtained showing no hit or no score.

Company's Response

The Company respectfully disagrees with the examiners' observations. Regarding RPA104, RPA151 and RPA152, the records in the attached Confidential Exhibits show the date fields received from the Company's credit vendor as well as the translated values.

Cancellation Notice Mailed After the 59th Day of Coverage

- (1) The violation of TPA018 has been added to the revised Report. Section 38.2-2212 A of the Code of Virginia states the following: “Cancellation” or “to cancel” means a termination of a policy during the policy period. The statute does not permit the Company to cancel a single vehicle from a policy.

Company’s Response

The Company respectfully disagrees with the examiners’ observations. The driver (and vehicle) that the Company had an issue with was insured under a separate policy; therefore, there was not a break in coverage for this vehicle and a cancellation did not happen.

- (2a) The violations for TPA027, TPA032, and TPA038 remain in the Report. The termination data file provided by the Company listed these policies as being cancelled after the 59th day of coverage. The inception dates for these policies were at least two years prior to the policy effective dates. These policies are not considered new business policies and are not subject to the first 60 day underwriting review period. The examiners acknowledge that the Company is treating these policies as new business due to a reissue. The Bureau has indicated to the Company during the exit meeting and August 24, 2015 conference call that this practice is incorrect.

Company’s Response

The Company respectfully disagrees with the examiners’ observations. Customers that return to the Company after cancelling are considered new business customers through our reissue and move-in process. We write six month policy terms and when a customer cancels this is considered a break in coverage and is no longer considered a “successive policy period” as noted in § 38.2-2212 of the Code of Virginia. With the exception of filed discounts, customers in Virginia are treated the same at new business, reissue and when they move into Virginia from another state. The Company does retain the customer’s prior policy number and tenure for six months after cancellation as a matter of practice. However, this policy record treatment does not affect the policy status or underwriting treatment. The Company has not located a Virginia law that interprets the Company’s practice as being incorrect. In the Company’s opinion, the examiners’ interpretation of § 38.2-2212 of the Code of Virginia is a new

interpretation. The Company is willing to change its position; however, would ask that the Bureau issues an Administrative Letter to clarify its position to ensure equal application of the statute to all insurers in the Commonwealth.

The violation for TPA035 remains in the Report. The effective date of this policy was February 4, 2014, and the insured's suspension became effective on April 25, 2013. The Company cancelled this policy for an accident, conviction, and suspension. The Company is not permitted to cancel for accidents or convictions after the 60th day of coverage. The Company is allowed to cancel for suspension; however, the suspension did not fall into the applicable time frame stated in § 38.2-2212 D of the Code of Virginia. The statute specifically states that the suspension or revocation must occur during the policy period or, if the policy is a renewal, during its policy period or the 90 days immediately preceding the last effective date. The Company's interpretation that if the MVR obtained during the policy period showed a suspended license then it was able to cancel the policy is incorrect. To properly terminate this risk the Company should have non-renewed this policy.

Company's Response

The Company acknowledges the examiners' observations. An error was made by an underwriter who took adverse action on this policy. The Company has coached its associate on the correct process.

- (2b) The violations for TPA017, TPA019, TPA025, TPA026, TPA029, and TPA050 remain in the Report. The Company is allowed to cancel for suspension; however, the suspensions or revocations did not fall into the applicable time frame stated in § 38.2-2212 D of the Code of Virginia. The statute specifically states that the suspension or revocation must occur during the policy period or, if the policy is a renewal, during its policy period or the 90 days immediately preceding the last effective date. The Company's interpretation that if the MVR obtained during the policy period showed a suspended license then it was able to cancel the policy is incorrect. To properly terminate this risk the Company should have non-renewed this policy.

Company's Response

The Company respectfully disagrees with the examiners' observations. In each of these cases, the named insured or operator had an open

suspension at the time the motor vehicle report was run during the policy period. Undoubtedly, the spirit of this statute is not to encourage drivers with suspended or revoked licenses to drive on the Commonwealth's roads. It is for this reason the Company takes adverse action on these customers, so we are not insuring individuals who are not legally permitted to drive. The examiners are interpreting this statute to mean the named insured or operator's suspension must have occurred on a date during the policy period, rather than the named insured or operator has a license that is in a "suspended" or "revoked" status during the policy period.

Regarding TPA017, this customer had a suspended out of state license effective May 20, 2013. The customer provided proof of the license reinstatement; therefore, the policy was not cancelled.

Regarding TPA019, TPA025, TPA026, and TPA029, these involved situations in which the named insured added unsuitable drivers to the policy after the policy period began. The Company took adverse action against these customers because the added drivers had revoked or suspended licenses.

Regarding TPA050, this customer started a policy on March 9, 2014 requiring a CFR and the policy cancelled for nonpayment several times over the course of the subsequent year. The Company filed an SR-26 each time the policy cancelled and re-filed the SR-22 each time it was reissued. On March 11, 2015, the Company cancelled the policy because the named insured did not clear her license since the policy was reissued on February 2nd 2015 (the SR-22 was filed with the DMV on February 7th 2015).

- (3a) The violations for TPA031 AND TPA044 remain in the Report. The Company stated in its response that these policies were insured requested cancellations; however, there is no information in the policy file to support this claim. The Company also stated that Rule 9, "Cancellations, Changes, and Automatic Coverage," does not specify that the insured's request must be documented in the policy file. The Company reported these policies as cancellations after the 60th day of coverage. The burden of proof is on the Company to prove that the cancellations were not Company initiated. The Bureau cannot verify that the insured requested the policy be cancelled without such documentation.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company's Customer Service Department initiated the cancellation of these policies via phone. Confidential exhibits TPA031 and TPA044 reflect the process a service counselor uses to process customer-requested cancellations. The Customer Service Department does not have the authority or ability to process company-initiated cancellation requests or take adverse action. The selection of a cancellation reason or further documentation regarding why the insured was requesting to cancel may be done for the Company's records but is not required by § 38.2-2212 of the Code of Virginia.

- (3b) The violations for TPA027, TPA032, TPA038, and TPA040 remain in the Report. The Company stated in its response that these policies were reissued due to a break in coverage. The Bureau is unable to verify that there was a break in coverage from the insured's prior term. For reconsideration of these violations; the Company needs to provide the prior term declarations page, the prior term cancellation notice, and prior term billing screens for each policy.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company has included the requested documentation in Confidential Exhibits TPA027, TPA032, TPA038 and TPA040.

The violations for TPA039 and TPA045 remain in the Report. The Company cannot send a notice of cancellation during one policy period to cancel into another policy period. The Company did not discover the license suspensions in time to non-renew the prior policies. Once the policies renewed, the Company needed to send the cancellation notice and provide the insureds with 45 days' notice before cancelling their policies.

Company's Response

The Company respectfully disagrees with the examiners' observations. Regarding TP039, the Company initiated the cancellation on April 17th, 2014 providing 46 days' notice making the cancellation effective June 2nd, 2014. See Confidential Exhibit TPA039 for cancellation detail in transaction summary.

Regarding TPA045, the Company initiated the cancellation on July 25th, 2014 providing 58 days' notice making the cancellation effective September 21st 2014. See Confidential Exhibit TPA045 for cancellation letter sent to the insured.

- (3c) The violations for TPA027, TPA032, TPA038, and TPA040 remain in the Report. The Company stated in its response that these policies were reissued due to a break in coverage. The Bureau is unable to verify that there was a break in coverage from the insured's prior term. For reconsideration of these violations; the Company needs to provide the prior term declarations page, the prior term cancellation notice, and prior term billing screens for each policy.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company has included the requested documentation in Confidential Exhibits TPA027, TPA032, TPA038 and TPA040.

- (3d) The violations for TPA038 and TPA040 remain in the Report. The Company states in its response that these policies were reissued due to a break in coverage. The Bureau is unable to verify that there was a break in coverage from the insured's prior term. For reconsideration of these violations; the Company needs to provide the prior term declarations page, the prior term cancellation notice, and prior term billing screens for each policy.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company has included the requested documentation in Confidential Exhibits TPA038 and TPA040.

- (4) The violations for TPA032, TPA038, and TPA045 remain in the Report. The Company stated in its response that these policies were reissued due to a break in coverage. The Bureau is unable to verify that there was a break in coverage from the insured's prior term. For reconsideration of these violations; the Company needs to provide the prior term declarations page, the prior term cancellation notice, and prior term billing screens for each policy.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company has included the requested documentation in Confidential Exhibits TPA032, TPA038 and TPA045.

Other Law Violations

The violations for TPA049 and TPA057 remain in the Report. In both instances the documentation in the policy file was not clear as to the date the SR-26 was filed. The Company stated in its response that a GEICO employee spoke with a DMV representative who verified that an SR-26 was filed within 15 days of the cancellation date. If DMV can verify the SR-26 was filed within 15 days of the cancellation date, the Company should obtain documentation from DMV of the date the SR-26 filing was made.

Company's Response

Regarding TPA049, the Company acknowledges this filing was not done within 15 days of the cancellation date. The Company has coached the associate regarding the proper procedure.

Regarding TPA057, the Company respectfully disagrees with the examiners' observations. Please see Confidential Exhibit TPA057 which is an email from the Virginia Department of Motor Vehicles (DMV) confirming the date and time the DMV processed the Company's transmission.

For additional information regarding confirmation of the SR-26 filing date, please contact the Department of Motor Vehicle Systems Support Group, Room 509B, (804) 367-6474.

Other Law Violations

The violation for TPA068 remains in the Report. The documentation provided by the Company does not indicate the date that the SR-26 was filed for this policy. The Company stated in its response that a GEICO employee spoke with a DMV representative who verified that an SR-26 was filed within 15 days of the cancellation date. If DMV can verify when the SR-26 was filed, the Company should obtain documentation from DMV of the date the SR-26 filing was made.

Company's Response

The Company respectfully disagrees with the examiners' observations. Please see Confidential Exhibit TPA068 which is an email from the Virginia DMV confirming the date and time the DMV processed the Company's transmission.

For additional information regarding confirmation of the SR-26 filing date, please contact the Department of Motor Vehicle Systems Support Group, Room 509B, (804) 367-6474.

Cancellation Requested by the Insured

- (1) The violation for TPA083 remains in the Report. The Company provided two endorsement declarations pages. The first endorsement was effective on March 13, 2014 and stated the total six month premium was \$1,611.51. The second endorsement was effective on May 31, 2014 and stated the total six month premium was \$1,641.51. The Company's billing screens did not correspond with the declarations page sent to the insured. For the violation to be reconsidered, the Company needs to provide an explanation as to the variation between the Company's system and the documentation provided to the insured, as well as a detailed return premium calculation to support its response.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company provided screenshots that displayed an "as of date" of 1/26/14 on the billing screen, so the premium as of 1/26/14 was displayed. Confidential Exhibit TPA083 reflects the "as of dates" that correspond with each transaction summary provided; therefore, updating the correct premiums on the billing screens.

- (2b) The violation for TPA083 remains in the Report. The Company failed to maintain evidence that the insured requested the policy to be cancelled effective June 23, 2014.

Company's Response

The Company respectfully disagrees with the examiners' observations. Confidential Exhibit TPA083 provides evidence that the insured

requested the policy cancellation as well as the reason the insured cancelled the policy.

Private Passenger Auto Claims

- (1) The violation for CPA120 remains in the Report. The Company has responded there was never an error regarding mismatched VINs; please refer to the claim note entered at 8:17 AM on October 24, 2014. The claim file did not document the reason the VIN on the policy and the VIN on the vehicle did not match. Further, the Company has not explained how the VIN was entered incorrectly on the policy or the vehicle the VIN actually identified.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Auto Damage adjuster's note on October 24, 2014 at 8:17AM indicated the auto damage inspection revealed a different VIN than the VIN on the policy for the 2014 Infiniti Q50; however, this adjuster made an error. The VIN identified on the policy for this vehicle at the time of loss was reported to the Company on October 2, 2014 as JN1BV7AR4EM693318.

When the same adjuster inspected the vehicle on October 8, 2014, he took a picture of the car's VIN sticker, showing the VIN as JN1BV7AR4EM693318, which is identical to the VIN on the policy. Subsequent documentation in the file shows the VIN on the vehicle as matching the VIN on the policy.

This is simply a situation in which the adjuster misread the VIN—the VIN was also the same on the policy and vehicle. Additionally, Auto Damage management authorized the total loss payment for the vehicle. Management would not have approved this payment if the VIN did not match the VIN on the policy. All other documentation in the file supports that the fact that the VIN on the vehicle matched the VIN as provided to the Company on the policy. The note on October 24, 2014 was made in error. See Confidential Exhibit CPA120.

The violation for CPA123 remains in the Report. The insured advised he had additional damages. The Company had an obligation to handle and conclude his claim. The file does not document how the claim was concluded on behalf of the insured.

Company's Response

The Company respectfully disagrees with the examiners' observations. On July 7, 2015, the policyholder called the Company and said her vehicle sounded like a wind tunnel. The vehicle's rear bumper, trunk, quarter panel, and back glass were repaired. The Company confirmed with the Radley Chevrolet Body Shop, the shop that made the original repairs, that the customer did not call to report additional necessary repairs and did not bring her vehicle to shop for additional repairs.

There were no other notes or work papers associated with this request that the Company was required to keep. See Confidential Exhibits CPA123 and Cooper estimate. It is the Company's responsibility to handle and resolve all accident-related damage. And, as an additional step, the Company recently contacted the shop and confirmed that the customer never called them and they were not aware of any issues.

The violation for CPA206 remains in the Report. The insured had a loss where the vehicle was struck by two different objects simultaneously. However, the Company considered this to be two different incidents and charged the insured two separate deductibles of \$250 and \$500. There is no explanation in the file regarding how the Company determined that the deductible on the policy was incorrect and charged \$500 for the second deductible.

Company's Response

After further review, the Company acknowledges the examiners' observation. The Company has coached the associate regarding the proper procedure in the future.

- (2b) The violation for CPA057 remains in the Report. When the insured asked about her rental coverage, the Company told her the adjuster would advise her. There is nothing in the file stating that she was told of her rental limits. Additionally, the estimate only allowed two days of rental when the actual rental was needed for six days.

Company's Response

The Company respectfully disagrees with the examiners' observations. When the insured reported the loss on January 8, 2015, the Company provided him with information regarding the first party coverages,

including comprehensive and rental coverages. The file is documented to indicate the Company advised the insured of first party coverage at 5:41 p.m. This explanation of first party coverage included all first party coverages. Because the insured's vehicle was not drivable, the adjuster created a rental reservation at 6:14 p.m. Furthermore, the adjuster advised the insured at 6:19 p.m. that he was authorizing a full-size rental vehicle for the insured for a reasonable amount of time, based on repairs.

The estimate written on January 13, 2015 was for two days of repair (one day to order parts and one day for the actual repair); however, six days of rental was provided because the vehicle could not be driven after the incident. The Company did not obscure the benefits and coverage. The Company explained transportation expense coverages to the insured and ensured that he was provided a rental in a timely manner for the entire duration of the vehicle repair. The fact that Company paid for six days of rental coverage speaks for itself. See Confidential Exhibits CPA057 and Daniels estimate.

- (2c) The violation for CPA067 remains in the Report. The Company did not advise the insured that a rental was covered under UMPD. The Company discussed a rental with the insured after repairs were completed. This loss was March 31, 2015. The insured's vehicle was repaired and released to the insured on May 22, 2015. The Company did not discuss rental with the insured until May 22, 2015.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company advised the insured of rental availability under the Uninsured Motorist coverage, as soon as a coverage determination was made. It would be improper to inform the insured of rental coverage when a full investigation had not been completed and it was undetermined if Uninsured Motorist coverage was applicable. As soon as the determination was made, the customer was informed of the available coverage, without delay. See Confidential Exhibit CPA067.

- (6c) The violation for CPA083 remains in the Report. The Department of Motor Vehicles requires payment of title and tag transfer fees to the owner of the vehicle, if the vehicle is not exempt. Leased vehicles are not exempt under § 58.1-2403 of the Code of Virginia. The owner of the leased vehicle is entitled

to reimbursement of the fees. If the fees are not owed to the insured, they are due to the leasing Company.

Company's Response

The Company respectfully disagrees with the examiners' observations. The insured was not the owner of the vehicle because he leased it. Tag and transfer fees are not paid because the customer is not transferring the tags to another vehicle since he did not own the vehicle. See Confidential Exhibit CPA083.

The violation for CPA116 remains in the Report with an adjusted restitution of \$10.20.

Company's Response

The Company agrees with the restitution amount of \$10.20 for the difference in tax rate. The Company has coached the associate regarding the proper procedure.

The violation for CPA131 remains in the Report. The Department of Motor Vehicles requires payment of tax, title and tag transfer fees to the owner of the vehicle, if the vehicle is not exempt. Leased vehicles are not exempt under § 58.1-2403 of the Code of Virginia. The owner of the leased vehicle is entitled to reimbursement of the fees.

Company's Response

The Company respectfully disagrees with the examiners' observations. The insured was not the owner of this vehicle since he leased it. The Company does not pay lease companies for taxes and tag fees unless the customer pre-paid the taxes. In the situation in which the customer pre-paid the taxes, the customer is entitled to expenses they actually incurred. A lease company doesn't pay taxes on their own car they lease out. The customer may pay those taxes when they return the vehicle after their lease term. Tag and transfer fees are not paid because the customer is not transferring the tags to another vehicle since they do not own the vehicle. See Confidential Exhibit CPA131.

The violation of CPA183 remains in the Report but has been adjusted to remove the tax from the violation.

Company's Response

The Company acknowledges the \$2.00 tag transfer fee is owed. The Company has coached the associate regarding the proper procedure.

- (6d) The violation of CPA026 remains in the Report with restitution reduced from \$694.51 to \$504.51. The Company incorrectly referenced this violation under Item (6c) instead of (6d).

Company's Response

The Company acknowledges the \$504.51 restitution amount. The Company has coached the associate regarding the proper procedure.

- (6e) The Company incorrectly referenced the following violations under Item (6d) instead of (6e).

The violation for CPA078 has been adjusted to \$100.02 to include applicable tax.

Company's Response

The Company acknowledges the \$100.02 restitution amount. The Company has coached the associate regarding the proper procedure.

The violation for CPA120 remains in the Report. The loss occurred on October 2, 2014. The Company did not give the total loss check to the insured until November 13, 2014; one day after the Company hand delivered the check to the insured. This is not a reasonable time for the insured to obtain other transportation. November 14, 2014 was a Friday. The rental agency was closed Saturday and Sunday. The Company owed rental through Monday, November 17, 2014 at a minimum. As the Bureau has previously advised, the Company did not owe the CDW charges of \$336.00. However, the Company owes the insured for the rental fees through November 17, 2014 in the amount of \$151.07.

Company's Response

The Company acknowledges the \$151.07 restitution amount. The Company has coached the associate regarding the proper procedure.

The violation for CPA213 has been adjusted to \$142.37 to include applicable tax.

Company's Response

The Company acknowledges the \$142.37 restitution amount. The Company has coached the associate regarding the proper procedure.

- (6f) The violation for CPA206 remains in the Report. An object fell off of a truck in front of the insured, who drove over it. A second object almost immediately struck the rear of her vehicle. This was one incident. There is no explanation in the file as to why the Company insisted this was two separate incidents and charged the insured two separate deductibles.

The Company acknowledges the examiners' observations. The Company reimbursed the insured with the \$500 collision deductible, plus interest. The Company has coached the associate regarding the proper procedure.

The Company incorrectly referenced these violations under Item (6e) instead of (6f).

- (7a) These violations remain in the Report. The Company advised the Bureau that claim notes coded as "80" in the Company's system were emailed and available for the customer's access through a link provided to the customer by the Company. Out of the population of applicable claims, the Bureau found only four claims with this code. In addition, the Company's practice of providing estimates after repairs are completed (as referenced in the Company's October 19, 2016 response), is not in compliance with 14 VAC 5-400-80.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company did not violate 14 VAC 5-400-80(D). As previously stated, the Company provided information and documentation to the examiners that supported the fact the Company provided estimates to the claimants. The Company would also like to clarify that it provides estimates to claimants prior to the completion of repairs.

Although the Company provides hard copies of estimates to claimants, as technology advances (e.g. the rapid proliferation of smart phones, tablets, and laptops), many people prefer to access information electronically. In order to provide a convenient and more efficient way

for claimants to track their claims, the Company uploads estimates, photos, and other pertinent claim information to GEICO.com. This process proves less costly as well, and Virginia consumers benefit from these cost savings in the form of lower rates. The Company's process includes informing claimants of the ability to access GEICO.com when they report their loss, as well as when the Company's auto damage representatives discuss the claim with them. The Company also provides the claimants with a folder that includes this information. So, even though these claimants did not receive an "80" email, they were informed multiple times that their estimates were available on GEICO.com.

- (9) The violation for CPA035 remains in the Report. The Company failed to properly investigate liability on behalf of the insured and further failed to investigate if coverage existed on the policy.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company conducted a proper liability investigation that included taking a recorded statement from both drivers involved in the loss; obtaining photographs taken at the accident scene, showing vehicle position and damage to the claimant's vehicle; obtaining a copy of the police report; interviewing the responding officer; and obtaining photographs of our insured's vehicle damages. The Company obtained all available evidence prior to making a liability decision.

The policyholder's son was a brand new driver who was operating the vehicle with the policyholder's permission. After the loss, the driver was added to the policy as an occasional driver. This is not cause for material misrepresentation. See Confidential Exhibit CPA035.

The violation for CPA069 remains in the Report. The Company should provide the Bureau with evidence of settlement and payment of interest once this matter is finalized.

Company's Response

The Company respectfully disagrees with the examiners' observations. Please see Confidential Exhibit CPA069 for evidence of settlement and payments.

New Business Policy Issuance

- (1) The violation for MPA009 remains in the Report. The Company's exhibit provided a screen shot that represented part of an application. However, the partial application did not have any identifying information to indicate that it was connected to the declarations page reviewed by the Bureau.

Company's Response

The Company respectfully disagrees with the examiners' observations. Confidential Exhibit MPA009 shows the coverage and premiums match the previously provided policy declarations page along with the name of the customer that was missing from the original screen print provided. Since the screenshot provided in 2015 that was missing the customer's name can no longer be duplicated, the Company provided the underlying data from the date this policy was sold.

General Statutory Notices

The Company was required to provide the Notice of Information Collection and Disclosure Practices at the time of application, before the policy was issued, because the Company obtained non-public information about the applicant. The Company was permitted to provide applicants the notice of subsection B (long form) or C (short form) of § 38.2-604 of the Code of Virginia. However, the Company provided copies of its short form notices used during the examination period.

The violation for NGS012 remains in the Report. The short form notice was provided on the last page of the Company's application, but it did not meet the requirements of the statute. The notice failed to properly inform the applicant of the right to access or correct all personal information collected; the notice only stated that the credit information could be accessed or corrected. Also, the notice failed to state that the long form notice would be provided upon request by the applicant or policyholder.

The violation of NGS021 remains in the Report. A script is required to be read to all applicants during a telephone application. However, the Company's short form script notice did not state the long form notice would be furnished to the applicant or policyholder upon request.

Company's Response

The Company respectfully disagrees with the examiners' observations. The Company provides the long form notice to all of its policyholders, which is why its short forms do not reference the long form availability. Since every policyholder receives the long form notice annually, the Company does not state that the long form notice will be provided upon request.

Statutory Vehicle Notices

The violation for NSV008 remains in the Report. Due to the fact that the Company is transferring the insured to a third-party representative (vendor), the Company is required to inform the insured that the third party is not the insurer and is acting on behalf of the insurer. The revised Glass Script provided by the Company meets all of the requirements.

Company's Response

The Company acknowledged the opportunity to be clearer with its glass script and has made the script adjustment.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (3) The Company acknowledged the violation cited for RPA048; however, it did not make restitution to the insured. The Company should send a check or credit the insured's account for the amount indicated in the attached restitution spreadsheet.

The Company advised that it made a pro-rated restitution payment of \$335.73 to the insured for RPA049 because the policy was only active for 42 days. However, the correct restitution amount was \$450.24 (\$424.75 Pro-rata Overcharge + \$25.49 six percent interest). The Company still owes the insured \$114.51 (\$450.24 - \$335.73). Please provide the check numbers and check dates or the account credit dates for both payments.

The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

Company's Response

The Company has provided customers with three restitution checks. The documentation, check numbers, and payees are attached.

Termination Review

- (1) The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

Company's Response

The Company has provided restitution to all customers where a Company error has occurred.

Claims Review

- (2) The Company has indicated six percent interest was applied to overpayments. This should read six percent interest was applied to underpayments. The Company is not required to make additional payments on overpayments.

Company's Response

Six percent interest was applied to underpayments only.

- (3) The Company should make the outstanding restitution indicated in the revised restitution spreadsheet.

Company's Response

The Company respectfully disagrees with the examiners' observations in CPA083 and CPA131, regarding the leased vehicles. Please see comments under Private Passenger Auto Claims Responses 6(c). The Company has provided restitution payments as listed on the updated Restitution Spreadsheet.

Forms Review

- (2) Please provide the estimated completion date for correcting the auto forms language.

Company's Response

The Company respectfully disagrees with the examiners' observations in NGS021 and NGS012.

Statutory Notices Review

(2) Please provide a copy of the corrected Glass script.

Company's Response

The corrected glass script has been provided in Confidential Exhibit "Glass Script."

PART THREE – EXAMINERS' RECOMMENDATIONS

Rating and Underwriting

- Insureds should determine which vehicles they customarily operate; the Company should not automatically consider a vehicle as customary because it is used to commute to work. The Company should note that insureds do not always customarily operate the vehicle that is used to commute, as evidenced in RPA151. The Company should make sure an operator's surcharges are only applied to the vehicle the operator customarily drives in accordance with § 38.2-1905 C of the Code of Virginia.

Company's Response

The Company respectfully disagrees with the examiners' recommendation. Confidential Exhibit RPA151 provides policy detail showing this policy had one driver and two vehicles. The insured customarily drove vehicle 1 and the Extra Vehicle Discount is applied only to vehicle 2. Surcharges are correctly applied in accordance with § 38.2-1905 C of the Code of Virginia.

The GEICO Indemnity Company manual should be amended to clarify that the Renewal Discount factor is determined by dividing the renewal factor by the tier factor in the COMBINED TIER/RENEWAL DISCOUNT FACTOR AT QUALIFYING RENEWAL table of Rule 26.B.

Company's Response

The Company agrees to clarify the rule by July, 2017.

Terminations

- Please provide the estimated date the Company will file a broadening to remove the advance notice requirement from insured requested cancellations.

Company's Response

The Company filed SERFF numbers GECC-130866519 and GECC-130866572 to address the advance notice requirement. This filing was effective February 16, 2017.

- The Bureau is not requiring the exact same number of days' notice for the insured and lienholder. However, the Bureau requires the Company to provide lienholders at least as much advance days' notice as that required for the insured's cancellation notice per the Loss Payable Clause Virginia standard form, PP 03 05 08 86.

Company's Response

The Company's practice is to provide at least 15 days' notice to both the insured and lienholder in accordance with § 38.2-2212 E of the Code of Virginia. The lienholder is always provided more days' coverage than the named insured.

- The Company maintained documentation of filing the SR-26 with DMV, but the Company did not maintain proper documentation of when the filing was submitted electronically to DMV. The Company should properly record when the SR-26 filings are submitted to DMV.

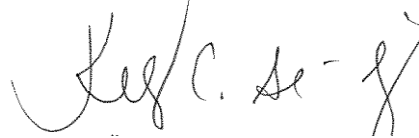
Company's Response

The Company respectfully disagrees with the examiners' recommendation. The Company maintains the policy log containing the date of the filing and audits this practice to ensure SR-26 filings are completed within 15 days of the policy cancellation. The DMV website does not retain the transaction date as noted in the confidential exhibits provided on October 19th, 2016.

Ms. Joy Morton
Page **40** of **40**
April 18, 2017

I appreciate you taking the time to review our responses and I look forward to hearing from you soon. Please contact me if you have any questions or would like to discuss any part of these responses or the Report.

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly C. Sue-Ling". The signature is fluid and cursive, with a large initial "K" and a long, sweeping underline.

Kelly C. Sue-Ling
Legislative Attorney
Office of Legislative Counsel
(301) 986-3822
ksueling@geico.com

Andrea Baytop

From: Andrea Baytop
Sent: Tuesday, June 06, 2017 5:40 PM
To: 'Sue-Ling, Kelly'
Cc: Joy Morton
Subject: GEICO Conference Call for Report

Good Evening Kelly,

We have reviewed GEICO's April 18, 2017 response, for which there are still some outstanding issues. We found that we are unable to reconsider several items due to incomplete documentation in the response. We want to give GEICO the opportunity to have some violations reconsidered if sufficient documentation can be provided to the Bureau. In order to expedite the conclusion of the examination, we would like to discuss several of these items in a conference call. Please see our list of items below.

1. New Business Rating (1)-RPA011
2. New Business Rating (2b)-RPA023
3. New Business Rating (2c)-RPA011, RPA020
4. New Business Rating (2e)-RPA007, RPA014, RPA016, RPA018, RPA054
5. Renewal Business Rating (4b)-RPA065, RPA078, RPA083, RPA094, RPA109
6. Renewal Business Rating (4f)-RPA066, RPA104, RPA151, RPA152
7. Cancellation After the 60th Day (2a)-TPA032
8. Cancellation After the 60th Day (3a)-TPA031, TPA044
9. Cancellation After the 60th Day (3b)-TPA032
10. Cancellation After the 60th Day (3c)-TPA032
11. Cancellation After the 60th Day (4)-TPA032
12. Cancellation for NonPayment (Other Law Violation)-TPA068
13. Cancellation Requested by the Insured (1) and (2b)-TPA083
14. Claims (7a)

Our purpose of the call is to discuss the documentation we would need to reconsider the violations. Please let me know when you all would be available to have a conference call beginning the week of June 19th.

Thank you,

Andrea Baytop, AMCM

Principal Insurance Market Examiner
P&C Market Conduct Section
Virginia Bureau of Insurance
804.371.9547
andrea.baytop@scc.virginia.gov

Andrea Baytop

From: Andrea Baytop
Sent: Thursday, June 22, 2017 3:44 PM
To: 'Sue-Ling, Kelly'
Cc: Joy Morton
Subject: GEICO Conference Call for Report 6/22/17

Good Afternoon Kelly,

Per our conference call today, we are reconsidering the violations under New Business Rating (2e). However, we do not have sufficient information for RPA014 and RPA054. It appears that the right side was accidentally cut off from each table provided with GEICO's second response. The tables do not include a column to correspond to the SC01 Segment-Scoring Indicator Flag(RPA014) or the SH01 Segment-File Hit field(RPA054). Please provide this information no later than Tuesday, June 27th with any other documentation discussed during the call.

Upon reviewing TPA068 again, we decided to withdraw the violation based upon the documentation provided in GEICO's second response before the call.

As we discussed today, the violations listed below will remain in the Report unless GEICO can provide the necessary documentation and/or explanations. Any supplemental responses should be provided no later than Tuesday, June 27, 2017.

1. New Business Rating (1)-RPA011
2. New Business Rating (2b)-RPA023
3. New Business Rating (2c)-RPA011, RPA020
4. New Business Rating (2e)-~~RPA007~~, RPA014, ~~RPA016~~, ~~RPA018~~, RPA054
5. Renewal Business Rating (4b)-RPA065, RPA078, RPA083, RPA094, RPA109
6. Renewal Business Rating (4f)-RPA066, ~~RPA104~~, ~~RPA151~~, ~~RPA152~~
7. Cancellation After the 60th Day (2a)-TPA032
8. Cancellation After the 60th Day (3a)-TPA031, TPA044
9. Cancellation After the 60th Day (3b)-TPA032
10. Cancellation After the 60th Day (3c)-TPA032
11. Cancellation After the 60th Day (4)-TPA032
12. ~~Cancellation for NonPayment (Other Law Violation) TPA068~~
13. Cancellation Requested by the Insured (1) and (2b)-TPA083
14. Claims (7a)

Please also confirm whether the GEICO companies used the notices we identify as NGS012 and NGS021, which GEICO provided for this examination.

We look forward to receiving your response next Tuesday.

Thank you,

Andrea Baytop, AMCM

Principal Insurance Market Examiner
P&C Market Conduct Section
Virginia Bureau of Insurance
804.371.9547
andrea.baytop@scc.virginia.gov

Andrea Baytop

From: Andrea Baytop
Sent: Tuesday, June 27, 2017 2:36 PM
To: 'Sue-Ling, Kelly'
Cc: Joy Morton
Subject: RE: GEICO Conference Call for Report 6/22/17

Hello Kelly,

We have retrieved the documentation from the GEICO Box. We will send you a written response letter that addresses both GEICO's April 18, 2017 response and these supplemental responses/documents.

Thank you,

Andrea Baytop, AMCM

Principal Insurance Market Examiner
P&C Market Conduct Section
Virginia Bureau of Insurance
andrea.baytop@scc.virginia.gov

From: Sue-Ling, Kelly [<mailto:KSueling@geico.com>]
Sent: Tuesday, June 27, 2017 2:22 PM
To: Andrea Baytop
Cc: Joy Morton
Subject: RE: GEICO Conference Call for Report 6/22/17

Good afternoon, Andrea and Joy. I just sent you invitations to the GEICO Box that contains the additional documentation.

Thank you,

Kelly

From: Sue-Ling, Kelly
Sent: Thursday, June 22, 2017 3:48 PM
To: 'Andrea Baytop'
Cc: Joy Morton
Subject: RE: GEICO Conference Call for Report 6/22/17

Thank you, Andrea.

Kelly

From: Andrea Baytop [<mailto:Andrea.Baytop@scc.virginia.gov>]
Sent: Thursday, June 22, 2017 3:44 PM
To: Sue-Ling, Kelly
Cc: Joy Morton
Subject: GEICO Conference Call for Report 6/22/17

Good Afternoon Kelly,

Per our conference call today, we are reconsidering the violations under New Business Rating (2e). However, we do not have sufficient information for RPA014 and RPA054. It appears that the right side was accidentally cut

off from each table provided with GEICO's second response. The tables do not include a column to correspond to the SC01 Segment-Scoring Indicator Flag(RPA014) or the SH01 Segment-File Hit field(RPA054). Please provide this information no later than Tuesday, June 27th with any other documentation discussed during the call.

Upon reviewing TPA068 again, we decided to withdraw the violation based upon the documentation provided in GEICO's second response before the call.

As we discussed today, the violations listed below will remain in the Report unless GEICO can provide the necessary documentation and/or explanations. Any supplemental responses should be provided no later than Tuesday, June 27, 2017.

1. New Business Rating (1)-RPA011
2. New Business Rating (2b)-RPA023
3. New Business Rating (2c)-RPA011, RPA020
4. New Business Rating (2e)-~~RPA007~~, RPA014, ~~RPA016~~, ~~RPA018~~, RPA054
5. Renewal Business Rating (4b)-RPA065,RPA078, RPA083, RPA094, RPA109
6. Renewal Business Rating (4f)-RPA066, ~~RPA104~~, ~~RPA151~~, ~~RPA152~~
7. Cancellation After the 60th Day (2a)-TPA032
8. Cancellation After the 60th Day (3a)-TPA031, TPA044
9. Cancellation After the 60th Day (3b)-TPA032
10. Cancellation After the 60th Day (3c)-TPA032
11. Cancellation After the 60th Day (4)-TPA032
- ~~12. Cancellation for NonPayment (Other Law Violation) TPA068~~
13. Cancellation Requested by the Insured (1) and (2b)-TPA083
14. Claims (7a)

Please also confirm whether the GEICO companies used the notices we identify as NGS012 and NGS021, which GEICO provided for this examination.

We look forward to receiving your response next Tuesday.

Thank you,

Andrea Baytop, AMCM

Principal Insurance Market Examiner
P&C Market Conduct Section
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COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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July 27, 2017

VIA UPS 2nd DAY DELIVERY

Kelly C. Sue-Ling
Legislative Attorney
GEICO Insurance Company
One GEICO Plaza 5-T
Washington, DC 20076

RE: Market Conduct Examination
GEICO Secure Insurance Company (NAIC #14137)
GEICO Advantage Insurance Company (NAIC #14138)
GEICO Choice Insurance Company (NAIC #14139)
GEICO Indemnity Company (NAIC #22055)
Government Employees Insurance Company (NAIC #22063)
GEICO General Insurance Company (NAIC #35882)
GEICO Casualty Company (NAIC #41491)
Examination Period: April 1, 2014 through March 31, 2015

Dear Ms. Sue-Ling:

The Bureau of Insurance (Bureau) has reviewed your April 18, 2017 response and June 27, 2017 supplemental exhibits for the Revised Market Conduct Report (Report) of the above referenced companies (Companies). The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE – EXAMINERS' OBSERVATIONS

Automobile New Business Rating

- (1) After further review, the violation for RPA011 has been withdrawn from the Report. The Company provided its calculation showing it used filed factors. The Company did not apply the correct filed factors corresponding to the convictions reflected on the April 1, 2014 Motor Vehicle Reports (MVR), which has been addressed under item (2b) below. The Report has been renumbered to reflect this change.

- (2a) The violations for RPA043, RPA044 and RPA045 remain in the Report. The Company failed to file the method in which the maximum discount of 17% would be applied to an insured's policy if they qualified for both the Military Discount and the Sponsored Marketing Discount. Given that the rule on file with the Bureau does not stipulate how the 17% would be dispersed between the two discounts, the Rate Order of Calculation was used in applying the two discounts. The Company should amend its rule manual to state how the maximum discount should be applied to each policy that qualifies for both discounts.
- (2b) The violation for RPA011 has been revised as a result of the violation withdrawn under item (1) above. For Violation #3, the Company obtained MVR and CLUE reports dated April 1, 2014. On April 2, 2014, the Company issued the policy effective May 4, 2014 after obtaining those reports and sent an AUD/Accident Point Surcharge Notice to the insured informing them of the additional accidents and convictions surcharged on the policy. Therefore, the Company should have surcharged Vehicle 2 for the husband's eight convictions with violations occurring on August 1, 2013, April 17, 2013, March 26, 2013, July 14, 2012, May 19, 2012, October 27, 2011, and May 31, 2011 (2). Additionally, these convictions should have been considered to determine the Policy Occurrence factors applied to the Other than Collision (OTC) coverage. The overcharge has been revised to \$431.43.

The violation for RPA012 remains in the Report. The Company cannot surcharge for a violation that is self-reported by the insured unless the violation is reconciled against the insured's Motor Vehicle Report (MVR) to confirm the validity of the conviction and obtain the verified conviction date. In Virginia surcharges are driven by convictions and not citations.

The violation for RPA023 remains in the Report. The Company incorrectly assigned two accidents to the father. The father and son have different middle names, although they share the same first and last names. The CLUE report listed the insured's son (A) as the vehicle operator for the January 27, 2012 accident and the father (H) as the vehicle operator for the July 17, 2013 accident. The address, date of birth and driver license number (personal information) on the CLUE report corresponded to the policyholder, not the vehicle operator. This is corroborated by the CLUE information found for RPA001 where the husband and wife were listed as the vehicle operator for different multiple losses, but the address, date of birth and driver license number information never changed since the wife was always the policyholder. The Company provided a CLUE Report Guide in its supplemental exhibit. This Guide did not state the personal information always corresponded to the vehicle operator. However, the Guide's Reported Claims History Legend indicated the personal information on the CLUE report may not be the vehicle operator. Pages 7 and 13 of the Guide provided a note explaining that an asterisk next to the name indicates that the personal information belongs to that individual. In the Guide's two "Reported Claims History-Subject" examples, the asterisk appeared next to the policyholder. Unfortunately, there are no asterisks in the CLUE reports maintained in the Company's policy file. The Company has not explained why the vehicle operator names shown in the CLUE report should be disregarded.

The violation for RPA046 remains in the Report. The Company responded that the September 10, 2012 Red/Stop Light conviction could have been an out-of-state conviction because it does not appear on the California MVR; however, the Company did not provide evidence that this conviction occurred. For further review, please provide a MVR that lists the September 10, 2012 Red/Stop Light conviction.

- (2c) The violations for RPA003, RPA004, RPA006, RPA010, RPA012, RPA017, RPA021, RPA025, RPA051 and RPA054 remain in the Report. The Companies' filed manual did not appropriately specify which physical damage symbol was applied to the Bodily Injury or Property Damage Liability coverages. The Companies have since corrected this issue by filing a rule revision under SERFF filing number GECC-130824920.

The violations for RPA011 remain in the Report. For Violation #3, the Company should have maintained the appraisal value determined for the 1985 Chevrolet C10 in its policy file. The policy file showed the cost new value was \$0 and it did not include sufficient information to determine a value from NADA. The Company provided a copy of a NADA Appraisal for the insured vehicle in its supplemental exhibit, but did not provide the vehicle specifications used to generate the appraisal. For reconsideration, the Company must provide the pertinent vehicle information it used when issuing the policy. For Violation #4, the Company provided pages from the Supporting Documentation tab of SERFF Tracking #: USPH-6J6RVR371/00-00/00-00/00 in its supplemental exhibit. However, the pages were not filed for GEICO Secure Insurance Company and they were only applicable to model years 2007 and later. Therefore, the pages did not apply to the 1985 Chevrolet C10.

After further review, the violation for RPA016 has been withdrawn from the Report.

The violation for RPA020 remains in the Report. The Company should have used symbol 28 to rate the 2008 BMW M5 in accordance with its filed manual. Although the Company did not file a symbol for the 2008 model year, the filed Vehicle Cost Symbol rule stated to use the prior model year if no symbol was available in the Symbol and Identification Section of the manual. The Company specifically filed symbol 27 for a 2007 BMW M5. The Company specifically filed a deviation of +1 for a 2007/2008 BMW M5, which resulted in symbol 28. The filed 2007 and 2008 Stated Amount tables did not provide for a symbol greater than 27 to convert to symbol L. The Company has since acknowledged that the Transition Rule and Transition Symbol chart only applied to 2011 model years, and therefore, did not apply to this 2008 BMW M5. The Company submitted the Customization-Cost New Chart in its supplemental exhibits; however, the policy file did not indicate this vehicle was customized. Lastly, the filed Vehicle Cost Symbol rule stated the cost new was only used when a symbol was not available for the prior model year. Therefore, the Company should have used the symbols filed for the prior model year of 2007, which resulted in symbol 28.

After further review, the violation for RPA035 has been withdrawn from the Report. The Company identified the comparable model used for the Jeep Cherokee was a Jeep Compass.

- (2d) The violations for RPA002 and RPA019 remain in the Report. The Companies are prohibited from making retroactive filings because filings in Virginia must be submitted on or before the date they are implemented. As such, the examiners could not use the more descriptive occupation classifications provided in GECC-130148842 since it was filed after the examination period. In their supplemental exhibits, the Companies stated they only filed generalized guidelines for occupational group assignments, which is in violation of § 38.2-1906 of the Code of Virginia that requires insurers to file all rates and supplementary rate information with the Bureau. Therefore, the Companies must file their specific occupation group assignments used to rate policies issued in Virginia and file revisions to track any changes.

The violation for RPA007 remains in the Report. The Policy Life Segment And Risk Tier Underwriting Criteria did not specify that it only considered US or Canadian licenses.

- (2e) The Companies referenced this item in (2g) of their letter.

After further review, the violations for RPA007, RPA016, RPA018 have been withdrawn from the Report. The Companies provided documentation showing how the 994 "score" was translated from the actual No Score credit history.

The violations for RPA014 and RPA054 remain in the Report. The Companies did not provide the necessary SH01 and SC01 segment data for these policies translating the No Hit/No Score credit history to 000 or 994 "scores". The documentation was missing some of the columns to provide the complete table.

Automobile Renewal Business Rating

- (3) The violations for RPA103 and RPA151 remain in the Report. The manner in which the Companies filed their point surcharges was not accurate. The filed point surcharge rate pages had headers for "First Occurrence" and "Second Occurrence." Such headers cannot be interpreted to mean the most recent occurrence and the next most recent occurrence, respectively. "First Occurrence" indicates the oldest incident while the "Most Recent" indicates the newest incident. The Bureau only withdrew the other violations from the Preliminary Report because the Companies stated they used the first occurrence listed on the state-reported conviction and accident reports. The violations for RPA103 and RPA151 are a result of re-rating all policies based upon this interpretation. The Companies have since filed to change the conviction and accident surcharge factor headings to "First Most Recent" and "Second Most Recent."
- (4a) After further review, the violations for RPA065, RPA068, RPA070, RPA074, RPA078, RPA080, RPA082, RPA083, RPA086, RPA090, RPA091, and RPA098 have been withdrawn from the Report.

The violation for RPA072 remains in the Report. The Company failed to file the method in which the maximum discount of 17% would be applied to an insured's

policy if they qualified for both the Military Discount and the Sponsored Marketing Discount. Given that the rule on file with the Bureau does not stipulate how the 17% would be dispersed between the two discounts, the Rate Order of Calculation was used in applying the two discounts. The Company should amend its rule manual to state how the maximum discount should be applied to each policy that qualifies for both discounts. However, the violation for applying the Multi-Car Discount to the Towing Coverage has been withdrawn from the Report.

The violations for RPA075 and RPA076 remain in the Report. The Company failed to file the method in which the maximum discount of 17% would be applied to an insured's policy if they qualified for both the Military Discount and the Sponsored Marketing Discount. Given that the rule on file with the Bureau does not stipulate how the 17% would be dispersed between the two discounts, the Rate Order of Calculation was used in applying the two discounts. The Company should amend its rule manual to state how the maximum discount should be applied to each policy that qualifies for both discounts.

After further review, the violations for RPA103 and RPA147 have been withdrawn from the Report. The Companies provided a revised Sponsored Marketing Group spreadsheet during the examination that included Navy Federal Financial Group, which is a wholly-owned subsidiary of Navy Federal Credit Union.

The violation for RPA151 remains in the Report. Although the insured drove Vehicle 1 to work with a higher annual mileage, the Driver to Vehicle Assignment tab in the Company's system reflects the insured customarily drove Vehicle 2. As such, the Company should not have applied the Extra Vehicle discount to Vehicle 2. The introductory paragraph for the Extra Vehicle rule states, "The vehicle each driver customarily operates is ineligible for this discount factor." The Company should amend its rule to provide an exception in such circumstances.

(4b) The Companies addressed these violations under item (4c) of their letter.

The violations for RPA065 remain in the Report regarding the physical damage symbols. The Company failed to indicate which comparable vehicles were used to rate the physical damage coverages on vehicles 1, 2, and 3. However, the violation associated with the liability symbols has been withdrawn from the Report.

The violations for RPA078 and RPA094 remain in the Report. The Company has indicated a comparable vehicle that was used to determine the symbols for the vehicle stated on the policy. However, the Company failed to provide any explanation as to the Company's process/procedure when determining a comparable vehicle.

The violation for RPA083 remains in the Report. The Company responded that a comparable vehicle was used to determine the Liability symbol for the 2010 Tesla Roadster. However, the Company did not explain its process/procedure when determining a comparable vehicle. In the Company's supplemental exhibit, the Company indicated that based on the "Vehicle Liability Rating Summary of Selected Factors by Group and Coverage" chart, symbol factors were used for a small

standard passenger vehicle. However, the chart provided in the supplemental exhibit was not on file with the Bureau, and there is no explanation as to why a Tesla Roadster would be classified as a standard vehicle similar to a Ford Focus, instead of a specialty car.

The violation for RPA091 remains in the Report. The Deviated Symbol pages on file with the Bureau specifically listed the various series under which a 2007 Jeep Grand Cherokee was manufactured. The Company's filed rules did not state the deviations of comparable vehicles would be used if a specific vehicle deviation was not filed.

The violations for RPA102 remain in the Report. The Company acknowledged Violation #1. For Violation #2, the Company's filed manual did not appropriately specify which physical damage symbol was applied to the Bodily Injury or Property Damage Liability coverages. The Company filed clarification for the Vehicle Cost Factors with SERFF filing GECC-130824920 after the examination period.

The violation for RPA109 remains in the Report. The Company responded that the liability symbol for the 2005 Acura MDX AWD was based on a 2005 Lexus RX330 AWD because of its shared body style. The Company also provided a supplemental exhibit that referenced Exhibit 1 in SERFF Tracking Number USPH-6J6RVR371/00-00/00-00/00. Exhibit 1 indicates that it is only applicable to model years 2007 and later. For further consideration, please explain why the Company selected the 2005 Lexus RX330 AWD as the comparable vehicle instead of another Luxury SUV with the same body style.

(4c) The Companies addressed these violations under item (4d) of their letter.

After further review, the violation for RPA071 has been withdrawn from the Report.

The violation for RPA104 remains in the Report. The Appendix 4-Occupation Group Definitions did not include "unemployment" in Group 5 of the SERFF filing GECC-129784340 that was applicable during the examination period. These rates were filed but not approved since private passenger auto rates are not subject to approval in Virginia. Further, the Companies are prohibited from making retroactive filings because filings in Virginia must be submitted on or before the date they are implemented. Therefore, the insured should have been placed in Occupation Group G2 – All Other.

The violations for RPA147 and RPA149 remain in the Report. The Companies are prohibited from making retroactive filings because filings in Virginia must be submitted on or before the date they are implemented. As such, the examiners could not use the more descriptive occupation classifications provided in GECC-130148842 because it was filed after the examination period.

The Companies provided a supplemental exhibit that was labeled Automobile Renewal Business Rating 4d; however, this folder was empty. If the Companies intended to provide additional documentation, they should provide it with their next response.

- (4d) The Companies addressed these violations under item (4e) of their letter.

The violation for RPA095 remains in the Report. In the Company's policy system under the "Driver to Vehicle Assignment" tab, the 1995 Lincoln Town Car was shown next to the insured's spouse under the heading "Indicate vehicle most often used by each driver." Therefore, the policy file indicated the insured's spouse drove the 1995 Lincoln Town car the most.

The violation for RPA148 remains in the Report. The Company's filed Rate Order Calculation and Rule PPA-03 did not indicate the calculation steps used by the Company. The filed Rule PPA-03 stated each driver factor was calculated individually and the individual factors for each driver were averaged with a straight average. Please provide the estimated date when the Company will file a revision to its Rate Order Calculation and/or Rule PPA-03 to state how the Rated Driver factors are calculated and applied to the policy.

- (4e) After further review, the violation for RPA061 has been withdrawn from the Report. The Companies addressed this violation under item (4f) of their letter.

- (4f) The Companies addressed these violations under item (4g) of their letter.

After further review, the violation for RPA066 has been withdrawn from the Report.

After further review, the violations for RPA104, RPA151 and RPA152 have been withdrawn from the Report. The Companies provided documentation showing how the 994 "score" was translated from the actual No Score credit history. The Report has been updated to reflect this change.

Cancellation Notice Mailed After the 59th Day of Coverage

- (1) The violation for TPA018 remains in the Report. The vehicle being insured under a separate policy does not allow the Company to cancel the vehicle off of this policy. Section 38.2-2212 A of the Code of Virginia does not permit the cancellation of a single vehicle from a policy.

- (2a) After further review, the violations for TPA027 and TPA038 have been withdrawn from the Report. The Companies should pay closer attention to the handling and reporting of their cancellations.

The violation for TPA032 remains in the Report. The Company attached the documentation for TPA027 under TPA032. For reconsideration, the Company needs to provide the documentation for TPA032.

- (2b) The violations for TPA017, TPA019, TPA025, TPA026, TPA029, and TPA050 remain in the Report. The statute states the operator...**has had** his driver's license suspended or revoked **during** the policy period. As such, the driver's license status must have changed to suspended or revoked during the time periods provided by the

statute. The Bureau is not encouraging drivers with suspended or revoked licenses to drive on the Commonwealth's roads. However, these drivers still have the right and duty to procure insurance for their owned vehicle(s) should they be driven as permitted by law. The Companies should ensure that they adequately research the license status of drivers before adding them to the policy so that they meet the time frames required by the statute.

(3a) The violations for TPA031 and TPA044 remain in the Report. The documentation provided by the Company does not show evidence of the insureds requesting cancellation of their policy. The Company provided a transaction screen summary for both policies showing the policies were cancelled because the driver's license expired. Neither of the summary screens indicated that the insureds requested the cancellation either verbally or in writing.

(3b) After further review, the violations for TPA027, TPA038 and TPA040 have been withdrawn from the Report. The Bureau was able to verify that there was a break in coverage from the insured's prior term. The Company then reissued the policies using the same policy numbers and treated the policies as new business. The Companies should pay closer attention to the handling and reporting of their cancellations.

The violation for TPA032 remains in the Report. The Company attached the documentation for TPA027 under TPA032. For reconsideration, the Company needs to provide the documentation for TPA032.

The violations for TPA039 and TPA045 remain in the Report. The Company is not permitted to send a notice of cancellation in one policy period to cancel into the next policy period. The Company did not catch the suspensions in time to non-renew the policies. When the policies renewed, the insureds should have been provided with 45 days' notice from the effective date of the policy.

(3c) After further review, the violations for TPA027, TPA038, and TPA040 have been withdrawn from the Report. The Bureau was able to verify that there was a break in coverage from the insured's prior term. The Company then reissued the policies using the same policy numbers and treated the policies as new business. The Companies should pay closer attention to the handling and reporting of their cancellations.

The violation for TPA032 remains in the Report. The Company attached the documentation for TPA027 under TPA032. For reconsideration, the Company needs to provide the documentation for TPA032.

(3d) After further review, the violations for TPA038 and TPA040 have been withdrawn from the Report. The Bureau was able to verify that there was a break in coverage from the insured's prior term. The Company then reissued the policies using the same policy numbers and treated the policies as new business. The Companies should pay closer attention to the handling and reporting of their cancellations.

- (4) The violation for TPA032 remains in the Report. The Company attached the documentation for TPA027 under TPA032. For reconsideration, the Company needs to provide the documentation for TPA032.

After further review, the violations for TPA038 and TPA045 have been withdrawn from the Report. The Bureau was able to verify that there was a break in coverage from the insured's prior term. The Company then reissued the policies using the same policy numbers and treated the policies as new business. The Companies should pay closer attention to the handling and reporting of their cancellations.

Other Law Violations

After further review, the violation for TPA057 has been withdrawn from the Report. The Company provided documentation verifying that the SR-26 was filed with DMV within 15 days of the cancellation date.

Cancellation for Nonpayment of Premium

Other Law Violations

After further review, the violation for TPA068 has been withdrawn from the Report. The Company provided evidence that the SR-26 was filed with DMV within 15 days of the cancellation effective date. The Report has been updated to reflect this change.

Cancellation Requested by the Insured

- (1) The violation for TPA083 remains in the Report. The policy was effective January 26, 2014. Based on the Company billing screen, on December 22, 2013, the policy renewed with a premium total of \$698.79 that corresponded to the total premium indicated on the declarations page sent to the insured on December 23, 2013. The policy then had an endorsement effective March 13, 2014 with an overall premium amount of \$1,611.51 appearing on the endorsed declarations page. The Billing screen showed on March 12, 2014 that an added driver reduced the premium by \$3.79 and an added vehicle increased the premium by \$684.67; for a total change of \$680.88. Based on the fact that coverage for the additional driver and vehicle would only be for March 13, 2014 through July 26, 2014, the Company should have determined a pro-rata amount of \$669.66 to be applied to the insured's billing. The policy then had an additional endorsement effective May 31, 2014 with an overall premium of \$1,641.51 appearing on the endorsed declarations page. The billing screen showed an added coverage on May 30, 2014 increased the premium by \$9.48; however, the Company should have determined a pro-rata amount of \$9.18 to be applied to the insured's billing. The Company should provide a detailed premium calculation to support the claim that the return premium was calculated correctly.
- (2b) The violation for TPA083 remains in the Report. The screen shots provided by the Company do not provide adequate evidence of the insured requesting the policy to be canceled or the date the insured requested the policy to be cancelled. The screen shots provided are showing the transaction that the Company performed to cancel the policy.

Private Passenger Auto Claims

- (1) The violation for CPA120 remains in the Report. The Company has responded that there was no error regarding documenting mismatched VINs. The Company has provided a Bill of Sale in support of its position. The Bill of Sale was for a 2013 Infinity, however, the Company paid for damages to a 2014 Infinity.

After further review, the violation of CPA123 has been withdrawn from the Report.

- (2b) After further review, the violation for CPA057 has been withdrawn from the Report.

- (2c) The violation for CPA067 remains in the Report. The file should have been documented to show that the Company advised the insured of the first party coverages. The notes should further indicate, "If this is determined to be an Uninsured Motorists Property Damage claim (UMPD) there are additional coverages provided under UMPD. Virginia Regulation 14 VAC 5-400-40 A states that the Company cannot fail to advise the insured of coverages that are "pertinent to a claim." Rental benefits under UMPD were pertinent to this claim. This was a hit and run accident that occurred on March 31, 2015. The Company advised the insured of UMPD rental coverage on May 22, 2015, at which time the repairs to the vehicle were complete

- (6c) The violations for CPA083 and CPA131 remain in the Report. The Amendment of Policy Provisions-Virginia (PP 01 99 07 05) states that the policy will pay for (1) "The applicable state and local sales and use taxes..." and (2) "applicable titling and license transfer fees..." for "your covered auto." The leased vehicle was a covered auto under the policy. Under § 58.1-2403 of the Code of Virginia, a leased vehicle (such as the vehicle involved in this claim), is not exempt from fees or taxes. The exemption for leased vehicles under § 58.1-2403 of the Code of Virginia applies to leased vehicles sold by the lessor to the lessee at the time of the expiration of the lease. State taxes and fees were applicable to the vehicle and therefore should be paid. For CPA083, the Company owes the insured or lessee \$12 for the transfer fees. For CPA131, the Company owes the insured or lessee \$1,099.95 for the transfer fees and tax.

- (6e) The Company addressed these items within the Restitution spreadsheet.

The violation for CPA120 remains in the Report. However, the underpayment amount has been reduced to \$41.02, which is the remaining portion of the insured's Transportation Expenses coverage limit not paid.

After further review, the violation for CPA207 has been withdrawn from the Report. Upon reviewing the Restitution spreadsheet provided by the Company, the Transportation Expenses coverage limit was exhausted and no additional payment is due to the insured. The Company should properly inform insureds when the charges incurred for Collision Damage Waiver will not be reimbursed.

- (7a) These violations remain in the Report. The Companies have not provided sufficient documentation that the estimates were given to the vehicle owners for the files cited in the Report. The Companies provided a description of the process utilized when providing an estimate in their supplemental exhibits. However, there is no documentation that the process was followed in each of these violations. The Companies also provided a spreadsheet and a sample estimate, but neither the spreadsheet nor the sample estimate provides corresponding claim file documentation. Finally, the Companies provided the "ARX Drivable Manual version 5/17/2017" in support of their process. The examination period was April 1, 2014 through March 31, 2015. The 2017 manual is not relevant to this examination and further does not relate to verification of the delivery of the estimate on an individual claim file.
- (9) The violation for CPA035 remains in the Report. The Company's investigation and documentation consistently indicated that the insured driver was not at fault. There is no investigative material in the file to support the Company's decision to pay the liability claim of the injured passenger. The driver of the passenger's vehicle was found to be at fault, according to the Company's investigation. The Company coded the claim as the insured being "not at fault". When the Company decided to pay the liability claim for an undocumented reason, the Company's system would not issue payment. The Company then re-coded the claim to "at-fault" which was not accurate and further, an at-fault accident will unfairly impact the insured's CLUE report. Concerning the unlisted driver in the household, the date he was licensed compared to the household members listed on the application is relevant to coverage and should have been questioned. However, this portion of the violation will be removed based on the age of the son at the time of the application.

The violation for CPA069 remains in the Report. The restitution spreadsheet has been amended to reflect the remaining six percent (6%) interest that is owed to the insured for the combined UMPD and UMBI settlement amounts.

New Business Policy Issuance

- (1) After further review, the violation for MPA009 has been withdrawn from the Report.

General Statutory Notices

The violations for NGS012 and NGS021 remain in the Report. Section 38.2-604 C 4 of the Code of Virginia specifically states, "Instead of the notice prescribed in subsection B of this section, the insurance institution or agent may provide an abbreviated notice in writing or, if the applicant or policyholder agrees, in electronic format, informing the applicant or policyholder that: The notice prescribed in subsection B of this section will be furnished to the applicant or policyholder upon request." Given that the Company has provided the insured with the Short Form Notice of Information Collection and Disclosure Practices at the time of application for both the paper application and telephone application, each notice should follow all requirements set forth by the statute. If the Companies choose to only use the Long

Form notice then it would have to be provided at the time of the telephone, Internet or agent-provided application, as well as every 24 months as required by the statute.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (3) The Companies acknowledged the violation for RPA008 in their first response to the Preliminary Report but have not made restitution.

The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

Termination Review

- (3) The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

Claims Review

- (3) The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

Forms Review

- (2) Please provide the estimated completion date for correcting the auto forms language.

PART THREE – RECOMMENDATIONS

Rating and Underwriting

- The policy file for RPA151 had conflicting information since the insured drove Vehicle 1 to work, but the policy file indicated the driver customarily drove Vehicle 2. As such, the Companies should review how the driver assignment information was recorded and determine how to clearly document which vehicle the insured states he customarily operates to properly rate the policy in accordance with § 38.2-1905 C of the Code of Virginia.
- A Recommendation has been added to the Report regarding the Companies' use of symbols. The Companies have not appropriately filed all supplementary rating information to determine vehicle symbols. The Companies should file the "Vehicle Liability Rating Summary of Selected Factors by Group and Coverage" chart used to determine the appropriate symbol for comparable vehicles and file definitions of how comparable vehicles are categorized. The Companies should note that materials provided in a memorandum, exhibit, or as actuarial support in a SERFF filing are not considered part of the insurers' filed rules or rates.

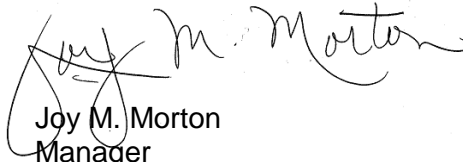
Terminations

- The Companies should provide the date they began providing lienholders more days' notice than the insureds for cancellation. During the examination period, the Companies failed to meet the Loss Payable Clause endorsement time requirements in four instances and failed to send any notice to the lienholder in three instances.
- The SR-26 filing violations were for those policy logs that provided more than one date entry for filing the same SR-26. Due to this data integrity issue, this Recommendation remains. The Bureau acknowledges the Companies' submission of the DMV log verifying the dates the SR-26's were received by DMV. The Companies should have this log available for use going forward.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports, revised Restitution spreadsheet, and any review sheets withdrawn, added or altered as a result of this review.

Once we have received and reviewed the Companies' responses to these items, we will be in a position to make a settlement offer. We look forward to receiving your response by August 18, 2017.

Sincerely,



Joy M. Morton
Manager
Market Conduct Section
Property and Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

Enclosures



- Government Employees Insurance Company
 - GEICO General Insurance Company
 - GEICO Indemnity Company
 - GEICO Casualty Company
 - GEICO Secure Insurance Company
 - GEICO Advantage Insurance Company
 - GEICO Choice Insurance Company
-

One GEICO Plaza ■ Washington, D.C. 20076-0001

August 18, 2017

Sent Via Email and Overnight Delivery

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**RE: Market Conduct Examination Draft Report Response
GEICO Advantage Insurance Company
GEICO Casualty Company
GEICO Choice Insurance Company
GEICO General Insurance Company
GEICO Indemnity Company
GEICO Secure Insurance Company
Government Employees Insurance Company**

Dear Ms. Morton:

We appreciate the Bureau's detailed review of our responses, and are pleased to have the opportunity to further respond. On behalf of GEICO Advantage Insurance Company, GEICO Casualty Company, GEICO Choice Insurance Company, GEICO General Insurance Company, GEICO Indemnity Company, GEICO Secure Insurance Company, and Government Employees Insurance Company (collectively known as the "Companies"), I am responding to the Market Conduct Examination Draft Report as of March 31, 2015 ("Report"). The format is that of the Bureau's July 27, 2017 letter to the Companies and only includes the violations that remained in the Report. The confidential exhibits referenced throughout the Companies' response will be provided to the examiners in a separate attachment.

PART ONE – THE EXAMINERS' OBSERVATIONS

Automobile New Business Rating

- (2a) The violations for RPA043, RPA044, and RPA045 remain in the Report. The Company failed to file the method in which the maximum discount of 17% would be applied to an insured's policy if they qualified for both the Military Discount and the Sponsored Marketing Discount. Given that the rule on file with the Bureau does not stipulate how the 17% would be dispersed between the two discounts; the Rate Order of Calculation was used in applying the two discounts. The Company should amend its rule manual to state how the maximum discount should be applied to each policy that qualifies for both discounts.

Company's Response

The Company respectfully disagrees with the examiners' observations in RPA043, RPA044, and RPA045. The Company consistently applied the Military and Sponsored Marketing discounts with a combined cap. The Sponsored Marketing rule states that a -8% differential will be applied to the total policy premium (except for Uninsured Motorist coverage)—indicating that the full 8% discount is applied to the policy premium.

The Military Discount rule states that if a policy is also eligible for a Sponsored Marketing discount, the combined amount will not exceed 17%. In accordance with the Company's filed rules, it applied the 8% Sponsored Marketing discount to these policies and then applied the remaining 9% for the Military discount.

The filed rules define the rating factors and the rate order calculation occurs after the capping is applied (i.e., Step 5 was applying the capped Military Discount and Step 13 was applying the Sponsored Marketing Discount). We have since clarified Private Passenger Rule 43: MILITARY DISCOUNT in SERFF filing GECC-131102203.

- (2b) The violation for RPA011 has been revised as a result of the violation withdrawn under item (1) above. For Violation #3, the Company obtained MVR and CLUE reports dated April 1, 2014. On April 2, 2014, the Company issued the policy effective May 4, 2014 after obtaining those reports and sent an AUD/Accident Point Surcharge Notices to the insured informing them of the additional accidents and convictions surcharged on the policy. Therefore, the Company should have

surcharged Vehicle 2 for the husband's eight convictions with violations occurring on August 1, 2013, April 17, 2013, March 26, 2013, July 14, 2012, May 19, 2012, October 27, 2011, and May 31, 2011 (2). Additionally, these convictions should have been considered to determine the Policy Occurrence factors applied to the Other than Collision (OTC) coverage. The overcharge has been revised to \$431.43.

The violation for RPA012 remains in the Report. The Company cannot surcharge for a violation that is self-reported by the insured unless the violation is reconciled against the insured's Motor Vehicle Report (MVR) to confirm the validity of the conviction and obtain the verified conviction date. In Virginia, surcharges are driven by convictions and not citations.

The violation for RPA023 remains in the Report. The Company incorrectly assigned two accidents to the father. The father and son have different middle names, although they share the same first and last names. The CLUE report listed the insured's son (A) as the vehicle operator for the January 27, 2012 accident and the father (H) as the vehicle operator for the July 17, 2013 accident. The address, date of birth, and driver's license number (personal information) on the CLUE report corresponded to the policyholder, not the vehicle operator. This is corroborated by the CLUE information found for RPA001 where the husband and wife were listed as the vehicle operator for different multiple losses, but the address, date of birth and driver's license number information never changed since the wife was always the policyholder. The Company provided a CLUE Report Guide in its supplemental exhibit. This Guide did not state the personal information always corresponded to the vehicle operator. However, the Guide's Reported Claims History Legend indicated the personal information on the CLUE report may not be the vehicle operator. Pages 7 and 13 of the Guide provided a note explaining that an asterisk next to the name indicates that the personal information belongs to that individual. In the Guide's two "Reported Claims History-Subject" examples, the asterisk appeared next to the policyholder. Unfortunately, there are no asterisks in the CLUE reports maintained in the Company's policy file. The Company has not explained why the vehicle operator names shown in the CLUE report should be disregarded.

The violation for RPA046 remains in the Report. The Company responded that the September 10, 2012 Red/Stop Light conviction could have been an out-of-state conviction because it does not appear on the California MVR; however, the Company did not provide evidence that this conviction occurred. For further review, please provide an MVR that lists the September 10, 2012 Red/Stop Light conviction.

Company's Response

The Company does not further dispute the examiner's observations in RPA011.

The Company respectfully disagrees with the examiners' observations in RPA012 and RPA046. The Company has not found a Virginia statute, regulation, or Bureau Administrative Letter that states an insurer shall not surcharge for a self-reported conviction. The examiners are alleging that the Company violated § 38.2-1904D of the Code of Virginia. This statute states:

No insurer shall use any information pertaining to any motor vehicle conviction or accident to produce increased or surcharged rates above their filed manual rates for individual risks for a period longer than 36 months. This period shall begin no later than 12 months after the date of the conviction or accident.

Section 38.2-1904D does not specify the source from which convictions or accidents must be obtained. Section 38.2-1904D does not indicate that convictions or accidents must appear on an insured's Motor Vehicle Report (MVR). The Company would request the Bureau to issue an Administrative Letter to state that insurers may only surcharge for convictions that appear on an insured's MVR, if this is the Bureau's position.

The Company acknowledges the examiner's observations in RPA023.

- (2c) The violations for RPA003, RPA004, RPA006, RPA010, RPA012, RPA017, RPA021, RPA025, RPA051, and RPA054 remain in the Report. The Companies' filed manual did not appropriately specify which physical damage symbol was applied to the Bodily Injury or Property Damage Liability coverages. The Companies have since corrected this issue by filing a rule revision under SERFF filing number GECC-130824920.

The violations for RPA011 remain in the Report. For Violation #3, the Company should have maintained the appraisal value determined for the 1985 Chevrolet C10 in its policy file. The policy file showed the cost new value was \$0 and it did not include sufficient information to determine a value from NADA. The Company provided a copy of a NADA appraisal for the insured vehicle in its supplemental exhibit, but did not provide the vehicle specifications used to generate the appraisal. For reconsideration, the Company must provide the pertinent vehicle information it used when issuing the policy. For Violation #4, the Company provided pages from the Supporting Documentation tab of SERFF Tracking #: USPH-6J6RVR371/00-00-00-00 in its supplemental exhibit. However, the pages were not filed for GEICO

Secure Insurance Company and they were only applicable to model years 2007 and later. Therefore, the pages did not apply to the 1985 Chevrolet C10.

The violation for RPA020 remains in the Report. The Company should have used symbol 28 to rate the 2008 BMW M5 in accordance with its filed manual. Although the Company did not file a symbol for the 2008 model year, the filed Vehicle Cost Symbol rule stated to use the prior model year if no symbol was available in the Symbol and Identification Section of the manual. The Company specifically filed symbol 27 for a 2007 BMW M5. The Company specifically filed a deviation of +1 for a 2007/2008 BMW M5, which resulted in symbol 28. The filed 2007 and 2008 Stated Amount tables did not provide for a symbol greater than 27 to convert to symbol L. The Company has since acknowledged that the Transition Rule and Transition Symbol chart only applied to 2011 model years, and therefore, did not apply to this 2008 BMW M5. The Company submitted the Customization-Cost New Chart in its supplemental exhibits; however, the policy file did not indicate this vehicle was customized. Lastly, the filed Vehicle Cost Symbol rule stated the cost new was only used when a symbol was not available for the prior model year. Therefore, the Company should have used the symbols filed for the prior model year of 2007, which resulted in symbol 28.

Company's Response

The Company respectfully disagrees with the examiners' observations in RPA003, RPA004, RPA006, RPA010, RPA012, RPA017, RPA021, RPA025, RPA051, and RPA054. The Company appropriately used the correct physical damage symbols for GEICO Advantage, GEICO Choice and GEICO Secure when determining the Vehicle Cost factors for BI and PD coverages. The filed pages for the Vehicle Cost factor indicate to use the physical damage symbol to select the factors for all coverages. When the physical damage symbol differs for collision and comprehensive, the rating system applies the collision symbol. The Company has since clarified our procedure in Private Passenger Rule PPA-03.B.2.d in SERFF filing GECC-130824920.

The Company respectfully disagrees with the examiner's observations in RPA011. To clarify, the Company does not use an individual appraisal of a customer's vehicle as part of our symbol determination, which is why neither a value nor an appraisal is stored in the policy file. The NADA value provided is the original MSRP, not an appraisal of the vehicle. The vehicle is a 1985 Chevrolet C10 ½ ton 4x2 Pickup. The Company based the liability symbol for this vehicle based on the similar 1985 vehicles. The 1985 Jeep pickup was

used as the comparable vehicle to the 1985 Chevrolet C10 because both vehicles have the same body type of pickup.

The Company referenced SERFF Tracking #: USPH-6J6RVR371/00-00/00-00/00 because the examiners requested an explanation of the guidelines for liability symbols, which were contained in this filing. The Company is not claiming that this filing contains the liability symbol for the 1985 Chevrolet C10.

In reference to RPA020, for model year 2008, the Company utilized alpha conversions for ISO numeric codes. The alpha codes are displayed in the filed symbol assignment rules and also shown on the symbol page reflecting codes in the symbol and identification section. The Company applies the filed deviations to the converted symbol. Symbol I is the Company's symbol that corresponds to ISO's Symbol 27 of 2008 vehicles with cost new between \$80,001 and \$90,000. After applying the Company's filed deviation of +1, the final symbol was L.

- (2d) The violations for RPA002 and RPA019 remain in the Report. The Companies are prohibited from making retroactive filings because filings in Virginia must be submitted on or before the date they are implemented. As such, the examiners could not use the more descriptive occupation classifications provided in GECC-130148842 since it was filed after the examination period. In their supplemental exhibits, the Companies stated they only filed generalized guidelines for occupational group assignments, which is in violation of § 38.2-1906 of the Code of Virginia that requires insurers to file all rates and supplementary rate information with the Bureau. Therefore, the Companies must file their specific occupation group assignments used to rate policies issued in Virginia and file revisions to track any changes.

The violation for RPA007 remains in the Report. The Policy Life Segment and Risk Tier Underwriting Criteria did not specify that it only considered US or Canadian licenses.

Company's Response

The Company respectfully disagrees with the examiner's observations in RPA002. The occupation list provided in Appendix 4 is intended to be a generalized guideline for occupation group assignments. Not all occupations are listed in each group, but rather only a small sample is included in the descriptions. Occupation group assignment using this document could be

interpreted differently given the large volume of occupations. The examiners' observations are just one interpretation of that document. In this case, it is the Company's position that a planner with a bachelor's degree or higher, like an administrator, is an example of an individual who is in management. Thus, a planner with a bachelor's degree should be placed in Occupation Group 1.

The Company did not violate 38.2-1906 of the Code of Virginia by making a retroactive filing. The Company previously filed tiers with the Bureau that used the occupation mapping found in Appendix 4. The Bureau acknowledged these tier filings, indicating that the Company's filings were sufficient. When the Bureau subsequently informed the Company that its interpretation changed and Appendix 4 was insufficient, the Company filed an informational filing (GECC-130148842) with the Bureau.

The informational filing (GECC-130148842) was intended to supplement the already filed Appendix 4 based upon the Bureau's subsequent request. The detail in that document represents the occupation group assignments that were effective when the policies in question were assigned occupation groups. It was not meant as a filing to define occupation groups only on a going forward basis.

Occupation to occupation group assignment is based on historical loss experience. A countrywide review of the occupation group assignment is completed regularly. If necessary, occupations may be moved between occupation groups to better align the experience. Additionally, while most occupations that fall in some groups require a college degree, having a bachelor's degree is not a requirement for any occupation group.

The Company respectfully disagrees with the examiner's observations in RPA019. The occupation list provided in Appendix 4 is intended to be a generalized guideline for occupation group assignments. Not all occupations are listed in each group, but rather only a small sample is included in the descriptions. Occupation group assignment using this document could be interpreted differently given the large volume of occupations. The examiners' observations are just one interpretation of that document. In this case, it is the Company's position that an analyst, like an accountant or engineer, is an example of an individual with technical expertise. Thus, an analyst should be placed in Occupation Group 1.

The Company did not violate 38.2-1906 of the Code of Virginia by making a retroactive filing. The Company previously filed tiers with the Bureau that

used the occupation mapping found in Appendix 4. The Bureau acknowledged these tier filings, indicating that the Company's filings were sufficient. When the Bureau subsequently informed the Company that its interpretation changed and Appendix 4 was insufficient, the Company filed an informational filing (GECC-130148842) with the Bureau.

The informational filing (GECC-130148842) was intended to supplement the already filed Appendix 4 based upon the Bureau's subsequent request. The detail in that document represents the occupation group assignments that were effective when the policies in question were assigned occupation groups. It was not meant as a filing to define occupation groups only on a going forward basis.

Occupation to occupation group assignment is based on historical loss experience. A countrywide review of the occupation group assignment is completed regularly. If necessary, occupations may be moved between occupation groups to better align the experience. Additionally, while most occupations that fall in some groups require a college degree, having a bachelor's degree is not a requirement for any occupation group.

In reference to RPA007, the Company respectfully disagrees with the examiner's observation. As a general underwriting guideline, when evaluating driving experience, the company only counts years licensed in the United States and Canada, similar to the Driving Experience Discount Rule PPA-D-03. Because a Brazilian license was provided for this policy, the proper selection of years licensed is 0 years. The Company has updated the Policy Life Segment and Risk Tier Underwriting Criteria to clarify the Years Licensed characteristic in a filing with SERFF Tracking #: GECC-131021222.

- (2e) The violations for RPA014 and RPA054 remain in the Report. The Companies did not provide the necessary SH01 and SC01 segment data for these policies translating the No Hit/No Score credit history to 000 or 994 "scores." The documentation was missing some of the columns to provide the complete table.

Company's Response

The Company has provided the requested exhibits under Confidential Exhibit "Automobile New Business Rating (2e)."

Automobile Renewal Business Rating

- (3) The violations for RPA103 and RPA151 remain in the Report. The manner in which the Companies filed their point surcharges was not accurate. The filed point surcharge rate pages had headers for "First Occurrence" and "Second Occurrence." Such headers cannot be interpreted to mean the most recent occurrence and the next most recent occurrence, respectively. "First Occurrence" indicates the oldest incident while the "Most Recent" indicates the newest incident. The Bureau only withdrew the other violations from the Preliminary Report because the Companies stated they used the first occurrence listed on the state-reported conviction and accident reports. The violations of RPA103 and RPA151 are a result of re-rating all policies based upon this interpretation. The Companies have since filed to change the conviction and accident surcharge factor headings to "First Most Recent" and "Second Most Recent."

Company's Response

The Company acknowledges the opportunity to clarify the description on the rate pages. The Company clarified the rate pages in SERFF filing number GECC-130500706.

- (4a) The violation for RPA072 remains in the Report. The Company failed to file the method in which the maximum discount of 17% would be applied to an insured's policy if they qualified for both the Military Discount and the Sponsored Marketing Discount. Given that the rule on file with the Bureau does not stipulate how the 17% would be dispersed between the two discounts; the Rate Order of Calculation was used in applying the two discounts. The Company should amend its rule manual to state how the maximum discount should be applied to each policy that qualifies for both discounts.

The violations for RPA075 and RPA076 remain in the Report. The Company failed to file the method in which the maximum discount of 17% would be applied to an insured's policy if they qualified for both the Military Discount and the Sponsored Marketing Discount. Given that the rule on file with the Bureau does not stipulate how the 17% would be dispersed between the two discounts; the Rate Order of Calculation was used in applying the two discounts. The Company should amend its rule manual to state how the maximum discount should be applied to each policy that qualifies for both discounts.

The violation for RPA151 remains in the Report. Although the insured drove Vehicle 1 to work with a higher annual mileage, the Driver to Vehicle Assignment

tab in the Company's system reflects the insured customarily drove Vehicle 2. As such, the Company should not have applied the Extra Vehicle discount to Vehicle 2. The introductory paragraph for the Extra Vehicle rule states, "The vehicle each driver customarily operates in ineligible for this discount factor." The Company should amend its rule to provide an exception in such circumstances.

Company's Response

The Company respectfully disagrees with the examiners' observations in RPA072, RPA075, and RPA076. The Company consistently applied the Military and Sponsored Marketing discounts with a combined cap. The Sponsored Marketing rule states that a -8% differential will be applied to the total policy premium (except for Uninsured Motorist coverage)—indicating that the full 8% discount is applied to the policy premium.

The Military Discount rule states that if a policy is also eligible for a Sponsored Marketing discount, the combined amount will not exceed 17%. In accordance with the Company's filed rules, it applied the 8% Sponsored Marketing discount to these policies and then applied the remaining 9% for the Military discount.

The filed rules define the rating factors and the rate order calculation occurs after the capping is applied (i.e., Step 5 was applying the capped Military Discount and Step 13 was applying the Sponsored Marketing Discount). We have since clarified Private Passenger Rule 43: MILITARY DISCOUNT in SERFF filing GECC-131102203.

The Company respectfully disagrees with the examiner's observations in RPA151. The policy had one driver and two vehicles. The insured indicated they customarily drove vehicle 1 and the Extra Vehicle Discount is applied only to vehicle 2. The examiner's recommendation to provide exceptions in certain situations would introduce unavoidable inconsistencies and gray areas. The Company's filed rule was applied accurately and consistently.

- (4b) The violations for RPA065 remain in the Report regarding the physical damage symbols. The Company failed to indicate which comparable vehicles were used to rate the physical damage coverages on vehicles 1, 2, and 3.

The violations for RPA078 and RPA094 remain in the Report. The Company has indicated a comparable vehicle that was used to determine the symbols for the vehicle stated on the policy. However, the Company failed to provide any

explanation as to the Company's process/procedure when determining a comparable vehicle.

The violation for RPA083 remains in the Report. The Company responded that a comparable vehicle was used to determine the Liability symbol for the 2010 Tesla Roadster. However, the Company did not explain its process/procedure when determining a comparable vehicle. In the Company's supplemental exhibit, the Company indicated that based on the "Vehicle Liability Rating Summary of Selected Factors by Group and Coverage" chart, symbol factors were used for a small standard passenger vehicle. However, the chart provided in the supplemental exhibit was not on file with the Bureau, and there is no explanation as to why a Tesla Roadster would be classified as a standard vehicle similar to a Ford Focus, instead of a specialty car.

The violation for RPA091 remains in the Report. The Deviated Symbol pages on file with the Bureau specifically listed the various series under which a 2007 Jeep Grand Cherokee was manufactured. The Company's filed rules did not state the deviations of comparable vehicles would be used if a specific vehicle deviation was not filed.

The violations for RPA102 remain in the Report. The Company acknowledged Violation #1. For Violation #2, the Company's filed manual did not appropriately specify which physical damage symbol was applied to the Bodily Injury of Property Damage Liability coverages. The Company filed clarification for the Vehicle Cost Factors with SERFF filing GECC-130824920 after the examination period.

The violation for RPA109 remains in the Report. The Company responded that the liability symbol for the 2005 Acura MDX AWD was based on a 2005 Lexus RX330 AWD because of its shared body style. The Company also provided a supplemental exhibit that referenced Exhibit 1 in SERFF Tracking Number USPH-6J6RVR371/00-00/00-00/00. Exhibit 1 indicates that it is only applicable to model years 2007 and later. For further consideration, please explain why the Company selected the 2005 Lexus RX330 AWD as the comparable vehicle instead of another luxury SUV with the same body style.

Company's Response

The Company respectfully disagrees with the examiner's observations in RPA065. The Company did not use comparable vehicles to rate the physical damage coverages for vehicles 1, 2, and 3. The physical damage symbol for vehicle 1 was based on the cost new, which was provided as \$176,000. For vehicle 2, the Company's symbol L corresponds to ISO's symbol 27 for a 2008

vehicle with a cost new between \$90,001 and \$100,000. After the Company applied its filed deviation of -2, the final symbol was V. For vehicle 3, the Company's symbol I corresponds to ISO's symbol 27 for a 2008 vehicle with a cost new between \$80,001 and \$90,000. After the Company applied its filed deviation of +1, the final symbol was L.

The Company respectfully disagrees with the examiners' observations in RPA078 and RPA094. Regarding RPA078, the Company did not use a comparable vehicle to determine the symbols. The Company selected the symbols for this vehicle based on a prior model year version of the Volkswagen Golf. The 2012 Volkswagen Golf with VIN WVWDA7AJ&C had ISO symbols of 22 collision and 20 comprehensive. The filed deviations of +1 collision and -3 comprehensive resulted in final symbols of 23 collision and 17 comprehensive. Regarding RPA094, the 2015 Cadillac Escalade was not available in the system when the policy renewed, so the symbols for a comparable VIN of the same model were used—the comparable vehicle used was the same make and model as the insured vehicle (Cadillac Escalade), but had a different VIN. These symbols were based on the filed ISO symbols for the VIN 1GY&4BEF&C—45 Collision and 57 Comprehensive. The Company's filed deviations of +5 Collision and +3 Comprehensive resulted in final symbols of 50 Collision and 60 Comprehensive. The 2014 Mercedes Benz CLA250 was not available at the time of the last liability symbol filing, so the symbol for a comparable model, the 2014 Mercedes Benz CL Class, was used with the filed symbol L.

The Company respectfully disagrees with the examiner's observations in RPA083. The small standard passenger classification was based on the Highway Loss Data Institute (HLDI) classification. HLDI classifies the vehicles according to size, preferred or standard, and vehicle type.

The Company respectfully disagrees with the examiner's observations for RPA091. The SRT-8 is the trim level of the Jeep Grand Cherokee and the Company applied its filed +1 deviation for the 2007 Jeep Grand Cherokee 4x4.

The Company respectfully disagrees with the examiner's observations for RPA102. The Company appropriately used the correct physical damage symbols for GEICO Advantage, GEICO Choice and GEICO Secure when determining the Vehicle Cost factors for BI and PD coverages. The Company's filed pages for the Vehicle Cost factor indicate to use the physical damage symbol to select the factors for all coverages. When the physical damage

symbol differs for collision and comprehensive, the rating system applies the collision symbol.

The Company respectfully disagrees with the examiner's observations for RPA109. For liability symbols, the Company assigns the symbol based on the vehicle's liability group as filed under Company Filing # 2005-2385. For symbols not included in the initial filing, the Company used the symbol of a comparable vehicle which is defined using the same criteria. The 2005 Acura MDX AWD is a midsize, standard, utility vehicle. Other comparable 2005 vehicles in the same liability group (midsize, standard, utility) are the Buick Rainier, Cadillac SRX, and the Volvo XC90.

- (4c) The violation for RPA104 remains in the Report. The Appendix 4-Occupation Group Definitions did not include "unemployment" in Group 5 of the SERFF filing GECC-129784340 that was applicable during the examination period. These rates were filed but not approved since private passenger auto rates are not subject to approval in Virginia. Further, the Companies are prohibited from making retroactive filings because filings in Virginia must be submitted on or before the date they are implemented. Therefore, the insured should have been placed in Occupation Group G2 - All Other.

The violations for RPA147 and RPA149 remain in the Report. The Companies are prohibited from making retroactive filings because filings in Virginia must be submitted on or before the date they are implemented. As such, the examiners could not use the more descriptive occupation classifications provided in GECC-130148842 because it was filed after the examination period.

The Companies provided a supplemental exhibit that was labeled Automobile Renewal Business Rating 4d; however, this folder was empty. If the Companies intended to provide additional documentation, they should provide it with their next response.

Company's Response

The Company respectfully disagrees with the examiner's observations in RPA104. The occupation list provided in Appendix 4 is intended to be a generalized guideline for occupation group assignments. The Company did not violate 38.2-1906 of the Code of Virginia by making a retroactive filing. The Company previously filed tiers with the Bureau that used the occupation mapping found in Appendix 4. The Bureau acknowledged these tier filings, indicating that the Company's filings were sufficient. When the

Bureau subsequently informed the Company that its interpretation changed and Appendix 4 was insufficient, the Company filed an informational filing (GECC-130148842) with the Bureau.

The informational filing (GECC-130148842) was intended to supplement the already filed Appendix 4 based upon the Bureau's subsequent request. The detail in that document represents the occupation group assignments that were effective when the policies in question were assigned occupation groups. It was not meant as a filing to define occupation groups only on a going forward basis.

Occupation to occupation group assignment is based on historical loss experience. A countrywide review of the occupation group assignment is completed regularly. If necessary, occupations may be moved between occupation groups to better align the experience. Unemployed individuals have exhibited loss experience that is similar to those in Group 5.

The Company respectfully disagrees with the examiner's observations in RPA147. The occupation list provided in Appendix 4 is intended to be a generalized guideline for occupation group assignments. Not all occupations are listed in each group, but rather only a small sample is included in the descriptions. Occupation group assignment using this document could be interpreted differently given the large volume of occupations. The examiners' observations are just one interpretation of that document. In this case, it is the Company's position that a registered nurse, like an optician, is an example of a skilled worker. Thus, a registered nurse should be placed in Occupation Group 4.

The Company did not violate 38.2-1906 of the Code of Virginia by making a retroactive filing. The Company previously filed tiers with the Bureau that used the occupation mapping found in Appendix 4. The Bureau acknowledged these tier filings, indicating that the Company's filings were sufficient. When the Bureau subsequently informed the Company that its interpretation changed and Appendix 4 was insufficient, the Company filed an informational filing (GECC-130148842) with the Bureau.

The informational filing (GECC-130148842) was intended to supplement the already filed Appendix 4 based upon the Bureau's subsequent request. The detail in that document represents the occupation group assignments that were effective when the policies in question were assigned occupation

groups. It was not meant as a filing to define occupation groups only on a going forward basis.

Occupation to occupation group assignment is based on historical loss experience. A countrywide review of the occupation group assignment is completed regularly. If necessary, occupations may be moved between occupation groups to better align the experience. Additionally, while most occupations that fall in some groups require a college degree, having a bachelor's degree is not a requirement for any occupation group.

The Company respectfully disagrees with the examiner's observations in RPA149. The occupation list provided in Appendix 4 is intended to be a generalized guideline for occupation group assignments. Not all occupations are listed in each group, but rather only a small sample is included in the descriptions. Occupation group assignment using this document could be interpreted differently given the large volume of occupations. The examiners' observations are just one interpretation of that document. In this case, it is the Company's position that a recruiter with a bachelor's degree or higher, like an editor, is an example of an individual with technical expertise. Thus, a recruiter with a bachelor's degree or higher should be placed in Occupation Group 1.

The Company did not violate 38.2-1906 of the Code of Virginia by making a retroactive filing. The Company previously filed tiers with the Bureau that used the occupation mapping found in Appendix 4. The Bureau acknowledged these tier filings, indicating that the Company's filings were sufficient. When the Bureau subsequently informed the Company that its interpretation changed and Appendix 4 was insufficient, the Company filed an informational filing (GECC-130148842) with the Bureau.

The informational filing (GECC-130148842) was intended to supplement the already filed Appendix 4 based upon the Bureau's subsequent request. The detail in that document represents the occupation group assignments that were effective when the policies in question were assigned occupation groups. It was not meant as a filing to define occupation groups only on a going forward basis.

Occupation to occupation group assignment is based on historical loss experience. A countrywide review of the occupation group assignment is completed regularly. If necessary, occupations may be moved between occupation groups to better align the experience. Additionally, while most

occupations that fall in some groups require a college degree, having a bachelor's degree is not a requirement for any occupation group.

- (4d) The violation for RPA095 remains in the Report. In the Company's policy system under the "Driver to Vehicle Assignment" tab, the 1995 Lincoln Town Car was shown next to the insured's spouse under the heading "Indicate vehicle most often used by each driver." Therefore, the policy file indicated the insured's spouse drove the 1995 Lincoln Town car the most.

The violation for RPA148 remains in the Report. The Company's filed Rate Order Calculation and Rule PPA-03 did not indicate the calculation steps used by the Company. The filed Rule PPA-03 stated each driver factor was calculated individually and the individual factors for each driver were averaged with a straight average. Please provide the estimated date when the Company will file a revision to its Rate Order Calculation and/or Rule PPA-03 to state how the Rated Driver factors are calculated and applied to the policy.

Company's Response

The Company respectfully disagrees with the examiner's observations in RPA095. The named insured indicated he was the primary driver of all four vehicles. The named insured's spouse indicated that the 1995 Lincoln Town is the car they use the most, when they drive, which does not conflict with the primary of the operator of all the vehicles still being the named insured. We have enclosed Confidential Exhibit RPA095 from our prior response as a reference.

The Company respectfully disagrees with the examiner's observations in RPA148. Based on the Driver Rating Step rule, the driver rating factor is first calculated for each driver by multiplying the driver's "driver level class factor" and "driver level discounts" together. These cumulative driver rating factors for each driver are then averaged and the average is applied to each vehicle. Applying an average of each individual discount factor would not result in the same premium as averaging the final cumulative driver rating factors.

To determine the composite relativity for a specific discount, the cumulative rating factors for each driver are averaged and divided by the average cumulative factors in the prior step. Multiplying these composite relativities results in the same overall premium as averaging the final cumulative driver

rating factors as intended by the rule. The calculation of the BI factor is shown on confidential exhibit RPA148.

The Company agrees to clarify rule PPA-03 Classifications to indicate that cumulative factors are averaged. The Company estimates it will file the clarification in November 2017.

Cancellation Notice Mailed After the 59th Day of Coverage

- (1) The violation for TPA018 remains in the Report. The vehicle being insured under a separate policy does not allow the Company to cancel the vehicle off of this policy. Section 38.2-2212 A of the Code of Virginia does not permit the cancellation of a single vehicle from a policy.

Company's Response

The Company acknowledges the examiner's observation and clarified our procedure in June 2015.

- (2a) The violation for TPA032 remains in the Report. The Company attached the documentation for TPA027 under TPA032. For reconsideration, the Company needs to provide the documentation for TPA032.

Company's Response

Please see the Company's attached confidential exhibit TPA032 under "Cancellation Notice Mailed After the 59th Day of Coverage (2a)."

- (2b) The violations for TPA017, TPA019, TPA025, TPA026, TPA029, and TPA050 remain in the Report. The statute states the operator...**has had** his driver's license suspended or revoked **during** the policy period. As such the driver's license status must have changed to suspended or revoked during the time periods provided by the statute. The Bureau is not encouraging drivers with suspended or revoked licenses to drive on the Commonwealth's roads. However, these drivers still have the right and duty to procure insurance for their owned vehicle(s) should they be driven as permitted by the law. The Companies should ensure that they adequately research the license status of drivers before adding them to the policy so that they meet the timeframes required by the statute.

Company's Response

The Company disagrees with the examiner's observations. The Bureau's guidance would encourage unlawful operation of motor vehicles on the Commonwealth's roadways by unlicensed drivers. The Bureau suggested that the Company not add the driver to the policy; however, this would not prevent the suspended driver in the household from operating one of our insureds' vehicles.

- (3a) The violations for TPA031 AND TPA044 remain in the Report. The documentation provided by the Company does not show evidence of the insureds requesting cancellation of their policy. The Company provided a transaction screen summary for both policies showing the policies were cancelled because the driver's license expired. Neither of the summary screens indicated that the insureds requested the cancellation either verbally or in writing.

Company's Response

The Company respectfully disagrees with the examiners' observations in TPA031 and TPA044. The insureds requested via phone that the Company's Customer Service Department initiate the cancellation of these policies. The Company recognizes the opportunity to clarify the documentation in the policy file, as the Company currently includes the cancellation reason as well as the processor of the request. However, any changes made would be above and beyond the requirements of § 38.2-2212 of the Code of Virginia, as this level of documentation is not required.

- (3b) The violation for TPA032 remains in the Report. The Company attached the documentation for TPA027 under TPA032. For reconsideration, the Company needs to provide the documentation for TPA032.

The violations for TPA039 and TPA045 remain in the Report. The Company is not permitted to send a notice of cancellation in one policy period to cancel into the next policy period. The Company did not catch the suspensions in time to non-renew the policies. When the policies renewed, the insureds should have been provided with 45 days' notice from the effective date of the policy.

Company's Response

In reference to TPA032, please see the Company's attached confidential exhibit TPA032 under "Cancellation Notice Mailed After the 59th Day of Coverage (2a)."

The Company respectfully disagrees with the examiners' observations in TPA039 and TPA045. Regarding TP039, the Company initiated the cancellation on April 17th, 2014, providing 46 days' notice, making the cancellation effective June 2nd, 2014. Regarding TPA045, the Company initiated the cancellation on July 25th, 2014, providing 58 days' notice, making the cancellation effective September 21st 2014.

- (3c) The violation for TPA032 remains in the Report. The Company attached the documentation for TPA027 under TPA032. For reconsideration, the Company needs to provide the documentation for TPA032.

Company's Response

In reference to TPA032, please see the Company's attached confidential exhibit TPA032 under "Cancellation Notice Mailed After the 59th Day of Coverage (2a)."

- (4) The violation for TPA032 remains in the Report. The Company attached the documentation for TPA027 under TPA032. For reconsideration, the Company needs to provide the documentation for TPA032.

Company's Response

In reference to TPA032, please see the Company's attached confidential exhibit TPA032 under "Cancellation Notice Mailed After the 59th Day of Coverage (2a)."

Cancellation Requested by the Insured

- (1) The violation for TPA083 remains in the Report. The policy was effective January 26, 2014. Based on the Company billing screen, on December 22, 2013, the policy renewed with a premium total of \$698.79 that corresponded to the total premium indicated on the declarations page sent to the insured on December 23, 2013. The policy then had an endorsement effective March 13, 2014 with an overall premium amount of \$1,611.51 appearing on the endorsed declarations page. The Billing screen showed on March 12, 2014 that an added driver reduced the premium by \$3.79 and an added vehicle increased the premium by \$684.67; for a total change of \$680.88. Based on the fact that coverage for the additional driver and vehicle would only be for March 13, 2014 through July 26, 2014, the Company should have determined a pro-rata amount of \$669.66 to be applied to the insured's billing. The policy then had an additional endorsement effective May 31, 2014 with an overall premium of \$1,641.51 appearing on the endorsed declarations page. The billing

screen showed an added coverage on May 30, 2014 increased the premium by \$9.48; however, the Company should have determined a pro-rata amount of \$9.18 to be applied to the insured's billing. The Company should have provided a detailed premium calculation to support the claim that the return premium was calculated correctly.

Company's Response

The Company has prepared a statement of account to illustrate the numerous mid-term endorsements by the consumer and the prorated refund issued upon the customer's request to cancel. Please see Confidential Exhibit under "Cancellation Requested by Insured."

- (2b) The violation for TPA083 remains in the Report. The screen shots provided by the Company do not provide adequate evidence of the insured requesting the policy to be canceled or the date the insured requested the policy to be cancelled. The screen shots provided are showing the transaction that the Company performed to cancel the policy.

Company's Response

The Company disagrees with the examiner's observations in TPA083. The insured requested via phone that the Company's Customer Service Department initiate the cancellation of this policy. The Company recognizes the opportunity to clarify the documentation in the policy file, as the Company currently includes the cancellation reason as well as the processor of the request. However, any changes made would be above and beyond the requirements of § 38.2-2212 of the Code of Virginia, as this level of documentation is not required.

Private Passenger Auto Claims

- (1) The violation for CPA120 remains in the Report. The Company has responded that there was no error regarding documenting mismatched VINs. The Company has provided a Bill of Sale in support of its position. The Bill of Sale was for a 2013 Infinity; however, the Company paid for damages to a 2014 Infinity.

Company's Response

- (1) The Company respectfully disagrees with the examiner's observations regarding CPA120. The Company's underwriting systems show that we insured a 2014 Infiniti Q50 with VIN JN1BV7AR4EM***** (the last six digits**

are purposely omitted) which was purchased on 3/2/2014 (Please see Claims Exhibits - Oasis and OPIQ screenshots). This loss occurred on 10/2/2014 which involved the same 2014 Infiniti Q50 with VIN JN1BV7AR4EM***** (the last six digits are purposely omitted). The Auto Damage adjuster took a photo of the VIN of the involved vehicle when he inspected the vehicle on 10/8/2014 and the photo shows that the VIN is JN1BV7AR4EM***** (the last six digits are purposely omitted). The estimate written by the Auto Damage adjuster is noted as a 2013 Infiniti M37 with no VIN listed but there is also a note in comments from the Auto Damage adjuster that states: "Spoke with [name of Company's employee] about no data base for this claim. Adv since we verified VIN and all other info to run data base off year earlier 4 door model car. Estimate is for that vehicle and this is for estimate purposes only. Had to call in Total loss as no data base." Further, the file lists the Actual Total Loss Vehicle as being a 2014 Infiniti Q50 (See Claims Exhibits - estimate and notes)

The power of attorney document is not a bill of sale. The document simply pulls the information listed on the estimate which is explained above. The title for the vehicle is the 2014 Infiniti Q50 (VIN JN1BV7AR4EM***** (the last six digits are purposely omitted)) which the Company insured and was involved in the loss. The Salvage sale documents from IAA show the 2014 Infiniti Q50 with VIN JN1BV7AR4EM***** (the last six digits are purposely omitted). (See Claims Exhibits - IAA salvage sale and title)

- (2c) The violation for CPA067 remains in the Report. The file should have been documented to show that the Company advised the insured of the first party coverages. The notes should further indicate, "If this is determined to be an Uninsured Motorists Property Damage claim (UMPD) there are additional coverages provided under UMPD. Virginia Regulation 14 VAC 5-400-40 A states that the Company cannot fail to advise the insured of coverages that are "pertinent to a claim." Rental benefits under UMPD were pertinent to this claim. This was a hit and run accident that occurred on March 31, 2015. The Company advised the insured of UMPD renewal coverage on May 22, 2015, at which time the repairs to the vehicle were complete.

Company's Response

The Company does not further dispute the examiner's observations in CPA067.

- (6c) The violations for CPA083 and CPA131 remain in the Report. The Amendment of Policy Provisions-Virginia (PP 01 99 07 05) states that the policy will pay for (1) "The applicable state and local sales and use taxes..." and (2) "applicable titling and

license transfer fees..." for "your covered auto." The leased vehicle was a covered auto under the policy. Under § 58.1-2403 of the Code of Virginia, a leased vehicle (such as the vehicle involved in this claim), is not exempt from fees or taxes. The exemption for leased vehicles under § 58.1-2403 of the Code of Virginia applies to leased vehicles sold by the lessor to the lessee at the time of the expiration of the lease. State taxes and fees were applicable to the vehicle and therefore should be paid. For CPA083, the Company owes the insured or lessee \$12 for the transfer fees. For CPA131, the Company owes the insured or lessee \$1,099.95 for the transfer fees and tax.

Company's Response

The Company does not further dispute the examiners' observations in CPA083 and CPA131.

- (6e) The violation for CPA120 remains in the Report. However, the underpayment amount has been reduced to \$41.02, which is the remaining portion of the insured's Transportation Expenses coverage limit not paid.

Company's Response

The Company does not further dispute the examiner's observations in CPA120.

- (7a) These violations remain in the Report. The Companies have not provided sufficient documentation that the estimates were given to the vehicle owners for the files cited in the Report. The Companies provided a description of the process utilized when providing an estimate in their supplemental exhibits. However, there is no documentation that the process was followed in each of these violations. The Companies also provided a spreadsheet and a sample estimate, but neither the spreadsheet nor the sample estimate provides corresponding claim file documentation. Finally, the Companies provided the "ARX Drivable Manual version 5/17/2017" in support of their process. The examination period was April 1, 2014 through March 31, 2015. The 2017 manual is not relevant to this examination and further does not relate to verification of the delivery of the estimate on an individual claim file.

Company's Response

Company respectfully disagrees with the examiners' observations. Subsection D of VAC 5-400-80 states:

If an insurer prepares an estimate of the cost of automobile repairs, such estimate shall be in an amount for which it may be reasonably expected the damage can be

satisfactorily repaired. The insurer shall give a copy of the estimate to the claimant and may furnish to the claimant the names of one or more conveniently located qualified repair shops.

The Company has complied with the above-referenced regulation. The Company has a procedure in place to ensure that it provides copies of estimates to claimants and has followed this procedure consistently. The Company is not aware of any complaints that consumers have filed with the Bureau against the Company regarding this issue.

As the Company previously stated, although the Company provides hard copies of estimates to claimants, as technology continues to advance, many people prefer to access information electronically. In order to provide a convenient and more efficient way for claimants to track their claims, the Company uploads estimates, photos, and other pertinent claim information to GEICO.com. This process proves less costly as well, and Virginia consumers benefit from these cost savings in the form of lower rates. The Company's process includes informing claimants of the ability to access GEICO.com when they report their loss, as well as when the Company's auto damage representatives discuss the claim with them. The Company also provides the claimants with a folder that includes this information.

The Company requests that the examiners withdraw the alleged violations and collaborate with the Company to ensure it can maintain consumer-friendly, cost-efficient methods of providing estimates in a way that is satisfactory to the Bureau.

- (9) The violation for CPA035 remains in the Report. The Company's investigation and documentation consistently indicated that the insured driver was not at fault. There is no investigative material in the file to support the Company's decision to pay the liability claim of the injured passenger. The driver of the passenger's vehicle was found to be at fault, according to the Company's investigation. The Company coded the claim as the insured being "not at fault." When the Company decided to pay the liability claim for an undocumented reason, the Company's system would not issue payment. The Company then re-coded the claim to "at-fault" which was not accurate and further, an at-fault accident will unfairly impact the insured's CLUE report. Concerning the unlisted driver in the household, the date he was licensed compared to the household members listed on the application is relevant to coverage and should have been questioned. However, this portion of the violation will be removed based on the age of the son at the time of the application.

The violation for CPA069 remains in the Report. The restitution spreadsheet has been amended to reflect the remaining six percent (6%) interest that is owed to the insured for the combined UMPD and UMBI settlement amounts.

Company's Response

The Company respectfully disagrees with the examiners' observations in CPA035. The Company conducted a proper liability investigation that included taking a recorded statement from both drivers involved in the loss; obtaining photographs taken at the accident scene, showing vehicle position and damage to the claimant's vehicle; obtaining a copy of the police report; interviewing the responding officer; and obtaining photographs of our insured's vehicle damages. The Company obtained all available evidence prior to making a liability decision. As the examiners noted, we determined no fault on our driver since we could not determine who had the green light and the right of way. Our insured had a minor passenger who was injured and sought medical treatment. State Farm did not admit fault, nor did they respond to several attempts to determine their analysis of liability. The Company decided that an innocent minor passenger should not be forced to file suit to have their damages paid when it cannot be determined who is responsible for their injury and damages. It was determined to handle the bodily injury claim for the innocent minor passenger and file special arbitration against State Farm to contribute.

The Company does not further dispute the examiner's observations in CPA069.

General Statutory Notices

The violations for NGS012 and NGS021 remain in the Report. Section 38.2-604 C 4 of the Code of Virginia specifically states, "Instead of the notice prescribed in subsection B of this section, the insurance institution or agent may provide an abbreviated notice in writing or, if the applicant or policyholder agrees, in electronic format, informing the applicant or policyholder that: The notice prescribed in subsection B of this section will be furnished to the applicant or policyholder upon request." Given that the Company has provided the insured with the Short Form Notice of Information Collection and Disclosure Practices at the time of application for both the paper application and telephone application, each notice should follow all requirements set forth by the statute. If the Companies choose to only use the Long Form notice, then it would have to be provided at the time of the telephone,

Internet, or agent-provided application, as well as every 24 months as required by the statute.

Company's Response

The Company acknowledges the examiner's observation and is in the process of preparing a filing (estimated filing date November 2017) to update our short form notice.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (3) The Companies acknowledged the violation for RPA008 in their first response to the Preliminary Report but have not made restitution.

The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

Company's Response

The Company has made the restitution as indicated on the Restitution Spreadsheet.

Termination Review

- (3) The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

Company's Response

The Company respectfully disagrees with the examiner's observations; therefore it has not made restitution at this time.

Claims Review

- (3) The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

Company's Response

The Company has made the restitution as indicated on the Restitution Spreadsheet.

Forms Review

- (2) Please provide the estimated completion date for correcting the auto forms language.

Company's Response

The Company estimates that it will update the short form notice in a November 2017 filing.

PART THREE – RECOMMENDATIONS

Rating and Underwriting

- The policy file for RPA151 had conflicting information since the insured drove Vehicle 1 to work, but the policy file indicated the driver customarily drove Vehicle 2. As such, the Companies should review how the driver assignment information was recorded and determine how to clearly document which vehicle the insured states he customarily operates to properly rate the policy in accordance with § 38.2-1905 C of the Code of Virginia.
- A Recommendation has been added to the Report regarding the Companies' use of symbols. The Companies have not appropriately filed all supplementary rating information to determine vehicle symbols. The Companies should file the "Vehicle Liability Rating Summary of Selected Factors by Group and Coverage" chart used to determine the appropriate symbol for comparable vehicles and file definitions of how comparable vehicles are categorized. The Companies should note that materials provided in a memorandum, exhibit, or as actuarial support in a SERFF filing are not considered part of the insurers' filed rules or rates.

Company's Response

The Company disagrees with the examiner's observations for RPA151. The vehicles were properly rated based on the customer provided information and consistent with the Company's filed rules and rates.

The Company has noted the examiner's observations regarding symbols.

Terminations

- The Companies should provide the date they began providing lienholders more days' notice than the insureds for cancellation. During the examination period, the Companies failed to meet the Loss Payable Clause endorsement time requirements in four instances and failed to send any notice to the lienholder in three instances.
- The SR-26 violations were for those policy logs that provided more than one date entry for filing the same SR-26. Due to this data integrity issue, this Recommendation remains. The Bureau acknowledges the Companies' submission of the DMV log verifying the dates the SR-26's were received by DMV. The Companies should have this log available for use going forward.

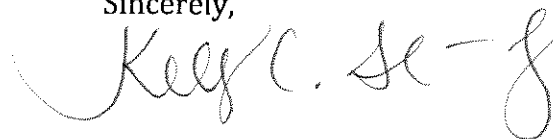
Company's Response

The Company respectfully disagrees with the examiner's observations regarding lienholder cancellation notifications. An unrelated misunderstanding involving reissued policies led to some of these alleged violations. However, the Company has provided lienholders with at least the same amount of notice as that required for insureds under Virginia law.

Regarding SR-26s, the Company reached out the DMV regarding this issue. The DMV has this information (the filed date) in its system; however, the information does not display on the web screen. The Company feels that this is not a data integrity issue because the Company currently logs the date the SR-26 is filed.

I appreciate you taking the time to review our responses and I look forward to hearing from you soon. Please contact me if you have any questions or would like to discuss any part of these responses or the Report.

Sincerely,



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COMMONWEALTH OF VIRGINIA

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October 11, 2017

VIA UPS 2nd DAY DELIVERY

Kelly C. Sue-Ling
Legislative Attorney
GEICO Insurance Company
One GEICO Plaza 5-T
Washington, DC 20076

RE: Market Conduct Examination
GEICO Secure Insurance Company (NAIC #14137)
GEICO Advantage Insurance Company (NAIC #14138)
GEICO Choice Insurance Company (NAIC #14139)
GEICO Indemnity Company (NAIC #22055)
Government Employees Insurance Company (NAIC #22063)
GEICO General Insurance Company (NAIC #35882)
GEICO Casualty Company (NAIC #41491)
Examination Period: April 1, 2014 through March 31, 2015

Dear Ms. Sue-Ling:

The Bureau of Insurance (Bureau) has concluded its review of the companies' August 18, 2017 response to the Revised Market Conduct Report (Report) of the above referenced Companies.

The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE – EXAMINERS' OBSERVATIONS

Automobile New Business Rating

- (2a) The violations for RPA043, RPA044 and RPA045 remain in the Report. The examiners applied the 17% maximum discount according to the filed rule. However, following the Companies rate order of calculations (ROC) and applying the factors in the sequence outlined in the manual generated a difference in the premium. Applying the Military Discount first (as shown in the manual) and then the balance of the 17%

to the Sponsored Marketing discount created a significant difference in the premium that was more advantageous to the insured.

(2b) The violations for RPA012 and RPA046 remain in the Report. The Company responded that it has not found a Virginia statute, regulation, or Bureau Administrative Letter that states an insurer shall not surcharge for self-reported convictions. Section § 38.2-1904 D of the Code of Virginia states, “no insurer shall use any information pertaining to any motor vehicle conviction or accident to produce increased or surcharged rates above their filed manual rates for individual risks for a period longer than 36 months.” Motor vehicle violations that are self-reported on an application for automobile insurance typically lack pertinent details necessary to be considered a motor vehicle conviction. Self-reported violations rarely include a conviction date or the specific code that the insured violated. The Bureau strongly suggests that the Company surcharge for motor vehicle convictions that appear on motor vehicle reports (MVR) to prevent surcharging for duplicate convictions and to accurately surcharge based upon the conviction code listed on the MVR. For RPA046, the disputed occurrence is a Red/Stop Light violation. Please consider that many areas have Red Light Cameras and the violations are attached to the vehicle. It is possible that the insured was not driving the vehicle when the violation occurred.

(2c) The violations for RPA003, RPA004, RPA006, RPA010, RPA012, RPA017, RPA021, RPA025, RPA051 and RPA054 remain in the Report. The rules on file during the examination period did not specify which symbols should apply to the liability coverages when the other than collision and collision symbols were different. The Companies were unable to sufficiently demonstrate that they complied with the statute.

The violation for RPA011 remains in the Report. The policy should only be rated upon the information in the policy file under the direction of the Company’s filed rules and rates. The Company’s method for determining the symbol was not supported by the policy file or the Company’s filed rules and rates.

The violation for RPA020 remains in the Report. The Company’s method for determining the symbol was not supported by the policy file or the Company’s filed rules and rates.

(2d) The violations for RPA002 and RPA019 remain in the Report. The Rates and Forms Section of the Bureau did not indicate the Companies’ filings were sufficient by acknowledging the tier filing submission. Rules and rates for the private passenger auto lines of business (PPA) are “File and Use” in Virginia. This means that insurers are able to use PPA rules and rates once they are filed with the Bureau. Should the filing examiner discover items contrary to Virginia laws, insurers must then revise the filing. Filings must be submitted with an effective date as of the submission date or a date in the future. Filings, informational or not, cannot be made effective retroactively. The GECC-130148842 filing was requested by the Rates and Forms Section of the Bureau because the filed Occupation Groups were determined to be inadequate upon rating policies in the market conduct examination. Insurers are required to file all rates and supplementary rating information so that the charged

premium can be determined consistently. The Companies have indicated in their responses that the original Occupational Group filing was inadequate as the Companies have moved occupations between groups while the filed criteria did not change. This inadequacy is further supported by the different tiers determined by the Bureau based upon the filed occupation group tier criteria.

The violation for RPA007 remains in the Report. The Company was unable to sufficiently demonstrate that it complied with the statute.

- (2e) The violations for RPA014 and RPA054 remain in the Report. The Company provided the credit scoring information for the wrong Retention Number/Key that was not associated with any policy number. For RPA014 in particular, the Company provided documentation showing a "Y" in the file hit indicator box, which reflects a regular hit and the Company's translated score was "994".

Automobile Renewal Business Rating

- (4a) The violations for RPA072, RPA075, and RPA076 remain in the Report. The examiners applied the 17% maximum discount according to the filed rule. However, following the Companies rate order of calculations (ROC) and applying the factors in the sequence outlined in the manual generated a difference in the premium. Applying the Military Discount first (as shown in the manual) and then the balance of the 17% to the Sponsored Marketing discount created a significant difference in the premium that was more advantageous to the insured.

The violation for RPA151 remains in the Report. The Company was unable to sufficiently demonstrate that it complied with the statute.

- (4b) The violation for RPA065 remains in the Report. The violation associated with the vehicle 1 on the policy has been removed. The violations associated with vehicles 3 and 4 remain in the Report. The policy file provided by the Company failed to indicate the Cost New for the two vehicles and the Company failed to provide any information as to how the cost new ranges stated by the Company were determined in their response.

The violations for RPA078, RPA083, RPA091, RPA094 and RPA102 remain in the Report. The Companies did not have sufficient information on file to consistently apply the symbols.

After further review, the violation for RPA109 has been withdrawn from the Report. The Company incorrectly referenced Company Filing number 2005-2385 instead of Project number 2005-238S since the submission did not include a Company Filing number. Project number 2005-238S and SERFF Tracking number USPH-6J6RVR371/00-00/00-00/00 that were referenced by the Bureau in a previous response are the same filing.

- (4c) The violations for RPA104, RPA147 and RPA149 remain in the Report. Insurers are required to file all rates and supplementary rating information so that the charged premium can be determined consistently. The Companies have indicated in their responses that the original Occupational Group filing was inadequate as the Companies have moved occupations between groups while the filed criteria did not change. This inadequacy is further supported by the different tiers determined by the Bureau based upon the filed occupation group tier criteria.
- (4d) The violation for RPA095 remains in the Report. The driver classifications used on this policy does not track the information in the Company's file.

After further review, the violation for RPA148 has been withdrawn from the Report. The average driver rating class factor for BI was 1.210172127, as calculated per the Company's filed rules. The Company's responses have explained different calculations and reflected factors of 1.210167, 1.2102 and 1.00 (composite relativity). However, it appears that the Company ultimately applied the filed class factor. The Company should not reference a composite relativity or cumulative driver rating factor as this indicates an addition of factors. The Company should clarify the Rate Order of Calculation manual pages, as they do not properly indicate the rating steps provided in the rules section of the filed manual. The Company was actually calculating a multiplicative driver rating factor (driver class factor times four different driver level discount factors) for each driver and then averaging the driver rating factor of all drivers as filed in its rules.

Cancellation Notice Mailed After the 59th Day of Coverage

- (2a) After further review, the violation for TPA032 has been withdrawn from the Report. The Bureau was able to verify that there was a break in coverage from the insured's prior term. The Company then reissued the policy using the same policy number and treated the policy as new business. The Company needs to pay closer attention to the handling and reporting of their cancellations.
- (2b) The violations for TPA017, TPA019, TPA025, TPA026, TPA029 and TPA050 remain in the Report. The Bureau acknowledges the Company's need to add drivers to the policy and rate them accordingly. If the added driver has a suspended or revoked license and the suspension or revocation does not fall within the applicable time frame specified in the statute, then the Company may not cancel the policy mid-term. The Company's only recourse in this instance is to non-renew the policy.
- (3a) The violation for TPA031 remains in the Report. The file is not documented to show the insured requested cancellation of the policy. The September 18, 2014 file note states, "the IC advised to turn in plates so we can canx until license active again." The note entry is telling the insured that GEICO is going to cancel their policy. The Company also reported this policy as a cancellation After the 60th Day of Coverage. The burden of proof lies with the Company to prove that this cancellation was insured requested and the file is not documented to support that claim.

The violation for TPA044 remains in the Report. The Company reported this policy as a cancellation After the 60th Day of Coverage. The burden of proof lies with the Company to prove that this cancellation was insured requested. The note entry in the policy file states, "Cancel All Driver's License Expired." The entry does not support the Company's claim that a conversation took place with the insured and that the insured is the one requesting the policy to be canceled.

- (3b) After further review, the violation for TPA032 has been withdrawn from the Report. The Bureau was able to verify that there was a break in coverage from the insured's prior term. The Company then reissued the policy using the same policy number and treated the policy as new business. The Company needs to pay closer attention to the handling and reporting of their cancellations.

The violations for TPA039 and TPA045 remain in the Report. The Company has not provided 45 days' notice, as the notice sent to the insured had an effective date beyond the expiration date of the current policy term. Once the policy renewed the cancellation notice should have been at least 45 days from the renewal effective date. The Company is not permitted to send a notice of cancellation in one policy period to cancel into the next policy period.

- (3c) After further review, the violation for TPA032 has been withdrawn from the Report. The Bureau was able to verify that there was a break in coverage from the insured's prior term. The Company then reissued the policy using the same policy number and treated the policy as new business. The Company needs to pay closer attention to the handling and reporting of their cancellations.

- (4) After further review, the violation for TPA032 has been withdrawn from the Report. The Bureau was able to verify that there was a break in coverage from the insured's prior term. The Company then reissued the policy using the same policy number and treated the policy as new business. The Company needs to pay closer attention to the handling and reporting of their cancellations.

Cancellation Requested by the Insured

- (1) The violation for TPA083 remains in the Report. The Company provided a Statement of Account that displayed how much was charged for each endorsement and the cancellation. However, the Company did not explain how it determined the amounts charged to dispute the calculations performed by the Bureau.
- (2b) The violation for TPA083 remains in the Report. The Company must have evidence of the insured's request to cancel mid-term. The Company has failed to meet this requirement.

Private Passenger Auto Claims

- (1) The violation for CPA120 remains in the Report. There is no question, nor has there ever been a question, that the VIN on the vehicle and the VIN on the title are

identical. This violation pertains to the failure to document the claim file regarding the discrepancy between the VIN on the vehicle and the VIN on the policy. The claim note of October 24, 2014 states, "AD inspection revealed a diff VIN than VIN on pol for 2014 INFI Q50". The Company still has not addressed the fact that the information in the policy declarations and the information on the vehicle did not match.

- (7a) These violations remain in the Report. The Company's practice of utilizing a cost saving process designed to provide easy access to estimates is not in dispute. The Company has failed to document that the estimates were in fact provided to the consumers using this process.
- (9) After further review, the violation for CPA035 has been withdrawn from the Report.

General Statutory Notices

The Bureau acknowledges that the Company is correcting its short form notice to comply with § 38.2-604 C of the Code of Virginia. Although notices cannot be filed in Virginia, the Company can provide a copy of the revised notice to the Market Conduct section for review.

PART TWO – CORRECTIVE ACTION PLAN

The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

PART THREE – RECOMMENDATIONS

Rating and Underwriting

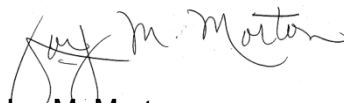
- For RPA151, the insured indicated he customarily drove Vehicle 2. Per the statute, any surcharge points should have been applied to this customarily driven vehicle. However, the Company applied surcharge points to Vehicle 1, which the insured drove to work and therefore the Company deemed it customary. As such, the Company has not rated the vehicles properly and should address its process for applying surcharge points.

Terminations

- The Bureau acknowledges that the Companies are no longer stating they have provided more advance notice to lienholders than insureds.
- The Bureau acknowledges the Companies' clarification that they have updated their process to only log the date the SR-26 is filed with DMV, whereas two different dates were logged for SR-26 filings during the examination period.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a final version of the Report, technical reports, revised Restitution spreadsheet, and any review sheets withdrawn, added or altered as a result of this review. The Companies' response to this letter is due in the Bureau's office by November 1, 2017.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is written in a cursive style with a large, stylized "J" and "M".

Joy M. Morton
Manager
Market Conduct Section
Property and Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

Enclosures



- Government Employees Insurance Company
 - GEICO General Insurance Company
 - GEICO Indemnity Company
 - GEICO Casualty Company
 - GEICO Secure Insurance Company
 - GEICO Advantage Insurance Company
 - GEICO Choice Insurance Company
-

One GEICO Plaza ■ Washington, D.C. 20076-0001

November 1, 2017

Sent Via Email and Overnight Delivery

Ms. Joy Morton
Manager
Market Conduct Section
Property & Casualty Division
Bureau of Insurance
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9540
joy.morton@scc.virginia.gov

**RE: Market Conduct Examination Draft Report Response
GEICO Advantage Insurance Company
GEICO Casualty Company
GEICO Choice Insurance Company
GEICO General Insurance Company
GEICO Indemnity Company
GEICO Secure Insurance Company
Government Employees Insurance Company**

Dear Ms. Morton:

We appreciate the Bureau's detailed review of our responses, and are pleased to have the opportunity to further respond. On behalf of GEICO Advantage Insurance Company, GEICO Casualty Company, GEICO Choice Insurance Company, GEICO General Insurance Company, GEICO Indemnity Company, GEICO Secure Insurance Company, and Government Employees Insurance Company (collectively known as the "Companies"), I am responding to the Market Conduct Examination Draft Report as of March 31, 2015 ("Report"). The format is that of the Bureau's October 11, 2017 letter to the Companies and only includes the violations that remained in the Report. The confidential exhibits referenced throughout the Companies' response will be provided to the examiners in a separate attachment.

PART ONE – THE EXAMINERS’ OBSERVATIONS

Automobile New Business Rating

- (2a) The violations for RPA043, RPA044, and RPA045 remain in the Report. The examiners applied the 17% maximum discount according to the filed rule. However, following the Companies rate order of calculations (ROC) and applying the factors in the sequence outlined in the manual generate a difference in the premium. Applying the Military Discount first (as shown in the manual) and then the balance of the 17% to the Sponsored Marketing discount created a significant difference in the premium that was more advantageous to the insured.

Company’s Response

The Company has made the restitution as indicated on the Restitution Spreadsheet.

The filed rules define the rating factors and the rate order calculation occurs after the capping is applied (i.e., Step 5 was applying the capped Military Discount and Step 13 was applying the Sponsored Marketing Discount). We have since clarified Private Passenger Rule 43: MILITARY DISCOUNT in SERFF filing GECC-131102203.

- (2b) The violations for RPA012 and RPA046 remain in the Report. The Company responded that it has not found a Virginia statute, regulation, or Bureau Administrative Letter that states an insurer shall not surcharge of self-reported convictions. Section § 38.2-1904 D of the Code of Virginia states, “no insurer shall use any information pertaining to any motor vehicle conviction or accident to produce increased or surcharged rates above their filed manual rates for individual risks for a period longer than 36 months.” Motor vehicle violations that are self-reported on the application for automobile insurance typically lack pertinent details necessary to be considered a motor vehicle conviction. Self-reported violations rarely include a conviction data or the specific code that the insured violated. The Bureau strongly suggests that the Company surcharge for motor vehicle convictions that appear on motor vehicle reports (MVR) to prevent surcharging for duplicate convictions and to accurately surcharge based upon the conviction code listed on the MVR. For RPA046, the disputed occurrence is a Red/Stop Light violation. Please consider that many areas have Red Light Cameras and the violations are attached to the vehicle. It is possible that the insured was not driving the vehicle when the violation occurred.

Company's Response

The Company respectfully disagrees with the examiners' observations in RPA012 and RPA046 and affirms its prior response which is listed below. The examiner notes an occurrence may be the result of a Red Light Camera; however, the Company's application advises: "Virginia Residents Do not include camera tickets or parking tickets". We have provided a screenshot the sales application showing the disclosure in the Confidential Exhibits.

The Company has not found a Virginia statute, regulation, or Bureau Administrative Letter that states an insurer shall not surcharge for a self-reported conviction. The examiners are alleging that the Company violated § 38.2-1904D of the Code of Virginia. This statute states:

No insurer shall use any information pertaining to any motor vehicle conviction or accident to produce increased or surcharged rates above their filed manual rates for individual risks for a period longer than 36 months. This period shall begin no later than 12 months after the date of the conviction or accident.

Section 38.2-1904D does not specify the source from which convictions or accidents must be obtained. Section 38.2-1904D does not indicate that convictions or accidents must appear on an insured's Motor Vehicle Report (MVR). The Company would request the Bureau to issue an Administrative Letter to state that insurers may only surcharge for convictions that appear on an insured's MVR, if this is the Bureau's position.

- (2c) The violations for RPA003, RPA004, RPA006, RPA010, RPA012, RPA017, RPA021, RPA025, RPA051, and RPA054 remain in the Report. The rules on file during the examination period did not specify which symbols should apply to the liability coverages when the other than collision and collision symbols were different. The Companies were unable to sufficiently demonstrate that they complied with the statute.

The violation for RPA011 remains in the Report. The policy should only be rated upon the information in the policy file under the direction of the Company's filed rules and rates. The Company's method for determining the symbol was not supported by the policy file or the Company's filed rules and rates.

The violation for RPA020 remains in the Report. The Company's method for determining the symbol was not supported by the policy file or the Company's filed rules and rates.

Company's Response

The Company no longer disputes the examiners' observations in RPA003, RPA004, RPA006, RPA010, RPA012, RPA017, RPA021, RPA025, RPA051, and RPA054.

The Company respectfully disagrees with the examiner's observations in RPA011. The Company applied the physical damage symbols for vehicle 1 based on the prior model year version of the vehicle on file. The Company applied the symbol for vehicle 4 based on the cost new of the vehicle in accordance with the Company's filed rates and rules. The Company applied the liability symbol for vehicle 4 in accordance with the Company's filed rates and rules, based on a comparable vehicle with the same HLDI classification.

In reference to RPA020, the Company respectfully disagrees with the examiner's observations. The company applied the symbol based on the filed physical damage symbols and deviations. Symbol I is the Company's filed symbol that corresponds to ISO's Symbol 27 of 2008 vehicles with cost new between \$80,001 and \$90,000. After applying the Company's filed deviation of +1, the final symbol was L.

- (2d) The violations for RPA002 and RPA019 remain in the Report. The Rates and Forms Section of the Bureau did not indicate the Companies' filings were sufficient by acknowledging the tier filing submission. Rules and rates for the private passenger auto lines of business (PPA) are "File and Use" in Virginia. This means that insurers are able to use PPA rules and rates once they are filed with the Bureau. Should the filing examiner discover items contrary to Virginia laws, insurers must then revise the filing. Filings must be submitted with an effective date as of the submission date or a date in the future. The GECC -130148842 filing was requested by the Rates and Forms Section of the Bureau because the filed Occupation Groups were determined to be inadequate upon rating policies in the market conduct examination. Insurers are required to file all rates and supplementary rating information so that the charged premium can be determined consistently. The Companies have indicated in their responses that the original Occupational Group filing was inadequate as the Companies have moved occupations between groups while the filed criteria did not change. This inadequacy is further supported by the different tiers determined by the Bureau based upon the filed occupation group tier criteria.

The violation for RPA007 remains in the Report. The Company was unable to sufficiently demonstrate that it complied with the statute.

Company's Response

The Company respectfully disagrees with the examiners' observations in RPA002 and RPA019 and affirms its prior response which is listed below. The Company's practice was unchanged before and after the informational filing, and the Company only clarified its practice at the Bureau's request. Regarding the statement "...the Companies have moved occupations between groups while the filed criteria did not change," the Company has not changed its occupation group assignment since the filed documentation was submitted under SERFF filing GECC-129784340.

The occupation list provided in Appendix 4 is intended to be a generalized guideline for occupation group assignments. Not all occupations are listed in each group, but rather only a small sample is included in the descriptions. Occupation group assignment using this document could be interpreted differently given the large volume of occupations. The examiners' observations are just one interpretation of that document. In this case, it is the Company's position that a planner with a bachelor's degree or higher, like an administrator, is an example of an individual who is in management. Thus, a planner with a bachelor's degree should be placed in Occupation Group 1.

The Company did not violate 38.2-1906 of the Code of Virginia by making a retroactive filing. The Company previously filed tiers with the Bureau that used the occupation mapping found in Appendix 4. The Bureau acknowledged these tier filings, indicating that the Company's filings were sufficient. When the Bureau subsequently informed the Company that its interpretation changed and Appendix 4 was insufficient, the Company filed an informational filing (GECC-130148842) with the Bureau.

The informational filing (GECC-130148842) was intended to supplement the already filed Appendix 4 based upon the Bureau's subsequent request. The detail in that document represents the occupation group assignments that were effective when the policies in question were assigned occupation groups. It was not meant as a filing to define occupation groups only on a going forward basis.

Occupation to occupation group assignment is based on historical loss experience. A countrywide review of the occupation group assignment is completed regularly. If necessary, occupations may be moved between occupation groups to better align the experience. Additionally, while most occupations that fall in some groups require a college degree, having a bachelor's degree is not a requirement for any occupation group.

The Company respectfully disagrees with the examiner's observations in RPA019. The occupation list provided in Appendix 4 is intended to be a generalized guideline for occupation group assignments. Not all occupations are listed in each group, but rather only a small sample is included in the descriptions. Occupation group assignment using this document could be interpreted differently given the large volume of occupations. The examiners' observations are just one interpretation of that document. In this case, it is the Company's position that an analyst, like an accountant or engineer, is an example of an individual with technical expertise. Thus, an analyst should be placed in Occupation Group 1.

The Company did not violate 38.2-1906 of the Code of Virginia by making a retroactive filing. The Company previously filed tiers with the Bureau that used the occupation mapping found in Appendix 4. The Bureau acknowledged these tier filings, indicating that the Company's filings were sufficient. When the Bureau subsequently informed the Company that its interpretation changed and Appendix 4 was insufficient, the Company filed an informational filing (GECC-130148842) with the Bureau.

The informational filing (GECC-130148842) was intended to supplement the already filed Appendix 4 based upon the Bureau's subsequent request. The detail in that document represents the occupation group assignments that were effective when the policies in question were assigned occupation groups. It was not meant as a filing to define occupation groups only on a going forward basis.

Occupation to occupation group assignment is based on historical loss experience. A countrywide review of the occupation group assignment is completed regularly. If necessary, occupations may be moved between occupation groups to better align the experience.

Additionally, while most occupations that fall in some groups require a college degree, having a bachelor's degree is not a requirement for any occupation group.

In reference to RPA007, the Company has made the restitution as indicated on the Restitution Spreadsheet. The Company has updated the Policy Life Segment and Risk Tier Underwriting Criteria to clarify the Years Licensed characteristic in a filing with SERFF Tracking #: GECC-131021222.

- (2e) The violations for RPA014 and RPA054 remain in the Report. The Company provided the credit scoring information for the wrong Retention Number/Key that was not associated with any policy number. For RPA014 in particular, the Company provided documentation showing a "Y" in the file hit indicator box, which reflects a regular hit and the Company's translated score was "994".

Company's Response

The Company respectfully disagrees with the examiner's observation. The Company has provided Retention Number and Credit information for the customers in question under Confidential Exhibit "Automobile New Business Rating (2e)" for RPA014 and RPA054 under "Ex.5". In these policy examples, the customers completed multiple quotes with varying coverage combinations so there will be a minimum of two Retention Numbers generated online. The Company displays two packages to the customer, each with its own Retention Number. The first Retention Number generated from the customer's information is associated with the credit call. That will not necessarily be the one purchased by the customer. The stamp in the policy notes is the Retention Number associated with the customer's purchase of their selected quote and payment.

We have colored the font of the Retention Number credit was initially ordered under in green and the Retention Number ultimately purchased by the customer in red.

Automobile Renewal Business Rating

- (4a) The violations for RPA072, RPA075, and RPA076 remain in the Report. The examiners applied the 17% maximum discount according to the filed rule. However, following the Companies rate order of calculations (ROC) and applying the factors in the sequence outlined in the manual generated a difference in the premium. Applying the Military Discount first (as showing in the manual) and then

the balance of the 17% to the Sponsored Marketing discount created a significant premium difference in the premium that was more advantageous to the insured.

The violation for RPA151 remains in the Report. The Company was unable to sufficiently demonstrate that it complied with the statute.

Company's Response

The Company has made the restitution as indicated on the Restitution Spreadsheet for RPA072, RPA075, and RPA076.

The filed rules define the rating factors and the rate order calculation occurs after the capping is applied (i.e., Step 5 was applying the capped Military Discount and Step 13 was applying the Sponsored Marketing Discount). The Company has since clarified Private Passenger Rule 43: MILITARY DISCOUNT in SERFF filing GECC-131102203.

The Company respectfully disagrees with the examiner's observations in RPA151 and affirms our prior response which is listed below.

The policy had one driver and two vehicles. The insured indicated they customarily drove vehicle 1 and the Extra Vehicle Discount is applied only to vehicle 2. The examiner's recommendation to provide exceptions in certain situations would introduce unavoidable inconsistencies and gray areas. The Company's filed rule was applied accurately and consistently.

The Company determines which vehicle is customarily driven by asking the customer which vehicle they drive the most, consistent with our filed rule.

A customer may have two vehicles, a vehicle used solely for a 7.5-mile commute 5 days per week and a vehicle they used to drive cross-country once per year (approximately a 2 week trip, 4,000 miles round trip). The mileage of the vehicle they use 260 days a year would only have 3900 annual miles but the cross-country vehicle the use 14 days a year would have 4000 annual miles.

Our rule states: "The vehicle each driver customarily operates is ineligible for this discount factor." The customer indicated they use Vehicle 1 the most, making it ineligible for the Extra Vehicle Discount. With Vehicle 1 ineligible, the only remaining vehicle, Vehicle 2, will receive the Extra Vehicle Discount. If there were a hypothetical Vehicle 3, the determination of the Extra Vehicle Discount

for the customer would be decided between Vehicle 2 and Vehicle 3 (as Vehicle 1 is still ineligible as the customarily operated vehicle) using our filed rule. The vehicle with the lowest mileage between Vehicle 2 and Vehicle 3 would receive the discount. If the mileage were identical, the next of the four criteria for determining excess vehicles would be applied.

A discount factor will be applied to each private passenger excess vehicle. Excess vehicles exist when the number of rated vehicles exceeds the number of Rated Drivers, excluding Rated Drivers that are deployed overseas due to military service or occupational requirements. The vehicle each driver customarily operates is ineligible for this discount factor. Excess vehicles will be determined using the criteria below in the following order:

- 1. The vehicle with the lowest annual mileage*
- 2. The vehicle with pleasure use*
- 3. The vehicle with the lowest Vehicle Classification Symbol for Bodily Injury coverage, regardless if the coverage is carried or not*
- 4. The last vehicle listed on the declarations sheet.*

(4b) The violation for RPA065 remains in the Report. The violation associated with the vehicle 1 on the policy has been removed. The violations associated with vehicles 3 and 4 remain in the Report. The policy file provided by the Company failed to indicate the cost new for the two vehicles and the Company failed to provide any information as to how the cost new ranges stated by the Company were determined in their response.

The violations for our RPA078, RPA083, RPA091, RPA094, and RPA102 remain in the Report the companies did not have sufficient information on file to consistently apply the symbols.

Company's Response

The Company respectfully disagrees with the examiner's observations in RPA065. The Company applied the symbol based on the filed physical damage symbols and deviations. For vehicle 3, the Company's filed symbol L corresponds to ISO's symbol 27 for a 2008 vehicle with a cost new between \$90,001 and \$100,000. After the Company applied its filed deviation of -2, the final symbol was V. For vehicle 4, the Company's filed symbol I corresponds to ISO's symbol 27 for a 2008 vehicle with a cost new between \$80,001 and \$90,000. The cost new of this vehicle according was \$86,675 according to the Highway Loss Data Institute. After the Company applied its filed deviation of +1, the final symbol was L.

The Company respectfully disagrees with the examiners' observations in RPA078, RPA083, RPA091, RPA094 and RPA102.

Regarding RPA078, the Company applied the physical damage symbols based on the prior model year version of the vehicle on file.

Regarding RPA094, for vehicle 1, the Company's filed symbol I corresponds to ISO's symbol 27 for a 2009 vehicle with a cost new between \$80,001 and \$90,000. The cost new of this vehicle according was \$86,325 according to the Highway Loss Data Institute. For vehicle 2, the Company applied the symbol for based on the cost new of the vehicle in accordance with the Company's filed rates and rules. The company applied the liability symbol in accordance with the company's filed rates and rules, based on a comparable vehicle with the same HLDI classification. For vehicle 3, the Company applied the symbol based on the comparable vehicle of the same model.

Regarding RPA083, the Company applied the liability symbol in accordance with the company's filed rates and rules, based on a comparable vehicle with the same HLDI classification.

Regarding RPA091, the Company applied the physical damage symbols based on the symbol deviations on file.

Regarding RPA102, the company acknowledges the examiner's observations.

- (4c) The violations for RPA104, RPA147, and RPA149 remain in the Report. Insurers are required to file all rates and supplementary rating information so that the charge premium can be determined consistently. The Companies have indicated in their responses that the original Occupation Group filing was inadequate as the Companies have moved occupations between groups while the filed criteria did not change. This inadequacy is further supported by the different tiers determined by the Bureau based upon the filed occupation group tier criteria.

Company's Response

The Company respectfully disagrees with the examiners' observations in RPA104, RPA147, and RPA149 and affirms its prior response which is listed below. The Company's practice was unchanged before and after the informational filing, and the Company only clarified its practice at the Bureau's request. Regarding the statement "...the Companies have moved occupations between groups while the filed criteria did not change," the

Company has not changed its occupation group assignment since the filed documentation was submitted under SERFF filing GECC-129784340.

The Company respectfully disagrees with the examiner's observations in RPA104. The occupation list provided in Appendix 4 is intended to be a generalized guideline for occupation group assignments. The Company did not violate 38.2-1906 of the Code of Virginia by making a retroactive filing. The Company previously filed tiers with the Bureau that used the occupation mapping found in Appendix 4. The Bureau acknowledged these tier filings, indicating that the Company's filings were sufficient. When the Bureau subsequently informed the Company that its interpretation changed and Appendix 4 was insufficient, the Company filed an informational filing (GECC-130148842) with the Bureau.

The informational filing (GECC-130148842) was intended to supplement the already filed Appendix 4 based upon the Bureau's subsequent request. The detail in that document represents the occupation group assignments that were effective when the policies in question were assigned occupation groups. It was not meant as a filing to define occupation groups only on a going forward basis.

Occupation to occupation group assignment is based on historical loss experience. A countrywide review of the occupation group assignment is completed regularly. If necessary, occupations may be moved between occupation groups to better align the experience. Unemployed individuals have exhibited loss experience that is similar to those in Group 5.

The Company respectfully disagrees with the examiner's observations in RPA147. The occupation list provided in Appendix 4 is intended to be a generalized guideline for occupation group assignments. Not all occupations are listed in each group, but rather only a small sample is included in the descriptions. Occupation group assignment using this document could be interpreted differently given the large volume of occupations. The examiners' observations are just one interpretation of that document. In this case, it is the Company's position that a registered nurse, like an optician, is an example of a skilled worker. Thus, a registered nurse should be placed in Occupation Group 4.

The Company did not violate 38.2-1906 of the Code of Virginia by making a retroactive filing. The Company previously filed tiers with the Bureau that used the occupation mapping found in Appendix 4. The Bureau acknowledged these tier filings, indicating that the Company's filings were sufficient. When the Bureau subsequently informed the Company that its interpretation changed and Appendix 4 was insufficient, the Company filed an informational filing (GECC-130148842) with the Bureau.

The informational filing (GECC-130148842) was intended to supplement the already filed Appendix 4 based upon the Bureau's subsequent request. The detail in that document represents the occupation group assignments that were effective when the policies in question were assigned occupation groups. It was not meant as a filing to define occupation groups only on a going forward basis.

Occupation to occupation group assignment is based on historical loss experience. A countrywide review of the occupation group assignment is completed regularly. If necessary, occupations may be moved between occupation groups to better align the experience. Additionally, while most occupations that fall in some groups require a college degree, having a bachelor's degree is not a requirement for any occupation group.

The Company respectfully disagrees with the examiner's observations in RPA149. The occupation list provided in Appendix 4 is intended to be a generalized guideline for occupation group assignments. Not all occupations are listed in each group, but rather only a small sample is included in the descriptions. Occupation group assignment using this document could be interpreted differently given the large volume of occupations. The examiners' observations are just one interpretation of that document. In this case, it is the Company's position that a recruiter with a bachelor's degree or higher, like an editor, is an example of an individual with technical expertise. Thus, a recruiter with a bachelor's degree or higher should be placed in Occupation Group 1.

The Company did not violate 38.2-1906 of the Code of Virginia by making a retroactive filing. The Company previously filed tiers with the Bureau that used the occupation mapping found in Appendix 4. The

Bureau acknowledged these tier filings, indicating that the Company's filings were sufficient. When the Bureau subsequently informed the Company that its interpretation changed and Appendix 4 was insufficient, the Company filed an informational filing (GECC-130148842) with the Bureau.

The informational filing (GECC-130148842) was intended to supplement the already filed Appendix 4 based upon the Bureau's subsequent request. The detail in that document represents the occupation group assignments that were effective when the policies in question were assigned occupation groups. It was not meant as a filing to define occupation groups only on a going forward basis.

Occupation to occupation group assignment is based on historical loss experience. A countrywide review of the occupation group assignment is completed regularly. If necessary, occupations may be moved between occupation groups to better align the experience. Additionally, while most occupations that fall in some groups require a college degree, having a bachelor's degree is not a requirement for any occupation group.

- (4d) The violation for RPA095 remains in the Report. The driver classifications used on this policy does not track the information in the Company's file.

Company's Response

The Company respectfully disagrees with the examiner's observations in RPA095. When the named insured was asked *which driver* operates each vehicle the most, the named insured indicated they were the primary operator of all four vehicles. When asked *which vehicle* each driver operates the most, the named insured responded that the 1995 Lincoln is the vehicle their spouse uses the most when their spouse drives, which does not conflict with the primary of the operator of all the vehicles still being the named insured.

We have enclosed Confidential Exhibit RPA095 from our prior response as a reference.

Cancellation Notice Mailed After the 59th Day of Coverage

- (2b) The violations for TPA017, TPA019, TPA025, TPA026, TPA029, and TPA050 remain in the Report. The bureau acknowledges the company's need to add drivers to the policy and rate them accordingly. If the add a driver has a suspended or revoked

license in the suspension or revocation does not fall within the applicable time frame as specified in the statute, then the Company may not cancel the policy midterm. The Company's only recourse in this instance is to not renew the policy.

Company's Response

The Company no longer disputes the examiner's observation and will revise our suspended license termination process. The Company would request the Bureau to issue an Administrative Letter to clarify this requirement for all insurers.

- (3a) The violation for TPA031 remains in the Report. The file is not documented to show the insured requested cancellation of the policy. The September 18, 2014 file note states, "the IC advised to turn in plates so we canx until license active again." The note entry is telling the insured that GEICO is going to cancel their policy. The Company also reported this policy as a cancellation after the 60th day of coverage. The burden of proof lies with the Company to prove that this cancellation was insured requested and the file is not documented to support that claim.

The violation for TPA044 remains in the Report. The Company reported this policy has a cancellation after the 60th day of coverage. The burden of proof lies with a Company to provide that this cancellation was insured requested the note entry in the policies file states, "Cancel All Drivers License Expired" the entry does not support the Company's claim that a conversation took place with the insured and that the insured is the one requesting a policy to be canceled.

Company's Response

The Company respectfully disagrees with the examiners' observations in TPA031 and TPA044 and affirms its previous response which is listed below. The Company's note is an internal record and was not used to inform the insured of the Company's intent to cancel the insured's policy. The documentation in the policy was created by one of the Company's customer service agents, which would only occur as a result from request made by the named insured, or other party authorized by the named insured, to the Company's agent. The Company is willing to voluntarily amend cancellation request documentation process and would request the Bureau to issue an Administrative Letter outlining the required documentation.

The insureds requested via phone that the Company's Customer Service Department initiate the cancellation of these policies. The Company recognizes the opportunity to clarify the documentation in the policy

file, as the Company currently includes the cancellation reason as well as the processor of the request. However, any changes made would be above and beyond the requirements of § 38.2-2212 of the Code of Virginia, as this level of documentation is not required.

- (3b) The violations for TPA039 and TPA045 remain in the Report. The Company has not provided 45 days' notice, as the notice sent to the insured had an effective date beyond the expiration date of the current policy term. Once the policy renewed the cancellation notice should have been at least 45 days from the renewal effective dates. The Company is not permitted to send a notice of cancellation in one policy period to cancel into the next policy period.

Company's Response

The Company no longer disputes the examiner's observation and will revise our suspended license termination process. The Company would request the Bureau to issue an Administrative Letter to clarify this requirement for all insurers.

Cancellation Requested by the Insured

- (1) The violation for TPA083 remains in the Report. The Company provide a Statement of Account that displayed how much was charged for each endorsement and the cancellation. However, the Company did not explain how it determined the amounts charged to dispute the calculations performed by the Bureau.

Company's Response

The Company has made the restitution as indicated on the Restitution Spreadsheet.

- (2b) The violation for TPA083 remains in the Report. The Company must have evidence of the insureds' request to cancel mid-term. The Company has failed to meet this requirement.

Company's Response

The Company disagrees with the examiner's observations in TPA083 and affirms its previous response which is listed below. The Company is willing to voluntarily revise its process and requests the Bureau to issue an Administrative Letter outlining the required documentation.

The insured requested via phone that the Company's Customer Service Department initiate the cancellation of this policy. The Company recognizes the opportunity to clarify the documentation in the policy file, as the Company currently includes the cancellation reason as well as the processor of the request. However, any changes made would be above and beyond the requirements of § 38.2-2212 of the Code of Virginia, as this level of documentation is not required.

Private Passenger Auto Claims

- (1) The violation for CPA120 remains in the Report. There is no question, nor has there ever been a question, that the VIN on the vehicle and the VIN on the title are identical. The violation pertains to the failure to document the claim file regarding the discrepancy between the VIN on the vehicle and the VIN on the policy. The claim note of October 24, 2014 states, "AD inspection revealed a diff VIN than VIN on pol for 2014 INFI Q50". The Company still has not addressed the fact that the information in the policy declarations and the information on the vehicle did not match.

Company's Response

The Company respectfully disagrees examiner's observations in CPA120 (ClaimVehPPA-560238060). The Bureau indicates that this violation pertains to the failure to document the claim file regarding the discrepancy between the VIN on the vehicle and the VIN on the policy. As previously outlined, there is no discrepancy between the VIN on the policy and the VIN of the involved vehicle. The VIN identified on the policy for this vehicle at the time the loss was reported to us on October 2, 2014 was JN1BV7AR4EM693318. When the Auto Damage Adjuster inspected the vehicle on October 8, 2014, he took a picture of the VIN sticker on the car showing the VIN is JN1BV7AR4EM693318 which is identical to the one on the policy. This shows that the VIN on the vehicle is the same as the VIN on the policy declarations. All other documentation in the file supports that the VIN on the vehicle matched the VIN as provided to us on the policy. There is not a requirement to document or acknowledge a discrepancy that never existed.

This loss occurred on 10/2/2014 which involved the same 2014 Infiniti Q50 with VIN: JN1BV7AR4EM693318. A photo of the VIN taken from the involved vehicle when the Auto Damage adjuster inspected the vehicle on 10/8/2014 shows the VIN listed as JN1BV7AR4EM693318. The estimate written by the AD

is noted as a 2013 Infiniti M37 with no VIN listed but there is also a note in comments from the AD which states: "Spoke with Bill Knauss about no data base for this claim. Adv since we verified VIN and all other info to run data base off year earlier 4 door model car. Estimate is for that vehicle and this is for estimate purposes only. Had to call in Total loss as no data base." Further the files lists the Actual Total Loss Vehicle as a 2014Infiniti Q50.

- (7a) These violations remain in the Report. The Company's practice of utilizing a cost saving process designed to provide easy access to estimates is not in dispute. The Company has failed to document that the estimates were in fact provided to the consumers using this process.

Company's Response

Although the Company does not have additional documentation to supply, the Company respectfully disagrees with the violations regarding providing copies of the estimates to the insureds and claimants. The Company's previous responses have contained evidence of the Company making the estimates available to claimants via access to their claims on GEICO.com. It is important to again note this is a less costly and more convenient means to provide appropriate documentation and information to claimants.

General Statutory Notices

The Bureau acknowledges that the Company is correcting its short form notice to comply with § 38.2-604 C of the Code of Virginia. Although notices cannot be filed in Virginia, the Company can provide a copy of the revised notice to the Market Conduct section for review.

Company's Response

The Company previously acknowledged the examiner's observation and is in the process of revising (estimated November 2017) our short form notice.

PART TWO – CORRECTIVE ACTION PLAN

The Companies should make the outstanding restitution as indicated in the revised Restitution Spreadsheet enclosed.

Company's Response

Please see the Company's Restitution Spreadsheet.

PART THREE - RECOMMENDATIONS

Rating and Underwriting

- For RPA151, the insured indicated he customarily drove Vehicle 2. Per the statute, any surcharge points should have been applied to this customarily driven vehicle. However the Company applied surcharge points to Vehicle 1, which the insured drove to work and therefore the Company deemed it customary. As such, the Company has not rated the vehicles properly and should address its process for applying surcharge points.

The Company respectfully disagrees with the examiner's recommendation. Please see our response in Part One, regarding RPA 151.

I appreciate you taking the time to review our responses and I look forward to hearing from you soon. Please contact me if you have any questions or would like to discuss any part of these responses or the Report.

Sincerely,



Kelly C. Sue-Ling
Counsel
Office of Legislative Counsel
(301) 986-3822
ksueling@geico.com

Andrea Baytop

From: Andrea Baytop
Sent: Monday, January 22, 2018 5:07 PM
To: Sue-Ling, Kelly
Cc: Joy Morton
Subject: GEICO Conference Call Follow-up
Attachments: GEICO Restitution5.xlsx

Good Evening Kelly,

We appreciate you having a conference call with us on November 28, 2017, to discuss GEICO's November 1, 2017 response to the Virginia Market Conduct Examination Report. We are also in receipt of GEICO's additional exhibits received on December 22, 2017. In light of the above responses, we have summarized the changes made to the Report below.

Automobile New Business Rating

- (2b) The violations for RPA012 and RPA046 remain in the Report. The company did not have proof of a conviction on the MVR obtained by the company. Additionally, the company did not provide any applications for the policies reviewed in order to verify the incidents disclosed by the insured.
- (2c) After further review, two violations for RPA011 have been withdrawn from the Report for the 1985 Chevrolet C10. However, a Recommendation has been added to the Report to record the cost new value used to determine the appropriate vehicle symbol when a specific symbol is not filed for the vehicle. Please note, the violation for the 2014 Audi was already withdrawn on March 22, 2016. The remaining violation for RPA011 is for the 2013 Ford F-150.

The violation for RPA020 remains in the Report. The company used the Customization Cost New Chart to assign a symbol code instead of the chart filed in the Symbol & Identification (S&I) pages, which was used for all of the other policies under review. The S&I chart did not assign symbol codes for vehicles with symbols higher than 27, therefore, the filed factors for symbol 28 should have been used to rate the policy. The company incorrectly transitioned symbol 28 to symbol L.

- (2d) After further review, the violations for RPA002 and RPA019 have been withdrawn from the Report.
- (2e) After further review, the violations for RPA014 and RPA054 have been withdrawn from the Report.

Automobile Renewal Business Rating

- (4a) The company responded that it made restitution for RPA072, RPA075 and RPA076. However, restitution was not requested for these policies on the Bureau's Restitution spreadsheet and was not indicated on the company's spreadsheet.

The violation for RPA151 has been withdrawn from this item and will now appear under item (4f).

- (4b) The two violations for RPA065 remain in the Report. The company applied the symbol deviations to the symbol codes on the Customization Cost New chart instead of the filed ISO symbols.

The violation for RPA078 remains in the Report. The company provided the Symbol and Identification page used to determine the symbol combination used. However, the VIN indicated on the Symbol and Identification page does not match the VIN indicated on the declarations page. Furthermore, the company failed to provide an explanation as to why that particular symbol combination was used rather than the other three combinations that were available for that vehicle's make and model.

The violation for RPA083 remains in the Report. The company did not explain why a 2010 Tesla Roadster would be classified as a standard/small vehicle rather than a specialty car/small/mini.

The violation for RPA091 remains in the Report. The company failed to have a rule on file with the Bureau stating that a comparable model would be used in determining the vehicle deviation when rating the physical damage coverages of vehicle 3 listed on the policy.

Three of the four disputed violations for RPA094 remain in the Report. The company did not provide the Cost New value for vehicle 1 and 2 when determining the physical damage symbols. A Cost New range was provided, however, no documentation was provided to support why that range was chosen. The company did not provide guidelines or a method in determining a comparable model for vehicle 2's liability symbol. After further review, the violation associated with vehicle 3's physical damage symbols have been withdrawn. The company used the appropriate symbol from a prior model year.

- (4c) The violations for RPA104, RPA147 and RPA149 remain in the Report. The Bureau did not change its interpretation, but discovered through the market conduct examination that the filing was insufficient as implemented. The Occupation groups used by the company do not appear to be appropriate based upon the filing in effect for these policies. For RPA104, the insured was unemployed, which is not included or considered in the filed Appendix 4. The appropriate tier determination was All Other (G2) from the tier score group pages. However, the company used Occupation Group 5 from Appendix 4 (G4) that only defines occupations, not the lack thereof.
- (4d) The two violations for RPA095 remain in the Report. The company provided Chart 3 showing the Usage tab information, which reflects the rating information applied to each vehicle, and shows the husband driving all of the insured vehicles. However, the Rated Driver column only stated "Not a Factor" in the system screens accessible by the examiners and drivers can only customarily operate one vehicle. As such, the examiners used the Driver to Vehicle Assignment tab to assign drivers to the insured vehicles for all policies reviewed. As the company acknowledged in its latest response, the insured wife is shown as the customary operator for the 1995 Lincoln Town Car on the Driver to Vehicle Assignment tab and should have been rated as such.

Cancellation Notices Mailed After the 59th Day of Coverage

- (3a) After further review, the violations for TPA031 and TPA044 have been withdrawn from the Report. A Recommendation to properly record and maintain documentation of insured requested cancellations has been added to the Report.

Cancellation Requested by the Insured

- (1) After further review, the violation for TPA083 has been withdrawn from the Report.

Private Passenger Automobile Claims

- (1) After further review, the violation for CPA120 has been withdrawn from the Report.
- (7a) These violations remain in the Report. The company should implement a clear and consistent method in which the company's system adequately records when estimates are provided to vehicle owners.

Rating Corrective Action Plan

The Companies should make the outstanding restitution on or before February 12, 2018 or request a meeting with the Bureau to explain why this restitution has not been paid. Please see the Revised Restitution spreadsheet attached.

Once the companies have completed making the outstanding restitution, we will proceed with finalizing the Report and the settlement process. We look forward to your reply by February 12, 2018.

Thank you,

Andrea Baytop, AMCM

Principal Insurance Market Examiner
P&C Market Conduct Section
Virginia Bureau of Insurance
804.371.9547
andrea.baytop@scc.virginia.gov

Andrea Baytop

From: Sue-Ling, Kelly <KSueling@geico.com>
Sent: Tuesday, February 13, 2018 4:55 PM
To: Andrea Baytop; Joy Morton
Subject: RE: GEICO Revised Report and Technical Reports 2/06/18
Attachments: GEICO Restitution6.xlsx

Good afternoon Andrea and Joy,

Thanks again for the conference call yesterday. I will hopefully have all the information completed for the restitution spreadsheet tomorrow.

Kelly

Sensitivity: Confidential

From: Andrea Baytop [mailto:Andrea.Baytop@scc.virginia.gov]
Sent: Tuesday, February 06, 2018 5:00 PM
To: Sue-Ling, Kelly
Cc: Joy Morton
Subject: GEICO Revised Report and Technical Reports 2/06/18

Good Evening Kelly,

I have attached the GEICO Revised Report, revised/withdrawn review sheets and corresponding technical reports to correspond with our January 22, 2018 follow-up e-mail.

In addition to the outstanding restitution noted in your February 6, 2018 e-mail, we found that there is still outstanding restitution of \$114.51 for RPA049. The overcharge was prorated for a total restitution of \$450.24, but GEICO only paid \$335.73. As such, I have attached a revised Restitution spreadsheet.

After further review, we withdrew one discount violation for RPA088 in the Renewal Rating and Underwriting Review.

Please let me know if you have any questions.

Thank you,

Andrea Baytop, AMCM

Principal Insurance Market Examiner
P&C Market Conduct Section
Virginia Bureau of Insurance
804.371.9547
andrea.baytop@scc.virginia.gov

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COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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RICHMOND, VIRGINIA 23219
TELEPHONE: (804) 371-9741
www.scc.virginia.gov/boi

February 20, 2018

VIA UPS 2nd DAY DELIVERY

Kelly C. Sue-Ling
Legislative Attorney
GEICO Insurance Company
One GEICO Plaza 5-T
Washington, DC 20076

RE: Market Conduct Examination
GEICO Secure Insurance Company (NAIC #14137)
GEICO Advantage Insurance Company (NAIC #14138)
GEICO Choice Insurance Company (NAIC #14139)
GEICO Indemnity Company (NAIC #22055)
Government Employees Insurance Company (NAIC #22063)
GEICO General Insurance Company (NAIC #35882)
GEICO Casualty Company (NAIC #41491)
Examination Period: April 1, 2014 through March 31, 2015

Dear Ms. Sue-Ling:

The Bureau of Insurance (Bureau) has concluded its review of the companies' email response of February 13, 2018. Based upon the Bureau's review of the companies' December 22, 2017 correspondence, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of GEICO Secure Insurance Company, GEICO Advantage Insurance Company, GEICO Choice Insurance Company, GEICO Indemnity Company, Government Employees Insurance Company, GEICO General Insurance Company and GEICO Casualty Company (Report).

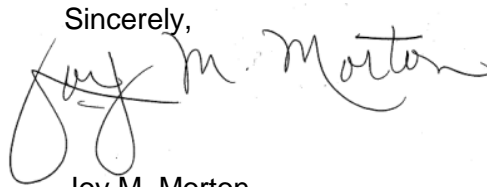
Based on the Bureau's review of the Report and the companies' responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Sections 38.2-517 A 3, 38.2-604 C, 38.2-1906 A, 38.2-1906 D, 38.2-2206 A, 38.2-2208 A, 38.2-2208 B, 38.2-2212 A, 38.2-2212 D, 38.2-2212 E, 38.2-2214, 38.2-2220, 38.2-2234 B of the Code of Virginia; and 14 VAC 5-400-70 D and 14 VAC 5-400-80 D of the Virginia Administrative Code.

Violations of the laws mentioned above provide for monetary penalties of up to \$5,000 for each violation as well as suspension or revocation of an insurer's license to engage in the business of insurance in Virginia.

In light of the above, the Bureau will be in further communication with you shortly regarding the appropriate disposition of this matter.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is fluid and cursive, with the first name "Joy" being the most prominent.

Joy M. Morton
Manager
Market Conduct Section
Property and Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov



■ Government Employees Insurance Company
■ GEICO General Insurance Company
■ GEICO Indemnity Company
■ GEICO Casualty Company

■ GEICO Advantage Insurance Company
■ GEICO Choice Insurance Company
■ GEICO Secure Insurance Company

One GEICO Plaza ■ Washington, DC 20076-0001

March 16, 2018

Sent Via Overnight Delivery

Rebecca Nichols
Deputy Commissioner
Property and Casualty Division
Bureau of Insurance
1300 East Main Street
Richmond, Virginia 23219

RE: Market Conduct Examination
GEICO Secure Insurance Company (NAIC # 14137)
GEICO Advantage Insurance Company (NAIC # 14138)
GEICO Choice Insurance Company (NAIC # 14139)
GEICO Indemnity Company (NAIC # 22055)
Government Employees Insurance Company (NAIC # 22063)
GEICO General Insurance Company (NAIC # 35882)
GEICO Casualty Company (NAIC # 41491)
Examination Period: April 1, 2014 through March 31, 2015
Ecase/Docket Number: INS-2018-00032

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated February 26, 2018, regarding the above-referenced matter.


We wish to make a settlement offer on behalf of GEICO Secure Insurance Company, GEICO Advantage Insurance Company, GEICO Choice Insurance Company, GEICO Indemnity Company, Government Employees Insurance Company, GEICO General Insurance Company, and GEICO Casualty Company for the alleged violations of §§ 38.2-517 A 3, 38.2-604 C, 38.2-1906 A, 38.2-1906 D, 38.2-2206 A, 38.2-2208 B, 38.2-2212 A, 38.2-2212 D, 38.2-2212 E, 38.2-2214, 38.2-2220, 38.2-2234 B of the Code of Virginia; and 14 VAC 5-400-70 D and 14 VAC 5-400-80 D of the Virginia Administrative Code.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$50,400.00.
2. We agree to comply with the corrective action plan set forth in the companies' October 19, 2016, April 18, 2017, August 18, 2017, and November 1, 2017 correspondence.
3. We confirm that restitution was made to 48 consumers for \$14,204.21 in accordance with the companies' email of February 14, 2018.
4. We further acknowledge the companies' right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation accepts this offer of settlement.

This offer is being made solely for the purpose of a settlement and does not constitute, nor should it be construed as, an admission of any violation of law.

Sincerely,

GEICO Secure Insurance Company
GEICO Advantage Insurance Company
GEICO Choice Insurance Company
GEICO Indemnity Company
Government Employees Insurance Company
GEICO General Insurance Company
GEICO Casualty Company



Richard Solowan
VP Legislative Counsel - GEICO

COMMONWEALTH OF VIRGINIA



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GEICO Advantage Insurance Company, GEICO Casualty Company, GEICO Choice Insurance Company, GEICO General Insurance Company, GEICO Indemnity Company, GEICO Secure Insurance Company, and Government Employees Insurance Company have tendered to the Bureau of Insurance the settlement amount of \$50,400.00 by their check numbered 1420613 and dated March 14, 2018, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 3, 2018

SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER
2018 APR -3 A 10:44

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2018-00032

GEICO Secure Insurance Company,
GEICO Advantage Insurance Company,
GEICO Choice Insurance Company,
GEICO Indemnity Company,
Government Employees Insurance Company,
GEICO General Insurance Company, and
GEICO Casualty Company,
Defendants

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that GEICO Secure Insurance Company, GEICO Advantage Insurance Company, GEICO Choice Insurance Company, GEICO Indemnity Company, Government Employees Insurance Company, GEICO General Insurance Company, and GEICO Casualty Company (collectively, "Defendants"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), violated: §§ 38.2-517 A 3, 38.2-604 C and 38.2-2206 A of the Code of Virginia ("Code") by failing to accurately provide the required notices to insureds; §§ 38.2-1906 A and 38.2-1906 D of the Code by making or issuing insurance contracts or policies not in accordance with the rate and supplementary rate information filings in effect for the Defendants; § 38.2-2208 B, 38.2-2212 A, 38.2-2212 D and 38.2-2212 E of the Code by failing to properly terminate insurance policies; § 38.2-2214 of the Code by failing to use the rate classification statement approved by the Bureau; § 38.2-2220 of the Code by failing to use forms in the

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precise language of the standard forms previously filed and adopted by the Commission; and § 38.2-2234 B of the Code by failing to update the insured's credit information at least once in a three-year period; as well as 14 VAC 5-400-70 D and 14 VAC 5-400-80 D of the Commission's Rules Governing Unfair Claim Settlement Practices, 14 VAC 5-400-10 *et seq.*, by failing to properly handle claims with such frequency as to indicate a general business practice.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke a defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that a defendant has committed the aforesaid alleged violations.

The Defendants have been advised of their right to a hearing in this matter whereupon the Defendants, without admitting any violation of Virginia law, have made an offer of settlement to the Commission wherein the Defendants have tendered to Virginia the sum of Fifty Thousand Four Hundred Dollars (\$50,400), waived their right to a hearing, agreed to comply with the corrective action plan set forth in their letters to the Bureau dated October 19, 2016, April 18, 2017, August 18, 2017 and November 1, 2017, and have confirmed that restitution was made to 48 consumers in the amount of Fourteen Thousand Two Hundred Four Dollars and Twenty-one Cents (\$14,204.21).

The Bureau has recommended that the Commission accept the offer of settlement of the Defendants pursuant to the authority granted the Commission in § 12.1-15 of the Code.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendants, and the recommendation of the Bureau, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted.

(2) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Richard Solowan, VP Legislative Counsel, GEICO Insurance Company, One GEICO Plaza 5-T, Washington, DC 20076; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Rebecca Nichols.