

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

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

BY

THE FLORIDA DEPARTMENT OF INSURANCE

Filed Date: 1-4-01

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## I. INTRODUCTION

GEICO Indemnity Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, July 1996 through May 2000. The examination began August 17, 2000 and ended September 1, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1996.

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

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

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

As a result of the findings of this examination, \$365.94 was returned to Florida consumers due to overcharges of premium.

## II. REVIEW OF POLICIES

### A. PRIVATE PASSENGER AUTOMOBILE

#### 1. Application of Rules, Rates and Forms

##### a. Rate/Rule Filings

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

##### b. Form Filings

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

##### c. Statistical Affiliation

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

2. Premium and Policy Counts

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

<u>Year</u>	<u>DPW</u>	<u>Policy Count</u>	
1996	\$37,620,315	29,441	
1997	\$50,227,979	39,872	
1998	\$72,987,837	60,352	
1999	\$91,478,961	76,091	
2000	\$37,249,575	82,361	As of April 30, 2000

3. Exam Findings

One hundred (100) policy files were examined.

Sixteen (16) errors were found.

Errors affecting premium resulted in one (1) overcharge of \$365.94.

The errors are broken down as follows:

1. Eight (8) errors were due to failure to obtain a signed Uninsured Motorists (UM) Rejection Form when the policy contained Bodily Injury Coverage but excluded UM Coverage. This constitutes a violation of Section 627.727, Florida Statutes.
2. Two (2) errors were due to failure to obtain a signed UM Selection form when UM limits were lower than the Bodily Injury limits. This constitutes a violation of Section 627.727, Florida Statutes.
3. Five (5) errors were due to failure to maintain records. This represents files and applications that could not be located by the Company. This constitutes a violation of Section 627.318, Florida Statutes.
4. One (1) error was due to failure to follow the filed rating rules and underwriting guidelines. This involved a risk that was initially written in the standard Company, GEICO Indemnity, with only a seatbelt violation in 1996. Three years after that violation, the Insured became eligible for transfer to the preferred Company, GEICO General, but was not moved until it was found during this examination. This error resulted in an overcharge of \$365.94 that has been refunded by the Company. This constitutes a violation of Section 627.0651, Florida Statutes.

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

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

III. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
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MOVE-UP REVIEW PROCEDURE	I
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