

ORDER NO. E26- 103

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner of	)	
Banking and Insurance, State of New Jersey,	)	CONSENT
with respect to Government Employees	)	ORDER
Insurance Company, GEICO Secure Insurance	)	
Company, GEICO Choice Insurance Company,	)	
GEICO Indemnity Company, GEICO Casualty	)	
Company	)	

TO: GEICO Government Employees Insurance Company
GEICO Secure Insurance Company
GEICO Choice Insurance Company
GEICO Indemnity Company
GEICO Casualty Company
One GEICO Plaza
Washington, DC 20076

This matter, having been opened by the Commissioner of Banking and Insurance (“Commissioner”), of the Department of Banking and Insurance (“Department”), State of New Jersey, upon information that Government Employees Insurance Company, GEICO Secure Insurance Company, GEICO Choice Insurance Company, GEICO Indemnity Company and GEICO Casualty Company (collectively “GEICO”), licensed in the State of New Jersey and admitted to transact property and casualty insurance in New Jersey pursuant to N.J.S.A. 17:17-1 et seq., may have violated provisions of New Jersey insurance law: and

WHEREAS the Department filed a Market Conduct Examination Report (“Report”) containing the results of the examination of private passenger automobile insurance of GEICO during the period June 1, 2023 to May 31, 2024, performed pursuant to N.J.S.A. 17:23-20 et seq., and

WHEREAS the market conduct examination revealed certain instances where GEICO's underwriting, termination and claims practices did not accord fully with various provisions of New Jersey insurance statutes or regulations. These instances, as fully set forth in the Report, are incorporated herein by reference; and

IT FURTHER APPEARING that, as a result of the Department's examination, GEICO has taken or will take corrective measures pursuant to the recommendations contained in the Report to address the instances of nonconformance set forth in the Report, and

IT FURTHER APPEARING that GEICO has waived its right to a hearing on the aforementioned violations and has consented to an administrative sanction in the amount of \$1,200,000 in order to resolve the matter; and

NOW, THEREFORE, IT IS on the 20 day of October, 2026

ORDERED AND AGREED that the attached Market Conduct Examination Report of GEICO will be adopted and filed as an official record of the Department; and

IT IS FURTHER ORDERED AND AGREED that upon execution of this Consent Order, GEICO shall remit to the Department a payment in the amount of \$1,200,000 in settlement of this matter. The payment shall be made to the New Jersey Department of Banking and Insurance, 20 West State Street P.O. Box 329 Trenton, NJ 08625, attention Ralph Boeckman, Manager of Market Regulation by wire transfer or company check payable to the State of New Jersey, General Treasury; and

IT IS FURTHER ORDERED AND AGREED that GEICO will continue to monitor underwriting, termination and claims operations in order to identify instances of nonconformance with New Jersey insurance statutes and regulations and the recommendations contained in the Report; and

IT IS FURTHER ORDERED AND AGREED that GEICO shall comply with New Jersey insurance statutes and regulations and the recommendations contained in the attached Report; and

IT IS FURTHER ORDERED AND AGREED that the Department may commence a reexamination of the Company within twelve (12) months of the date of this Consent Order to determine if the Company has complied with the recommendations contained in the attached Report; and

IT IS FURTHER ORDERED AND AGREED that pursuant to N.J.S.A. 17:23-24 d (1), within thirty days of the adoption of this Report, GEICO shall file an affidavit with the Department's Market Conduct Unit, stating under oath that its directors have received a copy of the adopted Report.



Susan Ochs
Acting Commissioner

Consented to as to form, content and entry
Government Employees Insurance Company, GEICO Secure Insurance Company, GEICO
Choice Insurance Company, GEICO Indemnity Company and GEICO Casualty Company

DocuSigned by:
By: 
7D288E4FA45142C...

Date: 9/28/2026



State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE
CONSUMER PROTECTION SERVICES
PO Box 329
TRENTON, NJ 08625-0329
TEL (609) 292-7272

MIKIE SHERRILL
Governor

SUSAN OCHS
Acting Commissioner

October 20, 2026

Honorable Susan Ochs
Commissioner of Insurance
State of New Jersey
Department of Banking and Insurance
20 West State Street
P.O. Box 329
Trenton, N.J. 08625

Dear Commissioner Ochs,

Pursuant to the authority provided in N.J.S.A. 17:23-20 through 17:23-26 and N.J.S.A. 17:29B-5, and in accordance with your instructions, a market conduct examination of the business practices and affairs was conducted on:

GEICO Government Employees Insurance Company
GEICO Secure Insurance Company
GEICO Choice Insurance Company
GEICO Indemnity Company
GEICO Casualty Company
Licensed in New Jersey

hereinafter referred to as "GEICO." The fieldwork for the GEICO examination was conducted in our Trenton, N.J. office. The following report is respectfully submitted on behalf of the examination team. Through a deliberative process, I certify the accuracy of the findings presented herein.

A handwritten signature in black ink, appearing to read "Ralph J. Boeckman", written over a light gray background.

Ralph J. Boeckman
Manager, Market Conduct
and Market Analysis

**MARKET CONDUCT EXAMINATION
(Exam Tracking Number NJ-NJ119-24)**

of

**GOVERNMENT EMPLOYEES INSURANCE COMPANY
(NAIC Company Number 22063; Group Number 31)**

**GEICO SECURE INSURANCE COMPANY
(NAIC Company Number 14137; Group Number 31)**

**GEICO CHOICE INSURANCE COMPANY
(NAIC Company Number 14139; Group Number 31)**

**GEICO INDEMNITY COMPANY
(NAIC Company Number 22055; Group Number 31)**

**GEICO CASUALTY COMPANY
(NAIC Company Number 41491; Group Number 31)**

**EXAMINATION LOCATION
20 WEST STATE STREET
TRENTON, NJ 08625**

**DOMESTIC OFFICE ADDRESS
ONE GEICO PLAZA
WASHINGTON, DC 20076**

as of

October 9, 2025

BY EXAMINERS

of the

STATE OF NEW JERSEY

DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF CONSUMER PROTECTION SERVICES

**MARKET CONDUCT EXAMINATIONS AND ANTI-FRAUD
COMPLIANCE**

ADOPTED: October 20, 2026

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I. INTRODUCTION

This is a report of the Market Conduct activities of Government Employees Insurance Company, GEICO Secure Insurance Company, GEICO Choice Insurance Company, GEICO Indemnity Company, and GEICO Casualty Company (hereinafter referred to as “GEICO,” or “the Company”). In this report, examiners of the New Jersey Department of Banking and Insurance (“Department” or “NJDOBI”) present their findings, conclusions, and recommendations as a result of their examination.

A. SCOPE OF EXAMINATION

The scope of the examination included private passenger automobile insurance sold by the Company in New Jersey. The examiners evaluated the Company’s compliance with statutes and regulations pertaining to automobile insurance rating and underwriting, terminations, and first and third-party claims, including Personal Injury Protection (“PIP”), Collision, Comprehensive, Property Damage (“PD”), and Total Loss claims. Unless otherwise indicated, the review period for the examination was June 1, 2023 to May 31, 2024.

The examiners conducted the examination remotely between September 4, 2024 and March 28, 2025, with select reviews under investigation until October 9, 2025. On various dates following the examination reviews, the examiners completed additional review work and report writing. The Market Conduct Examiners were Examiner-in-Charge Erin Porter, Benjamin Davidow, Daniel Erkoboni, and Gail Wilczewski.

The examiners randomly selected files and records provided by the Company. The random selection process is in accordance with the National Association of Insurance Commissioners’ (“NAIC”) Market Regulation Handbook. The examiners used the NAIC Market Regulation Handbook, Chapters 20 (General Examination Standards) and 21 (Conducting the Property and Casualty Examination) as a guide to examine the Company and write this report.

B. ERROR RATIOS

Error ratios are the percentage of files reviewed which an insurer handles in error. A file is counted as an error when it is mishandled, or the insured is treated unfairly, even if no statute or regulation is applicable. If a file contains multiple errors, the examiners will count the file only once per review category in calculating error ratios. However, any file that contains more than one error will be cited more than once in the report. In the event that the insurer corrects an error as a result of a consumer complaint or due to the examiners’ findings, the error will be included in the error ratio. If the insurer corrects an error independent of a complaint or NJDOBI intervention, the error is not included in the error ratios.

There may be errors cited in this report that define practices as specific acts that an insurer commits so frequently that they constitute an improper general business

practice. Whenever the examiners find that the errors cited constitute an improper general business practice, they have stated this in the report.

The examiners sometimes find improper general business practices or insurer errors that may be technical in nature, or which did not have an impact on a consumer. Even though such errors or practices are not in compliance with law, the examiners do not count these files as errors in determining error ratios. Whenever such business practices or errors do have an impact on the consumer, each of the files in error will be counted in the error ratio. The examiners indicate in the report whenever they did not count particular files in the error ratio.

The examiners submitted written inquiries to Company representatives on the errors cited in this report. These inquiries provided GEICO the opportunity to respond to the examiners' findings and to provide explanations to the statutory and/or regulatory errors or mishandlings reported herein. In response to these inquiries, GEICO agreed with some of the errors cited in this report. On those errors with which the Company disagreed, the examiners evaluated the individual merits of each response and gave due consideration to all comments. In some instances, the examiners did not cite the files due to the Company's explanatory responses. In others, the errors remained as cited in the examiners' inquiries. For the most part, this is a report by exception.

C. COMPANY PROFILE

Government Employees Insurance Company ("GE")

Government Employees Insurance Company was incorporated in the District of Columbia on November 30, 1937. GEICO was redomesticated and reincorporated in the state of Maryland in 1986 but retained its original District of Columbia charter date. GEICO was publicly owned from 1948 until January 31, 1979, at which time it became a wholly owned subsidiary of GEICO Corporation. On January 2, 1996, GEICO Corporation, previously a publicly owned Delaware corporation listed on the New York Stock Exchange, became an indirect wholly owned subsidiary of Berkshire Hathaway Inc. The Company redomesticated to Nebraska effective December 30, 2020.

GEICO's charter authorizes the writing of multiple lines property and casualty coverage, and it has traditionally focused on writing preferred risk personal automobile and personal umbrella insurance to active or retired government employees or military personnel primarily through direct response marketing. It is licensed to write insurance in all states.

GEICO Secure Insurance Company ("GS")

GEICO Secure Insurance Company was incorporated under the laws of Nebraska on June 13, 2011 and is a wholly owned subsidiary of GEICO Corporation. On January 2, 1996, GEICO Corporation, previously a publicly owned Delaware

corporation listed on the New York Stock Exchange, became an indirect wholly owned subsidiary of Berkshire Hathaway Inc.

GEICO Secure's charter authorizes the writing of multiple property and casualty lines of insurance, and it focuses on writing private passenger automobile insurance. It is licensed in 41 states (AL, AK, AZ, AR, CO, CT, DE, GA, IA, IN, IL, ID, KS, KY, LA, MD, MN, MO, MS, MT, NC, NE, NH, NJ, NY, NM, NV, OH, OK, OR, PA, RI, SC, TN, TX, UT, VA, WA, WI, WV, WY) and DC.

GEICO Choice Insurance Company ("GH")

GEICO Choice Insurance Company was incorporated under the laws of Nebraska on June 13, 2011 and is a wholly owned subsidiary of GEICO Corporation. On January 2, 1996, GEICO Corporation, previously a publicly owned Delaware corporation listed on the New York Stock Exchange, became an indirect wholly owned subsidiary of Berkshire Hathaway Inc.

GEICO Secure's charter authorizes the writing of multiple property and casualty lines of insurance, and it focuses on writing private passenger automobile insurance. It is licensed in 43 states (AL, AK, AZ, AR, CO, CT, DE, FL, GA, IA, IN, IL, ID, KS, KY, LA, MD, ME, MN, MO, MS, MT, NC, NE, NH, NJ, NY, NM, NV, OH, OK, OR, PA, RI, SC, TN, TX, UT, VA, WA, WI, WV, WY) and DC.

GEICO Indemnity Company ("GI")

GEICO Indemnity Company was incorporated in the District of Columbia on March 22, 1961, under the name of Criterion Insurance Company. It was a publicly owned company until 1980, when it was 100% acquired by Government Employees Insurance Company ("GEICO"). In 1992, GEICO transferred its ownership in GI to GEICO Corporation. On January 2, 1996, GEICO Corporation, previously a publicly owned Delaware corporation listed on the New York Stock Exchange, became an indirect wholly owned subsidiary of Berkshire Hathaway Inc. On January 2, 1986, GI was redomesticated and reincorporated in the state of Maryland but retained its original charter date. Later that same year, GI's present name was adopted. The company redomesticated to Nebraska effective December 30, 2020.

Charter powers permit the handling of all forms of property and casualty insurance coverage, and it is licensed to do business in all states. Historically, GI has marketed personal automobile and motorcycle/ATV insurance to young adults, military personnel and other drivers who do not qualify as preferred risks primarily through GEICO field representatives, now known as "GFRs" and through direct response marketing. It now writes personal auto and cycle/ATV for a variety of risks.

GEICO Casualty Company (“GC”)

GEICO Casualty Company was incorporated on August 31, 1982, in the state of Maryland under the name of Guardian Casualty Company as a wholly owned subsidiary of Criterion Insurance Company (later renamed GEICO Indemnity Company). The Company's name was changed to Criterion Casualty Company on January 31, 1983, and it began operations in May 1983. On January 6, 1994, the Company's name was changed to GEICO Casualty Company. As of December 30, 2020, the Company was redomesticated from Maryland to the state of Nebraska, as well as its parent Company, GEICO Indemnity Company, which is a wholly owned subsidiary of GEICO Corporation, a Delaware corporation. On January 2, 1996, GEICO Corporation, previously a publicly held company, became an indirect wholly owned subsidiary of Berkshire Hathaway Inc., a Delaware corporation.

Charter powers permit the handling of all forms of property and casualty insurance coverage, but its focus is writing private passenger automobile insurance. It is licensed to write insurance in DC and all states (except for Michigan).

D. EXECUTIVE SUMMARY

This examination included a review of the Company's rating and underwriting, terminations, and claim settlement practices. The examiners randomly selected and reviewed 72 new business policies and 85 renewal policies, 267 terminated policies, 70 declined policies, 430 paid claims, 262 denied claims, and 70 total losses. The examiners also reviewed a select sample of 554 policies for rating and underwriting practices. The examiners identified a total of four improper general business practices as outlined by review category below.

The overall random rating and underwriting error ratio was 0%. Select reviews derived from NJDOBI complaints for rating and underwriting which evaluated rating impacted by lending loss assessment, accident forgiveness application, and rate capping, all resulted in 100% error ratios. Additionally, the Company was requested to conduct rating self-audits on assessment of lending loss and accident forgiveness application, which resulted in error ratios of 18% and 10% respectively. The examiners reported one improper general business practice for failure to observe and follow filed and approved rating plans.

The overall termination error ratio was 5%. The examiners reported two improper general business practices: 1) improper midterm cancellations; this improper practice includes inaccurate notifications that wrongly indicate the Company was within 60 days of policy issuance to execute this action; and 2) improper utilization of nonrenewal questionnaires and deficient language in notices that fail to inform the customer that failure to complete and return the renewal questionnaire may result in the nonrenewal of the policy.

The overall claim error ratio from random reviews was 2%. The examiners reported one improper general business practice for failure to notify claimants of owner retained salvage rights.

Detailed descriptions of all findings appear in the sections that follow.

II. UNDERWRITING

A. INTRODUCTION

The examiners reviewed 72 randomly selected new business policies and 85 randomly selected renewal policies from GEICO's population of 1,035,412 (new business 153,098, renewal business 882,314) private passenger automobile policies in-force during the period of June 1, 2023 to May 31, 2024. The examiners also completed five select reviews to evaluate compliance with rating policies as shown in the table below.

The examiners checked for compliance with specific statutes and regulations, including N.J.S.A 17:29A-6 and 15 (filed and approved rating methods), N.J.S.A. 17:29A-46 (uniform application of underwriting guidelines), N.J.A.C. 11:3-39 (premium and anti-theft discounts), N.J.A.C. 11:3-15 (Coverage Selection Forms), N.J.A.C. 11:3-36 (physical damage inspections), and N.J.A.C. 11:3-19A (tier rating plans and underwriting rules). These requirements relate to Chapter 20 (General Examination Standards) and Chapter 21 (Conducting the Property and Casualty Examination) as outlined in the NAIC Market Regulation Handbook.

B. ERROR RATIOS

The examiners calculated the following error ratios by applying the procedure outlined in the introduction of this report. Error ratios are presented separately based on the review samples as indicated in the following chart.

ERROR RATIO CHART

1. Random Underwriting Sample Error Ratios

<u>Type of Policy</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
<u>Random New Business</u>			
GE	10	0	0%
GI	10	0	0%
GC	2	0	0%
GS	25	0	0%
GH	<u>25</u>	<u>0</u>	0%
Subtotal	72	0	0%
<u>Random Renewals</u>			
GE	25	0	0%
GI	25	0	0%
GC	10	0	0%
GS	15	0	0%

GH	<u>10</u>	<u>0</u>	0%
Subtotal	85	0	0%
<u>Random Underwriting Review Total</u>	157	0	0%

2. Select Underwriting Error Ratios

<u>Type of Rating Error</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
<u>Select Lending Loss – NJDOBI Complaints</u>			
GE	11	11	100%
<u>Select Accident Forgiveness – NJDOBI Complaints</u>			
GE	8	8	100%
<u>Select Rate Capping – NJDOBI Complaints</u>			
GE	1	1	100%
<u>Select Lending Loss – Company Self Audit</u>			
GE	42	13	31%
GI	221	35	16%
GS	<u>11</u>	<u>2</u>	18%
Total	274	50	18%
<u>Select Accident Forgiveness – Company Self Audit</u>			
GE	232	26	11%
GS	<u>28</u>	<u>0</u>	0%
Total	260	26	10%

C. EXAMINERS' FINDINGS

1. Errors with Policy Rating- Failure to Follow Filed and Approved Rating Plan

New Jersey law requires an insurer to file its rating system with the Department and to observe those rates.

N.J.S.A 17:29A-6 states:

Beginning with the sixtieth day after this act takes effect, every insurer shall, before using or applying any rate to any kind of insurance, file with the

commissioner a copy of the rating-system upon which such rate is based, or by which such rate is fixed or determined. The filing herein required may, on written notice by an insurer to the commissioner, be made on behalf of such insurer, by a rating organization of which such insurer is a member or subscriber. The provisions of this section shall be deemed to have been complied with by any insurer which had, before the effective date of this act, directly or by a rating organization of which it is a member or subscriber, or by a designated agent or expert, filed with the commissioner a rating-system, substantially in the form required by this section to be filed. From and after the date of the filing of such rating-systems, every insurer shall charge and receive rates fixed or determined in strict conformity therewith, except as in this act otherwise expressly provided.

N.J.S.A 17:29A-15 states:

No insurer or employee thereof, and no broker or agent shall knowingly charge, demand or receive a premium for any policy of insurance except in accordance with the respective rating-systems on file with and approved by the commissioner or as required by the commissioner, to be used on an interim basis in accordance with subsection e. of section 14 of P.L.1944, c. 27 (C. 17:29A-14). No insurer or employee thereof, and no broker or agent shall pay, allow, or give, or offer to pay, allow, or give, directly or indirectly, as an inducement to insurance, or after insurance has been effected, any rebate, discount, abatement, credit, or reduction of the premium named in a policy of insurance, or any special favor or advantage in the dividends or other benefits to accrue thereon, or any valuable consideration or inducement whatever, not specified in the policy of insurance, except to the extent that such rebate, discount, abatement, credit, reduction, favor, advantage or consideration may be provided for in rating-systems filed by or on behalf of such insurer and approved by the commissioner. No insured named in a policy of insurance, nor any employee of such insured, shall knowingly receive or accept, directly or indirectly, any such rebate, discount, abatement, or reduction of premium, or any such special favor or advantage or valuable consideration or inducement. Nothing herein contained shall be construed as prohibiting the payment of commissions or other compensation to regularly appointed and licensed agents and to brokers duly licensed by this State, nor as prohibiting a discount, abatement, or reduction in premium on policies issued to or on behalf of the State of New Jersey.

Contrary to the statutes above, the examiners found multiple rating errors by GEICO that impacted large populations of policies, as detailed below. Failure to accurately rate policies according to the filed and approved rating plans constitutes an improper general business practice.

A. Improper Categorization of Lending Loss Resulting in Rating Errors

The examiners identified a significant number of Department complaints during the review period where policyholders were transferred from Government Employees Insurance Company (GE) to GEICO Indemnity Insurance Company (GI) at the end of a policy period. During the investigation of these files, the examiners observed a pattern of policy rating impacted from incorrect identification of lending losses. Lending losses are defined by GEICO as, “When a customer loans a vehicle to someone who is not listed as an active driver on the insurance policy and that person is involved in an accident, this is referred to as a lending loss.” GEICO further stated, “There is no difference between a loss with unlisted driver or a lending loss. Both are considered losses involving an undisclosed operator and are investigated.” GEICO incorrectly assigned lending loss actions to policies, which caused significant rate increases and/or transfers out of GE as the policies no longer met the GE acceptance criteria.

To further investigate the matter, the examiners conducted a select review of 11 complaints where policyholders were transferred from GE to GI in error because a standard collision or PIP loss was categorized improperly as a lending loss. The transfer of companies resulted in increased premiums which prompted the consumer complaints. The Company agreed that all 11 policy losses were incorrectly categorized as lending losses. In nine of the 11 instances, underwriters failed to properly execute detailed claim reviews to determine whether or not there was policyholder vehicle lending activity. In one instance, driver information was not identical on the policy and claims record, which triggered a lending loss assignment. In the last instance, an underwriter incorrectly attributed a lending loss when the driver was newly listed on the policy.

Due to the findings in the select review, the examiners inquired as to how many policies during the exam review period were transferred from GE to GI for lending loss reasoning. The Company responded that 14,362 policies were transferred from GE to GI for lending loss reasoning during the review period, of which 2,251 (16%) of the transfers were in error. GEICO reversed many of the transfers due to customer interactions prior to the examination, and at times soon after the inception with the affiliate company occurred. However, despite processing these reversals, GEICO did not issue premium credit/refunds owed back to customers prior to the examination. Specifically, the Company issued only \$1,705.99 in refunds/credits prior to the exam (on one self-reported policy), with an additional \$1,755,083.20 issued in refunds/credits after examiner intervention during select reviews. The examiners note that the Company was aware of the incorrect underwriting decisions prior to the examination and failed to correct the issue. The examiners further note that the Company states it was aware of periodic underwriting decision issues occurring during the review period but was not aware of the systemic errors identified during the examination nor the scale and complexity of those errors.

See the table below for detailed findings of the lending loss reviews.

<u>Lending Loss Transfers from GE To GI During Review Period</u> <u>(6/1/23 – 5/31/24)</u>	
Total policies transferred from GE to GI for lending loss during the review period	14,362
Total policies transferred IN ERROR from GE to GI for lending loss during the review period <i>(This total includes all policies where the transfer occurred and incepted AND where the policy was transferred, but the insured cancelled prior to inception.)</i>	2,251
Total policies transferred back to GE due to the error prior to the exam	417
Total premium refunded/credited prior to the exam	\$1,705.99
Total policies transferred back to GE post start of exam	301
Total premium owed/refunded/credited post start of exam	\$1,755,083.20

The Company confirmed that errors for lending loss transfers occurred exclusively from GE to GI. Self-audits were conducted to investigate the scope of the handling and timeframe. Affiliate transfer errors from GE to GI began occurring for renewals effective 7/30/23 and later were resolved effective 2/18/24. The Company confirmed resolution by reviewing all renewal terms post the review period to verify that no transfers had been made from GE.

Due to the inquiry findings, GEICO conducted a review to verify if the improper categorization of a lending loss potentially contributed to adverse impacts on policies outside of affiliate transfers. The Company conducted a sample of 274 policies during the review period where at least one lending loss was present when the overall adverse policy placement was recommended. The sample included policies written by GE, GI, and GS. The Company found 50 of the 274 in error, for an error ratio of 18%. The Company owed \$65,103.73 in refunds/credits of overcharged premiums due to the findings of this select sample. The errors were caused by underwriters, who failed to appropriately identify the losses. GEICO stated, “The Company does not have a discrete start date on which the execution errors began but feels confident there was not a large-scale issue persisting for multiple years. This confidence is drawn from historic knowledge of company processes and internal controls as well as lack of consumer complaints around this subject prior to the fall of 2023.”

Although Company self-auditing was limited, GEICO confirmed that incorrect identification of lending losses within Companies which caused tier changes but did not cause affiliate transfers, could have occurred in all five GEICO Companies. At the time of report writing, GEICO was in the process of assessing impacted policies during the review period and additional refunds owed. The Company will provide this information in spreadsheet format during the compliance portion of the examination.

The Company must review all policies cited in this section impacted by improperly categorized lending losses resulting in transfers and report all refunds/credits to the Department. The Company must revise processes and procedures to ensure that underwriters are accurately determining lending losses and rating policies in accordance with the filed rate plans as required by N.J.S.A 17:29A-15. The Company must also review the population during the review period where policies were negatively impacted by tier movements caused by incorrectly coded lending losses which did not result in affiliate company transfers. Spreadsheets containing policy number, Company, impact start date, impact end date, policy inception date, impacted term dates, total refund, and refund date must be provided to the Department.

B. Errors in Applying Accident Forgiveness Resulting in Rating Errors

The examiners identified a significant number of complaints to the Department during the review period where policyholders were transferred from Government Employees Insurance Company (GE) and transferred to GEICO Indemnity Insurance Company (GI) at the end of a policy period. During the investigation of these files, the examiners observed a pattern of policy rating impacted due to accident forgiveness not being applied properly. GEICO stated that, “accident forgiveness is a benefit that allows the surcharge for a qualifying accident to be waived if all eligibility requirements are met. No premium is charged for Standard Accident Forgiveness, while a premium is charged for Upgraded Accident Forgiveness.” GEICO incorrectly evaluated accident forgiveness options on policies which caused significant rate increases and/or transfers out of GE as the policies no longer met acceptance criteria.

To investigate the matter, the examiners conducted a select review of eight complaints where policyholders were transferred from GE to GI in error because accident forgiveness was incorrectly evaluated. The transfer of companies resulted in increased premiums, which prompted the consumer complaints. The Company agreed that all eight policies were incorrectly rated due to execution errors by underwriters where losses were incorrectly evaluated that qualified for accident forgiveness within the course of the transfer from GE to affiliate company GI.

Due to the findings of the select review, the examiners inquired as to how many policies during the exam review period were transferred from GE to GI as a result of the improper application of accident forgiveness. The Company responded that 14,123 policies were transferred from GE to GI for incorrect accident forgiveness evaluation during the review period, of which 4,662 (or 33%) of the transfers were in error. GEICO reversed many of the transfers due to customer interactions before, and at times soon after the inception with the affiliate company occurred. However, despite processing these reversals, GEICO did not refund/credit the premium owed back to customers prior to examination. The Company issued \$6,744,192.26 in refunds/credits after examination findings. The examiners note that the Company was aware of the incorrect underwriting decisions prior to the examination and

failed to correct the issue. The examiners further note that the Company states it was aware of periodic underwriting decision issues occurring during the review period but was not aware of the systemic errors identified during the examination nor the scale and complexity of those errors.

See the table below for detailed findings for the accident forgiveness reviews.

<u>Accident Forgiveness Errors- Transfers from GE To GI During Review Period (6/1/23 – 5/31/24)</u>	
Total policies transferred from GE to GI for accident forgiveness rating during the review period	14,123
Total policies transferred IN ERROR from GE to GI for accident forgiveness rating during the review period (<i>This total includes all policies where the transfer occurred and incepted AND where the policy was transferred, but the insured cancelled prior to inception.</i>)	4,662
Total policies transferred back to GE due to the error prior to the exam	140
Total premium refunded/credited prior to the exam	\$0
Total policies transferred back to GE post start of exam	1,100
Total premium refunded/credited post start of exam	\$6,744,192.26

The Company confirmed that errors for transfers due to incorrect application of accident forgiveness occurred exclusively from GE to GI. Self-audits were conducted to investigate the scope of the handling and timeframe. Affiliate transfer errors from GE to GI began occurring for renewals effective 7/30/23 and later and were resolved effective 5/31/24. The error was resolved with a systematic update that excludes a tier movement from occurring on a policy if there is a forgiven loss within the experience period.

Due to the inquiry findings, GEICO conducted a review to verify if the improper categorization of incorrectly applied accident forgiveness potentially contributed to adverse impacts on policies outside of affiliate transfers. The Company conducted a sample of 260 policies, during the review period, where at least one at-fault loss was present when the overall adverse policy placement was recommended. The sample included policies written in GE and GS. The Company found 26 of the 260 in error, for an error ratio of 10%. The Company owed \$10,813.58 in refunds/credits of overcharged premiums due to the findings in this select sample. The errors were caused from execution errors made by underwriters who failed to apply accident forgiveness appropriately. GEICO stated, “The Company does not have a discrete start date on which the execution errors began but feels confident there was not a large-scale issue persisting for multiple years. This confidence is drawn from historic knowledge of company processes and internal controls as well as lack of consumer complaints around this subject prior to the fall of 2023.”

Although Company random sampling was limited, GEICO confirmed that incorrect identification of lending loss, within Companies and not resulting in affiliate transfers, could have occurred in four (GE, GS, GC, GH) of the five GEICO Companies. At the time of report writing, GEICO was assessing the number of policies impacted during the review period and the refunds owed which will be obtained in spreadsheets during the compliance portion of the examination.

The Company must review all policies cited in this section impacted by incorrect application of accident forgiveness and report all refunds/credits to the Department. The Company must revise processes and procedures to ensure that underwriters are accurately applying accident forgiveness and rating policies in accordance with the filed rate plans as required by N.J.S.A 17:29A-15. The Company must also review the population during the review period where policies were negatively impacted by tier movements caused by incorrectly handled accident forgiveness claims which did not result in affiliate company transfers. Spreadsheets containing policy number, Company, impact start date, impact end date, policy inception date, impacted term dates, total refund, and refund date must be provided to the Department.

C. Errors with Rate Capping Resulting in Rating Errors

The examiners reviewed a complaint that was filed with the Department in April of 2024 where rating errors indicated a systemic issue with rate capping factors. Due to examiner inquiry, the Company investigated the matter and explained that there were initial system logic flaws and during the correction of the initial issue, additional systematic failures occurred. The examiners cited all policies that were not remediated prior to the examination due to the subsequent programming errors.

The Company stated that the original error with incorrect capping factors occurred due to system logic flaws when policies were converted to a new rating plan. GEICO stated that the rate capping errors were reported and discussed with NJDOBI during March and April of 2024. At that time, GEICO provided an action plan to correct and remediate policies that were impacted due to the system conversion of policies to a new rating plan. The root cause issue was corrected as of 3/29/24.

The subsequent error with incorrect capping factors occurred when the systematic update was applied on 3/29/24 (intended to correct the underlying data on the impacted policies from 3/27/24). The systematic update failed to include the correct factors on non-premium transactions. The issue impacted a subset of policies that had a premium transaction occur after the non-premium transaction. An example of a premium transaction is replacing a vehicle. An example of a non-premium transaction is an update to the phone number.

The incorrect capping factors were applied to policies with effective dates on or after 3/27/24, but premium impacts did not occur until policy terms with

effective dates on or after 9/27/24. The 3/27/24 date is verifiable because it is the date the conversion to the new rating plan was implemented.

The Company confirmed that only GE and GI were impacted as these were the only two GEICO companies that were converted to the new rating plan. The total number of policies impacted (from the subset population between 3/27/24 and 5/2/25) was 12,605 (consisting of 7,787 GE policies and 4,818 GI policies). Of the 12,605 total impacted policies, 9,714 policies, (6,059 GE policies and 3,655 GI policies) required refunds totaling \$2,076,482.50. The remaining 2,891 policies either saw no premium impact, or a premium impact that was more beneficial to the customer and therefore did not generate a premium refund. The Company corrected impacted policies (up to three policy periods/ 18 months) and issued refunds during the exam. The last systematic updates were processed on 5/2/25 and all credits and refunds were issued by 5/22/25.

The Company must review all policies cited in this section impacted by rate capping errors and report all refunds/credits to the Department. The Company must revise processes and procedures to ensure that underwriters are accurately applying all rating factors, specifically addressing rate capping, in accordance with the filed rate plans as required by N.J.S.A 17:29A-15.

III. TERMINATIONS

A. INTRODUCTION

During the review period of June 1, 2023 to May 31, 2024, GEICO cancelled 16,377 policies within the first 60 days, cancelled 114,445 policies over 60 days (for cause), nonrenewed 6,290 policies, and declined 65,524 applications. The examiners randomly sampled and reviewed 101 policies that were first 60 day cancellations, 89 policies cancelled for cause over 60 days from inception, 77 policies that were nonrenewed, and 70 declinations.

The examiners checked for compliance with applicable statutes and regulations and NAIC standards related to this area. These include N.J.S.A. 17:29C-7 through 10 (automobile insurance cancellations), N.J.S.A. 17:33B-15 and 16 (“Take All Comers” laws), N.J.A.C. 11:3-8 (nonrenewal of automobile policies), and N.J.A.C. 11:3-34 (eligible persons). These requirements relate to Chapter 20 (General Examination Standards) and Chapter 21 (Conducting the Property and Casualty Examination) as outlined in the NAIC Market Regulation Handbook.

B. ERROR RATIOS

The examiners calculated the following error ratios by applying the procedure outlined in the introduction of this report. Error ratios are presented separately based on the review samples as indicated in the following chart.

Random Declinations/Terminations Sample Error Ratios

<u>Type of Review</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
<u>Random Declinations</u>			
GROUP LEVEL (GE, GI, GC, GS, GH COMBINED)	<u>70</u>	<u>0</u>	0%
Subtotal	70	0	0%
<u>Random Cancelations – First 60 Days</u>			
GE	0	0	0%
GI	1	0	0%
GC	0	0	0%
GS	50	0	0%
GH	<u>50</u>	<u>0</u>	0%
Subtotal	101	0	0%
<u>Random Midterm Cancelations – Over 60 Days, For Cause</u>			
GE	25	3	12%
GI	20	1	5%

GC	4	0	0%
GS	20	0	0%
GH	<u>20</u>	<u>1</u>	5%
Subtotal	89	5	6%
<u>Random Nonrenewals</u>			
GE	25	4	16%
GI	25	6	24%
GC	7	2	29%
GS	10	0	0%
GH	<u>10</u>	<u>1</u>	10%
Subtotal	77	13	17%
<u>Random Terminations Review Total</u>			
	337	18	5%

C. EXAMINERS' FINDINGS

1. Improper Midterm Cancellations

New Jersey law only allows insurers to terminate policies in the midterm for specific reasons.

N.J.A.C. 11:3-8.10(a) states:

(a) Pursuant to N.J.S.A. 17:29C-7, a notice of cancellation shall be effective only when based on one or more of the following reasons:

1. Nonpayment of premium;
2. The driver's license or motor vehicle registration of the named insured has been suspended or revoked during the policy period;
3. The driver's license or motor vehicle registration of another named insured or person insured under the policy who either resides in the same household or customarily operates an automobile insured under the policy has been suspended or revoked during the policy term for one or more of the following reasons:
 - i. Conviction of operating a motor vehicle under the influence of alcohol or drugs (N.J.S.A. 39:4-50);
 - ii. Conviction of refusal to submit to a chemical test (N.J.S.A. 39:4-50.4a);
 - iii. Conviction of vehicular homicide (N.J.S.A. 2C:11-2);

- iv. Conviction of operating a motor vehicle while driving privilege is suspended (N.J.S.A. 39:3-40), except for convictions under N.J.S.A. 39:3-40i;
 - v. Conviction of operating a motor vehicle without liability insurance (N.J.S.A. 39:6B-2);
 - vi. Conviction of misrepresentation of insurance coverage (N.J.S.A. 39:6A-15);
 - vii. Accumulation of motor vehicle penalty points pursuant to N.J.S.A. 39:5-30.5;
 - viii. By a court upon conviction of one of the following motor vehicle violations: racing on a highway (N.J.S.A. 39:5C-1); failure to pass to right of vehicle proceeding in opposite direction (N.J.S.A. 39:4-84); tailgating (N.J.S.A. 39:4-89); reckless driving (N.J.S.A. 39:4-96); exceeding a speed limit by 30 MPH or more (N.J.S.A. 39:4-99); improperly passing a school bus (N.J.S.A. 39:4-128.1); or leaving the scene of an accident in which personal injury occurred (N.J.S.A. 39:4-129); or
 - ix. Where evidence exists that the suspended or revoked operator has been driving the vehicle during the period of suspension or revocation;
4. The named insured knowingly provided materially false or misleading information in connection with any application for insurance, renewal of insurance, or in connection with the filing of a claim for benefits under an insurance policy; or
 5. An insurer determines, within 60 days of issuance of the policy, that the named insured does not meet the acceptance criteria of the insurer in effect on the date of application.

Contrary to this requirement, the examiners identified instances during the random midterm termination reviews where policies were terminated for reasons that were not permitted by N.J.A.C. 11:3-8.10(a). In response to data requests in the examiners' inquiries, the Company identified additional files where policies were cancelled midterm for reasoning that did not justify the action. Rather, the policies should have remained in force until nonrenewal at the end of the policy term as required by regulation. The files identified by the Company will be noted as population errors below and will not count toward the error ratio. The various errors that occurred with midterm cancellations are described in the bullets below.

- *Improper Midterm Cancellations for Ridesharing*

During the review of random midterm cancellations, the examiners identified two files where the Company improperly terminated policies because the insured vehicle was being used for "ridesharing purposes." This

was found to be an improper midterm cancellation reason as it is not explicitly allowed by N.J.A.C. 11:3-8.10(a). The Company agreed that the midterm cancellation reason for ridesharing was improper. Further, the Company was asked to identify any other policies canceled in the midterm due to ridesharing or for carrying passengers for a fee during the review period. The Company reviewed the overall population of midterm cancellations, which consisted of 114,445 unique policies, and identified four additional policies canceled at midterm for ridesharing. The Company stated that midterm cancellations for ridesharing related reasons are not a standard practice. The Company further stated that all six improper cancellations were a result of execution errors made by underwriters during the termination process where a midterm cancellation was processed instead of a policy nonrenewal.

- *Improper Midterm Cancellation for Claim Loss*

During the review of random midterm cancellations, the examiners identified one file where the Company improperly terminated a policy due to a claim loss. The examiners cited this handling in error as the policy was cancelled at midterm due to the number of losses rather than waiting for nonrenewal at the end of the policy period. The Company agreed that this was an improper midterm cancellation reason that is inconsistent with N.J.A.C. 11:3-8.10(a).

- *Improper Midterm Cancellation for Food/Goods Delivery*

Due to the errors found with improper midterm cancellations, the examiners conducted a population review to investigate handling and cancellation reasons. During the population review the examiners identified one policy that was improperly cancelled at midterm for food delivery. The Company agreed and stated that this cancellation and the other improper cancellations identified throughout the examination were the result of execution errors made by underwriters during the termination process, where a midterm cancellation was processed, instead of a policy nonrenewal. When the Company reviewed the overall population of midterm cancellations, it identified two additional policies terminated at midterm for unacceptable use related to food and/or goods delivery.

- *Improper Midterm Cancellations Incorrectly Utilizing “First 60 Day” Language for Various Underwriting Reasons Beyond 60 Days*

During the population review, the examiners observed one of the cancellation notices for food delivery included language that stated the policy was in the first 60 days of issuance, however the termination was actually beyond the 60 day timeframe. N.J.A.C. 11:3-8.10(a)5 states that if an insurer determines, within 60 days of issuance of the policy, that the named insured does not meet the acceptance criteria of the insurer in effect

on the date of application the policy can be terminated. While the cancellation would have been valid in the first 60 days, it was improper as it occurred 64 days after issuance. The Company agreed and stated that the improper cancellation was a result of an execution error made by an underwriter during the termination process where a midterm cancellation was processed instead of a policy nonrenewal.

The examiners requested that the Company review the overall midterm cancellation population and report improper midterm cancellations that were initiated post 60 days from policy inception but included language in the cancellation that incorrectly indicated that the cancellation was within 60 days. As a result of an additional population review of the entire population of midterm cancellations, the Company discovered 49 additional policies that were cancelled outside of 60 days of policy inception but included language indicating the policy was in the first 60 days of policy issuance. The additional 49 policies cancelled at midterm in error were for various underwriting/document requests from underwriters during the policy period. GEICO agreed that the terminations should not have been processed until nonrenewal.

Due to the number of policies incorrectly terminated at midterm rather than processed as nonrenewals, the examiners have cited improper midterm cancellations as an improper general business practice. This improper practice includes inaccurate notifications that erroneously indicate the Company was within 60 days of policy issuance to execute this action.

The Company must adopt processes and controls to ensure that midterm policy termination reasons are limited to the allowable reasons, as required by N.J.A.C. 11:3-8.10(a). Further, GEICO must ensure that all permissible midterm cancellation notices have accurate language reflecting an accurate 60 day timeframe for the action.

2. Renewal Questionnaire Errors

New Jersey law prohibits insurers from nonrenewing a policy for failure to complete and return a renewal questionnaire without giving one full policy term cycle (180 days) prior to issuing the notice of nonrenewal.

N.J.A.C. 11:3-8.7(b) states:

(b) No insurer shall nonrenew a policy for failure to complete and return a renewal questionnaire without having first given written notice to the policyholder one full policy cycle prior to the issuance of the notice of nonrenewal that:

1. At the next renewal, the insurer shall send the policyholder a renewal questionnaire, which must be completed and returned; and

2. Failure to complete and return that renewal questionnaire may result in the nonrenewal of the policy.

Contrary to this requirement, the examiners identified instances, during random reviews, in which a renewal questionnaire was improperly utilized or deficient:

- *Improper Utilization of Renewal Questionnaire*

Contrary to this requirement, the examiners identified four instances during the random nonrenewal reviews where policies were nonrenewed for failure to return a renewal questionnaire without providing written notice of impending cancellation one full policy cycle (180 days) prior to issuance of the notice of nonrenewal, as required by N.J.A.C. 11:3-8.7(b). The Company disagreed, stating that the questionnaires were not “renewal questionnaires,” but rather were “general questionnaires.” The nonrenewal notices stated “Your failure to provide critical information on a recent questionnaire” as the reason for the nonrenewal, in each of the four files. Further, each of the four letters were sent with a document that the Company labeled in the system as a “Renewal Questionnaire.” The examiners did not accept the Company’s argument that these questionnaires were not “renewal questionnaires” due to the labeling of the document and language in the accompanying letters, which differed from many other questionnaire/inquiry forms in use by underwriting.

- *Deficient Renewal Questionnaire*

Additionally, the examiners found that letters accompanying the questionnaires failed to inform the customer that “failure to complete and return the renewal questionnaire may result in the nonrenewal of the policy,” as required by the regulation above. Rather, the letters noted that “Failure to provide this information may result in further action regarding your policy.” During random nonrenewal reviews, nine renewal questionnaire requests failed to contain the required language. The quantity of documents in error constitutes an improper general business practice.

The Company must adopt processes and controls to ensure that written requests for renewal questionnaires are sent to policy holders one full policy cycle (180 days) prior to the issuance of a nonrenewal for failure to complete and return a renewal questionnaire, as required by N.J.A.C. 11:3-8.7(b). The notice must fully explain the risk of nonrenewal if the questionnaire is not completed and returned. Further, the Company must ensure procedures are in place to make certain that written notices are included and accurate when renewal questionnaires are utilized, even when they are used in conjunction with other questionnaires.

3. Failure to Provide Specific Reason for Nonrenewal

New Jersey law requires a valid nonrenewal notice to contain the specific reason(s) for nonrenewal.

N.J.A.C. 11:3-8.6(a) states:

(a) A notice of nonrenewal shall not be valid unless it is mailed or delivered by the insurer to the insured no less than 60 days and no more than 90 days prior to the expiration of the current policy, except that the Commissioner may direct by Order that a notice of nonrenewal must be mailed or delivered up to 90 days prior to the expiration of the current policy. No such order shall be applicable to nonrenewal notices issued within 30 days after the date of the order. A notice of nonrenewal shall not be valid unless it specifies the reason(s) underlying the action being taken. Nonrenewal notices based on the insured's failure to meet the insurer's acceptance criteria shall identify the specific acceptance criteria that the insured being nonrenewed has failed to fulfill. Nonrenewal notices shall identify the specific facts relied upon by the insurer in determining to nonrenew the insured, including dates and other facts necessary to identify the incident(s), which form the basis for the insurer's determination to nonrenew the policy.

The examiners identified two policies where the Company failed to provide the specific determining factor for the underwriting decision for the nonrenewal on notices sent to the insured. GEICO agreed with the examiners' findings.

The Company must develop and implement policies and procedures to ensure that all nonrenewal notices contain the specific reason for the termination and specify in detail the factual basis upon which the insurer relies, as required by N.J.A.C. 11:3-8.6(a).

4. Failure to Provide Specific Reason for Midterm Cancellation

New Jersey law requires all cancellation notices to include the reason for cancellation or a statement that the reason is available upon written request.

N.J.A.C. 11:3-8.11(c) states:

(c) All cancellation notices shall include the reason for the cancellation or shall state or be accompanied by a statement that upon written request of the named insured, mailed or delivered to the insurer not less than 15 days prior to the effective date of the cancellation, the insurer will specify the reason for the cancellation.

The examiners identified one policy where the Company provided non-specific information regarding the midterm cancellation. GEICO agreed with the examiners'

finding and stated that while the policy was cancelled for an allowable reason (materially false or misleading information), the midterm cancellation notice contained non-specific reasoning referencing the claim loss without sufficient details to validate the cancellation.

The Company must develop and implement policies and procedures to ensure that all midterm cancellation notices include the specific reason for cancellation, as required by N.J.A.C. 11:3-8.11(c).

5. Failure to Document Midterm Cancellation Notices and Proof of Mailing

New Jersey law requires insurers to issue all cancellations in writing, to retain proof of mailing, and to retain documentation of the notice.

N.J.A.C. 11:3-8.11(d) states:

(d) No cancellation notice shall be effective unless (d)3 below and either (d)1 or 2 below are satisfied:

1. The notice is sent by certified mail; or
2. The notice is sent by regular mail and at the time of the mailing of the notice, the insurer has obtained from the U.S. Postal Service a date-stamped proof of mailing showing the name and address of the insured; and
3. The insurer retains a duplicate copy of the mailed cancellation notice that is certified to be a true copy.

The examiners identified one instance where the Company failed to retain the USPS proof of mailing of a midterm cancellation notice. The Company agreed, stating that they were unable to locate the proof of mailing.

Additionally, the examiners identified one instance from a population review where the Company was unable to provide a duplicate copy of the mailed cancellation notice. Moreover, the examiners could not locate the proof of mailing of this notice. The Company agreed with this finding.

The Company must review and revise procedures as necessary to ensure midterm cancellation notices and proof of mailings are documented as required by N.J.A.C. 11:3-8.11(d).

IV. CLAIMS

A. INTRODUCTION

This review includes paid and denied PIP, collision, comprehensive, property damage claims, and total loss submitted under private passenger automobile insurance issued in New Jersey. Any such claim processed June 1, 2023 to May 31, 2024 was subject to review through a random file selection process. During the review period, GEICO reported a total of 27,032 paid PIP claims, 29,600 denied PIP claims, 66,735 paid collision claims, 1,542 denied collision claims, 16,425 paid comprehensive claims, 109 denied comprehensive claims, 44,908 paid property damage claims, 5,475 denied property damage claims, and 24,812 total loss claims.

The examiners randomly reviewed 135 paid and 135 denied PIP claims, 110 paid and 36 denied collision claims, 85 paid and 20 denied comprehensive claims, 100 paid and 71 denied property damage claims, and 70 first and third party total loss claims, for an overall random sample review of 762 claims processed during the review period.

In reviewing each claim, the examiners checked for compliance with all applicable statutes and regulations that govern timeliness requirements in settling first and third party claims. The examiners conducted specific reviews placing particular emphasis on N.J.S.A. 17:29B-4(9) and N.J.A.C. 11:2-17 (Unfair Claims Settlement Practices), N.J.A.C. 11:3-10 (Auto Physical Damage Claims), N.J.S.A. 39:6A-5 (Personal Injury Protection Claims) and N.J.A.C. 11:16-2.4(a)2 (National Insurance Crime Bureau [“NICB”] reporting requirements). These requirements relate to Chapter 20 (General Examination Standards) and Chapter 21 (Conducting the Property and Casualty Examination) as outlined in the NAIC Market Regulation Handbook.

B. ERROR RATIOS

Random Claims Sample Error Ratios

<u>Type of Claim</u>	<u>Files Reviewed</u>	<u>Files in Error</u>	<u>Error Ratio</u>
<u>Random PIP Paid</u>			
GE	35	0	0%
GI	35	1	3%
GC	10	0	0%
GS	35	1	3%
GH	<u>20</u>	<u>0</u>	0%
Subtotal	135	2	1%
<u>Random Collision Paid</u>			

GE	30	0	0%
GI	30	0	0%
GC	10	0	0%
GS	20	0	0%
GH	<u>20</u>	<u>0</u>	0%
Subtotal	110	0	0%
<u>Random Comprehensive Paid</u>			
GE	25	0	0%
GI	25	0	0%
GC	5	0	0%
GS	20	0	0%
GH	<u>10</u>	<u>0</u>	0%
Subtotal	85	0	0%
<u>Random Property Damage Paid</u>			
GE	30	2	7%
GI	30	0	0%
GC	5	0	0%
GS	20	0	0%
GH	<u>15</u>	<u>2</u>	13%
Subtotal	100	4	4%
<u>Random PIP Denied</u>			
GE	35	0	0%
GI	35	0	0%
GC	10	0	0%
GS	35	0	0%
GH	<u>20</u>	<u>0</u>	0%
Subtotal	135	0	0%
<u>Random Collision Denied</u>			
GE	10	0	0%
GI	10	0	0%
GC	1	0	0%
GS	10	0	0%
GH	<u>5</u>	<u>0</u>	0%
Subtotal	36	0	0%
<u>Random Comprehensive Denied</u>			
GE	5	0	0%
GI	5	0	0%
GC	N/A	N/A	N/A
GS	5	0	0%

GH	<u>5</u>	<u>0</u>	0%
Subtotal	20	0	0%
<u>Random Property Damage Denied</u>			
GE	20	0	0%
GI	20	0	0%
GC	1	0	0%
GS	15	0	0%
GH	<u>15</u>	<u>0</u>	0%
Subtotal	71	0	0%
<u>Random Total Loss</u>			
GE	20	1	5%
GI	15	2	13%
GC	10	0	0%
GS	15	5	33%
GH	<u>10</u>	<u>2</u>	20%
Subtotal	70	10	14%
<u>Random Claims Review Total</u>	762	16	2%

C. EXAMINERS' FINDINGS – PERSONAL INJURY PROTECTION CLAIMS REVIEW

1. Failure to Effectuate Payment

New Jersey law prohibits unfair claim settlement practices and requires insurers to effectuate prompt, fair, and equitable settlement of claims when liability becomes reasonably clear.

N.J.S.A 17:29B-4 states in part:

The following are hereby defined as unfair methods of competition and unfair and deceptive acts or practices in the business of insurance:

(9) Unfair claim settlement practices. Committing or performing with such frequency as to indicate a general business practice any of the following:

(f) Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear;

The examiners found that GEICO manually processed a claim and inadvertently applied the \$250 deductible twice which resulted in an underpayment of \$118.06 in principal and \$4.77 in interest. In response to the examiners' inquiry, the

Company agreed and payment was processed. The examiners confirmed this was an isolated error.

GEICO must conduct fair claim settlement practices and effectuate prompt, fair, and equitable settlement of claims when liability becomes reasonably clear to comply with N.J.S.A. 17:29B-4(9)(f).

2. Untimely Settlement and Failure to Pay Interest

New Jersey law requires all PIP claims be settled within 60 days. The insurer may request one 45-day extension. If an extension is requested, the maximum settlement period cannot exceed 105 days.

N.J.S.A. 39:6A-5g states:

g. Personal injury protection coverage benefits pursuant to section 4 of P.L.1972, c.70 (C.39:6A-4) and medical expense benefits pursuant to section 4 of P.L.1998, c.21 (C.39:6A-3.1) or emergency care medical expense benefits payable under a special automobile insurance policy pursuant to section 45 of P.L.2003, c.89 (C.39:6A-3.3) shall be overdue if not paid within 60 days after the insurer is furnished written notice of the fact of a covered loss and of the amount of same. If such written notice is not furnished to the insurer as to the entire claim, any partial amount supported by written notice is overdue if not paid within 60 days after such written notice is furnished to the insurer. Any part or all of the remainder of the claim that is subsequently supported by written notice is overdue if not paid within 60 days after such written notice is furnished to the insurer; provided, however, that any payment shall not be deemed overdue where, within 60 days of receipt of notice of the claim, the insurer notifies the claimant or his representative in writing of the denial of the claim or the need for additional time, not to exceed 45 days, to investigate the claim, and states the reasons therefor. The written notice stating the need for additional time to investigate the claim shall set forth the number of the insurance policy against which the claim is made, the claim number, the address of the office handling the claim and a telephone number, which is toll free or can be called collect, or is within the claimant's area code. Written notice to the organization administering dispute resolution pursuant to sections 24 and 25 of P.L.1998, c.21 (C.39:6A-5.1 and C.39:6A-5.2) shall satisfy the notice request for additional time to investigate a claim pursuant to this subsection. For the purpose of determining interest charges in the event the injured party prevails in a subsequent proceeding where an insurer has elected a 45-day extension pursuant to this subsection, payment shall be considered overdue at the expiration of the 45-day period or, if the injured person was required to provide additional information to the insurer, within 10 business days following receipt by the insurer of all the information requested by it, whichever is later

N.J.A.C. 11:2-17.7(b) states:

(b) The maximum payment period for all personal injury protection (PIP) claims shall be 60 calendar days after the insurer is furnished written notice of the fact of a covered loss and of the amount of same; provided, however, that an insurer may secure a 45-day extension in accordance with N.J.S.A. 39:6A-5.

New Jersey law requires interest be paid on all overdue PIP benefits.

N.J.S.A. 39:6A-5h states in pertinent part:

5. Payment of personal injury protection coverage benefits...

h. All overdue payments shall bear interest at the percentage of interest prescribed in the Rules Governing the Courts of the State of New Jersey for judgments, awards and orders for the payment of money.

The examiners found one claim where GEICO did not request a 45 day extension, failed to settle within 60 days and failed to pay interest on the late payment, resulting in total interest due of \$67.35. In response to the examiners' inquiry, the Company agreed and payment was processed.

GEICO must adopt processes and controls to ensure that all PIP claims are settled (paid, denied, or compromised) within 60 days unless an extension of 45 days is requested in writing, within this 60 day period, for a total period not to exceed 105 days from the notice of loss, as required by N.J.S.A 39:6A-5g and N.J.A.C 11:2-17.7(b). Pursuant to N.J.S.A. 39:6A-5h, the Company must pay interest on PIP claims settled beyond the required timeframes.

D. EXAMINERS' FINDINGS – PRIVATE PASSENGER PHYSICAL AND PROPERTY DAMAGE CLAIMS REVIEW

1. Failure to Notify the Claimant of Owner Retain Salvage Rights

New Jersey law requires insurers to inform vehicle owners of their salvage rights in writing at the time of the offer and to retain a copy in the claim file.

N.J.A.C. 11:3-10.4(j) states:

(j) If the vehicle is a total loss, the insurer may require that the insured transfer ownership of the vehicle to recoup salvage as a condition of settlement.

1. If the insurer does not require transfer of title to recoup salvage and deducts the salvage value from the settlement, the salvage value deduction must be limited to the amount the insured would be able to obtain from a salvage facility within a reasonable distance to the insured's principal place of garaging or the location where the vehicle is stored when totaled.
2. If the insurer is notified in writing by the insured within 30 calendar days of the loss settlement that the salvage cannot be sold for the amount of the deduction, and the salvage has not significantly deteriorated or been altered between the time of the loss settlement and the time of the notice to the insurer by the insured, the insurer shall either pay the difference between the greatest amount the insured has documented he can readily receive for the vehicle and the amount the insurer deducted or provide the insured with the name and contact information for a salvage facility that will purchase the vehicle for the amount of the salvage deduction.
3. If the insurer is deducting salvage from the settlement, notification of the insured's rights as set forth in (j)2 above must be provided to the insured in writing at the time the offer of settlement is made, and a copy retained by the insurer in the claim file.

During the random reviews, the examiners cited eight instances where the Company failed to inform owners who retained total loss vehicles of salvage rights found in N.J.A.C. 11:3-10.4(j)2 and as required by N.J.A.C. 11:3-10.4(j)3. In all eight instances the Company agreed that they failed to inform vehicle owners of their salvage rights in writing. Due to the overall impact of this error, it is cited as an improper general business practice.

GEICO must adopt processes and procedures to ensure that all vehicle owners are given notice of salvage rights in writing, as required by N.J.A.C. 11:3-10.4(j)1-3.

2. Failure to Complete a Prompt and Complete Investigation

New Jersey law requires insurers to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

N.J.S.A. 17:29B-4 states in pertinent part:

The following are hereby defined as unfair methods of competition and unfair and deceptive acts or practices in the business of insurance: ...

(9) Unfair claim settlement practices. Committing or performing with such frequency as to indicate a general business practice any of the following...

(c) Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

During the claim reviews, the examiners found the following errors:

- In one instance, GEICO received notice of a lane change loss with extensive damages on 8/15/23 and ordered the police report the same day. The insured informed GEICO that the report was ready on 9/11/23 and offered to provide it. The Company attempted one follow up contact with the insured for the police report but did not contact the police department's records unit. The Company eventually obtained the police report on 11/9/23, nearly three months later, however, it had already finalized its liability decision on 8/23/23 without the confirmed facts of loss. The file was prematurely and incorrectly transferred to the Company's internal subrogation team. Liability was later reversed, and the claimant was paid. The Company disagreed with the cite for improper investigation and stated that the insured was contacted for the police report and did not provide it. The Company failed to perform a prompt and reasonable investigation and demonstrated a lack of exposure recognition for property damage and potential bodily injury given the lane change and extensive damages.
- On another claim, GEICO received notice of a claim on 4/11/23 that occurred that same day. The initial facts of loss indicated that the insured vehicle was struck in an intersection, which requires a liability investigation. Although the insured reported that police responded to the loss, GEICO did not order the police report until 6/26/23, 76 days after notice of loss. The Company failed to perform a prompt investigation and delayed investigating property damages. The Company agreed with this cite.

GEICO must issue written instructions to all appropriate personnel that a reasonable investigation must be conducted based on all available information prior to resolving a claim, pursuant to N.J.S.A. 17:29B-4(9)(c).

3. Settlement Delays and Failure to Issue Delay Notices

New Jersey law requires insurers to settle physical damage and property damage claims in 30 (first party) and 45 (third party) days respectively, from the date of claim receipt. If these timeframes cannot be met, a notification explaining the cause of the delay must be issued every 30 or 45 days.

N.J.A.C. 11:3-10.5 states in part:

(a) Unless a clear justification exists, physical damage claims will have a maximum payment period of 30 calendar days. A payment period is the period between the date of the receipt of the notice of loss by the insurer, and:

1. The date the settlement check is mailed; or
2. The date on which the damaged vehicle is returned to use when the insurer elects to repair or have repaired the insured vehicle; or
3. The date on which the damaged vehicle is replaced by the insurer.

(b) If any element of a physical damage claim remains unresolved more than 30 calendar days from the date of receipt of notice of loss by the insurer, the insurer shall provide the insured with a written explanation of the specific reasons for delay in the claim settlement. An updated letter of explanation shall be sent again every 30 calendar days thereafter until all elements of claim are either honored or rejected.

N.J.A.C. 11:2-17.7 states in pertinent part:

(c) Unless a clear justification exists, or unless otherwise provided by law, the maximum payment periods for property/liability claims shall be as follows:

1. For all first party claims other than personal injury protection (PIP) and auto physical damage (see N.J.A.C. 11:3-10.5(a)), 30 calendar days from receipt by the insurer of properly executed proofs of loss.
2. For all third party property damage claims, 45 calendar days from receipt by the insurer of notification of claim...

(d) If the insurer is unable to settle the claim within the time periods specified in (c) through (e) above, the insurer must send the claimant written notice by the end of the payment periods specified in (c) through (e) above. The written notice must state the reasons additional time is needed and must include the address of the office responsible for handling the claim and the insured's policy number and claim number. This notice shall also include a telephone number which is toll free, or which can be called collect, or which is within the claimant's area code. This number shall provide direct access to the responsible claims office or shall enable the claimant to gain such access at no greater expense than the cost of a telephone call within his or her area code. An updated written notice setting forth the reasons additional time is needed shall be sent within 45 days after the initial notice and within every 45 days thereafter until all elements of the claim are either honored or rejected. The written notifications required under this subsection shall not continue to apply to that aspect of a claim for which the claimant has become represented by an attorney, as evidenced by a letter of representation.

Contrary to the regulations, the Company failed to settle three collision total losses within the required 30 days. The Company also failed to settle one property damage total loss and two property damage partial loss claims within the required 45 days. In all six instances the Company failed to issue a written notice of delay. The Company agree with the examiners' findings.

GEICO must establish internal controls and processes to ensure that settlement timeframes are met and in instances where the settlement will be delayed, a timely notification is sent to advise of the delay in order to comply with the requirements of N.J.A.C. 11:2-17.7(c) and (e), and N.J.A.C. 11:3-10.5(a) and (b).

V. RECOMMENDATIONS

GENERAL INSTRUCTIONS

Recommendations have been provided with each finding. GEICO should inform all responsible personnel who handle the files and records cited as errors in this report of the remedial measures that follow. The examiners also recommend that the Company establish procedures to monitor compliance with these measures. Various non-compliant practices were identified in this report. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to New Jersey statutes and regulations. The examiners acknowledge that during the examination, the Company agreed and had voluntarily complied with, either in whole or in part, some of the recommendations.

All items requested for the Commissioner and copies of all written instructions, procedures, recommended forms, etc., should be sent to the Commissioner, c/o Ralph Boeckman, Manager of Market Regulation, 20 West State Street, PO Box 329, Trenton, NJ 08625, within 30 days of the date of the adopted report.

On all policies from Section II that require premium refunds/credits GEICO must provide the customer with the following accompanying language:

“We made errors in your payment(s)/billings that were brought to our attention during the course of a Department of Banking and Insurance Market Conduct Examination, and this is notice of the correction of those errors. The corrected payment has been issued.”

On all claims from Section IV to be reopened with additional payments, GEICO must provide the customer with the following accompanying language:

“During a review of your claim by Market Conduct Examiners of the New Jersey Department of Banking and Insurance, it was found that we failed to pay the correct amount on your claim payment. The corrected payment is described in the attached settlement.”

SECTION II.C- UNDERWRITING

- 1A. The Company must review all policies cited in this section impacted by improperly categorized lending losses resulting in transfers and report all refunds/credits to the Department. The Company must revise processes and procedures to ensure that underwriters are accurately determining lending losses and rating policies in accordance with the filed rate plans as required by N.J.S.A 17:29A-15. The Company must also review the population during the review period where policies were negatively impacted by tier movements caused by incorrectly coded lending losses which did not result in affiliate company transfers. Spreadsheets containing policy number,

Company, impact start date, impact end date, policy inception date, impacted term dates, total refund, and refund date must be provided to the Department.

- 1B. The Company must review all policies cited in this section impacted by incorrect application of accident forgiveness and report all refunds/credits to the Department. The Company must revise processes and procedures to ensure that underwriters are accurately applying accident forgiveness and rating policies in accordance with the filed rate plans as required by N.J.S.A 17:29A-15. The Company must also review the population during the review period where policies were negatively impacted by tier movements caused by incorrectly handled accident forgiveness claims which did not result in affiliate company transfers. Spreadsheets containing policy number, Company, impact start date, impact end date, policy inception date, impacted term dates, total refund, and refund date must be provided to the Department.
- 1C. The Company must review all policies cited in this section impacted by rate capping errors and report all refunds/credits to the Department. The Company must revise processes and procedures to ensure that underwriters are accurately applying all rating factors, specifically addressing rate capping, in accordance with the filed rate plans as required by N.J.S.A 17:29A-15.

SECTION III.C- TERMINATIONS

1. The Company must adopt processes and controls to ensure that midterm policy termination reasons are limited to the allowable reasons, as required by N.J.A.C. 11:3-8.10(a). Further, GEICO must ensure that all permissible midterm cancellation notices have accurate language reflecting an accurate 60 day timeframe for the action.
2. The Company must adopt processes and controls to ensure that written requests for renewal questionnaires are sent to policy holders one full policy cycle (180 days) prior to the issuance of a nonrenewal for failure to complete and return a renewal questionnaire, as required by N.J.A.C. 11:3-8.7(b). The notice must fully explain the risk of nonrenewal if the questionnaire is not completed and returned. Further, the Company must ensure procedures are in place to make certain that written notices are included and accurate when renewal questionnaires are utilized, even when they are used in conjunction with other questionnaires.
3. The Company must develop and implement policies and procedures to ensure that all nonrenewal notices contain the specific reason for the termination and specify in detail the factual basis upon which the insurer relies, as required by N.J.A.C. 11:3-8.6(a).

4. The Company must develop and implement policies and procedures to ensure that all midterm cancellation notices include the specific reason for cancellation, as required by N.J.A.C. 11:3-8.11(c).
5. The Company must review and revise procedures as necessary to ensure midterm cancellation notices and proof of mailings are documented as required by N.J.A.C. 11:3-8.11(d).

SECTION IV.C- PERSONAL INJURY PROTECTION CLAIMS REVIEW

1. GEICO must conduct fair claim settlement practices and effectuate prompt, fair, and equitable settlement of claims when liability becomes reasonably clear to comply with N.J.S.A. 17:29B-4(9)(f).
2. GEICO must adopt processes and controls to ensure that all PIP claims are settled (paid, denied, or compromised) within 60 days unless an extension of 45 days is requested in writing, within this 60 day period, for a total period not to exceed 105 days from the notice of loss, as required by N.J.S.A. 39:6A-5g and N.J.A.C. 11:2-17.7(b). Pursuant to N.J.S.A. 39:6A-5h, the Company must pay interest on PIP claims settled beyond the required timeframes.

SECTION IV.D- PRIVATE PASSENGER PHYSICAL AND PROPERTY DAMAGE CLAIMS REVIEW

1. GEICO must adopt processes and procedures to ensure that all vehicle owners are given notice of salvage rights in writing, as required by N.J.A.C. 11:3-10.4(j)1-3.
2. GEICO must issue written instructions to all appropriate personnel that a reasonable investigation must be conducted based on all available information prior to resolving a claim, pursuant to N.J.S.A. 17:29B-4(9)(c).
3. GEICO must establish internal controls and processes to ensure that settlement timeframes are met and in instances where the settlement will be delayed, a timely notification is sent to advise of the delay in order to comply with the requirements of N.J.A.C. 11:2-17.7(c) and (e), and N.J.A.C. 11:3-10.5(a) and (b).

VI. VERIFICATION PAGE

I, Erin Porter, am the Examiner-in-Charge of the Market Conduct Examination of Government Employees Insurance Company, GEICO Secure Insurance Company, GEICO Choice Insurance Company, GEICO Indemnity Company, GEICO Casualty Company conducted by examiners of the New Jersey Department of Banking and Insurance. This verification is based on my personal knowledge as acquired in my official capacity.

The findings, conclusions and recommendations contained in the foregoing report represent, to the best of my knowledge, a full and true statement of the Market Conduct Examination of Government Employees Insurance Company, GEICO Secure Insurance Company, GEICO Choice Insurance Company, GEICO Indemnity Company, GEICO Casualty Company, as of October 9, 2025.

I certify that the foregoing statements are true. I am aware that if any of the foregoing statements made by me is willfully false, I am subject to punishment.

February 27, 2026



Date

Erin Porter, MBA, CPCU, CIE, MCM
Examiner-In-Charge
New Jersey Department
of Banking and Insurance