Report on

Market Conduct Examination

of the

Government Employees Insurance Company
One GEICO Plaza
Washington, DC

by Representatives of the

North Carolina Department of Insurance

as of

July 16, 2026

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Raleigh, North Carolina
July 16, 2026

Honorable Mike Causey
Commissioner of Insurance
Department of Insurance
State of North Carolina
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Raleigh, North Carolina 27604

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Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
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Honorable Commissioner and Director:

In accordance with the provisions of North Carolina General Statutes 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of the following entity:

Government Employees Insurance Company (NAIC #22063)
GEICO Plaza, Washington DC
(hereinafter generally referred to as "the Company")
NAIC Exam Tracking System Exam Number: NC-NCHOWENC-6

The examination was conducted at the North Carolina Department of Insurance (Department) office located at 3200 Beechleaf Court, Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

This examination commenced on September 27, 2023, and covered the period of July 1, 2020, through June 30, 2022. Analyses of certain operations of the Company were concluded during the wrap-up conference which was held on April 2, 2025. All comments made in this report reflect the conditions observed during the period of examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners

(NAIC). The scope of this examination was not comprehensive and consisted of an examination of the Company's practices and procedures in marketing, underwriting and rating, terminations, and claims practices. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute, rule, or policy provisions when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied a 0 percent tolerance level for producers/adjusters who were not appointed and/or properly licensed, 0 percent for the use of forms and rates/rules that were neither filed with nor approved by the Department, 7 percent for claims, and 10 percent for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing a violation, the Department issues a reminder to the Company.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Company's procedures and practices in the following areas:

Terminations – Failure to properly and timely notify the North Carolina Division of Motor Vehicles (DMV) of termination of liability coverage and failure to adequately maintain records.

Claims Practices – Not attempting in good faith to effectuate prompt settlement of claims and unlicensed individuals performing the functions of an adjuster without being duly licensed as an adjuster.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site at https://www.ncdoi.gov/insurance-industry/market-regulation.

This examination identified statutory violations which may extend to other jurisdictions. The Companies are directed to take immediate corrective action to demonstrate their ability and intention to conduct business in North Carolina according to its insurance laws and regulations.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

MARKETING

Policy Forms and Filings

Policy forms and filings for the Company were reviewed to determine compliance with appropriate North Carolina statutes and rules. We reviewed the following line of business:

- Private Passenger Automobile

Filings for the private passenger automobile line of business were made by the Company and by the North Carolina Rate Bureau (NCRB) on behalf of the Company. No problems were noted in review of the Company's filings.

UNDERWRITING AND RATING

Private Passenger Automobile

The Company's marketing in North Carolina is directed to the Private Passenger Automobile line of business. The Company provided the examiners with listings of the following type of active policies for the period under examination:

- Private Passenger Automobile

One hundred policies were randomly selected for review from a population of 150,765. Each policy was reviewed for adherence to underwriting guidelines, file documentation, and premium determination. Additionally, the policies were examined to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules.

The Company's private passenger automobile policies were written on a semi-annual basis. Coverages were written utilizing manual rates and deviated rates. Risk placement was determined by the Company's underwriting guidelines and the underwriter. Discrepancies were noted in the Company's use of its underwriting guidelines as identified below. All policy files contained sufficient documentation to support the Company's classification of the risk.

The Company was reminded of the provisions of NCGS 58-63-15(1) as seven policies (7.0 percent error ratio) displayed a premium discount on the declarations without the premium being reduced by the amount of the discount.

The Company was reminded of the provisions of NCGS 58-36-30(a) as five policies (5.0 percent error ratio) were issued with incorrect premiums. The rating errors consisted of the following:

- Two policies applied an incorrect factor for driving experience
- Two policies applied incorrect safe driver insurance plan points
- One policy did not apply airbag credit

These errors resulted in two policies being overcharged and three policies being undercharged. At the request of the examiners, the Company refunded $30.19, including statutory interest. The remaining premiums charged were deemed correct.

The Company was reminded of the provisions of NCGS 58-2-164(c) & (c1) as one file (1.0 percent error ratio) did not include the required documentation to prove residency or eligible risk status.

TERMINATIONS

Overview

The Company's termination procedures were reviewed to determine compliance with the appropriate North Carolina statutes and rules, policy provisions and the applicable policy manual rules. The following line of business was reviewed:

- Private Passenger Automobile

Special attention was placed on the validity and reason for termination, timeliness in issuance of the termination notice, policy refund (where applicable), and documentation of the policy file.

A total of 186,192 policies were terminated during the period under examination. The examiners randomly selected 150 terminations (100 cancellations and 50 nonrenewals) for review.

Private Passenger Automobile Cancellations

One hundred cancelled private passenger automobile policies were randomly selected and reviewed from a population of 186,033.

The Company was deemed to be in violation of NCGS 58-2-185, NCGS 58-2-200, and 11 NCAC 19 .0102(a) as there were 23 files (23.0 percent error ratio) in which the Company failed to adequately maintain required documents. The documentation errors consisted of the following:

- 12 files did not contain the insured's request to cancel
- 10 files did not contain the termination of liability notice to DMV
- 1 file did not contain the notice of cancellation to the insured
- 1 file did not contain proof of mailing

The remaining policy files reviewed contained sufficient documentation to support the action taken by the Company.

The Company was reminded of the provisions of NCGS 20-309.2(b) as there were 8 files (8.0 percent error ratio) in which the termination of liability was not reported to the DMV within 20 business days.

The Company was reminded of the provisions of NCGS 58-36-30(a) as four files (4.0 percent error ratio) had the cancellation premium miscalculated/misrepresented. These errors resulted in overcharges in two of the files. At the request of the examiners the Company refunded a total of $28.50, including statutory interest.

The review revealed the following reasons for cancellation:

Reason for Cancellation	**Number of Policies**	**Percentage**
Insured's request	65	65.0
Nonpayment of premium	27	27.0
Rewrite	8	8.0
Total	**100**	**100.0**

Private Passenger Automobile Nonrenewals

Fifty non-renewed private passenger automobile policies were randomly selected and reviewed from a population of 159.

The Company was deemed to be in violation of 11 NCAC 19 .0102(a) and 11 NCAC 19 .0104 as there were 12 files (24.0 percent error ratio) in which the Company failed to adequately maintain required documents. The documentation errors consisted of the following:

- 11 files did not contain the non-renewal notice
- 10 files did not contain proof-of-mailing
- 1 file did not contain the termination of liability notice to DMV

The remaining policy files reviewed contained sufficient documentation to support the action taken by the Company.

The Company was deemed to be in violation of NCGS 20-309.2(b) as there were 16 files (32.0 percent error ratio) in which the termination of liability was not reported to the DMV within 20 business days.

The Company was reminded of the provisions of NCGS 58-36-85(c) as there was one nonrenewed policy (2.0 percent error ratio) in which the nonrenewal notice did not give the policyholder at least 60 days' notice prior to the termination date.

The review revealed the following reasons for nonrenewal:

Reason for Nonrenewal	Number of Policies	Percentage
Adverse underwriting decision	48	96.0
No Longer Eligible	2	4.0
Total	**50**	**100.0**

CLAIMS PRACTICES

Overview

The Company's claims practices were reviewed to determine compliance with the appropriate North Carolina statutes and rules and policy provisions. The license status for each claims adjuster was reviewed to determine if the adjuster was properly licensed at the time of claim handling. The review encompassed private passenger automobile paid physical damage claims, paid property damage claims, closed without payment claims, and total loss claims. Four hundred claims were randomly selected for review from a population of 228,212.

<u>Paid Claims</u>

One hundred first-party private passenger automobile physical damage claims and one hundred third-party property damage claims paid during the period under examination were randomly selected for review from a population of 146,805 (99,366 first party and 47,439 third-party). Each claim file was reviewed to determine compliance with NCGS 58-63-15(11) for timeliness of payment, supporting documentation, accuracy of payment, and licensure of the adjuster(s).

The following average payment time noted in calendar days was observed:

Type of Claim	**Payment Time**
Private Passenger Automobile Physical Damage	29
Private Passenger Automobile Property Damage	42

The Company was deemed to be in violation of NCGS 58-3-130 and NCGS 58-33-26(a) as 12 physical damage claims (12.0 percent error ratio) included individuals performing the functions of an adjuster without being duly licensed as an adjuster.

The Company was reminded of the provisions of NCGS 58-63-15(11)(f) as there were two physical damage claims (2.0 percent error ratio) that reflected undue delays in settlement.

The Company was deemed to be in violation of NCGS 58-3-130 and NCGS 58-33-26(a) as one property damage claim (1.0 percent error ratio) included an individual performing the functions of an adjuster without being duly licensed as an adjuster.

The Company was deemed to be in violation of NCGS 58-63-15(11)(f) as there were 13 property damage claims (13.0 percent error ratio) that reflected undue delays in settlement.

The Company was reminded of the provisions of NCGS 58-63-15(11)(f) as there was one property damage claim (1.0 percent error ratio) in which the betterment was misapplied. This error resulted in underpayment to the claimant. At the request of the examiners the Company made an additional payment of $19.67, including statutory interest.

Closed Without Payment Claims

One hundred closed without payment claims were randomly selected for review from a population of 45,775. The claim files were reviewed to determine compliance with the provisions of NCGS 58-63-15(11) to see if the Company had engaged in any unfair claim practices.

The following average denial time noted in calendar days was observed:

Type of Claim	Denial Time
Closed Without Payment	7

The Company was reminded of the provisions of 11 NCAC 04 .0117(a) as the Company denied a claim (or portion thereof) in three files (3.0 percent error ratio), but the denial was either not in writing or did not cite the specific policy provisions or legal basis relied upon in denying the claim.

The Company was deemed to be in violation of NCGS 58-3-130 and NCGS 58-33-26(a) as 5 claims (5.0 percent error ratio) including individuals performing the functions of an adjuster without being duly licensed as an adjuster.

Total Loss Claims

One hundred total loss claims paid during the period under examination were randomly selected for review from a population of 35,632. Each claim file was reviewed to determine compliance with NCGS 58-63-15(11) for timeliness of payment, supporting documentation, accuracy of payment, and licensure of the adjuster(s).

The Company was deemed to be in violation of NCGS 58-3-130 and NCGS 58-33-26(a) as 14 claims (14.0 percent error ratio) included individuals performing the functions of an adjuster without being duly licensed as an adjuster.

The Company was reminded of the provisions of NCGS 58-63-15(11)(f) as there were two claims (2.0 percent error ratio) that reflected undue delays in settlement.

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Company is directed to maintain all file records for at least five years. The Company is directed to notify DMV within 20 business days whenever the liability coverage is terminated on a personal automobile policy. The Company is directed to avoid undue delays in settling claims. When handling a claim, each individual must be duly licensed as an adjuster/appraiser if the individual is performing a function that requires licensure as an adjuster/appraiser.

Upon acceptance of the Report the Company shall provide the Department with a statement of corrective action plan to address the violations identified during the examination. The Department will conduct a future investigation, if warranted, to determine if the Company successfully implemented its statement of corrective action.

CONCLUSION

An examination has been conducted on the market conduct affairs of Government Employees Insurance Company for the period July 1, 2020, through June 30, 2022, with analyses of certain operations of the Company being conducted through April 2, 2025.

This examination was conducted in accordance with the North Carolina Department of Insurance and the NAIC Market Regulation Handbook procedures, including analyses of the Company’s operations in the areas of marketing, underwriting and rating, terminations and claims practices.

In addition to the undersigned, Jeffrey O'Bannon, MCM, North Carolina Market Conduct Examiner II, participated in this examination.

Respectfully submitted,

Larry R. Cook, CPCU, AU, ARE, ARM, AIM, AMIM, AIAF, AIC, ARC, AAI, MCM
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.

Teresa Knowles, MCM, ACS
Deputy Commissioner
Market Regulation Division
State of North Carolina