

STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION

IN RE: GEICO General Ins. Co. (NAIC #35882),)
GEICO Indemnity Co. (NAIC #22055), and,) DOCKET NO. 15-020-I
~~GEICO~~ Employees Ins. Co. (NAIC #22063))

STIPULATION AND CONSENT ORDER

The Insurance Division of the Vermont Department of Financial Regulation ("Department") and
GEICO General Insurance Co., GEICO Indemnity Co., and ~~GEICO~~ Employees Insurance Co.

("Respondents") stipulate and agree:

1. Pursuant to the authority contained in 8 V.S.A. §§ 11, 12, 13, 15, 4723 and 4726 the Commissioner of the Department ("Commissioner") is charged with enforcing the insurance laws of the State of Vermont.
2. Pursuant to the authority contained in 8 V.S.A. § 4726, the Commissioner may investigate any person engaged in the business of insurance in Vermont in order to determine whether that person is complying with Vermont insurance laws, and may suspend or revoke the license of any insurer, and/or may impose an administrative penalty for any violation of Title 8, Chapter 129. Respondents acknowledge and admit the jurisdiction of the Commissioner over the subject matter of this Stipulation and Consent Order.
3. Respondents are companies that are licensed to sell insurance in Vermont. Respondents are located at One Geico Plaza, Washington, DC 20076-0001.
4. The Department initiated an investigation in April, 2014 with respect to Respondents' practices in order to determine Respondents' level of compliance in its handling of Vermont Uninsured Motorists Property Damage ("UMPD") claims. This investigation generally covered the time period from October 1, 2012 through April 30, 2014.
5. Title 23 V.S.A. § 941 sets forth the statutory requirements for insurance against uninsured

motorists. Under this provision a deductible of \$150 is permitted only if the claimant does not have collision coverage for his or her motor vehicle.¹ In the event the claimant does have collision coverage, no deductible would apply. A violation of this provision of Title 23 constitutes a violation of 8 V.S.A. § 4723 pursuant to 8 V.S.A. § 4724(9)(F).

6. As a result of its investigation, the Department concludes that Respondents failed in some cases to waive the collision deductible when the deductible should have been waived, which constitutes a violation of 23 V.S.A. § 941, and 8 V.S.A. § 4723 pursuant to 8 V.S.A. § 4724(9)(F).

7. While the Department's investigation was ongoing Respondents refunded the unpaid deductibles to some insureds but failed to include interest until the Department requested it do so, which constitutes a violation of 8 V.S.A. § 3665.

8. As a result of its investigation, the Department concludes that Respondents failed to document certain claim files to clearly show the inception, handling and disposition of those claims, which constitutes a violation of Regulation 99-1, Section 4A(3).

9. As a result of its investigation, the Department concludes that Respondents failed to preserve certain business records requested by the Department during the course of its investigation, which constitutes a violation of 8 V.S.A. § 3568 and Regulation 99-1, Sections 4A, 6A and 7A(6).

10. As a result of its investigation, the Department concludes that some of Respondents' claim files and the website portal documentation was not sufficient to determine that insureds were clearly notified of all applicable policy coverages and conditions, which constitutes a violation of 8 V.S.A. § 4723 pursuant to 8 V.S.A. § 4724(9)(A).

11. As a result of its investigation, the Department concludes that Respondents failed to

¹ See also Insurance Bulletin No. 175.

produce documentation supporting the implementation of reasonable standards for the prompt investigation of claims arising under insurance policies, which constitutes a violation of 8 V.S.A. § 4723 pursuant to 8 V.S.A. § 4724(9)(C).

12. As a result of its investigation, the Department concludes that Respondents failed to include an appropriate explanation of the basis of some of its payments, which constitutes a violation of Regulation 79-2, Section 7B.

13. Respondents have been made aware that the Department may proceed with an administrative action against them for the violations set forth herein and seek appropriate relief pursuant to the Department's statutory authority.

14. Respondents, without admitting the truth of the Department's allegations and solely for the purpose of resolving this administrative action, have agreed to enter into this Stipulation and Consent Order with the Department on the terms and conditions hereinafter set forth in lieu of proceeding with a hearing, but agrees not to contest their validity in the event of any future administrative or judicial action by or involving the Department or other state or federal regulators. The Department acknowledges that Respondents have fully cooperated with the Department in this review.

15. Respondents waive their right to a hearing before the Commissioner or the Commissioner's designee, and all other procedures otherwise available under Vermont law, the rules of the Department, the provisions of chapter 25 of Title 3 regarding contested cases, or any right they may have to judicial review by any court by way of suit, appeal, or extraordinary remedy with respect to the terms of this Stipulation and Consent Order.

16. Respondents acknowledge their understanding of all terms, conditions, undertakings and obligations contained in this Stipulation and Consent Order.

17. Respondents acknowledge that this Stipulation and Consent Order constitutes a valid order

duly rendered by the Commissioner and agree to be fully bound by it. Respondents acknowledge that this Order constitutes a finding by the Commissioner that Respondents have violated the provisions of Vermont law set forth above and agree not to contest such findings. Respondents acknowledge that noncompliance with any of the terms of this Order shall constitute a violation of a lawful order of the Commissioner and shall subject Respondents to administrative action or sanctions as the Commissioner deems appropriate. Respondents further acknowledge that the Commissioner retains jurisdiction over this matter for the purpose of enforcing this Order.

18. The Department acknowledges that Respondents have to date voluntarily issued refunds in the amount of \$36,222.28.

19. The Department retains any rights it has to respond to and address any consumer complaint that may be made with regard to Respondents and a transaction in insurance, as defined in 8 V.S.A. § 3301. This includes the right to pursue any remedy authorized by law in response to such a consumer complaint.

20. Nothing herein shall be construed as a waiver of any private right of action any person may have.

THE DEPARTMENT AND RESPONDENTS FURTHER STIPULATE AND AGREE:

21. Respondents shall revise their claims handling procedures and training materials so that its claims handling procedures and the training of its representatives with respect to the handling of UMPD claims in the state of Vermont are consistent with Vermont law.

22. Respondents shall ensure interest is paid on late claim payments as required by the 8 V.S.A. § 3665.

23. Respondents shall maintain records in a manner which clearly shows the inception, handling and disposition of the claims as required by Regulation 99-1, Section 4A(3).

24. Respondents shall preserve business records as required by 8 V.S.A. § 3568 and Insurance

Regulation 99-1, Sections 4A, 6A and 7A(6).

25. Respondents shall ensure all claim payments include an appropriate explanation of the basis of payment as required by Insurance Regulation 79-2, Section 7B.

26. Respondents shall pay an administrative penalty of Thirty Thousand (\$30,000) Dollars within ten (10) days of the execution of this Stipulation and Consent Order.

27. In the event restitution is unable to be made to any of the consumers entitled to such restitution pursuant to the terms of this Stipulation and Consent Order because their addresses or whereabouts are unknown, Respondents shall comply with the requirements of Title 27, Chapter 14 of the Vermont Statutes Annotated and shall provide proof of such compliance to the Department.

28. Respondents shall comply with all applicable Vermont insurance laws, regulations and bulletins.

29. Respondents waive their statutory right to notice and a hearing before the Commissioner of the Department, or her designated appointee.

30. Respondents acknowledge that this Stipulation and Consent Order is entered into freely and voluntarily, and that except as set forth herein, no promise was made to induce the Respondents to enter into it. Respondents acknowledge that they understand all terms and obligations contained in this Order. Respondents acknowledge that they have consulted with their attorney in this matter and that they have reviewed this Stipulation and Consent Order and understand all terms and obligations contained herein.

31. Respondents consent to the entry of this Order and agree to be fully bound by its terms and conditions. Respondents acknowledge that noncompliance with any of the terms of this Order may constitute a separate violation of the insurance laws of the State of Vermont and may subject them to sanctions.

32. The terms set forth in this Stipulation and Consent Order represent the complete

agreement between the parties as to its subject matter.

33. The undersigned representative of Respondents affirms that he or she has taken all necessary steps to obtain the authority to bind Respondents to the obligations stated herein and has the authority to bind Respondents to the obligations stated herein.

GEICO General Ins. Co.,
GEICO Indemnity Co., and
GEICO Employees Ins. Co.

Government
SF

By Their Duly Authorized Agent:

[Signature] July 6, 2015
[insert name/title] Hank Nayden
Vice President + Legislative Counsel

STATE OF Maryland
COUNTY OF Montgomery

On this 6th day of July, 2015 Hank Nayden personally appeared before me and pursuant to a sworn oath subscribed to this Stipulation and Consent Order and represented that he/she has fully authority to execute, deliver and legally bind Respondents to this Stipulation and Consent Order.

[Signature]
Notary Public Debra C. Nielsen

My commission expires: 3-25-18

ACCEPTED BY:

[Signature] July 15, 2015
Kaj Samsom, Deputy Commissioner
Insurance Division, Vermont Department
of Financial Regulation

CONSENT ORDER

1. The stipulated facts, terms and provisions of this Stipulation are incorporated by reference herein.
2. Jurisdiction in this matter is established pursuant to 8 V.S.A. § Chapters 101 and 129.

3. Pursuant to the Stipulation, Respondents consent to the entry of this Consent Order and the findings set forth therein.
4. Respondents shall comply with all agreements, stipulations and undertakings as recited above.
5. Other than as specifically set forth herein, nothing contained in this order shall restrain or limit the Department in responding to and addressing any consumer complaint about Respondents filed with the Department or shall preclude the Department from pursuing any other violation of law.

Entered at Montpelier, Vermont this 15th day of July, 2015.


Susan L. Donegan, Commissioner
Vermont Department of Financial Regulation