
REPORT ON EXAMINATION

(Limited Scope Market Conduct)

of

GOVERNMENT EMPLOYEES INSURANCE COMPANY.

NAIC COMPANY CODE: 22063

as of

December 31, 2006

(Property and Casualty)

By Representatives of the
Oklahoma Insurance Department

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SALUTATION

Oklahoma City, Oklahoma
October 22, 2007

Honorable Kim Holland
Insurance Commissioner
State of Oklahoma
2401 N W 23rd Street, Suite 28
Oklahoma City, Oklahoma 73107

Commissioner Holland:

Pursuant to instructions and in compliance with the provisions of Title 36 of the Oklahoma Statutes, rules, regulations and procedures of the Oklahoma Insurance Department, and the procedures established by the National Association of Insurance Commissioners, a limited scope examination of the market conduct activities has been conducted of:

GOVERNMENT EMPLOYEES INSURANCE COMPANY

**Main administrative Office
5260 Western Avenue
Chevy Chase, Maryland 20815**

The following Report of Examination (Limited Scope Market Conduct), as of December 31, 2006, is hereby respectfully submitted.

FOREWORD

This limited scope market conduct examination report, as of December 31, 2006 reflects certain Oklahoma insurance activities of Government Employees Insurance Company, hereafter referred to as the "Company" or "GEICO". The examination was conducted in the Company's branch office at 4201 Spring Valley Road, Farmers Branch, Texas. The examination is, in general, a report by test, wherein each test applied during the examination is stated and the results are reported, whether the results are favorable or unfavorable.

SCOPE OF EXAMINATION

This examination covers the period January 1, 2004, through December 31, 2006.

The purpose of the examination was to determine compliance by the Company with provisions of the law, and any other facts relative to its business methods, management or equity of its dealings with its policyholders.

The examination was conducted in accordance with the guidelines and procedures recommended by the National Association of Insurance Commissioners (NAIC), rules, regulations and directives of the Oklahoma Insurance Department and pursuant, but not limited to, Title 36 O.S. §§ 309.1 – 309.7, 1204 – 1220, 1250.1, 1250.10, 1435.14.A, 1435.15A, and 3636.

In reviewing material for this report, the examiners relied primarily on records and material furnished by the Company.

File sampling was based on a review of randomly selected, unless otherwise indicated, samples of underwriting and claim files by category.

During the course of this examination, the Company's operations were reviewed, including, but not limited to, the following:

- Operations and management;
- Complaint Handling;
- Producer Licensing;
- Underwriting
- Policyholder Service; and
- Claims.

Certain unacceptable or non-complying practices may not have been discovered in the course of this examination. Failure to identify or criticize specific practices does not constitute acceptance of such practices by the Oklahoma Insurance Department. Any alleged violations identified in this report and any criticisms of practices have not undergone a formal administrative or judicial process. This report should not be construed to endorse or discredit any insurance company or insurance product. This report is prepared for a particular audience and for a particular use. The materials contained in it are not necessarily suitable for any other purpose.

PRIOR EXAMINATION REPORT

There is no prior Oklahoma examination report.

COMPANY OPERATIONS AND MANAGEMENT

History and Profile

The Company was incorporated in the District of Columbia under the District of Columbia Business Corporation act of 1901 on November 30, 1937, and issued capital stock. The Company commenced business on December 1, 1937, and was privately owned until 1948.

The Company was reincorporated on January 31, 1979, under the District of Columbia Business Corporation Act of 1954.

The Company is a wholly-owned subsidiary of GEICO Corporation, which is a wholly-owned indirect subsidiary of Berkshire Hathaway Inc. The Company is a multiple-line property and casualty insurer currently engaged primarily in writing preferred-risk private passenger automobile insurance for government employees and military personnel. The Company also assumes the business of GEICO General Insurance Company, a wholly-owned subsidiary, which writes private passenger automobile insurance for preferred-risk applicants other than government employees and military personnel.

The Company is licensed in all states and the District of Columbia.

Affiliated Parties

The Company and its affiliates are members of an Insurance Holding Company System as defined in Section 1651(d) of Title 36 of the Oklahoma Statutes.

The following abbreviated organizational chart reflects the Company's ownership.

Berkshire Hathaway, Inc.

 National Indemnity Company. (1)

 GEICO Corporation (2)

 GEICO Indemnity Company (1)

 GEICO Casualty Company (1)

Government Employees Insurance Company (1)

 GEICO General Insurance Company (1)

(1) Wholly owned

(2) (99.2% owned by National Indemnity Company and 0.8% owned by Cypress Insurance Company)

Direct Written Premium

The Company's reported total direct written premium for Oklahoma for the period under review was as follows:

Lines of business	2006	2005	2004
Other liability	\$ 80,054	\$ 70,999	\$ 79,040
Other private passenger auto liability	10,735,044	11,134,688	11,444,630
Private passenger auto physical damage	7,798,370	9,046,197	9,659,382
All other lines	1,463	1,628	1,562
Total	\$18,614,930	\$20,253,514	\$21,184,615

The Company's reported total direct written premium for the period under review was as follows:

Lines of business	2006	2005	2004
Group accident and health	\$ 106,302	\$ 119,019	\$ 130,253
Other accident and health	120,345	134,707	144,458
Other liability	63,020,690	49,817,176	44,562,709
Private passenger auto liability	2,021,016,698	1,841,769,831	1,590,562,624
Commercial auto liability	35,531	56,482	178,138
Auto physical damage	1,327,668,767	1,171,108,723	1,032,657,303
Total	\$3,411,968,333	\$3,063,005,937	\$2,668,235,491

COMPLAINT HANDLING

In the review of the Company's complaint handling, attention was given to the Company's analysis of the complaint, the candor of the response, comparison of the response and actual file contents. The Company's own complaint records and the complaint listing maintained by the Oklahoma Insurance Department were utilized in this review.

Functional Cause of Complaints

Cause of Complaint	2006	2005	2004
Unsatisfactory Settlement	0	1	8
Denial of Claim	1	0	5
Delays	0	0	3
Coverage Question	0	0	1
Premium & Rating	0	0	2
Premium Notice/Billing	0	1	2
Non-renewals	0	0	1
Cancellation	0	0	1
Premium Refund	0	0	0
Agent Handling	0	0	0
All Others	0	0	3
Total	1	2	26

Complainant Time Studies

For this study, time was measured from the date the Company received the complaint until the date of their response. In this study no exception was noted.

Days	Number of Complaints	Percentage
0-20	15	100.0%
Over-20	0	0.0%
Total	15	100%

MARKETING AND SALES

Marketing

The Company markets its products through independent and direct writing agents/agencies.

PRODUCER LICENSING

Producer Licensing and Appointments

The Company's listing of agent's commissions paid was compared to the Oklahoma Insurance Department listing of appointed agents. No exception was noted.

Adjusters Licensing

The Company claims are handled for the most part by the Company's adjusters, on each claim the adjuster's license was checked against the Oklahoma Insurance Department listing of adjusters. In this study, no exceptions were noted.

POLICYHOLDER SERVICE

The policyholder service portion is designed to test the Company's compliance with statutes regarding notice/billing, delays/no response, and premium refunds. In a review of the Company's policies no exceptions were noted.

UNDERWRITING AND RATING

The Company's underwriting and rating practices were reviewed, including filing of forms in use during the period under examination.

Auto Claims Forms

One Hundred Fourteen (114) forms and letters that the Company used were selected from a population of 114 forms during the time frame of the examination. The following did not contain a fraud warning as required by section 3613.1 of Title 36 of the Oklahoma Statutes.

- ❖ Auto Claims Forms, Acknowledgement/Receipt of substituted payment, Policy Release, Property Damage Release, Statement of claim under uninsured Motorist Coverage C-1680OK and form CL24 did not contain the fraud warnings. Reference: 36 O.S. § 3613.1

Application of Rates and Underwriting

The most appropriate statistic to measure accuracy is the number of files in error. An error is taken to be any failure of the Company to:

- Correctly calculate premium;
- Correctly code;
- Comply with statutes, regulations or policy provisions; or
- Properly issue.

Active Automobile Policies

Field Size	Type of Sample	Size of Sample
23,788	Random	50

In this study, no error was noted, which resulted in an error ratio of 0%.

Cancelled Automobile Policies

Field Size	Type of Sample	Size of Sample
753	Random	50

In this study, no error was noted, which resulted in an error ratio of 0%.

Rejected Automobile Policies

Field Size	Type of Sample	Size of Sample
87	Random	50

In this study, no error was noted, which resulted in an error ratio of 0%.

CLAIMS

Claim Time Studies

For these studies, claim payments are measured from the following:

ACKNOWLEDGEMENT TIME:

From the date of receipt by the insurer or agent of notification of a claim to a company's initial communication or acknowledgement to the claimant. Reference: 36 O.S. § 1250.6(A)

INVESTIGATION TIME:

From the date the company or agent receives notification of a claim to the date the investigation is completed. Reference: 36 O.S. § 1250.7(C)

ACCEPTANCE TIME:

From the date the company has received all necessary proof of loss information to the date of acceptance or denial. Reference: 36 O.S. § 1250.7(A)

The following one hundred and fifty (150) claims were randomly selected for time studies. In that review, no exceptions were noted.

Lines of business	Field Size	Sample size	Number of errors
Automobile Collision Claims	2,917	50	0
Automobile Comprehensive Claims	1,735	50	0
Salvage Claims	1,014	25	0
Subrogation Claims	944	25	0
Total	6,610	150	0

Claim Practices

The claims practices of the Company were examined for efficiency of handling, accuracy of payment, compliance to Oklahoma Statutes and Regulations, and adherence to contract provisions. A claim is taken to be a demand for payment by an insured or claimant under a coverage against the insurer, which claim is:

Paid by the Insurer as:

1. Full recompense
2. Partial recompense

Closed without payment by reason of:

1. No relevant coverage
2. No liability
3. Recompense by other legal means

Automobile Collision Claims

Fifty (50) claims were selected for review from a population of 2,917 claims closed during the time frame of the examination. In this study no error was noted.

Automobile Comprehensive Claims

Fifty (50) claims were randomly selected for review from a population of 1,735 claims closed during the time frame of the examination. In this study, no error was noted.

Automobile Salvage Claims

Twenty five (25) claims were randomly selected for review from a population of 1,014 claims closed during the time frame of the examination. In this study, no error was noted.

Subrogation Claims

Twenty five (25) claims were selected from a population of 25 claims closed during the time frame of the examination. In this study, one (1) error was noted which resulted in an error ratio of 4%. Following is a report of the error noted.

- ❖ Claim number 0006297460101062-01(1): The Company failed to refund the policyholder a fifty dollar deductible when collected from 3rd party. The Company agreed and paid the policyholder a fifty dollar refund. Reference: 36 O.S. § 1250.8(E)

COMMENTS

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In a review of the Company's forms it was determined that Auto Claims Forms, Acknowledgement/Receipt of substituted payment, Policy Release, Property Damage Release, Statement of claim under uninsured Motorist Coverage C-1680OK and form CL24 did not contain the fraud warnings. Reference: 36 O.S. § 3613.1

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Claim number 0006297460101062-01(1): The Company failed to refund the policyholder a fifty dollar deductible when collected from 3rd party. The Company agreed and paid the policyholder a fifty dollar refund. Reference: 36 O.S. § 1250.8(E)

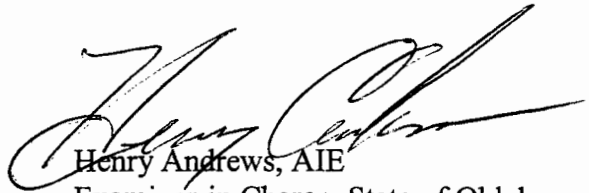
ACKNOWLEDGMENT

The Market Conduct Examination Report of Government Employees Insurance Company, Inc. is respectfully submitted to the Honorable Kim Holland, Insurance Commissioner of the State of Oklahoma.

In addition to the undersigned, Mr. Jim Mitchell, AFE, participated in the examination.

The Examiners wish to express their appreciation for the courteous cooperation and assistance given by the officers and employees of the Company during the course of this examination.

Respectfully Submitted,

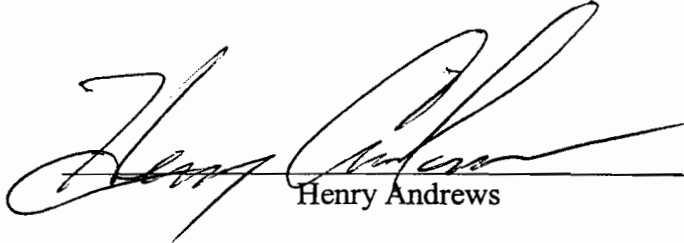
A handwritten signature in black ink, appearing to read "Henry Andrews", written in a cursive style.

Henry Andrews, AIE
Examiner-in Charge, State of Oklahoma
Midwestern Zone III, NAIC

AFFIDAVIT

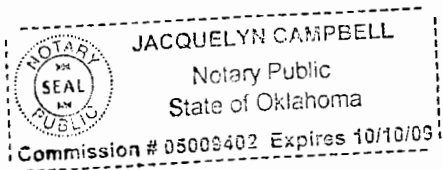
State of Oklahoma)
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County of Oklahoma)

I, Henry Andrews, of lawful age, being first duly sworn, upon oath state that I have been charged with examining Government Employees Insurance Company, as of December 31, 2006, that I have prepared and read the foregoing Report of Examination, that I am familiar with the matters set forth therein, and I certify the Report is true and complete to the best of my knowledge and belief.


Henry Andrews

Subscribed and sworn to before me this 22nd day of October, 2007, by Henry Andrews.

[seal]




Notary Public

My commission expires: 10/10/09