

**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION**

In the Matter of **GEICO General Insurance Company**) **STIPULATION** and
) **FINAL ORDER**
) Case No. INS 06-10-002

STIPULATION

The Director of the Oregon Department of Consumer and Business Services (director) commenced this administrative proceeding, pursuant to Oregon Revised Statutes (ORS) 731.256, to take enforcement action against GEICO General Insurance Company (GEICO).

GEICO desires to conclude this proceeding without a hearing by entering into this stipulation pursuant to ORS 183.415(5).

GEICO waives all rights relative to an administrative hearing and judicial review thereof.

GEICO stipulates to the following facts, conclusions, action, and to the issuance of a final order incorporating this stipulation.

Facts and Conclusions

Licensing Information

GEICO has been licensed in Oregon as a foreign insurer since 12/31/78. GEICO's last recorded principal business address is located in Washington D.C.

Failed to Promptly and Equitably Settle Claim

GEICO is subject to enforcement action pursuant to ORS 746.230(1)(f) because of the following circumstances. ORS 746.230(1)(f) prohibits an insurer or other person from not attempting, in good faith, to promptly and equitably settle claims in which liability has become reasonably clear. On 9/15/04, Tim Madewell (Madewell) while driving a car, collided with Michael J. Woodall (Woodall) while driving a car. Madewell was insured by GEICO. On or about 9/20/04, Woodall filed a claim under the policy. Madewell asserted that a dump truck pulled out in front of him causing him to swerve out of his lane and collide with Woodall's car. Woodall saw dump

trucks in the area but did not see a dump truck pull out in front of Madewell. GEICO investigated the claim but could not confirm or repudiate Madewell's assertion. On 10/27/04, GEICO sent a letter to Woodall denying his claim because GEICO believed that "our insured is [not] legally liable for your damages [because] the dump trucks made an unsafe turn and failed to yield the right of way to our insured resulting in a collision." On 4/21/05, Woodall filed a small claims action against Madewell. Madewell did not appear at the hearing. GEICO did not know that Woodall had filed the action until after the default judgment was issued. On 7/19/05, the court issued a default judgment in the amount of \$1,644.00. On 8/1/05, GEICO received from Woodall a copy of the default judgment. Under the circumstances, GEICO's liability pursuant to its policy became clear at least when GEICO received the default judgment. However, on 8/3/05, GEICO called and told Woodall that GEICO continued to deny the claim and thus would not pay the default judgment. On 1/13/06, the Insurance Division received from Woodall a complaint about GEICO and on 1/19/06 the Insurance Division sent a letter to GEICO investigating the complaint. On 2/7/06, GEICO paid the default judgment.

Action

Pursuant to ORS 731.988, GEICO is assessed a civil penalty of \$5,000. The payment shall be made in the form of a check payable to the "Department of Consumer and Business Services" for the full amount due. The payment shall be delivered to the Insurance Division at the Labor and Industries Building, 350 Winter Street NE, Room 440 (4th Floor), Salem, Oregon; or mailed to the Insurance Division at PO Box 14480, Salem, OR 97309-0405. The payment shall be *received* by the Insurance Division by the date of the final order.

Dated February 22, 2007

/s/ Cinda Smith
[Signature of Representative]
Cinda Smith
[Printed Name of Representative]
Senior Counsel
[Printed Title of Representative]

GEICO General Insurance Company

FINAL ORDER

The director incorporates herein the above stipulation, adopts it as the director's final decision in this proceeding, and orders that the action stated therein be taken.

Dated March 14, 2007

/s/ Cory Streisinger
Cory Streisinger
Director
Department of Consumer and Business Services

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