

QUALIFYING EXAMINATION
OF
GEICO CHOICE INSURANCE COMPANY

Located at
One GEICO Plaza,
Washington, DC

AS OF

JULY 31, 2011

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

OCT 26 2011

FILED

Omaha, Nebraska
October 3, 2011

Honorable Bruce R. Ramage
Director of Insurance
State of Nebraska
Lincoln, Nebraska

Sir:

Pursuant to your instructions and statutory requirements, a qualifying examination has been made of the

GEICO Choice Insurance Company
with its statutory office at:

1440 Kiewit Plaza
Omaha, Nebraska 68131

and the administrative office at

One GEICO Plaza
Washington, DC 20076

(hereinafter also referred to as the "Company") and the report of such examination is respectfully presented herein.

SCOPE OF EXAMINATION

The Company has made an application for a Certificate of Authority to transact the business of insurance as provided under Nebraska Revised Statute §44-201(5) (property and casualty lines of insurance). In order to determine whether such authority

should be granted, this examination has been conducted to ascertain if the Company has met the capital, surplus and organizational requirements set forth by Nebraska Law.

HISTORY

The Articles of Incorporation of GEICO Choice Insurance Company were tentatively approved by the Nebraska Department of Insurance on June 13, 2011. The Articles were filed with the Secretary of State of the State of Nebraska on June 13, 2011, and approved by the Department on June 13, 2011. The Notice of Incorporation was published for three consecutive weeks ending July 21, 2011, in a legal newspaper of general circulation in Lancaster County according to the provisions of Nebraska Revised Statute §21-20,189.

The Articles of Incorporation were executed by the following incorporators:

<u>Name</u>	<u>Address</u>
Michael H. Campbell	12534 Ansin Circle Drive Potomac, MD 20854
Stephen C. Parsons	1710 Rupert Street McLean, VA 22101
Dana K. Proulx	1011 Avery Court Vienna, VA 22180
William C. E. Robinson	1607 Trillum Court Mitchellville, MD 20721
Jonathan L. Shafner	6108 Wayside Drive North Bethesda, MD 20852

CAPITAL STOCK

The Articles of Incorporation authorize the issuance of 10,000,000 shares of common stock with a par value of \$1.00 per share. At the date of this qualifying examination, the Company's total issued and outstanding common stock consisted of 10,000,000 shares that had been subscribed to and purchased by the GEICO Corporation, a Delaware Corporation a total purchase price of \$25,000,000 (\$2.50 per share). The Company's capital structure therefore consisted of \$10,000,000 in common stock and \$15,000,000 in paid-in surplus.

MANAGEMENT

Stockholders

The By-Laws of the Company provide that the annual meeting of the stockholders for the election of Directors and for the transaction of such other business as may properly come before the meeting shall be held at such place (within or without the District of Columbia or Maryland), date and hour as shall be designated in the notice thereof.

Board of Directors

The By-Laws provide that the affairs of the company shall be conducted by a Board of Directors consisting of not less than nine (9) or more than fifteen (15) and the exact number shall be fixed by a resolution adopted by a majority of the whole Board. Each of the Directors of the Company shall hold office until the annual meeting next after

his election and until his successor is elected and qualified or until his earlier death or resignation or removal in the manner hereinafter provided.

The first meeting of shareholders, held June 21, 2011, the following persons were elected to the Board of Directors:

<u>Name</u>	<u>Address</u>
Michael H. Campbell	12534 Ansin Circle Drive Potomac, Maryland 20854
Seth M. Ingall	Seven Carry Lane Melville, New York 11747
Daniel J. Jaksich	1303 Phoenix Circle Papillion, Nebraska, 68046
S. Gregory Kalinsky	601Deerfield Pond Court Great Falls, Virginia 22066
Donald R. Lyons	4201 Bayshore Boulevard Tampa, Florida 33611
Robert M. Miller	3025 Amherst Avenue Dallas, Texas 75225
Olza M. Nicely, Chairman	805 Nethercliff Hall Road Great Falls, Virginia 22066
Nancy L. Pierce	100 Queen Street Alexandria, Virginia 22314
William E Roberts	6529 79 th Place Cabin John, Maryland 20818
George W. Rogers	5120 Highlands by the Lake Drive Lakeland, Florida 33813

The By-Laws also provide that the Board of Directors may designate one or more Committees (including, but not limited to, an Audit Committee, Executive Committee, Human Resources Committee, Finance Committee and Social Responsibility

Committee), each consisting of such number of Directors (but not less than two) as the Board shall appoint. No committees were noted to exist at the time of this examination.

Officers

According to the By-Laws, the Officers of the Company shall be a Chairman of the Board, President, one or more Vice Presidents, a General Counsel, Secretary, and Treasurer. There also may be a Vice Chairman of the Board, an Actuary, a Controller, an Internal Auditor and such other Officers, Associates and Assistants under appropriate titles as may be necessary or advisable. The terms of office shall be until the next annual meeting of the Board.

At the first meeting of the Board of Directors of GEICO Choice Insurance Company, held on June 21, 2011, the following persons were elected for the positions indicated:

<u>Name</u>	<u>Position</u>
Olza M. Nicely	Chairman of the Board, President & Chief Executive Officer
William E. Roberts	Executive Vice President
Michael H. Campbell	Senior Vice President & Chief Financial Officer
S. Gregory Kalinsky	Senior Vice President & Chief Information Officer
Donald R. Lyons	Senior Vice President
Robert M. Miller	Senior Vice President
Warren A Klawitter	Vice President & Chief Actuary
William J. McDonald	Controller
Dana K. Prouix	Vice President, General Counsel & Assistant Secretary
William C. E. Robinson	Secretary
Charles G. Schara	Treasurer
Neal M. Craig	Internal Auditor

CORPORATE RECORDS

The Articles of Incorporation have been properly filed with the Secretary of State of the State of Nebraska and with the Nebraska Department of Insurance, as well being published for three consecutive weeks in a legal newspaper of general circulation in Lancaster County according to the provisions of Nebraska Revised Statute §21-20,189. The original By-Laws and other pertinent documents pertaining to the incorporation of the Company have been filed with the Nebraska Department of Insurance. Recorded minutes of the meetings of the Incorporators, Stockholder and Board of Directors were reviewed and appeared to be in order.

The Articles state that the principal office of the company shall be One GEICO Plaza, Washington, DC, and the registered agent of the company shall be 1024 K Street, Lincoln, Nebraska.

FINANCIAL STATEMENT

The following statements reflect the Company's financial condition as of July 31, 2011:

BALANCE SHEET

July 31, 2011

Assets

Cash	<u>\$25,000,000</u>
Total assets	<u>\$25,000,000</u>

Liabilities, Capital and Surplus

Common capital stock	\$10,000,000
Paid in and contributed surplus	<u>15,000,000</u>
Total capital and surplus	<u>\$25,000,000</u>
Total liabilities, capital and surplus	<u>\$25,000,000</u>

ASSETS

Cash **\$25,000,000**

On July 27, 2011, the Company received cash from its parent, GEICO Corporation, for the initial capitalization of the Company. This asset was verified by obtaining a copy of the bank statement, from the Company and confirmation from the bank.

LIABILITIES, CAPITAL AND SURPLUS

Common Capital Stock, Issued and Outstanding **\$10,000,000**

The Company's 10,000,000 outstanding shares were purchased by the GEICO Corporation. Ten Million Shares were purchased on June 27, 2011 for \$2.50 per share pursuant to the stock subscription agreement. The par value of the shares is \$1.00 per share, \$10,000,000 in total; therefore the excess paid of \$15,000,000 is in paid-in and contributed surplus.

Paid In and Contributed Surplus **\$15,000,000**

This amount is the \$15,000,000 paid by GEICO Corporation on July, 27, 2011, in excess of the \$10,000,000 par value of the Company's shares of common capital stock.

The contribution was pursuant to resolutions of the GEICO Corporation Board of Directors, and was confirmed by reviewing the Company's bank statement and confirmation received from the bank.

GENERAL COMMENTS

In accordance with Nebraska Revised Statute §44-208, " No domestic insurance company shall issue, cause, or allow to be issued any stock or stock subscriptions at any time upon which all expenses of distribution and sale, including promotion, commissions, and underwriting fees, exceed ten percent of the amount paid in money upon such stock or stock subscriptions".

Affidavits signed by the incorporators of the Company stating that none of the assets of the Company have been pledged or in any manner impaired, and further state that all of the known expenses unpaid are estimated to be zero, have been obtained.

CONCLUSION

Capital, surplus, and organizational expense limitations have been met by the Company as required by the Nebraska Insurance Statutes. All items reviewed appeared properly stated. It is recommended that a Certificate of Authority be granted to this Company to transact the business of insurance as provided under Nebraska Revised Statute §44-201(1).

Respectfully submitted



Linda K. Scholl, CFE
Financial Examiner
Nebraska Department of Insurance