The California Department of Insurance ("Department"), Government Employees Insurance Company and its affiliates (collectively, “GEICO” or “Respondent”) and the Consumer Federation of California (“CFC” or “Petitioner”) (the Department, GEICO and CFC are collectively referred to herein as the “Parties”) hereby stipulate and agree as follows:

RECITALS

A. The Department has jurisdiction over Respondent who is, and at all relevant times was, an insurer licensed to transact the business of insurance in California.

B. At all relevant times, Respondent transacted the business of insurance in California on risks or lines subject to the provisions of the California Insurance Code and the California Code of Regulations.

C. On February 12, 2015, CFC filed a Petition for Finding of Non-Compliance and Order to Show Cause, Petition for Hearing, Petition to Participate, Petition to Intervene and Notice of Intent to Seek Intervenor Compensation (collectively, “Petition”) against GEICO alleging that GEICO violated various sections of Chapter 9 of the California Insurance Code and section 51 of the California Civil Code.
D. On February 27, 2015, the Insurance Commissioner of the State of California (“Commissioner”) granted CFC's Petition to Intervene.

E. On March 3, 2015, GEICO filed its Response to the Petition, denying all of the Petition’s material allegations.

F. On March 20, 2015, CFC filed its Reply to GEICO’s Response.

G. On March 3, 2015, GEICO requested that the Department and CFC enter into the informal conciliation process set forth in California Insurance Code Section 1858.01 et seq. in order to attempt to resolve this matter without the need for a hearing.

H. On April 7, 2015, CFC agreed to extend the statutory deadline for the Commissioner to issue a determination regarding probable cause pursuant to California Insurance Code Section 1858.01(a) to June 15, 2015. CFC also agreed to extend the statutory deadline for the Commissioner to issue a decision regarding the Petition for Hearing pursuant to California Insurance Code Section 1858.01(b) to July 15, 2015.

I. On April 10, 2015, the Commissioner issued the Order Directing Informal Conciliation.

J. In furtherance of the informal conciliation process, the Parties reviewed significant data and information that GEICO and CFC shared in advance of informal conciliation.

K. On June 8, 2015, the Parties participated in an informal conciliation session.

L. On June 11, 2015, CFC agreed to extend the statutory deadline for the Commissioner to issue a determination regarding probable cause to June 29, 2015. CFC also agreed to extend the statutory deadline for the Commissioner to issue a decision regarding the Petition for Hearing to July 29, 2015.

M. On June 19, 2015, CFC agreed to extend the statutory deadline for the Commissioner to issue a determination regarding probable cause to July 7, 2015.
N. On June 30, 2015, the Parties participated in another informal conciliation session, and reached an agreement to settle all claims and causes of action asserted, or which could have been asserted, in the Petition, on the terms set forth below.

O. On July 1, 2015, CFC agreed to waive indefinitely the statutory deadline for the Commissioner’s probable cause determination and a decision regarding the Petition for Hearing, pending finalization of the Parties’ settlement agreement.

P. The Parties believe that it is in the public interest to resolve this matter without the need for a hearing or any further administrative action.

Q. The Parties respectfully request that the Commissioner adopt the terms and conditions of the settlement set forth herein, and approve the Settlement Stipulation and Consent Order (“Settlement Stipulation”) as fundamentally fair, reasonable, adequate and in the interests of justice.

**STIPULATION**

1. This Settlement Stipulation represents the complete and final settlement that resolves all issues, claims and causes of action that were asserted, or could have been asserted, based upon the facts alleged in the Petition.

2. For all California applicants who apply for GEICO automobile insurance coverage via GEICO’s internet website, www.geico.com, and who qualify as good drivers under California Insurance Code Section 1861.025 (collectively, “California Good Drivers”), GEICO will not use the term “Lowest Limits” or any similar language on its internet website to describe an automobile insurance policy or a quote for any automobile insurance policy other than for a policy that provides the minimum financial responsibility coverage limits per California Insurance Code Section 1861.15 and Vehicle Code Section 16056.

3. Except as provided in paragraph 5 below, for all California Good Drivers who complete an application for GEICO automobile insurance via GEICO’s internet website, www.geico.com, the first quote presented by GEICO to the California Good
Driver shall be for a policy that provides the minimum financial responsibility coverage limits per Insurance Code Section 1861.15 and Vehicle Code Section 16056.

4. GEICO will not use level of education or occupation for determination of coverage limit offers that are presented to California Good Drivers via www.geico.com. Except as provided in paragraph 5 below, GEICO also will not use history of prior insurance coverage for determination of the coverage limit offers that are presented to California Good Drivers via www.geico.com.

5. (a) Where a California Good Driver’s application indicates an existing automobile insurance policy that provides bodily injury liability coverage in amounts in excess of $15,000 per person and $30,000 per accident, GEICO shall have the option to present as the first quote to the California Good Driver via www.geico.com, an offer of coverage that most closely matches the California Good Driver’s current bodily injury liability coverage limits. For the California Good Drivers described in this subparagraph, GEICO shall also provide them as an option, a minimum financial responsibility coverage limits quote that shall be displayed via www.geico.com with prominence substantially similar to the first quote GEICO presents to the California Good Driver.

(b) Where a California Good Driver’s application indicates that one or more vehicles to be insured on the policy are financed, GEICO shall have the option to include in all quotes provided to the California Good Driver via www.geico.com, comprehensive and collision coverage on the financed vehicle(s).

(c) Where a California Good Driver’s application indicates that one or more vehicles to be insured on the policy are leased, GEICO shall have the option to present on all quotes to the California Good Driver via www.geico.com, coverages and coverage limits that are typically required in vehicle lease contracts. Currently most leases require bodily injury liability limits of $100,000 per person and $300,000 per accident, property damage liability limits of $50,000, and collision and comprehensive coverages.

6. For quotes for minimum financial responsibility coverage limits provided to
California Good Drivers via www.geico.com as described in paragraphs 3 and 5 above, GEICO may advise the California Good Driver that such a quote is for the minimum financial responsibility coverage limits mandated by California law, that such coverage limits may not afford adequate protection, and that the California Good Driver should examine other options set forth on www.geico.com and/or consult with a GEICO representative to make an informed decision on appropriate coverages and coverage limits.

7. For all California Good Drivers who complete an application for automobile insurance on www.geico.com, GEICO will present the same plans for payment of policy premium on all quotes provided to California Good Drivers.

8. Within one hundred and twenty (120) days following the Commissioner’s approval of this Settlement Stipulation, GEICO shall implement the terms set forth in paragraphs 3 through 7 above on its internet website, www.geico.com (the “Implementation Period”).

9. Unless there is a subsequent change in law or regulation that bars or otherwise requires modification of paragraphs 3 through 6 above, those terms run for a period of three (3) years following the Implementation Period. Notwithstanding the foregoing, GEICO shall not use level of education, occupation or history of prior insurance coverage (except as provided in paragraph 5 above) in the determination of coverage offers presented to California Good Drivers via www.geico.com after the three (3) year term set forth herein expires. Additionally, GEICO will continue to present the same plans for payment of policy premium on all quotes provided to California Good Drivers after the three (3) year term set forth herein expires.

10. The Parties agree to a settlement of Twelve Million Dollars ($12,000,000.00). A settlement payment in the amount of Six Million Dollars ($6,000,000.00) shall be made by GEICO within thirty (30) days after receiving an invoice from the California Department of Insurance, Accounting Services Bureau. GEICO also agrees to submit to audits of its compliance with paragraphs 2 through 7 above as set forth
in paragraph 11 below.

11. The audits of GEICO’s compliance with paragraphs 2 through 7 above shall be performed every six (6) months during the three (3) years following the Implementation Period, except that the first audit shall be performed two (2) months following the Implementation Period. Such audits shall be performed by the Department, subject to the Audit Plan attached hereto and incorporated herein as Exhibit A. GEICO shall pay all reasonable audit costs. If an audit demonstrates that GEICO has not substantially complied with paragraphs 2 through 7 above at any time during the three (3) years following the Implementation Period, GEICO shall make an additional Six Million Dollar ($6,000,000.00) settlement payment within thirty (30) days following the Department’s determination that GEICO has not substantially complied with paragraphs 2 through 7 above. If all of the audits demonstrate that GEICO has substantially complied with paragraphs 2 through 7 above, GEICO shall be fully and completely released from making any additional settlement payment.

12. For the purposes of ratemaking, any amount paid pursuant to this settlement shall be treated, in any GEICO rate filing, as an excluded expense pursuant to California Code of Regulations Title 10, Section 2644.10.

13. CFC withdraws its Petition and fully and unconditionally waives, releases and forever discharges GEICO from any and all claims, demands, causes of action, obligations, damages, and liabilities of whatever kind or nature, in law or in equity, known or unknown, suspected or unsuspected, that relate to or arise from any of the matters asserted, or which could have been asserted based upon the facts alleged, in the Petition, for acts that occurred or may have occurred through the conclusion of the Implementation Period.

14. CFC acknowledges that it is familiar with the provisions of California Civil Code Section 1542, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her
favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

CFC hereby expressly waives with respect to the matters asserted, or which CFC could have asserted based upon the facts alleged in the Petition, any rights it may have under California Civil Code Section 1542 or under any other statutes or common law doctrines of similar effect.

15. The Parties understand and acknowledge that CFC will seek an award of fees and costs in this matter. Nothing contained in paragraphs 13 and 14 shall impair, release or waive CFC’s ability to seek such an award. GEICO reserves all of its rights to oppose CFC’s request for an award of fees and costs, in whole or in part, in this matter.

16. This Settlement Stipulation is conditioned on and will not be effective unless the Commissioner adopts the terms and conditions set forth herein and approves this Settlement Stipulation as fundamentally fair, adequate, reasonable and in the interests of justice.

17. This Settlement Stipulation is made solely for the purpose of reaching a compromise among the Parties. The Parties agree that drafts, correspondence, or statements made by any party in negotiating this Settlement Stipulation are confidential and shall not be admissible or discoverable for any purpose in any proceeding. Pursuant to Title 10, Section 2656.4(c) of the California Code of Regulations, this Settlement Stipulation shall not constitute approval of or precedent for any principle or issue in any other proceeding.

18. The Parties understand, acknowledge and agree that neither this Settlement Stipulation nor anything contained herein constitutes an admission of liability on the part of GEICO or an admission of a violation of any federal, state or local law, decision, rule, regulation or ordinance; nor does this Settlement Stipulation, or anything contained herein, constitute an acknowledgment or admission of the validity of any allegations or claims asserted by CFC in the Petition, it being expressly understood, acknowledged and agreed
by CFC and the Department that all such allegations and claims are in all respects denied by GEICO.

19. This Settlement Stipulation constitutes the entire agreement and understanding concerning the matters addressed herein and replaces all prior settlement discussions and agreements, and may only be modified by a writing signed by all Parties.

20. The Parties acknowledge that this Settlement Stipulation is a public record as required by Government Code section 11517(d) and that this Settlement Stipulation will be accessible to the public pursuant to the Public Records Act, Government Code sections 6250 et seq. The Settlement Stipulation will be posted on the Department’s website pursuant to California Insurance Code section 12968.

21. This Settlement Stipulation includes all acts addressed in the Petition through the conclusion of the Implementation Period. Nothing in this Settlement Stipulation precludes the Department or CFC from pursuing further action against Respondent for failure to correct the actions which are the subject of this Settlement Stipulation.

22. Nothing contained in this Settlement Stipulation constitutes a limitation upon, or a waiver of the rights and powers of the Commissioner to enforce any California law, to examine the rating, underwriting and any other business practices of Respondent, to take corrective or disciplinary action, to assess penalties against Respondent as provided for by law, or to take such other action as necessary to protect the public. But the Department shall not seek any additional penalty against Respondent based on any of the allegations contained in the Petition arising from acts occurring through the conclusion of the Implementation Period.

23. The Commissioner shall retain jurisdiction for the purpose of interpreting and enforcing the provisions and terms of this Settlement Stipulation.

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IT IS SO STIPULATED.

<table>
<thead>
<tr>
<th>Dated: ________________</th>
<th><strong>GOVERNMENT EMPLOYEES INSURANCE COMPANY AND ITS AFFILIATES</strong></th>
</tr>
</thead>
</table>
| By:                    | **Robert W. Hoffman**  
                        | **Steven H. Frankel**  
                        | **DENTONS US LLP**  
                        | **525 Market Street, 26th Floor**  
                        | **San Francisco, California  94105**  
                        | **Attorneys for Government Employees Insurance**  
                        | **Company and its affiliates** |

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<tr>
<th>Dated: ________________</th>
<th><strong>THE CALIFORNIA DEPARTMENT OF INSURANCE</strong></th>
</tr>
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</table>
| By:                    | **Nikki S. McKennedy**  
                        | **THE CALIFORNIA DEPARTMENT OF INSURANCE**  
                        | **Legal Division, Rate Enforcement Bureau**  
                        | **45 Fremont Street, 21st Floor**  
                        | **San Francisco, California  94105**  
                        | **Attorneys for the California Department of Insurance** |

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<tr>
<th>Dated: ________________</th>
<th><strong>CONSUMER FEDERATION OF CALIFORNIA</strong></th>
</tr>
</thead>
</table>
| By:                    | **Richard Holober**  
                        | **Aaron Lewis**  
                        | **CONSUMER FEDERATION OF CALIFORNIA**  
                        | **1107 9th Street, Suite 625**  
                        | **Sacramento, California  95814**  
                        | **Mark A. Chavez**  
                        | **Jonathan E. Gertler**  
                        | **CHAVEZ & GERTLER, LLP**  
                        | **42 Miller Avenue**  
                        | **Mill Valley, California  94941**  
                        | **Attorneys for Consumer Federation of California** |
BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA

In the Matter of the Rates Charged, Rating Plan, Rating Systems, Rates and Underwriting Rules of:
GOVERNMENT EMPLOYEES INSURANCE COMPANY AND ITS AFFILIATES,
Respondent.

ORDER

Having reviewed the Parties’ Settlement Stipulation and good cause appearing, I approve the terms of the Settlement Stipulation and adopt those terms as the Order of the Insurance Commissioner of the State of California in this matter.

Dated: ____________________, 2015

DAVE JONES
Insurance Commissioner

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EXHIBIT A
AUDIT PLAN

Pursuant to Paragraph 11 of the Settlement Stipulation and Consent Order ("Settlement Stipulation"), the Department will audit GEICO’s compliance with Paragraphs 2 through 7 of the Settlement Stipulation during the three years following the Implementation Period, as follows:

1. For each audit, the Department will test www.geico.com to determine whether GEICO does the following:
   a. Does not use the term "Lowest Limits" or any similar language to describe an automobile insurance policy or a quote for any automobile insurance policy other than for a policy that provides the minimum financial responsibility coverage limits set forth in California Insurance Code Section 1861.15 and California Vehicle Code Section 16056.
   b. Presents as the first quote to a California Good Driver, a quote for a policy that provides the minimum financial responsibility coverage limits set forth in California Insurance Code Section 1861.15 and California Vehicle Code Section 16056, except as provided in paragraphs 2.a through 2.c below.
   c. Does not use level of education or occupation for determination of the coverage limit offers presented to California Good Drivers and, except as provided in paragraph 2.a below, does not use history of prior insurance coverage for determination of coverage limit offers presented to California Good Drivers via www.geico.com.
   d. Presents the same plans for payment of policy premium on all quotes provided to California Good Drivers via www.geico.com.

2. The Department’s audit will also test www.geico.com for the following exceptions to paragraphs 1.b and 1.c above.
   a. Where a California Good Driver’s application indicates an existing automobile insurance policy that provides bodily injury liability coverage in amounts in excess of $15,000 per person and $30,000 per accident (“15/30”), GEICO may present as the first quote an offer of coverage that most closely matches the California Good Driver’s current bodily injury liability coverage limits from the available coverages and coverage limits GEICO offers to California Good Drivers. In such a case, GEICO will also provide as an option a minimum financial responsibility coverage limits quote via www.geico.com that is displayed with prominence substantially similar to the first quote GEICO presents to the California Good Driver.

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1 For quotes for minimum financial responsibility coverage limits provided to California Good Drivers via www.geico.com, GEICO may advise California Good Drivers that such a quote is for the minimum financial responsibility coverage limits mandated by California law, that such coverage limits may not afford adequate protection, and that California Good Drivers should examine other options set forth on www.geico.com and/or consult with a GEICO representative to make an informed decision on appropriate coverages and coverage limits.
b. Where a California Good Driver’s application indicates that one or more vehicles to be insured on the policy are financed, GEICO may include in all quotes, including the first quote, comprehensive and collision coverages on the financed vehicle(s).

c. Where a California Good Driver’s application indicates that one or more vehicles on the policy are leased, GEICO may include in all quotes, including the first quote, coverages and coverage limits typically required in lease contracts (currently, bodily injury liability limits of $100,000 per person and $300,000 per accident, property damage liability limits of $50,000, and collision and comprehensive coverages).

3. To determine compliance with paragraphs 1 and 2 above, the Department will run test cases through www.geico.com that meet the criteria listed below. A single test case may fulfill more than one criterion. The provisions of paragraph 1.a (use of the term “Lowest Limits”) and paragraph 1.d (same payment plans) should be observed for all test cases.

a. A test case where a California Good Driver does not have current insurance.

b. A test case where a California Good Driver has current insurance with Bodily Injury Liability Limits of 15/30.

c. A test case where a California Good Driver has current insurance with Bodily Injury Liability Limits in excess of 15/30.

d. A test case where a California Good Driver has current insurance, but answers “Not Sure” to the question about current Bodily Injury Liability Limits.

e. A test case where one or more vehicles to be insured on the policy are financed.

f. A test case where one or more vehicles to be insured on the policy are leased.

g. Test cases that include various levels of education and various occupations for the California Good Driver.

h. Test cases that vary the marital status, sex and age of the California Good Driver.

4. Appendix 1 provides a sample matrix of twenty potential test cases to test. The audit should not follow these scenarios precisely but should be guided by the types of variation provided in the sample matrix.

5. At the conclusion of each audit, the Department will provide GEICO with the “reference number” generated for each test conducted on www.geico.com, and the Department’s determination of whether or not GEICO has substantially complied with the provisions of paragraphs 2 through 7 of the Settlement Stipulation.
6. If the Department determines there has been substantial non-compliance and GEICO disagrees with the Department's substantial non-compliance determination, GEICO reserves all of its rights to seek administrative and judicial review.
## APPENDIX 1

<table>
<thead>
<tr>
<th>Primary Driver Characteristics</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td>Male, female</td>
</tr>
<tr>
<td>Age</td>
<td>20, 30, 45, 67</td>
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<tr>
<td>Seat Status</td>
<td>Single, Married, Divorced</td>
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<tr>
<td>Occupation</td>
<td>Janitor, Retail Cashier, Factory Worker, Teaching Assistant, Bank Officer, Retired, Unemployed, Factory Worker, Bank Officer, Teaching Assistant, Unemployed</td>
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<tr>
<td>Level of Education Achieved</td>
<td>Completed</td>
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<tr>
<td>Do you currently have insurance</td>
<td>Yes, No, I haven't needed insurance, No, my insurance ran out</td>
</tr>
<tr>
<td>Years with current insurance company</td>
<td>less than 1, 1 to 3, 10</td>
</tr>
<tr>
<td>Car Ownership Type</td>
<td>Owned, Financed, Leased</td>
</tr>
<tr>
<td>Current Bodily Injury Limits</td>
<td>15/30, 50/100, Not Sure</td>
</tr>
<tr>
<td>Characteristics of secondary driver(s)</td>
<td>Male, same characteristics</td>
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