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One GEICO Plaza ■ Washington, D.C. 20076-0001

August 19, 2025

Via Email

Attn: The Honorable Gary Brewer

Chairman of the House Insurance Rate Review and Ad Hoc Committee

Dear Chairman Brewer and Distinguished Members of the House Insurance Rate Review Ad Hoc Committee:

GEICO appreciates the Ad Hoc Committee's review of the insurance market in South Carolina. We would like to provide a brief overview of GEICO's presence in South Carolina, examine recent trends and abuses in the legal system that impact rates and offer reforms that could reduce costs.

### **Background Information on GEICO**

GEICO is the third largest national private passenger automobile insurer, with approximately 16.7 million policyholders in the United States. GEICO is the fifth largest private passenger automobile insurer in South Carolina, with 9% of the market. We also provide commercial auto insurance. GEICO is committed to the South Carolina market and has plans to expand selling our products through independent agents in the near future.

### **Economic Trends Impacting South Carolina Rates**

Dr. Robert Hartwig, a University of South Carolina's Darla Moore School of Business professor, stated in his testimony to this Committee that insurers faced significant inflation and other cost drivers in 2021-22, including increases in: 1) repair costs, due in part to supply chain issues and labor shortages; 2) used car prices; 3) vehicle theft; and 4) medical costs. While used car prices and the number of thefts have moderated, troubling trends persist with medical and repair costs.

First, costs for bodily injury automobile accident claims continue to increase in South Carolina. Since 2020, the average cost of these claims has increased from \$15,000 to over \$22,000, which can impact premiums.

Second, South Carolina is in the minority of states that prohibits an insurer from offering consumers the option to lower their premiums by assuming a small part of the cost ("deductible") on claims to replace broken windshield glass. Additionally, as there is no out of pocket cost to the consumer, glass repair shops are incentivized to recommend unnecessary windshield replacement even when repairing the windshield (at a lower cost) would be within safety recommendations. These unnecessary windshield replacements increase costs and can impact rates for consumers in the long run.

Solution: Enact legislation removing the statutory prohibition on offering a windshield glass deductible (insured's out of pocket cost), giving consumers more choices to lower their costs and reduce the incentive to replace windshield glass when lower cost repair is appropriate.

Additionally, the legislature has discussed raising the minimum amounts of auto insurance coverage that a consumer must purchase. When considering these proposals in the future, we encourage the legislature to consider that increasing these required amounts typically results in increased premiums.

### **Legal System Abuse Adds Costs for Consumers**

The National Association of Insurance Commissioner (NAIC) is the standard setting body for insurance and provides support for state insurance departments. The NAIC produces data regarding average expenditure

and U.S. Census Bureau average household income data by state to explain how auto insurance costs varies by state. The NAIC reports that, as of 2023, the latest year for which there is data, South Carolina has the 5<sup>th</sup> highest share of household income spent on auto insurance. The only states with higher shares were Louisiana, Florida, Michigan, and Mississippi. Notably, Louisiana (2025) and Florida (2023) recently enacted legal system reforms to address these costs and Florida is already reporting positive impacts on cost.

According to the American Tort Reform Association, every South Carolinian pays an annual \$886 “tort tax” (\$3,544 for a household of four) due to unnecessary and abusive litigation, which raises the costs of products and services for consumers. There are several contributing factors in South Carolina.

First, there is a troubling trend of deceptive medical billing practices that add unnecessary costs to the legal system. In some instances, South Carolinians, following an auto accident, are directed by plaintiff’s attorneys to treatment facilities that agree to treat an injured person without immediate payment, in exchange for a claim on the patient’s future settlement. These facilities bypass Medicaid, Medicare, and private health insurance to avoid having to accept the agreed-to lower reimbursement rates. The treatment facility then submits higher bills for treatments to the insurer, which become the basis for calculating “economic damages” (cost of treatment for the injury) for a bodily injury claim. These inflated “phantom” bills are presented as evidence of the cost of treatment in court cases; however, the treatment facility actually accepts significantly less than that amount to resolve the bill. This creates an unjustified windfall for the injured party and their attorney. Such costly abuses can affect rates for all policyholders. We encourage the committee to require that the amount actually paid be introduced as evidence of the cost of treatment (instead of the amount billed) and require claimants to be reimbursed by the insurer for the cost of treatment that was actually paid, rather than what was billed.

Second, South Carolina is unique among Southeastern states in requiring insurers to provide coverage for punitive damages (money awarded to a plaintiff that is beyond what is needed to make them whole from the accident; it is intended solely to punish the defendant). Requiring insurers to include punitive damages in insurance coverage drives up rates for all South Carolina policyholders because claims costs are used to develop rates. We encourage the legislature to allow insurers to exclude coverage for punitive damages in an auto insurance policy, aligning South Carolina with the other Southeastern states and avoiding the cost of these damages being shared with all the state’s policyholders.

Third, in South Carolina, 38% of the settlement demands made to GEICO require GEICO to accept the demand in less than 30 days and many do not include sufficient information to properly evaluate a claim, come with complicated conditions, and typically demand the policy limits. GEICO is committed to ensuring the prompt payment of legitimate claims. However, these demands challenge the ability to properly settle claims, leading to increased litigation costs. One solution to this is to enact the language included in Senator Massie’s 2025 Bill 244, which establishes a reasonable period of time to respond to a demand and requires sufficient information to support the demand. Such legislation would reduce unnecessary litigation costs by enabling insurers to promptly investigate claims and offer settlements to claimants.

On behalf of GEICO, I would like to thank the Committee for considering our comments and for addressing these important issues.

Sincerely,



Joseph Termini, Jr., Esq.  
Senior Manager, Government and Regulatory Affairs