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11th Circ. Geico Ruling Underscores Bad Faith Test

By **Juan Garrido** (October 21, 2025, 4:01 PM EDT)

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In its Sept. 23 decision in Martinez v. Geico Casualty Insurance Co., the U.S. Court of Appeals for the Eleventh Circuit affirmed the district court's order granting summary judgment for Geico and held that under the totality of the circumstances test, it did not act in bad faith in its handling of an auto accident claim with multiple claimants.[1]

Background and Facts

On Feb. 12, 2009, Katherine Martinez was one of five passengers in an SUV involved in a three-vehicle accident. Martinez and another passenger, Stephanie Mejia, were both severely injured and airlifted to the hospital.

Diana Guevara was driving the truck that struck the SUV. Guevara, who was insured under an auto policy issued by Geico, reported the accident on Feb. 18, 2009. The policy provided bodily injury coverage up to $10,000 per person, but no more than $20,000 total per accident.

Upon notice of the claim, Greg Santini, a Geico claims manager, identified a coverage issue as the truck that Guevara was driving was not listed on the policy.

On Feb. 20, 2009, Geico began trying to obtain the police report from the crash to learn the identities of the SUV passengers and the details of the incident. Geico received the police report on March 5, 2009. Despite the existence of coverage issues, on March 22, 2009 — 32 days after receiving notice of the claim — Geico informed the SUV passengers that it had tendered the full $20,000 to resolve all claims at a global settlement conference, which was taking place on April 30, 2009.

At the conference, Geico determined that the $20,000 aggregate-coverage limit would be split evenly between Mejia and Martinez, with each receiving the individual coverage limit. Mejia accepted the tender, but Martinez rejected the offer on Sept. 23, 2009, and filed suit in state court against Guevara.

After nine years of litigation in state court, Guevara and Martinez reached a stipulated final judgment for $2 million. Guevara assigned her rights under the policy to Martinez, who in turn sued Geico in federal court alleging one count of bad faith. The U.S. District Court for the Southern District of Florida granted Geico's motion for summary judgment and Martinez appealed.

Florida Bad Faith Law

According to the 2018 Florida Supreme Court decision in Harvey v. Geico General Insurance Co., Florida law "imposes a fiduciary obligation on an insurer to protect its insured from a judgment that exceeds the limits of the insured's policy."[2]

Further, per the court's 1980 decision in Boston Old Colony Insurance Co. v. Gutierrez:

> Because the insured 'has surrendered to the insurer all control over the handling of the claim, including all decisions with regard to litigation and settlement, ... the insurer must assume a duty to exercise such control and make such decisions in good faith and with due regard for the interests of the insured.'[3]

In a 2023 ruling in Ilias v. USAA General Indemnity Co., the Eleventh Circuit held that under this duty of good faith, insurers generally:

> have obligations to advise the insured of settlement opportunities, to advise as to the probable outcome of the litigation, to warn of the possibility of an excess judgment, and to advise the insured of any steps he might take to avoid the same, as well as to investigate the facts, give fair consideration to a settlement offer that is not unreasonable under the facts, and settle, if possible, where a reasonably prudent person, faced with the prospect of paying the total recovery, would do so.[4]

According to the Harvey court, the critical inquiry in assessing bad faith is whether, under the totality of the circumstances, the insurer "diligently, and with the same haste and precision as if it were in the insured's shoes, worked on the insured's behalf to avoid an excess judgment."[5] To prevail on a bad-faith claim, per Ilias, a plaintiff must prove "(1) bad faith conduct by the insurer, which (2) causes an excess judgment to be entered against the insured."[6]

The Eleventh Circuit's Decision

On appeal, Martinez argued that Geico acted in bad faith based on its timing of the investigation and the settlement offer, as well as its conduct after the offer. Martinez argued that Geico's bad faith can be inferred from its failure to timely investigate the claim, pointing to its delays in obtaining the police report and contacting the SUV passengers once it had obtained the report.

The court noted that while Geico did not review the police report for over two weeks after receiving notice of the crash, that gap in time alone says little about the reasonableness of its conduct here because the claims manager instructed the adjuster to obtain a copy of the report on the same day he received notice of the claim.

By promptly seeking the police report, Geico proceeded with "the same degree of care and diligence" as it would "in the management of his own business." The court also noted that although the gap in time in obtaining the report "may show some negligence" on Geico's part, that was not enough to establish that the insurer delayed its investigation in bad faith.

Although an insurer's negligence can be "relevant to the question of [bad] faith," negligence "is not the standard."[7] The court also found that the undisputed facts showed that Geico pursued its investigation with the requisite "diligence and thoroughness," by promptly making a settlement offer even when coverage was uncertain.

Martinez also asserted that Geico acted in bad faith by failing to tender the $20,000 aggregate coverage limit for a global settlement before March 22, 2009, and by not offering her the $10,000 individual-coverage limit before the settlement conference.

Under a 1991 ruling from the Florida Third District Court of Appeal, Powell v. Prudential Property & Casualty Insurance Co., Florida law provides that "[w]here liability is clear, and injuries [are] so serious that a judgment in excess of the policy limits is likely, an insurer has an affirmative duty to initiate settlement negotiations."[8]

Florida's courts have provided guidance about the meaning of the word "clear" by using the synonym "obvious."[9] However, the Eleventh Circuit noted that "when an insurer faces both an affirmative duty to offer settlement and a coverage issue, it still must be allowed some opportunity to resolve the coverage dispute promptly" or with the requisite "diligence and thoroughness."

Geico, therefore, was allowed to make a reasonable evaluation before making a settlement offer, as there were conflicting opinions on liability.

The court also held that by withholding its distribution of the policy limits until the global settlement conference, the insurer actually furthered its insured's best interests by structuring a settlement plan that would "minimize the magnitude of possible excess judgments" against her, as an insurer has no obligation to immediately pay out the policy limit to the most injured party when faced with multiple injured claimants.

In conclusion, the court held that, under the totality of the circumstances, Geico's conduct in investigating the claim, initiating settlement negotiations and refusing to settle for above the policy limit failed to constitute bad faith as a matter of law.

Legal Implications

This decision is significant because it illustrates the importance of quickly gathering facts and evaluating a claim where there is the potential for bad faith, especially in cases with multiple claimants who are competing for insufficient limits. It also demonstrates the significance of promptly making a settlement offer to resolve all claims, even when coverage is uncertain.

Finally, the court's opinion emphasized that negligence "is not the standard" for bad faith, and while some facts may show negligence on the part of the insurer, the insurer can overcome a bad faith suit by being diligent in its investigation and settlement efforts.

Juan Garrido is counsel at Cozen O'Connor.

[1] Martinez v. Geico Casualty Insurance Company , 2025 WL 2699231 (11th Cir. Sept. 23, 2025).

[2] Harvey v. Geico Gen. Ins. Co. , 259 So. 3d 1, 6 (Fla. 2018).

[3] Boston Old Colony Ins. Co. v. Gutierrez , 386 So. 2d 783, 785 (Fla. 1980)).

[4] Ilias v. USAA Gen. Indem. Co. , 61 F.4th 1338, 1344 (11th Cir. 2023).

[5] Harvey, 259 So. 3d at 7.

[6] Ilias, 61 F.4th at 1344 (citing Perera v. U.S. Fid. & Guar. Co. , 35 So. 3d 893, 899 (Fla. 2010)).

[7] Harvey, 259 So. 3d at 9 (quoting Boston Old Colony Ins. Co. v. Gutierrez , 386 So. 2d 783, 785 (Fla. 1980)).

[8] Powell v. Prudential Prop. & Cas. Ins. Co. , 584 So. 2d 12, 14 (Fla. 3d DCA 1991).

[9] Id.
