

MARKET CONDUCT EXAMINATION REPORT

OF

UNITED SERVICES AUTOMOBILE ASSOCIATION

USAA GENERAL INDEMNITY COMPANY

GARRISON PROPERTY & CASUALTY
INSURANCE COMPANY

USAA CASUALTY INSURANCE COMPANY

AS OF

AUGUST 31, 2014

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

Property and Casualty Division
Market Conduct Section

COMMONWEALTH OF VIRGINIA



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I, Karen S. Gerber, Senior Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of United Services Automobile Association, USAA General Indemnity Company, Garrison Property & Casualty Insurance Company, and USAA Casualty Insurance Company as of August 31, 2014, conducted at the companies' office in Chesapeake, Virginia is a true copy of the original Report on file with the Bureau and also includes a true copy of the companies' response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case No. INS-2017-00190, finalizing the Report.

IN WITNESS WHEREOF, I have
hereunto set my hand and affixed
the official seal of the Bureau
at the City of Richmond, Virginia,
this 3rd of November, 2017.

Karen S. Gerber
Examiner in Charge

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a comprehensive examination has been made of the private passenger automobile and homeowner lines of business written by USAA Casualty Insurance Company, USAA General Indemnity Company, Garrison Property & Casualty Insurance Company, and United Services Automobile Association at their office in Chesapeake, Virginia.

The examination commenced March 30, 2015 and concluded November 6, 2015. Brandon Ayers, Andrea D. Baytop, William T. Felvey, Karen S. Gerber, Ju'Coby Hendrick, Rick Howell, Melody Morrissette, and Gloria V. Warriner, examiners of the Bureau of Insurance, and Joyclyn M. Morton, Market Conduct Manager of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Examination Tracking System on March 11, 2015 and was assigned the examination number of VA177-M14. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners Market Regulation Handbook.

COMPANY PROFILES*

The USAA family of companies, which owns and/or manages assets of over \$180 billion, provides a wide range of insurance and financial products including property and casualty insurance, life and health insurance, annuities, no-load mutual funds, discount brokerage, financial planning, credit cards, banking and finance services.

The USAA General Indemnity Company was incorporated under the laws of Texas on June 23, 1972. It began business on August 2, 1972. Paid up capital of \$4,500.00 consists of 45,000 common shares at \$100 par value each. There are 50,000 shares authorized.

* Source: Best's Insurance Reports, Property & Casualty, 2013 Edition.

Garrison Property and Casualty Insurance Company was formed in Missouri on December 1, 1900 as a reciprocal exchange by Bruce Dodson. Sponsors were a group of twelve subscribers and a five member advisory committee. Underwriting commitments at the beginning were confined exclusively to brewing industry fire insurance risks. The original title was Brewers' Exchange. The name of Reciprocal Exchange was adopted in 1905 and the current title was adopted on June 8, 1998. The company redomesticated to San Antonio, Texas on December 21, 1998. Effective November 1, 2003, the company converted from a reciprocal to a stock company bearing the name of Garrison Property and Casualty Insurance Company.

The USAA Casualty Insurance Company was originally incorporated on September 6, 1968, under the laws of Texas and began business on December 1, 1969. The company operated under the title United Services Casualty Insurance Company until December 2, 1970, when the current title was adopted. Effective July 16, 1990, the company merged with and into the USAA Casualty Insurance Company of Florida and redomesticated from San Antonio, Texas, to Tampa, Florida. Effective January 1, 2000, the company redomesticated from Florida back to Texas. Simultaneously, the name was changed back to USAA Casualty Insurance Company.

The table below indicates when the companies were licensed in Virginia and the lines of insurance that the companies were licensed to write in Virginia during the examination period. All lines of insurance were authorized on date the companies were licensed except as noted in the table.

GROUP CODE: 0200	USAA	UCIC	UGIC	GPCI
NAIC Company Number	25941	25968	18600	21253
LICENSED IN VIRGINIA	3/10/1945	12/28/1972	5/1/1975	7/1/1918
LINES OF INSURANCE				
Accident and Sickness				
Aircraft Liability				
Aircraft Physical Damage				
Animal				
Automobile Liability	x	x	x	x
Automobile Physical Damage	x	x	x	x
Boiler and Machinery				
Burglary and Theft				
Commercial Multi-Peril				
Credit				
Farmowners Multi-Peril				
Fidelity				
Fire	x	x	x	x
General Liability	x	x	x	4/20/2005
Glass				
Homeowners Multi-Peril	x	x	x	4/20/2005
Inland Marine	x	x	x	4/20/2005
Miscellaneous Property	x	x	x	x
Ocean Marine	x	x	x	4/20/2005
Surety				
Water Damage				x
Workers' Compensation				

The table below shows the companies' premium volume and approximate market share of business written in Virginia during 2014 for those lines of insurance included in this examination.* This business was developed through independent agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
United Services Automobile Association		
Private Auto Liability	\$145,861,633	5.43%
Private Auto Physical Damage	\$154,765,722	7.69%
Homeowners Multiple Peril	\$184,106,761	9.18%
USAA General Indemnity Company		
Private Auto Liability	\$36,025,362	1.34%
Private Auto Physical Damage	\$39,612,316	1.97%
Homeowners Multiple Peril	\$21,896,248	1.09%
Garrison Property and Casualty Insurance Company		
Private Auto Liability	\$22,248,416	.83%
Private Auto Physical Damage	\$18,852,287	.94%
Homeowners Multiple Peril	\$12,829,396	.64%
USAA Casualty Insurance Company		
Private Auto Liability	\$96,157,118	3.58%
Private Auto Physical Damage	\$88,409,883	4.39%
Homeowners Multiple Peril	\$96,007,138	4.79%

* Source: The 2014 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

SCOPE OF THE EXAMINATION

The examination included a detailed review of the companies' private passenger automobile and homeowner lines of business written in Virginia for the period beginning September 1, 2013 and ending August 31, 2014. This review included rating and underwriting, policy terminations, claims handling, forms, policy issuance,¹ statutory notices, agent licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the companies' operations were consistent with public interest. The Report is by test, and all tests applied during the examination are reported.

This Report is divided into three sections, Part One – The Examiners' Observations, Part Two – Corrective Action Plan, and Part Three – Recommendations. Part One outlines all of the violations of Virginia insurance statutes and regulations that were cited during the examination. In addition, the examiners cited instances where the companies failed to adhere to the provisions of the policies issued on risks located in Virginia. Finally, violations of other related laws that apply to insurers, characterized as "Other Law Violations," are also noted in this section of the Report.

In Part Two, the Corrective Action Plan identifies the violations that rise to the level of a general business practice and are subject to a monetary penalty.

In Part Three, the examiners list recommendations regarding the companies' practices that require some action by the companies. This section also summarizes the violations for which the companies were cited in previous examinations.

The examiners may not have discovered every unacceptable or non-compliant activity in which the companies engaged. The failure to identify, comment on, or criticize

¹ Policies reviewed under this category reflected the companies' current practices and, therefore, fell outside of the exam period.

specific companies' practices does not constitute an acceptance of the practices by the Bureau.

STATISTICAL SUMMARY

The files selected for the review of the rating and underwriting, termination, and claims handling processes were chosen by random sampling of the various populations provided by the companies. The relationship between population and sample is shown on the following page.

In other areas of the examination, the sampling methodology is different. The examiners have explained the methodology for those areas in corresponding sections of the Report.

The details of the errors will be explained in Part One of this Report. General business practices may or may not be reflected by the number of errors shown in the summary.

AREA	Population Sample Requested					FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
	USAA	UGIC	GPCI	UCIC	TOTAL				
Private Passenger Auto									
New Business	<u>23705</u>	<u>20807</u>	<u>9529</u>	<u>18878</u>	<u>72919</u>	40	0	39	98%
	10	10	10	10	40				
Renewal Business ¹	<u>403352</u>	<u>86749</u>	<u>55073</u>	<u>279244</u>	<u>824418</u>	38	0	17	45%
	10	10	10	10	40				
Co-Initiated Cancellations ²	<u>329</u>	<u>107</u>	<u>85</u>	<u>272</u>	<u>793</u>	12	0	3	25%
	13	10	12	9	44				
All Other Cancellations ³	<u>34142</u>	<u>20745</u>	<u>12428</u>	<u>29430</u>	<u>96745</u>	22	0	3	14%
	4	5	4	4	17				
Nonrenewals ⁴	<u>580</u>	<u>226</u>	<u>165</u>	<u>488</u>	<u>1459</u>	17	0	5	29%
	3	5	4	7	19				
Homeowners									
New Business	<u>21389</u>	<u>10427</u>	<u>6743</u>	<u>16259</u>	<u>54818</u>	60	0	24	40%
	15	15	15	15	60				
Renewal Business ⁵	<u>157712</u>	<u>31901</u>	<u>19302</u>	<u>103975</u>	<u>312890</u>	57	0	20	35%
	15	15	15	15	60				
Co-Initiated Cancellations ⁶	<u>1268</u>	<u>177</u>	<u>57</u>	<u>254</u>	<u>1756</u>	26	0	2	8%
	13	11	12	14	50				
All Other Cancellations	<u>30947</u>	<u>12862</u>	<u>6925</u>	<u>19639</u>	<u>70373</u>	18	0	4	22%
	4	5	4	4	17				
Nonrenewals	<u>795</u>	<u>395</u>	<u>182</u>	<u>452</u>	<u>1824</u>	13	0	3	23%
	3	5	3	2	13				
Claims									
Auto ⁷	<u>25941</u>	<u>18600</u>	<u>21253</u>	<u>25968</u>	<u>91762</u>	170	0	90	53%
	60	38	38	38	174				
Property ⁸	<u>18044</u>	<u>3340</u>	<u>1538</u>	<u>8622</u>	<u>31544</u>	158	0	69	44%
	54	39	32	35	160				

Footnote¹ 2 policies were not renewal business & not reviewed

Footnote² 31 policies were Insured Requested-1 policy was Over 60 and not reviewed

Footnote³ 5 policies were moved from Over 60 to Insured Requested

Footnote⁴ 2 policies were Insured Requested & not reviewed

Footnote⁵ 3 policies were new business & not reviewed

Footnote⁶ 27 policies were not Company Initiated cancellations & not reviewed

Footnote⁷ 3 claims were PIP, 1 claim was created in error & not reviewed

Footnote⁸ 1 claim was auto loss, 1 claim in German & not reviewed

PART ONE - THE EXAMINERS' OBSERVATIONS

This section of the Report contains all of the observations that the examiners provided to the companies. These include all instances where the companies violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the companies violated any other Virginia laws applicable to insurers.

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The Bureau reviewed 40 new business policy files. As a result of this review, the examiners found overcharges totaling \$1,669.17 and undercharges totaling \$494.97. The net amount that should be refunded to insureds is \$1,669.17 plus six percent (6%) simple interest.

- (1) The examiners found three violations of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company misrepresented the premium for the policy term shown on the declarations page.
- (2) The examiners found one violation of § 38.2-1905 C of the Code of Virginia. The company applied surcharge points under its Safe Driver Insurance Plan (SDIP) to a vehicle other than the one customarily driven by the operator responsible for incurring the points.
- (3) The examiners found 28 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In two instances, the company failed to use the correct discounts and/or surcharges.
 - b. In one instance, the company failed to apply the correct surcharge points for accidents and/or convictions.

- c. In 15 instances, the company failed to use the correct symbol and/or model year.
 - d. In six instances, the company failed to use the correct tier eligibility criteria.
 - e. In two instances, the company failed to use the correct driver classification factor.
 - f. In two instances, the company failed to use the correct base and/or final rates.
- (4) The examiners found 38 violations of § 38.2-2210 C of the Code of Virginia. The company failed to provide the 60-day cancellation warning notice when the applicant was not provided a written copy of the application.
- (5) The examiners found four violations of § 38.2-2234 A of the Code of Virginia. The company failed to provide the Credit Adverse Action notice.

Automobile Renewal Business Policies

The Bureau reviewed 38 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$788.54 undercharges totaling \$211.58. The net amount that should be refunded to insureds is \$788.54 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-1905 C of the Code of Virginia. The company applied surcharge points under its Safe Driver Insurance Plan (SDIP) to a vehicle other than the one customarily driven by the operator responsible for incurring the points.
- (2) The examiners found 23 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
- a. In two instances, the company failed to use the correct discounts and/or

surcharges.

- b. In four instances, the company failed to use the correct symbol and/or model year.
- c. In one instance, the company failed to use the correct territory.
- d. In seven instances, the company failed to use the correct tier eligibility criteria.
- e. In seven instances, the company failed to use the correct driver classification factor.
- f. In one instance, the company failed to use the correct base and/or final rates.

Homeowners New Business Policies

The Bureau reviewed 60 new business policy files. As a result of this review, the examiners found overcharges totaling \$2,190.69 and undercharges totaling \$2,201.19. The net amount that should be refunded to insureds is \$2,190.69 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written Notice of an Adverse Underwriting Decision (AUD).
- (2) The examiners found 36 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In 13 instances, the company failed to use the correct discounts and/or surcharges.
 - b. In one instance, the company failed to use the correct territory.
 - c. In nine instances, the company failed to use the correct tier eligibility criteria.

- d. In 11 instances, the company failed to use the correct base and/or final rates.
- e. In two instances, the company failed to use the correct public protection class.

Homeowners Renewal Business Policies

The Bureau reviewed 57 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$667.83 and undercharges totaling \$1,381.42. The net amount that should be refunded to insureds is \$667.83 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-1318 of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide accurate policy information.
- (2) The examiners found 26 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In eight instances, the company failed to use the correct discounts and/or surcharges.
 - b. In eight instances, the company failed to use the correct tier eligibility criteria.
 - c. In six instances, the company failed to use the correct base and/or final rates.
 - d. In one instance, the company failed to use the correct public protection class.
 - e. In three instances, the company failed to rate the policy with updated credit information.

TERMINATION REVIEW

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

Company-Initiated Cancellations – Automobile Policies**NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE**

The Bureau reviewed four automobile cancellations that were initiated by the companies where the companies mailed the notices prior to the 60th day of coverage in the initial policy period. As a result of this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found two violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written Notice of an Adverse Underwriting Decision (AUD).
- (2) The examiners found two violations of § 38.2-2208 B of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the insured.
- (3) The examiners found three occurrences where the company failed to comply with the provisions of the insurance contract.
 - a. In two instances, the company failed to provide advance notice of cancellation to the insured.
 - b. In one instance, the company failed to send the cancellation notice to the address listed on the policy.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The Bureau reviewed eight automobile cancellations that were initiated by the companies where the companies mailed the notice on or after the 60th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found one violation of § 38.2-2212 E of the Code of Virginia. The company failed to send notice of cancellation to the insured.

All Other Cancellations – Automobile PoliciesNONPAYMENT OF THE PREMIUM

The Bureau reviewed nine automobile cancellations that were initiated by the companies for nonpayment of the policy premium. As a result of this review, the examiners found no overcharges and no undercharges.

(1) The examiners found two violations of § 38.2-2208 B of the Code of Virginia.

The company failed to provide proper notice of the cancellation to the lienholder.

REQUESTED BY THE INSURED

The Bureau reviewed 13 automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found overcharges totaling \$6.45 and no undercharges. The amount that should be refunded to insureds is \$6.45 plus six percent (6%) simple interest.

The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

Company-Initiated Non-renewals – Automobile Policies

The Bureau reviewed 17 automobile nonrenewals that were initiated by the companies.

- (1) The examiners found one violation of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the refusal to renew notice to the insured.
- (2) The examiners found six violations of § 38.2-2208 B of the Code of Virginia.
 - a. In four instances, the company failed to provide notice of the refusal to renew to the lienholder.
 - b. In one instance, the company failed to retain valid proof of mailing the refusal to renew notice to the insured.
 - c. In one instance, the company failed to retain valid proof of mailing the refusal to renew notice to the lienholder.

Company-Initiated Cancellations – Homeowners PoliciesNOTICE MAILED PRIOR TO THE 90TH DAY OF COVERAGE

The Bureau reviewed 16 homeowner cancellations that were initiated by the companies where the notices were mailed prior to the 90th day of coverage in the initial policy period. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found one occurrence where the company failed to comply with the provisions of the insurance contract. The company failed to provide a notice of cancellation to the insured.

NOTICE MAILED AFTER THE 89TH DAY OF COVERAGE

The Bureau reviewed ten homeowner cancellations that were initiated by the companies where the notices were mailed on or after the 90th day of coverage in the

initial policy period or at any time during the term of a subsequent renewal policy. As a result of this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found one violation of § 38.2-2113 C of the Code of Virginia. The company failed to retain valid proof of mailing the cancellation notice to the lienholder.
- (2) The examiners found one violation of § 38.2-2114 C of the Code of Virginia. The company failed to provide 30 days' notice to the insured when the company cancelled the policy after the 89th day of coverage.

All Other Cancellations – Homeowners Policies

NONPAYMENT OF THE PREMIUM

The Bureau reviewed eight homeowner cancellations that were initiated by the companies for nonpayment of the policy premium. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

REQUESTED BY THE INSURED

The Bureau reviewed nine homeowner cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found overcharges totaling \$1,441.86 and no undercharges. The net amount that should be refunded to insureds is \$1,441.86 plus six percent (6%) simple interest.

The examiners found four occurrences where the company failed to comply with the provisions of the insurance contract.

- a. In one instance, the company failed to retain evidence of the insured's request for cancellation of the policy.
- b. In three instances, the company failed to refund unearned premium to the

insured.

Company-Initiated Non-renewals – Homeowners Policies

The Bureau reviewed 13 homeowner non-renewals that were initiated by the companies.

- (1) The examiners found one violation of § 38.2-2113 C of the Code of Virginia. The company failed to provide proper notice of non-renewal to the lienholder.
- (2) The examiners found two violations of § 38.2-2114 B of the Code of Virginia. The company failed to issue a non-renewal notice to the insured on an owner-occupied dwelling.

CLAIMS REVIEW

Private Passenger Automobile Claims

The examiners reviewed 170 automobile claims for the period of September 1, 2013 through August 31, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$10,476.85 and underpayments totaling \$44,132.98. The net amount that should be paid to claimants is \$44,132.98 plus six percent (6%) simple interest.

- (1) The examiners found 12 violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found 13 violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission,

benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.

- a. In three instances, the company failed to inform an insured of his physical damage deductible when the file indicated that the coverage was applicable to the loss.
- b. In one instance, the company failed to accurately inform an insured of his Medical Expense Benefits coverage when the file indicated the coverage was applicable to the loss.
- c. In six instances, the company failed to accurately inform an insured of his Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
- d. In three instances, the company failed to accurately inform an insured of his benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM) when the file indicated the coverage was applicable to the loss.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found 11 violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.
- (4) The examiners found two violations of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for the denial in its written denial of the claim.
- (5) The examiners found 28 violations of 14 VAC 5-400-70 D. The company failed

to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.

- a. In one instance, the company failed to pay the insured's UMPD claim properly when Collision and/or UMPD coverages applied to the claim.
- b. In three instances, the company failed to pay the insured's rental benefits available under the UMPD coverage and/or UIM coverage.
- c. In one instance, the company failed to pay the proper sales and use tax, title fee, and/or license fee on first party total loss settlements.
- d. In 12 instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.
- e. In eight instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.
- f. In three instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Other Than Collision or Collision coverage.

These findings occurred with such frequency as to indicate a general business practice.

- (6) The examiners found one violation of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- (7) The examiners found three violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions

relating to the coverage at issue.

- (8) The examiners found five violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (9) The examiners found one violation of § 38.2-510 A 4 of the Code of Virginia. The company refused arbitrarily and unreasonably to pay a claim.
- (10) The examiners found 18 violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.

These findings occurred with such frequency as to indicate a general business practice.

- (11) The examiners found six violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured that was not accompanied by a statement setting forth the correct coverage under which payment was made.
- (12) The examiners found two violations of § 38.2-510 C of the Code of Virginia. The company failed to disclose the required aftermarket parts notice to the vehicle owner on the estimate of repairs or in a separate document.
 - a. In one instance, the company failed to disclose the required aftermarket parts notice to the insured owner on the estimate of repairs or in a separate document.
 - b. In one instance, the company failed to disclose the required aftermarket parts notice to the claimant owner on the estimate of repairs or in a separate document.
- (13) The examiners found seven violations of § 38.2-2201 B of the Code of Virginia. The company failed to obtain a statement from an insured authorizing the

company to make payments directly to the medical provider.

- (14) The examiners found two violations of § 38.2-2201 D of the Code of Virginia. The company reduced the amount payable to an insured when Medical Expense Benefits may not be reduced for any benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.
- (15) The examiners found 35 occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In one instance, the company incorrectly informed the insured of a time limit for recovery of his deductible.
 - b. In seven instances, the company failed to include the lienholder on the check.
 - c. In 17 instances, the company paid an insured more than the insured was entitled to receive under the terms of his policy.
 - d. In ten instances, the company issued payments under the incorrect coverage.

Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the following as a violation of other Virginia laws.

- (1) The examiners found two violations of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim
- (2) The examiners found two violations of § 46.2-624 of the Code of Virginia. The company failed to notify the Virginia Department of Motor Vehicles when payment was made in excess of \$3,500.00 on a water-damaged vehicle.

Homeowners Claims

The examiners reviewed 158 homeowner claims for the period of September 1, 2013 through August 31, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$37,348.59 and underpayments totaling \$4,193.87. The net amount that should be paid to claimants is \$4,093.87 plus six percent (6%) simple interest.

- (1) The examiners found 14 violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found eight violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance contract that were pertinent to the claim.
 - a. In three instances, the company failed to inform the insured of the benefits under the additional living expense coverage of the policy.
 - b. In four instances, the company failed to inform the insured of the replacement cost benefits under the personal property coverage of the policy.
 - c. In one instance, the company failed to inform the insured of available benefits under the additional coverages sections of the policy.
- (3) The examiners found eight violations of 14 VAC 5-400 70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the

written denial in the claim file.

- (4) The examiners found four violations of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for its denial in the written denial of the claim.
- (5) The examiners found three violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim.
 - a. In one instance, the company failed to pay the entire claim under the insureds Dwelling Replacement Cost coverage.
 - b. In one instance, the company failed to pay the entire claim under the insured's Additional Living Expense coverage.
 - c. In one instance, the company failed to pay the entire claim under the insured's Additional Coverages.
- (6) The examiners found 25 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to the coverage at issue.
 - a. In one instance, the company issued written communications that misrepresented pertinent facts of the claim.
 - b. In 24 instances, the company failed to properly represent the replacement cost provisions of the policy.

These findings occurred with such frequency as to indicate a general business practice.

- (7) The examiners found 14 violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

These findings occurred with such frequency as to indicate a general business practice.

- (8) The examiners found three violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.
- (9) The examiners found four violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.
- (10) The examiners found two violations of § 38.2-510 A 14 of the Code of Virginia. The company failed to provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for the denial of a claim or offer of a compromise settlement.
 - a. In one instance, the company failed to properly pay the claimant's claim for medical expenses under the medical payments to others coverage.
 - b. In one instance, the company failed to properly pay the claimant's claim for rental of a comparable substitute vehicle under the property damage liability coverage.
- (11) The examiners found 19 occurrences where the company failed to comply with the provisions of the insurance contract.
 - a. In one instance, the company included the lienholder on the check in payment for personal property.
 - b. In eight instances, the company failed to include the lienholder on the check.
 - c. In nine instances, the company paid an insured more than he/she was

entitled to receive under the terms of his/her policy.

- d. In one instance, the company issued payments under the incorrect coverages.

REVIEW OF FORMS

The examiners reviewed the companies' policy forms and endorsements used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for each line of business listed below, the Bureau requested copies from the companies. In addition, the Bureau requested copies of new and renewal business policy mailings that the companies were processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance Process section of the Report. The examiners then reviewed the forms used on these policies to verify the companies' current practices.

Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 29 forms that were used and/or available for use during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found four violations of § 38.2-2214 of the Code of Virginia. The company used a rate classification statement other than the one approved for use by the Bureau during the examination period.
- (2) The examiners found 28 violations of § 38.2-2220 of the Code of Virginia. The company used a version of a standard automobile form that was not in the

precise language filed and adopted for use by the Bureau.

- (3) The examiners found nine violations of § 38.2-2223 of the Code of Virginia. The company used a version of a form filed as a broadening that was not in the precise language as the form approved by the Bureau.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

Homeowners Policy Forms

The companies provided copies of 49 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The examiners found two violations of § 38.2-317 A of the Code of Virginia. The company used a form which had not been filed with the Commission at least 30 days prior to use.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

REVIEW OF THE POLICY ISSUANCE PROCESS

To obtain sample policies to review the companies' policy issuance process for the lines examined, the examiners requested new and renewal business policy mailings that were sent after the companies received the Examination Data Call. The companies were instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the companies enclosed and listed all of the applicable policy forms on the declarations page. In addition, the examiners verified that all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those

requested on the applications for those policies.

Automobile Policies

The companies provided twelve new business policies mailed on the following dates: December 20, 2014, January 3, 7, 16, 17, 19, 21, 23, 27 and 28, 2015. In addition, the companies provided 12 renewal business policies mailed on the following dates: January 4, 6, 7, 8, 9, 11, 21 and 22, 2015.

NEW BUSINESS POLICIES

The examiners found eight violations of § 38.2-2210 A of the Code of Virginia.

The company failed to include the 60-day cancellation warning notice in boldface type on or attached to the first page of the private passenger automobile application.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

Homeowners Policies

The companies provided 12 new business policies mailed on the following dates: January 5, 6, 16, 20, 23, 27, and 29, February 3, 12, 13, and 16, 2015. In addition, the companies provided twelve renewal business policies mailed on the following dates: January 3, 6, 8, 10, 17, 27, and 29, and March 3, 5, and 23, 2015.

NEW BUSINESS POLICIES

The examiners found no violations in this area.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

REVIEW OF STATUTORY NOTICES

The examiners reviewed the companies' statutory notices used during the examination period and those that are currently used for the line of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the statutory notices used during the examination period for the line of business listed below, the Bureau requested copies from the companies. For the notices currently used, the Bureau used the same new and renewal business policy mailings that were previously described in the Review of the Policy Issuance Process section of the Report.

The examiners verified that the notices used by the companies on all applications, on all policies, and those special notices used for property policies issued on risks located in Virginia complied with the Code of Virginia. The examiners also reviewed documents that were created by the companies but were not required by the Code of Virginia. These documents are addressed in the Other Notices category below.

General Statutory Notices

The examiners found 12 violations of § 38.2-610 A of the Code of Virginia. The company's AUD notice did not comply with the requirements of the statute

Statutory Vehicle Notices

The examiners found eight violations of § 38.2-2210 A of the Code of Virginia. The cancellation warning on the application failed to comply with the statute.

Statutory Property Notices

The examiners found no violations in this area.

Other Notices

The examiners found 40 violations of § 38.2-610 A of the Code of Virginia. The AUD notice included in the cancellation/nonrenewal notices did not comply with the statute.

LICENSING AND APPOINTMENT REVIEW

A review was made of the private passenger automobile and homeowner new business policies to verify the agent of record. In addition, the agent or agency to which each company paid commission for these new business policies was checked to verify that the entity held a valid Virginia license and was appointed by the company.

Agent

The examiners found no violations in this area.

Agency

The examiners found no violations in this area.

REVIEW OF THE COMPLAINT-HANDLING PROCESS

A review was made of the companies' complaint handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia.

The examiners found three violations of § 38.2-511 of the Code of Virginia. The companies failed to maintain a complete complaint register in compliance with this statute.

REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES

The Bureau requested a copy of the companies' Information Security Program that protects the privacy of policyholder information in accordance with § 38.2-613.2 of the Code of Virginia.

The companies provided their Information Security Procedures.

PART TWO – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the guidelines outlines in the Market Regulation Handbook. A seven percent (7%) error criterion was applied to claims. Any error ratio above this threshold indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

United Services Automobile Association,
USAA General Indemnity Insurance Company
Garrison Property and Casualty Company, and
USAA Casualty Insurance Company shall:

Provide a Corrective Action Plan (CAP) with their response to the Report.

Rating and Underwriting Review

United Services Automobile Association,
USAA General Indemnity Insurance Company
Garrison Property and Casualty Company, and
USAA Casualty Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.

- (4) Properly represent the benefits, coverages, advantages, and conditions of the policy by showing an accurate premium on the declaration page.
- (5) Provide the insured with a written notice of an Adverse Underwriting Decision.
- (6) Properly assign points under a Safe Driver Insurance Plan (SDIP) to the vehicle customarily driven by the operator incurring the points.
- (7) Use the rules and rates on file with the Bureau. Particular attention should be given to the use of filed discounts, surcharges, points for accidents and convictions, symbols, territories, tier eligibility, driver classification factors, base and/or final rates, construction type and public protection class.
- (8) Provide the 60-day cancellation warning notice on or attached to the first page of the application in boldface type.
- (9) Provide the Credit Adverse Action notice as required by § 38.2-2234 A of the Code of Virginia.

Termination Review

United Services Automobile Association,
USAA General Indemnity Insurance Company
Garrison Property and Casualty Company, and
USAA Casualty Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Termination Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.

- (4) Provide the insured with a written notice of an Adverse Underwriting Decision.
- (5) Calculate return premium according to the filed rules and policy provisions.
- (6) Obtain and retain valid proof of mailing the cancellation notice to the insured and lienholder.
- (7) Provide proper notice of cancellation or refusal to renew to the insured and lienholder.
- (8) Provide nonrenewal notices to insureds on owner occupied dwellings prior to the expiration of the policy.

Claims Review

United Services Automobile Association,
USAA General Indemnity Insurance Company
Garrison Property and Casualty Company, and
USAA Casualty Insurance Company shall:

- (1) Correct the errors that caused the underpayments and overpayments, and send the amount of the underpayment to insureds and claimants.
- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) Complete and submit to the Bureau the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have paid the underpayments listed in the file.
- (4) Document claim files so that all events and dates pertinent to the claim can be reconstructed.
- (5) Document the claim file that all applicable coverages have been discussed with the insured. Particular attention should be given to deductibles, rental benefits under UMPD and Transportation Expenses coverage, Medical Expense coverage, Additional Living Expense, and Additional Coverages.

- (6) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim, and pay the claim in accordance with the insured's policy provisions.
- (7) Properly represent pertinent facts or insurance provisions relating to coverages at issue.
- (8) Adopt and implement reasonable standards for the prompt investigation of claims.
- (9) Adopt and implement reasonable standards for the prompt, fair, and equitable settlement of a claim in which liability and/or coverage is reasonably clear. Significant attention should be given to the timely evaluation and payment of Medical Expense Benefits when documentation clearly indicates that payment is in order.
- (10) The Company should conduct an internal audit of the medical expense benefits claims where the provider was paid directly without a valid assignment of benefits and make restitution to the insured where applicable. The company should then prepare an excel spreadsheet indicating the payments made as a result of the internal audit. This spreadsheet should be in the same format as the Restitution Spreadsheet sent by the Bureau for the Claims Underpayments.

NOTE: The Company agrees that the restitution identified during the review of the Medical Expense Benefits claims and the subsequent audit will be handled as a separate Regulatory action; however, the violations associated with this action will remain in the Report. The company will Cease and Desist from all practices which constitute violations of § 38.2-2201 of the Code of Virginia.

Forms Review

United Services Automobile Association,
USAA General Indemnity Insurance Company
Garrison Property and Casualty Company, and
USAA Casualty Insurance Company shall:

- (1) File all homeowner forms with the Bureau at least 30 days prior to use.
- (2) Use the rate classification statement on file and approved by the Bureau.
- (3) Use the precise language of automobile forms as filed and approved by the Bureau.
- (4) Use the forms filed as broadenings in the precise language filed and approved by the Bureau.

Review of Policy Issuance Process

United Services Automobile Association,
USAA General Indemnity Insurance Company
Garrison Property and Casualty Company, and
USAA Casualty Insurance Company shall:

Provide the 60-day Cancellation Warning Notice in boldface type on or attached to the first page of the application to comply with § 38.2-2210 A of the Code of Virginia.

Review of Statutory Notices

United Services Automobile Association,
USAA General Indemnity Insurance Company
Garrison Property and Casualty Company, and
USAA Casualty Insurance Company shall:

- (1) Amend the language within the AUD notice to be substantially similar to the prototype set forth in Administrative Letter 2015-07.
- (2) Amend the 60-day warning cancellation notice to comply with § 38.2-2210 A of the Code of Virginia.

Review of the Complaint-Handling Process

United Services Automobile Association,
USAA General Indemnity Insurance Company
Garrison Property and Casualty Company, and
USAA Casualty Insurance Company shall:

Maintain a complete complaint register that is in compliance with § 38.2-511 of
the Code of Virginia.

PART THREE – RECOMMENDATIONS

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies should carefully scrutinize these errors and correct the causes before these errors become business practices. The following errors will not be included in the settlement offer:

RECOMMENDATIONS

We recommend that the companies take the following actions:

Rating and Underwriting

- The companies should file the additional measures used to determine the Increased Dwelling Coverage A factors for HO-6 policies.
- The companies should file a rule defining the parameters under which mixed construction should be rated as frame or masonry.
- The companies should file "Does Not Apply" as the applicable Military Rank Tier variable when Military Status is "Separated".
- The companies should clarify in its filed rule the tenure as it relates to Commission Source of Officer Tier variables SB and SC.
- The companies should clarify in its filed manual rule the Liability Limit factor as applied in the application of the Optional Coverages for HO-3 and HO-9 policies.
- The companies should assure that weather related claims are properly identified and not surcharged.

Termination

- The companies should properly code terminations in the correct category. Special attention should be given to cancellations before and after the 89th day of coverage.

Claims

- The companies should make all claim denials in writing and keep a copy in the claim file.

- The companies should provide a reasonable explanation of the basis for the denial in its written denial of the claim.
- The companies should provide copies of repair estimates prepared by or on behalf of the companies to insureds and claimants.
- The companies should not refuse arbitrarily or unreasonably to pay a claim.
- The companies should include a correct statement of the coverages under which payments are made with all claim payments to insureds.
- The companies should disclose the required aftermarket parts notice to the vehicle owner on the estimate of repairs or in a separate document.
- The companies should obtain a valid assignment of benefits from the medical provider prior to making payments directly to the medical provider.
- The companies should pay the amount due to an insured when Medical Expense Benefits may not be reduced for any benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.
- The companies should make payments to the insured for the amount he/she is entitled to receive under the terms of the policy.
- The companies should include the lienholder on payments when applicable.
- The companies should pay water damage vehicle claims according to Virginia Department of Motor Vehicle Code § 46.2-624.
- The companies should include the fraud statement on all claim forms required by the companies as a condition of payment.

Forms

- The companies should amend the Personal Auto Policy form PP 13 55 06 00 to include the title "Towing and Labor" to this section of the policy.

Policy Issuance Process

- The companies should list only forms and endorsement under the forms and endorsements section of the declaration page.

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

The Bureau conducted three prior market conduct examinations of United Services Automobile Association, three prior market conduct examinations of USAA Casualty Insurance Company, and one prior market conduct examination of USAA General Indemnity Company.

During the private passenger auto and homeowner, dwelling fire examination of United Services Automobile Association as of November 30, 1992, the company violated §§ 38.2-510 A 6, 38.2-510 A 10, 38.2-610, 38.2-1906, 38.2-2113, 38.2-2114, 38.2-2208, 38.2-2212, and 38.2-2220 as well as Section 4 of the Commission's Rules governing Unfair Claim Settlement Practices; and USAA Casualty Company violated §§ 38.2-510 A 6, 38.2-510 A 10, 38.2-610, 38.2-2113, 38.2-2114, 38.2-2208, 38.2-2212, and 38.2-2220 of the Code of Virginia.

During the private passenger auto and homeowner examination of United Services Automobile Association as of June 30, 1998 the company violated §§ 38.2-510 A 1, 38.2-510 A 10, 38.2-610 A, 38.2-1822, 38.2-1833, and 38.2-1906 of the Code of Virginia as well as 14 VAC 5-400 70 D; and USAA Casualty Insurance Company violated §§ 38.2-510 A 1, 38.2-510 A 10, 38.2-610 A, 38.2-1822, 38.2-1833, 38.2-1906 D, 38.2-2014, 38.2-2113, 38.2-2114, and 38.2-2212 of the Code of Virginia, as well as 14 VAC 5-400-70 D.

During the private passenger auto and homeowner examination of United Services Automobile Association, USAA Casualty Insurance Company, and USAA General Indemnity Company as of March 31, 2004, the companies violated VAC 5-400-40 A and 14 VAC 5 -400-70 D of the Virginia Regulations.

ACKNOWLEDGEMENT

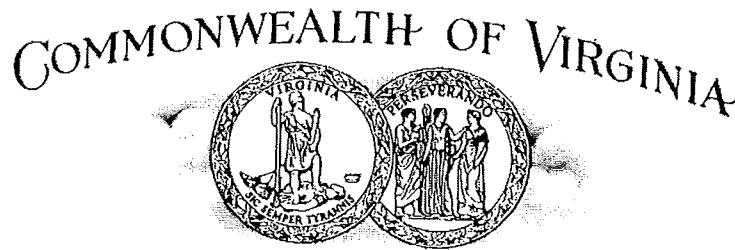
The courteous cooperation extended by the officers and employees of the companies during the course of the examination is gratefully acknowledged.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen S. Gerber". The signature is fluid and cursive, with the first name "Karen" being the most prominent.

Karen S. Gerber
Senior Insurance Market Examiner

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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January 5, 2016

VIA UPS 2nd DAY DELIVERY

Mr. J. B. Craddock, Director
USAA Insurance Companies
9800 Fredericksburg Road
San Antonio, TX 78288

RE: USAA Casualty Insurance Company, #25968
USAA General Indemnity Company, #18600
Garrison Property & Casualty Insurance Company, #21253
United Services Automobile Association, #25941
Market Conduct Examination
Exam Period: September 1, 2013 – August 31, 2014

Dear Mr. Craddock:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced company for the period of September 1, 2013, through August 31, 2014. The preliminary examination report (Report) has been drafted for the companies' review.

Enclosed with this letter is a copy of the preliminary examination report and copies of review sheets that have been withdrawn or revised since November 13, 2015. Also enclosed are several reports that will provide you with the specific file references for the violations listed in the Report.

Since there appears to have been a number of violations of Virginia insurance laws on the part of the companies, I would urge you to closely review the Report. Please provide a written response. When the companies respond, please use the same format (headings and numbering) as found in the Report. If not, the response will be returned to the companies to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report. The companies do not need to respond to any particular item with which they agree. If the companies disagree with an item or wish to further comment on an item, please do so in Part One of the Report. Please be aware that the examiners are unable to remove an item from the Report or modify a violation unless the companies provide written documentation to support its position.

Secondly, the companies should provide a corrective action plan that addresses all of the issues identified in the examination, again using the same headings and numberings as are used in the Report.

Thirdly, if the companies have comments they wish to make regarding Part Three of the Report, please use the same headings and numbering for the comments. In particular, if the examiners identified issues that were numerous but did not rise to the level of a business practice, the companies should outline the actions they are taking to prevent those issues from becoming a business practice.

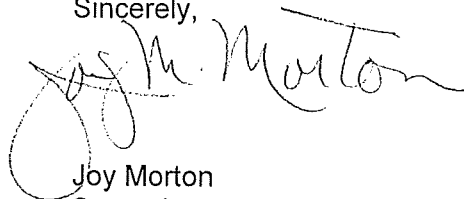
Finally, we have enclosed an Excel file that the companies must complete and return to the Bureau with the companies' response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The companies' response and the spreadsheet mentioned above must be returned to the Bureau by February 8, 2016.

After the Bureau has received and reviewed the companies' response, we will make any justified revisions to the Report. The Bureau will then be in a position to determine the appropriate disposition of the market conduct examination.

We look forward to your reply by February 8, 2016.

Sincerely,

A handwritten signature in black ink that reads "Joy Morton". The signature is written in a cursive style with a large initial "J" and "M".

Joy Morton
Supervisor
Market Conduct Section
Property & Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov



9800 Fredericksburg Road
San Antonio, Texas 78288

April 5, 2016

Joy Morton, Supervisor
Virginia Bureau of Insurance
Market Conduct Section
Property & Casualty Division
1300 E Main St.
Richmond, VA 23218

SENT VIA EMAIL & FEDEX (Paper Copy & CD)

Reference: United Services Automobile Association NAIC 25941
USAA Casualty Insurance Company NAIC 25968
USAA General Indemnity Company NAIC 18600
Garrison Property & Casualty Insurance Company NAIC 21253

Dear Ms. Morton,

The above referenced companies (collectively referred to as "The Company") appreciates the opportunity to review and respond to the draft report dated January 5, 2016. We understand and respect the intent of market conduct examinations and trust that the Bureau accepts our position and responses as an indication of our commitment to compliance.

Please note that this response contains proprietary, confidential, and sensitive information, which, if disclosed to other persons, would cause us irreparable harm and could cause substantial injury to the competitive position of the Companies and their affiliates. Accordingly, such information is to be kept confidential pursuant to Virginia Code § 38.2-221.1.

Per your March 28, 2016 email, we have revised our original responses and have eliminated personal identifiers as requested. Thus, attached are the companies' updated comments and requested amendments to the issues outlined in the draft report. Please note, included with the requested amendments is the USAA Restitution file.

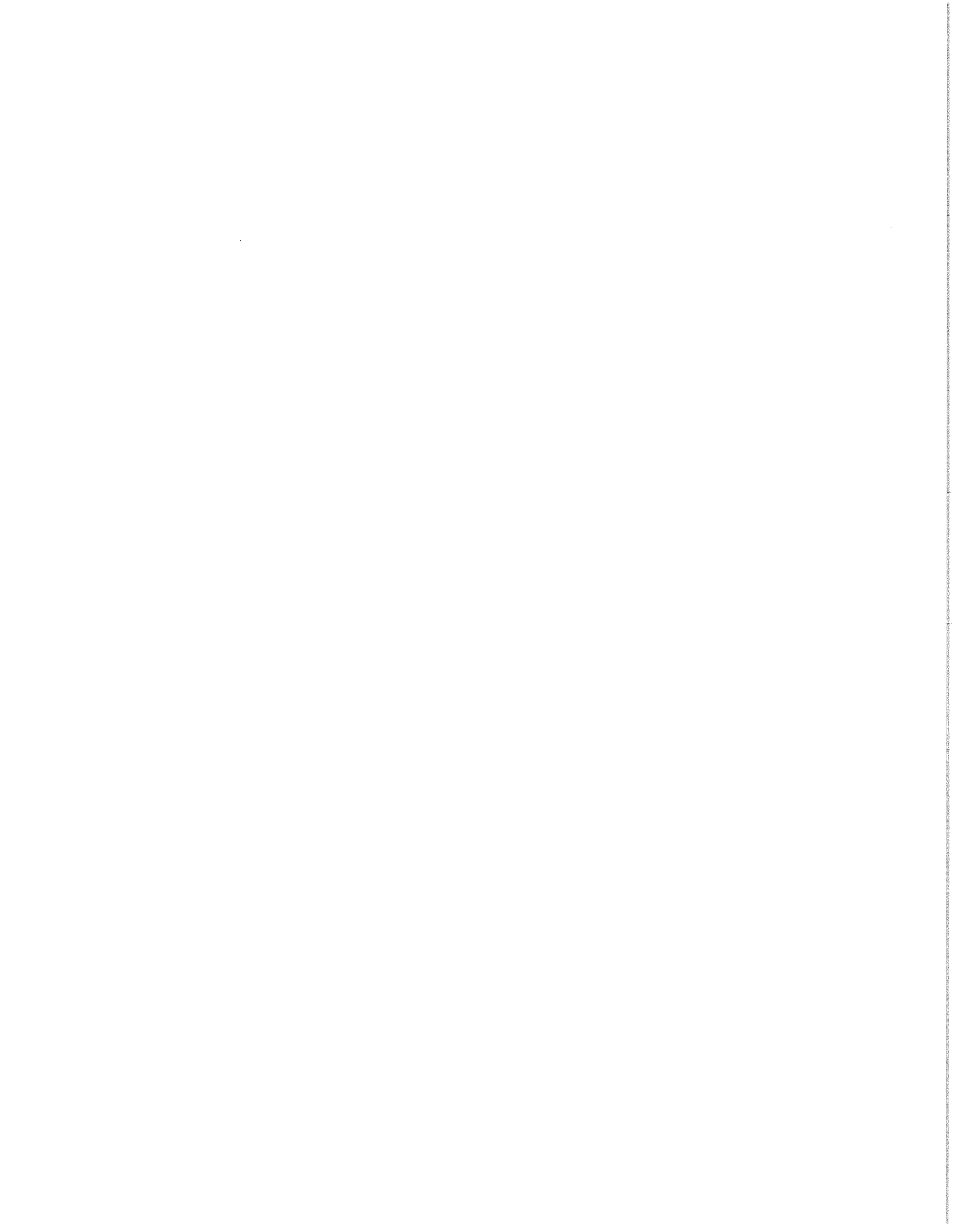
Again, thank you for the courtesies and professionalism extended during this examination and we look forward to your response. Should you have any questions regarding our response or require further clarification, please do not hesitate to contact me or Jose Lara at (210) 452-5466.

Sincerely,

A handwritten signature in black ink, appearing to read "James Bialorucki", written over a horizontal line.

James Bialorucki
Director P&C Compliance
United Services Automobile Association
(210) 219-4672

Enclosures
Virginia Exam Supports (CD)



PART ONE - THE EXAMINERS' OBSERVATIONS

This section of the Report contains all of the observations that the examiners provided to the companies. These include all instances where the companies violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the companies violated any other Virginia laws applicable to insurers.

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The Bureau reviewed 40 new business policy files. As a result of this review, the examiners found overcharges totaling \$3,230.46 and undercharges totaling \$529.37. The net amount that should be refunded to insureds is \$3,230.45 plus six percent (6%) simple interest.

- (1) The examiners found three violations of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company misrepresented the premium for the policy term shown on the declarations page.
- (2) The examiners found one violation of § 38.2-1905 C of the Code of Virginia. The company applied surcharge points under its Safe Driver Insurance Plan (SDIP) to a vehicle other than the one customarily driven by the operator responsible for incurring the points.
- (3) The examiners found 33 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In two instances, the company failed to use the correct discounts and/or surcharges.

- b. In one instance, the company failed to apply the correct surcharge points for accidents and/or convictions.
- c. In 15 instances, the company failed to use the correct symbol and/or model year.
- d. In one instance, the company failed to use the correct territory.

Reference Number	Review Sheet	Company
RPA038	546980505	CIC

USAA Response: Our territory boundary definitions indicate that this address is located in Patrick County. Accordingly, territory 506 was correctly applied. See support RPA038.

- e. In ten instances, the company failed to use the correct tier eligibility criteria.

Reference Number	Review Sheet	Company
RPA003	1319251026	GIC

USAA Response: The member had an active bank product at the time the policy was issued, which supports an Enterprise Collateral value of EA. See support RPA003.

Reference Number	Review Sheet	Company
RPA009	553824260	GIC

USAA Response: The Company provided definitions for the 8 Prior Lapse Areas previously, but we provide the information again in the attached document. See support RPA009.

Reference Number	Review Sheet	Company
RPA013	994837638	GAR

USAA Response: The Company's prior response apparently failed to include verification that at the time of 7102 auto policy was issued; the member did not have a life insurance product. See support RPA013.

Reference Number	Review Sheet	Company
RPA015	204622556	GAR
RPA017	2037472542	GAR
RPA020	1408404421	GAR

USAA Response: A review of the GAR Insurance Score data patently shows the formatting error is alleviated by shifting the value cells up one row. Failure to do so results in an Insurance Score value for a member in Range 32 (1-300) – Adult 1 of <25 years or >=25 years. In addition, the end of the table contains the values of DL in both columns with no range identified. Support attached.

In the event the violation is retained, the Company respectfully requests a meeting with the BOI.

Reference Number	Review Sheet	Company
RPA025	2094302352	USAA

USAA Response: There are two rating factors for none which are “SA” and “SE”.

SA – refers to a member with less than 36 months of military commission. If a member is “non-commissioned” this is the default rating since no commission is less than 36 months.

SE – refers to a member with more than 36 months of military commission.

The above member is a Non-Commission officer. As such, the appropriate Commission Source is SA.

Based on feedback, Commission source is no longer being considered in tier placement.

Reference Number	Review Sheet	Company
RPA028	342987595	USAA

USAA Response: Our records indicate the member was placed in tier F4 and are unable to determine where the Examiner obtained information that the member was placed in tier G3. See support RPA028.

Reference Number	Review Sheet	Company
RPA037	1961603082	CIC

USAA Response: Supports provided reflecting correction of tier from H3 to G3. Please find Declaration page requested that reflect the correction of tier from H3 to G3. See support RPA037.

- (4) The examiners found 40 violations of § 38.2-2210 C of the Code of Virginia. The company failed to provide the 60-day cancellation warning notice when the applicant was not provided a written copy of the application.

(5) The examiners found nine violations of § 38.2-2234 A of the Code of Virginia.

The company failed to provide the Credit Adverse Action notice.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance, but disputes the findings.

Reference Number	Review Sheet	Company
RPA003	1520524937	GIC
RPA006	1311733864	GIC
RPA009	-1967788253	GIC
RPA010	-1204275356	GIC
RPA013	-464414515	GAR
RPA022	1227311124	USAA
RPA031	-2008881097	CIC
RPA036	1558432804	CIC
RPA040	-2056494624	CIC

USAA Response: The Company did not violate §38.2-2234 2. The Company acknowledges that §38.2-2234.2 states that adverse action includes, but is not limited to, circumstances where the applicant or insured did not receive the company's best tier. However, it is the Company's position that the Virginia law is pre-empted by federal law, specifically the Fair Credit Reporting Act (FCRA). The FCRA requires a consumer notice of an adverse action. The United States Supreme Court addressed the scope of "adverse action" with respect to use of credit for renewal business. Specifically, the Court stated that "after the initial dealing between the consumer and the insurer, the baseline for 'increase' is the previous rate or charge," as opposed to the neutral baseline that applies for new business. Stated another way, the proper baseline for determining whether adverse action has been taken at renewal is the whether the consumer's renewal rate or tier is worse than the prior term's rate or tier.

The Company requests a meeting with the Bureau to further discuss the use of credit score in tier placement of the risk.

Automobile Renewal Business Policies

The Bureau reviewed 38 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$659.29 and undercharges totaling \$870.16. The net amount that should be refunded to insureds is \$659.29 plus six percent (6%) simple interest.

(1) The examiners found two violations of § 38.2-1905 C of the Code of Virginia.

The company applied surcharge points under its Safe Driver Insurance Plan (SDIP) to a vehicle other than the one customarily driven by the operator responsible for incurring the points.

(2) The examiners found 31 violations of § 38.2-1906 D of the Code of Virginia.

The company failed to use the rules and/or rates on file with the Bureau.

- a. In two instances, the company failed to use the correct discounts and/or surcharges.
- b. In four instances, the company failed to use the correct symbol and/or model year.
- c. In one instance, the company failed to use the correct territory.

USAA Response: The Company acknowledges the criticism by the Bureau of Insurance, but disputes the finding.

Reference Number	Review Sheet	Company
RPA064	-1686116274	USAA

USAA Response: Zip code 22191 does map to 270, as the examiner states. However, at the time the territory boundaries were set the member's address was located in zip code 22026, not 22191. The zip code boundaries have since been changed and now the address is located in zip code 22191. Since the address was in zip code 22026 at the time the territory boundaries were implemented, the address is assigned to territory 268. As previously stated, since zip code boundaries change over time, USAA is continuing to use the zip code boundaries defined at the time of the implementation of the territory boundaries. See support RPA064.

- d. In 16 instances, the company failed to use the correct tier eligibility criteria.

USAA Response: The Company acknowledges the observations, however, disputes the findings.

Reference Number	Review Sheet	Company
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RPA049

51106030

GIC

USAA Response: We are providing proof the member's rank was E2 at the time of this policy renewal. See support RPA049.

Reference Number	Review Sheet	Company
RPA052	1824123310	GAR

USAA Response: A review of the GAR Insurance Score data patently shows the formatting error is alleviated by shifting the value cells up one row. Failure to do so results in an Insurance Score value for a member in Range 32 (1-300) – Adult 1 of <25 years or >=25 years. In addition, the end of the table contains the values of DL in both columns with no range identified. See support labeled GAR Formatting Error.

In the event the violation is retained, the Company respectfully requests a meeting with the BOI.

Supports are being provided to show proof of bank products at the time of renewal. See support RPA052.

Reference Number	Review Sheet	Company
RPA054	-1611621638	GAR
RPA055	750363752	GAR
RPA056	-164270330	GAR
RPA057	-1431999916	GAR
RPA058	1652978130	GAR
RPA059	-1305891584	GAR
RPA060	129003358	GAR

USAA Response: A review of the GAR Insurance Score data patently shows the formatting error is alleviated by shifting the value cells up one row. Failure to do so results in an Insurance Score value for a member in Range 32 (1-300) – Adult 1 of <25 years or >=25 years. In addition, the end of the table contains the values of DL in both columns with no range identified. See support labeled GAR Formatting Error.

In the event the violation is retained, the Company respectfully requests a meeting with the BOI.

Reference Number	Review Sheet	Company
RPA061	1480773266	USAA

USAA Response: This is a long tenured officer. When eligibility first established for this member, USAA did not capture source of Commission and commission date. Given tenure and eligibility status, SE (unknown >36 months) applied for Commission source.

Reference Number	Review Sheet	Company
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RPA063	2022213602	USAA
RPA067	748088182	USAA

USAA Response: There are two rating factors for none which are "SA" and "SE".
SA – refers to a member with less than 36 months of military commission. If a member is "non-commissioned" this is the default rating since no commission is less than 36 months.
SE – refers to a member with more than 36 months of military commission.

The above members are Non-Commission officers. As such, the appropriate Commission Source is SA.

Based on feedback, Commission source is no longer being considered in tier placement.

Reference Number	Review Sheet	Company
RPA070	1681993232	USAA

USAA Response: This is the first renewal from the policy issue date of 3/2/13. Therefore, Business Type of BH is appropriate. See support RPA070.

Reference Number	Review Sheet	Company
RPA073	518906704	CIC

The member account at the bank was Delinquent and did not have an active product at the time of renewal. The credit card was closed. See support RPA070. Page two of statement reflects account closed.

- e. In seven instances, the company failed to use the correct driver classification factor.
- f. In one instance, the company failed to use the correct base and/or final rates.

Homeowners New Business Policies

The Bureau reviewed 60 new business policy files. As a result of this review, the examiners found overcharges totaling \$3,549.49 and undercharges totaling \$3,579.87. The net amount that should be refunded to insureds is \$3,549.49 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-305 A of the Code of Virginia. The

company failed to specify in the insurance policy all of the information required by this statute.

USAA Response: The Company acknowledges the observation but disputes the finding.

Reference Number	Review Sheet	Company
RHO050	448014669	CIC

USAA Response: All information required by §38.2-305 A is provided on the Declaration Page. Family member #3 in the attached support is the spouse of the named insured, and the owner of the property listed on the Declaration Page. See support RHO050.

(2) The examiners found five violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written Notice of an Adverse Underwriting Decision (AUD).

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance, but disputes the findings.

Reference Number	Review Sheet	Company
RHO005	1132349277	GIC

USAA Response: In the quote provided to the applicant on 8/29/13, it stated that the quoted premiums are subject to change at any time. The policy was not purchased and a subsequent quote was provided on 9/19/13 with an effective date of 9/27/13. Supports provided. See support RHO005.

Reference Number	Review Sheet	Company
RHO011	1433360386	GIC

USAA Response: The Company did not violate §38.2-610 A. in the selection of Dwelling limits for the new Homeowner policy. The Homeowner Policy does not provide coverage for the purchase price of the home; the policy provides coverage for the replacement cost of the dwelling. Purchase price includes factors that are not related to replacement cost.

The selection of dwelling limits made by the member is done through a process, where replacement cost is determined based on dwelling physical feature information provided by the member. There is no document that verifies the member selected the Dwelling limit. The best evidence of the member's selection is the Declaration Page.

The Company requests a meeting with the Bureau to further discuss the process used to select the dwelling limit based on replacement cost of the dwelling by our member.

Reference Number	Review Sheet	Company
RHO033	1432830215	USAA

USAA Response: The Company did not violate §38.2-610 A. for this Condominium policy. The HO-6 policy does not provide coverage for the purchase price of the Condominium or Townhouse. The policy provides coverage for damage to alterations, appliances, custom or permanently installed window treatments, permanently installed carpeting, fixtures and improvements within the residence premises. Purchase price includes factors that are not related to replacement cost for alterations made to the condominium unit.

The selection of Coverage A is made by the member is done through a process, where the required coverage limit is determined by the member based on the improvements or alterations he/she makes to the condominium unit. There is no document that verifies the member selected the Coverage A limit. The best evidence of the member's selection is the Declaration Page.

The Company requests a meeting with the Bureau to further discuss the process used to select the dwelling limit based on replacement cost of the dwelling by our member.

Reference Number	Review Sheet	Company
RHO021	2082073569	GAR

USAA Response: An adverse notice was not required. The policy issued with occupancy as Primary effective 1/24/14. A subsequent adjustment was made to change the occupancy from Primary to Secondary effective 1/24/14 was processed on 1/24/14. See support RHO021.

Reference Number	Review Sheet	Company
RHO033	1836892588	USAA

USAA Response: We are providing supports showing the loss that has been considered in rating and is disqualifying the policy from receiving the Claims Free Discount. See support RHO033.

Reference Number	Review Sheet	Company	Policy No
RHOALLNB	-1700859531	USAA	All New Policies

The Company thanks the Bureau for the recommendation. We will take the recommendation under consideration.

- (3) The examiners found 67 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
- a. In 14 instances, the company failed to use the correct discounts and/or surcharges.

USAA Response: The Company acknowledges the observation, however, disputes the finding.

Reference Number	Review Sheet	Company
RHO034	-1958264366	USAA

USAA Response: Please see the response for review sheet 181558767 as well as the accompanying exhibit. Since the Hurricane, Severe Thunderstorm and Winter Storm Base Rates should be multiplied by the appropriate factors (which includes Claims Surcharge Factors of 1.0000's and will include the Increased Dwelling Coverage Ratio factors after revising the manual per the response to review sheet 181558767) the Claims Surcharge Factors used for Hurricane, Severe Thunderstorm, and Winter Storm are the appropriate Claims Activity Surcharge factors. The premium calculations are occurring in the fashion that USAA intended, but we agree the "Premium Determination" section of the manual needs to be revised.

- b. In one instance, the company failed to use the correct territory.
- c. In 38 instances, the company failed to use the correct tier eligibility criteria.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance, but disputes the findings.

Reference Number	Review Sheet	Company
RHO002	-822574063	GIC

USAA Response: The company is revising their response to review sheet 1542893136. The previous response on that sheet was inaccurate and the member does not have any previous tenure with USAA. As such, the company asserts that the appropriate tier is 36 with Corporate Tenure of None and Business Type of New Member being the appropriate outcomes for these variables.

Reference Number	Review Sheet	Company
RHO003	-2087246080	GIC
RHO004	-1243332917	GIC
RHO019	564543579	GAR
RHO036	1175199893	USAA
RHO054	456045350	CIC

USAA Response: The Company disagrees that a list of investment products ineligible for consideration be included in the filed Tier Placement Guidelines. Investment products, such as those provided by USAA, are covered by the IR Code, specifically, Internal Revenue Code §4975. The Code does not describe what a self directed IRA or retirement fund can invest in; it only states what it cannot invest in. To attempt to produce a list of ineligible products is impractical given the frequent changes to IR Code §4975 and the

wide variety of financial products available to our membership. However, the Company will revise the Tier Placement Guidelines to reference prohibited transactions under IRC §4975.

Reference Number	Review Sheet	Company
RHO044	1389978269	USAA

The member had a bank produce and a life product. The IMCO product is ineligible for consideration under IR §4975.

USAA Response: The Company disagrees that a list of investment products ineligible for consideration be included in the filed Tier Placement Guidelines. Investment products, such as those provided by USAA, are covered by the IR Code, specifically, Internal Revenue Code §4975. The Code does not describe what a self directed IRA or retirement fund can invest in; it only states what it cannot invest in. To attempt to produce a list of ineligible products is impractical given the frequent changes to IR Code §4975 and the wide variety of financial products available to our membership. However, the Company will revise the Tier Placement Guidelines to reference prohibited transactions under IRC §4975.

Reference Number	Review Sheet	Company
RHO007	-2124602764	GIC

USAA Response: We reiterate our position that the Tier Variable 'Rank' applies only to members that are on Active Duty and is, therefore, not applicable for this member. See support RHO007.

Reference Number	Review Sheet	Company
RHO010	-924888423	GIC

USAA Response: The error in recognizing the Renter's policy was due to a system defect. Our member contacted USAA GIC on 12/4/13 to obtain a Homeowner policy quote and to cancel the existing Renter's policy effective 12/14/13. The Homeowner policy was not issued at that time. Member issued the Homeowner policy on 12/5/13, and due to the system defect, the Renter's policy was not recognized as an active policy. The system defect was identified and fixed on 1/17/2014. The member had a Rank of PO2 (E5) at the time the policy was issued. Subsequent to the issue, the member was promoted to PO3 (E4). Below are screen shots showing the dates that the member's Rank was updated. As such, USAA asserts that the Rank of E4 was the correct Rank to use for the policy rating.

Reference Number	Review Sheet	Company
RHO021	610496901	GAR

USAA Response: We acknowledge that the Personal Articles Floater/Valuable Personal Property policy should have been displayed on the screen with the Umbrella Policy that the member was receiving benefit for. A significant amount of research has been done and the company has been unable to determine why it was not considered. Since the member had an Umbrella policy, they received the maximum amount of benefit for this variable.

The addition of any other P&C Products does not improve their tier outcome. Subsequent renewals show a display that reflects the Umbrella plus 1 other P&C Product.

We recognize that additional clarity on the applicability of this rule could be provided in Tier Placement Guidelines.

Reference Number	Review Sheet	Company
RHO023	1090336287	GAR

USAA Response: The Company tier placement of 53 aligns with the Examiner's rated tier of 53.

Reference Number	Review Sheet	Company
RHO024	779918726	GAR

USAA Response: The member was listed as a Joint Owner of a USAA Savings account under his father's account. As such, he is receiving benefit within the PRL calculation for a Bank Product. Attached are screen shots of the account showing the Named Insured listed as a Joint Secondary Owner and the effective date of this account as 03/26/12. See support RHO024

Reference Number	Review Sheet	Company
RHO053	-539772097	CIC

USAA Response: The Renters Policy 001 was processed on 12/17/13 with an effective date of 12/18/13. At the time the policy was issued, the HO Policy 90A was still in effect and was considered for the PRL placement. In addition, the member had a Valuable Personal Property policy in effect at this time.

As for the Life Products, the insured is the owner and payer for three Life products. The individuals insured by these products are the Named Insured's children. See support RHO053.

Reference Number	Review Sheet	Company
RHO055	-793080631	CIC

USAA Response: The widow's husband's corporate first active date was 3/2/1989. When her policy was issued 03/02/2014, she was eligible to receive benefit for 25 years of tenure. Providing screen shot below that shows Corporate Activities screen for deceased husband and a 1st EFF Date of 03/02/89. See support RHO055.

Reference Number	Review Sheet	Company
RHO059	312499117	CIC

USAA Response: At the time of issuance, the member was married. According to the filed Underwriting Tier placement guidelines, active enterprise products for the named insured and/or spouse are considered. Based on the rule, the spouse's bank and IMCO products were considered when determining tier placement. See support RHO059.

f. In 11 instances, the company failed to use the correct base and/or final rates.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
RHO004	1621626353	GIC
RHO008	-127081003	GIC
RHO010	1830076015	GIC
RHO024	1024595748	GAR
RHO028	1169281112	GAR
RHO033	-905115954	USAA
RHO034	-181558767	USAA
RHO036	-541938485	USAA
RHO047	602699863	CIC
RHO048	-195323490	CIC
RHO051	393031259	CIC

USAA Response: For the non-catastrophe perils (AOP, Other Wind and Hail, and Fire), the Increased Dwelling Coverage (IDC) is based on a rate per \$1000, which is then multiplied by the appropriate factors; for the catastrophe perils (Hurricane, Thunderstorm, and Winter Storm) the IDC premium isn't considered separately from the Basic premium in practice. For Hurricane, Severe Thunderstorm, and Winter Storm, in order to split out the premium that is attributable to IDC and attributable to Basic premium we:

1. Calculate the peril's premium with the insured's selected Coverage A coverage; this is the total premium for that peril
2. Calculate the peril's premium with the basic amount of Coverage A coverage; this is the Basic premium
3. Calculate the difference between the peril's basic premium and total premium; this is the premium attributable to IDC.

An exhibit has been included. The first page shows the results of separating the basic premium from the IDC premium. The second page reorganizes the data to show how the premiums are calculated in practice, without the Basic/IDC Catastrophe Peril premium split.

The calculations provided by the examiner are based on a possible misinterpretation of the rating manual (using Increased Dwelling Ratio factors in lieu of Rate per \$1,000 rates). By using the calculations provided, one would determine that a policy with no additional Coverage A would still have Increased Dwelling Coverage premiums – an undesirable result - since the Increased Dwelling Ratio factor used by the examiner in the calculations would be replaced with a 1.0000.

Additionally, the provided calculations appear to show an inconsistent interpretation of the rating manual between the non-catastrophe perils and the catastrophe perils; whereas the calculations shown for Hurricane, Severe Thunderstorm, and Winter Storm all include an Increased Dwelling Ratio factor, the calculations for AOP, Other Wind and Hail, and Fire do not. Since those perils have Increased Dwelling Ratio factors listed (albeit, all 1.0000's), it would make sense to calculate a component for those perils in a similar manner as for the Hurricane, Severe Thunderstorm, and Winter Storm perils. This may be

due to a misinterpretation that the Increased Dwelling Ratio factor is a “rate from the rate pages” that should be “[multiplied] by any applicable rating factors”. However, the Increased Dwelling Ratio factors for the catastrophe perils are factors, and not rates, and should not be treated in a similar manner as the rate per \$1,000 rates for the non-catastrophe perils that are found in the “Optional Coverages” section of the rate pages (VA-R-9.1 – VA-R-9.2).

While the Company is using the rates correctly, Rule 20 on manual page VA-Rules-10 does not say that the base rate for each peril should be multiplied by the appropriate Increased Dwelling Ratio factors; in fact, there is no mention of the Increased Dwelling ratio factors in the Premium Determination section of the manual, which was an oversight on the Company’s part. Due to the contradictory result implied by the calculation method provided (which can result in an Increased Dwelling Coverage premium for a policy without such coverage), The Company does not accept this interpretation and disagrees with any amount that is listed as an overcharge.

g. In three instances, the company failed to use the correct public protection class.

USAA Response: The Company acknowledges the observations, however, disputes the findings.

Reference Number	Review Sheet	Company
RHO004	1439687317	GIC

ISO verified the fire departments merged and a PPC rating of 3 is correct. See support RHO004.

Reference Number	Review Sheet	Company
RHO011	-1995861398	GIC

USAA Response: ISO location returned a rating on the address of 3. Information regarding the distance to the fire hydrant is not relevant to the rating. See support RHO011.

Based on feedback, the company will correct the information shown on our screen to display N/A when ISO location has returned a PC rating as a non-split address.

Reference Number	Review Sheet	Company
RHO050	-495294716	CIC

USAA Response: ISO location returned a rating on this address as 5. Information regarding distance to the fire hydrant is not relevant. See support RHO050.

Based on feedback, the company will correct the information shown on our screen to

display N/A when ISO location has returned a PC rating as a non-split address.

Homeowners Renewal Business Policies

The Bureau reviewed 57 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$949.88 and undercharges totaling \$1,291.51. The net amount that should be refunded to insureds is \$949.88 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-1318 of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide accurate policy information.
- (2) The examiners found 23 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In six instances, the company failed to use the correct discounts and/or surcharges.

USAA Response: The Company acknowledges the observation but disputes the findings.

Reference Number	Review Sheet	Company
RHO117	-710175803	CIC

USAA Response: Losses were incorrectly coded with an "N" for weather-related. This is a system error as both losses were weather related and we were applying the Claims Free Discount and not considering the losses. USAA will review and correct how weather related losses display in our system.

- b. In eight instances, the company failed to use the correct tier eligibility criteria.

USAA Response: The Company acknowledges the criticisms by the Bureau of the Insurance but disputes the findings.

Reference Number	Review Sheet	Company
RHO061	666300769	GIC
RHO086	2130833714	GAR
RHO088	61356326	GAR

RHO115

-148324498

CIC

USAA Response: The Company disagrees that a list of investment products ineligible for consideration be included in the filed Tier Placement Guidelines. Investment products, such as those provided by USAA, are covered by the IR Code, specifically, Internal Revenue Code §4975. The Code does not describe what a self directed IRA or retirement fund can invest in; it only states what it cannot invest in. To attempt to produce a list of ineligible products is impractical given the frequent changes to IR Code §4975 and the wide variety of financial products available to our membership. However, the Company will revise the Tier Placement Guidelines to reference prohibited transactions under IRC §4975.

Reference Number	Review Sheet	Company
RHO089	68092440	GAR

USAA Response: Our research verified that neither the named insured nor his spouse had any products with USAA Federal Savings Bank. Supporting documentation is attached. We are researching why IMS indicates that the member had bank products. See support RHO089.

Reference Number	Review Sheet	Company
RHO120	1126624472	CIC

USAA Response: As requested, a screen shot is being provided that indicates the Best Corporate Tenure used was 17 years, which aligns with the previously provided screen shot showing the member's corporate first effective date of 1/14/1997. As such, we continue to assert that the correct tier placement aligns with the rated tier. See support RHO120

c. In seven instances, the company failed to use the correct base and/or final rates.

USAA Response: The Company acknowledges the observations but disputes the findings.

Reference Number	Review Sheet	Company
RHO063	1662494619	GIC
RHO068	-304561891	GIC
RHO076	-1196031860	GAR
RHO080	2004036596	GAR
RHO101	2011684369	USAA
RHO118	858849490	CIC

USAA Response: For the non-catastrophe perils (AOP, Other Wind and Hail, and Fire), the Increased Dwelling Coverage (IDC) is based on a rate per \$1000, which is then multiplied by the appropriate factors; for the catastrophe perils (Hurricane, Thunderstorm, and Winter Storm) the IDC premium isn't considered separately from the Basic premium in practice. For Hurricane, Severe Thunderstorm, and Winter Storm, in order to split out the premium that is attributable to IDC and attributable to Basic premium we:

1. Calculate the peril's premium with the insured's selected Coverage A coverage; this is the total premium for that peril
2. Calculate the peril's premium with the basic amount of Coverage A coverage; this is the Basic premium
3. Calculate the difference between the peril's basic premium and total premium; this is the premium attributable to IDC.

An exhibit has been included. The first page shows the results of separating the basic premium from the IDC premium. The second page reorganizes the data to show how the premiums are calculated in practice, without the Basic/IDC Catastrophe Peril premium split.

The calculations provided by the examiner are based on a possible misinterpretation of the rating manual (using Increased Dwelling Ratio factors in lieu of Rate per \$1,000 rates). By using the calculations provided, one would determine that a policy with no additional Coverage A would still have Increased Dwelling Coverage premiums – an undesirable result - since the Increased Dwelling Ratio factor used by the examiner in the calculations would be replaced with a 1.0000.

Additionally, the provided calculations appear to show an inconsistent interpretation of the rating manual between the non-catastrophe perils and the catastrophe perils; whereas the calculations shown for Hurricane, Severe Thunderstorm, and Winter Storm all include an Increased Dwelling Ratio factor, the calculations for AOP, Other Wind and Hail, and Fire do not. Since those perils have Increased Dwelling Ratio factors listed (albeit, all 1.0000's), it would make sense to calculate a component for those perils in a similar manner as for the Hurricane, Severe Thunderstorm, and Winter Storm perils. This may be due to a misinterpretation that the Increased Dwelling Ratio factor is a "rate from the rate pages" that should be "[multiplied] by any applicable rating factors". However, the Increased Dwelling Ratio factors for the catastrophe perils are factors, and not rates, and should not be treated in a similar manner as the rate per \$1,000 rates for the non-catastrophe perils that are found in the "Optional Coverages" section of the rate pages (VA-R-9.1 – VA-R-9.2).

While the Company is using the rates correctly, Rule 20 on manual page VA-Rules-10 does not say that the base rate for each peril should be multiplied by the appropriate Increased Dwelling Ratio factors; in fact, there is no mention of the Increased Dwelling ratio factors in the Premium Determination section of the manual, which was an oversight on USAA's part. Due to the contradictory result implied by the calculation method provided (which can result in an Increased Dwelling Coverage premium for a policy without such coverage), the Company does not accept this interpretation and disagrees with any amount that is listed as an overcharge.

Reference Number	Review Sheet	Company
RHO082	1787231944	GAR

USAA Response: From page GR-6 of the rating manual, "Calculate the full renewal premium and compare to the expiring prior term premium. [...] If the number of chargeable losses on the renewal policy changes by one, the premium change on the renewal policy is capped at the higher cap (shown on the rate pages) from the expiring prior term

premium." The decision between a higher or lower cap is not based on "the number of actual claims", but rather the number of chargeable losses. Because of the amended Claims Activity Surcharge rule, the number of chargeable losses changed (decreased) by one as compared with the prior policy term. For this reason, the policy was capped at the higher cap.

- d. In two instances, the company failed to use the correct public protection class.

Reference Number	Review Sheet	Company
RHO064	1275640121	GIC

USAA Response: Please see supporting documentation showing a modified PC rating for the property of 3. ISO LOCATION returned a rating of 3 based on the property's distance to the nearest fire station and fire hydrant. Our system reflects a distance of nearest fire hydrant as 0. When a split location is confirmed by ISO LOCATION, the distance to nearest fire hydrant that is displayed is not relevant to the rating of the policy. Other Review Sheets similar to this are incorrectly displaying the distance to nearest fire hydrant as 1001. See support RHO064.

Reference Number	Review Sheet	Company
RHO102	1062614879	USAA

USAA Response: Please see supporting documentation showing a modified PC rating for the property of 3. ISO LOCATION returned a rating of 3 based on the property's distance to the nearest fire station and fire hydrant. When a split location is confirmed by ISO LOCATION, the distance to nearest fire hydrant that is displayed is not relevant to the rating of the policy. If ISO LOCATION confirmed the location was a true split location, our screens would display the both split ratings as well as the distance to fire hydrant field.

- (4) The examiners found six violations of § 38.2-2126 A of the Code of Virginia. The company failed to provide the credit adverse action notice.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance, but disputes the findings.

Reference Number	Review Sheet	Company
RHO074	-1955721772	GIC
RHO082	237275007	GAR
RHO090	-472043377	GAR
RHO093	1137482636	USAA
RHO095	-133248800	USAA
RHO107	-964294717	CIC

USAA Response: The Company did not violate §38.2-2126 A.2. The Company acknowledges that §38.2-2126 A.2. states that adverse action includes, but is not limited to, circumstances where the applicant or insured did not receive the company's best tier. However, it is the Company's position that the Virginia law is pre-empted by federal law,

specifically the Fair Credit Reporting Act (FCRA). The FCRA requires a consumer notice of an adverse action. The United States Supreme Court addressed the scope of "adverse action" with respect to use of credit for renewal business. Specifically, the Court stated that "after the initial dealing between the consumer and the insurer, the baseline for 'increase' is the previous rate or charge," as opposed to the neutral baseline that applies for new business. Stated another way, the proper baseline for determining whether adverse action has been taken at renewal is the whether the consumer's renewal rate or tier is worse than the prior term's rate or tier.

The Company requests a meeting with the Bureau to further discuss the use of credit score in tier placement of the risk.

- (5) The examiners found four violations of § 38.2-2126 B of the Code of Virginia. The company failed to update the insured's credit information at least once in a three year period.

The Company acknowledges the observations but disputes the findings.

Reference Number	Review Sheet	Company
RHO076	1150595416	GAR

USAA Response: The credit information for this member was updated on 5/13/13. The date was inadvertently entered as 6/27/10 on the spreadsheet provided. A system defect which caused the continued use of the old score, when the newly ordered score was lower than the previous score was identified. The defect has been corrected as of 1/15/2016. Supports with the current order date previously provided. See support RHO076.

Reference Number	Review Sheet	Company
RHO100	-514892877	USAA

USAA Response: The credit information for this member was updated on 5/23/14. The date was inadvertently entered as 10/23/12 in the spreadsheet provided. Supports with the current order date were previously provided.

Reference Number	Review Sheet	Company
RHO105	1706694773	USAA

USAA Response: The credit information for this member was updated on 11/4/2013. The credit score was 732 on this date. A system defect which caused the continued use of the old score, when the newly ordered score was lower than the previous score was identified. The defect has been corrected as of 1/15/2016. See support RHO105.

Reference

Number	Review Sheet	Company
RHO114	1394417622	CIC

USAA Response: The credit information for this member was updated on 1/27/14. The credit score was 726 on this date. See support RHO114.

Reference Number	Review Sheet	Company
RHO102	1429639122	USAA

USAA Response: The Company thanks the Bureau for the recommendation. We will take the recommendation under consideration.

TERMINATION REVIEW

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

Company-Initiated Cancellations - Automobile Policies

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

The Bureau reviewed four automobile cancellations that were initiated by the companies where the companies mailed the notices prior to the 60th day of coverage in the initial policy period. As a result of this review, the examiners found overcharges totaling \$39.50 and no undercharges. The net amount that should be refunded to insureds is \$39.50 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written Notice of an Adverse Underwriting Decision (AUD).
- (2) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with

the Bureau. The company failed to calculate the return premium correctly.

(3) The examiners found three violations of § 38.2-2208 B of the Code of Virginia.

a. In two instances, the company failed to retain proof of mailing the cancellation notice to the insured.

USAA Response: The Company acknowledges the observations but disputes the findings.

Reference Number	Review Sheet	Company
TPA008	-2001022287	USAA

USAA Response: Please see additional supporting documentation provided. We have provided a screen shot showing an address for the member in Caguas, Puerto Rico. The Homeowners policy was also cancelled around the same time as the auto policy cancellation. The reason recorded is that the home was sold and the member did not need a replacement policy. This policy was inadvertently included in the samples of auto cancellations mailed prior to the 60th day of coverage. See support TPA008.

The Company will continue to encourage our Member Service Representatives to document unique situations such as these so we will have a documented account of what transpired. Additionally, the Company will ensure that in future exams we will submit accurate Termination samples.

b. In one instance, the company failed to retain proof of mailing the cancellation notice to the lienholder.

USAA Response: The Company disagrees with this violation.

Reference Number	Review Sheet	Company
TPA005	-1932186903	USAA

The Company utilizes a vendor to send notices electronically. A copy of the electronic notice is unsuccessful, a copy of the electronic notice would not display in our documents. If unable to transmit, our vendor will contact the lienholder to resolve the issue. The Company has provided a copy of the electronic notice sent to the lienholder and is including as a support. See support TPA005.

(4) The examiners found three occurrences where the company failed to comply with the provisions of the insurance contract.

a. In two instances, the company failed to provide advance notice of cancellation to

the insured.

USAA Response: The Company acknowledges the observation but disputes the findings.

Reference Number	Review Sheet	Company
TPA008	-1309327401	USAA

Please see additional supporting documentation provided. We have provided a screen shot showing an address for the member in Caguas, Puerto Rico. The Homeowners policy was also cancelled around the same time as the auto policy cancellation. The reason recorded is that the home was sold and the member did not need a replacement policy. This policy was inadvertently included in the samples of auto cancellations mailed prior to the 60th day of coverage. See support TPA008.

The Company will continue to encourage our Member Service Representatives to document unique situations such as these so we will have a documented account of what transpired. Additionally, the Company will ensure that in future exams we will submit accurate Termination samples.

- b. In one instance, the company failed to send the cancellation notice to the address listed on the policy.

USAA Response: The Company acknowledges the observation; however, we continue to dispute the finding.

Reference Number	Review Sheet	Company
TPA008	-1782401128	USAA

Please see additional supporting documentation provided. We have provided a screen shot showing an address for the member in Caguas, Puerto Rico. The Homeowners policy was also cancelled around the same time as the auto policy cancellation. The reason recorded is that the home was sold and the member did not need a replacement policy. This policy was inadvertently included in the samples of auto cancellations mailed prior to the 60th day of coverage. See support TPA008.

The Company will continue to encourage our Member Service Representatives to document unique situations such as these so we will have a documented account of what transpired. Additionally, the Company will ensure that in future exams we will submit accurate Termination samples.

NOTICE MAILED AFTER THE 59th DAY OF COVERAGE

The Bureau reviewed eight automobile cancellations that were initiated by the

companies where the companies mailed the notice on or after the 60th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found one violation of § 38.2-2212 E of the Code of Virginia.

The company failed to send notice of cancellation to the insured.

USAA Response: The Company acknowledges the observation but disputes

the findings.

Reference Number	Review Sheet	Company
TPA008	-2001022287	USAA

We have provided a screen shot showing an address for the member in Manitoba, Canada. The Homeowners policy was also cancelled around the same time as the auto policy cancellation. The reason recorded is that the home was sold and the member did not need a replacement policy. This policy was inadvertently included in the samples of company-initiated cancellations after the 60th day of coverage. See support TPA008.

The company will continue to encourage our Member Service Representatives to document unique situations such as these so we will have a documented account of what transpired. The company will ensure that in future exams accurate Termination samples are provided.

All Other Cancellations - Automobile Policies

NONPAYMENT OF THE PREMIUM

The Bureau reviewed nine automobile cancellations that were initiated by the companies for nonpayment of the policy premium. As a result of this review, the examiners found \$109.58 in overcharges and no undercharges. The net amount that should be refunded to insureds is \$109.58 plus six percent (6%) simple interest.

(1) The examiners found four violations of § 38.2-1906 D of the Code of Virginia.

The company failed to use the rules and/or rates on file with the Bureau.

The company failed to calculate the earned premium correctly.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
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TPA045 2093060710 USAA

USAA Response: Please see the calculations provided. See support TPA045.

Reference Number	Review Sheet	Company
TPA046	1983437733	USAA

USAA Response: Please see the calculations provided. See support TPA046.

Reference Number	Review Sheet	Company
TPA048	1495201658	GIC

USAA Response: Please see the calculations provided. See support TPA048.

Reference Number	Review Sheet	Company
TPA049	-1660879671	GIC

USAA Response: Please see the calculations provided. See support TPA049.

(2) The examiners found two violations of § 38.2-2208 B of the Code of Virginia.

The company failed to provide proper notice of the cancellation to the lienholder.

REQUESTED BY THE INSURED

The Bureau reviewed 13 automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found overcharges totaling \$6.45 and no undercharges. The amount that should be refunded to insureds is \$6.45 plus six percent (6%) simple interest.

(1) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

(2) The examiners found two occurrences where the company failed to comply with the provisions of the insurance contract. The company failed to retain evidence of the

insured's request for cancellation of the policy.

USAA Response: The Company acknowledges the observations but disputes the findings.

Reference Number	Review Sheet	Company
TPA057	170402528	GIC

The policy was cancelled and rewritten due to a move. The 7101 VA based auto policy was cancelled and reissued as 7102 FL based auto policy without a lapse in coverage. See support TPA057.

Reference Number	Review Sheet	Company
TPA058	-791496776	GAR

USAA Response: The policy was cancelled and rewritten. Policy 7104, a named non owner policy, was cancelled and 7105 rewritten, a standard auto policy without a lapse in coverage. See support TPA058.

Reference Number	Review Sheet	Company
TPA010	1435609476	GIC

The Company thanks the Bureau for the recommendation. We will take the recommendation under consideration.

Company-Initiated Non-renewals -Automobile Policies

The Bureau reviewed 17 automobile nonrenewals that were initiated by the companies.

- (1) The examiners found one violation of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the refusal to renew notice to the insured.

USAA Response: The Company acknowledges the observation but disputes the findings.

Reference Number	Review Sheet	Company
TPA065	-263106307	GIC

§38.2-2208A.1. provides that "No written notice of cancellation or refusal to renew that is mailed or delivered electronically by an insurer to an insured in accordance with the provisions of a motor vehicle insurance policy shall be effective unless:

1. a. It is sent by registered or certified mail or any other similar first-class mail tracking

method that is used or approved by the United States Postal Service.”

The provided documentation shows that the notice was mailed to the member utilizing a first-class tracking method used by the United States Postal Service. The ball stamp from USPS may be illegible; however, the ball stamp from USPS is present on a USPS Certificate of Mailing. In addition, the manifest is signed by the Postmaster and the member number for this member is on the manifest. The mailing of the notice to our member complies with Code §38.2-2208A.1. See support TPA065.

- (2) The examiners found six violations of § 38.2-2208 B of the Code of Virginia.
- a. In one instance, the company failed to retain valid proof of mailing the refusal to renew notice to the insured.
 - b. In four instances, the company failed to provide notice of the refusal to renew to the lienholder.

USAA Response: The Company acknowledges the observation but disputes the findings.

Reference Number	Review Sheet	Company
TPA062	143786333	USAA

The company respectfully disagrees. When the nonrenewal for 7102 was processed on 1/21/14 there were no insured vehicles with a lienholder on the policy. A subsequent transaction was processed on 2/16/14 to add a 2011 Infiniti with a lienholder. See support TPA062.

The policy adjustment related to this finding is an anomaly. We are reviewing the process related to policy adjustments made to a policy set to nonrenew or cancel.

- c. In one instance, the company failed to retain valid proof of mailing the refusal to renew notice to the lienholder.

Homeowners Policies

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

Company-Initiated Cancellations -Homeowners Policies

NOTICE MAILED PRIOR TO THE 90th DAY OF COVERAGE

The Bureau reviewed 16 homeowner cancellations that were initiated by the companies where the notices were mailed prior to the 90th day of coverage in the initial policy period.

As a result of this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written Notice of an Adverse Underwriting Decision (AUD).

USAA Response: The Company acknowledges the observation but disputes the finding.

Reference Number	Review Sheet	Company
THO016	370812538	CIC

The policy was cancelled at the request of the member. Please see supporting documents. The Member Service Representative that processed this cancellation request used incorrect cancellation reasons. The policy was inadvertently included in the sample of cancellations mailed prior to the 90th day of coverage. Since the policy was cancelled at the request of the member, the company would not be held to the cited requirements of 38.2-610 A1. See support THO016.

The Company will ensure that in future exams we will submit accurate Termination samples. The company will also re-communicate to our Member Service Representatives the importance of correctly coding cancellations to avoid inaccurate reporting.

- (2) The examiners found one violation of § 38.2-2113 C of the Code of Virginia.

The company failed to retain valid proof of mailing the cancellation notice to the insured.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
THO016	-401800017	CIC

The policy was cancelled at the request of the member. Please see supporting documents. The Member Service Representative that processed this cancellation request used incorrect cancellation reasons. The policy was inadvertently included in the sample of cancellations mailed prior to the 90th day of coverage. Since the policy was cancelled at the request of the member, the company would not be held to the cited requirements of 38.2-2113 C5. See support THO016.

The Company will ensure that in future exams we will submit accurate Termination samples. The company will also re-communicate to our Member Service Representatives the importance of correctly coding cancellations to avoid inaccurate reporting.

- (3) The examiners found five occurrences where the company failed to comply with the provisions of the insurance contract.
- a. In one instance, the company failed to provide the insured with the correct number of days notice of cancellation.

USAA Response: The Company acknowledges the criticism by the Bureau of Insurance but disputes the finding.

Reference Number	Review Sheet	Company
THO016	-1029144026	CIC

The policy was cancelled at the request of the member. Please see supporting documents. The Member Service Representative that processed this cancellation request used incorrect cancellation reasons. The policy was inadvertently included in the sample of cancellations mailed prior to the 90th day of coverage. Since the policy was cancelled at the request of the member, the company would not be held to the cited requirements of Policy Provision 8.

The Company will ensure that in future exams we will submit accurate Termination samples. The company will also re-communicate to our Member Service Representatives the importance of correctly coding cancellations to avoid inaccurate reporting.

- b. In one instance, the company failed to send the cancellation notice to the address listed on the policy.

USAA Response: The Company acknowledges the criticism by the Bureau of Insurance but disputes the finding.

Reference Number	Review Sheet	Company
THO016	-423043843	CIC

The policy was cancelled at the request of the member. Please see supporting documents. The Member Service Representative that processed this cancellation request

used incorrect cancellation reasons. The policy was inadvertently included in the sample of cancellations mailed prior to the 90th day of coverage. Since the policy was cancelled at the request of the member, the company would not be held to the cited requirements of Policy Provision 12.

The Company will ensure that in future exams we will submit accurate Termination samples. The company will also re-communicate to our Member Service Representatives the importance of correctly coding cancellations to avoid inaccurate reporting.

- c. In three instances, the company failed to provide a notice of cancellation to the insured.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
THO002	-230699351	USAA

This was a member-initiated cancellation due to rates and the wind/hail deductibles that USAA offered. See supporting documents. The Member Service Representative that processed this cancellation request used incorrect cancellation reasons. The policy was inadvertently included in the sample of cancellations mailed prior to the 90th day of coverage. Since this policy was cancelled at the request of the member, the company would not be held to the duties of Policy Provision 14.

The Company will ensure that in future exams we will submit accurate Termination samples. The company will also re-communicate to our Member Service Representatives the importance of correctly coding cancellations to avoid inaccurate reporting.

Reference Number	Review Sheet	Company
THO004	-2097507462	USAA

USAA Response: This was a member-initiated cancellation. The policy was transferred from the member's Estate to his surviving widow's account. See supporting documents. The policy was inadvertently included in the sample of cancellations mailed prior to the 90th day of coverage. Since this policy was cancelled at the request of the Executor of the Estate, the company would not be held to the duties of Policy Provision 14.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO018	-489788195	CIC

This was a member-initiated cancellation. The insured called to inquire about a change in occupancy for the home from primary to a short-term rental. At that time the insured was advised that we are unable to cancel/re-write the Homeowners policy to a Rental Property policy because of the commercial exposure. We did refer the member to our USAA

Insurance Agency as an alternative, but as noted the insured felt the quoted premiums were too high. The insured opted to insure with a local carrier and cancelled the policy. Please see supporting documentation. The policy was inadvertently included in the sample of cancellations mailed prior to the 90th day of coverage. Since this policy was cancelled at the request of the insured, the company would not be held to the duties of Policy Provision 14.

The Company will ensure that in future exams we will submit accurate Termination samples. The company will also re-communicate to our Member Service Representatives the importance of correctly coding cancellations to avoid inaccurate reporting.

NOTICE MAILED AFTER THE 89th DAY OF COVERAGE

The Bureau reviewed ten homeowner cancellations that were initiated by the companies where the notices were mailed on or after the 90th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. As a result of this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found nine violations of § 38.2-2113 C of the Code of Virginia.
- a. In two instances, the company failed to provide proper notice of cancellation to the lienholder.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
THO045	308770439	CIC

The policy was cancelled at the request of the member. This policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. The Renters policy was endorsed with the R-56 Additional Insured endorsement. The additional insured named on the policy was the spouse, who was a cohabitant in the named insured's household. As indicated in the endorsement, the named insured is the agent for the policy. Because this was a request to cancel made by the named insured, there was no duty for the company to send a separate notice of cancellation to the additional insured. Had this been a company-initiated cancellation, the company would then have had a duty to send notice of cancellation to the additional insured named on the policy. Documentation of the named insured's request to cancel as well as the R-56 endorsement is attached as supporting documentation for the company's position. See support THO045.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO050	-663494688	CIC

USAA Response: The policy was cancelled at the request of the member. This policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. The insured obtained coverage with another insurance provider for their farming exposure through our USAA Insurance Agency. Since this was a member-initiated cancellation, there was no duty on the part of the company to send a notice of cancellation to the named insured or additional insured. See support THO050.

The Company will ensure that in future exams we will submit accurate Termination samples.

- b. In four instances, the company failed to retain proof of mailing the cancellation notice to the insured.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
THO044	940698774	CIC

The policy was cancelled at the request of the member. Please see supporting documentation. This policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. The insured sold this home and obtained replacement coverage with USAA. Since this was a member-initiated cancellation based on the sale of the home, the company would not be held to the cited requirements of 38.2-2113 C/05. See support THO044.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO046	-1848928749	CIC

USAA Response: The policy was cancelled at the request of the Executor of the Estate. Please see supporting documents. The policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. Since the policy was cancelled at the request of the Executor of the Estate, the company would not be held to the cited requirements of 38.2-2113 C/05. See support THO046.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO047	2138929720	CIC

The policy was cancelled at the request of the member due to a move out-of-state. Please see supporting documents. The policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. Since the policy was cancelled at the request of the member, the company would not be held to the cited requirements of 38.2-2113 C/05. See support THO047.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO048	-2021874661	CIC

USAA Response: The policy was cancelled at the request of the member due to a move out-of-state. Please see supporting documents. The policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. Since the policy was cancelled at the request of the member, the company would not be held to the cited requirements of 38.2-2113 C/05. See support THO048.

The Company will ensure that in future exams we will submit accurate Termination samples.

- c. In three instances, the company failed to retain valid proof of mailing the cancellation notice to the lienholder.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
THO044	-1652702718	CIC

The policy was cancelled at the request of the member. Please see supporting documentation. This policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. The insured sold this home and obtained replacement coverage with USAA. Since this was a member-initiated cancellation based on the sale of the home, the company would not be held to the cited requirements of 38.2-2113 C/07. See support THO044.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO045	-474907635	CIC

USAA Response: The policy was cancelled at the request of the member. This policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. The Renters policy was endorsed with the R-56 Additional Insured endorsement. The additional insured named on the policy was the spouse, who was a

cohabitant in the named insured's household. As indicated in the endorsement, the named insured is the agent for the policy. Because this was a request to cancel made by the named insured, the Company would not be held to the cited requirements of 38.2-2113 C/07 . Documentation of the named insured's request to cancel as well as the R-56 endorsement is attached as supporting documentation for the company's position. See support THO045.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO046	-1648106161	CIC

USAA Response: The policy was cancelled at the request of the Executor of the Estate. Please see supporting documents. The policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. Since the policy was cancelled at the request of the Executor, the company would not be held to the cited requirements of 38.2-2113 C/07. See support THO046.

The Company will ensure that in future exams we will submit accurate Termination samples.

(2) The examiners found five violations of § 38.2-2114 A of the Code of Virginia.

a. In four instances, the company failed to issue a cancellation notice to the insured on an owner-occupied dwelling.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
THO028	-828341050	USAA

The policy was cancelled at the request of the member due to no longer needing the policy. The insured had moved to Florida and USAA was not able to offer Homeowners insurance in Florida for the member due to underwriting guidelines. See supporting documentation. Since this was a member-initiated cancellation, there was no duty on the part of the company to send a notice of cancellation to the named insured. This policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. See support THO028.

The Company will ensure that in future exams we will submit accurate Termination samples. The company will also re-communicate to our Member Service Representatives the importance of correctly coding cancellations to avoid inaccurate reporting.

Reference Number	Review Sheet	Company
THO039	-910162779	GAR

USAA Response: The policy was cancelled at the request of the member due to no longer needing the policy. The insured had moved into a mobile home and obtained

coverage for the new home with a local insurance provider. See supporting documentation. Since this was a member-initiated cancellation, there was no duty on the part of the company to send a notice of cancellation to the named insured. This policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. See support THO039.

The Company will ensure that in future exams we will submit accurate Termination samples. The company will also re-communicate to our Member Service Representatives the importance of correctly coding cancellations to avoid inaccurate reporting.

Reference Number	Review Sheet	Company
THO045	-384759273	CIC

USAA Response: The policy was cancelled at the request of the member. This policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. The Renters policy was endorsed with the R-56 Additional Insured endorsement. The additional insured named on the policy was the spouse, who was a cohabitant in the named insured's household. As indicated in the endorsement, the named insured is the agent for the policy. Because this was a request to cancel made by the named insured, the company would not be held to the cited requirements of 38.2-2114 A. Documentation of the named insured's request to cancel as well as the R-56 endorsement is attached as supporting documentation for the company's position.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO050	1408429872	CIC

USAA Response: The policy was cancelled at the request of the member. This policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. The insured obtained coverage with another insurance provider for their farming exposure through our USAA Insurance Agency. Since this was a member-initiated cancellation, there was no duty on the part of the company to send a notice of cancellation to the named insured or additional insured. See support THO050.

The Company will ensure that in future exams we will submit accurate Termination samples.

- b. In one instance, the company cancelled a policy insuring an owner-occupied dwelling after the 89th day of coverage for a reason not permitted by the statute.

USAA Response: The Company acknowledges the criticism by the Bureau of Insurance but disputes the finding.

Reference Number	Review Sheet	Company
THO046	-1076319525	CIC

The policy was cancelled at the request of the Executor of the Estate. Please see supporting documents. The policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. Since the policy was cancelled at the request of the Executor, the company would not be held to the cited requirements of 38.2-2114 A-1-6. See support THO046.

The Company will ensure that in future exams we will submit accurate Termination samples.

- (4) The examiners found nine violations of § 38.2-2114 C of the Code of Virginia.
- a. In three instances, the company failed to provide 30 days notice to the Insured when the company cancelled the policy after the 89th day of coverage.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
THO044	316454647	CIC

The policy was cancelled at the request of the member. Please see supporting documents. The policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. Since the policy was cancelled at the request of the member, the company would not be held to the cited requirements of 38.2-2114 C 1. See support THO044.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO047	-2123438989	CIC

USAA Response: The policy was cancelled at the request of the member. Please see supporting documents. The policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. Since the policy was cancelled at the request of the member, the company would not be held to the cited requirements of 38.2-2114 C 1. See support THO047.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO048	388943554	CIC

USAA Response: The policy was cancelled at the request of the member. The insured combined policies with her spouse (also a USAA member). Please see supporting documents. The policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. Since the policy was cancelled at the request of the member, the company would not be held to the cited requirements of 38.2-2114 C1. See support THO048.

The Company will ensure that in future exams we will submit accurate Termination samples.

- b. In three instances, the company failed to advise the insured of his right to request a review by the Commissioner of Insurance.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
THO044	1055411292	CIC

The policy was cancelled at the request of the member. Please see supporting documentation. This policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. The insured sold this home and obtained replacement coverage with USAA. Since this was a member-initiated cancellation based on the sale of the home, the company would not be held to the cited requirements of 38.2-2114 C3. See support THO044.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO046	1395693697	CIC

USAA Response: The policy was cancelled at the request of the Executor of the Estate. Please see supporting documents. The policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. Since the policy was cancelled at the request of the Executor, the company would not be held to the cited requirements of 38.2-2114 C3. See support THO046.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO048	1475216585	CIC

USAA Response: The policy was cancelled at the request of the member. The insured combined policies with her spouse (also a USAA member). Please see supporting documents. The policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. Since the policy was cancelled at the request of the

member, the company would not be held to the cited requirements of 38.2-2114 C3. See support THO048.

The Company will ensure that in future exams we will submit accurate Termination samples.

- c. In three instances, the company failed to advise the insured of the availability of insurance through the Virginia Property Insurance association (VPIA).

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
THO044	242226221	CIC

The policy was cancelled at the request of the member. Please see supporting documentation. This policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. The insured sold this home and obtained replacement coverage with USAA. Since this was a member-initiated cancellation based on the sale of the home, the company would not be held to the cited requirements of 38.2-2114 C4. See support THO044.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO046	-1546734418	CIC

USAA Response: The policy was cancelled at the request of the Executor of the Estate. Please see supporting documents. The policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. Since the policy was cancelled at the request of the Executor, the company would not be held to the cited requirements of 38.2-2114 C4. See support THO046.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO048	1382247766	CIC

USAA Response: The policy was cancelled at the request of the member. The insured combined policies with her spouse (also a USAA member). Please see supporting documents. The policy was inadvertently included in the sample of cancellations mailed after the 90th day of coverage. Since the policy was cancelled at the request of the member, the company would not be held to the cited requirements of 38.2-2114 C4. See support THO048.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO030	-1277195910	GIC
THO038	-1929310113	GAR
THO043	1429637114	CIC

USAA Response: The Company thanks the Bureau for the recommendation. We will take the recommendation under consideration.

All Other Cancellations - Homeowners Policies

NONPAYMENT OF THE PREMIUM

The Bureau reviewed eight homeowner cancellations that were initiated by the companies for nonpayment of the policy premium. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this section.

REQUESTED BY THE INSURED

The Bureau reviewed nine homeowner cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found overcharges totaling \$1,441.86 and no undercharges. The net amount that should be refunded to insureds is \$1,441.86 plus six percent (6%) simple interest.

- (1) The examiners found three violation of § 38.2-1906 D of the Code of Virginia.

The company failed to use the rules and/or rates on file with the Bureau.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
THO041	1373789574	GAR
THO061	1256982845	GIC
THO065	1291714727	GAR

The company has no new information to provide. A review of 38.2-1906 did not yield information that precludes an insurer from sending refunded premiums to the lienholder of a Homeowners account that is paid in escrow.

Based on feedback from the exam, the company will continue to advise the insured that premiums for a cancelled Homeowners policy which is paid in escrow will be returned to the mortgage company. We will continue to advise the insured to contact their mortgage company if they feel a refund from the mortgage company is due. The company will also encourage our Member Service Representatives to document this conversation in the member's account for future reference.

(2) The examiners found one occurrence where the company failed to comply with the provisions of the insurance contract. The company failed to retain evidence of the insured's request for cancellation of the policy.

USAA Response: The Company acknowledges the criticism by the Bureau of Insurance but disputes the finding.

Reference Number	Review Sheet	Company
THO062	436891066	GIC

The company has no new information to provide. A review of 38.2-1906 did not yield information that precludes an insurer from sending refunded premiums to the lienholder of a Homeowners account that is paid in escrow.

Based on feedback from the exam, the company will continue to advise the insured that premiums for a cancelled Homeowners policy which is paid in escrow will be returned to the mortgage company. We will continue to advise the insured to contact their mortgage company if they feel a refund from the mortgage company is due. The company will also encourage our Member Service Representatives to document this conversation in the member's account for future reference.

Company-Initiated Non-renewals - Homeowners Policies

The Bureau reviewed 13 homeowner non-renewals that were initiated by the companies.

(1) The examiners found one violation of § 38.2-2113 C of the Code of Virginia. The company failed to provide proper notice of nonrenewal to the lienholder.

USAA Response: The Company acknowledges the criticism by the Bureau of Insurance but disputes the finding.

Reference Number	Review Sheet	Company
THO069	-1664060806	USAA

Please see supporting documentation. A farming exposure on the property was identified and the policy was set for review and would not renew automatically until the farming exposure could be developed further. The term in question did not renew automatically. The insured called in to inquire why their policy had not renewed and at the time answered questions regarding the exposure. The policy was renewed under a new contract. There was no lapse in coverage between terms. This policy was inadvertently included in the samples of company-initiated nonrenewals. See support THO069.

The Company will ensure that in future exams we will submit accurate Termination samples.

- (2) The examiners found seven violations of § 38.2-2114 B of the Code of Virginia. The company failed to issue a nonrenewal notice to the insured on an owner-occupied dwelling.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
THO071	-464598855	GIC

Due to a marital separation, the member moved to a different address than that of the insured home. A Renters policy was issued effective 7/09/2013 to protect her personal belongings. Her ex-spouse was residing in the home full-time. To ensure proper coverage for the household situation, the ex-spouse (also a USAA member) living in the insured home was advised to insure the home. The member was advised the home would not be renewed under her account since she was not residing in the home. Please see supporting documentation, including account documentation where a Member Service Representative reminded the member that the insurance policy for the home would not be renewed. This policy was inadvertently included in the samples of company-initiated nonrenewal. See support THO071.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO072	6142752	GIC

The policy in question expired and was re-written. The company of placement changed for this member from GIC to USAA. At the expiration of the GIC policy on 1/14/14, a new policy in company of placement USAA was issued. The same limits of coverage were provided on the USAA policy that were in place on the GIC policy. Please see supporting documentation. This policy was inadvertently included in the samples of company-initiated nonrenewals. See support THO072.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO073	1921322147	GIC

USAA Response: The policy in question was re-written under the account of the member's ex-spouse since she was occupying the home. Please see supporting documentation. This policy was inadvertently included in the samples of company-initiated nonrenewal.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO075	1533065341	GIC

USAA Response: The policy in question was re-written under the account of the member's ex-spouse since she was occupying the home. Please see supporting documentation. This policy was inadvertently included in the samples of company-initiated nonrenewal. See support THO075.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO079	-255284454	CIC

USAA Response: The insured purchased a home and cancelled the Renters policy, which was no longer needed. Please see supporting documentation requested. This policy was inadvertently included in the samples of company-initiated nonrenewal. See support THO079.

The Company will ensure that in future exams we will submit accurate Termination samples.

Reference Number	Review Sheet	Company
THO080	-1981684347	CIC

USAA Response: The insured purchased a home and cancelled the Renters policy, which was no longer needed. Please see supporting documentation requested. This policy was inadvertently included in the samples of company-initiated nonrenewal. See support THO080.

The Company will ensure that in future exams we will submit accurate Termination samples.

CLAIMS REVIEW

Private Passenger Automobile Claims

The examiners reviewed 170 automobile claims for the period of September 1, 2013 through August 31, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$10, 476.85 and underpayments totaling \$59,693.79. The net amount that should be paid to claimants is \$59,693.79 plus six percent (6%) simple interest.

- (1) The examiners found 24 violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance, but disputes the findings, to include that of a general business practice.

Reference Number	Review Sheet Company
CPA005	635220678 USAA

The Company's position is that there is no violation of 14 VAC 5-400-30 in this file. The first two sentences of the document says "ni stated that she is calling in regarding the claim and the money that usaa owes to the ni. adv will go ahead and calculate the figures and pay the ni." The Company interprets that the purpose of the information contained in Document #16 as a determination of the amount of the claim that was owed directly to the Insured for property stolen from the vehicle at the time of the loss. The purpose was not to determine the entire amount of the claim, to include final payment to Premiere for the replacement of stereo equipment stolen from the vehicle. As noted by the examiners, the documentation clearly indicates that the information provided by Premiere in the telephone conversation on 6/3/14 was not final, regardless of the reason. The adjuster did not require a breakdown of the Premiere amount, as he was using the figure only to determine the amount of the claim payable directly to the member.

As for the \$750 payment to the insured, in figuring the amount payable to the insured, the adjuster evaluated the full value of the property (iPad and 30 CDs), at \$989.40. The policy limitation for property taken from the vehicle is \$250. The adjuster recognized that the deductible would be absorbed by the full amount of the personal property loss before application of the \$250 policy limitation. However, the insured had already paid the \$500 deductible, as shown in Document # 16. The insured paid Safelite \$276.60 for the window replacement, and the insured paid Premiere \$223.40.

The \$750 payment to the insured is the \$250 policy limitation for personal property stolen from the vehicle plus reimbursement of the member's \$500 comprehensive deductible.

Reference Number	Review Sheet Company
CPA010	576291704 USAA

USAA Response: Documentation required by VAC 5-400-30 is contained in the file. The member's total amount of damages as documented in documentation # 63 reflects replacement cost of the Garmin nuvi was \$413.97. The member's total amount of damages were \$8418.49 vehicle damages and \$713.02 personal property stolen. After applying the \$50.00 deductible to the personal property loss, the

amount of personal property to consider is \$663.02. The limit of liability for electronic devices not permanently installed is \$250.00. Therefore, the maximum to be paid for the Garmin nuvi is \$250.00, which was considered along with the remaining personal property. Since the deductible was met by the excess personal property loss and had been applied to the vehicle damages settlement, the \$50.00 deductible was reimbursed to the member accordingly. See supports CPA010.

Reference Number	Review Sheet	Company
CPA015	237152282	USAA

USAA Response: Documentation required by 14 VAC 5-400-30 is contained in the file. Regardless of what is stated in the nature of pay line on the check, the check shows that the payment was made under collision coverage, the financial page for the file shows the payment was made under collision coverage and the member had a \$500 deductible for both collision and other than collision coverages. See supports CPA015.

Reference Number	Review Sheet	Company
CPA062	204729354	GAR

USAA Response: The Company disputes there is a violation of 14 VAC 5-400-30 in this claim file. The payment for \$137.55 on 8/29/14 was a re-issue; the attorney for the insured asked the check be issued without including attorney firm name on the check. The bill for this payment, as well as the bill for the payment for \$699.14 made on 9/3/14, was contained in the emails sent to the Company and filed in the "Communication Center" portion of the claim file. See support CPA062.

Reference Number	Review Sheet	Company
CPA070	1810206074	GAR

USAA Response: All notes and work papers pertaining to this total loss claim are contained in the file is such detail that pertinent events and dates of such events can be reconstructed. The examiner focuses on one word, "storage," to find a violation of 14 VAC 5-400-30 rather than reviewing the documentation in context. While it is possible that the insured may have contacted the Company concerned about storage rather than his rental coverage. However, at the time of this conversation, an offer to settle the total loss claim had been made and accepted. Also, review of the next two entries in the file relate directly to the transportation expense issue:

06-19-2014 15:53:06 CST
Summary: TTL CSM DOC
ob call to ERAC Inhouse
0540

-sp w/ alex
-rental started 5/18/14
charges if he paid them
-23 days authorized
-rental rate - 41.00/day luxury
-vehicle rented: Ford Taurus w/addtl options
-returned 6/9/14 as requested by TTL rep
-charges to NI: 4 days + what was over 900.00 policy for full day of 6/6/14
-142.36 out of pocket through the 6/9/14

06-25-2014 11:53:25 CST
Summary: iv tl
obc to ni reginald (757)389-
no ans - lvm
need to reimburse rental
\$ 142.36

-vehicle rented had specialty packages, rental branch has authority to charge more for rental
-thnkd' for time

The violation is based on one word in file documentation, and ignores the rest of the documentation that shows that the word was entered in error.

Reference Number	Review Sheet	Company
CPA085	201853884	GAR

USAA Response: The file contains all information necessary to reconstruct the pertinent events and dates of such events. Under Virginia law, there is a rebuttable presumption that the owner of a vehicle operated the vehicle such and is liable for damages. Our insured made this claim because his vehicle was stolen. The file documentation mentions property damage, however, no further investigation was warranted because the member would not be held liable for the damage. His car was stolen. In addition, in the event the operator of the vehicle made claim for property damage to others, the policy excludes liability coverage for caused by a person who did not have permission to operate the vehicle. Police report from the file is attached. See support CPA085.

Reference Number	Review Sheet	Company
CPA101	1106393474	CIC

USAA Response: There is no violation of 14 VAC 5-400-30. Review of all documents sent to the member reveals that no letter was sent to the insured regarding the Maryland Statute of Limitations. The documentation referred to by the examiner is a template used by the adjuster. The entry is titled "OPENING TEMPLATE." The item regarding Maryland says "MD SOL Letter n.a" which means the Maryland Statute of Limitations letter is not applicable. See support CPA101.

Reference Number	Review Sheet	Company
CPA102	1627091684	CIC

USAA Response: Observation 1: 14 VAC 5-400-30 says, in pertinent part, "Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed." The file documentation referred to by the examiner shows that the adjuster spoke with the Named Insured on 9/16/2013 and explained the first party medical coverage available to the member. The file documentation refers to it as PIP, however, there is nothing in the file that states that the adjuster told the member that she had PIP coverage. The same day as the conversation, the adjuster sent a packet of information to the insured providing instructions and information about her medical payments claim. All payments reference the Medical Expense Benefit coverage.

The examiner focuses on one word, "PIP," in the adjuster's documentation as the basis for a violation of 14 VAC 5-400-30. The rest of the information contained in the claim file that refers to the first party medical claim is not considered, which is not reasonable. For example, the adjuster sent a packet of information to the insured on 9/16/2013 that provides information and instructions for the member's medical payments claim. The adjuster did not send a packet with information for a PIP claim. A violation based on the use of "PIP" in file documentation is not warranted. See support CPA102.

Observation 2: The member treated with [REDACTED] Emergency Physicians, located in Elizabeth City, North Carolina; [REDACTED] Radiologists, Inc. in Greenville, North Carolina; Albemarle Hospital in Elizabeth City, North Carolina; and ordered a medical device from [REDACTED], in Vista, CA. None of the treatment received by the member was in Virginia. With regard to the payment in California, the payment was for goods, not services. The information provided regarding the California Department of Insurance was appropriate.

Reference Number	Review Sheet Company
CPA122	1379397060 CIC

USAA Response: All information regarding pertinent events are contained in the file. The Insured provided the first notice of loss via the mobile channel. He reported that he did not know what happened; when he left on Monday morning, he noticed a dent in the trunk. While the appraiser wrote estimate with a collision deductible, the adjuster decided to provide coverage under comprehensive coverage. On 9/25/13 the adjuster advised the insured via a message left of voice messaging that the claim would be handled under the OTC coverage and instructed the insured to pay the \$100 deductible to the body shop. Given that the insured did not know how the damage occurred, coverage would be appropriate under either collision or other than collision coverage, and the adjuster provided the best coverage to the member, that is, OTC coverage with a \$100 deductible. See support CPA122.

Reference Number	Review Sheet Company
CPA126	1249860788 CIC

USAA Response: All notes and working papers pertaining to the claim are in the claim file. This was a glass only claim. Under the Loss Detail screen, the adjuster documented the recorded statement taken from NI spouse and son. The details are as follows:

The damage to the vehicle was to the window only. In file documentation, the adjuster summarized the recorded statement, documented that it was a glass claim and transferred the insured to Safelite to handle the glass portion of the claim. See support CPA126.

Reference Number	Review Sheet Company
CPA134	476151132 CIC

USAA Response: The examiners interpret file documentation one way, the Company interprets it another. The examiner states that the file is not clear why the Company was having a hard time determining if the vehicle was a total loss. The documents contained in the file provide details such that pertinent events and the dates of such events can be reconstructed.

1. 9/11/2013: Original estimate for repair of vehicle \$2637.71 less the insured's \$250 deductible.
2. 9/12/2103: Question repair of prior damage, referral to SIU
3. 9/16/2013: SIU reviews photos from this loss and compares to damage in prior loss. Prior damage may be present.
4. 10/8/2013: SIU completes investigation.
5. 10/14/2013: Adjuster settles claim as repair of vehicle with member.

6. 10/18/2013: Shop of choice contacts Company, asking for copies of estimates for this loss and the prior loss.
7. 11/7/2013: Supplement sent to appraiser. Appraiser reinspected the vehicle, and wrote a supplement increasing estimate to \$3828.01. Supplement makes vehicle a total loss.
8. 11/7/2013: Market Valuation Report for total loss completed.
9. 11/11/2013: Offer to settle total loss for \$3975.00 less \$2391.71 previously paid to the insured made and accepted. Instructions for signing title over to USAA sent same day via FedEx.
10. 11/29/2013: Adjuster calls member, inquiring about title. Insured said she was waiting for a duplicate title from the State.
11. 12/4/2013: Member calls to advise she never had lien holder release lien when vehicle was paid off. Adjuster offers to contact lien holder to get release of lien, and member declines.
12. 12/24/2013: Letter sent to member offering to settle claim as owner retained salvage as member had not returned the title to USAA and had not released the vehicle to the Company.

See supports CPA134.

Reference Number	Review Sheet	Company
CPA137	253549120	GIC

USAA Response: The examiners focus on one word or phrase on the payment screen to support a violation of 14 VAC 5-400-30. The regulation provides that the file contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events be reconstructed. In this file, the "Nature of Payment" includes "Payment under Other Than Collision Coverage less \$250.00 Deductible." An assumption was made that a \$250 deductible was taken from this payment, however, the file documentation that accompanied the payment shows that did not occur:

"Summary:

Only up covered under auto is 5 orgnal cds for total of \$50
flat rate allowed; offrd eft; she accptd; pd via eft

Spoke w/member and advised that a one-time electronic funds payment for this and any future payment of \$50.00 will be deposited to account at XXXX USAA FSB within 24 hrs. Payment is being issued under comprehensive coverage for personal property. NI indicated that all payees are authorized signors on this account. Advised to please allow 24 hrs for this transaction to process, and contact your financial institution to confirm receipt of the funds. "

See support CPA137.

Reference Number	Review Sheet	Company
CPA142	223376238	GIC

USAA Response: There is no violation of 14 VAC 5-400-30 as the file contains all notes and work papers pertaining to the claim. The observation from the examiner is based on

the policy language, not the failure of the file to contain the necessary information under the cited regulation.

Virginia law states that where the MEB policy language is not in compliance with the requirements of the code, the statute prevails and supersedes the inconsistent policy provision. (Code § 38.1-343; USAA Ins. Co. v. Yaconiello, 226 Va. 423, 425-26, 309 S.E.2d 324, 325 (1983) as cited in State Farm Mut. Auto. Ins. Co. v. Seay, 236 Va. 275, 280, 373 S.E.2d 910, 913 (1988)). VA Code § 38.1-343 is now §38.2-2201. It says, in pertinent part, "A. Upon request of an insured, each insurer licensed in this Commonwealth issuing or delivering any policy or contract of bodily injury or property damage liability insurance covering liability arising from the ownership, maintenance or use of any motor vehicle shall provide on payment of the premium, as a minimum coverage (i) to persons occupying the insured motor vehicle; and (ii) to the named insured and, while resident of the named insured's household, the spouse and relatives of the named insured while in or upon, entering or alighting from or through being struck by a motor vehicle while not occupying a motor vehicle, the following health care and disability benefits for each accident..."

There is no disagreement that the insured was occupying a vehicle when she was shot. However, the claim file clearly shows that the insured was shot by a drive-by shooter. Regardless of policy language, §38.2-2201A provides coverage for injuries sustained in an accident. It is the Company's position that MEB coverage does not apply because the insured was not injured in an accident.

Reference Number	Review Sheet	Company
CPA148	289104674	GIC

USAA Response: The iPhone was only the only UPP stolen from vehicle, therefore, coverage for the iPhone was provided under the Personal Property Coverage under Part D of the auto policy. The loss paid under the auto policy, as shown in the Auto Loss Claims Document 20, was \$157.49 (iPhone) + \$188.33 (glass) = \$345.82. There was a \$250 comprehensive deductible, so total payment to insured was \$95.82. See support CPA148.

Reference Number	Review Sheet	Company
CPA155	1514516292	GIC

USAA Response: The information in the claim file is sufficient to reconstruct pertinent events. The police report contained in the file shows that police discovered the damaged, abandoned, and running insured vehicle. At approximately the same time the vehicle was discovered by police, the insured contacted the police to report that it was stolen. The claim was referred to SIU because the vehicle was stolen and recovered while running. The insured provided details about the prior evening to the police officer, and it was made part of the report. SIU obtained cell phone records, and spoke with insured's girlfriend, brother, and bartender at bar was at the night of vehicle theft. The SIU documentation on 1/16/2014 says, in part, "SI finds no insured involvement w/ this loss. Spk to two personnel that corroborated NI whereabouts on the evening before the rptd loss."

File documentation makes clear that the file was referred to SIU because of the suspicious nature of the recovery of the insured vehicle by the police, and to eliminate insured as being involved to the loss to the vehicle. See support CPA155.

Reference Number	Review Sheet	Company
CPA157	888861544	GIC

USAA Response: The examiners misread Document #6. Review of the documentation shows that Document #6 is a template entered into the file to assist the person in providing information to the insured, where applicable. This person, however, did not provide any coverage information to the insured. A copy of Document #6 is attached. Every item in the template related to coverage is followed with the phrase "Coverage exposure left to adjuster." Document #6 does say "Explained RR no gas no mileage..." but it is followed by "Coverage exposure left to adjuster." Transportation expense coverage was not discussed with insured at that time. Coverage was discussed in Document #18 where the insured was advised that the policy did not contain transportation expense.

Reference Number	Review Sheet	Company
CPA158	187532210	GIC

USAA Response: The examiners misinterpret file documentation in claim file document # 52. The document shows the items that the Air Raid cold air intake, front spoiler, splash guards, exhaust and window tint did not affect the vehicle valuation because all are a personal preference item. However, the Roush upper grill and Roush lower fascia did affect the valuation. Another CCC evaluation was run, # [REDACTED], as stated in document # 52. The evaluation was run, and the Roush upper grill and Roush lower fascia were included. Adding the items increased the value of the vehicle \$25,440.23. Included are copies of the pages from the evaluation showing where the two items increased the valuation of the 2014 Mustang. See support CPA158.

Reference Number	Review Sheet	Company
CPA165	1090318216	GIC

USAA Response: Virginia law does not require an insurer to subrogate. § 38.2-207 says that an insurer that pays an insured under a contract of insurance becomes subrogated to the rights of the insured against any other party the insurer may enforce the legal liability of the other party. The statute does not say "shall enforce the legal liability of the other party."

For this file, subrogation was not considered. It did not have to be considered. There is no violation of 14 VAC 5-400-30 as all notes and work papers pertaining to the claim are maintained in the claim file in such detail that pertinent events and dates of such events can be reconstructed.

Reference Number	Review Sheet	Company
CPA166	1944956226	GIC

USAA Response: Bills for payment under MEB coverage are not submitted to Auto Injury Solutions (AIS) in order to re-price the medical bills. As stated on numerous occasions, medical information is submitted to AIS in order to ensure that payments made under MEB coverage falls within the Insuring Agreement under Part B of the auto policy. Bills are paid in accordance with §38.2-2201.

The Company requests a meeting with the Bureau to discuss this issue.

Reference Number	Review Sheet	Company
CPA169	707232128	GIC

USAA Response: There is no violation of 14 VAC 5-400-30 as the file contains all notes and work papers pertaining to the claim in the claim file in such detail so that pertinent events and dates can be reconstructed. The observation center on the examiners' preference for the handling of the claim. The Company does not have a first party medical claim adjuster handle a third party bodily injury claim. That is why two separate letters were sent to the insured claimant. Each letter addressed coverage under separate coverage. The Company does not agree that the information provided to the insured was confusing. The examiners assumes that the insured could not have discerned which applied to what coverage. However, file document # 38 says, "I told Ms NI she can make a BI claim as third party and explnd difference between meb cov and bi. She understood." See support CPA169.

- (2) The examiners found 21 violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.

We acknowledge the criticisms by the Bureau of Insurance, but dispute the findings, including that of a general business practice, as 14 VAC 5-400-40 states: "No person shall knowingly obscure or conceal from first party claimants, either directly or by omission, benefits, coverages or other provisions of any insurance policy or insurance contract when such benefits, coverages or other provisions are pertinent."

Review of the files show that mistakes were made, however, the term "knowingly" requires an intention to obscure or conceal information from the insured. There is no evidence to show that the adjusters intentionally withheld any information or intentionally provided false information to a first party claimant in any of the files reviewed by the Bureau of Insurance. It is the Company's position that a finding under 14 VAC 5-400-40 requires more than a mistake made by an adjuster in the handling of a first party claim.

- a. In six instances, the company failed to inform an insured of his physical damage deductible when the file indicated that the coverage was applicable to the loss.

Reference Number	Review Sheet	Company
CPA011	1487730278	USAA

USAA Response: 14 VAC 5-400-40 A prohibits an insurer from "knowingly" obscure or conceal from first party claimants benefits,, coverages or other provisions of the policy. The Company acknowledges that the assigned adjuster did not document in the file a conversation including a recital of the applicable OTC deductible. However, the Company did send a letter to the member on 1/22/2014 about how to access claim information, including "Review your deductible." The letter was sent to the member at 5:13 AM, and file documentation shows that the member went online to set up an appraisal of the vehicle on 1/22/2014 at 6:33 AM. When scheduling an appraisal appointment online, the member's deductible would display online.

Reference Number	Review Sheet	Company
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CPA015 991264994 USAA

USAA Response: The adjuster advised the insured of the \$500 collision deductible on 7/31/2014. The conversation is documented in claim file documentation #9. The payment was mistakenly paid under OTC coverage. Collision and OTC coverage had the same deductible, so there was no difference in the amount of the total loss settlement. See support CPA015.

Reference Number Review Sheet Company
CPA056 839852596 USAA

USAA Response: In the documentation for the first notice of loss, the file states the member was advised of a \$100 collision deductible. At the time of the loss, the member had a collision deductible of \$200 and the OTC deductible was \$100. Given the difference between deductibles, and the documentation in file document #5 that says "Member confirmed selected coverage: yes sys ind coll 100 ded" (System indicates collision \$100 deductible), referral to collision deductible in documentation appears to be a mistake, such as the adjuster was looking at the system and the collision deductible shown would indicate \$200.00. See support CPA056.

- b. In two instances, the company failed to accurately inform an insured of his Medical Expense Benefits coverage when the file indicated the coverage was applicable to the loss.

Reference Number Review Sheet Company
CPA169 157710362 GIC

USAA Response: Our member was advised about the Medical Benefits Coverage, both orally and in writing, on 6/2/14. The Company did not knowingly obscure or conceal information from the insured with regard to the MEB claim. The Company is aware the examiners do not agree with the Company's handling of the claim because the first party MEB adjuster and a third party BI adjuster sent different written communication to the member, however, the information was provided to the member.

- c. In ten instances, the company failed to accurately inform an insured of his Transportation Expenses coverage where the file indicated the coverage was applicable to the loss.

Reference Number Review Sheet Company
CPA030 962110167 USAA

USAA Response: The Company did not knowingly obscure or conceal first party coverage to the member. The adjuster discussed coverage, to include transportation expense, with Mrs. Insured, on 4/25/2014. Supports attached. The adjuster advised the insured that coverage **may** be covered under UMPD, however, the member was never told that coverage would be provided under UMPD .

Reference Number Review Sheet Company

CPA038 973705895 USAA

USAA Response: The Company did not violate 14 VAC 5-400-40 A as the insured did not knowingly obscure or conceal first party coverage information to the member related to transportation expense coverage. The documentation noted by the examiner for 4/21/14 at 8:46:13 is a template used by the adjuster. The documentation says "Opening Template - Total Loss." Review of the template used by the adjuster shows that is used for states other than VA, and other states do have a \$30/day limit. See support CPA038.

Reference Number	Review Sheet	Company
CPA087	101646959	GAR

USAA Response: The company did not knowingly obscure or conceal first party coverage. The documentation that is basis of examiner's observation is a template. Review of documentation shows that adjuster only entered a value in for items discussed with member. Nothing is entered for items related to transpiration expense coverage. See support CPA087.

Reference Number	Review Sheet	Company
CPA094	888019493	GAR

USAA Response: The member was advised of the policy benefits related to transportation expense on 8/3/14. The subsequent call by the member on 8/4/14 in order to obtain a different vehicle is not evidence that the Company **knowingly** obscured or concealed first party benefits, coverage or other policy provisions to our member. See support CPA094.

Reference Number	Review Sheet	Company
CPA097	1257231061	GAR

USAA Response: The claim file documentation is replete with entries that advise that the claim was reported by the member's ex-spouse as he was in the hospital and unable to talk. The Company told the ex-spouse that we could not discuss the claim or coverage with her until she sent in an executed power of attorney, whereby the member would give Garrison permission to release confidential policy information related to the claim to the ex-spouse. The Company did not knowingly obscure or conceal information from the member. The power of attorney was never received from the ex-spouse, and the Company was never able to speak with the member due to his hospitalization. Supports attached.

c. In three instances, the company failed to accurately inform an insured of his benefits or coverages, included rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD and/or Underinsured Motorist coverage (UIM) when the file indicated the coverage applied to the loss.

The examination has brought to light confusion related to handling of UMPD claims. The Company will develop and deliver specific training to adjuster in order to clarify application of coverage for UMPD claims.

Reference Number	Review Sheet	Company
CPA045	586493601	USAA

USAA Response: The Company did not knowingly obscure or conceal first party coverage to the member. The policy did not have transportation expense coverage and the adjuster failed to recognize that loss of use would be covered under UMPD.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found 11 violations of 14 VAC 5-400-70A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.
- (4) The examiners found two violations of 14 VAC 5-400-70B. The company failed to provide a reasonable explanation of the basis for the denial in its written denial of the claim.
- (5) The examiners found 31 violations of 14 VAC 5-400-70D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance, but disputes the findings, to include that of a general business practice.

- a. In one instance, the company failed to pay the insured's UMPD claim property when Collision and/or UMPD coverages applied to the claim.
- b. In three instances, the company failed to pay the insured's rental benefits, available under the UMPD coverage and/or UIM coverage.

The examination has brought to light confusion related to handling of UMPD claims. The Company will develop and deliver specific training to adjuster in order to clarify application of coverage for UMPD claims.

Reference Number	Review Sheet	Company
CPA073	971267481	GAR

USAA Response: The Company paid \$600 under UMPD coverage for transportation expense. The Company owes the insured \$225.53.

Reference Number	Review Sheet	Company
CPA154	26197655	GIC

USAA Response: The member needed the rental vehicle for a time that exceeded the Transportation Expense coverage was due to a delay at the body shop in completing repairs to the insured vehicle. The DRP offered to pay for the rental vehicle, so no additional payment owed under the member's UMPD policy. Support attached.

- c. In one instance, the company failed to pay the proper sales and use tax, title fee, and/or license fee on first party total loss settlements.

USAA Response: The Company finds no review sheet listed relating to this violation in the Violation Summary.

- d. In 12 instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.

USAA Response: The Company has observed through the examination process that the Bureau does not understand the Company's use of a third party vendor for review of claims under the MEB coverage of the auto policy. The Company does not use the third party vendor to "re-price" medical bills received for payment under Part B.

The Company would appreciate the opportunity to meet with the Bureau to provide additional information and explain the process.

Reference Number	Review Sheet	Company
CPA102	1646960296	CIC

USAA Response: The Company uses a third party vendor to review medical bills and medical records to insure that payment, when made, is for treatment that falls within the Insuring Agreement of Part B, Medical Expense Benefit Coverage. The Company does not use the third party vendor to "re-price" the medical treatment.

Reference Number	Review Sheet	Company
CPA103	1859190050	CIC

USAA Response: The Company uses a third party vendor to review medical bills and medical records to insure that payment, when made, is for treatment that falls within the Insuring Agreement of Part B, Medical Expense Benefit Coverage. The Company does not use the third party vendor to "re-price" the medical treatment.

- e. In ten instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.
- f. In four instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Other than Collision or Collision coverage.

These findings occurred with such frequency as to indicate a general business practice.

- (6) The examiners found one violation of 14 VAC 5-400-80D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- (7) The examiners found four violations of § 38.2-510A.1. of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions related to the coverage at issue.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance, but disputes the findings, to include that of a general business practice.

Reference Number	Review Sheet	Company
CPA125	1428669885	CIC

USAA Response: The Company does not understand the basis for this violation. An information flyer contained in the member's renewal packet is not misrepresentation of the policy terms and conditions. The flyer was not sent to the member in correspondence related to the claim. The Company provided information in a renewal packet for a product that would be offered in the future. While the product may not have been pertinent to the vehicle on the policy at the time, the packet sent to the member was not intended to provide information for the claim.

Reference Number	Review Sheet	Company
CPA128	802691755	CIC

Reference Number	Review Sheet	Company
CPA136	290063013	CIC

USAA Response: The examination has brought to light confusion related to handling of UMPD claims. The Company will develop and deliver specific training to adjuster in order to clarify application of coverage for UMPD claims.

- (8) The examiners found ten violations of § 38.2-510A.3. of the code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

Reference Number	Review Sheet	Company
CPA057	2022822275	USAA

USAA Response: The Company did not violate § 38.2-510 A.3. The insured reported the loss was caused by wind catching the door. The claim was handled as a comprehensive loss, not collision loss. As such, the insured had no liability for any property damage. There was no need to contact the claimant to advise the claimant that the insured was not liable for the damage, if any, to the claimant's vehicle.

Reference Number	Review Sheet	Company
CPA073	1612281066	GAR

USAA Response: The Company completed an adequate investigation, to include a recorded statement from the operator of the claimant vehicle on 10/16/13. See support CPA073.

- (9) The examiners found one violation of § 38.2-510A.4. of the Code of Virginia. The company refused arbitrarily and unreasonably to pay a claim.

- (10) The examiners found 20 violations of § 38.2-510A.6. of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.

These findings occurred with such frequency as to indicate a general business practice.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance, but disputes the findings, to include that of a general business practice.

Reference Number	Review Sheet	Company
CPA001	1839868277	USAA
CPA022	1882688495	USAA

The Company has observed through the examination process that the Bureau does not appreciate the Company's use of a third party vendor for review of claims under the MEB coverage of the auto policy. The purpose of the review is to ensure that payments made are for treatment that falls within the insuring agreement under Part B. Obtaining the EOB from the member's health insurer does not address whether the treatment received is for injuries sustained in an accident.

The Company would appreciate the opportunity to meet with the Bureau to provide additional information and explain the process.

Reference Number	Review Sheet	Company
CPA037	40724562	USAA

USAA Response: The Company promptly paid bills sent for the funeral. The funeral home faxed a bill on 3/24/14 in the amount of \$9499.04. Payment was issued for the amount of the invoice on 3/28/14. A supplemental bill for out of pocket expenses related to funeral was received on 4/16/14. Payment for the balance of the \$1,000 MEB coverage limit was issued the same day. See supports CPA037.

Reference Number	Review Sheet	Company
CPA064	609392824	GAR

USAA Response: The "medical bill" referred to in file documentation was not a bill; it was the medical record. It had no billing information and a payment could not be made at that time. The actual bill was not received until 4/17/15. See support CPA064.

Reference Number	Review Sheet	Company
CPA131	1429038587	CIC

USAA Response: Obtaining an EOB from the member's health insurer is helpful, but it does not provide information regarding what treatment paid for by the health insurer falls within the Insuring Agreement under the Auto policy. The Company uses a third party vendor to review medical bills and medical records to insure that payment, when made, is for treatment that falls within the Insuring Agreement of Part B, Medical Expense Benefit Coverage. The Company does not use the third party vendor to "re-price" the medical treatment.

Reference Number	Review Sheet	Company
CPA134	19602947	CIC

USAA Response: The insured vehicle was not a border line total loss upon first inspection. There was a question when the vehicle was inspected if the damage that was claimed in this loss was damage that had been previously claimed, paid for and not repaired. In addition, not until the vehicle was taken to a body shop and put on a lift that the undercarriage damage was found. It was the undercarriage damage that brought the cost to repair close to the ACV of the vehicle thereby making it a total loss.

1. 9/11/2013: Original estimate for repair of vehicle \$2637.71 less the insured's \$250 deductible.
2. 9/12/2103: Question repair of prior damage, referral to SIU
3. 9/16/2013: SIU reviews photos from this loss and compares to damage in prior loss. Prior damage may be present.
4. 10/8/2013: SIU completes investigation.
5. 10/14/2013: Adjuster settles claim as repair of vehicle with member.
6. 10/18/2013: Shop of choice contacts Company, asking for copies of estimates for this loss and the prior loss.
7. 11/7/2013: Supplement sent to appraiser. Appraiser re-inspected the vehicle, and wrote a supplement increasing estimate to \$3828.01. Supplement makes vehicle a total loss.
8. 11/7/2013: Market Valuation Report for total loss completed.
9. 11/11/2031: Offer to settle total loss for \$3975.00 less \$2391.71 previously paid to the insured made and accepted. Instructions for signing title over to USAA sent same day via FedEx.
10. 11/29/2013: Adjuster calls member, inquiring about title. Insured said she was waiting for a duplicate title from the State.
11. 12/4/2013: Member calls to advise she never had lien holder release lien when vehicle was paid off. Adjuster offers to contact lien holder to get release of lien, and member declines.
12. 12/24/2013: Letter sent to member offering to settle claim as owner retained salvage as member had not returned the title to USAA and had not released the vehicle to the Company.

See supports CPA134.

Reference Number	Review Sheet	Company
CPA155	1875542278	GIC

USAA Response: The Company notes that 14 VAC 5-400-60B considers 45 days as a standard for prompt investigation of a claim. For this claim, file documentation shows the first notice of loss was made on 12/30/13. The investigation into the circumstances of the claim was completed on 1/16/14 and an offer to settle the total loss claim was made to the member by 1/18/14. The Company made a prompt, fair and equitable settlement of the claim. Delay in issuing payment was due to the member not getting vehicle released to the Company and inclement weather delaying deliver of vehicle documents. See supports CPA155.

- (11) the examiners found six violations of § 38.2-510A.10. of the Code of Virginia. The company made a claim payment to the insured that was not accompanied by a statement setting forth the correct coverage under which payment was made.
- (12) The examiners found two violations of § 38.2-510C. of the Code of Virginia. The company failed to disclose the required aftermarket parts notice to the vehicle owner on the estimate of repairs or in a separate document.
- a. In one instance, the company failed to disclose the required aftermarket parts notice to the insured owner on the estimate of repairs or in a separate document.
 - b. In one instance, the company failed to disclose the required aftermarket parts notice to the claimant owner on the estimate of repairs or in a separated document.
- (13) The examiners found 24 violations of § 38.2-606 of the Code of Virginia. The company's disclosure authorization form or statement did not have the content required by the statute.

These findings occurred with such frequency as to indicate a general business practice.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance, but disputes the findings, to include that of a general business practice. The authorization is in full compliance with § 38.2-606. To alleviate the concerns raised by the Bureau, the authorization has been rewritten and the language related to use of information for underwriting purposes has been removed.

- (14) The examiners found seven violations of § 38.2-2201B of the Code of Virginia. The company failed to obtain a statement from an insured authorizing the company to make payments directly to the medical provider.
- (15) The examiners found two violations of § 38.2-2201D of the Code of Virginia. The company reduced the amount payable to an insured when Medical Expense Benefits may not be reduced for any benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.
- (16) The examiners found 35 occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In one instance, the company incorrectly informed the insured of a time limit for recovery of his deductible.
 - b. In seven instances, the company failed to include the lienholder on the check.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance, but disputes the findings. The Company established a business policy permitting the omission of the lien holder on the payment for claims where the total amount of payment for a vehicle repair is less than \$3000 or less. This practice does not impact the Company's duty to protect the lienholder should a lienholder make a claim for unrepaired damages related to the loss.

- c. In 17 instances, the company paid an insured more than the insured was entitled to receive under the terms of his policy.

d. In ten instances, the company issued payments under the incorrect coverage.

Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the following as a violation of other Virginia laws.

(1) The examiners found two violations of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim.

USAA Response: The Company acknowledges the observations and the forms were corrected as of April 2015.

(2) The examiners found two violations of § 46.2-624 of the Code of Virginia. The company failed to notify the Virginia Department of Motor Vehicles when payment was made in excess of \$3,500.00 on a water-damaged vehicle.

USAA Response: The Company acknowledges the observation.
Homeowners Claims

The examiners reviewed 158 homeowner claims for the period of September 1, 2013 through August 31, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$8,045.11 and underpayments totaling \$20,627.91. The net amount that should be paid to claimants is \$20,527.91 plus six percent (6%) simple interest.

Underpayments that can be calculated with any degree of certainty total \$4,673.87. Explanations of underpayments with which the Company disagrees are included below under the applicable stated violations of code. Also included below are part one Company responses to additional violations that do not involve underpayments.

(1) The examiners found 23 violations of 14 VAC 5-400-30. The company failed to

document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings, to include that of a general business practice.

Reference Number	Review Sheet	Company
CHO056	810770351	GAR

USAA Response: File notes contain a summary of the conversation with the insured in which we asked for pictures of what the insured said was mold. Because the insured never submitted those photos, there were no other "notes and work papers" as defined by 14 VAC 5-400-30 to maintain within the claim file. This rule does not require follow up when the insured fails to submit requested documentation to substantiate additional claims after the loss has already been investigated, paid, and closed

Reference Number	Review Sheet	Company
CHO059	1930567731	GAR

USAA Response: The file contains a copy of the two bids obtained for the cabinet repair, and file notes contain the insured's emails of 9/2 and 9/15/14 that stated she wanted to use "the lower bid." The lower bid of the two submitted was provided by Sancho Serves as indicated on his letterhead on which he provided his bid. The file reflects that the insured chose this vendor to complete the repairs to the cabinet.

Reference Number	Review Sheet	Company
CHO060	1097855327	GAR

USAA Response: The policy condition for Duties After Loss requires the member to submit supporting documentation at our request. Our claims procedure does not require proof of ownership for typical household items such as a 32" TV.

Reference Number	Review Sheet	Company
CHO063	1105453411	GAR

USAA Response: The policy requires the insured to file a police report in the event of a theft, and our claims procedure requires the adjuster to record the municipality and case number in the claim file. This information was recorded in the claim file. A copy of a police report may be obtained when subrogation or SIU indicators are present, but nothing requires an insurer to obtain a copy of police reports for every theft loss.

Reference Number	Review Sheet	Company
CHO070	92786903	GAR

USAA Response: The renters policy covers building "improvements or "installations made or acquired [emphasis added] at your expense." Carpet is considered an installation in any

building, and the insured acquired the property through a financial transaction involving the purchase of real property containing a carpet installation. Based on this language, coverage and payment for carpet damaged as the result of a covered cause of loss was appropriate.

Reference Number	Review Sheet	Company
CHO079	1889376395	USAA

USAA Response: The claim file contains only one check for \$3,005.00. The only other two payments in the file were issued via EFT payable to the insured. Because her figures do not coincide with any payment amounts in the claim file, we are unable to ascertain how the examiner arrived at the amount alleged in the violation.

Reference Number	Review Sheet	Company
CHO083	2105063643	USAA

USAA Response: File note summaries of verbally verified information are sufficient to support and reconstruct the events of this claim. Written proof is not required on every claim when the amount does not justify a delayed settlement or expense associated with maintaining the open file. The amount paid for this claims is the equivalent of a minimum charge, which is recognized throughout the insurance and construction industries as the least amount of money for which a vendor is willing to incur the overhead associated with his trade.

Reference Number	Review Sheet	Company
CHO150	2083572908	CIC

USAA Response: The policy provides coverage for direct, physical loss to tangible property; therefore, coverage extends to repair or replace carpet in only those rooms in which the carpet was actually damaged. Carpet seams are placed in doorways, which is the natural break between rooms for carpet installations. The carpet in this loss contained a neutral color for which a reasonable match can be obtained without detriment to the insured.

- (2) The examiners found 12 violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance contract that were pertinent to the claim.
- a. In six instances, the company failed to inform the insured of the benefits under the additional living expense coverage of the policy.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
CHO002	1011411501	GIC

The Company did not knowingly obscure or conceal information from our member regarding the ALE coverage available for this loss. Code requires disclosure of policy benefits when "pertinent to a claim;" it does not require disclosure of the 20-25 potential coverage benefits available "in the event the coverage was needed." Claim file documentation shows that the information provided by the insured in the first notice of loss gave no indication that the house was uninhabitable. The coverage was discussed with the insured during the second conversation when the coverage became pertinent to the claim, at which time the insured informed USAA that the well pump had stopped working and that the family had been without water.

Reference Number	Review Sheet	Company
CHO045	1811940055	GAR

USAA Response: The Code requires the adjuster to knowingly obscure or conceal from the insured benefits, coverages, or other provisions of the policy. File documentation shows that the insured discussed additional coverage under Coverage D1 (Additional Living Expense). Coverage D1 provides coverage for reasonable and necessary increase in living expenses incurred by the insured so that insured's household can maintain its normal standard of living. Extended stay hotel suites with kitchenettes provide occupants with pots, pans and other cooking utensils, so there was no cost to transport these items. The insured's family was placed in the Townplace Suites that have cooking facilities. Breakfast was provided by the hotel. The Company pays for mileage, also, and includes it in discussions regarding the ALE coverage. In this case, the hotel was less than 5 miles from the insured's residence, and he did not present any claim for any miles driven in excess of his normal mileage. ALE Solutions makes every effort to locate temporary housing that is close or equi-distance from the insured residence to minimize disruption to the insureds' routines.

- b. In four instances, the company failed to inform the insured of the replacement cost benefits under the personal property coverage of the policy.
- c. In two instances, the company failed to inform the insured of available benefits under the additional coverages sections of the policy.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found one violation of 14 VAC 5-400-50 A. The company failed to acknowledge receipt of a claim within ten working days of the company's notice of a claim.

USAA Response: The Company acknowledges the observation but disputes the finding.

Review Sheet	Company
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Reference Number		
CHO054	83401308	GAR

The insured reported his loss to USAA on 3/1/14, and the adjuster spoke with the insured within 2 days on 3/3/14.

- (4) The examiners found three violations of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
CHO004	995734530	GIC

The investigation into coverage was complete and an inventory prepared for possible payment, which was not owed unless there was an excess loss after NCIS paid what was owed by them. We followed up in writing with the insured over the course of 81 days on 3/26/14, 4/27/14, and 6/7/14 with no response from the insured. We mailed a final letter on 6/15/14 letting him know what was required to pursue any excess claim with USAA, *if necessary*. His eventual response letting us know he did need to file a claim with USAA was six months after our last correspondence, and the claim was settled within nine days. There is no requirement to keep a *potential* claim open and follow up indefinitely every 45 days when the insured does not respond timely to prompts for communication

- (5) The examiners found eight violations of 14 VAC 5-400 70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.
- (6) The examiners found four violations of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for its denial in the written denial of the claim.
- (7) The examiners found ten violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings, including that of a general business practice.

- a. In four instances, the company failed to pay the entire claim under the insureds Dwelling Replacement Cost coverage.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
CHO111	922301559	USAA

USAA Response: The deductible was appropriately applied to this claim, which was presented with lightning as the proximate cause of the damage. This was an act of nature. The second loss was a different type of loss event separated by approximately six (6) months from the date of loss for lightning damage; furthermore, it was caused by an act of man. That water damage resulted from an improperly installed dishwasher for which the responsible party may be legally liable. For this reason, it's considered a separate loss to which the deductible applies. Rather than "discouraging" the insured from filing a claim for this damage, we complied with our obligation under the Code to inform the insured of his coverage for the second loss, which includes a separate deductible, and maintain a record of the conversation. The insured elected not to file another claim (as indicated by the adjuster note to call us back if he needed to do so). Whether or not the insured pursues a claim is his prerogative, and we cannot force him to file claims under his policy.

Reference Number	Review Sheet	Company
CHO138	1993528526	CIC

USAA Response: The deductible was applied once, which can be illustrated by calculating the amount due under the policy using the insured's final estimate. The insured submitted an estimate for his total cost of repairs in the amount of \$12,802.00. This estimate included an expense that was not covered by the policy in the amount of \$1,500.00, which was deducted from the estimate to determine the total amount of the covered loss under the policy:

$$\$12,802.00 - 1,500.00 = \$11,302.00$$

The deductible is applied only to the covered loss amount:

$$\$11,302.00 - 500.00 = \$10,802.00$$

The total amount owed to the insured under the policy was \$10,802. Payments issued by USAA are equal to the amount owed under the policy:

Payment issued on 03/12/14 \$ 3,914.59

Payment issued on 04/22/14 \$ 3,817.41

Payment issued on 06/24/14 \$ 3,070.00

Total amount of payments = \$10,802.00

Each estimate written by USAA reflects the TOTAL covered loss amount as it was estimated at the time it was written, which is why the estimate amount increased each time. The deductible and prior payments are BOTH subtracted from the NEW total covered loss amount to determine the amount of the supplemental payment to the insured. This is a means of accounting/bookkeeping and does not result in multiple applications of the deductible. This insured incurred only one \$500 deductible as illustrated by the above figures.

Reference Number	Review Sheet	Company
CHO154	1808347278	CIC

USAA Response: There is no underpayment. The adjuster sent an email to the insured requesting verification of the settlement amount based on invoices submitted by the insured. The insured replied via email 11/25/13 at 1:47 p.m. CT advising his dwelling loss was \$495 for repair labor plus \$575.21, door materials, and his personal property loss was \$300. Based on these figures, the total covered loss was \$1,370.21. The \$500 deductible was applied to the dwelling amount.

\$ 495.00	Labor for dwelling repairs
\$ 575.21	Materials for dwelling repairs
\$1,070.21	Total cost of dwelling repairs
\$<500.00>	Deductible
\$ 570.21	Amount due under dwelling for repairs

An additional \$300 plus \$18 tax was issued to cover the loss of the personal property for a total payment to the insured in the amount of \$888.21.

- b. In one instance, the company failed to pay the entire claim under the insured's Additional Living Expense coverage.
- c. In two instances, the company failed to pay the entire claim under the insured's Additional Coverages.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

ReferenceNo	Review Sheet	Company
CHO122	1308968599	USAA

Due to the number of military members insured by USAA, this endorsement is automatically attached to all homeowners and renters policies at no additional cost to the insured. The endorsement would not apply to this loss because it provides coverage for these items only "while you are on active or active reserve duty." This insured was 68 years old and retired from the military on the date of loss; therefore, the endorsement would not provide coverage for his military uniform for this loss. Even if the coverage was available for the date of loss, it would not change the amount paid to the member because the non-military property subject to the deductible far exceeded the deductible amount. Using RCV figures, please see the calculations below that illustrate this point.

\$54,662.34	Inventory w/out uniform	\$54,887.34	Inventory w/uniform
<250.00>	Deductible	<250.00>	Deductible
\$54,412.34	Inventory total	\$54,637.34	Claim RCV
+ 225.00	Uniform		
\$54,637.34	Claim RCV		

- d. In three instances, the company failed to pay the entire claim under the insured's

replacement cost personal property coverage.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

ReferenceNo	Review Sheet	Company
CHO10	1117047441	GIC

Losses to property insured by two different policies must be paid according to all conditions contained in both policies, including "Other Insurance" clauses. There was no underpayment for this loss based on language found in the HO-ACPVA (07-12) endorsement attached to the homeowners policy. Item 6, Other Insurance, in the endorsement states, "For a loss to personal property that is separately described and specifically insured by other insurance, whether or not that policy is primary or excess, we will be excess over that insurance for a loss that is also covered under this policy." Since jewelry is specifically defined and insured under the VPP, this other insurance clause applies. This means payment should be issued under the VPP first, then any remaining loss paid under the homeowners policy, subject to the homeowners deductible of \$2,000 as illustrated:

\$13,970.05	Total jewelry loss
<\$2,500.00>	Blanket coverage paid under VPP policy
\$11,470.95	Excess jewelry loss covered under HO other insurance clause
<\$2,000.00>	Homeowners deductible
\$ 9,470.95	Paid under the homeowners policy

There was no underpayment of the claim based on the language in both policies.

ReferenceNo	Review Sheet	Company
CHO122	136595585	USAA

USAA Response: Agree with underpayment of \$1200 for haul away.

We disagree with comments regarding deductible. The member submitted proof of payment for \$1200 haul away, and the payment issued for haul away was \$1200. Reference to the deductible on the check was an error. The deductible was applied once to the final inventory.

Recoverable depreciation is calculated using a computer program (XactContents) based upon the original inventory figures, which eliminates manual calculation errors. The inventory was provided to the insured prior to issuing payment so he could identify any errors, including replacement cost errors, prior to payment. The insured agreed to those replacement costs, amounts of recoverable depreciation, and actual cash value. His emailed acknowledgement on 6/11/14 at 1:16 p.m. states, in part, "Any reimbursement cannot exceed the depreciation (as calculated on the inventory) and any part of the total price that exceeds the inventory value cannot be reimbursed." He and the adjuster had a later conversation on 6/12/14 to clarify his questions regarding recoverable depreciation. This allowed the member to upgrade items and pay the difference out-of-pocket, when desired, knowing he would be reimbursed the recoverable depreciation for like kind and quality to the items damaged in the loss.

These findings occurred with such frequency as to indicate a general business practice.

(8) The examiners found 26 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to the coverage at issue.

- a. In one instance, the company issued written communications that misrepresented pertinent facts of the claim.
- b. In 25 instances, the company failed to properly represent the replacement cost provisions of the policy.

These findings occurred with such frequency as to indicate a general business practice.

USAA Response: The Company denies any intentional misrepresentation of policy provisions but acknowledges the frequency of these errors.

(9) The examiners found 18 violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

These findings occurred with such frequency as to indicate a general business practice.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings, including the finding of a general business practice.

ReferenceNo	Review Sheet	Company
CHO015	652312238	GIC

USAA Response: File note summaries of verbally verified information are sufficient to support and reconstruct the events of this claim. Written proof is not required on every claim when the amount does not justify a delayed settlement or expense associated with maintaining the open file. The \$195.18 amount paid on this claim is comparable to the cost of a diagnostic fee to confirm the cause of loss.

ReferenceNo	Review Sheet	Company
CHO055	1319204038	GAR

USAA Response: File note summaries of verbally verified information are sufficient to support and reconstruct the events of this claim. Written proof is not required on every claim when the loss circumstances can be verified by independent facts, i.e., the thunderstorm and accompanying hail that generated CAT 43 in the insured's area.

Thunderstorms are known to produce lightning capable of causing the damage experienced by the insured.

ReferenceNo	Review Sheet	Company
CHO067	1992756240	GAR

USAA Response: The Company may inspect losses when coverage is undetermined or the amount of damage is significant. In this case, an inspection of the sump pump was not necessary because the cause of its failure was irrelevant to coverage. The policy provides coverage for water damage that backs up through sewers or drains as well as accidental escape from within plumbing or domestic appliances, regardless of the reason these may fail or occur. Our claims manual allows desk adjustment of these types of losses.

ReferenceNo	Review Sheet	Company
CHO083	1428596691	USAA

USAA Response: Claim file notes contain summaries of separate statements from the insured and the claimant, the details of which are mutually collaborative and sufficient to support the investigation and reconstruction of events. Written and photogenic proof is not required on every claim when duplicative of other file notes without providing any additional value to the investigation or justification for delayed claim settlement.

ReferenceNo	Review Sheet	Company
CHO090	1642477346	USAA

USAA Response: The policy condition for Duties After Loss requires the member to submit supporting documentation at our request. Our claims procedure does not require proof of ownership for typical household items such as a TV for which the adjuster can verify the details with the insured over the phone.

These findings occurred with such frequency as to indicate a general business practice.

(10) The examiners found three violations of § 38.2-510 A 6 of the Code of Virginia.

The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.

(11) The examiners found four violations of § 38.2-510 A 10 of the Code of Virginia.

The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.

(12) The examiners found two violations of § 38.2-510 A 14 of the Code of Virginia.

The company failed to provide a reasonable explanation of the basis in the

insurance policy in relation to the facts or applicable law for the denial of a claim or offer of a compromise settlement.

a. In one instance, the company failed to properly pay the claimant's claim for medical expenses under the medical payments to others coverage.

b. In one instance, the company failed to properly pay the claimant's claim for rental of a comparable substitute vehicle under the property damage liability coverage.

(13) The examiners found 21 occurrences where the company failed to comply with the provisions of the insurance contract.

a. In one instance, the company included the lienholder on the check in payment for personal property.

(14) The examiners found 21 occurrences where the company failed to comply with the provisions of the insurance contract.

a. In one instance, the company included the lienholder on the check in payment for personal property.

b. In eight instances, the company failed to include the lienholder on the check.

USAA Response: The Company agrees with these violations; however, the Company's procedure provides for the waiver of the lienholder on losses less than \$5,000 to assist insureds with the expedited repair of minor damage to their home. With implementation of this procedure, the Company willingly assumes any liability for loss to the lienholder should the insured fail to make repairs and default on the property note.

c. In 11 instances, the company paid an insured more than he/she was entitled to receive under the terms of his/her policy.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

ReferenceNo	Review Sheet	Company
CHO001	1427737563	Garrison P&C

The payment for carpet as a separate loss under loss report number seven (LR7) was appropriate because that damage was caused by the insured spilling liquid on the carpet, which was a separate occurrence from moving furniture that caused damage to walls and hardwood floors paid under loss report number six (LR6). Words defined by the policy appear in bold text throughout the contract. The word "occurrence" is defined by the policy

and appears in bold text under some liability coverages; however, the word "occurrence" is *not* bolded and, therefore, *not* defined by contract under the additional coverage for Damage to Property of Others under which these claims were paid. When not defined by contract, Courts give ordinary meaning to the word. An occurrence is ordinarily defined as something that happens, such as an event or incident. Because spilling liquid is a separate event from moving furniture, it was appropriate to consider and pay these damages as two separate losses. Damages in both losses well exceed limits at \$11,000. The limit of \$1000 was paid under each claim for each separate occurrence.

ReferenceNo	Review Sheet	Company
CHO070 1	428508683	Garrison P&C

USAA Response: The renters policy responded as the policy is written. It covers building "improvements or "installations made or *acquired* [emphasis added] at your expense." Carpet is considered an installation in any building, and the insured acquired the property through a financial transaction involving the purchase of real property containing a carpet installation. Based on this language, coverage and payment for carpet damaged as the result of a covered cause of loss was appropriate.

ReferenceNo	Review Sheet	Company
CHO076 1	597590385	USAA

USAA Response: Two separate coverages applied to this claim. The limit of \$500 applied under the additional coverage for Trees, Shrubs and Other Plants because the damage was the result of a covered peril, i.e., lightning. Also, the additional coverage for Debris Removal was applied for "*the removal of debris of covered property,*" i.e., the tree, "*provided coverage is afforded for the peril causing the loss,*" i.e., lightning. "*This expense is included in the amount of insurance that applies to the damaged property,*" i.e., \$500. "*When the amount payable for the actual damage to the property plus the expense for debris removal exceeds the amount of insurance for the damaged property, an additional 5% of that amount of insurance will be available to cover debris removal expense,*" i.e., \$500 limit * .05 percent = \$25 additional dollars available for debris removal. Based on the policy language for Debris Removal coverage, the additional \$25 was appropriate to pay in addition to the \$500 available under Trees, Shrubs and Other Plants for a total of \$525.

ReferenceNo	Review Sheet	Company
CHO148	1427304832	USAA CIC

USAA Response: HO9 Section II Coverage E – Personal Liability provides coverage for property damage caused by an occurrence for which the insured is legally liable. The insured's failure to maintain the tree creates legal liability in this case because his negligence resulted in property damage to the claimant neighbor's fence, *repair of which would include the cost of removing the tree to effect repairs.* This is why the removal was paid under the third-party coverage.

The examiner's argument considers Debris Removal. This is a separate, first-party coverage found only in Section I – Additional Coverages. It does not apply to this loss because the tree did not damage a covered structure owned by the insured.

- d. In one instance, the company issued payments under the incorrect coverages.

REVIEW OF FORMS

The examiners reviewed the companies' policy forms and endorsements used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for each line of business listed below, the Bureau requested copies from the companies. In addition, the Bureau requested copies of new and renewal business policy mailings that the companies were processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance Process section of the Report. The examiners then reviewed the forms used on these policies to verify the companies' current practices.

Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 29 forms that were used and/or available for use during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found four violations of § 38.2-2214 of the Code of Virginia. The company used a rate classification statement other than the one approved for use by the Bureau during the examination period.
- (2) The examiners found 28 violations of § 38.2-2220 of the Code of Virginia. The company used a version of a standard automobile form that was not in the precise language filed and adopted for use by the Bureau.
- (3) The examiners found nine violations of § 38.2-2223 of the Code of Virginia. The company used a version of a form filed as a broadening that was not in the precise

language as the form approved by the Bureau.

Reference Number	Review Sheet	Company
FPA001	-980391813	USAAC
FPA005	1426779586	USAAC
FPA012	-705014994	USAAC
FPA020	-1931119612	USAAC

USAA Response: The Company thanks the Bureau for the recommendation. We will take the recommendation under consideration.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

Homeowners Policy Forms

The companies provided copies of 49 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The examiners found two violations of § 38.2-317 A of the Code of Virginia. The company used a form which had not been filed with the Commission at least 30 days prior to use.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

REVIEW OF THE POLICY ISSUANCE PROCESS

To obtain sample policies to review the companies' policy issuance process for the lines examined, the examiners requested new and renewal business policy mailings that were sent after the companies received the Examination Data Call. The companies were instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the companies enclosed and listed all of the applicable policy forms on the declarations page. In addition, the examiners verified that

all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those requested on the applications for those policies.

Automobile Policies

The companies provided twelve new business policies mailed on the following dates: December 20, 2014, January 3, 7, 16, 17, 19, 21, 23, 27 and 28, 2015. In addition, the companies provided 12 renewal business policies mailed on the following dates: January 4, 6, 7, 8, 9, 11, 21 and 22, 2015.

NEW BUSINESS POLICIES

The examiners found eight violations of § 38.2-2210 A of the Code of Virginia. The company failed to include the 60-day cancellation warning notice on or attached to the first page of the private passenger automobile application.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

Homeowners Policies

The companies provided 12 new business policies mailed on the following dates: January 5, 6, 16, 20, 23, 27, and 29, February 3, 12, 13, and 16, 2015. In addition, the companies provided twelve renewal business policies mailed on the following dates: January 3, 6, 8, 10, 17, 27, and 29, and March 3, 5, and 23, 2015.

NEW BUSINESS POLICIES

- (1) The examiners found eight violations of § 38.2-610 A of the Code of Virginia. The company issues the policy based upon information that was different from that which the applicant furnished on the application for insurance and failed to send the

insured an Adverse Underwriting Decision (AUD) notice.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
MHO001	-803866475	CIC
MHO002	-983236332	COI
MHO003	1046180527	CIC
MHO006	-474853889	GIC
MHO008	-1023148236	GAR
MHO009	-683031217	GAR
MHO011	85794884	USAA
MHO012	1978587295	USAA

USAA Response: The Company did not violate §38.2-610 A. in the selection of Dwelling limits for the new Homeowner policy. The Homeowner Policy does not provide coverage for the purchase price of the home; the policy provides coverage for the replacement cost of the dwelling. Purchase price includes factors that are not related to replacement cost.

The selection of dwelling limits made by the member is done through a process, where replacement cost is determined based on dwelling physical feature information provided by the member. There is no document that verifies the member selected the Dwelling limit. The best evidence of the member's selection is the Declaration Page.

The Company requests a meeting with the Bureau to further discuss the process used to select the dwelling limit based on replacement cost of the dwelling by our member.

- (2) The examiners found six violations of § 38.2.2126 A of the Code of Virginia. The company failed to provide the Credit Score Disclosure notice to an applicant or insured when using credit for rating, tier placement or underwriting a policy.

USAA Response: The Company acknowledges the criticisms by the Bureau of Insurance but disputes the findings.

Reference Number	Review Sheet	Company
MHO005	1111458928	GIC

The Company did not violate §38.2-2126 A.2. by placing this risk in Tier 41. The Company acknowledges that §38.2-2126 A.2. states that adverse action includes, but is not limited to, circumstances where the applicant or insured did not receive the company's best tier. However, it is the Company's position that the Virginia law is pre-empted by federal law, specifically the Fair Credit Reporting Act (FCRA). The FCRA requires a consumer notice of an adverse action. The United States Supreme Court adopted a "neutral score" approach for new business, meaning that an adverse action notice is required only when the actual premium exceeds the premium that would have been charged if the credit score was not considered.

The Company requests a meeting with the Bureau to further discuss the use of credit score in tier placement of the risk.

Reference Number	Review Sheet	Company
MHO006	-400993285	GIC

The Company did not violate §38.2-2126 A.2. by placing this risk in Tier 31. The Company acknowledges that §38.2-2126 A.2. states that adverse action includes, but is not limited to, circumstances where the applicant or insured did not receive the company's best tier. However, it is the Company's position that the Virginia law is pre-empted by federal law, specifically the Fair Credit Reporting Act (FCRA). The FCRA requires a consumer notice of an adverse action. The United States Supreme Court adopted a "neutral score" approach for new business, meaning that an adverse action notice is required only when the actual premium exceeds the premium that would have been charged if the credit score was not considered.

USAA Response: The Company requests a meeting with the Bureau to further discuss the use of credit score in tier placement of the risk.

Reference Number	Review Sheet	Company
MHO008	-879940992	GAR

The Company did not violate §38.2-2126 A.2. by placing this risk in Tier 37. The Company acknowledges that §38.2-2126 A.2. states that adverse action includes, but is not limited to, circumstances where the applicant or insured did not receive the company's best tier. However, it is the Company's position that the Virginia law is pre-empted by federal law, specifically the Fair Credit Reporting Act (FCRA). The FCRA requires a consumer notice of an adverse action. The United States Supreme Court adopted a "neutral score" approach for new business, meaning that an adverse action notice is required only when the actual premium exceeds the premium that would have been charged if the credit score was not considered.

USAA Response: The Company requests a meeting with the Bureau to further discuss the use of credit score in tier placement of the risk.

Reference Number	Review Sheet	Company
MHO009	-1115594677	GAR

USAA Response: The Company did not violate §38.2-2126 A.2. by placing this risk in Tier 39. The Company acknowledges that §38.2-2126 A.2. states that adverse action includes, but is not limited to, circumstances where the applicant or insured did not receive the company's best tier. However, it is the Company's position that the Virginia law is pre-empted by federal law, specifically the Fair Credit Reporting Act (FCRA). The FCRA requires a consumer notice of an adverse action. The United States Supreme Court adopted a "neutral score" approach for new business, meaning that an adverse action notice is required only when the actual premium exceeds the premium that would have been charged if the credit score was not considered.

The Company requests a meeting with the Bureau to further discuss the use of credit

score in tier placement of the risk.

Reference Number	Review Sheet	Company
MHO011	-629998448	USAA

USAA Response: The Company did not violate §38.2-2126 A.2. by placing this risk in Tier 30. The Company acknowledges that §38.2-2126 A.2. states that adverse action includes, but is not limited to, circumstances where the applicant or insured did not receive the company's best tier. However, it is the Company's position that the Virginia law is pre-empted by federal law, specifically the Fair Credit Reporting Act (FCRA). The FCRA requires a consumer notice of an adverse action. The United States Supreme Court adopted a "neutral score" approach for new business, meaning that an adverse action notice is required only when the actual premium exceeds the premium that would have been charged if the credit score was not considered.

The Company requests a meeting with the Bureau to further discuss the use of credit score in tier placement of the risk.

Reference Number	Review Sheet	Company
MHO012	-1696020325	USAA

USAA Response: The Company did not violate §38.2-2126 A.2. by placing this risk in Tier 44. The Company acknowledges that §38.2-2126 A.2. states that adverse action includes, but is not limited to, circumstances where the applicant or insured did not receive the company's best tier. However, it is the Company's position that the Virginia law is pre-empted by federal law, specifically the Fair Credit Reporting Act (FCRA). The FCRA requires a consumer notice of an adverse action. The United States Supreme Court adopted a "neutral score" approach for new business, meaning that an adverse action notice is required only when the actual premium exceeds the premium that would have been charged if the credit score was not considered.

The Company requests a meeting with the Bureau to further discuss the use of credit score in tier placement of the risk.

Reference Number	Review Sheet	Company
MHO010	-1920908062	USAA

USAA Response: The Company thanks the Bureau for the recommendation. We will follow up accordingly.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

REVIEW OF STATUTORY NOTICES

The examiners reviewed the companies' statutory notices used during the examination

period and those that are currently used for the line of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the statutory notices used during the examination period for the line of business listed below, the Bureau requested copies from the companies. For the forms currently used, the Bureau used the same new and renewal business policy mailings that were previously described in the Review of the Policy Issuance Process section of the Report.

The examiners verified that the notices used by the companies on all applications, on all policies, and those special notices used for property policies issued on risks located in Virginia complied with the Code of Virginia. The examiners also reviewed documents that were created by the companies but were not required by the Code of Virginia. These documents are addressed in the Other Notices category below.

General Statutory Notices

The examiners found 108 violations of §38.2-610 A of the Code of Virginia. The company's AUD notice did not comply with the requirements of the statute

Statutory Vehicle Notices

The examiners found no violations in this area.

Statutory Property Notices

The examiners found no violations in this area.

Other Notices

The examiners found no additional notices to review.

LICENSING AND APPOINTMENT REVIEW

A review was made of the private passenger automobile and homeowner new business

policies to verify the agent of record. In addition, the agent or agency to which each company paid commission for these new business policies was checked to verify that the entity held a valid Virginia license and was appointed by the company.

Agent

The examiners found no violations in this area.

Agency

The examiners found no violations in this area.

REVIEW OF THE COMPLAINT-HANDLING PROCESS

A review was made of the companies' complaint handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia.

The examiners found three violations of § 38.2-511 of the Code of Virginia. The companies failed to maintain a complete complaint register in compliance with this statute.

REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES

The Bureau requested a copy of the companies' Information Security Program that protects the privacy of policyholder information in accordance with § 38.2-613.2 of the Code of Virginia.

The companies provided their Information Security Procedures.

PART TWO - CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the guidelines outlines in the Market Regulation Handbook. A seven percent (7%) error criterion was applied to claims. Any error ratio above this threshold indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section

identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

United Services Automobile
Association, USAA General
Indemnity Insurance Company
Garrison Property and Casualty Company,
and USAA Casualty Insurance Company
shall:

Provide a Corrective Action Plan (CAP) with their response to the Report.

Rating and Underwriting Review

United Services Automobile
Association, USAA General
Indemnity Insurance Company
Garrison Property and Casualty Company,
and USAA Casualty Insurance Company

USAA Response:

- (1) The errors that caused overcharges and undercharges are being corrected. Refunds will be sent to the insured or accounts will be credited. Please see the Company's Restitution List.
- (2) The Company' included six percent (6%) simple interest to the amount refunded and/or credited to the insureds' accounts. Please see the Company's Restitution List.
- (3) The Company has completed and submitted the document titled "Rating Overcharges Cited During the Examination."
- (4) The Company will ensure that our service representatives clearly document the reason for a short term policy and explain the premium that will be reflected on the policy declarations page reflect a full-term premium. While the issuance of these policies is on an exception basis, the Company will ensure that service representatives clearly document the reason for the exception.
- (5) The Company will update the manual to specify how to assign vehicle operator points under a Safe Driver Insurance Plan (SDIP) when a member is a principal operator on multiple vehicles.
- (6) The Company will update our rules manual with the Bureau to state whether to apply the policy advantage factor to a Named Non-owner policy.

The Company will update our rules manual to be more specific on how to rate a principal

driver with an alternate location.

For the violations related to vehicle symbols, the Company will file and update, and will update annually.

The Company will update the rules on trailer rating in our rules manual.

The formatting issue in Garrison has been corrected under SERFF# 129316555 for New Business effective 5/26/14 and Renewal Business effective 8/1/14.

The Company's tier guidelines have been updated as of 7/29/16 to include 1st Renewal and 2nd Renewal in the Business Type for Garrison P&C Auto under SERFF# 130422865.

The Company will revise the footnote on manual page VA-R-9.2 to reflect that the Auto and Home Combination Discount should be applied to the premiums applicable to Increased Dwelling Limit for AOP, Fire and OWH.

The Company will revise manual page VA-R-7.6 to reflect the application of the On Base discounts for optional coverages. We will communicate to our Member Service Representatives the importance of properly applying the on-base discount and guidance on when the discount is applicable.

The Company will review our internal procedures for assigning claims activity surcharges and make corrections, as needed.

The Company recognizes that additional clarity could be provided in Tier Placement guidelines and will update filings as appropriate.

The Company discovered a system defect which related to the use of the new credit score at renewals. The defect has been corrected as of 1/15/2016.

The Company will correct the information displayed on our screens to display a Not Applicable (N/A) when the ISO location has returned a PC rating as a non-split address.

The Company will evaluate our rules applying the Claims Free Discount and make any updates that are needed.

- (7) The Company will provide accurate information on the spreadsheet provided to the Bureau for the examination with respect to date the credit report was ordered.
- (8) The Company has corrected the system defect related to the respective violations to ensure the credit score within 90 days will be used when rating policies.
- (9) During the examination, the Company identified a system defect which caused the continued use of the previous score when the newly ordered score was lower than the previous score. The defect has been corrected as of 01/15/2016.

Termination Review

United Services Automobile

Association, USAA General
Indemnity Insurance Company
Garrison Property and Casualty Company,
and USAA Casualty Insurance Company

USAA Response:

- (1) The errors that caused the overcharges and undercharges and are being corrected. Refunds will be sent to the insured or will be credited to the account. Please see the Companies' Restitution List.
- (2) The Company will include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts. Please see the Companies' Restitution List.
- (3) The Company has completed and submitted to the Bureau the enclosed file titled "Termination Overcharges Cited During the Examination. This file will be attached to the Company's response.
- (4) The Company will ensure a written notice of an Adverse Underwriting Decision is sent when applicable.
- (5) The Company will review our process for calculating earned premium and make corrections where necessary.
- (6) The Company will review our internal procedures to ensure we provide the proper notice of cancellation or refusal to renew to the insured and lien holder.
- (7) The Company has reviewed our internal process for notifying lien holders of a policy cancellation/nonrenewal. Based on the review, updates have been made and the Company is notifying all lien holders of cancellations and nonrenewals.

Claims Review

United Services Automobile
Association, USAA General
Indemnity Insurance Company
Garrison Property and Casualty Company,
and USAA Casualty Insurance Company

USAA Response:

- (1) All examples provided by the Department have been reviewed. Underpayments that can be calculated with any degree of certainty total \$16,500.74 and will be paid to the insured. Explanations of underpayments with which the Company disagrees are included below under the applicable stated refund.

CPA065	The authorization to pay direct is under doc ID UX7394385 from the insured. See attached supports
CPA094	The Company confirmed that USAA paid the full amount for the rental on this loss and the member was not charged out of pocket. Claims Doc and ARMS notes show that the adjuster initially set up the rental on 8/3/14 with a daily rate of \$24.50 per day. The member obtained a rental at \$41 per day. On 8/4, the member called and requested we increase the daily max to accommodate and SUV. The adjuster approved the rate at \$41 per day plus tax. ERAC adjusted the reservation and USAA was billed the full amount of rental. The member did not have an Out of Pocket expense.
CPA098	The Rental company In-house manager reviewed the file. Total bill was \$586.20. USAA paid \$586.20. The arms records show that the \$76.06 rental was likely reimbursed by the shop. Confirmed there was no OOP expense by the insured.
CPA173	81.51 as paid to insured
CPA003	Already paid to the member on 4/15/2015 in amount of \$259.33. Detail of payment: mobile car charger \$3.00 in line solar charger kit \$120.00 rei.com Mobile DVD: \$110.00 various prices on amazon.com. Will consider amount claimed by the Named Insured. Total UPP: 233.00 \$12.34 5.3% sales tax via geotax.com Total \$245.34 plus \$120 for spare key 65.34
CPA064	Paid \$467.00 on 8/24/2015 to insured – only paid partial amount as this payment exhausted the benefits.

- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.

The Company agrees to include 6% interest for the additional payments that are owed and issued.

- (3) Complete and submit to the Bureau the enclosed file titled "Claims Underpayments Cited During the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have paid the underpayments listed in the file.

The Company agrees to the actions plan outlined in bullets 1 – 3 for all undisputed underpayments and pending resolution of the Bureau's decision on those for which the Company provided a response above in Part One.

Attached is the restitution spreadsheet showing the payments issued to include 6% interested owed, the amount issued, the date issued. For those where no payment was issued or a partial payment was issued, an explanation is provided.

- (4) Document claim files so that all events and dates pertinent to the claim can be reconstructed.

It is USAA's general business practice to document claim files with all events pertinent to the claim so it can be reconstructed. Adjusters are trained to explain all pertinent available coverages when they are available and applicable to the loss. Company will remind MSR's of what information is needed to investigate and pay claims covered under the policy and that the file must reflect all actions and discussions pertinent to the claim.

- (5) Document the claim file that all applicable coverages have been discussed with the insured. Particular attention should be given to deductibles, rental benefits under UMPD and Transportation Expenses coverage, Medical Expense coverage, Additional Living Expense, and Additional Coverages.

It is USAA's general business practice to represent pertinent facts or insurance policy provisions related to coverages at issue. Company will remind MSR's of what information is needed to investigate and pay claims covered under the policy, to include documenting the claim file as to what was communicated to the insured on deductibles, rental and transportation benefits, and medical expense benefits. The examination revealed an opportunity to provide additional training regarding application of UMPD coverage when the policy includes physical damage coverages.

- (6) Offer the insured an amount that is fair and reasonable as shown by the investigation of the claim, and pay the claim in accordance with the insured's policy provisions.

It is our general business practice to represent pertinent facts or insurance policy provisions related to coverages at issue. Company will remind MSR's of what information is needed to investigate and pay claims covered under the policy.

- (7) Properly represent pertinent facts or insurance provisions relating to coverages at issue.

It is our general business practice to represent pertinent facts or insurance policy provisions related to coverages at issue. Company will remind MSR's of what information is needed to investigate and pay claims covered under the policy.

- (8) Adopt and implement reasonable standards for the prompt investigation of claims.

It is our general business practice to contact all parties in the claim promptly in order to complete its investigation and make liability decisions. Company will remind MSR's of timely investigations and what information is needed to investigate and pay claims covered under the policy.

- (9) Adopt and implement reasonable standards for the prompt, fair, and equitable settlement of a claim in which liability and/or coverage is reasonably clear. Significant attention should be given to the timely evaluation and payment of Medical Expense Benefits when documentation clearly indicates that payment is in order.

It is our general business practice to contact all parties in the claim promptly in order to complete its investigation and make payment decisions for medical expense claims. The Bureau of Insurance appears not to understand the scope of the Company's use of AIS in review of the MEB claims and the Company requests the opportunity to meet with the examiners to discuss the issue further.

- (10) Amend the medical disclosure authorization form to comply with the § 38.2-606 of the Code of Virginia.

While the Business does not agree that the medical disclosure form is in violation, the Company will update its Medical Authorization to remove the reference to Underwriting. This will be completed by May 31, 2016.

Forms Review

United Services Automobile
Association, USAA General
Indemnity Insurance Company
Garrison Property and Casualty
Company, and USAA Casualty
Insurance Company

USAA Response:

- (1) The Company will file all homeowner forms with the Bureau at least 30 days prior to use in Virginia.

The company has filed VADS versions 04-.Edition 7-14 with the Bureau for policies effective 01/01/2015. The file was approved on 10/15/2014.

- (2) The Company will make the necessary changes and will file our broadened policy Form 7000VA for review by the Bureau.

The company will make the necessary changes noted in the violation and will file form 7619VA for review with the Bureau.

- (3) The Company will make the necessary changes to include the Attorney-in-Fact form and will file our broadened policy Form 7000VA for review by the Bureau.

The Company will make the necessary changes and file form 7662VA for review by the Bureau.

Review of Policy Issuance Process

United Services Automobile
Association, USAA General
Indemnity Insurance Company
Garrison Property and Casualty
Company, and USAA Casualty
Insurance Company

USAA Response:

- (1) Provide the Adverse Underwriting decision notice as required by the Code of Virginia.

The Company will provide the Adverse Underwriting Decision notice required by the Code of Virginia where applicable.

- (2) Provide the Credit Score Disclosure notice to an applicant or insured when using credit for rating, tier placement or underwriting a policy.

The Company will provide the Credit Score Disclosure notice to an applicant or insured when using credit for rating, tier placement or underwriting a policy where applicable.

- (3) Provide the 60-day Cancellation Warning Notice on or attached to the first page

of the application to comply with § 38.2-2210 A of the Code of Virginia.

The Company will provide the 60-day Cancellation Warning Notice on or attached to the first page of the application to comply with §38.2-2210A where applicable.

Review of Statutory Notices

United Services Automobile
Association, USAA General
Indemnity Insurance Company
Garrison Property and Casualty
Company, and USAA Casualty
Insurance Company shall:

The Company will amend the language in the listed notices to include the required verbiage.

UW.UWA, UW.AOVA, UW.HO, UW.RP, UW.UW11DW, UW.UW11RP,
UW.UW21HO, UW.UW21RP, UW.UW9, UW81 and DM01769

Review of the Complaint-Handling Process

United Services Automobile
Association, USAA General
Indemnity Insurance Company
Garrison Property and Casualty
Company, and USAA Casualty
Insurance Company

USAA Response:

Maintain a complete complaint register that is in compliance with § 38.2-511 of the Code

of Virginia.

PART THREE - EXAMINERS' NOTES

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies should carefully scrutinize these errors and correct the causes before these errors become business practices. The following errors will not be included in the settlement offer:

Rating and Underwriting

USAA Response:

- The companies should file the additional measures used to determine the Increased Dwelling Coverage A factors for H0-6 policies.
- The companies should file a rule defining the parameters under which mixed construction should be rated as frame or masonry.
- The companies should file "Does Not Apply" as the applicable Military Rank Tier variable when Military Status is "Separated".
- The companies are no longer providing a favorable benefit for Commission Source to determine Tier placement. Filing has been submitted for review and approval.
- The companies should file to clarify the Liability Limit factor as applied in the application of the Optional Coverages for H0-3 and H0-9 policies.
- The companies will review and correct how weather related claims display on our system.

Termination

USAA Response:

- The companies have and will continue to communicate to our Member Service Representatives the importance of properly coding terminations, specifically cancellations before and after the 89th day of coverage.

Claims

USAA Response:

- The Company trains adjusters to acknowledge correspondence within ten (10) business days.
- The Company trains adjusters to provide a written status of the claim within 45 days from the date of notification of a first party claim the reason for the delay.
- The Company trains adjusters to provide claim denials in writing. A copy of the denial letter is kept in the claim file as standard business procedure.
- The Company trains adjusters to provide the applicable reason and explanation of the basis for the denial in its written denial of the claim.
- The Company agrees to provide copies of repair estimates prepared by or on behalf of

the companies to insureds and claimants.

- The Company agrees to make a prompt, fair, and equitable settlement of a claim for losses owed under the policy.
- The Company trains adjusters to explain all coverages under which payments are made with all claim payments to insureds.
- The Company procedures include mailing a disclosure notice for use of aftermarket parts to the vehicle owner.
- The Company agrees to obtain a written authorization from an insured prior to making payments directly to the medical provider.
- The Company pays the amount due for loss related and necessary treatment, without a reduction, to an insured for any Medical Expense Benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.
- The Company's practice is to make payments to the insured for the amount he/she is entitled to receive for loss related and necessary benefits under the terms of the policy.
- The Company follows its procedures regarding the inclusion of the lien holder on payments.
- The Company procedure pays water damage vehicle claims according to Virginia Department of Motor Vehicle Code § 46.2-624.
- The Company includes the appropriate fraud statement on all claim forms required by the Company as a condition of payment.

Forms

USAA Response:

- The Company acknowledges the recommendation and will consider including the title "Towing and Labor" to Personal Auto Policy form PP 13 55 06 00.

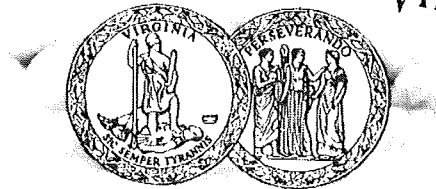
Policy Issuance Process

USAA Response:

- The Company is reviewing the recommendation to list only forms and endorsement under the forms and endorsements section of the declaration page.

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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August 17, 2016

VIA UPS 2nd DAY DELIVERY

James Bialorucki
Director P&C Compliance
United Services Automobile Association
900 Fredericksburg Road
San Antonio, Texas 78288

Re: Market Conduct Examination
United Services Automobile Association (NAIC# 25941)
USAA Casualty Insurance Company (NAIC# 25968)
USAA General Indemnity Company (NAIC# 18600)
Garrison Property & Casualty Insurance Company (NAIC# 21253)
Examination Period: September 1, 2013 – August 31, 2014

Dear Mr. Bialorucki:

The Bureau of Insurance (Bureau) has reviewed the April 5, 2016 response to the Revised Market Conduct Report (Report) of United Services Automobile Association, USAA Casualty Insurance Company, USAA General Indemnity Company, and Garrison Property & Casualty Insurance Company (Companies). The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE – EXAMINERS' OBSERVATIONS

Automobile New Business Rating

- (3d) After further review, the violation for RPA038 has been withdrawn from the Report. The Company provided documentation verifying the address is in Patrick County.
- (3e) The violation for RPA003 remains in the Report. The Bureau is unable to connect the company's supporting document to the policy under review. The document appears to be part of a screen print that was copied into a word document. During the onsite examination, the examiners reviewed the Bank Corporate Activities screen which noted that the insured had the CSL (Cons.

Loan) and NPC (NSB Plat Card) products. However, the screen did not note that the insured had a checking or savings account during the policy period under review.

The violation for RPA009 remains in the Report. The Company did not provide any additional documentation for the Bureau to review. The Bureau reviewed the definitions for the 8 Prior Lapse Areas received on October 30, 2015. However, the insured selected "I have an auto policy with USAA or another company." This information was found in the prior insurance information under the "Browse Auto Policy for Virginia". The insured did not select "My auto insurance policy with USAA or another company has expired." There are no notes to indicate that the insured had an inactive auto insurance policy, no existing policy or a lapse of 30 days or less.

The violation for RPA013 remains in the Report. The Company provided evidence that the insured did not have a life insurance product at the time the policy was issued and was therefore removed from the development of the tier. However, the Company uses "DB" under the Financial Responsibility Grouping to determine the tier K3. Based on the policy file, the named insured was 25 years old with a credit score of 622 and less than 25 years enterprise tenure. This information corresponds to Range 19 "DA" on the Company's filed Tiering Guidelines. The overcharge amount has been revised in the Restitution spreadsheet to reflect that the insured did not have a life insurance product.

The violations for RPA015, RPA017 and RPA020 remain in the Report. The Company informed the Bureau that they discovered a formatting error in the Insurance Score Table for Garrison Property and Casualty Company. The Company corrected the formatting error in SERFF filing USAA-129316555 effective May 26, 2014 for new business. The policy effective dates for RPA015, RPA017 and RPA020 are May 8, 2014, December 10, 2013 and September 14, 2013 respectively. The policies under review precede the date the formatting correction was effective for new business.

Please provide dates that the Company representatives are available and the members of the Bureau staff you would like to meet with, and we will schedule a conference that is convenient for all parties involved.

The violation for RPA025 remains in the Report. The Company has not provided any additional information for the Bureau to reconsider. If it is the Company's intention to use "SA" as the default rating for a "non-commissioned" member, the Company will need to update their Tier filing with the Bureau.

The violation for RPA028 remains in the Report. This insured should have been placed in tier F3 based on the information found in the policy file (which is new business, not existing business). The Company should have used ASE STC FRG to determine the tier. In the Company's response to the

Report, the Company is using AST for the relationship grouping. The policy file indicates that the insured has life products with USAA. Therefore, EB would be used for Collateral Coverage. PB EB MA SE YA corresponds to a relationship grouping of ASE. The Company has stated in its response that tier F4 is applicable; however, the screen prints from the company system show G3. The information in the policy file does not support that an F4. The premium details page in the Company's system shows a tier of G3. Please see attached Exhibit A.

Based upon additional information provided by Company the violation for RPA037 has been withdrawn from the Report.

- (5) The violations for RPA003, RPA006, RPA009, RPA010, RPA013, RPA022, RPA031, RPA036 and RPA040 remain in the Report. The Company referred to these policies as renewal business in its response. These are new business policies and the Company has not addressed its failure to provide the Adverse Action Credit notice at new business. We are unable to determine a neutral credit score as the Company's credit score is embedded in the tiering process. If the company is able to disseminate the tier, we will reconsider these violations. It is the Company's position that Virginia law is pre-empted by federal law via the Fair Credit Reporting Act (FCRA). The Company did not consider Section 1681 t – Relation to State Laws. Paragraph (3) (c) which reads as follows: "shall not be construed as limiting, annulling, affecting or superseding any provision of the laws of any State regulating the use in an insurance activity, or regulating disclosures concerning such use, of a credit based insurance score of a consumer..." The Fair Credit Reporting Act cannot limit the states' regulation of insurance. Section 38.2 - 2234 A-2 of the Code of Virginia neither prohibits nor imposes upon the "subject matter" referenced in C (a) and (b) of Section 1681.

Automobile Renewal Business Rating

- (2c) The violation for RPA064 remains in the Report. The Company filed territory definitions that use the county and the zip code to determine the territory. The insured's address is located in Prince William County and the zip code where the automobile is principally garaged is 22191. This information according to the Company's filed definitions corresponds to a territory of 270 (Prince William County, 22191). The Company's filed rule does not use the zip code of the member's address at the time the territory boundaries were set. The rate is determined using rates/territories at the time the policy was issued. Based upon the zip code of 22191, the Company's filed rates show the applicable territory as 270.
- (2d) The violation for RPA049 remains in the Report. The examiners are unable to use the supporting document as proof of the member's rank. The document does not include the insured's name, policy number or any information that can identify the insured to the branch of service on the document.

The violations for RPA052, RPA054, RPA056, RPA058 and RPA060 remain in the Report. The examiners used the tier information on file with the Bureau at the time of examination. The Company stated in its responses to these review sheets that the formatting issue was corrected and approved under filing USAA-129316555. The effective date for filing USAA-129316555 is May 26, 2014 for New Business policies, and August 1, 2014 for renewal business policies. These policies are all effective prior to the revised renewal business effective.

The violation for RPA061 remains in the Report. The Company has not provided any additional information for the Bureau to reconsider this violation. The examiner requested a screen print showing the number of months associated with the insured's commission source.

The violations for RPA063 and RPA067 remain in the Report. The Company has not provided any additional information for the Bureau to reconsider these violation. The filed rule doesn't indicate a classification of SA is equivalent to a noncommissioned officer with less than 36 months of military commission. If it is the Company's intention to use "SA" as the default rating for a "non-commissioned" member, the Company should update its Tier filing with the Bureau.

The violation for RPA070 remains in the Report. Based on the information provided in the exhibit, the examiner agrees that the business type is BH. However, based on the filed tiering information, the Company should have used tier D4. ASE STA FRD corresponds to tier D4, the Company is incorrectly using tier E2.

The violation for RPA073 remains in the Report. The Company has not provided any additional information for the Bureau to reconsider this violation. The Company advised that the insured was not to receive any benefits for a bank product due to a CAD coding at the bank. There are no rules on file to indicate an insured would not receive benefits for a bank product due to a CAD coding. Furthermore, the documentation provided with the Company's response included a "sticky note" with "account was closed". However, there is no factual evidence attached to show that the insured's bank account was closed at the time of renewal.

Homeowner New Business Rating

- (1) After further review, the violation for RHO050 has been withdrawn from the Report. The Company provided documentation that the USAA member was a spouse of the Named Insured/Owner shown on the declarations page. The Report has been renumbered to reflect this change.
- (2) The violation for RHO005 remains in the Report. Although the quote warns applicants that the policy premium may change upon issuing the policy,

§ 38.2-610 A of the Code of Virginia requires insurers to provide an Adverse Underwriting Decision (AUD) notice when there are premium increases under certain circumstances. The Company has not explained the reason for the increase in premium when the policy was issued.

The violations for RHO011 and RHO033 remain in the Report. The Company became aware that some of its dwelling replacement cost figures were undervalued. Further, the replacement cost values are calculated for the minimum replacement cost value. Due to the drastic difference between the purchase price and replacement cost prices, the Bureau is concerned that these properties may be underinsured for full replacement cost value.

The second violation for RHO033 remains in the Report. This violation was for not sending an AUD notice to the insured when the Claims Free Discount was removed from the policy. The Company correctly removed the discount, but failed to send an AUD notice upon discovering the claims activity not disclosed by the insured.

The violation for RHO021 remains in the Report. The Company did not provide any evidence that the insured initiated this change. The documentation only showed that user "G9747" created the change.

- (3a) After further review, the violation for RHO034 has been withdrawn from the Report.
- (3c) After further review, the violation for RHO002 has been withdrawn from the Report.

The violations for RHO003, RHO004, RHO019, RHO036, RHO044 and RHO054 remain in the Report. The restrictions indicated in the Company's response are for disqualified persons, but not particularly USAA policyholders. It is not clear which IMCO accounts are IRA investment accounts since some are simply labeled "BRKG SVC" in the Company's system. For reconsideration, the Company should list the IMCO products that are eligible to determine the appropriate Tier Placement in its response.

After further review, the violation for RHO007 has been withdrawn from the Report.

The violation for RHO010 remains in the Report. The Company acknowledged that the incorrect Business Type was initially used due to a USAA system defect. However, this violation has been revised to remove the portion regarding the insured's military rank. The Company provided documentation that the insured's rank was E4 when the policy was issued. Since this policy was subsequently flat-cancelled, the overcharge is not included in the Restitution spreadsheet.

The violation for RHO021 remains in the Report. Although this violation did not result in a premium difference on this policy, this issue could adversely affect other policies. The Company acknowledged that the Tier was not determined correctly due to a system defect. In addition to the P&C Collateral value, this error affected the Business Type value. This appears to be a system issue instead of a rule filing issue.

After further review, the violation for RHO023 has been withdrawn from the Report.

After further review, the violation for RHO024 has been withdrawn from the Report. The Company provided documentation that the insured shared a Bank account with his father.

The violation for RHO053 remains in the Report. The Company provided documentation of the insured's Homeowner policy and two other eligible P&C Collateral policies. However, the Company did not provide evidence of the first effective dates for the Life products. Further, it does not appear that the Company determined the Tier of 36 with any Life Enterprise Collateral Products. For reconsideration, the Company should provide documentation of the first effective dates for each Life policy.

After further review, the violation for RHO055 has been withdrawn from the Report. The Company provided the requested documentation.

The violation for RHO059 remains in the Report. For reconsideration, the Company should provide documentation of the husband's P&C Collateral and Life products. Further, the husband had multiple IMCO products, but the Company has not indicated which IMCO products were eligible for determining the appropriate tier.

- (3d) These violations remain in the Report. The Company's filed manual did not provide the calculation steps performed by the Company when rating these policies, as acknowledged by the Company. Although the Company provided its calculations, the Company's response did not reference the filed rules that support how the Company calculated the premium for these policies. The filed manual did not include steps 1 through 3 provided in the Company's response. The examiner only used the Increased Dwelling Coverage rates per \$1,000 for the AOP, Other Wind and Hail, and Fire perils as filed. There was no additional Increased Dwelling Coverage premium calculated for the Hurricane, Severe Thunderstorm, or Winter Storm perils on any HO-6 policy with no additional Coverage A since the Increased Coverage A factor was zero (0). The Bureau reviewed policies, RHO029 and RHO103, where the policy did not have an Increased Dwelling Ratio. Further, there was no additional Increased Dwelling Coverage premiums calculated for the AOP, Other Wind and Hail, Fire perils since the Increased Dwelling Ratio factors were 1.000 for those perils, and there were the specific rate per \$1,000 rates filed on manual page VA-R-9.2. Lastly, the Bureau agrees that the Increased

Dwelling Ratio factors should not be treated as the rate per \$1,000 rates since the later mentioned had specific rating rules filed. The exhibit referenced by the Company was not found with its response. This section of the Report did not have an item (3f) as referenced in the Company's response.

- (3e) The violation for RHO004 remains in the Report. The Company did not provide documentation of the split classification appropriate for Loudoun County FDS or Sterling Park FD that would have been in effect when the policy was issued on September 3, 2013. The Company rated the policy with PPC 3. The Company stated that the appropriate responding fire department was Loudoun County FDS, since Sterling FD was withdrawn after the policy was issued. The examiner has attached documentation that the ISO PPC filing effective November 1, 2013 defined Loudoun County FDS as 5/10. As such, the Company used the incorrect PPC for Loudoun County FDS. This section of the Report did not have an item (3g) as referenced in the Company's response.

The violation for RHO011 remains in the Report. The Company has not sufficiently explained why the "Feet to Fire Hydrant" field should be ignored for this policy. The Company's system clearly indicated that the property was located 1,001 feet from the nearest hydrant. Google is not a recognized source for insurance rating information. The Bureau must rely upon the information filed by the Company and the information stored in its system. The Company should not change its system to reflect incorrect information so that it can appear that the correct PPC was used. The Company should verify the correct information and have its system correctly reflect true information to ensure policies are rated appropriately.

The violation for RHO050 remains in the Report. The Company has not sufficiently explained why the "Feet to Fire Hydrant" field should be ignored for this policy. The Company's system clearly indicated that the property was located 1,001 feet from the nearest hydrant. The Company has not provided any evidence that the property was located nearer to a hydrant. The Company should not change its system to reflect incorrect information so that it can appear that the correct PPC was used. The Company should verify the correct information and have its system correctly reflect true information to ensure policies are rated appropriately.

Homeowner Renewal Business Rating

- (2a) The violation for RHO117 remains in the Report. The Company did not provide documentation from its claims system for the insured's three losses, which would substantiate the causes of loss, and reconsideration of this violation.
- (2b) The violations for RHO061, RHO086, RHO088 and RHO115 remain in the Report. The restrictions indicated in the Company's response are for disqualified persons, but not particularly USAA policyholders. It is not clear

which IMCO accounts are IRA investment accounts since some are simply labeled "BRKG SVC" in the Company's system. For reconsideration, the Company should list the IMCO products that are eligible to determine the appropriate Tier Placement in its response

The violation for RHO089 remains in the Report. The Company's documentation only reflected the husband's information; the wife's name did not appear on the screen prints. Additionally, the Company is unable to explain why its two systems have recorded different information. This discrepancy leads to issues with the Company's data integrity since the examiners were given information for all policies that now appears to be invalid.

The violation for RHO120 remains in the Report. The Bureau requested the Corporate Activities Screen that itemizes the insured's different Collateral products showing status and first effective dates, but the Company provided the Underwriting Review screen. The Company previously provided documentation indicating a policy issue date of March 23, 1991 that would precede the first effective date of January 14, 1997. It is not clear how an issue date would precede the first active date by six years.

- (2c) The violations for RHO063, RHO068, RHO076, RHO080, RHO101 and RHO118 remain in the Report. The Company's filed manual did not provide the calculation steps performed by the Company when rating these policies, as acknowledged by the Company. Although the Company provided its calculations, the Company's response did not reference the filed rules that support how the Company calculated the premium for these policies. The filed manual did not include steps 1 through 3 provided in the Company response. The examiner only used the Increased Dwelling Coverage rates per \$1,000 for the AOP, Other Wind and Hail, and Fire perils as filed. There was no additional Increased Dwelling Coverage premium calculated for the Hurricane, Severe Thunderstorm, or Winter Storm perils on any HO-6 policy with no additional Coverage A since the Increased Coverage A factor was zero (0). The Bureau reviewed policies, RHO029 and RHO103, where the policy did not have an Increased Dwelling Ratio. Further, there was no additional Increased Dwelling Coverage premiums calculated for the AOP, Other Wind and Hail, Fire perils since the Increased Dwelling Ratio factors were 1.000 for those perils, and there were the specific rate per \$1,000 rates filed on manual page VA-R-9.2. Lastly, the Bureau agrees that the Increased Dwelling Ratio factors should not be treated as the rate per \$1,000 rates since the later mentioned had specific rating rules filed. The exhibit referenced by the Company was not found with its response.

The violation for RHO082 remains in the Report. The insured only had one claim in the Company's system that occurred on June 29, 2012. This property damage claim of \$285.00 was surcharged on the prior 2013 policy; the Company sent the insured a notice with the declarations page stating the claim was being surcharged on the 2013 policy. The Company also

surcharged the policy (1.04 Claims Activity Surcharge factor) for this same claim on the 2014 policy term under review. The amended Claims Activity Surcharge rule did not affect the chargeability of the insured's claim since it was not a war or weather related loss. There was no change to the number of claims recorded for this policy or surcharged. The Company's filed rule, as recited in the Company's response, stated if the number of chargeable losses on the renewal policy CHANGES by one, the premium change on the renewal policy is capped at the higher cap. However, the Company has not provided any documentation that any change in the claims occurred on this policy to permit the use of the higher \$200 cap. Due to the Company's implementation of this rule, the Company should file to revise the filed rule to remove "change" so that the rule states the cap is dependent on the number of chargeable losses, not a change in claims.

- (2d) The violations for RHO064 and RHO102 remain in the Report. The Company did not provide the documentation referenced in its response for reconsideration.
- (2e) This item has been added to the Revised Report. The violations for RHO076, RHO105 and RHO114 have been moved from item (5) of the Report. The Company failed to use the updated credit score when rating the policy.
- (4) These violations remain in the Report. For reconsideration, the Company should provide documentation of the insureds' prior credit score used on the policy term immediately preceding the policy term under review. The Bureau is waiting on the Company to schedule a meeting at its convenience. These violations appear under item (3) of the Revised Report.
- (5) After further review, the violations for RHO076, RHO105 and RHO114 have been withdrawn from the Report. The Company provided documentation of obtaining the insureds' updated insurance credit scores, however, the Company's failure to use the updated credit score has been cited under item (2e) of the Revised Report.

The violation for RHO100 remains in the Report. The Company did not provide the documentation referenced in its response for reconsideration. This violation appears under item (4) of the Revised Report

Automobile Cancellation Notices Mailed Prior to the 60th Day

- (1) The violation for TPA008 under review sheet -1309327401 remains in the Report. The Company has not provided any documentation that indicates the insured requested cancellation of the auto policy. The Company provided a screen print of the auto cancellation transaction record with its response that states the reason for cancellation was "Uninsurable location/USAA-initiated

CXNR." Therefore, the Company should have included the AUD language in the company-initiated cancellation notice to the insured.

- (2) After further review, the violation for TPA008 under review sheet -2001022287 has been withdrawn from the Report. The Company provided sufficient documentation of the credits applied to the policy. The Report has been renumbered to reflect this change.
- (3a) The violation for TPA008 under review sheet 841799097 remains in the Report. The Company has not provided any documentation that indicates the insured requested cancellation of the auto policy. The Company provided a screen print of the auto cancellation transaction record with its response that states the reason for cancellation was "Uninsurable location/USAA-initiated CXNR." Therefore, the Company should have retained proof of mailing the company-initiated cancellation notice to the insured. Review sheet -2001022287 pertains to the violation for the earned premium and has been addressed under item (2) of the Report.
- (3b) The violation for TPA005 remains in the Report. The Company is required to retain proof of sending the notice electronically to the lienholder, regardless of whether the lienholder received it. The Company only provided a copy of the lienholder's cancellation notice. The Company has not provided any documentation proving the electronic delivery of the cancellation notice was unsuccessful. Further, the Company has not provided any documentation that the vendor resolved the issue by sending a subsequent cancellation notice to the lienholder.
- (4a) The violation for TPA008 under review sheet -1782401128 remains in the Report. The Company has not provided any documentation that indicates the insured requested cancellation of the auto policy. The Company provided a screen print of the auto cancellation transaction record with its response that states the reason for cancellation was "Uninsurable location/USAA-initiated CXNR." Therefore, the Company should have sent the company-initiated cancellation notice to the insured at least ten days before the cancellation effective date. Review sheet -1309327401 pertains to the violation for the AUD notice and has been addressed under item (1) of the Report.
- (4b) The violation for TPA008 under review sheet 664242926 remains in the Report. The Company's documentation reflects the insured's Williamsburg PO Box address was effective April 13, 2014 and was last updated on the same date. Further, this address was updated by "000000001," but the Company did not provide a screen print showing who that user was. Lastly, the insured sold his home on May 10, 2014, the June 27, 2014 policy was mailed to the Williamsburg PO Box, and the cancellation notice was mailed to Puerto Rico on July 15, 2014. The Company should provide documentation that the insured requested an address change and the effective date of the request. Review sheet -1782401128 pertains to the violation for the advance days' notice and has been addressed under item (4a) of the Report.

Automobile Cancellation Notices Mailed After the 59th Day

The Company incorrectly referenced TPA008 and Review Sheet number 2001022287 in its response to this review item. The Company also provided incorrect supporting documents. For reconsideration of this review item, please respond to the violation of TPA024, Review Sheet Number 64771356.

Automobile Nonpayment of Premium Cancellations

- (1) The violation for TPA045 remains in the Report. The Company should provide the endorsed declarations page for the violation.

The violation for TPA046 remains in the Report. The Company failed to calculate the earned premium correctly. According to the pro-rata table on file with the Bureau, the earned premium should have been calculated using a factor of .797. The insured made a total of \$218.45 in payments. The Company had a net earned premium amount of \$343.84. Based on the net earned premium amount minus the total of payments made by the insured the Company was still owed a total of \$125.39.

The violation for TPA048 remains in the Report. The company failed to provide sufficient documentation to show how the insured's monthly payment is broken down between the multiple policies in force.

The violation for TPA049 remains in the Report. The Company failed to provide documentation to support the premium amount of \$1095.03.

- (2) After further review, the violation for TPA045 has been withdrawn from the Report.

Automobile Insured Requested Cancellations

After further review, the violations for TPA057 and TPA058 have been withdrawn from the Report.

Automobile Non-Renewals

- (1) The violation for TPA065 remains in the Report. The Company has not provided any additional information for the Bureau to reconsider. The USPS ball stamp date on the documentation provided is not legible. Without the USPS ball stamp date, the examiners are unable to determine if the nonrenewal notice was mailed to the insured at least 45 days prior to the effective date of the refusal to non-renew the policy.
- (2b) The violation for TPA062 remains in the Report. The Company should report its findings on the anomaly that caused this violation.

Homeowner Cancellation Notices Mailed Prior to the 90th Day

- (1) After further review, the violation for THO016 has been withdrawn from the Report.
- (2) After further review, the violation for THO016 has been withdrawn from the Report.
- (3a) After further review, the violation for THO016 has been withdrawn from the Report.
- (3b) After further review, the violation for THO016 has been withdrawn from the Report.
- (3c) After further review, the violations for THO002, THO004, and THO008 have been withdrawn from the Report.

Homeowner Cancellation Notices Mailed After the 89th Day-

- (1a) After further review, the violation for THO045 has been withdrawn from the Report.

The violation for THO050 remains in the Report. The information provided by the Company in response to the Report indicates that this policy was cancelled for underwriting reasons.
- (1b) After further review, the violations for THO044, THO046, and THO048 have been withdrawn from the Report.

The violation for THO047 remains in the Report. The information provided by the Company in response to the Report does not include evidence of an insured request for cancellation.
- (1c) After further review, the violations for THO044, THO045, and THO046 have been withdrawn from the Report.
- (2a) After further review, the violations for THO028, THO039, and THO045 have been withdrawn from the Report.

The violation for THO050 remains in the Report. The information provided by the Company in response to the Report does not include evidence of an insured request for cancellation.
- (2b) After further review, the violation for THO046, has been withdrawn from the Report.

- (4a) After further review, the violations for THO044 and THO048 have been withdrawn from the Report.

The violation for THO047 remains in the Report. The information provided by the Company in response to the Report does not include evidence of an insured request for cancellation.

- (4b) After further review, the violations for THO044, THO046, and THO048 have been withdrawn from the Report.

- (4c) After further review, the violations for THO044, THO046, and THO048 have been withdrawn from the Report.

Homeowner Insured Requested Cancellations-

- (1) The violations for THO041, THO061 and THO065 remain in the Report. The insurance contract is a contract between the insured and the Company. The premium may have been paid to the Company by the mortgage company, but the premium is paid with funds from an escrow account that is paid by the insured. The Company should make the requested restitution to the insureds.

- (2) The violation for THO062 remains in the Report. The Company has failed to respond to the violation cited in the Report.

Homeowner Non-Renewals

- (1) The violation for THO069 remains in the Report. The policy did indeed non-renew and a new policy was issued. The Company should have sent a notice of non-renewal to the lienholder.

- (2) The violation for THO071 remains in the Report. The Company cannot verbally non-renew a policy. The statute requires a notice to be sent 30 days prior to the non-renewal of a policy.

After further review, the violations for THO072, THO073, THO079 and THO080 have been withdrawn from the Report.

The violation for THO075 remains in the Report. The property was owned by a married couple. A non-renewal notice should have been issued to terminate the coverage.

Private Passenger Automobile Claims

- (1) After further review, the violation for CPA005 has been withdrawn from the Report.

After further review, the violation of CPA010 has been withdrawn from the Report.

After further review, the violation for CPA015 has been withdrawn from the Report.

The violation for CPA062 remains in the Report. The exhibit for this claim is not included in the Company's response. The Company should submit the missing exhibit for reconsideration.

After further review, the violation of CPA070 is withdrawn from the Report.

After further review, the violation for CPA085 has been withdrawn from the Report.

After further review, the violation for CPA101 has been withdrawn from the Report.

After further review, the violation for CPA102 has been withdrawn from the Report.

After further review the violation for CPA122 has been withdrawn from the Report.

After further review the violation for CPA126 has been withdrawn from the Report.

The violation for CPA134 remains in the Report. The loss was reported September 8, 2013. The Company was unable to determine if the vehicle was totaled until November 7, 2013. The Company presented the total loss offer to the insured on November 11, 2013, 64 days after the loss was reported.

The violation for CPA137 remains in the Report. The Company issued a check to the insured with the notation that a \$250 deductible applied to the payment. The Company gave the insured incorrect information and further, failed to follow up with the insured to correct the misinformation.

The violation for CPA142 remains in the Report. The Company's file documentation is incorrect regarding the coverage on this claim. The Company applied policy language that does not exist in the Company's form. The Company attempted to incorporate PP05 96 01 05 into their Personal Auto Policy. In doing so, the Company omitted the definition of a covered auto.

The violation for CPA148 remains in the Report. The bill in the file for the cell phone was \$211.90. The Company paid \$157.49. There is no explanation in

the file for the payment of the \$157.49. The Company's response did not include the referenced exhibit.

The violation for CPA155 remains in the Report. The Company's file was not documented regarding the reason for requiring the insured to submit his phone records. The Company has responded that they needed cell phone records because the insured's vehicle was stolen, abandoned and recovered with the engine running. The file does not clearly document how the abandoned running vehicle relates to the request for the insured's cell phone records.

The violation for CPA157 remains in the Report. The claim file should be clearly documented. The Company's claim file notes are open to interpretation. Further, according to the file notes, the insured did not understand if she had rental coverage or not.

The violation for CPA158 remains in the Report. According to the documents submitted by the Company, the Air Raid intake, front spoiler, and exhaust increased the value by \$1398.00. The file is not documented regarding the reason for these being excluded from the ACV value.

The violation for CPA165 remains in the Report. The insured clearly stated that the shipping company was going to pay the damages. For an undocumented reason, the Company handled the claim, paid the loss, and did not document the file regarding the reason for not recovering damages.

The violation for CPA166 remains in the Report. The Bureau agrees that the Company has the right to determine if the injury is related to the loss. In addition to an investigation into causation, the Company must also request the Explanation of Benefits from the insured. The Company cannot reduce the benefits paid by the health care insurer. Without this documentation, the Company cannot know what is reasonable and necessary and ultimately owed to the insured.

The violation for CPA169 remains in the Report. The Company sent form letters to the insured. One letter advised the insured to contact her insurance carrier for medical coverage. The insured had Medical Expense Benefits coverage with USAA. The second form letter advised the insured that medical expenses related to the loss would eventually be settled as Bodily Injury. In a conversation with the insured where the Company indicates that they discussed the coverages, the insured responded by saying she had "Medicare and United Healthcare". It is not clearly documented that the insured understood that she could submit medical bills under her Medical Expense Benefits coverage with USAA as well as present a Bodily Injury claim.

- (2) The violations in this section remain in the Report. The violations were committed with such frequency as to indicate a general business practice. The Report is not written in a manner that infers that the violations were either

knowing or intentional. The Company has acknowledged that these were mistakes. The Report states that the violations may have been an omission.

- (2a) The violation for CPA011 remains in the Report. The Company has not provided any documentation to support their position.

After further review, the violation for CPA015 has been withdrawn from the Report.

The violation for CPA056 has been withdrawn from the Report. One violation has been added to the Report for failing to properly document the claims file. Please see review sheet ClaimVehPPA1363372740. .

- (2b) The violation for CPA169 has been withdrawn from the Report. One violation has been added to the Report for failing to properly document the claims file. Please see review sheet ClaimVehPPA707232128.

- (2c) After further review, the violation for CPA030 has been withdrawn from the Report.

The violation for CPA038 remains in the Report. The note in the claims file summarizes coverages. There is no indication that this information was provided to the insured.

The violation for CPA 087 has been withdrawn from the Report. One violation has been added to the Report for failing to provide the insured with accurate coverage information. See review sheet ClaimVehPPA103203424.

The violation for CPA094 remains in the Report. The insured was not aware of the unlimited daily coverage. The insured initially paid the difference for the rental of a comparable vehicle.

The violation for CPA097 remains in the Report. The collision claim was paid as a result of the initial accident report taken from the ex-spouse. The company has not sufficiently explained how revealing collision coverage differs from revealing transportation coverage.

- (2d) The violation for CPA045 remains in the Report. The Company did not advise the insured of available coverage under UMPD.

- (5b) The violation for CPA073 remains in the Report. The total rental bill was \$1,425.53. The company paid \$600.00. The company owes the insured the balance of \$825.53.

The violation for CPA154 remains in the Report. The company did not provide any documentation to support its position on the additional rental or deductible reimbursement.

- (5c) The violation for CPA129 remains in the Report. Please see review sheet ClaimVehPPA162702537 which details the underpayment that includes the tag and title fees.
- (5d) The violation for CPA001 remains in the Report. The Company has indicated a restitution of \$651.00. The amount owed to the insured is \$7,315.00. The file did not include any valid AOB's authorizing direct payment to the providers. Therefore, the Company owes the insured \$7,315.00.

The violation for CPA006 has been removed from the Report. The restitution spreadsheet has been revised.

The violation for CPA022 remains in the Report. The Company should make full restitution to the insured. The Medical Expense Benefits coverage limits are not applicable since the Company incorrectly paid the providers direct.

The violation for CPA064 remains in the Report. The Company should confirm that not only was the balance of the Medical Expense Benefits paid but an additional 6% simple interest was paid to the insured.

The violation for CPA065 remains in the Report. The AOB (Assignment of Benefits) provided to the insured by the Company is not in compliance with §38.2-2201 and therefore not valid. The AOB referenced in the Company's response is not included in the Company's exhibits.

The violation for CPA102 remains in the Report. The Company did not obtain valid AOB. Additionally, the Company required the insured to bill the Company direct for emergency room treatment when the insured had health insurance coverage. As a result of the Company's direct bill requirement, the insured had to pay the provider and await reimbursement from the Company.

The violation for CPA103 remains in the Report. The pedestrian child was struck by a vehicle and incurred \$16,640.40 in medical bills. The Company's coverage limits were \$2000.00. The Company paid \$887.60 of the bills but refused to pay the remaining limits until there was proof of the incurred amount on the bills that were pending. The Company could have contacted any number of providers to verify the payments that the Company stated were not included in the 180 pages of medical reports from the attorney.

The violation for CPA111 remains in the Report. The Medical Expense Benefits coverage limits is not relevant in this situation. The Company incorrectly paid the providers directly without proper AOB as required by the statute.

The violation for CPA152 remains in the Report. The Company should contact the insured to determine his out of pocket expenses

The Company should review §38.2-2201 of the Code of Virginia. The Company cannot pay providers without a valid Assignment of Benefits (AOB). Additionally, the insured has the right to revoke the AOB at which time the Company must issue payment directly to the insured for covered medical expenses.

- (5e) The violation for CPA094 remains in the Report. The insured stated that she paid out of pocket for one or two days. The Company should contact the insured and determine if there was a separate bill paid by the insured directly to Enterprise.

The violation for CPA098 remains in the Report. The Company should confirm with the insured that she did not pay any additional rental. Although the Company feels it is "likely" that the repairing garage paid the \$76.06 difference, this should be confirmed with the insured.

The violation for CPA154 remains in the Report. The Company should pay the insured the CDW expenses. The insured was not informed that the Company would not pay CDW until after the charges were incurred.

The Company should confirm that the additional six percent (6%) interest was paid on CPA173.

- (5f) The Company should confirm that the additional payment of \$14.72 has been paid to the insured on CPA003.

- (7) The violation for CPA125 remains in the Report. This document was part of the claim file, not the policy file. As such, this document was sent to the insured in relation to the claim. The coverage information provided was inaccurate and not applicable to the loss.

- (8) After further review, the violation for CPA057 has been withdrawn from the Report.

After further review, the violation for CPA073 has been withdrawn from the Report.

- (10) After further review, the violation for CPA001 has been withdrawn from the Report.

The violation for CPA022 remains in the Report. The Company delayed the payment of medical bills received in September 2014. As of April 13, 2015, the bills remained outstanding.

The violation for CPA037 remains in the Report. The insured's wife drowned on January 02, 2014. The insured was not told there was funeral expense coverage until February 28, 2014. The insured was then subsequently

advised that there was no funeral expense coverage on March 17, 2014. On March 18, 2014, the Company reversed its coverage decision and afforded coverage. The Company finally paid \$9,499.04 on March 28, 2014 and the balance of the coverage on April 16, 2014.

The violation for CPA064 remains in the Report. The medical bills received September 22, 2014 are itemized and contain all the details necessary for payment.

The violation for CPA131 remains in the file. This loss was reported May 1, 2014. The insured was not advised that he had medical expense coverage until June 2, 2014 when he asked the Company regarding this coverage. On June 6, 2014 the insured advised the Company of his \$100 co-pay. On September 17, 2014, the insured complained that his bills remained unpaid. On October 8, 2014, the Company began making payments under the Medical Expense Benefits coverage.

The violation for CPA134 remains in the Report. The loss was reported September 8, 2013. As of September 24, 2013, the Company could not determine the extent of damage. On October 10, 2013, claim notes stated that the vehicle was not a total loss. On October 14, 2013, claim notes stated that the vehicle was a total loss and a second note the same day stated that the vehicle was not a total loss. On October 18, 2013, the vehicle was again deemed repairable and then on November 07, 2013, the vehicle was deemed to be a total loss. The Company finally informed the insured that the vehicle was a total loss via its offer to settle on December 24, 2013. The title issue in this claim is not relevant to the delays in evaluating the damages.

The violation for CPA155 remains in the Report. This theft loss was reported December 30, 2013. The file is not clear regarding why the company questioned the insured's involvement in the theft but the question was resolved on January 16, 2014. On January 30, 2014, the Company paid the lienholder. The insured complied with the Company's requests for information even though the reason for the Company's request to review the insured's phone records was not clear.

The Virginia Administrative Code 14VAC 5-400-60 B does not set a 45 day standard for claims investigations. On the contrary, this regulation states "...IF (emphasis added) an investigation of a first party claim has not been completed..." Nowhere does this regulation state that insurers have 45 days to complete claims investigations. The Company delayed payment of this claim for 30 days without sufficient documentation to support the investigation into the Company's suspicion of the insured's involvement. The delay in this claim is a violation of §38.2-510 of the Code of Virginia and was not cited under 14 VAC-5-400-60 B.

(16b) The violations remain in this section of the Report. The Company's Claims Manual does not reference a \$3000.00 threshold. Additionally, the Bureau

sent a written request to the Company on 04/13/2015 requesting information on any thresholds related to lienholders. The Company did not respond to this request. Unfortunately, this information was not provided to the Bureau until the examination was underway and violations were generated.

Homeowner Claims

- (1) After further review, the violation for CHO056 has been withdrawn from the Report.

After further review, the violation for CHO059 has been withdrawn from the Report.

The violation for CHO060 remains in the Report. The policy requires a police report where theft is involved. Further, the Company must be consistent in the handling of claims. The Company required receipts or proof of ownership for other similar items on similar claims.

The violation for CHO063 remains in the Report. The Company should provide a copy of their claims procedures to support the Company's response.

The violation for CHO070 remains in the Report. This is a Renters policy and as such, the carpet existed in the unit at the time it was rented. It was not "acquired" as an addition. According to the Company's file, the insured should have obtained a Condominium policy where coverage may have existed. However, this was a renters policy and the loss is subject to the coverage under that policy.

The violation for CHO079 remains in the Report. The Company's file contains a check dated July 01, 2014 in the amount of \$6,656.75 issued to Donan Engineering Co, Inc. The check number is 0700109929.

The violation for CHO083 remains in the Report. The Company's response adequately explains the basis for the payment. However, this explanation is not in the claim file and therefore, the claim file is not clearly documented.

After further review, the violation for CHO150 has been withdrawn from the Report.

- (2a) After further review, the violation for CHO002 has been withdrawn from the Report.

After further review, the violation for CHO045 has been withdrawn from the Report.

- (3) After further review, the violation for CHO054 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

(4) After further review, the violation for CHO004 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

(7a) The violation for CHO111 remains in the Report. The insured was in a hotel for 24 weeks following the fire loss on June 19, 2014. The insured did not move back into the home until December 04, 2014. On that day, the insured started the dishwasher and it overflowed, damaging the floors. The dishwasher was moved and reinstalled during the renovation. This damage was clearly related to the original loss.

After further review, the violation for CHO138 has been withdrawn from the Report.

After further review, the violation for CHO154 has been withdrawn from the Report.

(7c) After further review, the violation for CHO122 has been withdrawn from the Report.

(7d) After further review the violation for CHO010 has been withdrawn from the Report.

The violation for CHO122 remains in the Report. The insured presented replacement receipts and the Company did not reimburse the insured the replacement cost. The file does not indicate that the insured agreed to anything less than the replacement cost or that the insured was aware of a computer program that limited replacement cost to the program parameters.

(9) The violation for CHO015 remains in the Report. The Company ordered weather reports on other similar claims to confirm lightning strikes in the area of the insured's residence. The Company should be consistent in its handling of claims. A deviation from normal investigative practices should be clearly documented in the claim file regarding the reason for an exception to normal business practices.

The violation for CHO055 remains in the Report. The Company requested the photos of the damaged items from the insured. The insured did not respond to the request. On similar claims, the Company required supporting documentation from insureds. A deviation from normal investigative practices should be clearly documented in the claim file regarding the reason for an exception to normal business practices. The issue of the cause of loss has been sufficiently explained by the Company and this portion of the violation is removed.

The violation for CHO067 remains in the Report. The Company inspected other similar losses prior to payment. A deviation from normal investigative practices should be clearly documented in the claim file regarding the reason for an exception to normal business practices.

After further review, the violation for CHO083 has been withdrawn from the Report.

The violation for CHO090 remains in the Report. The Company requested verification of damage or loss on similar claims prior to payment. A deviation from normal investigative practices should be clearly documented in the claim file regarding the reason for an exception to normal business practices.

(14b) The violations in this section remain in the Report. The Company was asked to provide any internal procedures relating to lienholder waivers on payments under specific thresholds. The Company did not respond to this request or provide any documentation to support the Company's statement that payments under \$5000.00 could exclude the lienholder.

(14c) The violation for CHO001 remains in the Report. The issue is not whether there was an occurrence but instead that of a double payment. The Company paid for the same damage two times.

The violation for CHO070 remains in the Report. This is a Renters policy and as such, the carpet existed in the unit at the time it was rented. It was not "acquired" as an addition. According to the Company's file, the insured should have obtained a Condominium policy where coverage may have existed. However, this was a renters policy and the loss was subject to the coverage under that policy.

After further review the violation for CHO076 has been withdrawn from the Report.

After further review, the violation for CHO148 has been withdrawn from the Report.

Homeowner New Business Policy Issuance

(1) These violations remain in the Report. The Company has not provided any evidence that the insured selected the limits shown on the declaration page.

(2) The violations for MHO005, MHO006, MHO008, MHO009, MHO011, and MHO012 remain in the Report. The Bureau cannot verify a neutral credit score. The Company's system imbeds the credit score within the tiering process. If the company is able to break down the tier, the Bureau will reconsider these violations. It is the Company's position that Virginia law is pre-empted by federal law, specifically the Fair Credit Reporting Act (FCRA). The Company did not consider Section 1681 t – Relation to State Laws. Paragraph (3) (c) which reads as follows: "shall not be construed as limiting, annulling, affecting or superseding any provision of the laws of an State regulating the use in an insurance activity, or regulating disclosures concerning such use, of a credit based insurance score of a consumer..." The

Fair Credit Reporting Act cannot limit states' regulation of insurance. Section 38.2 - 2126 A-2 of the Code of Virginia neither prohibits nor imposes upon the "subject matter" reference in C (a) and (b) of Section 1681.

PART TWO – CORRECTIVE ACTION PLAN

Rating Review

- (3) The Company should make the outstanding restitution to the insureds as outlined in the Revised Restitution Spreadsheet.
- (8) Please provide an estimated completion date for filing corrections to the HO-6 Increased Dwelling Coverage rules and rates.

Please provide estimated completion dates for filing corrections to the Homeowner Tier Placement Guidelines, Auto and Home Combination Discount, and Claim Free Discount rules.

Please provide estimated completion dates for reviewing and filing corrections for the Claims Activity Surcharge.

Please provide an estimated completion date for filing optional coverage rate factors for the On-Base Discount.

The Company should determine why their system displays a PPC without a split classification when their system also reports that the property is farther than 1,000 feet from the nearest fire hydrant. Coding the system to ignore information that may be correct does not appropriately address the error.

Claims

- (1) The Company should make the outstanding restitution to insureds and claimants as indicated in the Revised Restitution Spreadsheet enclosed.

PART THREE – EXAMINERS' RECOMMENDATIONS

Rating

- The Company should provide estimated completion dates for filing the necessary rule and rate revisions.

Terminations

- The Company should ensure that premiums received from mortgage companies via escrow are refunded to the insureds upon cancellation of the policy or an endorsement resulting in a premium credit. The monies from the escrow were paid by the insured and are not due to the mortgage company.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports and Restitution spreadsheet.

Sincerely,

Joy M. Morton
Manager
Market Conduct Section
Property and Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

Enclosures



9800 Fredericksburg Road
San Antonio, Texas 78288

September 21, 2016

Joy Morton, Supervisor
Virginia Bureau of Insurance
Market Conduct Section
Property & Casualty Division
1300 E Main St.
Richmond, VA 23218



SENT VIA EMAIL & FEDEX (Paper Copy & CD)

Reference: United Services Automobile Association NAIC 25941
USAA Casualty Insurance Company NAIC 25968
USAA General Indemnity Company NAIC 18600
Garrison Property & Casualty Insurance Company NAIC 21253

Dear Ms. Morton,

The above referenced companies (collectively referred to as "The Company") appreciates the opportunity to once again review and respond to the revised Market Conduct draft report dated August 17, 2016.

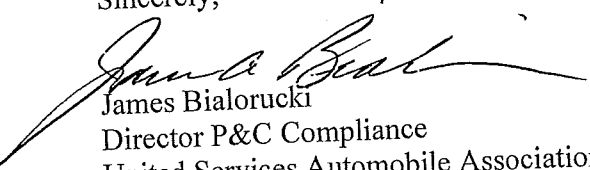
Attached for your reconsideration are the Company's updated comments and requested amendments to the issues outlined in the August 17, 2016 draft report. Also included with the requested amendments is the updated USAA Restitution file. We understand and respect the intent of market conduct examinations and trust that the Bureau accepts our position and responses as an indication of our commitment to compliance.

Please note that this response contains proprietary, confidential, and sensitive information, which, if disclosed to other persons, would cause us irreparable harm and could cause substantial injury to the competitive position of the Companies and their affiliates. Accordingly, such information is to be kept confidential pursuant to Virginia Code § 38.2-221.1.

As indicated previously, we would like to meet with you in person to further discuss the findings contained in the draft report and the Company responses. Please provide a list of potential dates of availability for a one-to-two hour meeting to be held at your offices in Virginia.

In the interim, should you have any questions regarding our response or require further clarification, please do not hesitate to contact myself or Jose Lara at (210) 452-5466.

Sincerely,


James Bialorucki
Director P&C Compliance
United Services Automobile Association
(210) 219-4672

PART ONE - EXAMINERS' OBSERVATIONS

Automobile New Business Rating

(3e) Reference Number Review Sheet Company
RPA003 1319251026 GIC

This member is shown as a joint secondary on active bank product under spouse's account, active since 7/15/2009. Per the filing, Enterprise collateral considers active enterprise products for the named insured and spouse. See supports RPA003.

Reference Number Review Sheet Company
RPA013 994837638 GAR
RPA015 204622556 GAR
RPA017 2037472542 GAR
RPA020 1408404421 GAR

The company respectfully requests the Bureau to consider the support "GAR Formatting Error." It shows what anyone viewing the document on file could do by physically altering the document so there are values for Range 32 and a range associated with the values DL.

Reference Number Review Sheet Company
RPA025 2094302352 USAA

"SA" is the code utilized for an insured who has less than 36 months of Commission. A non-commissioned officer has zero months of Commission. Logic dictates that "SA" is the appropriate code for a non-commissioned officer.

Based on the feedback from the Bureau, Commission source is no longer being considered in tier placement for Virginia based policies.

Reference Number Review Sheet Company
RPA028 342987595 USAA

The policy issued in VA policy for this member was correctly considered Existing Business. At the time the VA policy was issued, the member had a FL policy. The FL policy was cancelled and rewritten as VA policy on 12/07/13 due to a Rebase. The product reflecting under Life product is a Long term care medical policy, not a Life Insurance product. See supports RPA028.

(5) Reference Number Review Sheet Company
RPA003 1520524937 GIC
RPA006 1311733864 GIC
RPA009 1967788253 GIC
RPA010 1204275356 GIC
RPA040 2056494624 CIC

The attached documentation, "VA New Business Policies with Credit Score Ranges Plus," provides the member's Rated Range, Credit Score Range and Points Assigned. A point assignment of zero indicates a neutral range. For point assignments of less than zero, ex. (-5) indicates the member's credit score benefited the member Credit Score Range, thus assigning the member to a more favorable tier placement. Since these members' Credit Score

Range was neutral or better and did not adversely affect their respective tier placement, an adverse underwriting decision notice was not required.

Automobile Renewal Business Rating

(2c)	Reference Number	Review Sheet	Company
	RPA064	1686116274	USAA

The Company offers no new further information.

(2d)	Reference Number	Review Sheet	Company
	RPA049	51106030	GIC

Additional supports submitted as evidence of the member's rank of E2 at the time of the policy renewal. See support RPA049.

Reference Number	Review Sheet	Company
RPA052	1824123310	GAR
RPA054	1611621638	GAR
RPA055	750363752	GAR
RPA056	164270330	GAR
RPA057	143199916	GAR
RPA058	1652978130	GAR
RPA059	1305891584	GAR
RPA060	129003358	GAR

The Company respectfully requests the Bureau to consider the support "GAR Formatting Error." It shows what anyone viewing the document on file could do by physically altering the document so there are values for Range 32 and a range associated with the values DL.

Reference Number	Review Sheet	Company
RPA061	1480773266	USAA

There is no screen print showing the number of months associated with the member's commission source. The screen print attached as support RPA061 shows the member retired from the U.S. Navy in 1985 with the rank of Captain. The member's first policy with USAA was issued in 1980. To purchase a P&C product in 1980, the member had to have a commission. Given that he retired in 1985, the commission source was a minimum of 60 months, which equates to "SE."

Reference Number	Review Sheet	Company
RPA063	2022213602	USAA
RPA067	748088182	USAA

"SA" is the code utilized for an insured who has less than 36 months of Commission. A non-commissioned officer has zero months of Commission. Logic dictates that "SA" is the appropriate code for a non-commissioned officer.

Based on the feedback from the Bureau, Commission source is no longer being considered in tier placement for Virginia based policies.

Reference Number	Review Sheet	Company
RPA070	1681993232	USAA

This member is a widow of a military officer. When her husband died, she was given her own member number and a policy was issued under that member number, in her name. She has no commission source; therefore,

she has zero months of Commission. Logic dictates that "SA" is the appropriate code for a widow who has never been in the military. The applicable tier is ASF and tier E2. See support RPA070.

Based on feedback provided by the Bureau, commission source is no longer being considered in tier placement for Virginia based policies.

Reference Number	Review Sheet	Company
RPA073	518906704	CIC

The Company has no new further information to provide.

Homeowner New Business Rating

(2)	Reference Number	Review Sheet	Company
	RHO005	1132349277	GIC

After review, the Company determined that the increase in premium when the policy was issued occurred because a 2nd credit score was ordered when the policy was issued on 09/09/13. The initial quote used a score ordered on 06/20/13. A second quote was provided on 09/09/13. This was 91 days after the date the credit score was ordered on 6/20/13. Any quote issued more than 90 days after the last credit score was pulled requires a new credit score for rating consideration. The 2nd credit score from the 09/09/13 was worse than the 6/20/13 score, however, the risk was still rated the neutral range. The lower insurance score ordered 09/09/13 caused the premium to increase from the first quote on 08/23/13; however, since insured still received a benefit of their insurance score to their policy rating being above neutral, an AUD notice was not required. See support RHO005.

Reference Number	Review Sheet	Company
RHO011	1433360386	GIC

The Company respectfully disagrees that insuring the dwelling for replacement cost requires an Adverse Underwriting Decision notice. The homeowner policy does not insure for the purchase prices of the home. It provides coverage for the replacement cost of the dwelling. For this member, the house was inspected by a third party expert. The estimated cost to replace the dwelling was \$1,336,227. See support RHO011.

This member has the HO-9 policy. The HO-9 policy includes Home Protector Coverage. If the member meets the policy conditions, an additional 25% of the dwelling coverage will be applied if needed.

Reference Number	Review Sheet	Company
RHO033	1432830215	USAA

The Company respectfully disagrees that insuring the condominium for an amount to replace alterations, appliances, custom or permanently installed carpeting, fixtures and improvements which are part of the building and

contained within the residence premises requires an Adverse Underwriting Decision notice. This member has an HO-6 policy for a condominium. If there is damage to the dwelling, the condominium association master policy provides coverage for the building; the HO-6 policy covers anything added to the unit from the walls in. The purchase price of the unit is not an

accurate figure representing the coverage provided by the HO-6 policy. See support RHO033 – Contract language.

Reference Number	Review Sheet	Company
RHO033	1836892588	USAA

When the policy was issued, the 1/17/2009 claim was included in the rate upon issue of the policy. The policy did not receive a claims free discount when it was issued. No adjustment related to the 1/17/2009 claim was made to the policy. The Declaration Page shows a credit/discount of \$123.35. This discount is for auto and home combination discount, not the claims free discount. This information is reflected in the rating factors in the issue transaction and in the Declarations Page. The Claims Free Discount was never provided; thus, was never removed. See supports RHO033A-C

(3c)	Reference Number	Review Sheet	Company
	RHO003	2087246080	GIC
	RHO004	1243332917	GIC
	RHO019	564543579	GAR
	RHO036	1175199893	USAA
	RHO044	1389978269	USAA
	RHO054	456045350	CIC

Attached is the list of IMCO products currently not eligible for consideration for Enterprise Collateral and tier placement per IR Code §4975. In addition, supports from member accounts demonstrating the IMCO product of members for review against the list to support the Company's tier placement. See support labeled "IMCO products excluded from ARL-PRL " and "IMCO Screenshots – Homeowner NB".

Reference Number	Review Sheet	Company
RHO010	924888423	GIC

The Company acknowledged the violation related to the Business Type. The system defect which caused the error was fixed 1/17/14.

Reference Number	Review Sheet	Company
RHO021	610496901	GAR

The system defect, previously acknowledged, resulting in the failure to display the VPP policy had no affect on this member's tier placement. Despite failure to recognize the VPP policy, the member had already received the maximum benefit under the P&C Products variable. There was no impact to the Business Type variable.

Reference Number	Review Sheet	Company
RHO053	539772097	CIC

The first date of each Life product is submitted for reconsideration of Enterprise Collateral rating. See support RHO053.

(3d)	Reference Number	Review Sheet	Company
	RHO004	1621626353	GIC

RHO008	127081003	GIC
RHO010	1830076015	GIC
RHO024	1024595748	GAR
RHO028	116928112	GAR
RHO033	905115954	USAA
RHO034	181558767	USAA
RHO036	541938485	USAA
RHO047	602699863	CIC
RHO048	195323490	CIC
RHO051	393031259	CIC

The Company reiterates the earlier acknowledgement that the rule found in the manual does not accurately describe how the Increased Dwelling Ratio factor is applied to rating for the Hurricane, Severe Thunderstorm, and Winter Storm perils. However, we do not accept the interpretation that the rating steps applied result in an overcharge.

As noted in the Company's prior response, the steps shown for increased dwelling coverage for these perils are inconsistent with how they are rated in practice; however, there is no reasonable way to apply them to the rating factors on file, and thus no way to conclude that the manual steps define a "correct" calculation that is more appropriate than the one in use, which is consistent with item 5 of Rule 20 as described below.

The Company's prior reference to an incorrect calculation possibly using Increased Dwelling Ratio factors in place of base rates refers to the calculations provided by the Department on 10/21/2015. In those calculations, the Department described multiplying the increased dwelling ratio factor by tier, territory, IDC deductible, PPC/construction, claims factors, and auto/home discount. This was based on an application of item 5 of Rule 20.

As the Department noted in the prior response, item 5 of Rule 20 states that the rate from the rate pages should be multiplied by any applicable rating factors. The calculation provided does not use the rate from the rate pages (i.e., the base rate) – it is only the product of the applicable rating factors, and so is not consistent with item 5 of Rule 20.

The correct application of item 5 of rule 20 results in the rates charged for these policies. We resubmit the exhibits prepared for the prior response that were not included. Steps 1 through 3 of our response are meant to be illustrative. In practice, only Step 1 is applied, and a combined rate is determined for both basic coverage and increased dwelling coverage.

Steps 2 and 3 were added to show how the IDC-only portion could then be broken out if desired; they do not appear in our rating manual, and are not used in actual policy rating. We outlined the method so the Department could separate the combined premium into basic and IDC components for comparison, if desired.

(3e)	Reference Number	Review Sheet	Company
	RHO004	1439687317	GIC

Please see documentation obtained from ISO/Verisk which indicates that on the date the policy was issued, the risk address was associated to Sterling Park FD with a rating of PPC 4. See support RHO004.

Reference Number	Review Sheet	Company
RHO011	1995861398	GIC
RHO050	495294716	CIC

The Company is aware of a system defect regarding the information displayed in the system for feet to fire hydrant and is making the necessary changes to the system to reflect the correct feet to fire hydrant information.

Homeowner Renewal Business Rating

(2a)	Reference Number	Review Sheet	Company
	RHO117	710175803	CIC

The Company is submitting claims information for the 3/6/11 and 6/29/12 for review and reconsideration of the violation. See support RHO117.

(2b)	Reference Number	Review Sheet	Company
	RHO061	666300769	CIC
	RHO086	21308833714	GAR
	RHO088	61356329	GAR
	RHO115	148324498	CIC

Attached is the list of IMCO products currently not eligible for consideration for Enterprise Collateral and tier placement per IR Code §4975. In addition, supports from member accounts demonstrating the IMCO product for review with list to support the Company's tier placement. See support labeled "IMCO products excluded from ARL-PRL " and "IMCO screen shots Homeowner RB".

Reference Number	Review Sheet	Company
RHO120	1126624472	CIC

The issue date of 3/23/91 listed under the membership information historical data reflects the date a customer profile was established for this member. A product purchase is not required to establish a customer profile. For that reason, the issue date is not synonymous with corporate first active date, which is based on the customers' first corporate product activity. Accordingly, these dates can differ. The Company is resubmitting supporting documentation requested to support the corporate tenure activity date of 1/14/97. See support RHO120.

(2c)	Reference Number	Review Sheet	Company
	RHO063	16624946919	GIC
	RHO068	304561891	GIC
	RHO076	1196031860	GAR
	RHO080	2004036596	GAR
	RHO101	2011684369	USAA
	RHO118	858849490	CIC

The Company reiterates the earlier acknowledgement that the rule found in the manual does not accurately describe how the Increased Dwelling Ratio factor is applied to rating for the Hurricane, Severe Thunderstorm, and Winter Storm perils. However, we do not accept the interpretation that the rating steps applied result in an overcharge.

As noted in the Company's prior response, the steps shown for increased dwelling coverage for these perils are inconsistent with how they are rated

in practice; however, there is no reasonable way to apply them to the rating factors on file, and thus no way to conclude that the manual steps define a "correct" calculation that is more appropriate than the one in use, which is consistent with item 5 of Rule 20 as described below.

The Company's prior reference to an incorrect calculation possibly using Increased Dwelling Ratio factors in place of base rates refers to the calculations provided by the Department on 10/21/2015.

In those calculations, the Department described multiplying the increased dwelling ratio factor by tier, territory, IDC deductible, PPC/construction, claims factors, and auto/home discount. This was based on an application of item 5 of Rule 20.

As the Department noted in the prior response, item 5 of Rule 20 states that the rate from the rate pages should be multiplied by any applicable rating factors. The calculation provided does not use the rate from the rate pages (i.e., the base rate) – it is only the product of the applicable rating factors, and so is not consistent with item 5 of Rule 20.

The correct application of item 5 of rule 20 results in the rates charged for these policies. We resubmit the exhibits prepared for the prior response that were not included. Steps 1 through 3 of our response are meant to be illustrative. In practice, only Step 1 is applied, and a combined rate is determined for both basic coverage and increased dwelling coverage.

Steps 2 and 3 were added to show how the IDC-only portion could then be broken out if desired; they do not appear in our rating manual, and are not used in actual policy rating. We outlined the method so the Department could separate the combined premium into basic and IDC components for comparison, if desired.

Reference Number	Review Sheet	Company
RHO082	17877231944	GAR

Our records show that this claim was a Weather claim. Thus the chargeability of this claim was affected by the amended Claims Activity Surcharge rule. The sequence of events is as follows:

1. 6/29/2012, loss occurred
2. 1/27/2013, policy renewed with surcharge
3. 10/1/2013, Weather and CAT Surcharge removal filing effective
4. 1/27/2014, policy renewed without surcharge, but still without claims free discount, and was capped at a \$200 increase. The total chargeable claims went from 1 to 0.

The manual rule states: "Calculate the full renewal premium and compare to the expiring prior term premium. [...] If the number of chargeable losses on the renewal policy **changes by one**, the premium change on the renewal policy is **capped at the higher cap** (shown on the rate pages) from the expiring prior term premium." Since the number of chargeable claims changed by one (from 1 to zero), the higher cap was correctly applied.

(2d)	Reference Number	Review Sheet	Company
	RHO064	1275640121	GIC
	RHO102	1062614879	USAA

Please see supporting documentation showing a modified PC rating for the property of 3. ISO LOCATION returned a rating of 3 based on the property's distance to the nearest fire station and fire hydrant. Our system reflects a distance of nearest fire hydrant as 0. When a split location is confirmed by

ISO LOCATION, the distance to nearest fire hydrant that is displayed is not relevant to the rating of the policy. Other Review Sheets similar to this are incorrectly displaying the distance to nearest fire hydrant as 1001. See support RHO064 and RHO102.

(3)	Reference Number	Review Sheet	Company
	RHO074	1955721772	GIC
	RHO082	237275007	GAR
	RHO090	472043377	GAR
	RHO093	1137482636	USAA
	RHO095	133248800	USAA
	RHO107	964294717	CIC

The attached documentation, "VA Renewal Policies Credit Ranges Comparisons," provides the member's policy Previous Score Date, Previous Rated Range and Previous Points assigned for review and comparison

against the Renewal's Policy's New Score Order Date, New Rated Range and New Points assigned. The review, as noted in the Comments column, reflects that either the member's New Rated Range saw no change, or the range improved. A point assignment of zero indicates a neutral range. For point assignments of less than zero, ex. (-3 for RHO074) indicates the member's credit score improved and benefited the member's Credit Score Range, thus assigning the member to a more favorable tier placement at renewal. Since these members' Credit Score Range was neutral or better and did not adversely affect their respective tier placement, an adverse underwriting decision notice was not required.

(5)	Reference Number	Review Sheet	Company
	RHO100	514892877	USAA

The credit information for this member was updated on 5/23/14. The date was inadvertently entered as 10/23/12 in the spreadsheet provided. See support RHO100.

Automobile Cancellation Notices Mailed Prior to the 60th Day

(1)	Reference Number	Review Sheet	Company
	TPA008	1309327401	USAA

The Company has no further information to provide.

(3a)	Reference Number	Review Sheet	Company
	TPA008	841799097	USAA

The Company has no further information to provide.

(3b)	Reference Number	Review Sheet	Company
	TPA005	1932186903	USAA

The Company is submitting documentation that supports that the cancellation of the auto policy was member initiated for reconsideration of this violation. See support TPA005.

(4a)	Reference Number	Review Sheet	Company
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TPA008 1782401128 USAA

The Company has no further information to provide.

(4b) Reference Number Review Sheet Company
TPA008 664242926 USAA

The Company has no further information to provide.

Automobile Cancellation Notices Mailed After the 59¹Day "

Reference Number Review Sheet Company
TPA024 64771356 USAA

The Company has no further information to provide.

Automobile Nonpayment of Premium Cancellations

(1) Reference Number Review Sheet Company
TPA045 2093060710 USAA

The requested documentation is submitted. See support TPA045.

Reference Number Review Sheet Company
TPA046 1983437733 USAA

The Company continues to disagree with the Bureau.

Reference Number Review Sheet Company
TPA048 1495201658 GIC

Please see the calculations provided. See support TPA048.

Reference Number Review Sheet Company
TPA049 1660879671 GIC

The requested documentation is submitted. Page 5 of the Declaration sent shows the premium amount of \$1095.03. See supports TPA049.

Automobile Non-Renewals

(1) Reference Number Review Sheet Company
TPA065 263106307 GIC

The Bureau states that without the ball stamp, the Bureau is unable to determine if the nonrenewal notice was mailed to the insured at least 45 days prior to the effective date of the nonrenewal. Review of support TPA065 clearly shows that the mail listed in the manifest was received by the United States Postal Service, as an employee thereof signed the form, acknowledging receipt. While the ball stamp portion is faint, the rest of the stamp shows that the items were mailed from zip code 75057 on Jan 02 2014.

Homeowner Cancellation Notices Mailed After the 89¹Day-

Confidential

(1a)	Reference Number	Review Sheet	Company
	THO050	663494688	CIC

The Company is submitting documentation that supports the cancellation of the policy was member initiated for reconsideration of this violation. See support THO050.

(1b)	Reference Number	Review Sheet	Company
	THO047	2138929720	CIC

This policy was cancelled at the member's request and is not a company initiated cancelled. See support THO047.

(2a)	Reference Number	Review Sheet	Company
	THO050	1408429872	CIC

The Company is submitting documentation that supports the cancellation of the policy was member initiated for reconsideration of this violation. See support THO050.

(4a)	Reference Number	Review Sheet	Company
	THO047	2123438989	CIC

This policy was cancelled at the member's request and is not a company initiated cancelled. See support THO047.

Homeowner Insured Requested Cancellations-

(1)	Reference Number	Review Sheet	Company
	THO041	1373789574	GAR
	THO061	1256982845	GIC
	THO065	1291714727	GAR

The violation is written under §38.2-1906. Review of the statute shows no requirement of refunding of premium to the policy holder when premiums come from an escrow account. The return of premium to the escrow account is tantamount to returning the premium to the member, as the member is the beneficiary of the escrow account funds.

(2)	Reference Number	Review Sheet	Company
	THO062	436891066	GIC

This policy was cancelled at the member's request and is not a company initiated cancelled. See supports THO062.

Homeowner Non-Renewals

(2)	Reference Number	Review Sheet	Company
	THO075	1533065341	GIC

The Company's file supports this was a member initiated cancellation. The documentation reflects that a telephone call was originated by the member to the Company on 12/09/13. The documentation indicates that

the home would be insured under Amy's account effective the renewal date. Since this was not a company initiated cancellation, a non-renewal notice was not required. See support THO075.

Private Passenger Automobile Claims

(1)	Reference Number	Review Sheet	Company
	CPA062	204729354	GAR

The Company submits support CPA062. The support provides the bill and payment for the bills. See support CPA062.

Reference Number	Review Sheet	Company
CPA134	476151132	CIC

The Company's documentation contained sufficient documentation to reconstruct events pertinent to the claim. The loss was reported on 9/8/2013. The file was referred to SIU and accepted on 9/12/13 for additional investigation to determine if some claimed damaged were prior damages for which payment had been made. The SIU investigation was completed on 10/8/13. The next day, 10/9/13, a settlement payment of \$2,387.71 was issued for vehicle damages based on estimate on file. The member's shop contacted the Company on 10/18/13 requesting the estimates for the current loss and for the prior loss to handle all repairs. On 11/7/13, a supplement estimate was received which rendered the vehicle a total loss. See supports labeled CPA134.

Reference Number	Review Sheet	Company
CPA137	253549120	GIC

On 1/17/14, the adjuster spoke to the member to address the damages. The vehicle estimate totaled \$1854.84 and the \$50.00 personal property. The total damages amounted to \$1904.84 - \$250.00 deductible. The net payment owed to the member was \$1654.84. Two checks were issued totaling on 1/17/14 totaling \$1654.84. The file contains sufficient documentation to reconstruct the claim and support that the \$250.00 deductible on the nature of payment was applied appropriately. See supports CPA137.

Reference Number	Review Sheet	Company
CPA142	223376238	GIC

The Company has no further information to provide.

Reference Number	Review Sheet	Company
CPA148	289104674	GIC

The invoice provided was the cost paid to purchase the phone on 1/1/14. The amount owed is the replacement cost. On 4/25/14, the adjuster notes indicate the replacement cost was validated on Best Buy website to be \$149.99. Sales tax of 5% was added to settlement for total replacement cost of \$157.49 for the cell phone. See support CPA148.

Reference Number	Review Sheet	Company
CPA155	1514516292	GIC

The Company has no further information to provide.

Reference Number	Review Sheet	Company
CPA157	888861544	GIC

Mrs. Tobia, who reported the claim, was told on 8/19/14 that further investigation was needed. She was told that if she needed a rental car, until the investigation was completed, she would have to pay out of pocket and keep the receipts for possible reimbursement when the investigation was completed. On 8/20/14 she was told that no rental coverage was on the policy. See supports CPA157.

Reference Number	Review Sheet	Company
CPA158	187532210	GIC

File documentation shows that the member was advised that the Air Raid intake, front spoiler and exhaust did not add value to the ACV of the vehicle because all were personal preference items. See supports CPA158.

Reference Number	Review Sheet	Company
CPA165	1090318216	GIC

The Company has no further information to provide.

Reference Number	Review Sheet	Company
CPA166	1944956226	GIC

The company made multiple attempts to obtain medical treatment information for the insured passenger from his parent. No information was provided. No

medical bills were submitted. The company was unable to obtain an Explanation of Benefits. See supports CPA166.

Reference Number	Review Sheet	Company
CPA169	707232128	GIC

The Company respectfully disagrees with the Bureau regarding the documentation and letters sent to the member under this claim.

(2a)

Reference Number	Review Sheet	Company
CPA011	1487730278	USAA

The total loss settlement letter sent to the member on February 3, 2014 reflects the loss is subject to a \$500.00 deductible. See support CPA011.

Reference Number	Review Sheet	Company
CPA056	1363372740	USAA

The file documentation contains adequate pertinent documentation to reconstruct events. The documentation of collision deductible was a typographical error made by the adjuster. The type of loss was listed as All Other Comprehensive with \$100.00 deductible and Other Than Collision (Comprehensive) was the exposure opened to address the loss. The appraisal was set up reflecting Comprehensive Coverage with the \$100.00 deductible. All payments issued reflect payment was issued under OTC coverage. See supports labeled with CPA056.

(2b)

Reference Number	Review Sheet	Company
CPA169	707232128	GIC

The file documentation contains adequate pertinent documentation to reconstruct events. The letter sent to the member's spouse, an injured insured passenger was sent to address her bodily injury claim, a separate claim from her MEB claim. The letter sent on 6/3/14 clearly states the letter is related to the Bodily Injury claim and was sent subsequent to the 6/2/14 documented conversation reflecting Mrs. Thibeault is able to make a bodily injury claim and the difference between MEB coverage and bodily injury claim was explained and reflecting the claimant's understanding. See supports CPA169.

(2c)	Reference Number	Review Sheet	Company
	CPA038	973705895	USAA

The file contains sufficient document to support that the member was aware of the transportation coverage available under the policy and that the documentation indicating the \$30 per day limit was a documentation error by the adjuster. The claim communication center communication reflects on 4/21/14 the member requested a larger vehicle. On the same date, the adjuster communicated the \$900 limit with the member. See support CPA038.

Reference Number	Review Sheet	Company
CPA087	103203424	GAR

The Company did not obscure or conceal first party benefits to the member. In review of the template, for all coverages communicated to the member, there is a "Y" after the coverage to reflect the member was advised of the coverage. There is no "Y" after RR coverage. The insured vehicle is a

travel trailer with no transportation coverage. As there is no TE coverage, there was no first party benefit obscured or concealed. See supports labeled CPA087.

Reference Number	Review Sheet	Company
CPA094	888019493	GAR

The file documentation supports the member was advised of the \$900 maximum TE limit. The rental assignment set up with Enterprise on 8/3/14 reflected there was no limit/day. The vehicle selection on the assignment to Enterprise to reserve a vehicle was misinterpreted by Enterprise as a daily limit. The Company cleared up the misunderstanding with Enterprise. The rental invoice and payment supports that the Company paid all the transportation expenses, and no out of pocket expenses were incurred by the member. See supports CPA094.

Reference Number	Review Sheet	Company
CPA097	1257231061	GAR

The member's ex-spouse reported the claim for our member because he was incapacitated in the hospital. Ex-spouse was not an insured under this policy. The file documentation shows there was no discussion of coverage, including collision coverage, with ex-spouse. (See doc 6). The ex-spouse had already scheduled an appraisal appointment for the vehicle. She told

the adjuster what shop, and the adjuster sent the coverage information to the shop for the appraisal. See supports CPA097.

(2d) Reference Number Review Sheet Company
CPA045 586493601 USAA

The Company has no further information to provide.

(5b) Reference Number Review Sheet Company
CPA073 971267481 GAR

The Company agrees \$825.53 is owed to the member.

Reference Number Review Sheet Company
CPA154 26197655 GIC

The member purchased the deductible waiver at a cost of \$415.57 (\$377.79 + \$37.78 applicable taxes). The charges owed by The Company \$1367.29 - \$415.57 = \$951.72. The Company has paid \$900.00 under TE. An additional payment of \$51.72 for LOU under UMPD coverage is owed by the Company. See support CPA154.

(5c) Reference Number Review Sheet Company
CPA129 162702537 GIC

The Company issued an additional payment of \$159.00 on 4/11/2016 as reflected in the Restitution log.

(5d) Reference Number Review Sheet Company
CPA001 101895322 USAA

The Company received AOB's from providers to support payments made to Community Hospital and Southside Rescue. See supports CPA001.

Reference Number Review Sheet Company
CPA022 1286627996 USAA

The Company will determine the interest amount owed and will update the Restitution log.

Reference Number Review Sheet Company
CPA064 608895382 GAR

The Company will determine the interest amount owed and will update the Restitution log.

Reference Number Review Sheet Company
CPA065 655232304 GAR

The member provided the Company with an authorization to pay direct, allowing the Company to make payments directly to medical providers. See

support CPA065.

Reference Number	Review Sheet	Company
CPA102	1646960296	CIC

The Company has previously advised the Bureau that it prefers medical providers to bill the company directly; however, it is not a requirement for coverage under the policy. The company does not instruct the insured not to use his/her medical insurance. In this claim, when the member called USAA because the urgent care center she went to for treatment did not bill auto insurance companies, the insured did not mention that she had health insurance. If she had, the adjuster would not have told the insured to pay the bill out of pocket and send it to us for reimbursement. After the date of this telephone call, the company learned that the insured had health insurance.

Reference Number	Review Sheet	Company
CPA103	1859190050	CIC

The Company has no further information to provide.

Reference Number	Review Sheet	Company
CPA111	1244492466	CIC

The Company will determine the interest amount owed and will update the Restitution log.

Reference Number	Review Sheet	Company
CPA152	855612990	USAA

The Company continues to disagree with the Bureau.

(5e)

Reference Number	Review Sheet	Company
CPA094	927269271	GAR

The file documentation supports the member was advised of the \$900.00 maximum TE limit. The rental assignment set up with Enterprise on 8/3/14 reflected there was no limit/day. The rental invoice and payment supports the Company paid all the transportation expenses and no out of pocket expenses were incurred by the member. See supports CPA094.

Reference Number	Review Sheet	Company
CPA098	2055965969	GAR

The Company has confirmed that the \$76.06 of rental charges was paid by the repairing garage and the insured did not incur these expenses. See support CPA098. See supports CPA098.

Reference Number	Review Sheet	Company
CPA154	1796322227	USAA

The Company is submitting file documentation from the communication center conversation with the member on 8/19/14, item number 3. where the member was advised that gas and insurance are the member's responsibility. See CPA154.

Reference Number	Review Sheet	Company
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Confidential

CPA173

1920223411

USAA

The Company confirmed the 6% interest was paid and is reflected on the Restitution log.

(5f) Reference Number Review Sheet Company
CPA003 2143340128 USAA

The Company will issue the additional payment owed for interest.

(7) Reference Number Review Sheet Company
CPA125 1428669885 CIC

The claim file has been reviewed again, and the flyer that is the source of this violation is *not* contained in the claim file. The flyer was *not* sent to the member as part of this claim. The flyer was included as page 12 of the renewal packet sent to the member on or about July 4, 2013 for the policy period Aug 10 2013 to Feb 10 2014.

If the flyer had been included in the claim file, the flyer specifically states Your renewal policy includes coverage for custom equipment that is

permanently installed. The policy provides coverage for custom equipment without a dollar limit; however, beginning with a future policy renewal, coverage for custom equipment will be limited to \$5,000 for each covered loss." The flyer states that the coverage available to the insured for custom equipment for the policy period Aug 10 2013 to Feb 10 2014 was unlimited coverage.

File documentation supports that the member was never told there was a limitation in coverage for custom equipment. No limit for custom equipment was applied to the claim settlement. The claim was settled pursuant to the policy provisions in force for the date of loss, with no misrepresentation of a policy limitation for custom equipment. See supports CPA125.

(10) Reference Number Review Sheet Company
CPA022 1882688495 USAA

The Company acknowledges the delay in payment for this loss; however, our business practice is to attempt in good faith to make prompt, fair and

equitable settlements of claims in which liability has become reasonably clear. Restitution has been made.

Reference Number Review Sheet Company
CPA037 40724562 USAA

This violation cites 14 VAC 5-400-30D. The company respectfully disagrees that the file fails to contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed. File documentation is provided and will show the following:

- 1/2/2014: Insured contacts USAA to report that on that same day his vehicle was swept down a river, he and his wife escaped the vehicle through the sunroof, he was able to swim to shore and grab hold of a tree, his wife was behind him and the next thing he remembered was being in a boat then being transported to a hospital. His wife was still missing. The

adjuster did not provide the insured with information about funeral benefits for spouse during this conversation as there was no indication that she was dead. She was missing.

- 1/2/2014: The adjuster recognized certain coverage issues raised by the loss and began the coverage investigation.
- 1/3/2014: The adjuster called the member to advise of coverage, member advised that Tricare was handling his bills, asked that information be sent to the Indiana address, and agreed to follow up the following week.
- 1/8/2014: Coverage question sent for review asking if Medical Payments coverage would apply under the circumstances.
- 1/13/2014: Insured called in to advise that wife's body had been found.
- 1/13/2014: Coverage question resolved; assuming spouse did not survive, her death would be covered under the medical payments coverage.
- 1/13/2014: Adjuster called member to advise that funeral expenses, would be covered under the policy.
- 2/28/2014: Adjuster left a message for the member reminding him that coverage was available for reimbursement of funeral services for spouse.
- 3/17/2014 @ 9:43:30 CST: Member called in to discuss his medical payments claim. The assigned adjuster did not take the call. The file shows the person he spoke with "explnd no funeral expense covg available under meb covg on VA policy."
-
- 3/17/2014 @ 10:04:50 CST: Member called back, notified USAA he was notified by police that his wife's body was found. His adjuster was not available. He was told that "most med pay policies will pay for funeral expenses up to the med pay limits."
- 3/18/2014: The assigned medical payments adjuster called the insured and left a message for Insured that coverage was available under the policy for his wife's funeral expenses.
- 3/24/2014: Insured called while at the funeral home and wanted to know how to get funeral expenses paid.
- 3/25/2014: Assigned medical payments adjuster called the funeral home to get information to pay the funeral home. Adjuster obtained necessary information to be able to pay funeral home directly.
- 3/26/2014: Payment in amount of \$9499.04 processed for G.L. Hills for funeral expenses.
- 4/16/2014: Bills for out of pocket funeral expenses received and paid up to \$10,000 coverage limit.

See supports CPA037.

Reference Number	Review Sheet	Company
CPA064	609392824	GAR

The statement referred to by the Bureau is a statement of total charges. The Company needs an itemized bill in order to verify which charges were for treatment related to bodily injury caused by the auto accident.

Reference Number	Review Sheet	Company
CPA131	1429038587	CIC

The Company acknowledges the violation and offers no further information.

Reference Number	Review Sheet	Company
CPA134	9602947	CIC

The loss was reported on 9/8/2013. The file was referred to SIU and

accepted for additional investigation to determine if some claimed damaged were prior damages for which payment had been made. The SIU investigation was completed on 10/8/13. The next day, 10/9/13, a settlement payment of \$2,387.71 was issued for vehicle damages based on estimate on file. As for the documentation regarding salvage, on 9/9/13 documentation shows that the member opened a salvage assignment. The documentation on 10/10/13 reflects that the vehicle was not a total loss and the 10/14/13 closure of the salvage assignment was processed since it was not needed since the vehicle was not a total loss. On 11/7/13, a supplement estimate was received which rendered the vehicle a total loss. The Company attempted contact with the member on 11/8/13 to discuss settlement and left a voicemail message requesting a call back. On 11/11/13, the total loss settlement was offered to and accepted by the member. Correspondence sent on 11/11/13 supports that the settlement offer was made on 11/11/13, not on 12/24/13. See supports labeled CPA134.

Reference Number	Review Sheet	Company
CPA155	1875542278	GIC

The Company has no further information to provide.

- (16b) The Company is submitting the internal procedures outlining the handling of claims payments where there is a security interest, lienholder or mortgagee on the damaged property. See support labeled "Lienholder, Mortgagee and Repairer Interests P&C - Auto and Property".

Homeowner Claims

(1)	Reference Number	Review Sheet	Company
	CHO060	1097855327	GAR

Our claim procedure does not require proof of ownership on typical household items unless other claim circumstances, e.g., fraud indicators, warrant obtaining it. See support CHO060.

Reference Number	Review Sheet	Company
CHO063	1105453411	GAR

The policy requires the insured to file a report; it does not require us to obtain it for every loss. See support CHO063.

Reference Number	Review Sheet	Company
CHO070	92786903	GAR

The RP-3 policy provides coverage for "Building Additions and Alterations as follows: " We cover damage from a covered loss to building improvements or installations made or acquired at your expense to that part of the residence used exclusively by you. The most we will pay is 10% of

the amount for PERSONAL PROPERTY as shown on the Declarations Page." The member acquired the carpet when he purchased the unit. The above quoted policy provision applies. See support CHO070.

Reference Number	Review Sheet	Company
CHO079	-1889376395	USAA

The amount for number 0700109929 issued to Donan Engineering Co, Inc. is \$3005.00. There are no other payments in the file to this payee. See supports CHO079.

(7a)	Reference Number	Review Sheet	Company
	CHO111	922301559	USAA

The Company continues to disagree with the Bureau's position.

(7d)	Reference Number	Review Sheet	Company
	CHO122	1308968599	USAA

The file does reflect the fact the insured was aware of the inventory parameters. He sent an email on 6/11/14 that stated, "Any reimbursement cannot exceed the depreciation (as calculated on the inventory) and any part of the total price that exceeds the inventory value cannot be reimbursed." How it was calculated (by computer program) is not relevant; the insured was given a copy of the inventory with a breakdown of all figures, which he acknowledged was his maximum recovery in the email of 6/11/14. See support labeled "CHO122 – Insured's Email in File Notes".

(9)	Reference Number	Review Sheet	Company
	CHO015	652312238	GIC

Weather reports are required only when warranted, e.g., indicators of fraud or lack of documented cause of loss, and represent the exception to claims handling. SIU does not investigate every claim submitted to an insurer; likewise, not every claim file requires extensive documentation.

Reference Number	Review Sheet	Company
CHO055	1319204038	GAR

Weather reports are ordered when needed by the adjuster to verify the facts of the loss. In this case, the claim was part of CAT 43, meaning that the loss occurred within the territorial parameters set for that catastrophe in 2014. As such, the adjuster would not need to order a weather report as the weather condition was accepted by the company as part of the catastrophe claim handling. See supports CHO055.

Reference Number	Review Sheet	Company
CHO067	1992756240	GAR

The member was insured under an RP-3 VA policy at the time of the loss. Issues related to "sump pump" claims under Homeowner policies were not present in this claim; therefore, an inspection was not required. Losses caused by flood, surface water, tidal wave, overflow of a body of water, or spray from any of these, even if driven by wind are covered under the RP-3 policy. So is damage caused by water that backs up through sewers or drains, or accidental escape of water from plumbing, heating or air conditioning pipes, fixtures, or equipment or domestic appliances. See supports CHO067.

Reference Number	Review Sheet	Company
CHO090	1642477346	USAA

Our claim procedure does not require proof of ownership on typical household

items unless other claim circumstances, e.g., fraud indicators, warrant obtaining it. See support CHO090.

- (14b) The Company is submitting the internal procedures outlining the handling of claims payments where there is a security interest, lienholder or mortgagee on the damaged property. See support labeled "Lienholder, Mortgagee and Repairer Interests P&C - Auto and Property".

Reference Number	Review Sheet	Company
CHO001	1427737563	GAR

The Company did not pay for the same damage twice. The RP-6 policy provides coverage for Damage to Property of Others up to \$1,000 per occurrence (as amended by the R-VA(0113) endorsement). Our investigation showed that the damage was caused by two occurrences. A separate claim was established under Loss Report #8 and the estimate for the damage to the carpet was broken out to pay separately. The damage to the hardwood floor that occurred when insured moved out furniture was paid for under Loss Report #6. See supports CHO001.

Reference Number	Review Sheet	Company
CHO070	1428508683	GAR

The RP-3 policy provides coverage for "Building Additions and Alterations as follows: " We cover damage from a covered loss to building improvements or

installations made or acquired at your expense to that part of the residence used exclusively by you. The most we will pay is 10% of the amount for PERSONAL PROPERTY as shown on the Declarations Page." The member acquired the carpet when he purchased the unit. See support CHO070.

Homeowner New Business Policy Issuance

- (1) The Company respectfully requests a meeting with the Bureau staff and will provide dates Company representatives are available to meet to allow the Bureau to schedule a conference for all parties involved.

Reference Number	Review Sheet	Company
MHO005	11114589528	GIC
MHO006	400993285	GIC
MHO008	879940992	GAR
MHO009	1115594677	GAR
MHO011	629998448	USAA
MHO012	1696020325	USAA

The attached documentation, "VA New Business Policies with Credit Score Ranges HO," provides the member's Rated Range, Credit Score Range and Points Assigned. A point assignment of zero indicates a neutral range. For point assignments of less than zero, ex. (--6 for MHO011) indicates the member's credit score benefited the member Credit Score Range, thus assigning the member to a more favorable tier placement. Since these

members' Credit Score Range was neutral or better and did not adversely affect their respective tier placement, an adverse underwriting decision notice was not required.

PART TWO – CORRECTIVE ACTION PLAN

Rating Review

- (2) The Company has updated the enclosed Revised Restitution Spreadsheet to reflect outstanding restitution amounts issued to members as established by the Company's review.
- (8) The Company's estimated date for filing corrections to the H0-6 Increased Dwelling Coverage rules and rates is April 1, 2017.

The Company's estimated date for filing corrections to the Homeowner Tier Placement Guidelines, Auto and Home Combination Discount, and Claim Free Discount rules is April 1, 2017.

The Company's estimated date for reviewing and filing corrections for the Claims Activity Surcharge is April 1, 2017.

The Company's estimated date for filing optional coverage rate factors for the On-Base Discount is April 1, 2017.

The Company is aware of a system defect regarding the PPC information

displayed in the system for feet to fire hydrant and is making the necessary changes to the system to reflect the correct feet to fire hydrant information.

Claims

- (1) The Company has updated the enclosed Revised Restitution Spreadsheet to reflect outstanding restitution amounts issued to members as established by the Company's review.

PART THREE – EXAMINERS' RECOMMENDATIONS

Rating

The Company's estimated submission of the revised manual rules and rate revisions is April 1, 2017.

Terminations

The Company should ensure that premiums received from mortgage companies via escrow are refunded to the insureds upon cancellation of the policy or an endorsement resulting in a premium credit. The monies from the escrow were paid by the insured and are not due to the mortgage company.

The Company acknowledges the Examiner's recommendation and maintains that its current process does not violate statute §38.2-1906, which does not require refund of premium to be sent to the policy holder when

premiums come from an escrow account. The return of premium to the escrow account is tantamount to returning the premium to the member, as the member is the beneficiary of the escrow account funds.

STEPHEN D. ROSENTHAL
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November 23, 2016

Joy M. Morton, AMCM
Manager, Market Conduct Section
Property and Casualty Division
Bureau of Insurance
State Corporation Commission
1300 East Main Street
Richmond, VA 23219

**Re: Market Conduct Examination
United Services Automobile Association (NAIC# 25941)
USAA Casualty Insurance Company (NAIC# 25968)
USAA General Indemnity Company (NAIC# 18600)
Garrison Property & Casualty Insurance Company (NAIC# 21253)
Examination Period: September 1, 2013 - August 31, 2014**

Dear Ms. Morton:

Thank you again for the time that you and the others spent with USAA to discuss the Market Conduct Examination. One of the issues that we discussed was the applicability of the Fair Credit Reporting Act ("FCRA") to §§ 38.2-2126 and 38.2-2234 of the Code of Virginia. You asked that I work with Bonnie Salzman, through you, on the issue. Thus, I am copying her.

The Bureau of Insurance ("BOI") has asserted that USAA has violated § 38.2-2126 (relating to homeowner's policies) and § 38.2-2234 (relating to auto policies) by failing to provide adverse action credit notices. USAA has repeatedly responded that both statutes are pre-empted by the FCRA, and that USAA is, and has been, in compliance with the FCRA with respect to providing any adverse action notice that is required by that federal statute (See, e.g., USAA response of April 5, 2016, at pp. 4, 18). BOI disagrees and cites to language from the FCRA to support its position. Specifically, in its response dated August 17, 2016, BOI states:

It is the Company's position that Virginia law is pre-empted by federal law via the Fair Credit Reporting Act (FCRA). The Company did not consider Section 1681 t — Relation to State Laws, Paragraph (3) (c) which reads as follows: "shall not be construed as limiting, annulling, affecting or superseding any provision of the laws of any State regulating the use in an insurance activity, or regulating disclosures concerning such use, of a credit based insurance score of a

TROUTMAN
SANDERS

Joy M. Morton, AMCM
November 23, 2016
Page 2

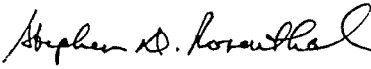
consumer...” The Fair Credit Reporting Act cannot limit the states’ regulation of insurance. Section 38.2 - 2234 A-2 of the Code of Virginia neither prohibits nor imposes upon the “subject matter” referenced in C (a) and (b) of Section 1681.

Respectfully, this position is incorrect. Enclosed is a September 14, 2016, opinion from L. Richard Fischer, Morrison & Foerster LLP, an expert in the FCRA. His conclusions are that: BOI relies upon an incorrect provision of the FCRA in support of its position; the Virginia adverse action requirements are preempted by the FCRA; and USAA is fully compliant with the FCRA adverse action requirements, following, as it does, the guidance of the United States Supreme Court.

There are, of course, additional legal issues arising out of the Market Conduct Examination, and we will be addressing those. I wanted to deal with this particular legal issue separately because of its importance.

Thank you, and I look forward to Bonnie Salzman’s review and analysis.

Sincerely,


Stephen D. Rosenthal

Enclosure

cc: Bonnie S. Salzman, Senior Counsel
Rebecca E. Nichols, Deputy Commissioner

29767085

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September 14, 2016

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Attorney-Client Privileged Communication

Anthony De La O
Office of the General Counsel, Chief Legal Office
USAA
9800 Fredericksburg Road
San Antonio, TX 78288

Re: Virginia Bureau of Insurance

Dear Rene:

Because I am a nationally recognized expert on the federal Fair Credit Reporting Act ("FCRA"), you have asked for my views on the attached exchange of communications between the Virginia Bureau of Insurance ("Bureau") and USAA General Indemnity Company ("USAA"). To summarize the different views held by the Bureau and USAA, USAA provides adverse action notices when those notices are required as a matter of federal law (i.e., by the FCRA); the Bureau, however, contends that USAA must comply not only with the adverse action requirements of the FCRA, but also the adverse action requirements of Virginia law, specifically Va. Code Ann. §§ 38.2-2126(A)(2) and 38.2-2234(A)(2). Stated another way, USAA believes that the Virginia adverse action statutes are preempted by the FCRA, while the Bureau believes they are not.

As I explained during our telephone conversation on Tuesday of this week, I participated directly in the drafting of the 1996 amendments to the FCRA ("1996 Amendments"), including all of the preemption provisions contained in section 625 of the FCRA (15 U.S.C. § 1681t). The 1996 Amendments made substantial substantive modifications to the FCRA, imposing additional compliance requirements on both consumer reporting agencies and on users of consumer reports, like USAA. Given the breadth of the substantive changes, it was important, to the extent possible, to achieve a single set of compliance requirements throughout the United States. To make this possible, section 625 of the FCRA was amended to preempt state laws in many areas. Moreover, in order to clarify the extent of this federal preemption, the preemption provisions of section 625 were arranged to correspond with the substantive requirements of the FCRA. More specifically, for example, the preemption provision relating to prescreening of consumer reports was presented in section 625(b)(1)(A).

Anthony De La O
September 14, 2016
Page Two

Similarly, the preemption relating to actions taken by consumer reporting agencies was presented in section 625(b)(1)(B).

The FCRA preemption provision relating to adverse actions is set forth in section 625(b)(1)(C). This preemption provision states, "No requirement or prohibition may be imposed under the laws of any State . . . with respect to any subject matter regulated under . . . subsections (a) and (b) of section 615, relating to the duties of a person who takes any adverse action with respect to a consumer." Unlike certain provisions of section 625 that preserved state laws in effect on September 30, 1996, the adverse action preemption provision includes no such savings clause. As a result, section 625(b)(1)(C) generally preempts state laws relating to the duties of a person who takes any adverse action.

Notwithstanding the clarity of this preemption, the Bureau claims in its response that state insurance laws relating to adverse action are preserved by section 625(b)(3)(C) of the FCRA. It should be noted, however, that section 625(b)(3)(C) relates to the disclosure requirements of consumer reporting agencies under section 609 of the FCRA, not to the adverse action requirements of section 615 of the FCRA, and the Bureau acknowledges in its response that USAA is not a consumer reporting agency.

My conclusion, as an expert on the FCRA, is that the Virginia adverse action requirements identified by the Bureau are preempted by the FCRA. In other words, USAA is obligated to comply solely with the adverse action requirements of section 615 of the FCRA, and not the Virginia statutes identified in the Bureau's response, because those Virginia statutes have been preempted by the FCRA.

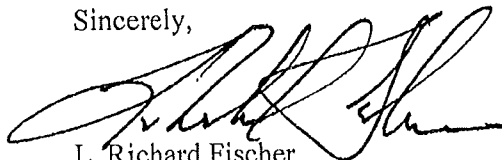
The Bureau also appears to misinterpret the explanation by USAA of when it is required to give adverse action notices under the federal law. In hotly contested litigation involving multiple insurance companies and decisions in multiple federal circuits, the United States Supreme Court interpreted, as a matter of federal law, the meaning of the phrase adverse action in the context of insurance. *See Safeco Ins. Co. of Am. v Burr*, 551 U.S. 47 (2007) ("Safeco"). More specifically, the Supreme Court acknowledged the use of consumer reports in insurance underwriting and identified the circumstance when the resulting premium pricing constituted adverse action. In doing so, the Supreme Court explained that an insurer using consumer reports in its insurance underwriting should compare the price or premium levels for its customers without using consumer reports with the price or premium levels using consumer reports. The point at which the pricing is the same, the Supreme Court called the "neutral" point or score. The Court held that if the price or premium for a particular policy is higher than the neutral point, adverse action has occurred and the consumer is entitled, as a matter of federal law, to an adverse action notice. If the price or premium is the same as the neutral point, or less than the neutral point, no adverse action notice is required because adverse action has not occurred. In looking at the materials you have provided to me, this is exactly the approach utilized by USAA. Since the Virginia

Anthony De La O
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Page Three

statutes identified by the Bureau are preempted, USAA is fully compliant with the applicable federal adverse action requirements, when it follows the guidance of the Supreme Court in its Safeco decision, and there are no applicable Virginia adverse action requirements because they have been preempted by federal law.

I trust that this letter is consistent with your request. If I can be of further assistance, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Richard Fischer", written over a horizontal line.

L. Richard Fischer
Morrison & Foerster LLP

KeyCite Yellow Flag - Negative Treatment
Declined to Extend by United States v. Laboratories, N.D.Tex., March 8, 2016

127 S.Ct. 2201
Supreme Court of the United States

SAFECO INSURANCE COMPANY OF AMERICA
et al., Petitioners,

v.

Charles BURR et al.
GEICO General Insurance Company, et al.,
Petitioners,

v.

Ajene Edo.

Nos. 06–84, 06–100.

Argued Jan. 16, 2007.

Decided June 4, 2007.

Synopsis

Background: Consumers brought class actions against insurers in connection with automobile or homeowners policies, alleging violation of Fair Credit Reporting Act (FCRA) via failure to transmit adverse action notices reflecting negative credit reports. The United States District Court for the District of Oregon, Anna J. Brown, J., granted summary judgment for insurers in both actions, 2003 WL 22722061, and consumers appealed. Appeals were consolidated. The Court of Appeals, per curiam, 140 Fed.Appx. 746, and after withdrawing its prior opinion at 416 F.3d 1097, per Reinhardt, Circuit Judge, 435 F.3d 1081, reversed and remanded. Certiorari was granted.

Holdings: The Supreme Court, Justice Souter, held that:

^[1] willful failure covered violation committed in reckless disregard of FCRA notice obligation, abrogating *Wantz v. Experian Information Solutions*, 386 F.3d 829, and *Phillips v. Grendahl*, 312 F.3d 357;

^[2] initial rates charged for new insurance policies may be “adverse actions” under FCRA; and

^[3] one insurer did not violate FCRA, and while the other insurer might have, it did not act recklessly.

Reversed and remanded.

Justice Stevens filed opinion concurring in part and concurring in judgment in which Justice Ginsburg joined.

Justice Thomas filed opinion concurring in part in which Justice Alito joined.

West Headnotes (6)

^[1] **Credit Reporting Agencies**

☞ Credit bureaus and credit reports in general

Liability for “willfully” failing to comply with Fair Credit Reporting Act (FCRA) extends not only to acts known to violate FCRA, but also to reckless disregard of statutory duty; abrogating *Wantz v. Experian Information Solutions*, 386 F.3d 829, and *Phillips v. Grendahl*, 312 F.3d 357. Fair Credit Reporting Act, § 616(a), 15 U.S.C.A. § 1681n(a).

365 Cases that cite this headnote

^[2] **Negligence**

☞ Willful or wanton conduct

Where “willfulness” is a statutory condition of civil liability, it is generally taken to cover not only knowing violations of a standard, but reckless ones as well.

174 Cases that cite this headnote

^[3] **Credit Reporting Agencies**

☞ Credit bureaus and credit reports in general

Initial rates charged for new insurance policies may be “adverse actions” under Fair Credit Reporting Act (FCRA); quoting or charging a first-time premium is an “increase” in any charge for any insurance, existing or applied for,

under FCRA; the “increase” required for “adverse action” speaks to disadvantageous rate even with no prior dealing, and term reaches initial rates for new applicants. Fair Credit Reporting Act, § 603(k)(1)(B)(i), 15 U.S.C.A. § 1681a(k)(1)(B)(i).

141 Cases that cite this headnote

applications, company was not reckless as would expose it to liability for anything other than actual damages; insurer’s reading of statute, albeit erroneous, was not objectively unreasonable. Fair Credit Reporting Act, §§ 603(k)(1)(B)(i), 615(a), 616(a), 15 U.S.C.A. §§ 1681a(k)(1)(B)(i), 1681m(a), 1681n(a).

253 Cases that cite this headnote

^[4] **Credit Reporting Agencies**

☞Credit bureaus and credit reports in general

One insurer’s decision to issue no adverse action notice to consumer who, after his credit score was obtained, was offered standard policy at rates higher than the most favorable but whose company and tier placement would have been the same with a neutral score, was not a violation of Fair Credit Reporting Act (FCRA); initial rate offered to consumer was the one he would have received if his credit score had not been taken into account. Fair Credit Reporting Act, §§ 615(a), 617(a), 15 U.S.C.A. §§ 1681m(a), 1681o(a).

230 Cases that cite this headnote

^[5] **Criminal Law**

☞Negligence; recklessness

Unlike civil recklessness, criminal recklessness also requires subjective knowledge on the part of the offender.

24 Cases that cite this headnote

^[6] **Credit Reporting Agencies**

☞Credit bureaus and credit reports in general

Credit Reporting Agencies

☞Actions by or against agency; injunction

Even if insurer violated Fair Credit Reporting Act (FCRA) when it failed to give notice on belief that section did not apply to initial

****2202 *47 Syllabus***

The Fair Credit Reporting Act (FCRA) requires notice to a consumer subjected to “adverse action ... based in whole or in part on any information contained in a consumer [credit] report.” 15 U.S.C. § 1681m(a). As applied to insurance companies, “adverse action” is “a denial or cancellation of, an increase in any charge for, or a reduction or other adverse or unfavorable change in the terms of coverage or amount of, any insurance, existing or applied for.” § 1681a(k)(1)(B)(i). FCRA provides a private right of action against businesses that use consumer reports but fail to comply. A negligent violation entitles a consumer to actual damages, § 1681o (a), and a willful one entitles the consumer to actual, statutory, and even punitive damages, § 1681n(a).

Petitioners in No. 06–100 (GEICO) use an applicant’s credit score to select the appropriate subsidiary insurance company and the particular rate at which a policy may be issued. GEICO sends an adverse action notice only if a neutral credit score would have put the applicant in a lower priced tier or company; the applicant is not otherwise told if he would have gotten better terms with a better credit score. Respondent Edo’s credit score was taken into account when GEICO issued him a policy, but GEICO sent no adverse action notice because his company and tier placement would have been the same with a **2203 neutral score. Edo filed a proposed class action, alleging willful violation of § 1681m(a) and seeking statutory and punitive damages under § 1681n(a). The District Court granted GEICO summary judgment, finding no adverse action because the premium would have been the same had Edo’s credit history not been considered. Petitioners in No. 06–84 (Safeco) also rely on credit reports to set initial insurance premiums. Respondents Burr and Massey—whom Safeco offered higher than the best rates possible without sending adverse action notices—joined a proposed class action, alleging willful violation of § 1681m(a) and seeking statutory and punitive damages under § 1681n(a). The District Court granted Safeco summary judgment on the

ground that offering a single, initial rate for insurance *48 cannot be “adverse action.” The Ninth Circuit reversed both judgments. In GEICO’s case, it held that an adverse action occurs whenever a consumer would have received a lower rate had his consumer report contained more favorable information. Since that would have happened to Edo, GEICO’s failure to give notice was an adverse action. The court also held that an insurer willfully fails to comply with FCRA if it acts in reckless disregard of a consumer’s FCRA rights, remanding for further proceedings on the reckless disregard issue. Relying on its decision in GEICO’s case, the Ninth Circuit rejected the District Court’s position in the Safeco case and remanded for further proceedings.

Held:

1. Willful failure covers a violation committed in reckless disregard of the notice obligation. Where willfulness is a statutory condition of civil liability, it is generally taken to cover not only knowing violations of a standard, but reckless ones as well. See, e.g., *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 133, 108 S.Ct. 1677, 100 L.Ed.2d 115. This construction reflects common law usage. The standard civil usage thus counsels reading § 1681n(a)’s phrase “willfully fails to comply” as reaching reckless FCRA violations, both on the interpretive assumption that Congress knows how this Court construes statutes and expects it to run true to form, see *Commissioner v. Keystone Consol. Industries, Inc.*, 508 U.S. 152, 159, 113 S.Ct. 2006, 124 L.Ed.2d 71, and under the rule that a common law term in a statute comes with a common law meaning, absent anything pointing another way, *Beck v. Prupis*, 529 U.S. 494, 500–501, 120 S.Ct. 1608, 146 L.Ed.2d 561. Petitioners claim that § 1681n(a)’s drafting history points to a reading that liability attaches only to knowing violations, but the text as finally adopted points to the traditional understanding of willfulness in the civil sphere. Their other textual and structural arguments are also unpersuasive. Pp. 2208 – 2210.

2. Initial rates charged for new insurance policies may be adverse actions. Pp. 2210 – 2214.

(a) Reading the phrase “increase in any charge for ... any insurance, existing or applied for,” § 1681a(k)(1)(B)(i), to include a disadvantageous rate even with no prior dealing fits with the ambitious objective of FCRA’s statement of purpose, which uses expansive terms to describe the adverse effects of unfair and inaccurate credit reporting and the responsibilities of consumer reporting agencies. See § 1681(a). These descriptions do nothing to suggest that remedies for consumers disadvantaged by unsound credit ratings should be denied to first-time victims, and

the legislative histories of both FCRA’s original enactment and a 1996 amendment reveal no reason to confine attention to customers and businesses with prior dealings. Finally, nothing about insurance **2204 contracts suggests that Congress meant to differentiate applicants *49 from existing customers when it set the notice requirement; the newly insured who gets charged more owing to an erroneous report is in the same boat with the renewal applicant. Pp. 2210 – 2212.

(b) An increased rate is not “based in whole or in part on” a credit report under § 1681m(a) unless the report was a necessary condition of the increase. In common talk, “based on” indicates a but-for causal relationship and thus a necessary logical condition. Though some textual arguments point another way, it makes more sense to suspect that Congress meant to require notice and prompt a consumer challenge only when the consumer would gain something if the challenge succeeded. Pp. 2212.

(c) In determining whether a first-time rate is a disadvantageous increase, the baseline is the rate that the applicant would have received had the company not taken his credit score into account (the “neutral score” rate GEICO used in Edo’s case). That baseline comports with the understanding that § 1681m(a) notice is required only when the credit report’s effect on the initial rate is necessary to put the consumer in a worse position than other relevant facts would have decreed anyway. Congress was more likely concerned with the practical question whether the consumer’s rate actually suffered when his credit report was taken into account than the theoretical question whether the consumer would have gotten a better rate with the best possible credit score, the baseline suggested by the Government and respondent-plaintiffs. The Government’s objection to this reading is rejected. Although the rate initially offered for new insurance is an “increase” calling for notice if it exceeds the neutral rate, once a consumer has learned that his credit report led the insurer to charge more, he need not be told with each renewal if his rate has not changed. After initial dealing between the consumer and the insurer, the baseline for “increase” is the previous rate or charge, not the “neutral” baseline that applies at the start. Pp. 2213 – 2214.

3. GEICO did not violate the statute, and while Safeco might have, it did not act recklessly. Pp. 2214 – 2216.

(a) Because the initial rate GEICO offered Edo was what he would have received had his credit score not been taken into account, GEICO owed him no adverse action notice under § 1681m(a). Pp. 2214 – 2215.

(b) Even if Safeco violated FCRA when it failed to give Burr and Massey notice on the mistaken belief that § 1681m(a) did not apply to initial applications, the company was not reckless. The common law has generally understood “recklessness” in the civil liability sphere as conduct violating an objective standard: action entailing “an unjustifiably high risk of harm that is either known or so obvious that it should be known.” *Farmer v. Brennan*, 511 U.S. 825, 836, 114 S.Ct. 1970, 128 L.Ed.2d 811. There being no *50 indication that Congress had something different in mind, there is no reason to deviate from the common law understanding in applying the statute. See *Beck v. Prupis*, *supra*, at 500–501, 120 S.Ct. 1608. Thus, a company does not act in reckless disregard of FCRA unless the action is not only a violation under a reasonable reading of the statute, but shows that the company ran a risk of violating the law substantially greater than the risk associated with a reading that was merely careless. The negligence/recklessness line need not be pinpointed here, for Safeco’s reading of the statute, albeit erroneous, was not objectively unreasonable. Section 1681a(k)(1)(B)(i) is silent on the point from **2205 which to measure “increase,” and Safeco’s reading has a foundation in the statutory text and a sufficiently convincing justification to have persuaded the District Court to adopt it and rule in Safeco’s favor. Before these cases, no court of appeals had spoken on the issue, and no authoritative guidance has yet come from the Federal Trade Commission. Given this dearth of guidance and the less-than-pellucid statutory text, Safeco’s reading was not objectively unreasonable, and so falls well short of raising the “unjustifiably high risk” of violating the statute necessary for reckless liability. Pp. 2214–2216.

140 Fed.Appx. 746; 435 F.3d 1081, reversed and remanded.

SOUTER, J., delivered the opinion of the Court, in which ROBERTS, C. J., and KENNEDY and BREYER, JJ., joined, in which SCALIA, J., joined as to all but footnotes 11 and 15, in which THOMAS and ALITO, JJ., joined as to all but Part III–A, and in which STEVENS and GINSBURG, JJ., joined as to Parts I, II, III–A, and IV–B. STEVENS, J., filed an opinion concurring in part and concurring in the judgment, in which GINSBURG, J., joined, *post*, p. 2216. THOMAS, J., filed an opinion concurring in part, in which ALITO, J., joined, *post*, p. 2217.

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Opinion

Justice SOUTER delivered the opinion of the Court.*

*52 The Fair Credit Reporting Act (FCRA or Act) requires notice to any consumer subjected to “adverse action ... based in whole or in part on any information contained in a consumer [credit] report.” 15 U.S.C. § 1681m(a). Anyone who “willfully fails” to provide notice is civilly liable to the consumer. § 1681n(a). The questions in these consolidated cases are whether willful failure covers a violation committed in reckless disregard of the notice obligation, and, if so, whether petitioners Safeco and GEICO committed reckless violations. We hold that reckless action is covered, that GEICO did not violate the statute, and that while Safeco might have, it did not act recklessly.

I

A

Congress enacted FCRA in 1970 to ensure fair and

accurate credit reporting, promote efficiency in the banking system, and protect consumer privacy. See 84 **2206 Stat. 1128, 15 U.S.C. § 1681; *TRW Inc. v. Andrews*, 534 U.S. 19, 23, 122 S.Ct. 441, 151 L.Ed.2d 339 (2001). The Act requires, among other things, that “any person [who] takes any adverse action with respect to any consumer that is based in whole or in part on any information contained in a consumer report” must notify the affected consumer.¹ *53 15 U.S.C. § 1681m(a). The notice must point out the adverse action, explain how to reach the agency that reported on the consumer’s credit, and tell the consumer that he can get a free copy of the report and dispute its accuracy with the agency. *Ibid.* As it applies to an insurance company, “adverse action” is “a denial or cancellation of, an increase in any charge for, or a reduction or other adverse or unfavorable change in the terms of coverage or amount of, any insurance, existing or applied for.” § 1681a(k)(1)(B)(i).

FCRA provides a private right of action against businesses that use consumer reports but fail to comply. If a violation is negligent, the affected consumer is entitled to actual damages. § 1681o (a) (2000 ed., Supp. IV). If willful, however, the consumer may have actual damages, or statutory damages ranging from \$100 to \$1,000, and even punitive damages. § 1681n(a) (2000 ed.).

B

Petitioner GEICO² writes auto insurance through four subsidiaries: GEICO General, which sells “preferred” policies at low rates to low-risk customers; Government Employees, which also sells “preferred” policies, but only to government employees; GEICO Indemnity, which sells standard policies to moderate-risk customers; and GEICO Casualty, which sells nonstandard policies at higher rates to high-risk customers. Potential customers call a toll-free number answered by an agent of the four affiliates, who takes information and, with permission, gets the applicant’s credit score.³ *54 This information goes into GEICO’s computer system, which selects any appropriate company and the particular rate at which a policy may be issued.

For some time after FCRA went into effect, GEICO sent adverse action notices to all applicants who were not offered “preferred” policies from GEICO General or Government Employees. GEICO changed its practice, however, after a method to “neutralize” an applicant’s credit score was devised: the applicant’s company and tier placement is compared with the company and tier placement he would have been assigned with a “neutral”

credit score, that is, one calculated without reliance **2207 on credit history.⁴ Under this new scheme, it is only if using a neutral credit score would have put the applicant in a lower priced tier or company that GEICO sends an adverse action notice; the applicant is not otherwise told if he would have gotten better terms with a better credit score.

Respondent Ajene Edo applied for auto insurance with GEICO. After obtaining Edo’s credit score, GEICO offered him a standard policy with GEICO Indemnity (at rates higher than the most favorable), which he accepted. Because Edo’s company and tier placement would have been the same with a neutral score, GEICO did not give Edo an adverse action notice. Edo later filed this proposed class action against GEICO, alleging willful failure to give notice in violation of § 1681m(a); he claimed no actual harm, but sought statutory and punitive damages under § 1681n(a). The District Court granted summary judgment for GEICO, finding *55 there was no adverse action when “the premium charged to [Edo] ... would have been the same even if GEICO Indemnity did not consider information in [his] consumer credit history.” *Edo v. GEICO Casualty Co.*, CV 02–678–BR, 2004 WL 3639689, *4, 2004 U.S. Dist. LEXIS 28522, *12 (D.Ore., Feb. 23, 2004), App. to Pet. for Cert. in No. 06–100, p. 46a.

Like GEICO, petitioner Safeco⁵ relies on credit reports to set initial insurance premiums,⁶ as it did for respondents Charles Burr and Shannon Massey, who were offered higher rates than the best rates possible. Safeco sent them no adverse action notices, and they later joined a proposed class action against the company, alleging willful violation of § 1681m(a) and seeking statutory and punitive damages under § 1681n(a). The District Court ordered summary judgment for Safeco, on the understanding that offering a single, initial rate for insurance cannot be “adverse action.”

The Court of Appeals for the Ninth Circuit reversed both judgments. In GEICO’s case, it held that whenever a consumer “would have received a lower rate for his insurance had the information in his consumer report been more favorable, an adverse action has been taken against him.” *Reynolds v. Hartford Financial Servs. Group, Inc.*, 435 F.3d 1081, 1093 (2006). Since a better credit score would have placed Edo with GEICO General, not GEICO Indemnity, the appeals court held that GEICO’s failure to give notice was an adverse action.

The Ninth Circuit also held that an insurer “willfully” fails to comply with FCRA if it acts with “reckless disregard” of a consumer’s rights under the Act. *Id.*, at

1099. It explained that a company would not be acting recklessly if it “diligently and in good faith attempted to fulfill its statutory *56 obligations” and came to a “tenable, albeit erroneous, interpretation of the statute.” *Ibid*. The court went on to say that “a deliberate failure to determine **2208 the extent of its obligations” would not ordinarily escape liability under § 1681n, any more than “reliance on creative lawyering that provides indefensible answers.” *Ibid*. Because the court believed that the enquiry into GEICO’s reckless disregard might turn on undisclosed circumstances surrounding GEICO’s revision of its notification policy, the Court of Appeals remanded the company’s case for further proceedings.⁷

In the action against Safeco, the Court of Appeals rejected the District Court’s position, relying on its reasoning in GEICO’s case (where it had held that the notice requirement applies to a single statement of an initial charge for a new policy). *Spano v. Safeco Corp.*, 140 Fed.Appx. 746 (2005). The Court of Appeals also rejected Safeco’s argument that its conduct was not willful, again citing the GEICO case, and remanded for further proceedings.

We consolidated the two matters and granted certiorari to resolve a conflict in the Circuits as to whether § 1681n(a) reaches reckless disregard of FCRA’s obligations,⁸ and to clarify the notice requirement in § 1681m(a). 548 U.S. 942, 127 S.Ct. 36, 165 L.Ed.2d 1014 (2006). We now reverse in both cases.

II

¹¹ ¹²¹ GEICO and Safeco argue that liability under § 1681n(a) for “willfully fail[ing] to comply” with FCRA goes only to acts *57 known to violate the Act, not to reckless disregard of statutory duty, but we think they are wrong. We have said before that “willfully” is a “word of many meanings whose construction is often dependent on the context in which it appears,” *Bryan v. United States*, 524 U.S. 184, 191, 118 S.Ct. 1939, 141 L.Ed.2d 197 (1998) (internal quotation marks omitted); and where willfulness is a statutory condition of civil liability, we have generally taken it to cover not only knowing violations of a standard, but reckless ones as well, see *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 132–133, 108 S.Ct. 1677, 100 L.Ed.2d 115 (1988) (“willful,” as used in a limitation provision for actions under the Fair Labor Standards Act, covers claims of reckless violation); *Trans World Airlines, Inc. v. Thurston*, 469 U.S. 111, 125–126, 105 S.Ct. 613, 83 L.Ed.2d 523 (1985) (same, as to a liquidated damages

provision of the Age Discrimination in Employment Act of 1967); cf. *United States v. Illinois Central R. Co.*, 303 U.S. 239, 242–243, 58 S.Ct. 533, 82 L.Ed. 773 (1938) (“willfully,” as used in a civil penalty provision, includes “conduct marked by careless disregard whether or not one has the right so to act” (quoting *United States v. Murdock*, 290 U.S. 389, 395, 54 S.Ct. 223, 78 L.Ed. 381 (1933))). This construction reflects common law usage, which treated actions in “reckless disregard” of the law as “willful” violations. See W. Keeton, D. Dobbs, R. Keeton, & D. Owen, *Prosser and Keeton on Law of Torts* § 34, p. 212 (5th ed.1984) (hereinafter *Prosser and Keeton*) (“Although efforts have been **2209 made to distinguish” the terms “willful,” “wanton,” and “reckless,” “such distinctions have consistently been ignored, and the three terms have been treated as meaning the same thing, or at least as coming out at the same legal exit”). The standard civil usage thus counsels reading the phrase “willfully fails to comply” in § 1681n(a) as reaching reckless FCRA violations,⁹ and this is so both on *58 the interpretive assumption that Congress knows how we construe statutes and expects us to run true to form, see *Commissioner v. Keystone Consol. Industries, Inc.*, 508 U.S. 152, 159, 113 S.Ct. 2006, 124 L.Ed.2d 71 (1993), and under the general rule that a common law term in a statute comes with a common law meaning, absent anything pointing another way, *Beck v. Prupis*, 529 U.S. 494, 500–501, 120 S.Ct. 1608, 146 L.Ed.2d 561 (2000).

GEICO and Safeco argue that Congress did point to something different in FCRA, by a drafting history of § 1681n(a) said to show that liability was supposed to attach only to knowing violations. The original version of the Senate bill that turned out as FCRA had two standards of liability to victims: grossly negligent violation (supporting actual damages) and willful violation (supporting actual, statutory, and punitive damages). S. 823, 91st Cong., 1st Sess., § 1 (1969). GEICO and Safeco argue that since a “gross negligence” standard is effectively the same as a “reckless disregard” standard, the original bill’s “willfulness” standard must have meant a level of culpability higher than “reckless disregard,” or there would have been no requirement to show a different state of mind as a condition of the potentially much greater liability; thus, “willfully fails to comply” must have referred to a knowing violation. Although the gross negligence standard was reduced later in the legislative process to simple negligence (as it now appears in § 1681o), the provision *59 for willful liability remains unchanged and so must require knowing action, just as it did originally in the draft of § 1681n.

Perhaps. But Congress may have scaled the standard for

actual damages down to simple negligence because it thought gross negligence, being like reckless action, was covered by willfulness. Because this alternative reading is possible, any inference from the drafting sequence is shaky, and certainly no match for the following clue in the text as finally adopted, which points to the traditional understanding of willfulness in the civil sphere.

The phrase in question appears in the preamble sentence of § 1681n(a): “Any person who willfully fails to comply with any requirement imposed under this subchapter **2210 with respect to any consumer is liable to that consumer” Then come the details, in paragraphs (1)(A) and (1)(B), spelling out two distinct measures of damages chargeable against the willful violator. As a general matter, the consumer may get either actual damages or “damages of not less than \$100 and not more than \$1,000.” § 1681n(a)(1)(A). But where the offender is liable “for obtaining a consumer report under false pretenses or knowingly without a permissible purpose,” the statute sets liability higher: “actual damages ... or \$1,000, whichever is greater.” § 1681n(a)(1)(B).

If the companies were right that “willfully” limits liability under § 1681n(a) to knowing violations, the modifier “knowingly” in § 1681n(a)(1)(B) would be superfluous and incongruous; it would have made no sense for Congress to condition the higher damages under § 1681n(a) on knowingly obtaining a report without a permissible purpose if the general threshold of any liability under the section were knowing misconduct. If, on the other hand, “willfully” covers both knowing and reckless disregard of the law, knowing violations are sensibly understood as a more serious subcategory of willful ones, and both the preamble and the subsection have distinct jobs to do. See *60 *United States v. Menasche*, 348 U.S. 528, 538–539, 75 S.Ct. 513, 99 L.Ed. 615 (1955) (“[G]ive effect, if possible, to every clause and word of a statute” (quoting *Montclair v. Ramsdell*, 107 U.S. 147, 152, 2 S.Ct. 391, 27 L.Ed. 431 (1883))).

The companies make other textual and structural arguments for their view, but none is persuasive. Safeco thinks our reading would lead to the absurd result that one could, with reckless disregard, knowingly obtain a consumer report without a permissible purpose. But this is not so; action falling within the knowing subcategory does not simultaneously fall within the reckless alternative. Then both GEICO and Safeco argue that the reference to acting “knowingly and willfully” in FCRA’s criminal enforcement provisions, §§ 1681q and 1681r, indicates that “willfully” cannot include recklessness. But we are now on the criminal side of the law, where the paired modifiers are often found, see, e.g., 18 U.S.C. §

1001 (2000 ed. and Supp. IV) (false statements to federal investigators); 20 U.S.C. § 1097(a) (embezzlement of student loan funds); 18 U.S.C. § 1542 (2000 ed. and Supp. IV) (false statements in a passport application). As we said before, in the criminal law “willfully” typically narrows the otherwise sufficient intent, making the government prove something extra, in contrast to its civil law usage, giving a plaintiff a choice of mental states to show in making a case for liability, see n. 9, *supra*. The vocabulary of the criminal side of FCRA is consequently beside the point in construing the civil side.

III

A

Before getting to the claims that the companies acted recklessly, we have the antecedent question whether either company violated the adverse action notice requirement at all. In both cases, respondent-plaintiffs’ claims are premised on initial rates charged for new insurance policies, which are not “adverse” actions unless quoting or charging a first-time *61 premium is “an increase in any charge for ... any insurance, existing or applied for.” 15 U.S.C. § 1681a(k)(1)(B)(i).

In Safeco’s case, the District Court held that the initial rate for a new insurance policy cannot be an “increase” because there is no prior dealing. The phrase “increase in any charge for ... insurance” is readily understood to mean a change in **2211 treatment for an insured, which assumes a previous charge for comparison. See Webster’s New International Dictionary 1260 (2d ed.1957) (defining “increase” as “[a]ddition or enlargement in size, extent, quantity, number, intensity, value, substance, etc.; augmentation; growth; multiplication”). Since the District Court understood “increase” to speak of change just as much as of comparative size or quantity, it reasoned that the statute’s “increase” never touches the initial rate offer, where there is no change.

The Government takes the part of the Court of Appeals in construing “increase” to reach a first-time rate. It says that regular usage of the term is not as narrow as the District Court thought: the point from which to measure difference can just as easily be understood without referring to prior individual dealing. The Government gives the example of a gas station owner who charges more than the posted price for gas to customers he does not like; it makes sense to say that the owner increases the

price and that the driver pays an increased price, even if he never pulled in there for gas before. See Brief for United States as *Amicus Curiae* 26.¹⁰ The Government implies, then, that reading “increase” requires a choice, and the chosen reading should be the broad one in order to conform to what Congress had in mind.

¹¹ *62 We think the Government’s reading has the better fit with the ambitious objective set out in the Act’s statement of purpose, which uses expansive terms to describe the adverse effects of unfair and inaccurate credit reporting and the responsibilities of consumer reporting agencies. See § 1681(a) (inaccurate reports “directly impair the efficiency of the banking system”; unfair reporting methods undermine public confidence “essential to the continued functioning of the banking system”; need to “insure” that reporting agencies “exercise their grave responsibilities” fairly, impartially, and with respect for privacy). The descriptions of systemic problem and systemic need as Congress saw them do nothing to suggest that remedies for consumers placed at a disadvantage by unsound credit ratings should be denied to first-time victims, and the legislative histories of FCRA’s original enactment and of the 1996 amendment reveal no reason to confine attention to customers and businesses with prior dealings. Quite the contrary.¹¹ Finally, there is nothing about insurance contracts to suggest that Congress might have meant to differentiate applicants from existing customers when it set the notice requirement; the newly insured who gets charged more owing to an erroneous report is in the same boat with the renewal applicant.¹² We therefore **2212 hold *63 that the “increase” required for “adverse action,” 15 U.S.C. § 1681a(k)(1)(B)(i), speaks to a disadvantageous rate even with no prior dealing; the term reaches initial rates for new applicants.

B

Although offering the initial rate for new insurance can be an “adverse action,” respondent-plaintiffs have another hurdle to clear, for § 1681m(a) calls for notice only when the adverse action is “based in whole or in part on” a credit report. GEICO argues that in order to have adverse action “based on” a credit report, consideration of the report must be a necessary condition for the increased rate. The Government and respondent-plaintiffs do not explicitly take a position on this point.

To the extent there is any disagreement on the issue, we accept GEICO’s reading. In common talk, the phrase “based on” indicates a but-for causal relationship and thus

a necessary logical condition. Under this most natural reading of § 1681m(a), then, an increased rate is not “based in whole or in part on” the credit report unless the report was a necessary condition of the increase.

As before, there are textual arguments pointing another way. The statute speaks in terms of basing the action “in part” as well as wholly on the credit report, and this phrasing could mean that adverse action is “based on” a credit report whenever the report was considered in the rate-setting process, even without being a necessary condition for the rate increase. But there are good reasons to think Congress preferred GEICO’s necessary-condition reading.

If the statute has any claim to lucidity, not all “adverse actions” require notice, only those “based ... on” information in a credit report. Since the statute does not explicitly call for notice when a business acts adversely merely after consulting a report, conditioning the requirement on action “based ... on” a report suggests that the duty to report arises from some practical consequence of reading the report, *64 not merely some subsequent adverse occurrence that would have happened anyway. If the credit report has no identifiable effect on the rate, the consumer has no immediately practical reason to worry about it (unless he has the power to change every other fact that stands between himself and the best possible deal); both the company and the consumer are just where they would have been if the company had never seen the report.¹³ And if examining reports that make no difference was supposed to trigger a reporting requirement, it would be hard to find any practical point in imposing the “based ... on” restriction. So it makes more sense to suspect that Congress meant to require notice and prompt a challenge by the consumer only when the consumer would gain something if the challenge succeeded.¹⁴

**2213 C

To sum up, the difference required for an increase can be understood without reference to prior dealing (allowing a *65 first-time applicant to sue), and considering the credit report must be a necessary condition for the difference. The remaining step in determining a duty to notify in cases like these is identifying the benchmark for determining whether a first-time rate is a disadvantageous increase. And in dealing with this issue, the pragmatic reading of “based ... on” as a condition necessary to make a practical difference carries a helpful suggestion.

The Government and respondent-plaintiffs argue that the

baseline should be the rate that the applicant would have received with the best possible credit score, while GEICO contends it is what the applicant would have had if the company had not taken his credit score into account (the "neutral score" rate GEICO used in Edo's case). We think GEICO has the better position, primarily because its "increase" baseline is more comfortable with the understanding of causation just discussed, which requires notice under § 1681m(a) only when the effect of the credit report on the initial rate offered is necessary to put the consumer in a worse position than other relevant facts would have decreed anyway. If Congress was this concerned with practical consequences when it adopted a "based ... on" causation standard, it presumably thought in equally practical terms when it spoke of an "increase" that must be defined by a baseline to measure from. Congress was therefore more likely concerned with the practical question whether the consumer's rate actually suffered when the company took his credit report into account than the theoretical question whether the consumer would have gotten a better rate with perfect credit.¹⁵

*66 The Government objects that this reading leaves a loophole, since it keeps first-time applicants who actually deserve better-than-neutral credit scores from getting notice, even when errors in credit reports saddle them with unfair rates. This is true; the neutral-score baseline will leave some consumers without a notice **2214 that might lead to discovering errors. But we do not know how often these cases will occur, whereas we see a more demonstrable and serious disadvantage inhering in the Government's position.

Since the best rates (the Government's preferred baseline) presumably go only to a minority of consumers, adopting the Government's view would require insurers to send slews of adverse action notices; every young applicant who had yet to establish a gilt-edged credit report, for example, would get a notice that his charge had been "increased" based on his credit report. We think that the consequence of sending out notices on this scale would undercut the obvious policy behind the notice requirement, for notices as common as these would take on the character of formalities, and formalities tend to be ignored. It would get around that new insurance usually comes with an adverse action notice, owing to some legal quirk, and instead of piquing an applicant's interest about the accuracy of his credit record, the commonplace notices would mean just about nothing and go the way of junk mail. Assuming that Congress meant a notice of adverse *67 action to get some attention, we think the cost of closing the loophole would be too high.

While on the subject of hypernotification, we should add

a word on another point of practical significance. Although the rate initially offered for new insurance is an "increase" calling for notice if it exceeds the neutral rate, did Congress intend the same baseline to apply if the quoted rate remains the same over a course of dealing, being repeated at each renewal date?

We cannot believe so. Once a consumer has learned that his credit report led the insurer to charge more, he has no need to be told over again with each renewal if his rate has not changed. For that matter, any other construction would probably stretch the word "increase" more than it could bear. Once the gas station owner had charged the customer the above-market price, it would be strange to speak of the same price as an increase every time the customer pulled in. Once buyer and seller have begun a course of dealing, customary usage does demand a change for "increase" to make sense.¹⁶ Thus, after initial dealing between the consumer and the insurer, the baseline for "increase" is the previous rate or charge, not the "neutral" baseline that applies at the start.

IV

A

¹⁴ In GEICO's case, the initial rate offered to Edo was the one he would have received if his credit score had not been *68 taken into account, and GEICO owed him no adverse action notice under § 1681m(a).¹⁷

**2215 B

Safeco did not give Burr and Massey any notice because it thought § 1681m(a) did not apply to initial applications, a mistake that left the company in violation of the statute if Burr and Massey received higher rates "based in whole or in part" on their credit reports; if they did, Safeco would be liable to them on a showing of reckless conduct (or worse). The first issue we can forget, however, for although the record does not reliably indicate what rates they would have obtained if their credit reports had not been considered, it is clear enough that if Safeco did violate the statute, the company was not reckless in falling down in its duty.

¹⁵ While "the term recklessness is not self-defining," the common law has generally understood it in the sphere of

civil liability as conduct violating an objective standard: action entailing “an unjustifiably high risk of harm that is either known or so obvious that it should be known.”¹⁸ *Farmer v. Brennan*, 511 U.S. 825, 836, 114 S.Ct. 1970, 128 L.Ed.2d 811 (1994); see Prosser and Keeton *69 § 34, at 213–214. The Restatement, for example, defines reckless disregard of a person’s physical safety this way:

“The actor’s conduct is in reckless disregard of the safety of another if he does an act or intentionally fails to do an act which it is his duty to the other to do, knowing or having reason to know of facts which would lead a reasonable man to realize, not only that his conduct creates an unreasonable risk of physical harm to another, but also that such risk is substantially greater than that which is necessary to make his conduct negligent.” 2 Restatement (Second) of Torts § 500, p. 587 (1963–1964).

It is this high risk of harm, objectively assessed, that is the essence of recklessness at common law. See Prosser and Keeton § 34, at 213 (recklessness requires “a known or obvious risk that was so great as to make it highly probable that harm would follow”).

There being no indication that Congress had something different in mind, we have no reason to deviate from the common law understanding in applying the statute. See *Prupis*, 529 U.S., at 500–501, 120 S.Ct. 1608. Thus, a company subject to FCRA does not act in reckless disregard of it unless the action is not only a violation under a reasonable reading of the statute’s terms, but shows that the company ran a risk of violating the law substantially greater than the risk associated with a reading that was merely careless.

¹⁶¹ Here, there is no need to pinpoint the negligence/recklessness line, for Safeco’s reading of the statute, albeit erroneous, was not objectively unreasonable. As we said, § 1681a(k)(1)(B)(i) is silent on the point from which to measure “increase.” On the rationale that “increase” presupposes prior dealing, Safeco took the definition as excluding initial rate offers for new insurance, and so sent no adverse action notices to Burr and Massey. While we disagree with Safeco’s analysis, we recognize **2216 that its reading has a foundation *70 in the statutory text, see *supra*, at 2216, and a sufficiently convincing justification to have persuaded the District Court to adopt it and rule in Safeco’s favor.

This is not a case in which the business subject to the Act had the benefit of guidance from the courts of appeals or the Federal Trade Commission (FTC) that might have warned it away from the view it took. Before these cases, no court of appeals had spoken on the issue, and no

authoritative guidance has yet come from the FTC¹⁹ (which in any case has only enforcement responsibility, not substantive rulemaking authority, for the provisions in question, see 15 U.S.C. §§ 1681s(a)(1), (e)). Cf. *Saucier v. Katz*, 533 U.S. 194, 202, 121 S.Ct. 2151, 150 L.Ed.2d 272 (2001) (assessing, for qualified immunity purposes, whether an action was reasonable in light of legal rules that were “clearly established” at the time). Given this dearth of guidance and the less-than-pellucid statutory text, Safeco’s reading was not objectively unreasonable, and so falls well short of raising the “unjustifiably high risk” of violating the statute necessary for reckless liability.²⁰

* * *

*71 The Court of Appeals correctly held that reckless disregard of a requirement of FCRA would qualify as a willful violation within the meaning of § 1681n(a). But there was no need for that court to remand the cases for factual development. GEICO’s decision to issue no adverse action notice to Edo was not a violation of § 1681m(a), and Safeco’s misreading of the statute was not reckless. The judgments of the Court of Appeals are therefore reversed in both cases, which are remanded for further proceedings consistent with this opinion.

It is so ordered.

Justice STEVENS, with whom Justice GINSBURG joins, concurring in part and concurring in the judgment.

While I join the Court’s judgment and Parts I, II, III–A, and IV–B of the Court’s opinion, I disagree with the reasoning in Parts III–B and III–C, as well as with Part IV–A, which relies on that reasoning.

**2217 An adverse action taken after reviewing a credit report “is based in whole or in part on” that report within the meaning of 15 U.S.C. § 1681m(a). That is true even if the company would have made the same decision without looking at the report, because what the company actually did is more relevant than what it might have done. I find nothing in the statute making the examination of a credit report a “necessary condition” of any resulting increase. *Ante*, at 2211. The more natural reading is that reviewing a report is only a sufficient condition.

*72 The Court’s contrary position leads to a serious

anomaly. As a matter of federal law, companies are free to adopt whatever “neutral” credit scores they want. That score need not (and probably will not) reflect the median consumer credit score. More likely, it will reflect a company’s assessment of the creditworthiness of a run-of-the-mill applicant who lacks a credit report. Because those who have yet to develop a credit history are unlikely to be good credit risks, “neutral” credit scores will in many cases be quite low. Yet under the Court’s reasoning, only those consumers with credit scores even lower than what may already be a very low “neutral” score will ever receive adverse action notices.¹

While the Court acknowledges that “the neutral-score baseline will leave some consumers without a notice that might lead to discovering errors,” *ante*, at 2213 – 2214, it finds this unobjectionable because Congress was likely uninterested in “the theoretical question whether the consumer would have gotten a better rate with perfect credit,” *Ibid.*² The Court’s decision, however, disserves not only those consumers with “gilt-edged credit report[s],” *ante*, at 2214, but also the much larger category of consumers with better-than-“neutral” scores. I find it difficult to believe that Congress *73 could have intended for a company’s unrestrained adoption of a “neutral” score to keep many (if not most) consumers from ever hearing that their credit reports are costing them money. In my view, the statute’s text is amenable to a more sensible interpretation.

Footnotes

- * The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U.S. 321, 337, 26 S.Ct. 282, 50 L.Ed. 499.
- * Justice SCALIA joins all but footnotes 11 and 15 of this opinion.
- 1 So far as it matters here, the Act defines “consumer report” as “any written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer’s credit worthiness, credit standing, [or] credit capacity ... which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer’s eligibility for ... credit or insurance to be used primarily for personal, family, or household purposes.” 15 U.S.C. § 1681a(d)(1) (footnote omitted). The scope of this definition is not at issue.
- 2 The specific petitioners are subsidiary companies of the GEICO Corporation; for the sake of convenience, we call them “GEICO” collectively.
- 3 The Act defines a “credit score” as “a numerical value or a categorization derived from a statistical tool or modeling system used by a person who makes or arranges a loan to predict the likelihood of certain credit behaviors, including default.” 15 U.S.C. § 1681g(f)(2)(A) (2000 ed., Supp. IV). Under its contract with its credit information providers, GEICO learned credit scores and facts in the credit reports that significantly influenced the scores, but did not have access to the credit reports themselves.
- 4 A number of States permit the use of such “neutral” credit scores to ensure that consumers with thin or unidentifiable credit histories are not treated disadvantageously. See, e.g., N.Y. Ins. Law Ann. §§ 2802(e), (e)(1) (West 2006) (generally prohibiting an insurer from “consider[ing] an absence of credit information,” but allowing it to do so if it “treats the consumer as if the applicant or insured had neutral credit information, as defined by the insurer”).

Justice THOMAS, with whom Justice ALITO joins, concurring in part.

I agree with the Court’s disposition and most of its reasoning. Safeco did not send notices to new customers because it took the position that the initial insurance rate it offered a customer could not be an “increase in any charge for ... insurance” under 15 U.S.C. § 1681a(k)(1)(B)(i). The Court properly holds that regardless of the merits of this interpretation, it is not an unreasonable one, and Safeco therefore did not act willfully. *Ante*, at 2214 – 2216. I **2218 do not join Part III–A of the Court’s opinion, however, because it resolves the merits of Safeco’s interpretation of § 1681a(k)(1)(B)(i)—an issue not necessary to the Court’s conclusion and not briefed or argued by the parties.

All Citations

551 U.S. 47, 127 S.Ct. 2201, 167 L.Ed.2d 1045, 75 USLW 4386, 07 Cal. Daily Op. Serv. 6355, 2007 Daily Journal D.A.R. 7989, 20 Fla. L. Weekly Fed. S 322, 20 A.L.R. Fed. 2d 803

- 5 Again, the actual petitioners are subsidiary companies, of Safeco Corporation in this case; for convenience, we call them "Safeco" collectively.
- 6 The parties do not dispute that the credit scores and credit reports relied on by GEICO and Safeco are "consumer reports" under 15 U.S.C. § 1681a(d)(1).
- 7 Prior to issuing its final opinion in this case, the Court of Appeals had issued, then withdrawn, two opinions in which it held that GEICO had "willfully" violated FCRA as a matter of law. *Reynolds v. Hartford Financial Servs. Group, Inc.*, 416 F.3d 1097 (C.A.9 2005); *Reynolds v. Hartford Financial Servs. Group, Inc.*, 426 F.3d 1020 (C.A.9 2005).
- 8 Compare, e.g., *Cushman v. Trans Union Corp.*, 115 F.3d 220, 227 (C.A.3 1997) (adopting the "reckless disregard" standard), with *Wantz v. Experian Information Solutions*, 386 F.3d 829, 834 (C.A.7 2004) (construing "willfully" to require that a user "knowingly and intentionally violate the Act"); *Phillips v. Grendahl*, 312 F.3d 357, 368 (C.A.8 2002) (same).
- 9 It is different in the criminal law. When the term "willful" or "willfully" has been used in a criminal statute, we have regularly read the modifier as limiting liability to knowing violations. See *Ratzlaf v. United States*, 510 U.S. 135, 137, 114 S.Ct. 655, 126 L.Ed.2d 615 (1994); *Bryan v. United States*, 524 U.S. 184, 191–192, 118 S.Ct. 1939, 141 L.Ed.2d 197 (1998); *Cheek v. United States*, 498 U.S. 192, 200–201, 111 S.Ct. 604, 112 L.Ed.2d 617 (1991). This reading of the term, however, is tailored to the criminal law, where it is characteristically used to require a criminal intent beyond the purpose otherwise required for guilt, *Ratzlaf, supra*, at 136–137, 114 S.Ct. 655; or an additional "bad purpose," *Bryan, supra*, at 191, 118 S.Ct. 1939; or specific intent to violate a known legal duty created by highly technical statutes, *Cheek, supra*, at 200–201, 111 S.Ct. 604. Thus we have consistently held that a defendant cannot harbor such criminal intent unless he "acted with knowledge that his conduct was unlawful." *Bryan, supra*, at 193, 118 S.Ct. 1939. Civil use of the term, however, typically presents neither the textual nor the substantive reasons for pegging the threshold of liability at knowledge of wrongdoing. Cf. *Farmer v. Brennan*, 511 U.S. 825, 836–837, 114 S.Ct. 1970, 128 L.Ed.2d 811 (1994) (contrasting the different uses of the term "recklessness" in civil and criminal contexts).
- 10 Since the posted price seems to be addressed to the world in general, one could argue that the increased gas price is not the initial quote. But the same usage point can be made with the example of the clothing model who gets a call from a ritzy store after posing for a discount retailer. If she quotes a higher fee, it would be natural to say that the uptown store will have to pay the "increase" to have her in its ad.
- 11 See S.Rep. No. 91–517, p. 7 (1969) ("Those who ... charge a higher rate for credit or insurance wholly or partly because of a consumer report must, upon written request, so advise the consumer ..."); S.Rep. No. 103–209, p. 4 (1993) (adverse action notice is required "any time the permissible use of a report results in an outcome adverse to the interests of the consumer"); H.R.Rep. No. 103–486, p. 26 (1994) ("[W]henver a consumer report is obtained for a permissible purpose ..., any action taken based on that report that is adverse to the interests of the consumer triggers the adverse action notice requirements").
- 12 In fact, notice in the context of an initially offered rate may be of greater significance than notice in the context of a renewal rate; if, for instance, insurance is offered on the basis of a single, long-term guaranteed rate, a consumer who is not given notice during the initial application process may never have an opportunity to learn of any adverse treatment.
- 13 For instance, if a consumer's driving record is so poor that no insurer would give him anything but the highest possible rate regardless of his credit report, whether or not an insurer happened to look at his credit report should have no bearing on whether the consumer must receive notice, since he has not been treated differently as a result of it.
- 14 The history of the Act provides further support for this reading. The originally enacted version of the notice requirement stated: "Whenever ... the charge for ... insurance is increased either wholly or partly because of information contained in a consumer report ..., the user of the consumer report shall so advise the consumer ..." 15 U.S.C. § 1681m(a) (1976 ed.). The "because of" language in the original statute emphasized that the consumer report must actually have caused the adverse action for the notice requirement to apply. When Congress amended FCRA in 1996, it sought to define "adverse action" with greater particularity, and thus split the notice provision into two separate subsections. See 110 Stat. 3009–426 to 3009–427, 3009–443 to 3009–444. In the revised version of § 1681m(a), the original "because of" phrasing changed to "based ... on," but there was no indication that this change was meant to be a substantive alteration of the statute's scope.

- 15 While it might seem odd, under the current statutory structure, to interpret the definition of "adverse action" (in § 1681a(k)(1)(B)(i)) in conjunction with § 1681m(a), which simply applies the notice requirement to a particular subset of "adverse actions," there are strong indications that Congress intended these provisions to be construed in tandem. When FCRA was initially enacted, the link between the definition of "adverse action" and the notice requirement was clear, since "adverse action" was defined within § 1681m(a). See 15 U.S.C. § 1681m(a) (1976 ed.). Though Congress eventually split the provision into two parts (with the definition of "adverse action" now located at § 1681a(k)(1)(B)(i)), the legislative history suggests that this change was not meant to alter Congress's intent to define "adverse action" in light of the notice requirement. See S.Rep. No. 103-209, at 4 ("The Committee bill ... defines an 'adverse action' as any action that is adverse to the interests of the consumer and is based in whole or in part on a consumer report"); H.R.Rep. No. 103-486, at 26 ("[A]ny action based on [a consumer] report that is adverse to the interests of the consumer triggers the adverse action notice requirements").
- 16 Consider, too, a consumer who, at the initial application stage, had a perfect credit score and thus obtained the best insurance rate, but, at the renewal stage, was charged at a higher rate (but still lower than the rate he would have received had his credit report not been taken into account) solely because his credit score fell during the interim. Although the consumer clearly suffered an "increase" in his insurance rate that was "based on" his credit score, he would not be entitled to an adverse action notice under the baseline used for initial applications.
- 17 We reject Edo's alternative argument that GEICO's offer of a standard insurance policy with GEICO Indemnity was an "adverse action" requiring notice because it amounted to a "denial" of insurance through a lower cost, "preferred" policy with GEICO General. See § 1681a(k)(1)(B)(i) (defining "adverse action" to include a "denial ... of ... insurance"). An applicant calling GEICO for insurance talks with a sales representative who acts for all the GEICO companies. The record has no indication that GEICO tells applicants about its corporate structure, or that applicants request insurance from one of the several companies or even know of their separate existence. The salesperson takes information from the applicant and obtains his credit score, then either denies any insurance or assigns him to one of the companies willing to provide it; the other companies receive no application and take no separate action. This way of accepting new business is clearly outside the natural meaning of "denial" of insurance.
- 18 Unlike civil recklessness, criminal recklessness also requires subjective knowledge on the part of the offender. *Brennan*, 511 U.S., at 836-837, 114 S.Ct. 1970; ALI, Model Penal Code § 2.02(2)(c) (1985).
- 19 Respondent-plaintiffs point to a letter, written by an FTC staff member to an insurance company lawyer, that suggests that an "adverse action" occurs when "the applicant will have to pay more for insurance at the inception of the policy than he or she would have been charged if the consumer report had been more favorable." Letter from Hannah A. Stires to James M. Ball (Mar. 1, 2000), <http://www.ftc.gov/os/statutes/fcra/ball.htm> (as visited May 17, 2007, and available in Clerk of Court's case file). But the letter did not canvass the issue, and it explicitly indicated that it was merely "an informal staff opinion ... not binding on the Commission." *Ibid.*
- 20 Respondent-plaintiffs argue that evidence of subjective bad faith must be taken into account in determining whether a company acted knowingly or recklessly for purposes of § 1681n(a). To the extent that they argue that evidence of subjective bad faith can support a willfulness finding even when the company's reading of the statute is objectively reasonable, their argument is unsound. Where, as here, the statutory text and relevant court and agency guidance allow for more than one reasonable interpretation, it would defy history and current thinking to treat a defendant who merely adopts one such interpretation as a knowing or reckless violator. Congress could not have intended such a result for those who followed an interpretation that could reasonably have found support in the courts, whatever their subjective intent may have been.
Both Safeco and GEICO argue that good-faith reliance on legal advice should render companies immune to claims raised under § 1681n(a). While we do not foreclose this possibility, we need not address the issue here in light of our present holdings.
- 1 Stranger still, companies that automatically disqualify consumers who lack credit reports will never need to send any adverse action notices. After all, the Court's baseline is "what the applicant would have had if the company had not taken his credit score into account," *ante*, at 2213, but from such companies, what the applicant "would have had" is no insurance at all. An offer of insurance at any price, however inflated by a poor and perhaps incorrect credit score, will therefore never constitute an adverse action.
- 2 The Court also justifies its deviation from the statute's text by reasoning that frequent adverse action notices would be ignored. See *ante*, at 2213 - 2214. To borrow a sentence from the Court's opinion: "Perhaps." *Ante*, at 2209. But rather than speculate about the likely effect of "hypernotification," *ante*, at 2214, I would defer to the Solicitor General's position, informed by the Federal Trade Commission's expert judgment, that consumers by and large benefit from adverse action notices, however common. See Brief for United States as *Amicus Curiae* 27-29.

Safeco Ins. Co. of America v. Burr, 551 U.S. 47 (2007)

127 S.Ct. 2201, 167 L.Ed.2d 1045, 75 USLW 4386, 07 Cal. Daily Op. Serv. 6355...

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Joy Morton, Supervisor
Virginia Bureau of Insurance
Market Conduct Section
Property & Casualty Division
1300 E Main St.
Richmond, VA 23218

November 28, 2016

SENT VIA EMAIL & MAIL (Paper Copy & CD)

Reference: United Services Automobile Association NAIC 25941
USAA Casualty Insurance Company NAIC 25968
USAA General Indemnity Company NAIC 18600
Garrison Property & Casualty Insurance Company NAIC 21253

Dear Ms. Morton,

Thank you again for the opportunity to meet in your offices in Richmond on November 4, 2016.

The above referenced companies (collectively referred to as "The Company") also appreciates the opportunity to review and respond to the draft report dated October 31, 2016. The Company has referenced those items in which we respectfully disagree with the Bureau's findings. This response follows the format of your letter dated October 31, 2016. The attached are the Companies' comments and supporting documentation for further consideration.

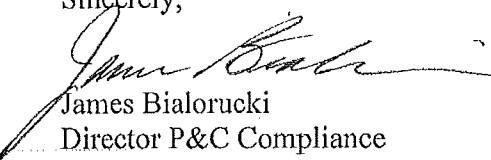
Please note that this response contains proprietary, confidential, and sensitive information, which, if disclosed to other persons, would cause us irreparable harm and could cause substantial injury to the competitive position of the Companies and their affiliates. Accordingly, such information is to be kept confidential pursuant to Virginia Code § 38.2-221.1.

There remains numerous items of which we dispute and will be engaging further with Counsel on how best to proceed due to the legal nature of those issues.

We understand and respect the intent of market conduct examinations and trust that the Bureau accepts our position and responses as an indication of our commitment to compliance.

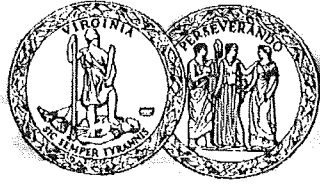
Should you have any questions regarding our response or require further clarification, please do not hesitate to contact me or Jose Lara at (210) 452-5466.

Sincerely,


James Bialorucki
Director P&C Compliance
United Services Automobile Association
(210) 219-4672

COMMONWEALTH OF VIRGINIA

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<http://www.scc.virginia.gov/division/boi>

November 28, 2016

PART ONE – EXAMINERS' OBSERVATIONS

Automobile New Business Rating

(5)	Reference Number	Review Sheet	Company
	RPA003	1520524937	GIC
	RPA006	1311733864	GIC
	RPA009	1967788253	GIC
	RPA010	1204275356	GIC
	RPA040	2056494624	CIC

Company Response:

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Automobile Renewal Business Rating

(2c)	Reference Number	Review Sheet	Company
	RPA064	1686116274	USAA

Company Response:

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Homeowner New Business Rating

(1)	Reference Number RHO011	Review Sheet 1433360386	Company GIC
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Company Response:

The Company disagrees that insuring the dwelling for replacement cost requires an Adverse Underwriting Decision notice. The Homeowners policy provides coverage for the replacement cost of the dwelling.

On 04/10/2014, the member quoted a homeowner's policy on USAA.com. This quote was then emailed to the member which listed out the premium, policy coverage's including the dwelling coverage limit of \$1,172,000, and deductibles. Please see supporting documentation for emailed quote.

On 04/22/2014, the member issued 90A homeowner's policy on USAA.com with a policy effective date of 05/15/2014. Please reference supporting documentation of e-sign home application.

In the online transaction the member indicated he currently owned the property and the current coverage amount provided through another insurance carrier is \$1,900,000. Please reference supporting documentation of 90A issue screen shot.

Based on the home characteristics provided by the member on USAA.com, the estimated rebuilding cost was calculated at \$1,179,000. The online transaction flow provides the member with the Company's suggestion, "Our Suggestion" and also "Your Custom Quote". The custom quote allows the member to manually input the requested dwelling amount. Please reference supporting documentation of online policy issuance quote results (this is an example of what the member views, not specific to this member).

The member was provided his policy packet which contained the declarations page, homeowners contract and a summary of the home characteristics. In the summary the Company advises the member that "We can calculate the minimum rebuilding cost of your home based on your home characteristics, but only you can decide if this is enough coverage." Please reference supporting documentation Home Characteristics.

Due to the amount of the estimated replacement cost, an inspection report was requested and completed. The inspection report indicated the estimated replacement cost of \$1,337,000 and the policy was subsequently adjusted on 6/18/2014 with an effective date of 5/15/2014 to reflect the dwelling coverage of \$1,337,000. Please reference supporting documentation which contains the inspection ordered letter and the results letter.

Additionally, this homeowner's policy (HO-9) includes the Home Protector Coverage. If the member meets the policy conditions, an additional 25% of the dwelling coverage will be applied if needed. Please reference homeowners

contract HO-9 Section I Loss Settlement 3. Home Protector Coverage.
Please see supports for RHO011.

Reference Number	Review Sheet	Company
RHO033	1432830215	USAA

Company Response:

The Company disagrees that insuring the condominium for an amount to replace alterations, appliances, custom or permanently installed carpeting, fixtures and improvements which are part of the building and contained within the residence premises requires an Adverse Underwriting Decision notice.

On 12/16/2013, the member contacted the Company and spoke with MSR XX035 and issued a condominium policy 93A effective 12/26/2013. The Company's process is to request the purchase price of a home purchased within the last 12 months. The member informed the Company that the purchase price of the newly purchased condo was \$340,000.

After completing a review of the home characteristics the estimated cost to rebuild the condo's interior was determined to be \$269,000. The member requested to issue the policy with Dwelling- Building Items coverage of \$269,000.

In the MSR transaction flow, their screens display "Our Suggestion" (the Company's) and also "Your Custom Quote". The custom quote allows the MSR to manually input the member's requested dwelling amount. Please reference supporting documentation of policy issuance quote results for a screen shot (this is an example of what the member views, not specific to this member).

HO-6 policy only covers the interior of a condo, the condominium association master policy covers the exterior dwelling.

On 12/16/2013, USAA faxed to Navy Federal Credit Union a certificate of insurance for HO6 policy. Please see supports for RHO033.

(2c)	Reference Number	Review Sheet	Company
	RHO003	2087246080	GIC
	RHO004	1243332917	GIC
	RHO019	564543579	GAR
	RHO036	1175199893	USAA
	RHO044	1389978269	USAA
	RHO054	456045350	CIC

Company Response:

Internal Revenue Code (IRC) sec. 4975(c)(1)(D) is the prohibited transaction rule that is relevant to this inquiry. This definition includes any direct or indirect

transfer to, or use by or for the benefit of, a disqualified person of the income or assets of a plan.

(c) Prohibited transaction.--

(1) General rule.--*For purposes of this section, the term "prohibited transaction" means any direct or indirect—*

- (A) sale or exchange, or leasing, of any property between a plan and a disqualified person;*
- (B) lending of money or other extension of credit between a plan and a disqualified person;*
- (C) furnishing of goods, services, or facilities between a plan and a disqualified person;*
- (D) transfer to, or use by or for the benefit of, a disqualified person of the income or assets of a plan;***
- (E) act by a disqualified person who is a fiduciary whereby he deals with the income or assets of a plan in his own interest or for his own account; or*
- (F) receipt of any consideration for his own personal account by any disqualified person who is a fiduciary from any party dealing with the plan in connection with a transaction involving the income or assets of the plan.*

In addition, I.R.C. sections 4975(e)(1)(A) – (G). define a "plan" subject to these rules

(e) Definitions.—

(1) Plan.--*For purposes of this section, the term "plan" means—*

- (A) a trust described in section 401(a) which forms a part of a plan, or a plan described in section 403(a), which trust or plan is exempt from tax under section 501(a),*
- (B) an individual retirement account described in section 408(a),*
- (C) an individual retirement annuity described in section 408(b),*
- (D) an Archer MSA described in section 220(d),*
- (E) a health savings account described in section 223(d),*
- (F) a Coverdell education savings account described in section 530, or*
- (G) a trust, plan, account, or annuity which, at any time, has been determined by the Secretary to be described in any preceding subparagraph of this*

paragraph.

Based on these rules, the Company asserts that rule 4975(c)(1)(D) prohibits us from giving benefit for assets in certain plans and 4975(e)(1)(A) – (G) defines those plans. As a result, the Company does not consider products that fit the definitions indicated in (A) – (G). We have previously provided a list of products that are not considered. As requested, we have also included a list that includes all other IMCO products that are considered. See supports labeled “IMCO Products Excluded from ARL-PRL Benefit” and “IMCO Products Included for ARL-PRL Benefit”.

Reference Number	Review Sheet	Company
RHO008	1450298484	GIC
RHO017	1219569765	GAR
RHO018	509991248	GAR
RHO021	610496901	GAR
RHO028	1246711962	GAR
RHO030	341891820	GAR
RHO033	1743505125	USAA
RHO037	629657793	USAA
RHO039	911403026	USAA
RHO041	943692984	USAA
RHO043	865269545	USAA
RHO045	668710860	USAA
RHO048	44372698	CIC
RHO050	1613679406	CIC
RHO057	1166791597	CIC
RHO060	1546347196	CIC

Company Response:

In each of the above referenced cases, the member had an existing USAA Group Property and Casualty Property policy that was in force when a subsequent Homeowners Policy was issued. In this situation, the Company considers the Business Type variable to be ‘Existing’ for the newly issued policy because we have an existing property relationship with these members. The Company respectfully requests the Bureau to consider this definition because the Company consistently applied it to all sixteen of the above referenced cases. See supports RHO008, RHO017, RHO018, RHO021, RHO028, RHO030, RHO033, RHO037, RHO039, RHO041, RHO043, RHO043, RHO045, RHO048, RHO050, RHO057, RHO060.

The Company has previously acknowledged that additional clarity on the applicability of this rule could be provided in Tier Placement Guidelines; however, we continue to assert that the policy was rated correctly.

Reference Number	Review Sheet	Company
RHO051	354118565	CIC
RHO020	777070654	GAR
RHO012	637390829	GIC

Company Response:

In each of the above referenced cases, the member previously had a USAA Group Property and Casualty Property policy. The Company considers a member to be a Business Type of 'Returning' when they have had a USAA P&C Group Property policy that expired or was cancelled within 11 days to 24 months of the policy being quoted/issued. The Company respectfully requests the Bureau to consider this definition because the Company consistently applied it to all three of the above referenced cases. See supports RHO051, RHO020 and RHO012.

The Company has previously acknowledged that additional clarity on the applicability of this rule could be provided in Tier Placement Guidelines; however, we continue to assert that the policy was rated correctly.

(2d)	Reference Number	Review Sheet	Company
	RHO004	1621626353	GIC
	RHO008	127081003	GIC
	RHO010	1830076015	GIC
	RHO024	1024595748	GAR
	RHO028	116928112	GAR
	RHO033	905115954	USAA
	RHO034	181558767	USAA

Company Response:

Because no rate appears for Hurricane, Thunderstorm, and Winter Storm coverages on the rate page for Other Optional Coverages, Item 5 of Premium Determination Rule 20 cannot be applied as the Department has done in their interpretation. Item 3 of Premium Determination Rule 20 will be modified to include "Increased Dwelling Coverage Ratio" and should read as follows:

3. Multiply the base rate for each peril by the appropriate factors for underwriting tier, territory, amount of insurance/deductible, **increased dwelling ratio**, protection/construction, roof type, square footage, and policy form if applicable.

Page 1 of each exhibit is provided for illustrative purposes only. This calculation will allow the Department to evaluate the intended amounts for the Increased Dwelling Coverage premium for the Hurricane, Thunderstorm, and Winter Storm perils, although this is not the way the premiums for these coverages are calculated in practice. Page 2 of each exhibit demonstrates the calculation of each policy's premium as the rating formula was intended to be applied and shows that no overcharges or undercharges resulted. See

attached supports RHO004, RHO008, RHO010, RHO024, RHO028, RHO033, RHO034, RHO036, RHO047, RHO048 and RHO051.

(2e)	Reference Number RHO004	Review Sheet 1439687317	Company GIC
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Company Response:

Please see ISO circular communication dated August 5, 2013, which announced a change in the public fire protection classifications effective November 1, 2013.

The CMC Revisions for Circular CC-AA-2013-007 in Virginia, Sterling Park FD (territory 270) split classification 04/10 footnotes state "reason for withdrawal **see Loudoun CO FDS and Loudoun CO FPFA."

Under Loudoun CO FDS (territory 270), the CMC Revisions footnotes protection class rating 05/10 effective 11/01/2013.

90A was issued effective 09/04/2013 and named Sterling Park FD with a protection class rating of 4. Once the 90A policy renewed effective 09/04/2014, the updated ISO information was changed to Loudoun CO FDS with a PC rating of 5.

At the time the 90A policy was issued effective 09/04/2013, USAA was using the correct and up to date ISO information by rating with a protection class 4 and Sterling Park FD.

Please see supports for RHO0004.

Homeowner Renewal Business Rating

(2a)	Reference Number RHO117	Review Sheet 710175803	Company CIC
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Company Response:

The Company appropriately surcharged for the 03/05/2013 weather related claim. Weather claims became non-surchargable effective 10/01/2013 (filing VA1316567). Accordingly, the 03/05/2013 was eligible to be surcharged.

(2b)	Reference Number RHO061 RHO086 RHO088 RHO115	Review Sheet 666300769 2130833714 61356326 1484324498	Company GIC GAR GAR CIC
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Company Response:

Internal Revenue Code (IRC) sec. 4975(c)(1)(D) is the prohibited transaction rule that is relevant to this inquiry. This definition includes any direct or indirect transfer to, or use by or for the benefit of, a disqualified person of the income or assets of a plan.

(c) Prohibited transaction.--

(1) General rule.--*For purposes of this section, the term "prohibited transaction" means any direct or indirect—*

- (A) sale or exchange, or leasing, of any property between a plan and a disqualified person;*
- (B) lending of money or other extension of credit between a plan and a disqualified person;*
- (C) furnishing of goods, services, or facilities between a plan and a disqualified person;*
- (D) transfer to, or use by or for the benefit of, a disqualified person*
- (E) act by a disqualified person who is a fiduciary whereby he deals with the income or assets of a plan in his own interest or for his own account; or*
- (F) receipt of any consideration for his own personal account by any disqualified person who is a fiduciary from any party dealing with the plan in connection with a transaction involving the income or assets of the plan.*

In addition, I.R.C. sections 4975(e)(1)(A) – (G). define a "plan" subject to these rules

(e) Definitions.--

(1) Plan.--*For purposes of this section, the term "plan" means--*

- (A) a trust described in section 401(a) which forms a part of a plan, or a plan described in section 403(a), which trust or plan is exempt from tax under section 501(a),*
- (B) an individual retirement account described in section 408(a),*
- (C) an individual retirement annuity described in section 408(b),*
- (D) an Archer MSA described in section 220(d),*
- (E) a health savings account described in section 223(d),*
- (F) a Coverdell education savings account described in section 530, or*

(G) a trust, plan, account, or annuity which, at any time, has been determined by the Secretary to be described in any preceding subparagraph of this paragraph.

Based on these rules, the Company asserts that rule 4975(c)(1)(D) prohibits us from giving benefit for assets in certain plans and 4975(e)(1)(A) – (G) defines those plans. As a result, the Company does not consider products that fit the definitions indicated in (A) – (G). We have previously provided a list of products that are not considered. As requested, we have also included a list that includes all other IMCO products that are considered. See supports labeled “IMCO Products Excluded from ARL-PRL Benefit” and “IMCO Products Included for ARL-PRL Benefit”.

(2c)	Reference Number	Review Sheet	Company
	RHO063	16624946919	GIC
	RHO068	304561891	GIC
	RHO076	1196031860	GAR
	RHO080	2004036596	GAR
	RHO101	2011684369	USAA
	RHO118	858849490	CIC

Company Response:

Because no rate appears for Hurricane, Thunderstorm, and Winter Storm coverages on the rate page for Other Optional Coverages, Item 5 of Premium Determination Rule 20 cannot be applied as the Department has done in their interpretation. Item 3 of Premium Determination Rule 20 will be modified to include “Increased Dwelling Coverage Ratio” and should read as follows:

3. Multiply the base rate for each peril by the appropriate factors for underwriting tier, territory, amount of insurance/deductible, **increased dwelling ratio**, protection/construction, roof type, square footage, and policy form if applicable.

Page 1 of each exhibit is provided for illustrative purposes only. This calculation will allow the Department to evaluate the intended amounts for the Increased Dwelling Coverage premium for the Hurricane, Thunderstorm, and Winter Storm perils, although this is not the way the premiums for these coverages are calculated in practice. Page 2 of each exhibit demonstrates the calculation of each policy’s premium as the rating formula was intended to be applied and shows that no overcharges or undercharges resulted. See attached supports RHO063, RHO068, RHO076, RHO080. While the Company did not submit supports for RHO101 and RHO118, the described logic described and used in the submitted supports can be applied to these accounts for review and reconsideration.

(3)	Reference Number	Review Sheet	Company
	RHO074	1955721772	GIC
	RHO082	237275007	GAR

RHO090	472043377	GAR
RHO093	1137482636	USAA
RHO095	133248800	USAA
RHO107	964294717	CIC

Company Response:

As requested, the Company is providing the actual credit score and screen shots that show the Underwriting Review screens for the prior policies and the renewal policy reviewed by the Department. In each of the instances, the scores were ordered 3 years prior and held for the following 2 policy renewals. The range used for each of these policies saw no change or improved. As a result, the Company continues to assert that no Credit Adverse Action notice was required. See supports RHO074, RHO082, RHO090, RHO093, RHO095, RHO107

Automobile Cancellation Notices Mailed Prior to the 60th Day

(1)	Reference Number	Review Sheet	Company
	TPA008	1309327401	USAA

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

(3a)	Reference Number	Review Sheet	Company
	TPA008	841799097	USAA

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

(4a)	Reference Number	Review Sheet	Company
	TPA008	1782401128	USAA

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

(4b)	Reference Number	Review Sheet	Company
	TPA008	664242926	USAA

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will

review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Automobile Cancellation Notices Mailed After the 59th Day

Reference Number	Review Sheet	Company
TPA024	64771356	USAA

Company Response:

The Company disagrees as this scenario is a member initiated cancellation. The insured requested the policy be cancelled due to a move out of country.

On 5/3/2012, the insured contacted the Company and advised he is going through a marital separation and the spouse currently lives in Canada. Member advised the Company if court battle is lost, member will be moving to Canada or close to border.

The Member contacted the Company on 7/26/2013 by telephone and updated address to Canada effective 07/26/2013.

On 7/25/2014, the Company was contacted by insured by telephone and requested to cancel auto policy 7109 effective 07/26/2014, MSR employee XX859 processed the auto policy cancellation per our member's request.

Please see supporting documentation for TPA024 - Narrative with applicable screen shots.

Automobile Non-Renewals

(1)	Reference Number	Review Sheet	Company
	TPA065	263106307	GIC

Company Response:

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Homeowner Insured Requested Cancellations-

- (1) The violations for THO041, THO061 and THO065 remain in the Report. The insurance contract is an agreement between the Company and the insured. The premium may have been paid by the lienholder through an escrow account. However, the escrow account is money from the insured. The violations have been cited as violations of § 38.2-1906 D of the Code of Virginia because the premium is determined using rules and rates on file with

the Bureau. The Company incorrectly issued the return premium to the insured's mortgage Company instead of the named insured.

Company Response:

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

(2)	Reference Number THO062	Review Sheet 436891066	Company GIC
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Company Response:

This policy was cancelled at the member's request and is not a Company initiated cancelled. See supports reflecting notice sent to the member acknowledging the member's instructions to cancel coverage labeled "Notice to Insured" and "Notice to Mortgagee".

Private Passenger Automobile Claims

(1)	Reference Number CPA062	Review Sheet 204729354	Company GAR
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Company Response:

Please find attached bill to support the payment of \$137.55 under CPA062_\$137.55pdf.

Reference Number CPA134	Review Sheet 476151132	Company CIC
CPA142	223376238	GIC
CPA148	289104674	GIC
CPA155	1514516292	GIC

Company Response:

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Reference Number	Review Sheet	Company
CPA157	888861544	GIC

The member was not told on 8/19/2014 that they had rental coverage. The examiner response fails to leave the remainder of the quoted sentence from the response "Explained RR no gas/mileage for repair time only-stay in touch with shop-deposit may be required-insurance on policy extends to rental ***coverage exposure left to adjuster." This indicates that the investigation and coverage question was left to the handling adjuster to review and advise of coverage, which was completed on 8/20/2014.

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Reference Number	Review Sheet	Company
CPA165	1090318216	GIC
CPA166	1944956226	GIC
CPA169	707232128	GIC

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel

	Reference Number	Review Sheet	Company
2c)	CPA038	973705895	USAA
	CPA094	888019493	GAR

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

	Reference Number	Review Sheet	Company
(2d)	CPA045	586493601	USAA

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

	Reference Number	Review Sheet	Company
(5b)	CPA154	26197655	GIC

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will

review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

(5d)	Reference Number	Review Sheet	Company
	CPA001	101895322	USAA
	CPA065	655232304	GAR
	CPA102	1646960296	CIC
	CPA103	1859190050	CIC
	CPA152	855612990	USAA

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Reference Number	Review Sheet	Company
CPA094	927269271	GAR

The rental bill provided to the Bureau clearly shows the rental was initiated on 8/3/2016 which was the date of loss with a rate of \$41/day. The bill also clearly shows total charges of \$271.91 billed to and paid by the Company which was the full cost of the rental after tax. The bill also clearly shows nothing was paid out of pocket as indicated by "Less amount received: \$0." A reaffirmation of coverage is not an indication of an instance in which a fair and reasonable settlement was not offered.

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Reference Number	Review Sheet	Company
CPA098	2055965969	GAR

Attached is a screen shot of the enterprise account. The insured's name is available on the image provided. The rental agreement number of D121787 for enterprise is available on each image which is the same indicating the balance was billed to the shop.

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

(7)	Reference Number	Review Sheet	Company
	CPA125	1428669885	CIC

As previously stated, the flyer referenced as the source of this violation was **not** "content" of the claim file as represented by the examiner. The examiner, having access to the Company systems was able to view the flyer in an

Automobile renewal packet under View Documents, not part of the claim file. The examiner's assertion that the flyer was a part of the claim file is inaccurate.

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

(10)

Reference Number	Review Sheet	Company
CPA037	40724562	USAA

The funeral expense of \$9499.04 was received on 3/24/2014 and paid four days later on 3/28/2014. The receipt for \$2417.60 was received on 4/16/2014 and the benefits were exhausted the same day. This is evident of a prompt investigation.

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Reference Number	Review Sheet	Company
CPA064	609392824	GAR
CPA155	1875542278	GIC

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Reference Number	Review Sheet	Company
CPA134	9602947	CIC

Claim notes do not substantiate delays. The notations of "repairable" and "total loss" did not impede the progress of the claim. SIU concluded on 10/8/2013 and file doc 56 indicates the SIU investigator had attempted to reach the insured several times. Once SIU investigation concluded on 10/8 the adjuster called the insured to settle the claim on 10/9 and 10/11. The claim was paid on 10/14/13 with the estimate available. The vehicle was declared a total loss on 11/7/13 when a supplement was received.

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

(16b) The documents provided by the Company are the online claims procedures available to it's employees regarding the subject matter in place within the exam

scope. The documents submitted in the prior response show evidence of the versioning and date(s) the documents were in effect.

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Homeowner Claims

- (1) **Reference Number** **Review Sheet** **Company**
CPA134 **9602947** **CIC**
The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Reference Number **Review Sheet** **Company**
CHO070 **92786903** **GAR**

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Reference Number **Review Sheet** **Company**
CHO079 **1889376395** **USAA**

There is no check issued to Donan Electric in the amount of \$6,656.75 as noted by the Bureau in it's response. There is only one check issued to this party in the amount of \$3,005.00. There were 3 checks issued on this claim. 2 checks were issued to the member and spouse, \$450.00 and \$3100.00, totaling \$3455.00 and one check to Donan Engineering for \$3,005.00. It appears the Bureau has incorrectly accounted for checks issued on this file as being issued to Donan Electric. Please refer to prior supports submitted reflecting the payees and payment amounts.

- (5d) **Reference Number** **Review Sheet** **Company**
CHO122 **1308968599** **USAA**

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

- (11b) The documents provided by the Company are the online claims procedures available to it's employees regarding the subject matter in place within the exam

scope. The documents submitted in the prior response show evidence of the versioning and date(s) the documents were in effect.

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

(11c)	Reference Number	Review Sheet	Company
	CHO001	1427737563	GAR
	CHO070	1428508683	GAR

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

Homeowner New Business Policy Issuance

(1)	Reference Number	Review Sheet	Company
	MHO001	803866475	CIC

The Company disagrees that insuring the dwelling for replacement cost requires an Adverse Underwriting Decision notice. The Homeowners policy provides coverage for the replacement cost of the dwelling.

The insured's spouse contacted the Company on 01/20/2015 by telephone and spoke to MSR employee XX723. Member advised of the purchase of a new home for purchase price of \$216,000. The Company asks for the purchase price of a home purchased in the last 12 months to assess any potential condition hazards.

MSR XX723 obtained home features information from member and estimated the dwelling replacement at \$199,000. Member decided to issue 90A effective 02/12/2015 with dwelling coverage of \$199,000.

In the MSR transaction flow, their screens display "Our Suggestion" (the Company's) and also "Your Custom Quote". The custom quote allows the MSR to manually input the member's requested dwelling amount. Please reference supporting documentation of policy issuance quote results for a screen shot (this is an example of what the member views, not specific to this member).

Additionally, this homeowner's policy (HO-9) includes the Home Protector Coverage. If the member meets the policy conditions, an additional 25% of the dwelling coverage will be applied if needed. Please reference homeowners contract HO-9 Section I Loss Settlement 3. Home Protector Coverage.

The member was provided his policy packet which contained the declarations page, homeowners contract and a summary of the home characteristics. In the

summary the Company advises the member that "We can calculate the minimum rebuilding cost of your home based on your home characteristics, but only you can decide if this is enough coverage." Please reference supporting documentation Home Characteristics. Please see supports for MHO001.

Reference Number	Review Sheet	Company
MHO002	983236332	CIC

The Company disagrees that insuring the dwelling for replacement cost requires an Adverse Underwriting Decision notice. The Homeowners policy provides coverage for the replacement cost of the dwelling.

On 01/09/2015, the member completed a homeowner's insurance quote on USAA.com The quote was emailed to the insured. The online quote was completed for \$157,000 in dwelling coverage. Please see supporting documentation Online Home Insurance Quote.

01/15/2015, the member issued 90A on USAA.com with an effective date of 02/19/2015 and the dwelling coverage of \$157,000. Please see supporting the Online Home Insurance e-sign app.

In the online transaction, because this was a newly purchased property, one of the initial questions is the purchase price amount which was \$163,000. The Company asks for the purchase price of a home to assess any potential condition hazards. The replacement cost value determined by the insurance to value tool calculated the estimated cost to rebuild to be \$157,000. The insured opted to insure the 90A coverage A dwelling for the Company's recommended replacement cost of \$157,000.

The online transaction flow provides the member with the Company's suggestion, "Our Suggestion" and also "Your Custom Quote". The custom quote allows the member to manually input the requested dwelling amount. Please reference supporting documentation of online policy issuance quote results (this is an example of what the member views, not specific to this member).

Additionally, this homeowner's policy (HO-9) includes the Home Protector Coverage. If the member meets the policy conditions, an additional 25% of the dwelling coverage will be applied if needed. Please reference homeowners contract HO-9 Section I Loss Settlement 3. Home Protector Coverage.

The member was provided his policy packet which contained the declarations page, homeowner's contract and a summary of the home characteristics. In the summary the Company advises the member that "We can calculate the minimum rebuilding cost of your home based on your home characteristics, but only you can decide if this is enough coverage." Please reference supporting documentation Home Characteristics. Please see supports for MHO002.

Reference Number	Review Sheet	Company
MHO003	1046180527	CIC

The Company disagrees that insuring the dwelling for replacement cost requires an Adverse Underwriting Decision notice. The Homeowners policy provides coverage for the replacement cost of the dwelling.

The insured contacted the Company by telephone 01/20/2015 and spoke to a MSR at 3:26 p.m. The member processed a homeowner's policy quote on USAA.com on 1/20/2015. The online quote was emailed with dwelling coverage of \$163,000 to the insured's personal email address. The quote lists all of the member's coverage's (dwelling coverage of \$163,000), deductible and premium. Please reference documentation home quote emailed to member.

On 01/21/2015, the Company was contacted by the insured at which time the member provided permission to issue homeowner's policy. Documentation of approval from insured to issue 90A when mortgagee contacts. Please see support labeled documentation to issue policy with mortgagee.

01/26/2015, the Company was contacted by the mortgage Company and 90A policy was issued with an effective date of 2/9/2015. Please see supporting documentation for transaction screen shot.

The purchase price of \$165,200 was obtained during the issuance transaction. The Company requests purchase price for underwriting purposes to assess the potential for condition hazard. Based on the home characteristics provided by the member, the estimated rebuilding cost was calculated at \$163,000. The member opted to insure the property for \$163,000.

Additionally, this homeowner's policy (HO-9) includes the Home Protector Coverage. If the member meets the policy conditions, an additional 25% of the dwelling coverage will be applied if needed. Please reference homeowners contract HO-9 Section I Loss Settlement 3. Home Protector Coverage.

The member was provided his policy packet which contained the declarations page, homeowner's contract and a summary of the home characteristics. In the summary the Company advises the member that "We can calculate the minimum rebuilding cost of your home based on your home characteristics, but only you can decide if this is enough coverage." Please reference supporting documentation Home Characteristics. Please see supports for MHO003.

Reference Number	Review Sheet	Company
MHO006	474853889	GIC

The Company disagrees that insuring the dwelling for replacement cost requires an Adverse Underwriting Decision notice. The Homeowners policy provides coverage for the replacement cost of the dwelling.

Member contacts the Company 01/20/2015 at 09:59 a.m. by telephone and speaks to MSR employee XX596. Based on phone conversation, 90A homeowner's policy was issued effective 02/13/2015.

The home was a new purchase and the Company asked our member for the purchase price, which was \$639,000. The Company requests purchase price for underwriting purposes to assess the potential for condition hazard. Based on the home characteristics provided by the member, the estimated rebuilding cost was calculated at \$381,000. The member opted to insure the property for \$381,000. Please reference supporting documentation for issue transaction

In the MSR transaction flow, their screens display "Our Suggestion" (the Company's) and also "Your Custom Quote". The custom quote allows the MSR to manually input the member's requested dwelling amount. Please reference supporting documentation of policy issuance quote results for a screen shot (this is an example of what the member views, not specific to this member).

Additionally, this homeowner's policy (HO-9) includes the Home Protector Coverage. If the member meets the policy conditions, an additional 25% of the dwelling coverage will be applied if needed. Please reference homeowners contract HO-9 Section I Loss Settlement 3. Home Protector Coverage.

The member was provided his policy packet which contained the declarations page, homeowner's contract and a summary of the home characteristics. In the summary the Company advises the member that "We can calculate the minimum rebuilding cost of your home based on your home characteristics, but only you can decide if this is enough coverage." Please reference supporting documentation Home Characteristics. Please see supports for MHO006.

Reference Number	Review Sheet	Company
MHO008	-1023148236	GAR

The Company disagrees that insuring the dwelling for replacement cost requires an Adverse Underwriting Decision notice. The Homeowners policy provides coverage for the replacement cost of the dwelling.

The member contacted the Company and spoke with MSR employee XX502 on 01/26/2015 and requested to issue 92A homeowner's policy effective 02/12/2015.

Member advised of the purchase of a new home for purchase price of \$720,000. The Company asks for the purchase price of a home purchased in the last 12 months for underwriting purposes to assess any potential condition hazards.

MSR employee XX502 obtained home features information from member and estimated the dwelling replacement at \$424,000. Member decided to issue 92A effective 02/12/2015 with dwelling coverage of \$424,000.

In the MSR transaction flow, their screens display "Our Suggestion" (the Company's) and also "Your Custom Quote". The custom quote allows the MSR to manually input the member's requested dwelling amount. Please reference

supporting documentation of policy issuance quote results for a screen shot (this is an example of what the member views, not specific to this member).

Additionally, this homeowner's policy (HO-9) includes the Home Protector Coverage. If the member meets the policy conditions, an additional 25% of the dwelling coverage will be applied if needed. Please reference homeowners contract HO-9 Section I Loss Settlement 3. Home Protector Coverage.

The member was provided his policy packet which contained the declarations page, homeowner's contract and a summary of the home characteristics. In the summary the Company advises the member that "We can calculate the minimum rebuilding cost of your home based on your home characteristics, but only you can decide if this is enough coverage." Please reference supporting documentation Home Characteristics. Please see supports for MHO008.

Reference Number	Review Sheet	Company
MHO009	683031217	GAR

The Company disagrees that insuring the dwelling for replacement cost requires an Adverse Underwriting Decision notice. The Homeowners policy provides coverage for the replacement cost of the dwelling.

On 01/05/2015, the member quoted a homeowner's policy on USAA.com. This quote was then emailed to the member which listed out the premium, policy coverage's including the dwelling coverage limit of \$161,000, and deductibles. Please see supporting documentation for emailed homeowner's quote.

On 01/06/2015, the member issued 90A homeowner's policy on USAA.com with a policy effective date of 01/15/2015. Please reference supporting documentation of online home application which also contains the member's e-signature.

In the online transaction the member indicated the home was a new purchase and the purchase price was \$217,500. The Company asks for the purchase price of a home purchased in the last 12 months for underwriting purposes to assess any potential condition hazards.

Based on the home characteristics provided by the member on USAA.com, the estimated rebuilding cost was calculated at \$161,000. The online transaction flow provides the member with the Company's suggestion, "Our Suggestion" and also "Your Custom Quote". The custom quote allows the member to manually input the requested dwelling amount. Please reference supporting documentation of online policy issuance quote results (this is an example of what the member views, not specific to this member).

Additionally, this homeowner's policy (HO-9) includes the Home Protector Coverage. If the member meets the policy conditions, an additional 25% of the dwelling coverage will be applied if needed. Please reference homeowners contract HO-9 Section I Loss Settlement 3. Home Protector Coverage.

The member was provided his policy packet which contained the declarations page, homeowner's contract and a summary of the home characteristics. In the summary the Company advises the member that "We can calculate the minimum rebuilding cost of your home based on your home characteristics, but only you can decide if this is enough coverage." Please reference supporting documentation Home Characteristics. Please see supports for MHO009.

Reference Number	Review Sheet	Company
MHO011	85794884	USAA

The Company disagrees that insuring the dwelling for replacement cost requires an Adverse Underwriting Decision notice. The Homeowners policy provides coverage for the replacement cost of the dwelling.

The member contacted the Company and spoke to MSR employee XX695 on 01/28/2015 and requested to issue a homeowner's policy. The member advised this home was a new purchase for \$460,000. The Company asks for the purchase price of a home purchased in the last 12 months for underwriting purposes to assess any potential condition hazards.

Based on the home characteristics provided by the member, the minimum replacement cost was estimated to be \$173,000. Member decided to issue 92A effective 02/26/2015 with dwelling coverage of \$173,000.

In the MSR transaction flow, their screens display "Our Suggestion" (the Company's) and also "Your Custom Quote". The custom quote allows the MSR to manually input the member's requested dwelling amount. Please reference supporting documentation of policy issuance quote results for a screen shot (this is an example of what the member views, not specific to this member).

Additionally, this homeowner's policy (HO-9) includes the Home Protector Coverage. If the member meets the policy conditions, an additional 25% of the dwelling coverage will be applied if needed. Please reference homeowners contract HO-9 Section I Loss Settlement 3. Home Protector Coverage.

The member was provided his policy packet which contained the declarations page, homeowner's contract and a summary of the home characteristics. In the summary the Company advises the member that "We can calculate the minimum rebuilding cost of your home based on your home characteristics, but only you can decide if this is enough coverage." Please reference supporting documentation Home Characteristics. Please see supports for MHO011.

Reference Number	Review Sheet	Company
MHO012	1978587295	CIC

The Company disagrees that insuring the dwelling for replacement cost requires an Adverse Underwriting Decision notice. The Homeowners policy provides coverage for the replacement cost of the dwelling.

01/15/2015, the member issued homeowner's policy 90A effective 01/26/2015. The transaction is saved on the Company systems pending complete mortgagee information being received. Please reference supporting documentation of online home application which also contains the member's e-signature.

The member indicates on usaa.com they are purchasing the home for \$337,000. Based on the home characteristics provided by the member on USAA.com the minimum cost of rebuild at \$255,000 and the insured chooses to insure the dwelling coverage A for \$255,000.

The online transaction flow provides the member with the Company's suggestion, "Our Suggestion" and also "Your Custom Quote". The custom quote allows the member to manually input the requested dwelling amount. Please reference supporting documentation of online policy issuance quote results (this is an example of what the member views, not specific to this member).

On 01/23/2015, MSR employee XX562 issued 90A policy after gathering the appropriate mortgagee information with the effective date of 02/26/2015. Additionally, this homeowner's policy (HO-9) includes the Home Protector Coverage. If the member meets the policy conditions, an additional 25% of the dwelling coverage will be applied if needed. Please reference homeowners contract HO-9 Section I Loss Settlement 3. Home Protector Coverage.

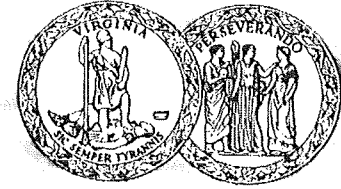
The member was provided his policy packet which contained the declarations page, homeowners contract and a summary of the home characteristics. In the summary the Company advises the member that "We can calculate the minimum rebuilding cost of your home based on your home characteristics, but only you can decide if this is enough coverage." Please reference supporting documentation Home Characteristics. Please see supports for MHO012.

(2)	Reference Number	Review Sheet	Company
	MHO005	11114589528	GIC
	MHO006	400993285	GIC
	MHO008	879940992	GAR
	MHO009	1115594677	GAR
	MHO011	629998448	USAA
	MHO012	1696020325	USAA

The Company respectfully maintains it has not violated the statute as outlined by the Bureau and submits nothing further at this time. The Company will review the matter further with its Counsel, the Bureau and/or the Bureau's counsel.

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
<http://www.scc.virginia.gov/division/bo>

December 16, 2016

VIA UPS 2nd DAY DELIVERY

James Bialorucki
Director P&C Compliance
United Services Automobile Association
900 Fredericksburg Road
San Antonio, Texas 78288

Re: Market Conduct Examination
United Services Automobile Association (NAIC# 25941)
USAA Casualty Insurance Company (NAIC# 25968)
USAA General Indemnity Company (NAIC# 18600)
Garrison Property & Casualty Insurance Company (NAIC# 21253)
Examination Period: September 1, 2013 – August 31, 2014

Dear Mr. Bialorucki:

The Bureau of Insurance (Bureau) has reviewed the November 28, 2016 response to the Revised Market Conduct Report (Report) of United Services Automobile Association, USAA Casualty Insurance Company, USAA General Indemnity Company, and Garrison Property & Casualty Insurance Company (Companies). The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE – EXAMINERS' OBSERVATIONS

RATING AND UNDERWRITING

Automobile New Business Rating

- (5) After further review, the violations for RPA003, RPA006, RPA009, RPA010 and RPA040 have been withdrawn from the Report.

Automobile Renewal Business Policies

- (2c) The violation for RPA064 remains in the Report. The rates the Company used when rating the policy were the rates applicable as of the policy effective date.

The rates applicable to this policy for this insured on the effective were assigned territory 270. The Company made adjustments in accordance with the numerous rating variables that change with each renewal. This situation would be no different.

Homeowner New Business Rating

- (1) After further review, the violation for RHO011 has been withdrawn from the Report. The Company provided documentation showing the member elected a Building limit lower than his current policy limit.

The violation for RHO033 remains in the Report. The Homeowners Insurance Quote screen shows the insured stated the "Purchase Amount" for the Condominium was \$340,000. In a separate section of the quote, the insured again stated the "Amount of Coverage for Building Item" was \$340,000. Since the insured specifically requested this limit, the lower limit of \$269,000 developed by the Company required an Adverse Underwriting Decision Notice (AUD). The Company is required to send an AUD to an insured upon declining coverage (partially or wholly), terminating coverage, placing a policy with a residual market mechanism or unlicensed insurer, or charging a higher rate based upon information differing from that provided by the applicant. The Bureau is concerned that the Company are not providing AUDs to insureds when coverage limits are declined due to the Companies' minimum replacement cost calculation or inspection reports.

- (2c) The violations for RHO003, RHO004, RHO019, RHO036, RHO044 and RHO054 remain in the Report. These policies had IMCO accounts labeled BRS, IBR or RSF, which the Company did not consider when determining the Tier. However, the Company accepted the BRS and IBR accounts as eligible IMCO accounts when tiering RHO048. Due to this inconsistency, these violations were not withdrawn. Additionally, the Company's list of qualified IMCO accounts does not correspond to the alphabetical letter account labels on the Corporate Activities screens accessible to the examiners while on-site. Further, the Company did not provide the IRS law that defined "disqualified persons." The Bureau has no issue if the Company elects to exclude certain IMCO products from its tiering. However, the Company should ensure that its filed manual clearly indicates how the rule is implemented when rating policies.

After further review, the violations for RHO008, RHO012, RHO017, RHO018, RHO020, RHO021, RHO028, RHO030, RHO033, RHO034, RHO037, RHO039, RHO041, RHO043, RHO045, RHO047, RHO048, RHO050, RHO051, RHO057, RHO058 and RHO060 have been withdrawn from the Report. All of the above policies had an existing USAA P&C policy and the resulting tier was the same when using the "Existing" or "Returning" Business Types.

Upon reviewing each file for consistent Business Type use, the Bureau has added two violations for RHO005 and RHO029. The Company used the "New" Business Type instead of "Existing" under the Relationship Variable when the insured already had an active existing auto policy.

- (2d) The violations for RHO004, RHO008, RHO010, RHO024, RHO028, RHO033, RHO034, RHO036, RHO047, RHO048 and RHO051 remain in the Report. The violations have been revised to specify that the Hurricane Peril calculation with Increased Dwelling Coverage is incorrect. The Premium Determination rule stated Coverage C was used for the HO-6 Amount of Insurance. Rate page VA-R-4.21 did not specify that the Amount of Insurance was the sum of Coverage C and Increased Dwelling Coverage limits on the policy. A note indicated by a double-asterisk on the Severe Thunderstorm, Winter Storm, and Earthquake HO-6 rate pages stated to use the sum. The filed manual should clarify 1) when the Amount of Insurance (AOI) is Coverage C or the sum of Coverage C and Increased Dwelling Coverage to calculate the base premium, 2) the calculation of the base premiums, and 3) the calculation of the Increased Dwelling Ratio. This would affect the Premium Determination rule, Amount of Insurance/Deductible Factors, and Increased Dwelling Coverage Ratio manual pages.
- (2e) After further review, the violation for RHO004 has been withdrawn from the Report. The Company provided the requested documentation of the ISO public protection classification that was effective when the policy was issued.

Homeowner Renewal Business Rating

- (2a) The violation for RHO117 remains in the Report. The Company should not have surcharged the policy for any of the three weather claims. The renewal policy term under review was effective October 13, 2013. As the Company acknowledged in its response, the revised Claims Activity Surcharge rule became effective October 1, 2013, which excluded catastrophe and weather claims from surcharges.
- (2b) The violations for RHO061, RHO086, and RHO115 remain in the Report. These policies had IMCO accounts labeled IBR, IMF or UMP, which the Company did not consider when determining the Tier. However, the Company accepted the IBR, IMF and/or UMP accounts as eligible IMCO accounts when tiering RHO100 and RHO106. Additionally, the Company's list of qualified IMCO accounts does not correspond to the alphabetical letter account labels in the Corporate Activities screens accessible to the examiners while on-site. Due to this inconsistency, these violations were not withdrawn. Further, the Company did not provide the IRS law that defined "disqualified persons." The Bureau has no issue with the Company electing to exclude certain IMCO products from its tiering. However, the Company should ensure that its filed manual clearly indicates how the rule is implemented when rating policies.

The violation for RHO088 remains in the Report. This policy had a Life account labeled ANTY, which the Company deemed unqualified. However, the Company accepted the ANTY Life account for RHO075. Due to this inconsistency, these violations were not withdrawn.

- (2c) The violations for RHO063, RHO068, RHO076, RHO080, RHO101 and RHO118 remain in the Report. The violations have been revised to specify that the Hurricane Peril calculation with Increased Dwelling Coverage is incorrect. The Premium Determination rule stated Coverage C was used for the HO-6 Amount of Insurance. Rate page VA-R-4.21 did not specify that the Amount of Insurance was the sum of Coverage C and Increased Dwelling Coverage limits on the policy. A note indicated by a double-asterisk on the Severe Thunderstorm, Winter Storm, and Earthquake HO-6 rate pages stated to use the sum. The filed manual should clarify 1) when the Amount of Insurance (AOI) is Coverage C or the sum of Coverage C and Increased Dwelling Coverage to calculate the base premium, 2) the calculation of the base premiums, and 3) the calculation of the Increased Dwelling Ratio. This would affect the Premium Determination rule, Amount of Insurance/Deductible Factors, and Increased Dwelling Coverage Ratio manual pages
- (3) After further review, the violations for RHO074, RHO082, RHO090, RHO093, RHO095 and RHO107 have been withdrawn from the Report. The Company provided the requested documentation.

Automobile Cancellation Notices Mailed Prior to the 60th Day

All of the outstanding violations in this section of the Report pertain to the policy identified as TPA008 for the examination. This file was included in the Company's population and identified as a Company Initiated Cancellation that occurred within the first 60 days of the policy inception date. The Company waited until a year after the on-site portion of the examination to declare that this policy was not Company initiated Cancellation but was an Insured Requested Cancellation. The Company has asked that more than 50% of the termination sample be changed from Company Initiated Cancellations to Insured Requested Cancellations during the reporting phase of this examination, leaving us with less than a representative number of terminations reviewed.

- (1) The violation for TPA008 remains in the Report. The Company should provide a response to the Bureau by January 13, 2017.
- (3a) The violation for TPA008 remains in the Report. The Company should provide a response to the Bureau by January 13, 2017.
- (4a) The violation for TPA008 remains in the Report. The Company should provide a response to the Bureau by January 9, 2017.

- (4b) The violation for TPA008 remains in the Report. The Company should provide a response to the Bureau by January 13, 2017.

Automobile Cancellation Notices Mailed After the 59th Day

The violation for TPA024 remains in the Report. Once again, the Company included this termination in the Company Initiated cancellations after the 59th day of coverage and later declared it to be an Insured Requested Cancellation after receiving review sheets from the Bureau. The documentation provided by the Company is evidence of a request to cancel the homeowner contract but not the automobile policy. For reconsideration, please provide evidence of request to cancel the automobile policy.

Automobile Non-Renewals

- (1) The violation for TPA065 remains in the Report. The Company has not provided any additional information for the Bureau to reconsider. The USPS ball stamp date is not legible. The requirements for valid proof of mailing are outlined in the statute. Without the requested documentation, the proof of mailing is invalid.

Homeowner Insured Requested Cancellations

- (1) The violations for THO041, THO061 and THO065 have moved to violations of the policy provisions. The return premium should be sent to the insured. The premium may have been paid by the lienholder, but the premium was paid with money sent to the mortgage company by the insured. The Company should make the outstanding restitution on these policies by January 13, 2017.
- (2) The violation for THO062 remains in the Report. The Bureau has not alleged that this was a Company Initiated cancellation. This file was in the Company's population data twice (same named insured, same policy number) as an Insured Requested cancellation with two different requested cancellation dates. There is no documentation from the insured requesting cancellation of the policy for either date. The Company should provide a response to the Bureau by January 13, 2017.

Private Passenger Automobile Claims

- (1) The violation for CPA062 remains in the Report. The Company continues to provide invoices for the \$699.14 payment but has not provided an invoice for the payment of \$137.55

The violations for CPA134, CPA142, CPA148, and CPA155 remain in the Report. The Company should provide a response to the Bureau by January 13, 2017.

After further review, the violation for CPA157 is withdrawn from the Report.

The violation for CPA165 remains in the Report. The file is not documented as to why the Company decided to handle the claim when the shipping company had accepted liability. The Company later indicated that they would not subrogate causing the insured to be unable to be reimbursed his deductible.

The violation for CPA166 has been amended to delete reference to the medical repricing issue. The violation for failure to document how the Company determined that the loss was an OTC loss remains in the Report.

The violation for CPA169 remains in the Report. USAA was the primary carrier since the only other medical coverage the insured had was medicare. The Company should provide a response to the Bureau by January 13, 2017.

- (2c) The violation for CPA038 remains in the Report. The file is not clearly documented as to what the insured was advised about his transportation expenses coverage.

The violation for CPA094 remains in the Report. The file includes conversation notes. The notes do not indicate the insured was advised of the availability of a comparable substitute vehicle. The Company should provide a response to the Bureau by January 13, 2017.

- (2d) The violation for CPA045 remains in the Report. The Company acknowledged in its April 5, 2016 response that the adjuster failed to recognize that loss of use was afforded under the UMPD coverage. The Company should provide a response to the Bureau by January 13, 2017.

- (5b) The violation for CPA154 has been withdrawn. The conversation notes for August 19, 2014 show the adjuster advised that the insurance was not necessary.

- (5d) The violations for CPA001, CPA065, CPA102, CPA103, and CPA152 remain in the Report. The Company should refer to § 38.2-2201 of the Code of Virginia and provide the Assignment of Benefits (AOB) including the required verbiage. The Company should provide a response to the Bureau by January 13, 2017.

- (5e) The violation for CPA094 remains in the Report. The Company has not explained why the insured complained about paying for a portion of the rental if charges were not incurred. The Company should contact the insured and

determine what out of pocket expenses she incurred as a result of renting a comparable vehicle.

The violation for CPA098 remains in the Report. The Company did not provide a screen shot. The Company provided a word document created by the Company.

- (7) After further review, the violation for CPA125 has been withdrawn from the Report.
- (10) The violation for CPA037 remains in the Report. This claim was not handled promptly. The Company initially advised the insured that there was coverage for the funeral and subsequently advised that there was no coverage for the funeral. The Company later advised that there was coverage and the insured submitted two bills at the same time and the Company paid one of the two bills and paid the second bill weeks later. The Company has not provided any new information for the Bureau to reconsider its original position.

After further review the violation for CPA064 has been withdrawn.

The violation for CPA155 remains in the Report. The Company should provide a response to the Bureau by January 13, 2017.

The violation for CPA134 remains in the Report. The Company has not provided any new information for the Bureau to reconsider its original position.

- (16b) The violations in this section remain in the Report. The information provided by the Company in the Data Call was confirmed to be accurate by a Company representative. Please see page 3 of 21 signed by a Company representative stating "I verify that all tasks were completed, reviewed and that the data is accurate. I understand that the companies' failure to meet the established due date or failure to submit accurate data may result in a higher settlement/penalty."

Homeowner Claims

- (1) The violation for CPA134 is not a homeowner claim. Please refer to section (10) under **Private Passenger Automobile Claims**.

The violation for CHO070 remains in the Report. The Company has not provided evidence that the carpet was an improvement installed by the insured. The Company should provide a response to the Bureau by January 13, 2017.

The violation for CHO079 remains in the Report. Attached is a copy of the check issued for \$6,656.75.

- (5d) The violation for CHO122 remains in the Report. It appears that the Company has applied the deductible twice and reduced the amount of the estimated damages to the personal property by the amount charged for haul away of the debris. Further, the Company has failed to pay the holdback for depreciation. The Company should provide a response to the Bureau by January 13, 2017.
- (11b) The violations in this section remain in the Report. The information provided by the Company in the Data Call was confirmed to be accurate by a Company representative. Please see page 3 of 21 signed a Company representative stating "I verify that all tasks were completed, reviewed and that the data is accurate. I understand that the companies' failure to meet the established due date or failure to submit accurate data may result in a higher settlement/penalty."
- (11c) The violation for CHO001 remains in the Report. The Company should provide a response to the Bureau by January 13, 2017.

After further review, the violation for CHO070 has been withdrawn.

Homeowner New Business Policy Issuance

- (1) After further review, the violations in this section have been withdrawn from the Report.
- (2) After further review, the violations in this section have been withdrawn from the Report.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports and Restitution spreadsheet. The Companies' response to this letter is due in the Bureau's office by January 13, 2017.

Sincerely,

Joy M. Morton
Supervisor
Market Conduct Section
Property and Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

Mr. Bialorucki
December 16, 2016
Page 9 of 9

Enclosures

9800 Fredericksburg Road
San Antonio, Texas 78288



Joy Morton
Virginia Bureau of Insurance
Market Conduct Section
Property & Casualty Division
1300 E. Main Street
Richmond, VA 23218

January 30, 2017

Re: United Services Automobile Association NAIC 25941
USAA Casualty Insurance Company NAIC 25968
USAA General Indemnity Company NAIC 18600
Garrison Property & Casualty Insurance Company NAIC 21253

Dear Ms. Morton:

The above reference companies (collectively referred to as "The Company") appreciates the opportunity to review and respond to the draft report dated December 16, 2016. As you know, we have been working diligently with your team to address its concerns in a number of areas and the Company has referenced those items in which we continue to respectfully disagree with the Bureau's findings.

We are enclosing two packets of responses. The first packet includes responses to all remaining criticisms and follows the format of your December 16, 2016 letter. We believe a number of the outstanding items and the Company's corresponding responses in the first packet are legal in nature. Thus, we have duplicated the responses in the first packet that are legal in nature and have included those in the second packet. This is for your convenience in the event you decide to have your counsel review the responses that are of a legal nature.

Please note that this response contains proprietary, confidential, and sensitive information, which, if disclosed to other persons, would cause us irreparable harm and could cause substantial injury to the competitive position of the Companies and their affiliates. Accordingly, such information is to be kept confidential pursuant to Virginia Code § 38.2-221.1.

Should you have any questions regarding our response or require further clarification, please don't hesitate to contact me or Jose Lara at (210)452-5466.

Sincerely,

A handwritten signature in black ink, appearing to read "James A. Bialorucki", written over a horizontal line.

James A. Bialorucki
Director P&C Compliance
United Services Automobile Association
(210) 219-4672

cc: Stephen D. Rosenthal, Esq.

RATING AND UNDERWRITING

Automobile New Business Rating

(4)	Reference Number RPA004	Review Sheet 2114446413	Company USAA Companies
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The Company respectfully disagrees with 4 of the violations under VA Code §38.2-2210C, which states:

- C. The notice required by this section shall be given by the insurer to any applicant within ten days of the application in the event the applicant is not provided a written copy of the application and the coverage has been bound by such insurer.

RPA002:

This policy was issued on 3/20/14 and cancelled on 3/24/2014. The policy was cancelled within ten days of the application, therefore the notice required by VA Code §38.2-2210C was not necessary. Please see supports RPA002.

RPA009

The Company provided the applicant with an application containing the notice required by VA Code §38.2-2210C. Please see supports RPA009.

RPA010

This policy was issued on 8/5/2014 and cancelled on 8/9/2014. The policy was cancelled within ten days of the application, therefore the notice required by VA Code §38.2-2210C was not necessary. Please see supports RPA010.

RPA032

The Company provided the applicant with an application containing the notice required by VA Code §38.2-2210C. Please see supports RPA032.

Homeowner New Business Rating

(1)	Reference Number RHO033	Review Sheet 1432830215	Company USAA
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Company Response:

USAA respectfully disagrees with the violation written under R&UNBHO-1432830215. The allegation is that the HO-6 policy written for our member resulted in an "Adverse Underwriting Decision" and USAA failed to sent the notice required under VA Code §38.2-610 A. USAA's position is that writing the HO-6 policy did not result in an "Adverse Underwriting Decision", defined by VA Code §38.2-602, which states: "Adverse underwriting decision" means:

1. Any of the following actions with respect to insurance transactions involving insurance coverage that is individually underwritten:
 - a. A declination of insurance coverage;
 - b. A termination of insurance coverage;
 - c. Failure of an agent to apply for insurance coverage with a specific insurance institution that an agent represents and that is requested by an applicant;
 - d. In the case of a property or casualty insurance coverage:

- (1) Placement by an insurance institution or agent of a risk with a residual market mechanism or an unlicensed insurer; or
 - (2) The charging of a higher rate on the basis of information that differs from that which the applicant or policyholder furnished; or
- e. In the case of a life or accident and sickness insurance coverage, an offer to insure at higher than standard rates or with limitations, exceptions or benefits other than those applied for.

Notwithstanding subdivision 1 of this definition, the following actions shall not be considered adverse underwriting decisions, but the insurance institution or agent responsible for their occurrence shall provide the applicant or policyholder with the specific reason or reasons for their occurrence:

- a. The termination of an individual policy form on a class or statewide basis;
- b. A declination of insurance coverage solely because such coverage is not available on a class or statewide basis;
- c. The rescission of a policy.

For this policy, our member purchased a condominium for \$340,000 and requested replacement cost coverage. In the process of issuing a policy for the condominium, the home features were analyzed. The recommended replacement cost for the additions and alterations, covered by Coverage A of the HO-6 policy, was \$269,000. The member agreed with the figure and the policy was written with Coverage A providing replacement cost coverage up to \$269,000.

By statutory definition, there was no "Adverse underwriting decision." USAA did not:

- decline coverage [§38.2-602(1)(a)];
- terminate coverage [§38.2-602(1)(b)];
- fail to apply for coverage with a particular insurance institution [§38.2-602(1)(c)];
- place the risk with a residual market mechanism or unlicensed insurer [§38.2-602(1)(d)(1)]; or
- charge a higher rate for the policy based on information that differed from that which the applicant or policyholder furnished [§38.2-602(1)(d)(2)].

BOI has the understanding that the amount of replacement cost coverage should equal the purchase price of the condominium. We respectfully disagree, because the coverage does not include the structure itself, as would true with, for example, a home, but rather for the contents, additions and alterations within the condominium. Thus, the purchase price of the condominium has little, if anything, to do with the replacement cost for the contents, additions and alterations within the condominium. The selection of the Coverage A policy limitation, which differs from the purchase price, is not an "adverse underwriting decision" as defined by the statute.

Because the selection of the Coverage A policy limitation did not result in an "adverse underwriting decision," no notice was required to be sent to the member. USAA respectfully requests this violation be withdrawn.

(2c)	Reference Number	Review Sheet	Company
	RHO003	2087246080	GIC
	RHO004	1243332917	GIC
	RHO019	564543579	GAR
	RHO036	1175199893	USAA
	RHO044	1389978269	USAA
	RHO054	456045350	CIC

Company Response:

Internal Revenue Code §4975(c)(1)(D) does not allow a member to use any asset of his/her individual retirement accounts (IRA), Archer Medical Savings Accounts (MSA) and Coverdell Education Savings Accounts (ESA) for her/her own personal benefit. Any tiering factor used by the company that provides a benefit to a member, such as a discount on the insurance premium, shall not, under Federal law, include an IRA, MSA or ESA and/or similar products obtained through IMCO.

Reference Number	Review Sheet	Company
RHO031	1573163630	USAA
RHO005	2059255966	GIC
RHO029	926841459	GAR

Company Response:

In each of the above referenced cases, the member had no USAA Group Property and Casualty Property policy in force when the Homeowners Policy was issued. In this situation, USAA considers the Business Type variable to be 'New' for the newly issued policy. The Company respectfully requests the Bureau to consider this definition because the company consistently applied it to all three of the above referenced cases.

The Company has previously acknowledged that additional clarity on the applicability of this rule could be provided in Tier Placement Guidelines; however, we continue to assert that the policy was rated correctly.

Homeowner Renewal Business Rating

(2a)	Reference Number	Review Sheet	Company
	RHO117	710175803	CIC

Company Response:

The Company has issued restitution to the member in the amount of \$27.38. See support RHO117.

(2b)	Reference Number	Review Sheet	Company
	RHO061	666300769	GIC
	RHO086	2130833714	GAR
	RHO088	61356326	GAR
	RHO115	1484324498	CIC

Company Response:

Internal Revenue Code §4975(c)(1)(D) does not allow a member to use any asset of his/her individual retirement accounts (IRA), Archer Medical Savings Accounts (MSA) and Coverdell Education Savings Accounts (ESA) for her/her own personal benefit. Any tiering factor used by the company that provides a benefit to a member, such as a discount on the insurance premium, shall not, under Federal law, include an IRA, MSA or ESA and/or similar products obtained through IMCO.

Automobile Cancellation Notices Mailed Prior to the 60th Day

The Company respectfully disagrees with all of the outstanding violations in this section pertaining to the policy identified as TPA008.

(1)	Reference Number TPA008	Review Sheet 1309327401	Company USAA
(3a)	Reference Number TPA008	Review Sheet 841799097	Company USAA
(4a)	Reference Number TPA008	Review Sheet 1782401128	Company USAA
(4b)	Reference Number TPA008	Review Sheet 664242926	Company USAA

Company Response:

The Company respectfully disagrees with all the violations for TPA008 in this section under review sheets: 1309327401, 841799097, 1782401128 and 664242926. A review of the submitted responses will reflect that on its initial response to these violations, the Company asserted that this was a member initiated cancellation due to the member's move out of the country to a location where the Company does not write insurance coverage. We are providing documentation for review which reflects phone contact from our member on 7/15/2014 at 08:11am with member service representative, employee ID I3024. At the request of the member, the employee processed the auto policy 7105 cancellation at 08:12am and updated the member's mailing and physical address to Puerto Rico. See TPA008_Address Change and TPA008_TLIQ supports.

Automobile Cancellation Notices Mailed After the 59th Day

	Reference Number TPA024	Review Sheet 64771356	Company USAA
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Company Response:

The Company is submitting transaction history documentation which reflects a telephone conversation from the member on 7/25/2014 at 12:06pm. The member spoke to member service representative, employee 81859 and processed the auto policy cancellation at 12:07:48pm at the request of the member because the member was living in Canada, a location where the Company does not write insurance coverage. The homeowner's cancellation documentation previously submitted was to support the change of address to Canada. In its prior responses, the Company provided documentation that supported that the member was his move to Canada due to a family matter. Please review TPA024_TLIQ along with previously submitted supports.

Automobile Non-Renewals

(1)	Reference Number TPA065	Review Sheet 263106307	Company GIC
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Company Response:

The Company continues to respectfully disagree with this violation and has asked Counsel to review.

Homeowner Insured Requested Cancellations

(1)	Reference Number	Review Sheet	Company
	THO041	1373789574	GAR
	THO061	1256982845	GIC
	THO065	1291714727	GAR

Company Response:

USAA General Indemnity Company (USAA GIC) and Garrison Property and Casualty Company (Garrison) respectfully disagree with the violations written under TermIRHO-1291714727, TermIRHO-1373789574, and TermIRHO-1256982845 and the corresponding requests for restitution. The allegation is that USAA GIC and Garrison violated policy provisions which provide that when a policy is cancelled, "the premium for the period from the date of cancellation to the expiration date will be refunded pro rata." See Homeowner's 3R(02) policy, Section I and II – Conditions, (4) Cancellation. Currently, in situations where the premiums are paid by a mortgage company or other lienholder, USAA returns any refunds directly back to the payer of the premium.

The Bureau states that USAA violated its policy provisions by sending policy refunds to lien holders rather than to the insured. That is incorrect. USAA's refund of premiums to the payer of those premiums (whether it be the insured or the lien holder) is consistent with the language of its contractual policy provisions. The policy does not require that the premium refund be returned directly to "you", "your" or the "named insured".

The Bureau of Insurance approved the policies, and the policies allow return of the premium refund to the payer of the premium, either the insured or the lien holder, as the case may be.

Accordingly, USAA GIC and Garrison have not violated its policy provisions, approved by BOI, and request that these violations be withdrawn.

(2)	Reference Number	Review Sheet	Company
	THO062	436891066	GIC

Company Response:

This was member initiated documentation. The original cancel request processed on 9/26/13 with an effective date of 9/28/13; the member was going to insure the auto and home with another company. On 9/30/13, it was reinstated to modify the cancellation date due to a delay in the closing date. On 11/5/13, the policy was cancelled with an effective date of 10/5/13. Cancellation letters for both dates were sent to the member. See THO062 supports.

Private Passenger Automobile Claims

(1)	Reference Number	Review Sheet	Company
	CPA062	204729354	GAR

Company Response:

Garrison Property and Casualty Company (Garrison) respectfully disagrees with the violation written under ClaimVehPPA-204729354. The allegation is that Garrison violated Regulation 14 VAC 5-400-30, which states:

The insurer's claim files shall be subject to examination by the Commission or by its duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

The violation is written because the file does not contain all medical bills paid on the member's behalf. The file does not include an explanation of reimbursement (EOR) or medical bills for payment on 8/29/2014 in the amount of \$137.55 or payment on 9/3/2014 for \$699.14.

The claim file provides the necessary detail to reconstruct all pertinent events and their dates related to the claim made by the member. The file contains the following information:

1. On 8/19/2014, payment in the amount of \$137.55 was issued under the medical expense benefit coverage, payable to the insured;
2. On 8/26/2014, the adjuster received a message from the attorney regarding the above payment;
3. The file documents that the adjuster left a message for the attorney saying that the adjuster was returning the attorney's call and that the adjuster would void the payment and reissue it making it payable to the member only, but the payment would be mailed to the attorney's office;
4. The payment screen verifies that the payment issued on 8/19/2014 had a stop payment placed on it and the payment was reissued on 8/29/2014, payable to the insured, in the amount of \$137.55;
5. On 9/3/2014, the adjuster issued payment in the amount of \$699.14, payable to the insured;
6. On 9/5/2014, the adjuster documented the file to explain that the payment was based on review of AIS information for the Inova bill; specifically, the adjuster issued the balance for the bill not covered by health insurance.

The Regulation is clear and specific. It requires only that the claim file contain information that allows reconstruction of (i) pertinent events, and (ii) the dates of such events. It requires no more and the Bureau cannot require more. *The claim file contains the pertinent events and the claim file contains the dates of such events.* There is nothing more that is needed to reconstruct the pertinent events and their dates. As the claim file contains all the information required by the Regulation, Garrison requests that this violation be withdrawn. See support CPA062.

Reference Number	Review Sheet	Company
CPA148	289104674	GIC

Company Response:

USAA General Indemnity Company (USAA GIC) respectfully disagrees with the violation written under ClaimVehPPA-289104674. The allegation is that USAA GIC violated Regulation 14 VAC 5-400-30, which states:

The insurer's claim files shall be subject to examination by the Commission or by its duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

The violation is written based on the Bureau being unable to determine the basis for the \$95.82 payment issued to the member on 4/25/2014. The claim file provides the necessary detail to reconstruct all pertinent events and their dates related to the claim made by the member. The file contains the following information:

1. On 4/25/2014, the adjuster spoke with the insured about the claim;
2. During the 4/25/2014 conversation, the adjuster noted that the only item taken from the vehicle was an iPhone and that verification of ownership was contained in the member's Renter's policy claim file (Loss Report 13);
3. While speaking with the member on 4/25/2014 the adjuster determined the iPhone could be replaced at Best Buy for \$149.99 + 5% sales tax making the total replacement cost of the mobile phone \$157.49;
4. While speaking with the member on 4/25/2014 the adjuster verified that the cost to repair the broken glass on the insured vehicle was \$188.33 through Safelite;
5. Because the iPhone stolen from the insured vehicle is covered as Personal Property under Coverage D of the auto policy, the items covered under this claim were the stolen iPhone (\$157.49) and the replaced glass (\$188.33);
6. The total amount of damage was \$345.82 and the member had a \$250 OTC deductible, so the payment to the insured was \$95.82.

The Regulation is clear and specific. It requires only that the claim file contain information that allows reconstruction of (i) pertinent events, and (ii) the dates of such events. It requires no more and the Bureau cannot require more. *The claim file contains the pertinent events and the claim file contains the dates of such events.* There is nothing more that is needed to reconstruct the pertinent events and their dates. As the claim file contains the information required by the Regulation, USAA GIC requests this violation be withdrawn.

Reference Number	Review Sheet	Company
CPA165	1920223411	GIC

Company Response:

The Company respectfully disagrees that the claims files require the detailed documentation the examiners have suggested is required. When applicable, USAA's claims' documentation, as a matter of course, includes information concerning events and dates that are pertinent to the file, such as claim documentation and member actions support that the member opted to file a claim under his auto policy, which is the member's option, regarding of who is the responsible party:

The member called in April 2014 to file the claim and advised he would pursue the claim in May. Under Part D – Coverage For Damage to Your Auto, contract Insuring Agreement indicates we will pay for: 1. provides coverage for a direct and accident loss to your covered auto.

Fault is not a factor on whether or not the Company will handle a covered loss pursued by the member with the Company.

File documentation reflects that on May 5, 2014 a discussion took place with the member and vehicle inspection was scheduled and a direct bill for a rental vehicle to be billed to the Company was scheduled. The member utilized the direct repair facility for repairs and the rental vehicle billed to the Company from 5/13/14 – 5/15/14.

The member's vehicle was repaired by a direct pair facility scheduled by the Company and payment was made by the Company to the body shop in the amount of \$1679.44 on 5/14/14, check number 8155055 under Other Than Collision. Rental charges of \$89.73 were paid to Enterprise Rent-a-car.

The Company requested the bill of lading information and letter from the shipping company referenced by the member. These documents were not received. See support 165.

Reference Number	Review Sheet	Company
CPA166	1090318216	GIC

Company Response:

USAA General Indemnity Company (USAA GIC) respectfully disagrees with the violation written under ClaimVehPPA-1026810477. The allegation is that USAA GIC violated Regulation 14 VAC 5-400-30, which states:

The insurer's claim files shall be subject to examination by the Commission or by its duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

The violation is based on a number of observations made by Bureau:

- The company opened a medical expense claim when the file did not support that there was an injury;
- The company sent a letter to the injured person's guardian advising that any medical bills would be reviewed through Auto Injury Solutions;
- Review of the medical bills is re-pricing, which is not permitted for MEB claims that are not either Medicare or ERISA;
- The file is not documented why the company concluded running off the road into a ditch was an OTC loss.

The claim file provides the necessary detail to reconstruct all pertinent events and their dates related to the claim made by the member. The file contains the following information:

1. On 8/28/14, the adjuster obtained a recorded statement from the vehicle operator;
2. In the recorded statement, Vehicle operator said that the passenger in the insured vehicle dislocated his shoulder prior to this incident and that insured was taken to the doctor to check the status of the shoulder after this accident, but that no medical claim was being made;
3. Vehicle operator is not the parent or guardian of insured and has no legal authority to waive any medical claim under the policy on behalf insured;
4. A letter was sent to the Parents of the insured to advise them of the MEB coverage in the event that they wanted to make a claim under the policy for the insured;
5. The letter does include information about the third party vendor used by USAA GIC to receive, organize and review medical records;
6. As no bills were ever presented for insured, there is no evidence in the file that AIS "repriced" any treatment bills in this claim;
7. As to the reason OTC coverage was opened under this claim, USAA GIC refers the Bureau to the response provided to the violation written under ClaimVehPPA-1574685384;
8. All information referred to in the response to ClaimVehPPA-1574685384 is contained in the claim file.

The Regulation is clear and specific. It requires only that the claim file contain information that allows reconstruction of (i) pertinent events, and (ii) the dates of such events. It requires no more and the Bureau cannot require more. *The claim file contains the pertinent events and the claim file contains the dates of such events.* There is nothing more that is needed to reconstruct the pertinent events and their dates. As the claim file contains the information required by the Regulation, USAA GIC requests this violation be withdrawn.

(2c)	Reference Number	Review Sheet	Company
	CPA038	973705895	USAA

Company Response:

USAA respectfully disagrees with the violation written under ClaimVehPPA-973705895. The allegation is that USAA violated Regulation 14 VAC 5-400-40 A, which states:

No person shall knowingly obscure or conceal from first party claimants, either directly or by omission, benefits, coverages or other provisions of any insurance policy or insurance contract when such benefits, coverages or other provisions are pertinent to a claim.

The Bureau alleges that the company failed to properly inform the member of the applicable Transportation Expense coverage. According to the allegation, the company advised the insured that he had a \$30/day limit as noted in claim documentation entered on 4/21/14 at 08:46:13. The Bureau's assertion is not correct.

The Bureau takes the documentation referred to above out of context. The documentation, as noted, is the "FNOL," the first notice of loss. The next sentence clearly states that the document is a template, "Opening Template – Total Theft." Adjusters who handle total theft claims handle claims in various jurisdictions, which is evidenced by looking at the document. There are references to many states, not just Virginia. Some of the information is relevant, some is not, and some is informational only.

If the adjuster takes action on an item in the template, the adjuster documents "Yes" next to the item. If the item is not relevant to the claim, the adjuster documents "N/A" next to the item. For items that are informational only, the adjuster does not document anything next to the item.

Related to this violation, the items related to transportation expense coverage are as follows:

- Rental limits: 900
- Transportation Expense Limits 30/900

The adjuster has documented nothing next to each item, which means that the items are informational only. This is not evidence that the adjuster informed the member that the coverage limit was \$30/per day. In fact, it is affirmative evidence that the adjuster did not so inform the member.

The file documentation shows "Explained Rental/TE (advised no GMI): YES," which means that the adjuster explained Transportation Expense coverage to the insured and advised the insured that the coverage does not include the cost of gas, mileage or insurance.

The file documentation does not show that the adjuster knowingly obscured or concealed from our member, directly or by omission, the transportation expense coverage pertinent to the total theft claim. As such, USAA requests the violation be withdrawn. See support CPA038.

Reference Number	Review Sheet	Company
CPA094	888019493	GAR

Company Response:

Garrison Casualty Insurance Company (Garrison) respectfully disagrees with the violation written under 14 VAC 5-400-40A which states;

No person shall knowingly obscure or conceal from first party claimants, either directly or by omission, benefits, coverages or other provisions of any insurance policy or insurance contract when such benefits, coverages or other

provisions are pertinent to a claim.

The Bureau alleges that the company failed to specifically tell the member she could rent a comparable vehicle under the Transportation Expense coverage. The Bureau relies upon that member calling the company to ask to be placed in an SUV rather than a compact vehicle. The Bureau's position is that if the insured was told that she could obtain a comparable vehicle, she would not have called back for clarification.

The claim file shows the following information:

1. On 8/3/2014, our member called Garrison to report that she had run over an object in the road;
2. During that conversation, the member was told that she had collision coverage with a \$500 deductible and Transportation Expense coverage up to \$900;
3. During the same conversation, a tow truck was dispatched to pick up the damaged insured vehicle and take it to a repair shop, and the adjuster set up the rental assignment for the insured to go pick up a rental vehicle;
4. The file document for this entire transaction indicated the following, "too much break up on the ph to really understand ni..."
5. On 8/3/2014, the assigned adjuster noted the poor telephone connection during the first notice of loss and the adjuster called the insured and left a message for the insured to call if she had any questions;
6. on 8/3/2014, the member left a message for the adjuster. When the adjuster returned the call, the member's voicemail was full and the adjuster could not leave a message;
7. On 8/4/2014, the member called in asking about her coverage under Transportation Expense coverage as she was in a compact vehicle and needed an SUV. The adjuster explained the coverage to the insured and contacted the rental agency to get the member into a larger vehicle.

The allegation by the Bureau that the company knowingly obscured or concealed coverage information from our member during the first notice of loss conversation, based on the call the day after to the company to get a larger vehicle, is inaccurate. As the file clearly documents, on 8/3/2014, there was a bad telephone connection between the insured and the company during the first notice of loss. When the adjuster was assigned and reviewed the file, the adjuster attempted to contact the insured to answer any questions she may have had, but was unable to speak with the insured. The first time the company was able to speak with the member after the first notice of loss was on 8/4/2014 when the insured called in to switch out to a larger vehicle.

There is no evidence contained in the claim file to support the allegation that Garrison knowingly obscured or concealed any information pertaining to the Transportation Expense coverage. Thus, Garrison requests that the violation written under 14 VAC 5-400-40 be withdrawn. See support CPA094.

(5d)	Reference Number	Review Sheet	Company
	CPA001	101895322	USAA
	CPA065	655232304	GAR
	CPA102	1646960296	CIC
	CPA103	1859190050	CIC
	CPA152	855612990	GIC

Company Response:

The company respectfully disagrees with these violations and has asked Counsel to review.

(8) **Reference Number** **Review Sheet** **Company**
CPA144 **1428418653** **GIC**

USAA General Indemnity Company (USAA GIC) respectfully disagrees with the violation written under ClaimVehPPA-1428418653. The allegation is that USAA GIC violated VA Code §38.2-510 A.3., which states:

A. No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

3. Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

The claim file contains information to show that USAA GIC adopted and implemented reasonable standards for the prompt investigation of the claim presented by our member. The file contains the following information:

On 4/30/2014 at 9:14 P.M. CT, our member reported that his vehicle stalled after driving through high water;

- The member was in Brooklyn, NY, needed the vehicle towed to a shop and needed transportation;
- At approximately 9:30 P.M. CT, the USAA GIC representative called a tow truck vendor and asked that the member be given a ride by the tow truck driver to a safer location;
- At approximately 4:15 A.M. CT, (5/1/2014) our member called requesting status of the tow;
- The USAA GIC representative called the tow truck vendor to get the status and the vendor stated that one of its drivers contacted the member, that the member told the driver that he wanted to be taken home, and that when the driver refused, the vehicle was not picked up;
- The examiner bases the violation on the failure of the USAA GIC representative who took the first notice of loss to ask the member where he lived, in New York or in Virginia, because the question is a routine part of the investigation.

It is not unusual for USAA GIC to receive claims from an active duty military member deployed away from home. When the loss was created, the request for the member to be taken "home" was not part of the conversation and would not raise the question of whether the insured meant New York or Virginia. The representative arranged for the tow truck driver to take the member to a safe place. The circumstance of the insured wanting to be taken "home" was third party information provided by the tow company, and was not an issue in the conference call between the member, the tow company and the USAA GIC representative.

The failure of the representative to ask the insured where he lived during the first notice of loss is not evidence of USAA GIC's failure to adopt and implement reasonable standards for the prompt investigation of claims. The representative was working under difficult circumstances (late hour and unfavorable location resulting in limited resources) and gave priority to getting the member to a safer location. USAA GIC requests this violation be withdrawn.

Reference Number **Review Sheet** **Company**
CPA149 **845841048** **GIC**

USAA General Indemnity Company (USAA GIC) respectfully disagrees with the violation written under ClaimVehPPA-845841048. The allegation is that USAA GIC violated VA Code §38.2-510 A.3., which states:

- A. No person shall commit or perform with such frequency as to indicate a general business practice any of the following:
3. Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

The Bureau bases this violation on the Special Investigation Unit's failure to investigate the loss for material misrepresentation. The VA auto policy states, "We do not provide coverage for any insured who has made fraudulent statements or engaged in fraudulent conduct in connection with any accident or loss for which coverage is sought under this policy."

In the statement obtained from the member by the SIU investigator on 9/12/2013, the member stated that she had lived at the house where the fire occurred "most of her life." Review of her USAA GIC policy record shows that the four prior auto claims under the account all occurred in Virginia, where she was stationed as a member of the United States Navy from 2008 to 2011. This is the first loss reported after the member's separation from the Navy.

While the member resided in New York at the time of this loss, and had a Virginia based auto policy, *nothing* in the investigation shows that the member engaged in conduct consistent with the "fraud" language contained in the auto policy.

The information obtained in the claim investigation related to the member residing in New York is pertinent to underwriting to ensure that the member has the correct auto policy for the member's needs. Our member *never* made fraudulent statements or engaged in fraudulent conduct pertaining to her residency in New York in the presentation of this claim. Since there is nothing to support BOI's assertion that USAA GIC failed to adopt and implement reasonable standards for the prompt investigation of claims, USAA GIC requests that this violation be withdrawn.

Reference Number	Review Sheet	Company
CPA150	1026810477	GIC

USAA General Indemnity Company (USAA GIC) respectfully disagrees with the violation written under ClaimVehPPA-1026810477. The allegation is that USAA GIC violated VA Code §38.2-510 A.3., which states:

- A. No person shall commit or perform with such frequency as to indicate a general business practice any of the following:
3. Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

The claim file contains information to show that USAA GIC adopted and implemented reasonable standards for the prompt investigation of the claim presented by our member. The file contains the following information:

- On 8/10/2014 our member created a loss report via the internet;
- The online report provide limited information, as it said the insured's wife was driving at 55 MPH and a sudden thunderstorm caused the windshield to fog up. A window was opened;
- On 8/11/2014 additional information obtained from the insured provided that when the rain came in the open window, opened to alleviate the fog on the windshield, rain came in the window and the electrical system shorted out;

- On 8/12/2014 the vehicle was inspected by a USAA auto appraiser and a repair sheet to replace the footwell control module was written;
- On 8/15/2014 the member called USAA GIC, concerned that the shop was attempting to change how the loss occurred as the shop told the insured that the loss was due to carpet cleaning;
- On 8/15/2015, the shop called the appraiser to relate that the shop did not find water damage or damage to the module connectors;
- Given the location of the footwell control module in the area below the driver's door window, the estimate written by the appraiser was logical;

The Bureau's finding that the investigation was incomplete is based on calls from the body shop that it was unable to find any evidence of water damage. However, given the information that the member provided to USAA GIC as to how rain entered the vehicle through the operator's side window that was lowered to clear the windshield, the investigation conducted by the appraiser was adequate and reasonable to determine the cause of loss and the necessary repair. The appraiser's actions certainly do not evidence any failure to adopt and implement reasonable standards for the prompt investigation of claims. USAA GIC requests that this violation be withdrawn.

Reference Number	Review Sheet	Company
CPA166	1574685384	GIC

USAA General Indemnity Company (USAA GIC) respectfully disagrees with the violation written under ClaimVehPPA-1026810477. The allegation is that USAA GIC violated VA Code §38.2-510 A.3., which state:

A. No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

3. Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

The claim file contains information to show that USAA GIC adopted and implemented reasonable standards for the prompt investigation of the claim presented by our member. The file contains the following information:

1. The recorded statement taken on 8/28/2014 includes the following information:
 - a. The vehicle operator told USAA GIC that the passenger side rear axle broke, causing the vehicle to go into the ditch;
 - b. The driver side rear axle fell apart when the operator was able to get the vehicle back on the road;
2. Based on the information provided by the vehicle operator, Other Than Collision ("OTC") coverage was opened;
3. On 9/2/2014, the vehicle was inspected and the cause of loss was determined to be a broken tie rod;
4. The appraiser was unable to determine if the tie rod broke before or after the impact;
5. On 9/2/2014, the appraiser determined that the vehicle was a total loss;
6. On 9/2/2014, the member was notified that the vehicle was a total loss and the procedure was explained;
7. On 9/15/2014, after receipt of information needed to transfer title of the vehicle to USAA GIC, payment for the total loss vehicle was issued to the member.

The initial investigation justifies consideration of coverage for the claim under the Other Than Collision coverage. Because of the significant damage to the undercarriage, the appraiser was unable to definitively determine if the tire rod was broken prior to the vehicle going off the road into the ditch, an OTC loss, or broken due to the operator going off the road and into the ditch, a collision loss. USAA GIC promptly and reasonably investigated the claim presented by our member and there is

simply no basis for concluding otherwise. USAA GIC requests withdrawal of this violation.

Reference Number	Review Sheet	Company
CPA167	1427824963	GIC

USAA General Indemnity Company (USAA GIC) respectfully disagrees with the violation written under ClaimVehPPA-1026810477. The allegation is that USAA GIC violated VA Code §38.2-510 A.3., which states:

A. No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

3. Failing to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

The claim file contains information to show that USAA GIC adopted and implemented reasonable standards for the prompt investigation of the claim presented by our member. The file contains the following information:

- On 5/6/2014 our member reported he and wife received a letter from an attorney related to a party they attended on 4/26/2014;
- The member reported that, at the party, people were drinking heavily and that a baby was placed on a table that people were using to play beer pong, that the member expressed concern to the baby's father about the baby; that the father became abusive, and that the member and his wife left the party;
- As the member and his wife got in their vehicle, people came out of the house, surrounded the car and tried to pull the member and his spouse out of the car;
- The spouse was operating the vehicle, and when the passenger door was opened and the crowd started pulling her husband out of the car, she reversed the car, then drove it forward to get away from the group outside the car and to get them both to safety;
- According to the letter from claimant's attorney, the insured's spouse ran over the claimant while driving away;
- On 5/6/2014 the adjuster obtained a recorded statement from both the member and his spouse;
- On 5/6/2014 the adjuster obtained a copy of the incident report. The adjuster reviewed the incident report and called the investigating officer for additional information;
- On 5/6/2014 the adjuster called the claimant's attorney to discuss the case;
- On 5/7/2014 the adjuster called the insured to discuss the difference between the version provided by the insured and his spouse, and the version that the attorney gave to the adjuster the prior day;
- On 5/7/2014 the adjuster called the owner of the house where the party occurred to discuss the loss;
- On 5/7/2014 the adjuster hired an independent adjuster to contact other party attendees in person;
- On 5/7/2014 the adjuster left another message for the investigating officer to contact her;
- On 5/13/2014 the adjuster spoke with the attorney again, and the attorney provided to the adjuster the version of the incident that the owner of the home where the party was held provided to the attorney;
- The version the home owner gave to the attorney was different than the version the home owner provided to USAA GIC;
- On 5/13/2014 the attorney verbally demanded USAA GIC tender the policy limit;

- On 5/13/2014 the adjuster contacted the member again, and spoke with the member's spouse, telling her the version the homeowner gave to the attorney, and obtained additional information from the insured's spouse;
- On 5/13/2014 the adjuster spoke with the investigating officer;
- On 5/14/2014 the adjuster spoke with the attorney again. The attorney wanted to make a UIM claim for the injured party, who was also insured with USAA;

On 5/18/2014 the manager reviewed the file and expressed concern related to the potential of a jury not agreeing with the adjuster's liability decision and a verdict in excess of the insured's auto policy limit, so the manager recommended alternative

This statute requires "prompt investigation of claims." This statute does not dictate how an insurer, acting in good faith, resolves a claim, nor does the Bureau have the authority to dictate a particular result, especially when the file reflects a timely, thorough and detailed investigation of the claim, all in accordance with § 38.2-510 A.3. The company did not fail to adopt and implement reasonable standards for the prompt investigation of this claim, and USAA GIC requests this violation be withdrawn.

(10)	Reference Number	Review Sheet	Company
	CPA 134	9602947	CIC

Company Response:

The Company continues to respectfully disagree with this violation and has asked Counsel to review.

Reference Number	Review Sheet	Company
CPA037	40724562	USAA

Company Response:

USAA respectfully disagrees with the violation written under ClaimVehPPA-40724562. The allegation is that USAA violated VA Code §38.2-510 A.6., which states:

No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

6. Not attempting in good faith to make prompt, fair and equitable settlements of the claims in which liability has become reasonably clear.

The violation is based on a medical expense benefit claim made by our member on behalf of his spouse. The Bureau alleges the company delayed payment of the bills. The claim file provides the following information:

1. On 1/2/2014, our member reported that on 12/29/2013, while in the insured vehicle, the member and his wife were swept off the road by water on Highway 257 in Indiana;
2. Our member was rescued, but as of 1/2/2014, spouse had not yet been found;
3. On 3/17/2014, our member advised that his wife's body had been recovered;
4. On 3/24/2014, Insured called to advise he was at the funeral home and wanted to know where to send the billing information, a fax number was provided and the bill was faxed to USAA;
5. On 3/25/2014, USAA contacted the funeral home directly to obtain the information required to process the payment directly to the funeral home;
6. On 3/26/2014, payment was requested, and approved on 3/28/2014;
7. On 4/16/2014, the bill from the cemetery was received. The total amount was \$3590.00;
8. As the cemetery bill exceeded the remaining policy limit under MEB coverage, the balance of the coverage was paid directly to insured on 4/16/2014.

Review of the file shows that the company paid every bill related to the death of spouse as soon as possible. Some types of payment require more information than what is shown on a bill, and follow up calls are required. With regard to the payment to the funeral home, because the payment was going directly to G.L. Hills Funeral Home, a tax ID was required in order to create a Professional Service Provider code for the funeral home. The Internal Revenue Service (IRS) requires USAA to provide information to the IRS for money paid to a provider for their services. Because the funeral home was providing a service, the information had to be obtained prior to issuing the payment.

File documentation supports that USAA attempted in good faith to make prompt payments to or on behalf of our member related to the funeral expenses for spouse. USAA requests this violation be withdrawn.

(13)	Reference Number	Review Sheet	Company
	CPA006	105927951	USAA
	CPA007	2125828702	USAA
	CPA009	1219985615	USAA
	CPA010	1004828604	USAA
	CPA022	1460982137	USAA
	CPA031	119700360	USAA
	CPA033	247176804	USAA
	CPA037	1441745148	USAA
	CPA039	1781897735	USAA
	CPA042	867651691	USAA
	CPA044	1046639357	USAA
	CPA062	230421517	GAR
	CPA064	1772239949	GAR
	CPA065	1510881398	GAR
	CPA072	913468342	GAR
	CPA089	221856974	GAR
	CPA102	789122856	CIC
	CPA103	1952590901	CIC
	CPA111	1832477520	CIC
	CPA131	1980491497	CIC
	CPA158	1441729858	GIC
	CPA169	1735303323	GIC

Company Response:

USAA, USAA Casualty Insurance Company (USAA CIC), USAA General Indemnity Company (USAA GIC), and Garrison Property and Casualty Company ("Garrison") respectfully disagree with the above-listed violations. The violations allege that USAA, USAA CIC, USAA GIC and Garrison violated VA Code §38.2-606, which states:

Notwithstanding any other provision of law of this Commonwealth, no insurance institution, agent, or insurance-support organization shall utilize as its disclosure authorization form in connection with insurance transactions involving insurance policies or contracts issued after January 1, 1982, a form or statement that authorizes the disclosure of personal or privileged information about an individual to the insurance institution, agent, or insurance-support organization unless the form or statement:

1. Is written in plain language;
2. Is dated;
3. Specifies the types of persons authorized to disclose information about the individual;
4. Specifies the nature of the information to be disclosed;

5. Names the insurance institution or agent and identifies by generic reference representatives of the insurance institution to whom the individual is authorizing information to be disclosed;
6. Specifies the purposes for which the information is collected;
7. Specifies the length of time such authorization shall remain valid, which shall be no longer than:
 - a. In the case of authorizations signed for the purpose of collecting information in connection with an application for an insurance policy, a policy reinstatement, or a request for change in policy benefits:
 - (1) Thirty months from the date the authorization is signed if the application or request involves life, accident and sickness, or disability insurance; or
 - (2) Two years from the date the authorization is signed if the application or request involves property or casualty insurance;
 - b. In the case of authorizations signed for the purpose of collecting information in connection with a claim for benefits under an insurance policy:
 - (1) The term of coverage of the policy if the claim is for an accident and sickness insurance benefit; or
 - (2) The duration of the claim if the claim is not for an accident and sickness insurance benefit; and
8. Advises the individual or a person authorized to act on behalf of the individual that the individual or the individual's authorized representative is entitled to receive a copy of the authorization form.

The statute is clear and specific. It requires that the authorization be dated, written in plain language, and that it specify the individuals authorized to release information along with the nature and purpose of the information being disclosed. In addition, the statute requires that the authorization name the insurance institution involved and specifies the length of time the authorization remains valid. The Company's Authorization Form MA059-0713 ("Form") clearly meets all of the requirements. Specifically, and tracking the enumerated statutory requirements, the Form contains the following information:

§ 38.2-606(1)

Standard, plain language throughout the Form, including detailed elaboration of defined terms, such as "information" and "records," and bolded and capitalized text highlighting certain provisions for the member (*see, e.g.*, Page 1, "I HEREBY GRANT PERMISSION TO, AND AUTHORIZE THE USE OR DISCLOSURE OF, THE ABOVE NAMED INDIVIDUAL'S RECORDS" and Page 3, "THIS IS NOT A RELEASE OF CLAIM FOR DAMAGES.").

§ 38.2-606(2)

The Date of Loss is included on the top-right hand side of Page One and the Authorization is dated on Page Three.

§ 38.2-606(3)

A detailed paragraph on Page One that authorizes the disclosure of information to: (a) any licensed physician, surgeon or dentist; (b) any psychiatrist or psychologist; (c) any other medical practitioner or nurse; (d) any hospital, clinic, health care facility or rehabilitation/convalescent/custodial facility; (e) ambulance owner; and (f) any insurance company to provide information to the Company and its retrieval service ABI/VIP.

§ 38.2-606(4)

A detailed paragraph on Pages One and Two that defines the "Information" subject to disclosure as "all records or knowledge concerning the patient's health, any injuries, medical history, mental and physical conditions, before and after the date of this Authorization, regardless of the time of occurrence." The Form also takes care to define the term "Records" and notes that the disclosure also includes received medical records. See Page One ("The term 'records' includes, but is not limited to, written or graphic documentation, including notes, billing records or statements, sound recordings, computer records of health care services, and diagnostic documentation, such as x-rays, lab test results, and other test results such as blood alcohol level and drug use. In addition to medical records developed by the Provider described above, this Authorization also includes any medical records received by the Provider from other providers.").

§ 38.2-606(5)

A statement that the information will be used by Garrison, along with its authorized representatives, performing business or legal services, its affiliated insurance companies, and its authorized representatives performing business or legal services.

§ 38.2-606(6)

A statement that those identified as being authorized to receive the disclosed information will use the information for the purpose of verification, evaluation, and negotiation of any claim for benefits or services, arising from the above-identified date of loss, and any other pertinent claim handling or legal uses in connection to such claims, or as the Company otherwise determines is necessary to underwrite insurance; and

§ 38.2-606(7)

A statement on Page Two that the authorization remains in force and valid for no more than 24 months.

§ 38.2-606(8)

A statement on Page Two advising that the individual (or the Personal Representative) is entitled to receive a copy of the Form and instructions for doing so

As required by the statute, the Form contains every necessary provision, and provides all required information. There is nothing in the statute cited by BOI that limits the purposes for which the Form and related medical information can be used. Since the Form is compliant with every requirement of the statute, there is no violation, and USAA, USAA CIC, USAA GIC and Garrison thus request that these violations be withdrawn.

Homeowner Claims

(1)	Reference Number	Review Sheet	Company
	CHO030	370867689	GIC

Company Response:

USAA General Indemnity Company (USAA GIC) respectfully disagrees with the violation written under ClaimPropHO-370867689. The allegation is that USAA GIC violated Regulation 14 VAC 5-400-30, which states:

The insurer's claim files shall be subject to examination by the Commission or by its duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

The claim file provides the necessary detail to reconstruct all pertinent events and their dates related to the claim made by the member. The file contains the following information:

1. On 10/28/2013, the member sustained damage to personal property when a pipe burst in a wall in an apartment rented by our member;
2. During the recorded statement taken from the member on 10/29/2013, regarding the loss, the adjuster obtained a list of items damaged by the water;
3. Based on the list, the adjuster prepared a property estimate;
4. The property estimate was used to evaluate and settle the claim.

The Regulation is clear and specific. It requires only that the claim file contain information that allows reconstruction of (i) pertinent events, and (ii) the dates of such events. It requires no more and the Bureau cannot require more. *The claim file contains the pertinent events and the claim file contains the dates of such events.* The claim file meets all requirements of the Regulation.

Notwithstanding, the Bureau bases the violation on the adjuster's failure to obtain receipts or photos to support the payment of the claim. Obtaining copies of receipts or photos is simply not required by this Regulation, as it has nothing to do with *reconstructing pertinent events and their dates*. Moreover, the insurance policy is a contract between USAA GIC and the insured, and there is nothing in the contract that requires USAA GIC to obtain copies of receipts or photos. As a contractual matter under the terms of the policy, USAA GIC has the right to choose, on an individual basis based on the particular circumstances and merits of each claim, whether it wants to require copies of receipts or photos and, absent a statute or regulation to the contrary, the Bureau cannot impair that contractual right. There is no statute or regulation to the contrary.

As required by the Regulation, the claim file contains all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed. USAA GIC requests this violation be withdrawn.

Reference Number	Review Sheet	Company
CHO041	2069703333	GAR

Company Response:

Garrison Property and Casualty Company (Garrison) respectfully disagrees with the violation written under ClaimPropHO-2069703333. The allegation is that Garrison violated Regulation 14 VAC 5-400-30, which states:

The insurer's claim files shall be subject to examination by the Commission or by its duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

The claim file provides the necessary detail to reconstruct all pertinent events and their dates related to the claim made by the member. The file contains the following information:

1. On 8/02/2014, our member hosted a child's birthday party at their home and one of the invited children had an allergic reaction to the food. Due to the severity of the reaction, the child's parents sought emergency treatment. The child's parents submitted treatment bills under the health plan insuring the injured child. The

- health plan made partial payments, with the balance falling within the plan's deductible;
2. When the member reported the loss on 12/4/2014, the parents of the injured child has previously requested reimbursement of the portion of the emergency treatment that the parents had to pay;
 3. On 12/23/2014, the injured child's father, submitted a credit card statement as proof of payment of the bills;
 4. The claim file payment screen shows 4 payments by Garrison:
 - a. One to University of Virginia LLC on 12/5/2014
 - b. One to University of Virginia Hospital on 12/5/2014
 - c. Two to injured child's father on 12/24/2014 and 1/05/2015.
 5. The payment screen shows that the two checks to the University of Virginia were cancelled and /or stop paid on 12/5/2014 and 12/11/2014, respectively;
 6. The only payments that cleared were the two to injured child's father, which were based on the credit card statement provided by injured child's father.

The Regulation is clear and specific. It requires only that the claim file contain information that allows reconstruction of (i) pertinent events, and (ii) the dates of such events. It requires no more and the Bureau cannot require more. *The claim file contains the pertinent events and the claim file contains the dates of such events.* The claim file meets all requirements of the Regulation.

As required by the Regulation, the claim file contains all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed. Garrison requests that this violation be withdrawn. See support CHO040.

Reference Number	Review Sheet	Company
CHO049	1817692229	GAR

Company Response:

Garrison Property and Casualty Company (Garrison) respectfully disagrees with the violation written under ClaimPropHO-1817692229. The allegation is that Garrison violated Regulation 14 VAC 5-400-30, which states:

The insurer's claim files shall be subject to examination by the Commission or by its duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

The claim file provides the necessary detail to reconstruct all pertinent events and their dates related to the claim made by the member. The file contains the following information:

1. Our member rented a home and, on 11/10/2013, a guest fell down stairs at the home, sustaining an injury;
2. The claimant was taken by ambulance to the emergency room and diagnosed with a tri-malleolar fracture, and the claimant had surgery;
3. On 1/22/14, a claim was made under the RP-6 policy, which includes medical payments coverage, without regard to fault, for injuries sustained by a person on the insured location with the permission of the member;
4. Medical billing information is contained in the file with the exception of two bills;
5. On 2/10/2015, the claimant called almost a year after the claim was closed (4/22/2014) to advise that she had two more bills to claim, one for the ambulance and one for a brace;
6. On 2/10/2015, the adjuster took the payment information verbally from the claimant and issued payment.

The Regulation is clear and specific. It requires only that the claim file contain information that allows reconstruction of (i) pertinent events, and (ii) the dates of such

events. It requires no more and the Bureau cannot require more. *The claim file contains the pertinent events and the claim file contains the dates of such events.* The claim file meets all requirements of the Regulation.

Notwithstanding, the Bureau bases the violation on the failure to obtain copies of the two bills prior to payment. Obtaining copies of the bills is simply not required by this Regulation, as it has nothing to do with *reconstructing pertinent events and their dates.* Moreover, the insurance policy is a contract between Garrison and the insured, and there is nothing in the contract that requires Garrison to obtain copies of the bills. As a contractual matter under the terms of the policy, Garrison has the right to choose, on an individual basis based on the particular circumstances and merits of each claim, whether it wants to require the copies and, absent a statute or regulation to the contrary, the Bureau cannot impair that contractual right. There is no statute or regulation to the contrary. See support CHO049.

Reference Number	Review Sheet	Company
CHO054	2116628457	GAR

Company Response:

Garrison Property and Casualty Company (Garrison) respectfully disagrees with the violation written under ClaimPropHO-2116628457. The allegation is that Garrison violated Regulation 14 VAC 5-400-30, which states:

The insurer's claim files shall be subject to examination by the Commission or by its duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

Review of the claim file provides the necessary detail to reconstruct all pertinent events and their dates related to the claim made by the member. The file contains the following information:

1. On May 11, 2014 the member sent a message to Garrison to inform the company that the carrier insuring the homeowner association agreed to extend coverage for the loss, subject to the \$2500 policy deductible.
2. On 5/09/2014, the master carrier accepted the claim.
3. On 5/09/2014, the master carrier verified the \$2500 deductible.

Garrison mistakenly agreed to the violation, but is withdrawing its agreement because there is no violation of the Regulation. The Regulation is clear and specific. It requires only that the claim file contain information that allows reconstruction of (i) pertinent events, and (ii) the dates of such events. It requires no more and the Bureau cannot require more. *The claim file contains the pertinent events and the claim file contains the dates of such events.* The claim file meets all requirements of the Regulation.

Notwithstanding, the Bureau bases the violation on the failure to obtain copies of the Condominium Association Bylaws and the master policy declaration page and deductible. Obtaining copies of these documents is simply not required by this Regulation, as it has nothing to do with *reconstructing pertinent events and their dates.* Moreover, the insurance policy is a contract between Garrison and the insured, and there is nothing in the contract that requires Garrison to obtain copies of the documents. As a contractual matter under the terms of the policy, Garrison has the right to choose, on an individual basis based on the particular circumstances and merits of each claim, whether it wants to require the documents and, absent a statute or regulation to the contrary, the Bureau cannot impair that contractual right. There is no statute or regulation to the contrary. Further, once the master carrier accepted the claim and verified the deductible, there was simply no need to review the documents.

As required by the Regulation, the claim file contains all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed. Garrison requests that this violation be withdrawn. See supports CHO054.

Reference Number	Review Sheet	Company
CHO060	1091855327	GAR

Company Response:

Garrison Property and Casualty Company (Garrison) respectfully disagrees with the violation written under ClaimPropHO-1091855327. The allegation is that Garrison violated Regulation 14 VAC 5-400-30, which states:

The insurer's claim files shall be subject to examination by the Commission or by its duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

The claim file provides the necessary detail to reconstruct all pertinent events and their dates related to the claim made by the member. The file contains the following information:

1. On 09/24/2013, our member's aunt received a call from the member's alarm company, informing the aunt that the member's home had been broken into;
2. On 09/24/2013, our member reported the loss via the internet because she was out of the country;
3. The only item stolen was a television, but the living room window was broken and the back door was damaged;
4. The member reported the break in to the Chesapeake Police Department, which created police report number 13-62055;
5. On 10/16/2013, the member sent in photos of damage and repair estimates;
6. Based on the description of the television, the adjuster was able to obtain replacement cost for a television of like kind and quality at Best Buy.

The Regulation is clear and specific. It requires only that the claim file contain information that allows reconstruction of (i) pertinent events, and (ii) the dates of such events. It requires no more and the Bureau cannot require more. *The claim file contains the pertinent events and the claim file contains the dates of such events.* The claim file meets all requirements of the Regulation.

Notwithstanding, the Bureau bases the violation on two factors - the failure to obtain a police report and the failure to require proof of ownership for the property stolen. Very simply, neither the police report nor proof of ownership is required by this Regulation, as neither has anything to do with *reconstructing pertinent events and their dates*. Moreover, the insurance policy is a contract between Garrison and the insured, and there is nothing in the contract that requires Garrison to obtain copies of the police report or proof of ownership. As a contractual matter under the terms of the policy, Garrison has the right to choose, on an individual basis based on the particular circumstances and merits of each claim, whether it wants to require the items and, absent a statute or regulation to the contrary, the Bureau cannot impair that contractual right. There is no statute or regulation to the contrary.

As importantly, the policy does not even require the insured to submit a written police report to Garrison. It requires only that the insured make a report of the loss to the police. And even that requirement is no more than a contractual obligation that Garrison has a right, *in its sole discretion*, to waive.

Similarly, under Section I, Duties After Loss, the policy states "**At our request** prepare an inventory of claimed personal property showing the quantity, description, age, replacement cost, and amount of loss. Include with the inventory all bills, receipts and

related documents that support the items listed and substantiate the figures shown in the inventory..." As with the police report, Garrison *has the discretion* under the policy provisions to decide which bills, receipts and related documents it wants to request. Different claims, different insureds, different kinds of losses, different loss amounts, and different circumstances all demand individual treatment for each claim. Each claim is adjusted based on its own merits. In this case, Garrison chose, as it had the contractual right to do, to forego verification of ownership of the television. The Bureau has no authority to require Garrison to exercise its discretion in a particular way, as long as Garrison meets the requirements of the Regulation, which it clearly did.

As required by the Regulation, the claim file contains all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed. Garrison requests that this violation be withdrawn.

Reference Number	Review Sheet	Company
CHO070	92786903	GAR

Company Response:

Garrison Property and Casualty Company (Garrison) respectfully disagrees with the violation written under ClaimPropHO-92786903. The allegation is that Garrison violated Regulation 14 VAC 5-400-30, which states:

The insurer's claim files shall be subject to examination by the Commission or by its duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

The claim file provides the necessary detail to reconstruct all pertinent events and their dates related to the claim made by the member. The file contains the following information:

1. On 4/22/2014, the member sustained a water loss caused by a leak from a toilet;
2. The member owns a condominium, but obtained a Renter's policy based on incorrect information provided to him by the condominium association;
3. The carpet in the member's unit required replacement.
4. The carpet was replaced the week of June 6, 2014.

The insuring agreement as found under CAUSES OF LOSS COVERED for the RP-3 policy states, "We insure for direct physical loss to covered property when caused by any one or more of the following CAUSES OF LOSS and when not contributed to concurrently or in any sequence by any cause or event excluded in CAUSES OF LOSS NOT COVERED." Carpet is not listed in "PROPERTY NOT COVERED" in the RP-3 policy – i.e., carpet is "covered property."

The Regulation is clear and specific. It requires only that the claim file contain information that allows reconstruction of (i) pertinent events, and (ii) the dates of such events. It requires no more and the Bureau cannot require more. *The claim file contains the pertinent events and the claim file contains the dates of such events.* The claim file meets all requirements of the Regulation. The property damaged by water was covered property and replacement of the carpet was appropriate.

As required by the Regulation, the claim file contains all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed. Garrison requests that this violation be withdrawn.

In response to information regarding the "Additional Coverage" for BUILDING ADDITIONS AND ALTERATIONS provided to the examiners in a prior response to this violation, the carpet was acquired by the insured in the purchase of the condominium unit.

Reference Number	Review Sheet	Company
CHO079	1889376395	USAA

Company Response:

USAA respectfully disagrees with the violation written under ClaimPropHO-1889376395. The allegation is that USAA violated Regulation 14 VAC 5-400-30, which states:

The insurer's claim files shall be subject to examination by the Commission or by its duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

The claim file provides the necessary detail to reconstruct all pertinent events and their dates related to the claim made by the member. The file contains the following information:

1. The file contains a copy of the front side of check number 700109929, dated 7/01/2014, and in the amount of \$6656.75;
2. This payment was a "bulk payment" made under agreement with Donan Engineering Company;
3. The invoice for the investigation attributed to this claim, dated 6/11/2014, is contained in the file;
4. The amount of the invoice is \$3005.00;
5. The payment screen for this member shows a payment of \$3005.00, check number 700109929. The Company is submitting documentation showing the bulk payment included the above noted payment and bulk payment information showing the amount attributed to Claim Number 1432610, Loss Report 4. See support CHO079_Bulk Pmnt.

The Regulation is clear and specific. It requires only that the claim file contain information that allows reconstruction of (i) pertinent events, and (ii) the dates of such events. It requires no more and the Bureau cannot require more. *The claim file contains the pertinent events and the claim file contains the dates of such events.* The claim file meets all requirements of the Regulation.

As required by the Regulation, the claim file contains all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed. USAA requests that this violation be withdrawn.

Reference Number	Review Sheet	Company
CHO083	2105063643	USAA

Company Response:

USAA respectfully disagrees with the violation written under ClaimPropHO-2105063643. The allegation is that USAA violated Regulation 14 VAC 5-400-30, which states:

The insurer's claim files shall be subject to examination by the Commission or by its duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

The claim file provides the necessary detail to reconstruct all pertinent events and their dates related to the claim made by the member. The file contains the following information:

1. The member rented a condominium.
2. The member was forced to move on 6/30/2014 due to the sale of condominium;

3. There was damage to the dishwasher and some mold due to the washer and dryer;
4. The Landlord did not hold the member responsible for the mold due to washer and dryer, but there was a 2 inch scratch on the dishwasher;
5. On 7/10/2014, the member advised USAA that the Landlord was charging the insured to repair the dishwasher;
6. On 8/01/2014, verification was received from the Landlord that \$240 was charged to the member for damage to the dishwasher. The \$240 was withheld from the refund of the security deposit.

The Regulation is clear and specific. It requires only that the claim file contain information that allows reconstruction of (i) pertinent events, and (ii) the dates of such events. It requires no more and the Bureau cannot require more. *The claim file contains the pertinent events and the claim file contains the dates of such events.* The claim file meets all requirements of the Regulation.

Notwithstanding, the Bureau bases the violation on the Adjuster's failure to obtain receipts or invoices to verify the amount withheld from the security deposit to compensate the Landlord for the damage. Obtaining receipts or invoices is simply not required by this Regulation, as it has nothing to do with *reconstructing pertinent events and their dates*. Moreover, the insurance policy is a contract between USAA and the insured, and there is nothing in the contract that requires USAA to obtain copies of receipts or invoices. As a contractual matter under the terms of the policy, USAA has the right to choose, on an individual basis based on the particular circumstances and merits of each claim, whether it wants to require receipts and invoices and, absent a statute or regulation to the contrary, the Bureau cannot impair that contractual right. There is no statute or regulation to the contrary.

As required by the Regulation, the claim file contains all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed. USAA requests that this violation be withdrawn.

Reference Number	Review Sheet	Company
CHO120	1283372705	USAA

Company Response:

USAA respectfully disagrees with the violation written under ClaimPropHO-1283372705. The allegation is that USAA violated Regulation 14 VAC 5-400-30, which states:

The insurer's claim files shall be subject to examination by the Commission or by its duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

The claim file provides the necessary detail to reconstruct all pertinent events and their dates related to the claim made by the member. The file contains the following information:

1. The member rented a house and obtained coverage with an RP-3 and RP-6;
2. On 6/23/2014, the member reported that a charity group tied something to the storm door handle and, in doing so, unlatched the storm door;
3. Because the door was unlatched, it was caught by wind;
4. The wind caused the door to slam, thereby shattering the glass portion of the storm door;
5. The documentation on 6/24/2014 shows that the member notified USAA that she had contacted her landlord who told her that she was responsible for the damage;
6. The member handled the repairs herself;
7. On 9/07/2014, the member provided photos of the damage and dated invoices.

The Regulation is clear and specific. It requires only that the claim file contain information that allows reconstruction of (i) pertinent events, and (ii) the dates of such events. It requires no more and the Bureau cannot require more. *The claim file contains the pertinent events and the claim file contains the dates of such events.* The claim file meets all requirements of the Regulation.

Notwithstanding, the Bureau bases the violation on the adjuster's failure to obtain the lease agreement. Obtaining a copy of the lease agreement is simply not required by this Regulation, as it has nothing to do with *reconstructing pertinent events and their dates*. Moreover, the insurance policy is a contract between USAA and the insured, and there is nothing in the contract that requires USAA to obtain a copy of the lease. As a contractual matter under the terms of the policy, USAA has the right to choose, on an individual basis based on the particular circumstances and merits of each claim, whether it wants to require the lease and, absent a statute or regulation to the contrary, the Bureau cannot impair that contractual right. There is no statute or regulation to the contrary.

As required by the Regulation, the claim file contains all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed. USAA requests that this violation be withdrawn.

Reference Number	Review Sheet	Company
CHO142	1500686732	CIC

Company Response:

USAA Casualty Insurance Company (USAA CIC) respectfully disagrees with the violation written under ClaimPropHO-1500686732. The allegation is that USAA CIC violated Regulation 14 VAC 5-400-30, which states:

The insurer's claim files shall be subject to examination by the Commission or by its duly appointed designees. Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed.

The claim file provides the necessary detail to reconstruct all pertinent events and their dates related to the claim made by the member. The file contains the following information:

1. On 10/28/2013, our member reported damage to his unscheduled personal property caused by an earthquake that occurred on 10/11/2013;
2. On 10/28/2013, the adjuster informed the member that his deductible for damage caused by earthquake was \$3000;
3. The file documentation shows that on 10/28/2013, the member agreed that his damages were less than the \$3000 deductible;
4. The file documentation states that "Named Insured understands."

The Regulation is clear and specific. It requires only that the claim file contain information that allows reconstruction of (i) pertinent events, and (ii) the dates of such events. It requires no more and the Bureau cannot require more. *The claim file contains the pertinent events and the claim file contains the dates of such events.* The claim file meets all requirements of the Regulation.

As required by the Regulation, the claim file contains all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed. USAA CIC requests that this violation be withdrawn. See support CHO142.

Reference Number	Review Sheet	Company
CHO148	769285020	CIC

Company Response:

The violation for this item is written under 14 VAC 5-400-30, which states, in pertinent part, "Such files shall contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed." The observation made by the examiner was that in the letter sent to the claimant on 06/11/2014, the Company referenced sending the payment to the claimant's attorney or other representative. The claim file provided by the Company does not reference an attorney representing the claimant. It is unclear to the examiner where the payment was sent.

The Company agreed that the letter sent to the claimant contained information that the payment had been sent to the claimant's attorney or other representative. However, the letter itself shows, under the heading "Payment Details," that the payment was sent to the claimant at the claimant's address. In addition, the record of the payment, contained in the claim file, shows that the check was mailed to the claimant at the same address shown on the letter. While the information regarding sending payment to an attorney or other representative is incorrect, there is no violation of 14 VAC 5-400-30 as the "work papers" contained in the claim file provide all necessary detail to determine to whom and to where the payment was issued to the claimant. See supports CHO148.

(2c) **Reference Number Review Sheet Company**
CHO122 847173762 USAA

USAA respectfully disagrees with the violation written under ClaimPropHO-847173762. The allegation is that USAA violated Regulation 14 VAC 5-400-40 A, which states:

No person shall knowingly obscure or conceal from first party claimants, either directly or by omission, benefits, coverages or other provisions of any insurance policy or insurance contract when such benefits, coverages or other provisions are pertinent to a claim.

The Bureau alleges that the company failed to properly inform the member of coverage provided under the Military Coverage endorsement attached to the member's Renter's policy. Review of the endorsement shows that the coverage applies only if the loss occurs when the member is on active or active reserve duty.

Review of the member's military status shows that he is inactive reserve from the United States Marine Corps. Claim documentation shows that at the time of the loss, he was moving from a residence he was renting into a newly purchased home in Florida. At the time of the loss the member was not on either active or active reserve duty and the Military Coverage endorsement did not apply to the military equipment damaged by the flood.

As the endorsement did not apply to the loss, USAA did not knowingly obscure or conceal from our member, directly or by omission, coverage under the policy pertinent to the claim. Therefore, USAA requests this violation be withdrawn.

(6b) **Reference Number Review Sheet Company**
CHO021 2092445369 GIC
CHO067 1803414065 GAR
CHO078 2035590267 USAA
CHO086 1731543323 USAA
CHO087 1958253105 USAA
CHO095 345994129 USAA
CHO098 1472222709 USAA
CHO141 597059780 CIC
CHO143 1813848444 CIC
CHO158 143590528 CIC

Company Response:

USAA, USAA Casualty Insurance Company (USAA CIC), USAA General Indemnity Company (USAA GIC) and Garrison Property and Casualty Company (Garrison) respectfully disagree with the above violations. The allegations are that the company violated §38.2-510 A.1., which states:

A. No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

1. Misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue;

All violations are based on the companies "incorrectly" informing the members of the guidelines for replacement cost coverage under the RP-3 policy. While the policy states that the companies will pay no more than \$500.00 until repair or replacement is completed, prior to 6/24/2013 the Companies liberalized the coverage to increase the \$500.00 threshold to \$2,500.

The Renter's Policy is made up by three separate sections, the RP-1, General Provisions, RP-3, Personal Property Form, and RP-6, Liability Form. The companies remind the Bureau of the Liberalization Clause, found in the RP-1 policy that is part of the renter's policy. The Liberalization Clause states: "If we adopt any revision which would broaden the coverage under this policy without additional premium, the broadened coverage will immediately apply to this policy."

The Liberalization Clause applies to changes made to the guidelines for replacement cost coverage under the RP-3 policy. Rather than "misrepresenting pertinent facts or insurance policy provisions," the general business practice of the companies is to provide additional coverage to the insured at no additional cost, and the companies do not understand why the Bureau would oppose this benefit for insureds in Virginia. Since there is no general business practice of misrepresentation, the companies request that the 10 violations be withdrawn. See supports labeled "Holdback".

(7c)	Reference Number	Review Sheet	Company
	CHO122	136595585	USAA

The Company did not fail to offer/pay damages for military equipment as provided under the Military Coverage endorsement R-MCOVVA (0609). This additional coverage applies for military uniforms and equipment for a loss **while you are on active or active reserve duty**. At the time of the loss, the member's military status was inactive reserve. Since this additional coverage does not apply to the loss, no payment was owed under this endorsement. See support CHO122.

(8b)	Reference Number	Review Sheet	Company
	CHO024	1300760501	GIC
	CHO122	136595585	USAA

Company Response:

USAA and USAA General Indemnity Company (USAA GIC) respectfully disagree with violations written under ClaimPropHO-1300760501 and ClaimPropHO-654465045. The allegations are that USAA GIC and USAA violated §38.2-510 A.1., which states:

A. No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

1. Misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue;

The violations are based on information provided to the members regarding the time the member had to recover replacement cost. The Renter's policy states that the member has six months from the date of the last ACV payment to claim replacement cost. However, effective 4/24/2014 the companies liberalized the time required to claim replacement cost as stated by the Renter's policy to allow the member one year from the date of loss to claim replacement cost, and to allow the member to request an additional 180 days, if needed. Both claims that are the subject of the violations occurred after 4/24/2014.

The Renter's Policy is made up by three separate sections, the RP-1, General Provisions, RP-3, Personal Property Form, and RP-6, Liability Form. The company reminds the Bureau of the Liberalization Clause found in the RP-1 policy that is part of the renter's policy. The Liberalization Clause states: "If we adopt any revision which would broaden the coverage under this policy without additional premium, the broadened coverage will immediately apply to this policy." The Liberalization Clause applies to changes made to the guidelines for replacement cost coverage under the RP-3 policy.

Rather than "misrepresenting pertinent facts or insurance policy provisions," the general business practice of the companies is to provide additional flexibility and time to the insured, and the companies do not understand why the Bureau would oppose this benefit for consumers in Virginia. Since there is no general business practice of misrepresentation, the companies request that both violations be withdrawn.

REVIEW OF STATUTORY NOTICES

General Statutory Notices

Reference Number	Review Sheet	Company
NGS006	1131491264	USAA Companies
NGS007	789441245	USAA Companies
NGS008	479070074	USAA Companies
NGS009	246672757	USAA Companies
NGS010	1535900540	USAA Companies
NGS011	843146327	USAA Companies
NGS012	507030050	USAA Companies
NGS013	215593399	USAA Companies
NGS014	402260472	USAA Companies
NGS015	654040117	USAA Companies
NGS016	142152578	USAA Companies
NGS017	737616221	USAA Companies
NGS018	1499816140	USAA Companies
NGS019	1977902975	USAA Companies
NGS020	1920924570	USAA Companies
NGS021	167320241	USAA Companies
NGS022	740945712	USAA Companies
NGS023	568492915	USAA Companies
NGS024	377869174	USAA Companies
NGS025	1937297851	USAA Companies
NGS026	29569556	USAA Companies
NSG027	944311207	USAA Companies
NSG028	18821138	USAA Companies
NSG029	588812313	USAA Companies
NSG030	1946364056	USAA Companies
NSG031	52374501	USAA Companies
NSG032	1668706962	USAA Companies

Company Response:

USAA, USAA Casualty Insurance Company (USAA CIC), USAA General Indemnity Company (USAA GIC), and Garrison Property and Casualty Company ("Garrison") respectfully disagree with the above-listed violations. The violations allege that USAA, USAA CIC, USAA GIC and Garrison violated VA Code §§ 38.2-608 A, 38.2-609 C, 38.2-610 A, and Administrative Letter 1981-16 which state in relevant part:

If any individual, after proper identification, submits a written request to an insurance institution, agent, or insurance-support organization for access to recorded personal information about the individual that is reasonably described by the individual and reasonably able to be located and retrieved by the insurance institution, agent, or insurance-support organization, the insurance institution, agent, or insurance-support organization shall within 30 business days from the date the request is received: (1.) Inform the individual of the nature and substance of the recorded personal information in writing, by telephone, or by other oral communication, whichever the insurance institution, agent, or insurance-support organization prefers; (2.) **Permit the individual to see and copy, in person, the recorded personal information pertaining to him or to obtain a copy of the recorded personal information by mail, whichever the individual prefers, unless the recorded personal information is in coded form, in which case an accurate translation in plain language shall be provided in writing;** (3.) Disclose to the individual the identity, if recorded, of those persons to whom the insurance institution, agent, or insurance-support organization has disclosed the personal information within two years prior to such request, and if the identity is not recorded, the names of those insurance institutions, agents, insurance-support organizations or other persons to whom such information is normally disclosed; and (4.) **Provide the individual with a summary of the procedures by which he may request correction, amendment, or deletion of recorded personal information.** See VA Code Section 38.2-608 A (emphasis added);

In the event of an adverse underwriting decision, including those that involve policies referred to in subdivision 1 of subsection E of § 38.2-2114 and in subdivision 3 of subsection F of § 38.2-2212, the insurance institution or agent responsible for the decision shall give a written notice in a form approved by the Commission that: (1.) Either provides the applicant, policyholder, or individual proposed for coverage with the specific reason or reasons for the adverse underwriting decision in writing or advises such person that upon written request he may receive the specific reason or reasons in writing; and (2.) Provides the applicant, policyholder, or individual proposed for coverage with a summary of the rights established under subsection B of this section and §§ 38.2-608 and 38.2-609. See VA Code Section 38.2-610 A;

Whenever an individual respectfully disagrees with an insurance institution's, agent's, or insurance support organization's refusal to correct, amend, or delete recorded personal information, **the individual shall be permitted to file with the insurance institution, agent, or insurance-support organization:** (1.) A concise statement setting forth what the individual thinks is the correct, relevant, or fair information; and (2.) **A concise statement of the reasons why the individual respectfully disagrees with the insurance institution's, agent's, or insurance-support organization's refusal to correct, amend, or delete recorded personal information.** See VA Code Section 38.2-609 C (emphasis added); and

There are three changes that must be made in AUD notices. First, present law gives individuals sixty days to request information after getting an AUD notice. The new law extends this to ninety business days. Second, the new law requires that AUD notices contain a summary of the individual's rights regarding correction, amendment, and deletion of information in the files regarding the adverse underwriting decision in addition to a summary of the individual's rights to see and copy the information. Finally, Paragraph D of Section 38.1-57.11 makes it clear that it will no longer be possible to charge for copies of personal information provided to an individual in connection with an adverse underwriting decision. However, a reasonable charge can be made to cover the costs incurred in providing a copy of recorded personal information in situations other than adverse underwriting decisions. See Administrative Letter 1981-16 (with Prototype AUD Notice).

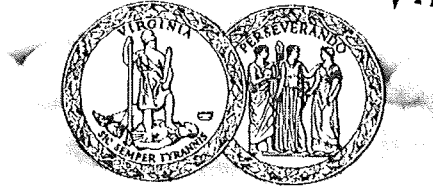
The Adverse Underwriting Decision notices ("AUD Notice(s)") of USAA, USAA CIC, USAA GIC and Garrison meet all the requirements of the statutes listed above and contain virtually identical language as the prototype attached to Administrative Letter 1981-16. The Bureau has specifically noted that USAA has failed to meet the requirements of Section 38.2-608 which state that the insured must be notified that he or she can "see and copy, in person, the recorded personal information pertaining to him to obtain a copy of the recorded personal information . . ." USAA's AUD Notice specifies that USAA will upon request furnish the insured with "the specific items of information that support the reasons given for the actions we took and the identity of any institutional source providing this information." Going further, the Notice also informs the insured that he or she "may review personal information contained about [him/her] in [USAA's] underwriting files." See AUD Notice, Page 1. Much like the language in the Bureau's proposed Notice, the statements in the USAA Notice clearly inform the insured that the insured has the right to know the information that supports the reasoning for the adverse decision and to receive information relating to the decision. *Compare with* Administrative Letter 1981-16, Prototype AUD Notice ("You have the right to know the specific items of information that support the reasons given for this decision and the identity of the source of that information. You also have the right to see and obtain copies of documents relating to this decision.")

The Bureau has also noted that USAA has failed to satisfy the requirements of 38.2-609 C (1-2) and Administrative Letter 1981-16 which provide that the insured should be notified of his or her right to "correct, amend or delete" personal information. The statute is clear and specific in this regard. In nearly identical language, USAA's AUD Notice informs the insured that he or she may "request we correct, amend or delete information that you consider to be incorrect." See AUD Notice, Page 1.

As required by the statutes and Administrative Letter, the Companies' Notice provides all required information and in virtually identical phrasing. Most importantly, the Companies' AUD Notice clearly informs the insured of every right that the insured has with respect to the decision, and how to exercise that right. There is *nothing* omitted. Since the Companies are in full compliance with both the letter and the spirit of the statutes and Administrative Letter, and since the Companies' AUD Notice provides every bit of information that is required, there is no basis for asserting a violation. The Companies thus request that these violations be withdrawn.

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
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STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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May 10, 2017

VIA UPS 2nd DAY DELIVERY

James Bialorucki
Director P&C Compliance
United Services Automobile Association
900 Fredericksburg Road
San Antonio, Texas 78288

Re: Market Conduct Examination
United Services Automobile Association (NAIC# 25941)
USAA Casualty Insurance Company (NAIC# 25968)
USAA General Indemnity Company (NAIC# 18600)
Garrison Property & Casualty Insurance Company (NAIC# 21253)
Examination Period: September 1, 2013 – August 31, 2014

Dear Mr. Bialorucki:

The Bureau of Insurance (Bureau) has reviewed the January 30, 2017 response to the Revised Market Conduct Report (Report) of United Services Automobile Association, USAA Casualty Insurance Company, USAA General Indemnity Company, and Garrison Property & Casualty Insurance Company (Company). The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

The Company has indicated in each of its responses that the information is confidential. As outlined in our previous conversations the working papers of the examination are protected as confidential as provided in the Code of Virginia. However, the response to the Report is not considered working papers and will not be kept confidential.

PART ONE – EXAMINERS' OBSERVATIONS

Automobile New Business Rating

- (4) The violations for RPA002 and RPA010 remain in the Report. If the policies were cancelled and rewritten the Company still needed to provide the notice within 10 days of the new effective date. The Company has not confirmed that these policies were not rewritten. Further, if the policy was rewritten the

Company has not provided evidence that the notice was given to the insured within ten days of the revised effective date.

After further review the violations of RPA009 and RPA032 are withdrawn from the Report. The Report has been amended to include violations under the Statutory Vehicle Notices Section. The notice did not comply with the requirements of § 38.2-2210 A of the Code of Virginia.

Homeowner New Business Rating

- (1) The violation for RHO033 remains in the Report. The Bureau understands that the policy's replacement cost value may not match the purchase price of the home. The Company did not issue the policy with the coverage limits requested by the insured, which was a declination of coverage. According to the statute, the Company should have sent the insured an Adverse Underwriting Decision notice (AUD) when declining coverage.

- (2c) The violations for RHO003, RHO004, RHO019, RHO036, RHO044 and RHO054 remain in the Report. The Company considered the BRS and IBR IMCO accounts eligible when tiering the following policies: RHO037, RHO048, and RHO052. If these accounts were applicable when tiering some policies, it is not clear why they would not apply to others. The Company's application of its tiering criteria is inconsistent.

After further review, the violations for RHO005, RHO029 and RHO031 have been withdrawn from the Report.

Homeowner Renewal Business Rating

- (2b) The violations for RHO061, RHO086, RHO088 and RHO115 remain in the Report. The Company considered the BRS, IBR, UMP, and IMF IMCO accounts, including ANTY life accounts, eligible when tiering the following policies: RHO064, RHO068, RHO073, RHO075, RHO076, RHO087, RHO100, RHO102 and RHO106. If these accounts were applicable when tiering some policies, it is not clear why they would not apply to others. The Company's application of its tiering criteria is inconsistent.

Automobile Cancellation Notices Mailed Prior to the 60th Day

The violations for TPA008 remain in the Report. The Company has not provided sufficient evidence that the insured requested cancellation of the policy. Documentation that a phone call occurred and the documentation showing the insured's change of address do not indicate the insured requested cancellation of the policy or the cancellation date requested by the insured.

Automobile Cancellation Notices Mailed After the 59th Day

The violation for TPA024 remains in the Report. The Company has not provided sufficient evidence that the insured requested cancellation of the policy. Documentation that a phone call occurred does not indicate the insured requested cancellation of the policy or the cancellation date requested by the insured.

Automobile Non-Renewals

- (1) The violation for TPA065 remains in the Report. The Company has not provided any additional information for the Bureau to reconsider. The USPS ball stamp date is not legible. The requirements for valid proof of mailing are outlined in the statute. Without the required documentation the proof of mailing is invalid.

Homeowner Insured Requested Cancellations

- (1) The violation for THO062 remains in the Report. The Company's documentation does not support that it was the insured who requested the cancellation or the effective date of cancellation requested by the insured. The Company again incorrectly addressed this as Item (2) of the Report.
- (2) The violations for THO041, THO061 and THO065 remain in the Report. The insurance policy is a contract between the insured and the insurer. The Company has these coded as insured requested cancellations. The mortgage company is not the insured and cannot request cancellation of the policy. The Loss Payable Endorsement protects the mortgagee's interest due to a covered loss to the mortgaged property. The Company should cease accepting requests for cancellation from the mortgage company. The Code of Virginia has provisions for mid-term cancellations on foreclosed property. In addition, the Company is returning the unearned premium to the mortgage company. The insurance premium is paid by the insured and therefore, the unearned premium should be sent to the insured. The Company should make the outstanding restitution.

Private Passenger Automobile Claims

- (1) After further review, the violation for CPA062 has been withdrawn from the Report.

The violation for CPA148 remains in the Report. The insured paid \$211.90 for the phone three months prior to the loss. The Company's file stated that the replacement cost was \$149.99 without any documentation. Further, the Company's file states the glass was \$188.00 and again, there is no documentation. This violation is for the missing documentation.

The violation for CPA165 remains in the Report. There is no question, that the insured had the option of using his policy for coverage of this loss. There is no question of "fault". This violation is due to the Company's failure to adequately document the claim file. The insured stated that the shipping company was going to pay for the loss. There is no documentation indicating why the Company ignored the insured's statement and after adjusting the loss did not pursue subrogation, which would include collecting and reimbursing the insured's deductible.

The violation for CPA166 was previously amended to delete reference to the medical repricing issue. The violation for failure to document the Company's conclusion that this was an OTC loss remains in the Report. This collision loss was paid under the OTC coverage and the reason for this departure from the correct coverage is not documented in the file.

- (2c) The violation for CPA038 remains in the Report. The Company's file notes show rental limits of "30/900". The Company has responded that this is "information only" which is not related to this claim. By the Company's own admission there is an entry in the notes "30/900" under the related items.

The violation for CPA094 remains in the Report. The Company has responded that the adjuster advised the insured of "...Transportation Expense Coverage up to \$900." At the time of the initial conversation with the insured, the adjuster had every opportunity to fully inform the insured regarding her coverage, i.e. comparable substitute vehicle. Subsequent phone issues are not relevant to the failure to fully inform the insured at the time the rental was arranged. Further, if the insured was advised that he was entitled to a comparable substitute vehicle (and the insured vehicle is an SUV) why would the Company elect to place him in a compact vehicle? If the insured was fully informed, the subsequent phone call would not have been necessary.

- (5b) The Violation for CPA 154 remains in the Report. The Company should make the remaining restitution immediately.

- (5d) After further review of this matter and consultation with staff of the State Corporation Commission's Office of General Counsel, the Bureau has made the decision that the violations for CPA001, CPA064, CPA065, CPA103, CPA111, CPA141, and CPA152 remain in the Report. Two additional violations have been added to the Report involving underpayments. Please see CPA009, review sheet ClaimVehPPA1451304918 and CPA117, review sheet ClaimVehPPA820039934. The Company has failed to satisfy the requirements of § 38.2-2201 of the Code of Virginia by paying the provider without having a valid Assignment of Benefits (AOB). Section 38.2-2201 requires medical expense benefits payments to be made directly to the injured party unless there is a valid AOB.

With regard to restitution, the medical expense benefits coverage is first-party, no fault coverage for which the insured has paid a specific premium under the auto insurance policy. Pursuant to the provisions of the applicable coverage

form, PP05 96 01 16 – Medical Expense and Income Loss Benefits Coverage - Virginia, the only limitation to the insured's ability to obtain benefits from another policy is as follows:

"No one will be entitled to receive payment in excess of actual medical and funeral expenses incurred from this or any other policy or combination of policies providing motor vehicle medical expense benefits applicable to the accident."

Therefore, the Company should conduct an internal audit of all medical expense benefits claims submitted as of July 1, 2013 and extending through the date of this letter. The Company should make restitution to all insureds where the Company did not have a valid AOB from each provider.

In addition, the Company's practices of (i) advising insureds to bypass their own health plan by sending the bills directly to the Company or (ii) suggesting that the health care providers send their bills directly to the Company are a concern. For example, the insured may be entitled to rights, coverages, or payments under his health plan that would be relinquished if a claim is not submitted to the health plan. In addition, an in-network provider is required by § 8.01-27.5 of the Code of Virginia to submit all claims to the health plan in accordance with its provider agreement. In-network providers may not be asked or encouraged to violate this statute.

The violation for CPA102 has been adjusted to show the restitution paid by the Company.

- (8) After further review, the violation for CPA144 has been withdrawn from the Report.

After further review, the violation for CPA149 has been withdrawn from the Report.

After further review, the violation for CPA150 has been withdrawn from the Report.

The violation for CPA166 remains in the Report. There is no evidence of an OTC loss. The Company has not explained how an axle breaking (if that was the cause) and subsequently running into a ditch is remotely related to an OTC loss. Use of the word "impact" in the Company's response indicates the Company is aware that the vehicle collided with another object (which would mean a collision occurred).

The violation for CPA167 remains in the Report. The Company's response is an account of activity in the file that provided no evidence that the Company investigated the claimant's allegations. The file states "per the police interview, ...id and ip were fleeing scene where they were assaulted...the claimant that was struck was one of the 3 people attacking the id and ip". The

insureds clearly stated that the claimant was one of the people who attacked the insureds. The claimant's attorney withdrew representation of the claimant prior to settlement. The Company's response offers information that is not documented in the file.

- (10) The violation for CPA037 remains in the Report. The loss was reported January 2, 2014. The insured's wife was missing and assumed drowned as a result of the vehicle being involved in a flood. The Company did not advise the insured's husband that funeral expenses were covered (assuming her body was found) until February 28, 2014. On March 17, 2014, the Company erroneously advised the insured that funeral expenses were not covered under Medical Expense Benefits coverage even though the Company's attorney advised otherwise on January 13, 2014. On March 17, 2014, the insured advised that his wife's body had been found. On March 18, 2014, the Company reversed its incorrect decision and advised the insured that funeral expenses would indeed be covered. On March 24, 2014, the insured called and asked where to send the funeral bill and subsequently faxed over bills in excess of \$13,000.00. On March 28, 2014, the Company paid \$9,499.04 but without explanation, did not pay the remaining limits of \$500.96 until April 16, 2014. The delays in this claim are clear.

The violation for CPA134 remains in the Report. The Company did not handle this claim promptly. The scenario of the claim, according to the Company's own file notes reflects the loss was reported on September 9, 2013 and it was not determined until December 24, 2013 that the vehicle was determined to be a total loss.

- (13) The violations in this section are withdrawn from the Report. The Report has been renumbered to reflect this change. The Company is cautioned, however, regarding its use of a Medical Authorization for "underwriting purposes". Many Medical Expense Benefits claims involve passengers who are not insured with USAA and the underwriting of their insurance is clearly not in USAA's purview.
- (14) The Report has been renumbered and the violations of § 38.2-2201 B are now number 13. The Company will Cease and Desist from all practices which constitute a violation of § 38.2-2201 B. The Company will pay insureds directly unless there is a valid AOB.
- (15) The Report has been renumbered and the violations of § 38.2-2201 D are now number 14. The Company will Cease and Desist from all practices which constitute a violation of § 38.2-2201 D and obtain an Explanation of Benefits when determining the amount payable under MEB claims. The Company can only reduce benefits under the conditions specified in § 38.2-2201 D of the Code of Virginia.

Homeowner Claims

- (1) The violation for CHO030 remains in the Report. The claims investigation and valuation process used to determine the value of items claimed as well as ownership of these items, is pertinent and necessary to reconstruct the events of the claim. The Company issued payment without verifying ownership or condition.

The violation for CHO041 remains in the Report. The credit card statement in the claim file addresses payment amounts that are not in question in this violation. The documentation that is missing in the claim file is the support for payments in the amount of \$192.00 and \$1711.96.

The violation for CHO049 remains in the Report. The invoice supporting the payment is not in the file. The Company does not pay other claims without proof of the incurred expense. For example, in other claims reviewed by the examiners, the Company required an estimate of repair for vehicles, water restoration charges, dwelling repair estimates, rental bills, etc. The Company cannot arbitrarily decide that one claim requires documented bills/charges while another does not. All insureds must be treated equally. If the Company deviates from their practice, the file should clearly state the reason.

The violation for CHO054 remains in the Report. The denial document was referenced in the claim file but not included in the claim file. It is not possible to determine the recipient or the content of the letter.

After further review, the violation for CHO060 has been withdrawn from the Report.

After further review, the violation for CHO070 has been withdrawn from the Report.

After further review, the violation for CHO079 has been withdrawn from the Report.

The violation for CHO083 remains in the Report. The invoice supporting the payment is not in the file. The Company does not pay other claims without proof of the expense. For example, in other claims reviewed by the examiners, the Company required an estimate of repairs for vehicles, water restoration charges, dwelling repair estimates, rental bills, etc. The Company cannot arbitrarily decide that one claim requires documented bills/charges while another does not. All insureds must be treated equally. If the Company deviates from their practice, the file should clearly state the reason. Also of concern to the examiners is the amount paid of \$240.00 when the insured stated he paid \$225.00 for the repair.

The violation for CHO120 remains in the Report. Establishing that the insured had an insurable interest in the property prior to extending coverage and issuing payment is basic to the handling of any first party claim.

After further review, the violation for CHO142 has been withdrawn from the Report.

The violation of CHO148 remains in the Report. The file is documented with inaccurate information.

- (2c) After further review, the violation of CHO122 has been withdrawn from the Report.
- (5d) After further review, the violation of CHO122 has been withdrawn from the Report.
- (6b) The violations for CHO021, CHO067, CHO078, CHO086, CHO087, CHO095, CHO098, CHO141, CHO143, and CHO158 remain in the Report. For consistency in the application of rules and/or coverages, any changes to the rules and forms should be filed with Bureau prior to use. The Liberalization Clause in the policy allows application of newly filed broadened provisions to apply to an existing contract. Under the form in effect at the time of these losses, the Company advised the insureds of a specified dollar amount that was not the amount in the approved form.
- (7) After further review, the violation of CHO122 has been withdrawn from the Report.
- (8b) The violation for CHO024 remains in the Report. This violation pertains to the Company's failure to properly advise the insured of the time allotted to claim the holdback for depreciation.

After further review the violation of CHO122 has been withdrawn from the Report.

General Statutory Notices

The violations of NGS006, NGS024 and NGS027 remain in the Report. There are several areas where the AUD notice is not in compliance. There is a considerable difference between the Company's allowing an insured 90 business days from the "date of the notice" versus the correct timeframe of 90 business days from the "date of mailing".

In addition, the notice must be in a format substantially similar to the language in the prototype provided by the Bureau in Administrative Letter 2015-07. An AUD notice is to be clear, concise and inclusive.

Concerning the Company's objections to §§38.2-608 and 609 of the Code of Virginia, the Company is reminded of the Corrective Action Plan to which the USAA Life Insurance Company agreed to bring their AUD notice into compliance with §§38.2-608 and 609, the very issue the Company is now disputing. Please review Order number INS-2013-00037.

After further review 100 violations of § 38.2-610 A of the Code of Virginia have been withdrawn.

Statutory Vehicle Notices

Twelve violations of § 38.2-2210 A of the Code of Virginia have been added to the Report. The statute requires that the notice be on or attached to the first page of the application and in boldface type. The notices fail to meet either of the aforementioned requirements.

Other Notices

Forty violations of § 38.2-610 A of the Code of Virginia have been added to the Report. The Company's Cancellation and Nonrenewal notices did not meet the requirements of § 38.2-608 and § 38.2-609 of the Code of Virginia. In addition, the notice did not include language substantially similar to the language provided in the prototype found in Administrative Letter 2015-07.

PART TWO – CORRECTIVE ACTION PLAN

Automobile Rating

The Company has stated on the Restitution Spreadsheet that it disagrees with RPA003, RPA009, RPA010, RPA013, RPA015, RPA020, RPA055, RPA056, RPA059, RPA067, RPA070 and RPA073, however, there is no indication as to why the Company disagrees. The Company has failed to provide a reason for not making the restitution immediately.

The Company has stated on the Restitution Spreadsheet that it disagrees with RPA017. The Company is reminded that this violation was previously withdrawn.

The Company has stated on the Restitution Spreadsheet that it disagrees with RPA025 as related to restitution of \$38.92. The Company is reminded that the restitution was reduced to \$1.76.

The Company has stated on the Restitution Spreadsheet that it disagrees with RPA070. The Company is reminded that this violation was previously withdrawn.

Homeowner Rating

The Company has stated on the Restitution Spreadsheet that it disagrees with RHO022, RHO061, RHO063, RHO068, RHO080, RHO086, RHO088, RHO089, and RHO101. The Company has failed to provide a reason for not making the restitution immediately.

The Company has disputed RHO024 as related to restitution of \$21.60. The Company is reminded that the restitution has been amended \$7.75. The Company has failed to provide a reason for not making the restitution immediately.

The Company has stated that it disagrees with RHO082. The Company is reminded that this violation was previously withdrawn.

Automobile Termination

The Company has stated that it disagrees with TPA045 and TPA046. The Company is reminded that these violations were previously withdrawn.

Claims

The Company should prepare an excel spreadsheet indicating the payments made as a result of the internal audit of its MEB claims. This spreadsheet should be in the same format as the Restitution Spreadsheet sent by the Bureau for the Claims Underpayments.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports and Restitution spreadsheet. The Company's response to this letter is due in the Bureau's office by May 31, 2017.

Sincerely,

Joy M. Morton
Manager
Market Conduct Section
Property and Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

Enclosures

9800 Fredericksburg Road
San Antonio, Texas 78288

STATE CORP. COMMISSION

2017 JUN -2 AM 9:51

BUREAU OF INSURANCE



Joy Morton
Virginia Bureau of Insurance
Market Conduct Section
Property & Casualty Division
1300 E. Main Street
Richmond, VA 23218

May 31, 2017

SENT VIA EMAIL AND FEDEX

Re: United Services Automobile Association NAIC 25941
USAA Casualty Insurance Company NAIC 25968
USAA General Indemnity Company NAIC 18600
Garrison Property & Casualty Insurance Company NAIC 21253

Dear Ms. Morton:

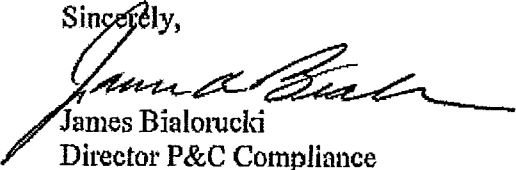
The above reference companies (collectively referred to as "The Company") again appreciate the opportunity to review and respond to the draft report dated May 10, 2017. As you know, we have been working diligently with the Bureau to address its concerns in a number of areas and the Company acknowledges the Bureau's positions on those. While there has been agreement and progress in some areas, we respectfully continue to disagree where noted in the following response for the reasons previously stated.

With regard to outstanding restitution, the Company is processing those payments and will provide supporting documentation within the next 30 days.

We appreciate you and your team for all the hard work it took to complete this market conduct exam. I know firsthand how hard and long our USAA team worked to respond to each and every request for information received from your department. We look forward to receiving the final report and the conclusion of this exam to the benefit of all parties involved, but most importantly to our members.

If you have any further questions, please don't hesitate to contact me directly at 210-219-4672.

Sincerely,


James Bialorucki
Director P&C Compliance
United Services Automobile
Association

Please note that this response contains proprietary, confidential, and sensitive information, which, if disclosed to other persons, would cause us irreparable harm and could cause substantial injury to the competitive position of the Companies and their affiliates. Accordingly, such information is to be kept confidential pursuant to Virginia Code § 38.2-221.1.

PART ONE – THE EXAMINERS' OBSERVATIONS

This section of the Report contains all of the observations that the examiners provided to the companies. These include all instances where the companies violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the companies violated other Virginia laws applicable to insurers.

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The Bureau reviewed 40 new business policy files. As a result of this review, the examiners found overcharges totaling \$2,557.31 and undercharges totaling \$494.97. The net amount that should be refunded to insureds is \$2,557.31 plus six percent (6%) simple interest.

- (1) The examiners found three violations of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company misrepresented the premium for the policy term shown on the declarations page.
- (2) The examiners found one violation of § 38.2-1905 C of the Code of Virginia. The company applied surcharge points under its Safe Driver Insurance Plan (SDIP) to a vehicle other than the one customarily driven by the operator responsible for incurring the points.

The company continues to respectfully disagree with the Bureau's interpretation of the vehicle customarily driven by the operator responsible for incurring points. However, the company has no further documentation to present to the Bureau with regard to this violation.

- (3) The examiner found 28 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/rates on file with the Bureau.
 - a. In two instances, the company failed to use the correct discounts and/or surcharges.
 - b. In one instance, the company failed to apply the correct surcharge points for accidents and/or convictions.

The company continues to respectfully disagree with the Bureau's finding related to the information provided by the CLUE report; however, the company has no further documentation to present to the Bureau with regard to this violation.

- c. In 15 instances, the company failed to use the correct symbol and/or model year.

The company continues to respectfully disagree with the Bureau's finding related to the USAA auto symbol program. The company has no further information to provide to the Bureau. Due to the Bureau's difficulty in applying the company's system of assignment of symbols to new vehicle models, the company has filed updated information with the Bureau.

- d. In six instances, the company failed to use the correct tier eligibility criteria.

The company continues to respectfully disagree with the Bureau's application of the company's filed rules pertaining to tiering. The company has no further documentation to provide to the Bureau. Due to the confusion created by the company's tiering rules, the company has filed updated rules.

- e. In two instances, the company failed to use the correct driver classification factor.

The company continues to respectfully disagree with the Bureau's application of the company's filed Rule 4.C.2.d. to "alternative driver," however; the company has no further documentation to provide to the Bureau.

- f. In two instances, the company failed to use the correct based and/or final rates.
- (4) The examiners found 38 violations of § 38.2-2210 C of the Code of Virginia. The company failed to provide the 60-day cancellation warning notice when the applicant was not provided a written copy of the application.
 - (5) The examiners found four violations of § 38.2-2234 A of the Code of Virginia. The company failed to provide the Credit Adverse Action notice.

The company continues to disagree with the Bureau related to the application of the federal Fair Credit Reporting Act ("FCRA") to §38.2-2234 A of the Code of Virginia. It is the company's position that the application of the FCRA does not require a Credit Adverse Action notice when the insured is not placed in the "best" tier.

Automobile Renewal Business Policies

The Bureau reviewed 38 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$852.07 undercharges totaling \$510.75. The net amount that should be refunded to insureds is \$852.07 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-1905 C of the Code of Virginia. The company applied surcharge points under its Safe Driver Insurance Plan (SDIP) to a vehicle other than the one customarily driven by the operator responsible for incurring the points.

The company continues to respectfully disagree with the Bureau's interpretation of the vehicle customarily driven by the operator responsible for incurring points. However, the company has no further documentation to present to the Bureau with regard to this violation.

- (2) The examiners found 23 violations of § 38.2-1906D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In two instances, the company failed to use the correct discounts and/or

- b. surcharges.
In four instances, the company failed to use the correct symbol and/or model year.

The company continues to respectfully disagree with the Bureau's finding related to the USAA auto symbol program. The company has no further information to provide to the Bureau. Due to the Bureau's difficulty in applying the company's system of assignment of symbols to new vehicle models, the company has filed updated information with the Bureau.

- c. In one instance, the company failed to use the correct territory.
- d. In eight instances, the company failed to use the correct tier eligibility criteria.

The company continues to respectfully disagree with the Bureau's application of the company's filed rules pertaining to tiering. The company has no further documentation to provide to the Bureau. Due to the confusion created by the company's tiering rules, the company has filed updated rules.

- e. In seven instances, the company failed to use the correct driver classification factor.

The company continues to respectfully disagree with the Bureau's application of the company's filed rules pertaining to vehicle operator classification; however, the company has no further documentation to provide to the Bureau.

- f. In one instance, the company failed to use the correct base and/or final rates.

Homeowners New Business Policies

The Bureau reviewed 60 new business policy files. As a result of this review, the examiners found overcharges totaling \$2,535.66 and undercharges totaling \$2,201.19. The net amount that should be refunded to the insureds is \$2,535.66 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-610A of the Code of Virginia. The company failed to provide the insured written Notice of an Adverse Underwriting Decision (AUD).

The company continues to respectfully disagree with the Bureau's determination that if the company asks the insured for the purchase price of the home, that information is the amount of coverage that the insured has requested. The company's determination of the reasonable replacement cost of the dwelling, and the insured's request to insure the home for that amount, is not an adverse underwriting decision thereby triggering written notice under § 38.2-610A of the Code of Virginia.

- (2) The examiners found 36 violations of § 38.2-1906D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In 13 instances, the company failed to use the correct discounts and/or

surcharges.

The company continues to respectfully disagree with the Bureau's application of the company's rules pertaining to discounts and/or surcharges; however, the company has no further documentation to provide to the Bureau.

- b. In one instance, the company failed to use the correct territory.
- c. In nine instances, the company failed to use the correct tier eligibility criteria.

The company continues to respectfully disagree with the Bureau's application of the company's filed rules pertaining to tiering. The company has no further documentation to provide to the Bureau. Due to the confusion created by the company's tiering rules, the company has filed updated rules.

- d. In 11 instances, the company failed to use the correct base and/or final rates.

The company continues to respectfully disagree with the Bureau's application of the company's filed rules pertaining to base and/or final rates. The violations appear to primarily be in reference to the company's calculation for Increased Dwelling Coverage. The company has no further documentation to provide to the Bureau.

- e. In two instances, the company failed to use the correct public protection class.

The company continues to respectfully disagree with the Bureau's findings pertaining to public protection class for the properties; however, the company has no further documentation to provide to the Bureau.

Homeowners Renewal Business Policies

The Bureau reviewed 57 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$667.83 and undercharges totaling \$1,381.42. The net amount that should be refunded to insureds is \$667.83 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-1318 of the Code of Virginia. The company failed to provide convenient access to the files, documents and records relating to the examination. The company failed to provide accurate policy information.
- (2) The examiners found 26 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In eight instances, the company failed to use the correct discounts and/or surcharges.

The company continues to respectfully disagree with the Bureau's findings with regard to violations pertaining to weather related claims and application of the Increased Dwelling Coverage discount, however, the company has no additional information to provide to the Bureau.

- b. In eight instances, the company failed to use the correct tier eligibility criteria.

The company continues to respectfully disagree with the Bureau's application of the company's filed rules pertaining to tiering. The company has no further documentation to provide to the Bureau. Due to the confusion created by the company's tiering rules, the company has filed updated rules.

- c. In six instances, the company failed to use the correct base and/or final rates.

The company continues to respectfully disagree with the Bureau's application of the company's filed rules pertaining to base and/or final rates. The violations appear to primarily be in reference to the company's calculation for Increased Dwelling Coverage. The company has no further documentation to provide to the Bureau.

- d. In one instance, the company failed to use the correct public protection class.

The company continues to respectfully disagree with the Bureau's findings pertaining to public protection class for the property; however, the company has no further documentation to provide to the Bureau.

- e. In three instances, the company failed to rate the policy with updated credit information.

TERMINATION REVIEW

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

Company-Initiated Cancellations – Automobile Policies

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

The Bureau reviewed four automobile cancellations that were initiated by the companies where the companies mailed the notices prior to the 60th day of coverage in the initial period. As a result of this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found two violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written Notice of an Adverse Underwriting Decision (AUD).

The company continues to respectfully disagree with the Bureau with regard to these violations. The company has provided all proof it has that the member initiated the policy cancellations and has no further proof to provide to the Bureau.

- (2) The examiners found two violations of § 38.2-2208 B of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the insured.

The company continues to respectfully disagree with the Bureau with regard to one of these violations. The company has provided all proof it has that the member initiated the policy cancellation and has no further proof to provide to the Bureau.

- (3) The examiners found three occurrences where the company failed to comply with the provisions of the insurance contract.
- a. In two instances, the company failed to provide advance notice of cancellation to the insured.

The company continues to respectfully disagree with the Bureau with regard to one of these violations. The company has provided all proof it has that the member initiated the policy cancellation and has no further proof to provide to the Bureau.

- b. In one instance, the company failed to send the cancellation notice to the address listed on the policy.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The Bureau review eight automobile cancellations that were initiated by the companies where the companies mailed the notice on or after the 60th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy.

The examiners found one violation of § 38.2-2212 E of the Code of Virginia. The company failed to send notice of cancellation to the insured.

The company continues to respectfully disagree with the Bureau with regard to this violation. The company has provided all proof it has that the member initiated the policy cancellations and has no further proof to provide to the Bureau.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The Bureau reviewed nine automobile cancellations that were initiated by the companies for the nonpayment of the policy premium. As a result of this review, the examiners found overcharges totaling \$109.57 and no undercharges. The amount that should be refunded to insureds is \$109.57 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

The company continues to respectfully disagree with the Bureau's method of calculating earned and unearned premium, however, the company has no further documentation to provide to the Bureau.

- (2) The examiners found two violations of § 38.2-2208 of the Code of Virginia.
The company failed to provide proper notice of the cancellations to the lienholder.

REQUESTED BY THE INSURED

The Bureau reviewed 13 automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found overcharges totaling \$6.45 and no undercharges. The amount that should be refunded to insureds is \$6.45 plus six percent (6%) simple interest.

The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

The company continues to respectfully disagree with the Bureau's method of calculating earned and unearned premium, however, the company has no further documentation to provide to the Bureau.

Company-Initiated Non-Renewals – Automobile Policies

The Bureau reviewed 17 automobile nonrenewals that were initiated by the companies.

- (1) The examiners found one violation of § 38.2-2208 A of the Code of Virginia. The company failed to obtain valid proof of mailing the refusal to renew notice to the insured.

The company continues to respectfully disagree with the Bureau's interpretation of § 38.2-2208 A of the Code of Virginia. It is the company's position that it has provided adequate proof of mailing, however, the company has no further documentation to provide to the Bureau.

- (2) The examiners found six violations of § 38.2-2208 B of the Code of Virginia.
- a. In four instances, the company failed to provide notice of the refusal to renew to the lienholder.
 - b. In one instance, the company failed to retain valid proof of mailing the refusal to renew notice to the insured.
 - c. In one instance, the company failed to retain valid proof of mailing the refusal to renew notice to the lienholder.

The company continues to respectfully disagree with the Bureau with regard to one of these violations. The company has provided all proof it has that the member initiated the policy cancellation and has no further proof to provide to the Bureau.

Company-Initiated Cancellations – Homeowners Policies

NOTICE MAILED PRIOR TO THE 90TH DAY OF COVERAGE

The Bureau reviewed 16 homeowner cancellations that were initiated by the companies where the notices were mailed prior to the 90th day of coverage in the initial policy period. As a result of this review, the examiners found no overcharges and no undercharges.

The examiners found one occurrence where the company failed to comply with the provisions of the insurance contract. The company failed to provide a notice of cancellation to the insured.

NOTICE MAILED AFTER THE 89TH DAY OF COVERAGE

The Bureau reviewed ten homeowner cancellations that were initiated by the companies where the notices were mailed on or after the 90th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. As a result of this review, the examiners found on overcharges and no undercharges.

- (1) The examiners found one violation of § 38.2-2113 C of the Code of Virginia. The company failed to retain valid proof of mailing the cancellation notice to the lienholder.
- (2) The examiners found one violation of § 38.2-2114 B of the Code of Virginia. The company failed to provide 30 days notice to the insured when the company cancelled the policy after the 89th day of coverage.

The company continues to disagree with the Bureau's finding of a violation under § 38.2-2114 B of the Code of Virginia as the member initiated the cancellation of the policy. While the company mislabeled the policy as a company initiated cancellation after the 90th day of coverage, the company disagrees with the Bureau's position that § 38.2-2114 B was violated by failure to provide 30 days notice of the cancellation of the policy where the insured initiates the policy cancellation.

All Other Cancellations – Homeowners Policies

NONPAYMENT OF THE PREMIUM

The Bureau reviewed eight homeowner cancellations that were initiated by the companies for nonpayment of the policy premium. As a result of this review, the examiners found no overcharges and no undercharges

The examiners found no violations in this area.

REQUEST BY THE INSURED

The Bureau reviewed nine homeowner cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As result of this review, the examiners found overcharges totaling \$1,441,86 and no undercharges. The net amount that should e refunded to insureds is \$1,441.86 plus six percent (6%) simple interest.

The examiners found four occurrences where the company failed to comply with the provisions of the insurance contract.

- a. In one instance, the company failed to retain evidence of the insured's request for cancellation of the policy.

- b. In three instances, the company failed to refund unearned premium to the insured.

The company continues to respectfully disagree with the Bureau's insistence that unearned premium be returned to the member rather than the mortgage company, however, the company has no further documentation to provide to the Bureau.

Company-Initiated Non-renewals – Homeowner Policies

The Bureau reviewed 13 homeowner nonrenewals that were initiated by the companies.

- (1) The examiners found one violation of § 38.3-2113 C of the Code of Virginia. The company failed to provide proper notice of nonrenewal to the lienholder.
- (2) The examiners found two violations of § 38.2-2114 B of the Code of Virginia. The company failed to issue a nonrenewal notice to the insured on an owner-occupied dwelling.

CLAIMS REVIEW

Private Passenger Automobile Claims

The examiners reviewed 170 automobile claims for the period of September 1, 2013 through August 31, 2014. The findings below appear to be contrary to the standards set forth by Virginia statutes and regulations. As a result of this review, the examiners found overpayments of \$10,476.85 and underpayments totaling \$45,751.65. The net amount that should be paid to claimants is \$45,751.65 plus six percent (6%) simple interest.

- (1) The examiners found 12 violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
These findings occurred with such frequency as to indicate a general business practice.

The company continues to respectfully disagree with the Bureau that some of the claims files failed to document the claim sufficiently to reconstruct events pertinent to the claim.

- (2) The examiners found 13 violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.
 - a. In three instances, the company failed to inform an insured of his physical damage deductible when the file indicated that the coverage was applicable to the loss.
 - b. In one instance, the company failed to accurately inform an insured of his Medical Expense Benefits coverage when the file indicated the coverage was applicable to the loss.
 - c. In six instances, the company failed to accurately inform an insured of his Transportation Expense coverage when the file indicated the coverage

- was applicable to the loss.
- d. In three instances, the company failed to accurately inform an insured of his benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM) when the file indicated the coverage applied to the loss.

The company rejects the general business practice alleged. Rather than concealing any benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim, as the files reflect, and as the company has shown BOI, the general business practice of the company is to serve its customers and provide all information necessary to assure that the customers are aware of all benefits and coverages available.

- (3) The examiners found 11 violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.
- (4) The examiners found two violations of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for the denial in its written denial of the claim.
- (5) The examiners found 27 violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
 - a. In one instance, the company failed to pay the insured's UMPD claim properly when Collision and/or UMPD coverages applied to the claim.
 - b. In three instances, the company failed to pay the insured's rental benefits available under the UMPD coverage and/or UIM coverage.
 - c. In one instance, the company failed to pay the proper sales and use tax, title fee, and/or license fee on first party total loss settlements.
 - d. In 11 instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.

The company requests the opportunity to discuss with the Bureau the scope and parameters of the internal audit of all medical expense benefit claims submitted as of July 1, 2013 through May 10, 2017 that the Bureau recommends the company to complete.

- e. In eight instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.
- f. In three instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Other Than Collision or Collision coverage.

The company rejects the general business practice alleged. Rather than failing to offer an amount that is fair and reasonable, or failing to pay claims in accordance with the policy provisions, the general business practice of the company is to treat its insureds fairly and in accordance with the contractual policy provisions.

- (6) The examiners found one violation of 14 VAC 5-400-80D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- (7) The examiners found three violations of §38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to the coverage at issue.
- (8) The examiners found five violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (9) The examiners found one violation of § 38.2-510 A 4 of the Code of Virginia. The company refused arbitrarily and unreasonably to pay a claim.
- (10) The examiners found 18 violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.

The company rejects the general business practice alleged. The company does not, nor has it ever, failed to attempt, in good faith, to make a prompt, fair, and equitable settlement, and the company's files reflect that. To the contrary, the company's general business practice is to treat its customers fairly and resolve claims quickly.

- (11) The examiners found six violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured that was not accompanied by a statement setting forth the correct coverage under which payment was made.
- (12) The examiners found two violations of § 38.2-510 C of the Code of Virginia. The company failed to disclose the required aftermarket parts notice to the vehicle owner on the estimate of repairs or in a separate document.
 - a. In one instance, the company failed to disclose the required aftermarket parts notice to the insured owner on the estimate of repairs or in a separate document.
 - b. In one instance, the company failed to disclose the required aftermarket parts notice to the claimant owner on the estimate of repairs or in a separate document.
- (13) The examiners found seven violations of § 38.2-2201B of the Code of Virginia. The company failed to obtain a statement from the insured authorizing the company to make payments directly to the medical provider.

- (14) The examiners found two violations of § 38.2-2201 D of the Code of Virginia. The company reduced the amount payable to an insured when Medical Expense Benefits may not be reduced for any benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.
- (15) The examiners found 35 occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In once instance, the company incorrectly informed the insured of a time limit for recover of his deductible.
 - b. In seven instances, the company failed to include the lienholder on the check.
 - c. In 17 instances, the company paid an insured more than the insured was entitled to receive under the terms of his policy.
 - d. In ten instances, the company issued payments under the incorrect coverage.

Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the following as a violation of other Virginia laws.

- (1) The examiners found two violations of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim.
- (2) The examiners found two violations of § 46.2-624 of the Code of Virginia. The company failed to notify the Virginia Department of Motor Vehicles when payment was made in excess of \$3,500 on a water-damaged vehicle.

Homeowners Claims

The examiners reviewed 158 homeowner claims for the period of September 1, 2013 through August 31, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$37,348.59 and underpayments totaling \$14,193.86. The net amount that should be paid to claimants is \$14,093.86 plus six percent (6%) simple interest.

- (1) The examiners found 14 violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

The company respectfully disagrees with a number of the violations in this section as the Bureau applies a standard that all claims be handled in an identical manner. The Bureau's position is not supported by any Virginia law or regulation, and is an impermissible impairment of the contracts between the company and its members.

- (2) The examiners found eight violations of 14 VAC 5-400-40 A. The company

obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance contract that were pertinent to the claim.

- a. In three instances, the company failed to inform the insured of the benefits under the additional living expense coverage of the policy.
 - b. In four instances, the company failed to inform the insured of the replacement cost benefits under the personal property coverage of the policy.
 - c. In one instance, the company failed to inform the insured of available benefits under the additional coverages section of the policy.
- (3) The examiners found eight violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.
- (4) The examiners found four violations of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for its denial in the written denial of the claim.
- (5) The examiners found four violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim.
- a. In one instance, the company failed to pay the entire claim under the insured's Dwelling Replacement Cost coverage.
 - b. In one instance, the company failed to pay the entire claim under the insured's Additional Living Expense coverage.
 - c. In one instance, the company failed to pay the entire claim under the insured's Additional Coverages.
 - d. In one instance, the company failed to pay the entire claim under the insured's replacement cost personal property coverage.
- (6) The examiners found 25 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to the coverage at issue.
- a. In one instance, the company issued written communications that misrepresented pertinent facts of the claim.
 - b. In 24 instances, the company failed to properly represent the replacement cost provisions of the policy.

The company rejects the general business practice alleged. Rather than concealing any benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim, as the files reflect, and as the company has shown BOI, the general business practice of the company is to serve its customers and provide all information necessary to assure that the customers are aware of all benefits and coverages available.

- (7) The examiners found 14 violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

The company rejects the general business practice alleged. The company's general business practice is reflected in its files, and the company promptly investigates claims arising under its policies.

- (8) The examiners found three violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.
- (9) The examiners found four violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.
- (10) The examiners found two violations of § 38.2-510 A 14 of the Code of Virginia. The company failed to provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for the denial of a claim or offer of a compromise settlement.
- a. In one instance, the company failed to properly pay the claimant's claim for medical expenses under the medical payments to others coverage.
 - b. In one instance, the company failed to properly pay the claimant's claim for rental of a comparable substitute vehicle under the property damage liability coverage.
- (11) The examiners found 19 occurrences where the company failed to comply with the provisions of the insurance contract.
- a. In one instance, the company included the lienholder on the check in payment for personal property.
 - b. In eight instances, the company failed to include the lienholder on the check.
 - c. In nine instances, the company paid an insured more than he/she was entitled to receive under the terms of his/her policy.
 - d. In one instance, the company issued payments under the incorrect coverages.

REVIEW OF FORMS

The examiners reviewed the company's policy forms and endorsements used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the company's compliance with Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for each line of business listed below, the Bureau requested copies from the companies. In addition, the Bureau requested copies of new and renewal business policy mailings that the

companies were processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance Process section of the Report. The examiners then reviewed the forms used on these policies to verify the company's current practices.

Automobile Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 29 forms that were used and/or available for use during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found four violations of § 38.2-2214 of the Code of Virginia. The company used a rate classification statement other than the one approved for use by the Bureau during the examination period.
- (2) The examiners found 28 violations of § 38.2-2220 of the Code of Virginia. The company used a version of a standard automobile form that was not in the precise language filed and adopted for use by the Bureau.
- (3) The examiners found nine violations of § 38.2-2223 of the Code of Virginia. The company used a version of a form filed as a broadening that was not in the precise language as the form approved by the Bureau.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

Homeowners Policy Forms

The companies provided copies of 49 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The examiners found two violations of § 38.2-317 A of the Code of Virginia. The company used a form which had not been filed with the Commission at least 30 days prior to use.

OTHER FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

REVIEW OF THE POLICY ISSUANCE PROCESS

To obtain sample policies to review the company's policy issuance process for the lines examined, the examiners requested new and renewal business policy mailings that were sent after the companies received the Examination Data Call. The companies were instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the companies enclosed and listed all of the applicable policy forms on the declarations page. In addition, the examiners verified that all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those requested on the applications for those policies.

Automobile Policies

The companies provided twelve new business policies mailed on the following

dates: December 20, 2014, January 3, 7, 16, 17, 19, 21, 23, 27 and 28, 2015. In addition, the companies provided 12 renewal business policies mailed on the following dates: January 4, 6, 7, 8, 9, 11, 21 and 22, 2015.

NEW BUSINESS POLICIES

The examiners found eight violations of § 38.2-2210 A of the Code of Virginia. The company failed to include the 60 – day cancellation warning notice in boldface type on or attached to the first page of the private passenger automobile application.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

Homeowners Policies

The companies provided 12 new business policies mailed on the following dates: January 5, 6, 16, 20, 23, 27, and 29, February 3, 12, 13, and 16, 2015. In addition, the companies provided twelve renewal business policies mailed on the following dates: January 3, 6, 8, 10, 17, 27, and 29, and March 3, 5, and 23, 2015.

NEW BUSINESS POLICIES

The examiners found no violations in this area.

RENEWAL BUSINESS POLICIES

The examiners found no violations in this area.

REVIEW OF STATUTORY NOTICES

The examiners reviewed the company's statutory notices used during the examination period and those that are currently used for the line of business examined. From this review, the examiners verified the company's compliance with Virginia insurance statutes and regulations.

To obtain copies of the statutory notices used during the examination period for the line of business listed below, the Bureau requested copies from the companies. For the forms currently used, the Bureau used the same new and renewal business policy mailings that were previously described in the Review of the Policy Issuance Process section of the Report.

The examiners verified that the notices used by the companies on all applications, on all policies, and those special notices used for property policies issued on risks located in Virginia complied with the Code of Virginia. The examiners also reviewed documents that were created by the companies but were not required by the Code of Virginia. These documents are addressed in the Other Notices category below.

General Statutory Notices

The examiners found 12 violations of § 38.2-610 A of the Code of Virginia. The company's AUD notice did not comply with the requirements of the statute.

Statutory Vehicle Notices

The examiners found eight violations of § 38.2-2210 A of the Code of Virginia. The cancellations warning on the application failed to comply with the statute.

Statutory Property Notices

The examiners found no violations in this area.

Other Notices

The examiners found 40 violations of § 38.2-610 A of the Code of Virginia. The AUD notice included in the cancellation/nonrenewal notices did not comply with the statute.

LICENSING AND APPOINTMENT REVIEW

A review was made of the private passenger automobile and homeowner new business policies to verify the agent of record. In addition, the agent or agency to which each company paid a commission for these new business policies was checked to verify that the entity held a valid Virginia license and was appointed by the company.

Agent

The examiners found no violations in this area.

Agency

The examiners found no violations in this area.

REVIEW OF THE COMPLAINT – HANDLING PROCESS

A review was made of the company's complaint handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia.

The examiners found three violations of § 38.2-511 of the Code of Virginia. The companies failed to maintain a complete complaint register in compliance with this statute.

REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES

The Bureau requested a copy of the company's Information Security Program that protects the privacy of policyholder information in accordance with § 38.2-613.2 of the Code of Virginia

The companies provided their Information Security Procedures.

PART TWO - CORRECTIVE ACTION PLAN**General**

United Services Automobile Association, USAA General Indemnity Insurance Company Garrison Property and Casualty Company, and USAA Casualty Insurance Company submits the following Corrective Action Plan (CAP) in repose to the Report.

Rating and Underwriting Review.

United Services Automobile Association, USAA General Indemnity Insurance Company Garrison Property and Casualty Company, and USAA Casualty Insurance Company submits the following CAP for Rating and Underwriting:

- (1) The errors that caused the overcharges and undercharges are being corrected. Refunds have/will be sent to the insureds or accounts will be credited. The Company is processing outstanding restitution payments and will provide supporting documentation within the next 30 days.
- (2) The Company has/will Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts. The Company will provide Restitution lists with the updated information within the next 30 days.
- (3) With regard to any outstanding restitution, the Company is processing those payments and will provide the Restitution list within the next 30 days.
- (4) The Company will review its process for declaration pages sent with adjustments and will make appropriate updates with respect to the updated premium, as warranted.
- (5) The Company will review its processes, and will make appropriate updates, to ensure written notice of an Adverse Underwriting Decision continue to be and/or are sent when required.
- (6) The Company will review the manual and processes and/or update the manual under the Safe Driver Insurance Plan (SDIP) to ensure operator points are appropriately assigned.
- (7) The Company will review the manual and will make appropriate updates to ensure, and will ensure use of the rules and rates on file with the Bureau.
- (8) The Company will review its procedures, and will make appropriate updates, to ensure it continues its practice to update the insured's credit information at least once in a three year period.
- (9) The Company will review its procedures, and will make appropriate updates, to ensure it continues its practice to use credit information that was obtained within 90 days of writing the policy.
- (10) The Company will review § 38.2-2234 A of the Code of Virginia and its processes to ensure Credit Adverse Action notices are provided in accordance with state and federal law.

Termination Review

United Services Automobile Association, USAA General Indemnity Insurance Company Garrison Property and Casualty Company, and USAA Casualty Insurance Company submits the following CAP for Termination Review:

- (1) The errors that caused the overcharges and undercharges are being corrected. Refunds have/will be sent to the insureds or accounts will be credited. The Company is processing outstanding restitution payments and will provide supporting documentation within the next 30 days.
- (2) The Company has/will Include six percent (6%) simple interest in the amount

refunded and/or credited to the insureds' accounts. The Company will provide the Restitution list with the updated information within the next 30 days.

(3) With regard to any outstanding restitution, the Company is processing those payments and will provide the Restitution list within the next 30 days.

(4) The Company will review its processes to ensure written notice of an Adverse Underwriting Decision continues to be and/or is sent when required.

(5) The Company will review its procedures for calculating earned premium along with filed ruled and policy provisions and will make any appropriate changes, where necessary.

(6) The Company will review its procedures, and make any appropriate changes, to ensure it continues to obtain and retain valid proof of mailing the cancellation notice to the insured and lienholder.

(7) The Company will review its procedures, and make any appropriate changes, to ensure it continues to adhere to requirements to provide proper notice of cancellation or refusal to renew to the insured and lienholder.

(8) The Company will review its internal procedures, and make any appropriate changes, to ensure it continues to adhere to the requirement to provide nonrenewal notices to insureds on owner occupied dwellings prior to the expiration of the policy.

Claims Review

United Services Automobile Association, USAA General Indemnity Insurance Company Garrison Property and Casualty Company, and USAA Casualty Insurance Company submits the following CAP for Claims:

(1) The errors that caused the underpayments and overpayments are being corrected. Refunds have/will be sent to insureds and claimants. The Company is processing outstanding restitution payments and will provide supporting documentation within the next 30 days.

(2) The Company has/will include six percent (6%) simple interest in the amount paid to the insureds and claimants. The Company will provide the Restitution list within the next 30 days.

(3) With regarding to any outstanding restitution, the Company is processing those payments and will provide the Restitution list within the next 30 days.

(4) The general business practice of the Company is to document claim files with all events pertinent to the claim so it can be reconstructed. Adjusters are trained to explain all pertinent available coverages when they are available and applicable to the loss. The Company will remind MSR's of what information is needed to investigate and pay claims covered under the policy and that the file must reflect all actions and discussions pertinent to the claim.

- (5) The general business practice of the Company is to represent pertinent facts or insurance policy provisions related to coverages at issue. The Company will remind MSR's of what information is needed to investigate and pay claims covered under the policy, to include documenting the claim file as to what was communicated to the insured on deductibles, rental and transpiration benefits, and medical expense benefits. The examination revealed an opportunity to provide additional training regarding application of UMPD coverage when the policy includes physical damage coverages.
- (6) The general business practice of the Company is to represent pertinent facts or insurance policy provisions related to coverages at issue. The Company will remind MSR's of what information is needed to investigate and pay claims covered under the policy.
- (7) The general business practice of the Company is to represent pertinent facts or insurance policy provisions related to coverages at issue. The Company will remind MSR's of what information is needed to investigate and pay claims covered under the policy.
- (8) The general business practice of the Company is to contact all parties in the claim promptly in order to complete its investigation and make liability decisions. The Company will remind MSR's of timely investigations and what information is needed to investigate and pay claims covered under the policy.
- (9) The general business practice of the Company is to contact all parties in the claim promptly in order to complete its investigation and make payment decisions for medical expense claims. The Company will remind MSR's of timely investigations and what information is needed to investigate and pay Medical Expense Benefits claims covered under the policy.
- (10) The Company will update our business practice to issue payment to an Injured Party unless a properly executed AOB has been received. The company requests the opportunity to discuss with the Bureau the scope and parameters of the internal audit of all medical expense benefit claims submitted as of July 1, 2013 through May 10, 2017 that the Bureau recommends the company to complete.

Forms Review

United Services Automobile Association, USAA General Indemnity Insurance Company
Garrison Property and Casualty Company, and USAA Casualty Insurance Company submits the following CAP for Forms:

- (1) The Company will file all homeowner forms with the Bureau at least 30 days prior to use.
- (2) The Company will use the rate classification statement on file and approved by the Bureau.

(3) The Company will use the precise language of automobile forms as filed and approved by the Bureau.

(4) The Company will use the forms filed as broadenings in the precise language filed and approved by the Bureau.

Review of Policy Issuance Process

United Services Automobile Association, USAA General Indemnity Insurance Company Garrison Property and Casualty Company, and USAA Casualty Insurance Company submits the following CAP for Policy Issuance Process:

The Company will provide the 60-day Cancellation Warning Notice in accordance with § 38.2-2210 A of the Code of Virginia.

Review of Statutory Notices

United Services Automobile Association, USAA General Indemnity Insurance Company Garrison Property and Casualty Company, and USAA Casualty Insurance Company submits the following CAP for Statutory Notices:

The Company will amend the language within the AUD notice to be substantially similar to the prototype set forth in Administrative Letter 2015-07.

Review of the Complaint-Handling Process

United Services Automobile Association, USAA General Indemnity Insurance Company Garrison Property and Casualty Company, and USAA Casualty Insurance Company submits the following CAP for the Complaint handling process:

The Company will maintain a complete complaint register in compliance with § 38.2-511 of the Code of Virginia.

PART THREE - RECOMMENDATIONS

RECOMMENDATIONS

Rating and Underwriting

- The companies should file the additional measures used to determine the Increased Dwelling Coverage A factors for H0-6 policies.
- The companies should file a rule defining the parameters under which mixed construction should be rated as frame or masonry.
- The companies should file "Does Not Apply" as the applicable Military Rank Tier variable when Military Status is "Separated".
- The companies should clarify in its filed rule the tenure as it relates to Commission Source of Officer Tier variables SB and SC.
- The companies should clarify in its filed manual rule the Liability Limit factor as applied in the application of the Optional Coverages for H0-3 and H0-9 policies.
- The companies should assure that weather related claims are properly identified and not surcharged.

The Company appreciates the Bureau's recommendations and will take them in to consideration.

Termination

- The companies should properly code terminations in the correct category. Special attention should be given to cancellations before and after the 89th day of coverage.
- Provide the insured with a written notice of an Adverse Underwriting Decision.
- Calculate return premium according to the filed rules and policy provisions.
- Obtain and retain valid proof of mailing the cancellation notice to the insured and lienholder.
- Provide proper notice of cancellation or refusal to renew to the insured and lienholder.
- Provide nonrenewal notices to insureds on owner occupied dwellings prior to the expiration of the policy.

The Company appreciates the Bureau's recommendations and will take them in to consideration.

Claims

- The companies should acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten business days.
- The companies should make all claim denials in writing and keep a copy in the claim file.
- The companies should provide a reasonable explanation of the basis for the denial in its written denial of the claim.
- The companies should provide copies of repair estimates prepared by or on behalf of the companies to insureds and claimants.
- The companies should not refuse arbitrarily or unreasonably to pay a claim.
- The companies should include a correct statement of the coverages under which payments are made with all claim payments to insureds.
- The companies should disclose the required aftermarket parts notice to the vehicle owner on the estimate of repairs or in a separate document.
- The companies should obtain a valid assignment of benefits from the medical provider prior to making payments directly to the medical provider.
- The companies should pay the amount due to an insured when Medical Expense Benefits may not be reduced for any benefits paid, payable, or available through an insurance contract providing hospital, medical, surgical and similar or related benefits.
- The companies should make payments to the insured for the amount he/she is entitled to receive under the terms of the policy.
- The companies should include the lienholder on payments when applicable.
- The companies should pay water damage vehicle claims according to Virginia Department of Motor Vehicle Code § 46.2-624.
- The companies should include the fraud statement on all claim forms required by the companies as a condition of payment.

The Company appreciates the Bureau's recommendations and has/will take them in to consideration.

Forms

- The companies should amend the Personal Auto Policy form PP 13 55 06 00 to include the title "Towing and Labor" to this section of the policy.

The Company appreciates the Bureau's recommendations and has/will take them in to consideration.

Policy Issuance Process

- The companies should list only forms and endorsement under the forms and endorsements section of the declaration page.

The Company appreciates the Bureau's recommendations and has/will take them in to consideration.

Karen Gerber

From: Joy Morton
Sent: Wednesday, July 12, 2017 6:51 PM
To: Bialorucki, James; Karen Gerber; 'Lara, Jose'
Subject: RE: Confidential:RE: Response to USAA Restitution Request

Jim:

We received the companies' latest restitution information. The following items must be addressed, before we are able to finalize this examination:

- The overcharges cited for TPA045 and TPA046 have been removed from the restitution spreadsheet. The amounts shown as overcharges were the amount of additional write off that should not have been applied to the insured's policies.
- The company has replied that the policies applicable to BOI reference numbers RPA013, RPA015, RPA028 and RPA056 were all cancelled and the amount of restitution has been adjusted due to these mid-term changes. However, the company has failed to provide evidence of the mid-term cancellations. The company should provide copies of the cancellation notices and the proof of mailing these notices for reconsideration. If the company is unable to provide evidence of these mid-term cancels the company should issue the overcharges cited.
- The company has failed to make the restitution indicated on RPA059 and RPA073 without any reason for the reduction. The Company should issue checks for \$119.60 for RPA059 and \$126.53 for RPA073.
- The entry for RHO010 has been removed from the spreadsheet.
- The entry for CHO149 has been removed from the spreadsheet.
- For CPA045 please provide copies of the correspondence mailed to the insured concerning the outstanding restitution.
- The entry for CPA064 has been removed from the spreadsheet.
- The company has responded that you have an Assignment of Benefits (AOB) for Community Hospital and Southside Rescue for CPA001. The AOB in the file was not a valid AOB and the company should make the outstanding restitution of \$7,063.84. The company has responded that the benefits were exhausted for CPA022. The limits have not been exhausted as the company has not fulfilled its obligations for medical expense payments as outlined in the statute and the Virginia Medical Expense Benefits Endorsement. The insured did not direct the company to pay the insured's benefits to anyone other than the insured. Therefore, the company should pay the insured the amount the company erroneously paid an entity who had no interest in the policy benefits. The initial payments were issued to the wrong persons(s), within the limits of coverage, and the company cannot continue to refuse to reimburse the insureds for benefits that were rightfully theirs under the policy contract. Amount owed is \$1,728.86.
- The company has responded that the benefits were exhausted for CPA111. The limits have not been exhausted as the company has not fulfilled its obligations for medical expense benefits as outlined in the statute and the Virginia Medical Expense Benefits Endorsement. The insured did not direct the company to pay the insured's benefits to anyone other than the insured. Therefore, the company should pay the insured the amount the company erroneously paid an entity who had no interest in the policy benefits. The initial payments were issued to the wrong persons(s), within the limits of coverage, and the company cannot continue to refuse to reimburse the insureds for benefits that were rightfully theirs under the policy contract. Amount owed is \$8,522.18.
- The company has responded that the benefits were exhausted for CPA117. The limits have not been exhausted as the company has not fulfilled its obligations for medical expense benefits as outlined in the statute and the Virginia Medical Expense Benefits Endorsement. The insured did not direct the company to pay the insured's benefits to anyone other than the insured. Therefore, the company should pay the insured the amount the company erroneously paid an entity who had no interest in the policy benefits. The initial payments were issued

to the wrong persons(s), within the limits of coverage, and the company cannot continue to refuse to reimburse the insureds for benefits that were rightfully theirs under the policy contract. Amount owed is \$3,364.18. The company should provide evidence of the outstanding restitution on or before July 28, 2017. Please feel free to contact me should you have any questions or concerns.

Joy Morton, AMCM
Manager
P & C Market Conduct Section
Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

From: Lara, Jose [mailto:jose.lara@usaa.com]
Sent: Friday, June 30, 2017 3:52 PM
To: Karen Gerber
Cc: Bialorucki, James; Joy Morton
Subject: Confidential:RE: Response to USAA Restitution Request

Karen,

Please see the attached USAA Restitution file dated 06/30/17. Thank you for your patience and I hope you have a wonderful 4th of July weekend!

I have include supporting docs for 3 files.

Thank you,

Jose Lara, MCM | Senior Compliance Advisor | Enterprise Compliance

P&C Insurance Compliance, Office of the CLO, USAA
9800 Fredericksburg Road, San Antonio, Texas 78288
Cell: (210) 452-5466 | Fax: (877) 894-3856
Jose.Lara@usaa.com
usaa.com | facebook.com/usaa | twitter.com/USAA

From: Bialorucki, James
Sent: Thursday, June 29, 2017 8:50 AM
To: Joy Morton
Cc: Karen Gerber; Lara, Jose
Subject: FW: Confidential:RE: Response to Draft Report Dated 05/10/2017- USAA

Joy,

We should have the restitution spreadsheet to you by end of day tomorrow. Please let me know if you have any questions. Thank you.

James Bialorucki, MCM | Director | Enterprise Compliance

Insurance Compliance, Chief Legal Office, USAA
9800 Fredericksburg Road, San Antonio, Texas 78288
Phone: (210) 456-5898
Cell: (210)219-4672
Fax: (877)273-2770
james.bialorucki@usaa.com
usaa.com | facebook.com/usaa | twitter.com/USAA

From: Bialorucki, James
Sent: Monday, June 26, 2017 3:38 PM

To: 'Joy Morton'
Cc: Karen Gerber; Lara, Jose
Subject: RE: Confidential:RE: Response to Draft Report Dated 05/10/2017- USAA

Hi Joy,

I'm happy to hear we're making progress to close out this examination! Jose and I have a meeting tomorrow with our business partners to go over the final restitution spreadsheet and to confirm everything is in order before we forward it on to you. If there is an unforeseen hold up, I will advise accordingly.

I've received Mr. Felvey's email about the separate MEB audit; the team is working to determine the number of records/claims impacted, man hours to conduct the self review, etc. Depending on what we determine those numbers to be, we may have additional questions and will provide a few dates for a phone conversation with you, Karen and/or Mr. Felvey.

I believe we're in the home stretch with this exam and really appreciate your continued patience.

James Bialorucki, MCM | Director | Enterprise Compliance

Insurance Compliance, Chief Legal Office, USAA
9800 Fredericksburg Road, San Antonio, Texas 78288
Phone: (210) 456-5898
Cell: (210)219-4672
Fax: (877)273-2770
james.bialorucki@usaa.com
usaa.com | [facebook.com/usaa](https://www.facebook.com/usaa) | twitter.com/USAA

From: Joy Morton [<mailto:Joy.Morton@scc.virginia.gov>]
Sent: Monday, June 26, 2017 3:17 PM
To: Bialorucki, James
Cc: Karen Gerber
Subject: EXTERNAL: FW: Confidential:RE: Response to Draft Report Dated 05/10/2017- USAA

Jim:

We are working to close this examination and would like to do so as soon as possible. Please advise the status of the outstanding restitution?

You should receive a letter from Will Felvey here in the P & C Market Conduct Section advising; how to conduct the medical expense benefits internal audit and how to report the restitution information to us. This has been taken out of the market conduct report and is being handled as a referral. This will help us to conclude the examination sooner rather than later.

Please contact me with the examination restitution as soon as possible.

Joy Morton, AMCM
Manager
P & C Market Conduct Section
Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

From: Joy Morton
Sent: Monday, June 19, 2017 1:46 PM
To: 'Lara, Jose'

Cc: Karen Gerber; Bialorucki, James

Subject: RE: Confidential:RE: Response to Draft Report Dated 05/10/2017- USAA

We received your response and see that you all would like to schedule a call to discuss the internal audit of your medical expense benefits claims. Please send us some dates that are convenient for you all.

Joy Morton, AMCM
Manager
P & C Market Conduct Section
Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

From: Lara, Jose [<mailto:jose.lara@usaa.com>]

Sent: Wednesday, May 31, 2017 6:35 PM

To: Joy Morton

Cc: Karen Gerber; Bialorucki, James; Lara, Jose

Subject: Confidential:RE: Response to Draft Report Dated 05/10/2017- USAA

Joy,

Please find attached USAA's response to the Virginia Bureau of Insurance revised draft report dated May 10, 2017. A paper copy of the attached has also been sent to your attention via US Mail.

If you have questions or would like to discuss the USAA response, please let me know. Thank you again for your consideration.

A small note, Jim will be out of office beginning today and will return into the office on Wednesday, June 7th. I will be out of office the week of June 5th-9th.

Thank you,

Jose Lara, MCM | Compliance Advisor | Enterprise Compliance

P&C Insurance Compliance, Office of the CLO, USAA
9800 Fredericksburg Road, San Antonio, Texas 78288
Cell: (210) 452-5466 | Fax: (877) 894-3856

Jose.Lara@usaa.com

usaa.com | [facebook.com/usaa](https://www.facebook.com/usaa) | twitter.com/USAA



Joy Morton
Virginia Bureau of Insurance
Market Conduct Section
Property & Casualty Division
1300 E. Main Street
Richmond, VA 23218

July 27, 2017

Reference: Response to USAA Restitution Request

Dear Ms. Morton,

Please see our responses below:

- The company has replied that the policies applicable to BOI reference numbers RPA013, RPA015, RPA028 and RPA056 were all cancelled and the amount of restitution has been adjusted due to these mid-term changes. However, the company has failed to provide evidence of the mid-term cancellations. The company should provide copies of the cancellation notices and the proof of mailing these notices for reconsideration. If the company is unable to provide evidence of these mid-term cancels the company should issue the overcharges cited.

Company Response:

- RPA013- Cancellation was member initiated. Please see enclosed supports.
 - RPA015- Non-Payment Cancellation. Please see enclosed supports.
 - RPA028- Credit of \$60.90 has been issued.
 - RPA056- Cancellation was member initiated. Please see enclosed supports.
- The company has failed to make the restitution indicated on RPA059 and RPA073 without any reason for the reduction. The Company should issue checks for \$119.60 for RPA059 and \$126.53 for RPA073.

Company Response:

- RPA059 (4756448-7101) – Credit of \$59.83 has been issued.
 - RPA073 (2373743-7107) - Credit of \$65.20 has been issued.
- For CPA045 please provide copies of the correspondence mailed to the insured concerning the outstanding restitution.

Company Response: Please see enclosed attachments.

- The company has responded that you have an Assignment of Benefits (AOB) for Community Hospital and Southside Rescue for CPA001. The AOB in the file was not a valid AOB and the company should make the outstanding restitution of \$7,063.84.

Company Response: This is an MEB / AOB issue. We are respectfully requesting this AOB restitution record be taken out of the market conduct report and handled as part of the separate BOI referral (Ref #791) per Joy Morton's June 26, 2017 communication.



- The company has responded that the benefits were exhausted for CPA022. The limits have not been exhausted as the company has not fulfilled its obligations for medical expense payments as outlined in the statute and the Virginia Medical Expense Benefits Endorsement. The insured did not direct the company to pay the insured's benefits to anyone other than the insured. Therefore, the company should pay the insured the amount the company erroneously paid an entity who had no interest in the policy benefits. The initial payments were issued to the wrong persons(s), within the limits of coverage, and the company cannot continue to refuse to reimburse the insureds for benefits that were rightfully theirs under the policy contract. Amount owed is \$1,728.86.

Company Response: All Medical Expense Benefits payments were issued to the member. Please see enclosed attachments.

- The company has responded that the benefits were exhausted for CPA111. The limits have not been exhausted as the company has not fulfilled its obligations for medical expense benefits as outlined in the statute and the Virginia Medical Expense Benefits Endorsement. The insured did not direct the company to pay the insured's benefits to anyone other than the insured. Therefore, the company should pay the insured the amount the company erroneously paid an entity who had no interest in the policy benefits. The initial payments were issued to the wrong persons(s), within the limits of coverage, and the company cannot continue to refuse to reimburse the insureds for benefits that were rightfully theirs under the policy contract. Amount owed is \$8,522.18.

Company Response: Please find the enclosed supports reflecting two payments issued to medical providers totaling \$1960.21. The remainder of the payments were issued to the insured. The AOB issue for the two payments made totaling \$1960.21 should be taken out of the market conduct report and handled as part of the separate BOI referral (Ref #791) per Joy Morton's June 26, 2017 communication.

- The company has responded that the benefits were exhausted for CPA117. The limits have not been exhausted as the company has not fulfilled its obligations for medical expense benefits as outlined in the statute and the Virginia Medical Expense Benefits Endorsement. The insured did not direct the company to pay the insured's benefits to anyone other than the insured. Therefore, the company should pay the insured the amount the company erroneously paid an entity who had no interest in the policy benefits. The initial payments were issued to the wrong persons(s), within the limits of coverage, and the company cannot continue to refuse to reimburse the insureds for benefits that were rightfully theirs under the policy contract. Amount owed is \$3,364.18.

Company Response: The BOI notes an amount owed of \$3,364.18 however payments issued to medical providers totals \$3173.75. This is an MEB / AOB issue. We are respectfully requesting this AOB restitution record be taken out of the market conduct report and handled as part of the separate BOI referral (Ref #791) per Joy Morton's June 26, 2017 communication.

Sincerely,

James Bialorucki
Director - P&C Compliance, USAA

Karen Gerber

From: Joy Morton
Sent: Wednesday, July 12, 2017 6:51 PM
To: Bialorucki, James; Karen Gerber; 'Lara, Jose'
Subject: RE: Confidential:RE: Response to USAA Restitution Request

Jim:

We received the companies' latest restitution information. The following items must be addressed, before we are able to finalize this examination:

- The overcharges cited for TPA045 and TPA046 have been removed from the restitution spreadsheet. The amounts shown as overcharges were the amount of additional write off that should not have been applied to the insured's policies.
- The company has replied that the policies applicable to BOI reference numbers RPA013, RPA015, RPA028 and RPA056 were all cancelled and the amount of restitution has been adjusted due to these mid-term changes. However, the company has failed to provide evidence of the mid-term cancellations. The company should provide copies of the cancellation notices and the proof of mailing these notices for reconsideration. If the company is unable to provide evidence of these mid-term cancels the company should issue the overcharges cited.
- The company has failed to make the restitution indicated on RPA059 and RPA073 without any reason for the reduction. The Company should issue checks for \$119.60 for RPA059 and \$126.53 for RPA073.
- The entry for RHO010 has been removed from the spreadsheet.
- The entry for CHO149 has been removed from the spreadsheet.
- For CPA045 please provide copies of the correspondence mailed to the insured concerning the outstanding restitution.
- The entry for CPA064 has been removed from the spreadsheet.
- The company has responded that you have an Assignment of Benefits (AOB) for Community Hospital and Southside Rescue for CPA001. The AOB in the file was not a valid AOB and the company should make the outstanding restitution of \$7,063.84. The company has responded that the benefits were exhausted for CPA022. The limits have not been exhausted as the company has not fulfilled its obligations for medical expense payments as outlined in the statute and the Virginia Medical Expense Benefits Endorsement. The insured did not direct the company to pay the insured's benefits to anyone other than the insured. Therefore, the company should pay the insured the amount the company erroneously paid an entity who had no interest in the policy benefits. The initial payments were issued to the wrong persons(s), within the limits of coverage, and the company cannot continue to refuse to reimburse the insureds for benefits that were rightfully theirs under the policy contract. Amount owed is \$1,728.86.
- The company has responded that the benefits were exhausted for CPA111. The limits have not been exhausted as the company has not fulfilled its obligations for medical expense benefits as outlined in the statute and the Virginia Medical Expense Benefits Endorsement. The insured did not direct the company to pay the insured's benefits to anyone other than the insured. Therefore, the company should pay the insured the amount the company erroneously paid an entity who had no interest in the policy benefits. The initial payments were issued to the wrong persons(s), within the limits of coverage, and the company cannot continue to refuse to reimburse the insureds for benefits that were rightfully theirs under the policy contract. Amount owed is \$8,522.18.
- The company has responded that the benefits were exhausted for CPA117. The limits have not been exhausted as the company has not fulfilled its obligations for medical expense benefits as outlined in the statute and the Virginia Medical Expense Benefits Endorsement. The insured did not direct the company to pay the insured's benefits to anyone other than the insured. Therefore, the company should pay the insured the amount the company erroneously paid an entity who had no interest in the policy benefits. The initial payments were issued

to the wrong persons(s), within the limits of coverage, and the company cannot continue to refuse to reimburse the insureds for benefits that were rightfully theirs under the policy contract. Amount owed is \$3,364.18. The company should provide evidence of the outstanding restitution on or before July 28, 2017. Please feel free to contact me should you have any questions or concerns.

Joy Morton, AMCM
Manager
P & C Market Conduct Section
Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

From: Lara, Jose [mailto:jose.lara@usaa.com]
Sent: Friday, June 30, 2017 3:52 PM
To: Karen Gerber
Cc: Bialorucki, James; Joy Morton
Subject: Confidential:RE: Response to USAA Restitution Request

Karen,

Please see the attached USAA Restitution file dated 06/30/17. Thank you for your patience and I hope you have a wonderful 4th of July weekend!

I have include supporting docs for 3 files.

Thank you,

Jose Lara, MCM | Senior Compliance Advisor | Enterprise Compliance

P&C Insurance Compliance, Office of the CLO, USAA
9800 Fredericksburg Road, San Antonio, Texas 78288
Cell: (210) 452-5466 | Fax: (877) 894-3856
Jose.Lara@usaa.com
usaa.com | [facebook.com/usaa](https://www.facebook.com/usaa) | twitter.com/USAA

From: Bialorucki, James
Sent: Thursday, June 29, 2017 8:50 AM
To: Joy Morton
Cc: Karen Gerber; Lara, Jose
Subject: FW: Confidential:RE: Response to Draft Report Dated 05/10/2017- USAA

Joy,

We should have the restitution spreadsheet to you by end of day tomorrow. Please let me know if you have any questions. Thank you.

James Bialorucki, MCM | Director | Enterprise Compliance

Insurance Compliance, Chief Legal Office, USAA
9800 Fredericksburg Road, San Antonio, Texas 78288
Phone: (210) 456-5898
Cell: (210)219-4672
Fax: (877)273-2770
james.bialorucki@usaa.com
usaa.com | [facebook.com/usaa](https://www.facebook.com/usaa) | twitter.com/USAA

From: Bialorucki, James
Sent: Monday, June 26, 2017 3:38 PM

COMMONWEALTH OF VIRGINIA



JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

P.O. BOX 1157
RICHMOND, VIRGINIA 23218
1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
TELEPHONE: (804) 371-9741
www.scc.virginia.gov/boi

August 17, 2017

VIA UPS 2nd DAY DELIVERY

James Bialorucki
Director P&C Compliance
United Services Automobile Association
900 Fredericksburg Road
San Antonio, Texas 78288

Re: **Market Conduct Examination**
United Services Automobile Association (NAIC# 25941)
USAA Casualty Insurance Company (NAIC# 25968)
USAA General Indemnity Company (NAIC# 18600)
Garrison Property & Casualty Insurance Company (NAIC# 21253)
Examination Period: September 1, 2013 – August 31, 2014

Dear Mr. Bialorucki:

The Bureau of Insurance (Bureau) has concluded its review of the companies' response of July 27, 2017. Based upon the Bureau's review of the companies' April 5, 2016, September 21, 2016, November 28, 2016 January 30, 2017, May 31, 2017 and July 27, 2017 correspondence, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report (Report) of United Services Automobile Association, USAA Casualty Insurance Company, USAA General Indemnity Company and Garrison Property & Casualty Insurance Company (Company).

The Corrective Action Plan (CAP) in the Report has been amended to include the following statement: The Company agrees that the restitution identified during the Market Conduct review of the Medical Expense Benefits claims and the subsequent USAA internal audit will be handled as a separate Regulatory action. However, the violations identified during the examination will remain in the Report. Further, the CAP has been amended to include a requirement that the Company will Cease and Desist from all practices which constitute violations of § 38.2-2201 D of the Code of Virginia.

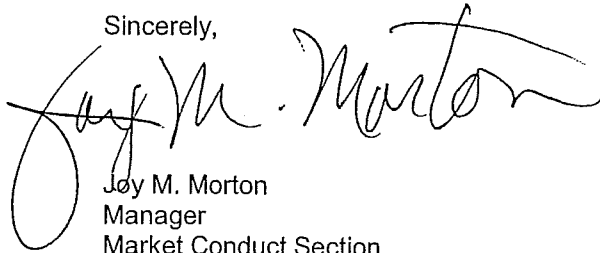
Based on the Bureau's review of the Report and the Companies' responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Sections 38.2-317 A, 38.2-502, 38.2-510 A 1, 38.2-510 A 3, 38.2-510 A 6, 38.2-511, 38.2-610 A, 38.2-1318, 38.2-1905 C, 38.2-1906 D, 38.2-2113 C, 38.2-2114 B, 38.2-2114 C, 38.2-2208 A, 38.2-2208 B, 38.2-2210 A, 38.2-2210 C, 38.2-2212 E, 38.2-2214, 38.2-2220, 38.2-2223 and 38.2-2234 A of the Code of Virginia; and 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-70 D. of the Virginia Administrative Code.

Violations of the laws mentioned above provide for monetary penalties of up to \$5,000 for each violation as well as suspension or revocation of an insurer's license to engage in the insurance business in Virginia.

In light of the above, the Bureau will be in further communication with you shortly regarding the appropriate disposition of this matter.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is fluid and cursive, with the first name "Joy" being particularly prominent.

Joy M. Morton
Manager
Market Conduct Section
Property and Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov



Rebecca Nichols
Deputy Commissioner
Property and Casualty
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23218

RE: Market Conduct Examination Settlement Offer
Ecase/Docket Number: INS-2017-00190

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated September 20, 2017, concerning the above referenced matter.

We wish to make a settlement offer on behalf of the insurance companies listed below for the alleged violations of §§ 38.2 Sections 38.2-317 A, 38.2-502, 38.2-510 A 1, 38.2-510 A 3, 38.2-510 A 6, 38.2-511, 38.2-610 A, 38.2-1318, 38.2-1905 C, 38.2-1906 D, 38.2-2113 C, 38.2-2114 B, 38.2-2114 C, 38.2-2208 A, 38.2-2208 B, 38.2-2210 A, 38.2-2210 C, 38.2-2212 E, 38.2-2214, 38.2-2220, 38.2-2223 and 38.2-2234 A of the Code of Virginia; and 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-70 D of the Virginia Administrative Code.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$155,750.00.
2. We agree to comply with the corrective action plan set forth in the companies' correspondence of April 5, 2016, September 21, 2016, November 28, 2016 January 30, 2017, May 31, 2017 and July 27, 2017.
3. We confirm that restitution was made to 80 consumers for \$26,459.46 in accordance with the companies' letters of April 5, 2016, September 21, 2016, November 28, 2016 January 30, 2017, May 31, 2017 and July 27, 2017.
4. We acknowledge that a Cease and Desist Order will be entered against the companies forbidding any conduct that constitutes a violation of the §38.2-2201 of the Code of Virginia that are cited in the Report.
5. We further acknowledge the companies' right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation Commission accepts this offer of settlement.

This offer is being made solely for the purpose of a settlement and does not constitute, nor should it be construed as, an admission of any violation of law.

Sincerely,

United Services Automobile Association
USAA Casualty Insurance Company
USAA General Indemnity Company
Garrison Property & Casualty Insurance Company



(Signed)

Daniel Dilley

(Type or Print Name)

AVP - Insurance Compliance

(Title)

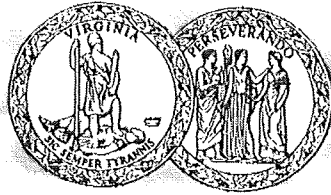
9/28/17

(Date)

Enclosure

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
www.scc.virginia.gov/boi

USAA Casualty Insurance Company, USAA General Indemnity Company, Garrison Property & Casualty Insurance Company and United Services Automobile Association, has tendered to the Bureau of Insurance the settlement amount of \$155,750.00 by their check numbered 0003399853 and dated September 29, 2017, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, OCTOBER 27, 2017

SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER
2017 OCT 27 P 3:06

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2017-00190

UNITED SERVICES AUTOMOBILE ASSOCIATION,
USAA CASUALTY INSURANCE COMPANY,
USAA GENERAL INDEMNITY COMPANY, and
GARRISON PROPERTY & CASUALTY INSURANCE COMPANY,
Defendants

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that United Services Automobile Association, USAA Casualty Insurance Company, USAA General Indemnity Company, and Garrison Property & Casualty Insurance Company (collectively, "Defendants"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), violated: § 38.2-317 A of the Code of Virginia ("Code") by issuing insurance policies or endorsements without having filed such policies or endorsements with the Commission at least thirty days prior to their effective date; § 38.2-502 of the Code by misrepresenting the benefits, advantages, conditions, or terms of an insurance policy; § 38.2-511 of the Code by failing to maintain a complete complaint register; §§ 38.2-610 A, 38.2-2210 A, 38.2-2210 C, and 38.2-2234 A of the Code by failing to accurately provide the required notices to insureds; § 38.2-1318 of the Code by failing to provide convenient access to files, documents, and records; § 38.2-1905 C of the Code by assigning points under a safe-driver insurance policy to a vehicle other than the vehicle customarily driven by the operator responsible for incurring points; § 38.2-1906 D of the Code by making or issuing insurance contracts or policies not in

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accordance with the rate and supplementary rate filings in effect for the Defendants; §§ 38.2-2113 C, 38.2-2114 B, 38.2-2114 C, 38.2-2208 A, 38.2-2208 B, and 38.2-2212 E of the Code by failing to properly terminate insurance policies; § 38.2-2214 of the Code by failing to provide insureds with rate classification statements; § 38.2-2220 of the Code by failing to use forms in the precise language of the standard forms previously filed and adopted by the Commission; § 38.2-2223 of the Code by using coverages more favorable than those in the standard forms without obtaining prior approval of the Commission; §§ 38.2-510 A 1, 38.2-510 A 3, and 38.2-510 A 6 of the Code as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, and 14 VAC 5-400-70 D of the Commission's Rules Governing Unfair Claim Settlement Practices, 14 VAC 5-400-10 *et seq.*, by failing to properly handle claims with such frequency as to indicate a general business practice.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke a defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that a defendant has committed the aforesaid alleged violations.

The Defendants have been advised of their right to a hearing in this matter whereupon the Defendants, without admitting any violation of Virginia law, have made an offer of settlement to the Commission wherein the Defendants have tendered to Virginia the sum of One Hundred Fifty-five Thousand Seven Hundred Fifty Dollars (\$155,750), waived their right to a hearing, agreed to comply with the corrective action plan set forth in their letters to the Bureau dated April 5, 2016, September 21, 2016, November 28, 2016, January 30, 2017, May 31, 2017, and July 27, 2017, have confirmed that restitution was made to 80 consumers in the amount of

171040352

Twenty-six Thousand Four Hundred Fifty-nine Dollars and Forty-six Cents (\$26,459.46), and agreed to the entry by the Commission of a cease and desist order.

The Bureau has recommended that the Commission accept the offer of settlement of the Defendants pursuant to the authority granted the Commission in § 12.1-15 of the Code.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendants, and the recommendation of the Bureau, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted.

(2) The Defendants shall cease and desist from any future conduct that constitutes a violation of § 38.2-2201 of the Code.

(3) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Daniel Dilly, AVP Insurance Compliance, United Services Automobile Association, 900 Fredericksburg Road, San Antonio, Texas 78288; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Rebecca Nichols.