

**MARKET CONDUCT EXAMINATION REPORT**

**OF**

**GARRISON PROPERTY & CASUALTY  
INSURANCE COMPANY**

**UNITED SERVICES AUTOMOBILE ASSOCIATION**

**USAA CASUALTY INSURANCE COMPANY**

**USAA GENERAL INDEMNITY COMPANY**

**AS OF**

**March 31, 2020**

**COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE**

**Property and Casualty Division  
Market Conduct Section**

# COMMONWEALTH OF VIRGINIA



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## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Andrea Baytop, Market Conduct Manager, of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Garrison Property & Casualty Insurance Company, United Services Automobile Association, USAA Casualty Insurance Company, and USAA General Indemnity Company as of March 31, 2020, conducted at the Bureau of Insurance's office in Richmond, 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 Number (INS-2022-00007) finalizing this Report.

IN WITNESS WHEREOF, I have  
hereunto set my hand and affixed  
the official seal of this the Bureau  
at the City of Richmond, Virginia,  
this 3<sup>rd</sup> of March, 2022.

  
\_\_\_\_\_  
Examiner in Charge

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# TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	1
INTRODUCTION .....	3
COMPANY PROFILES .....	3
SCOPE OF THE EXAMINATION .....	7
STATISTICAL SUMMARY .....	8
PART ONE – THE EXAMINERS’ OBSERVATIONS .....	10
TERMINATION REVIEW .....	10
Private Passenger Automobile Policies .....	10
Company-Initiated Cancellations .....	10
All Other Cancellations .....	11
Company-Initiated Non-renewals .....	12
Rejected Applications .....	13
Motorcycle Policies .....	13
Company-Initiated Cancellations .....	13
All Other Cancellations .....	13
Company-Initiated Non-renewals .....	14
Homeowner Policies .....	14
Company-Initiated Cancellations .....	14
All Other Cancellations .....	16
Company-Initiated Non-renewals .....	17
Rejected Applications .....	17
CLAIMS REVIEW .....	18
Private Passenger Automobile Claims .....	18
Motorcycle Claims .....	22
Homeowner Claims .....	23
FORMS REVIEW .....	26
Automobile and Motorcycle Policy Forms .....	26
Policy Forms Used During the Examination Period .....	26

Homeowner Policy Forms .....	26
Policy Forms Used During the Examination Period .....	26
PART TWO – CORRECTIVE ACTION PLAN .....	27
General.....	27
Termination Review .....	27
Claims Review .....	28
Forms Review.....	29
PART THREE – RECOMMENDATIONS.....	30
RECOMMENDATIONS .....	30
Termination.....	30
Claims.....	30
Forms .....	31
SUMMARY OF PREVIOUS EXAMINATION FINDINGS.....	31
ACKNOWLEDGEMENT.....	33

## **EXECUTIVE SUMMARY**

The examination included a detailed review of United Services Automobile Association, USAA Casualty Insurance Company, Garrison Property and Casualty Insurance Company, and USAA General Indemnity Company private passenger automobile and homeowner lines of business written in Virginia for the period beginning April 1, 2019 and ending March 31, 2020. This review pertained to policy terminations, claims handling, and forms.

The examination was called as a result of the Market Conduct Annual Statement (MCAS) and market analysis. This is the fifth Market Conduct Examination the Virginia Bureau of Insurance (Bureau) has performed of United Services Automobile Association and USAA Casualty Insurance Company. The Bureau has examined the other companies at least once in the last ten years.

The examination revealed violations that were significant. There were 261 total violations in this Report. The bulk of these were the 145 violations found in the claims area, which included three general business practices (GBP). There were 82 termination violations and 34 violations in the forms area.

The Corrective Action Plan (CAP) for terminations requested that the companies retain proof of mailing cancellation notices, mail the cancellation notice to the insured's address shown in the policy, properly advise the insured of the right to review by the Commissioner of Insurance, advise the insured of the availability of insurance through the Virginia Property Insurance Association (VPIA), cancel auto and homeowner policies only for the reasons permitted by the statutes, send cancellation notices to insureds, maintain accurate termination data, and ensure agents retain applications for at least three years.

The claims CAP requested that the companies offer the insured a fair and reasonable amount, make medical expense benefits payments directly to the insured when the company does not have a valid assignment of benefits, and properly represent coverages at issue.

In the area of forms, the companies were advised to use the precise language of the standard automobile forms, have the mandatory standard automobile forms available for use, and use the precise language of broadened automobile forms filed and approved by the Bureau.

Finally, the CAP requested that the companies make restitution of \$37,358.55 to 40 consumers.

## INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a targeted examination has been made of the private passenger automobile, motorcycle and homeowner lines of business written by United Services Automobile Association, USAA Casualty Insurance Company, Garrison Property and Casualty Insurance Company, and USAA General Indemnity Company at the office of the State Corporation Commission, Bureau of Insurance in Richmond, Virginia.

The examination commenced June 15, 2020 and concluded April 16, 2021. Brandon L. Ayers, Andrea D. Baytop, Ju'Coby D. Hendrick, Daniel Koch, Melody S. Morrissette, and Latitia L. Orange, examiners of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Market Action Tracking System on January 22, 2020 and was assigned the Action Number of VA-VA177-12. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook.

## COMPANY PROFILES\*

USAA General Indemnity Company (UGIC) was incorporated under the laws of Texas on June 23, 1972 and commenced business on August 2, 1972.

Garrison Property and Casualty Insurance Company (GPCIC) was incorporated on December 1, 1900 and commenced business on that date. The company operated under the title Brewers' Exchange until the company changed its name to Reciprocal Exchange during 1905. Effective June 8, 1998 the company changed its name to Garrison Property and Casualty Association and redomesticated from Missouri to Texas on December 21, 1998. On November 1, 2003, the company converted to a stock company and adopted the current title.

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\* Source: Best's Insurance Reports, Property & Casualty, 2020 Edition.



United Services Automobile Association (USAA) was incorporated under the laws of Texas on June 20, 1922 and commenced business on that date. The Association began business as the United States Army Automobile Insurance Association. The present title was adopted during 1924. The home office is maintained in San Antonio, Texas.

USAA Casualty Insurance Company (UCIC) was incorporated under the laws of Texas on September 6, 1968 and commenced 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.

All companies are based in San Antonio, Texas.

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 the date that the company was licensed in Virginia except as noted in the table.

<b>GROUP CODE: 0200</b>	<b>GPCIC</b>	<b>USAA</b>	<b>UCIC</b>	<b>UGIC</b>
NAIC Company Number	21253	25941	25968	18600
LICENSED IN VIRGINIA	7/01/1918	3/10/1945	12/28/1972	5/01/1975
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				
Farmowner Multi-Peril				
Fidelity				
Fire	X	X	X	X
General Liability	9/12/2005	X	X	X
Glass				
Homeowner Multi-Peril	4/20/2005	X	X	X
Inland Marine	4/20/2005	X	X	X
Miscellaneous Property	X	X	X	X
Ocean Marine	4/20/2005	X	X	X
Surety				
Water Damage	X			
Workers' Compensation				

The table below shows the companies' premium volume and approximate market share of business written in Virginia during 2020 for those lines of insurance included in this examination.\* This business was developed through captive agents.

COMPANY AND LINES	PREMIUM VOLUME	MARKET SHARE
<b>Garrison Property &amp; Casualty Insurance Company</b>		
Private Passenger Automobile Liability	\$41,183,666	1.28%
Private Passenger Physical Damage	\$36,852,443	1.45%
Homeowner	\$31,744,674	1.23%
<b>United Services Automobile Association</b>		
Private Passenger Automobile Liability	\$185,699,866	5.75%
Private Passenger Physical Damage	\$174,439,982	6.84%
Homeowner	\$270,104,675	10.49%
<b>USAA Casualty Insurance Company</b>		
Private Passenger Automobile Liability	\$139,436,340	4.32%
Private Passenger Physical Damage	\$126,649,341	4.97%
Homeowner	\$148,070,350	5.75%
<b>USAA General Indemnity Company</b>		
Private Passenger Automobile Liability	\$62,207,819	1.93%
Private Passenger Physical Damage	\$58,302,837	2.29%
Homeowner	\$53,318,130	2.07%

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\* Source: The 2020 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, motorcycle and homeowner lines written in Virginia for the period beginning April 1, 2019 and ending March 31, 2020. This review included policy terminations, claims handling and forms. 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.

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 laws 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 in Virginia. The Other Law Violations portion of Part One notes violations of other related laws that apply to insurers.

In Part Two, the Corrective Action Plan identifies the violations that 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 specific company practices does not constitute an acceptance of the practices by the Bureau.

### **STATISTICAL SUMMARY**

The files selected for the review of the 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.

**Population  
Sample Requested**

AREA	USAA	UCIC	UGIC	GPCIC	TOTAL	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
<b>Private Passenger Auto <sup>1</sup></b>									
Co-Initiated Cancellations <sup>2</sup>	<u>1</u> 1	<u>5</u> 4	<u>6</u> 3	<u>4</u> 3	<u>16</u> <b>11</b>	13	0	3	23%
All Other Cancellations <sup>3</sup>	<u>20672</u> 17	<u>14941</u> 16	<u>13613</u> 15	<u>7305</u> 14	<u>56,531</u> <b>62</b>	56	0	12	21%
Nonrenewals <sup>4</sup>	<u>318</u> 8	<u>378</u> 8	<u>205</u> 10	<u>146</u> 8	<u>1047</u> <b>34</b>	17	0	2	12%
Rejected Applications <sup>5 *</sup>	<u>456</u> 10	<u>987</u> 11	<u>956</u> 11	<u>717</u> 11	<u>3116</u> <b>43</b>	41	0	7	17%
<b>Motorcycle</b>									
Co-Initiated Cancellations	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> <b>0</b>	0	0	0	N/A
All Other Cancellations <sup>6</sup>	<u>12</u> 9	<u>0</u> 0	<u>4</u> 4	<u>1</u> 1	<u>17</u> <b>14</b>	13	0	7	54%
Nonrenewals	<u>0</u> 0	<u>0</u> 0	<u>1</u> 1	<u>0</u> 0	<u>1</u> <b>1</b>	1	0	0	0%
<b>Homeowner</b>									
Co-Initiated Cancellations <sup>7</sup>	<u>45</u> 11	<u>51</u> 8	<u>41</u> 6	<u>26</u> 5	<u>163</u> <b>30</b>	27	0	17	63%
All Other Cancellations <sup>8</sup>	<u>11287</u> 14	<u>5532</u> 13	<u>3331</u> 9	<u>1521</u> 9	<u>21,671</u> <b>45</b>	46	0	5	11%
Nonrenewals <sup>9</sup>	<u>118</u> 5	<u>89</u> 6	<u>228</u> 6	<u>121</u> 3	<u>556</u> <b>20</b>	18	0	11	61%
Rejected Applications <sup>10 *</sup>	<u>743</u> 12	<u>557</u> 13	<u>411</u> 10	<u>247</u> 10	<u>1958</u> <b>45</b>	44	0	3	7%
<b>Claims</b>									
Private Passenger Auto	<u>149,929</u> 54	<u>112,112</u> 41	<u>49,215</u> 30	<u>30,962</u> 25	<u>342,218</u> <b>150</b>	150	0	69	46%
Motorcycle	<u>23</u> 10	<u>6</u> 3	<u>4</u> 3	<u>0</u> 0	<u>33</u> <b>16</b>	16	0	4	25%
Property	<u>13,686</u> 40	<u>7192</u> 25	<u>3040</u> 20	<u>1417</u> 15	<u>25,335</u> <b>100</b>	100	0	31	31%

Footnote <sup>1</sup>	This section includes private passenger automobile and hybrid policies that insure both private passenger automobiles and motorcycles.
Footnote <sup>2</sup>	Two additional After the 60th Day cancellations were moved from the Insured Requested (All Other) category.
Footnote <sup>3</sup>	Three files were not Nonpayment of Premium cancellations and were not reviewed. One Insured Requested cancellation was rewritten and not reviewed. Two Insured Requested cancellations were actually After the 60th Day cancellations and were moved to the Company-Initiated category.
Footnote <sup>4</sup>	Seventeen files were not reviewed because they were non-renewed in the prior term and therefore, not terminated within the examination period.
Footnote <sup>5</sup>	Two files were not rejected applications and were not reviewed.
Footnote <sup>6</sup>	One file was rewritten by the company and not reviewed.
Footnote <sup>7</sup>	One After the 89th Day cancellation was already reviewed by the Bureau in a Consumer Services complaint and, therefore, not reviewed in this examination. Two Prior to the 90th Day cancellations were moved to the Insured Requested (All Other) category.
Footnote <sup>8</sup>	One Nonpayment cancellation was a duplicate and not reviewed. Two additional cancellations were moved from the Prior to the 90th Day (Company Initiated) category to the Insured Requested category.
Footnote <sup>9</sup>	Two files were not reviewed because they were non-renewed in the prior term and therefore, not terminated within the examination period.
Footnote <sup>10</sup>	One file was not a rejected application and was not reviewed.
Footnote *	These samples included 20 rejected applications effective after the examination period (per Area). The companies were unable to provide complete files for this category during the examination period. Therefore, additional files were sampled with current rejection dates between June 1, 2020 and July 31, 2020 to allow the companies to provide complete files that they could access.

## **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.

### **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.

### **Private Passenger Automobile Policies**

#### **COMPANY-INITIATED CANCELLATIONS**

#### **Notice Mailed Prior to the 60<sup>th</sup> Day of Coverage**

The examiners reviewed ten 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. During 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 policy. The company failed to send a cancellation notice to the insured.

**Notice Mailed After the 59<sup>th</sup> Day of Coverage**

The examiners reviewed three automobile cancellations that were initiated by the companies where the companies mailed the notices on or after the 60<sup>th</sup> day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found one violation of § 38.2-2212 D of the Code of Virginia. The company cancelled the insured's motor vehicle policy for a reason not permitted after the 59<sup>th</sup> day of coverage.
- (2) The examiners found one violation of § 38.2-2212 E of the Code of Virginia. The company failed to send a cancellation notice to the insured.

**ALL OTHER CANCELLATIONS****Nonpayment of the Premium**

The examiners reviewed 29 automobile cancellations that were initiated by the companies for nonpayment of the policy premium. During this review, the examiners found overcharges totaling \$23.38 and no undercharges. The net amount that should be refunded to insureds is \$23.38 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 eight violations of § 38.2-2208 A of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the insured.

**Other Law Violations**

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

The examiners found two violations of § 46.2-482 of the Code of Virginia. The company failed to file an SR-26 within 15 days of cancelling the policy as required



by the Virginia Motor Vehicle Code.

### **Requested by the Insured**

The examiners reviewed 27 automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found one violation of § 38.2-1318 C 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 population data files.
- (2) The examiners found three occurrences where the company failed to comply with the provisions of the policy. The company failed to maintain evidence of the insured's request for cancellation.

### **COMPANY-INITIATED NON-RENEWALS**

The examiners reviewed 17 automobile non-renewals that were initiated by the companies.

The examiners found one violation of § 38.2-2208 A of the Code of Virginia. The company failed to retain proof of mailing the nonrenewal notice to the insured.

### **Other Law Violations**

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

The examiners found one violation of § 46.2-482 of the Code of Virginia. The company failed to file an SR-26 within 15 days of cancelling the policy as required by the Virginia Motor Vehicle Code.

REJECTED APPLICATIONS

The examiners reviewed 41 automobile insurance applications for which the company declined to issue a policy.

- (1) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to provide an Adverse Underwriting Decision (AUD) notice to the applicant.
- (2) The examiners found six violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents and records relating to the examination. The company did not provide a copy of the applicant's quote or AUD indicated by the population file data.

**Motorcycle Policies**COMPANY-INITIATED CANCELLATIONS

The companies did not provide any cancellations in this category for review.

ALL OTHER CANCELLATIONS**Nonpayment of Premium**

The companies did not provide any cancellations in this category for review.

**Requested by the Insured**

The examiners reviewed 13 motorcycle cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found no overcharges and no undercharges.

The examiners found six occurrences where the company failed to comply with the provisions of the policy. The company failed to maintain evidence of the insured's request for cancellation.

Other Law Violations

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

The examiners found one violation of § 46.2-482 of the Code of Virginia. The company failed to file an SR-26 within 15 days of cancelling the policy as required by the Virginia Motor Vehicle Code.

COMPANY-INITIATED NON-RENEWALS

The examiners reviewed one motorcycle non-renewal that was initiated by the companies.

The examiners found no errors in this area.

**Homeowner Policies**COMPANY-INITIATED CANCELLATIONS**Notice Mailed Prior to the 90<sup>th</sup> Day of Coverage**

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

- (1) The examiners found one violation of § 38.2-502 1 of the Code of Virginia. The company misrepresented benefits, advantages, conditions, or terms of the insurance policy. The company misrepresented the reason for cancelling the policy on the cancellation notice.
- (2) The examiners found two violations of § 38.2-1318 C 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 population data files.

- (3) The examiners found one violation of § 38.2-2113 C of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the insured.
- (4) The examiners found three occurrences where the company failed to comply with the provisions of the policy.
  - a. In one instance, the company failed to provide adequate days' notice of cancellation to the insured.
  - b. In two instances, the company failed to send the cancellation notice to the insured's address shown in the policy.

#### **Notice Mailed After the 89<sup>th</sup> Day of Coverage**

The examiners reviewed 18 homeowner cancellations that were initiated by the companies where the companies mailed the notices on or after the 90<sup>th</sup> day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found two violations of § 38.2-2113 C of the Code of Virginia.
  - a. In one instance, the company failed to retain proof of mailing the cancellation notice to the insured.
  - b. In one instance, the company failed to retain a copy of the cancellation notice sent to the insured.
- (2) The examiners found 11 violations of § 38.2-2114 A of the Code of Virginia.
  - a. In four instances, the company failed to send a cancellation notice to the insured.
  - b. In three instances, the company failed to send the cancellation notice to the insured's address shown in the policy.
  - c. In one instance, the company cancelled the policy due to a physical change in the insured structure without proper documentation of the change.

- d. In three instances, the company cancelled the policy for foreclosure without obtaining documentation of a change in the deed of trust reflecting the sale of the property.
- (3) The examiners found one violation of § 38.2-2114 C of the Code of Virginia. The company failed to advise the insured of the right to request a review by the Commissioner of Insurance.

#### ALL OTHER CANCELLATIONS

##### **Nonpayment of the Premium**

The examiners reviewed 19 homeowner cancellations that were initiated by the companies for nonpayment of the policy premium. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found three violations of § 38.2-2113 C of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the insured.
- (2) The examiners found one violation of § 38.2-2114 A of the Code of Virginia. The company failed to send the cancellation notice to the insured's address shown in the policy.

##### **Requested by the Insured**

The examiners reviewed 27 homeowner cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During 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 policy. The company failed to maintain evidence of the insured's request for cancellation.

COMPANY-INITIATED NON-RENEWALS

The examiners reviewed 18 homeowner non-renewals that were initiated by the companies.

- (1) The examiners found two violations of § 38.2-2114 A of the Code of Virginia. The company failed to send the cancellation notice to the insured's address shown in the policy.
- (2) The examiners found 17 violations of § 38.2-2114 C of the Code of Virginia.
  - a. In 11 instances, the company failed to advise the insured of the right to request a review by the Commissioner of Insurance.
  - b. In six instances, the company failed to advise the insured of the availability of insurance through the Virginia Property Insurance Association (VPIA).

REJECTED APPLICATIONS

The examiners reviewed 44 homeowner insurance applications for which the company declined to issue a policy.

The examiners found three violations of § 38.2-1809 B of the Code of Virginia. The company failed to require its captive agents to maintain documentation of the application or quote for at least three years.

**CLAIMS REVIEW****Private Passenger Automobile Claims**

The examiners reviewed 150 automobile claims for the period of April 1, 2019 through March 31, 2020. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$1,083.72 and underpayments totaling \$14,145.45. The net amount that should be paid to claimants is \$14,145.45 plus six percent (6%) simple interest.

- (1) The examiners found six violations of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found seven violations of 14 VAC 5-400-40 A. The company failed to disclose all pertinent benefits, coverages, or provisions of an insurance policy to the insured.
  - a. In two instances, the company failed to fully disclose the Medical Expense Benefits (MEB) coverage when the file indicated the coverage was applicable to the loss.
  - b. In four instances, the company failed to fully disclose the Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
  - c. In one instance, the company failed to fully disclose the benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage (UMPD) coverage and/or Underinsured Motorist (UIM) coverage when the file indicated the coverage was applicable to the loss.

- (3) 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.
- (4) The examiners found two 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.
- (5) The examiners found 34 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 UMPD coverages applied to the claim.
  - b. In one instance, the company failed to pay the insured's UMPD claim properly.
  - c. In 22 instances, the company failed to pay the proper sales and use tax, title fee, and/or license fee on a first-party total loss settlement.
  - d. In four instances, the company failed to pay the claim in accordance with the policy provisions under the insured's MEB coverage.
  - e. In four instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.
  - f. In two instances, the company failed to pay the insured's Collision or Other Than Collision claim properly.

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



- (6) The examiners found nine violations 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.
- a. In five instances, the company failed to provide a copy of the repair estimate to the insured.
  - b. In four instances, the company failed to provide a copy of the repair estimate to the claimant.
- (7) The examiners found seven violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue.
- (8) The examiners found four 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 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.
- a. In two instances, the company unreasonably delayed the settlement of a claim.
  - b. In one instance, the company failed to pay the proper sales and use tax, title fee, and/or license fee on a third-party total loss settlement.
- (10) The examiners found two violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or the insured's beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which the payment was made.

- (11) The examiners found one violation of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company did not provide accurate information in the population data file or a copy of the insured's policy.
- (12) The examiners found three violations of § 38.2-2201 D of the Code of Virginia.
- a. In two instances, the company failed to obtain a valid Assignment of Benefits (AOB) from an insured authorizing the company to make payments directly to the medical provider.
  - b. In one instance, the company reduced the amount payable to an insured when MEB may not be reduced for any benefits paid, payable, or available through an insurance policy providing hospital, medical, surgical, and similar or related benefits.
- (13) The examiners found 11 occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In four instances, the company paid an insured more than the insured was entitled to receive under the terms of the policy.
  - b. In five instances, the company failed to pay an Uninsured Motorist (UM) claim properly.
  - c. In two instances, the company failed to issue payment under the correct coverage.

**Motorcycle Claims**

The examiners reviewed 16 motorcycle claims for the period of April 1, 2019 through March 31, 2020. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$2,008.88 and underpayments totaling \$15.00. The net amount that should be paid to claimants is \$15.00 plus six percent (6%) simple interest.

- (1) The examiners found one violation of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found two violations of 14 VAC 5-400-70 D. The company failed to pay the proper sales and use tax, title fee, and/or license fee on first party total loss settlements.

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

- (3) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company paid an insured more than the insured was entitled to receive under the terms of the policy.

**Homeowner Claims**

The examiners reviewed 100 homeowner claims for the period of April 1, 2019 through March 31, 2020. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$450.00 and underpayments totaling \$20,992.95. The net amount that should be paid to claimants is \$20,992.95 plus six percent (6%) simple interest.

- (1) The examiners found six violations of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found one violation of 14 VAC 5-400-40 A. The company failed to inform the insured of the benefits under the Additional Living Expense (ALE) coverage of the policy.
- (3) The examiners found seven violations of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within 15 calendar days to pertinent communications from a claimant or a claimant's authorized representative that reasonably suggested a response was expected.
- (4) The examiners found one violation of 14 VAC 5-400-50 D. The company failed to provide necessary claim forms, instructions or reasonable assistance to the insured upon receiving notification of the claim.
- (5) The examiners found one violation 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.
- (6) The examiners found one violation 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.

- (7) The examiners found six 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 three instances, the company failed to pay the insured's Dwelling Replacement Cost coverage claim properly.
  - b. In two instances, the company failed to pay the insured's ALE coverage claim properly.
  - c. In one instance, the company failed to pay the insured's Additional Coverages claim properly.
- (8) The examiners found three violations of 14 VAC 5-400-90. The company failed to provide the homeowner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.
- (9) The examiners found eight 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 two instances, the company failed to properly represent the provisions of the policy.
  - b. In six 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.

- (10) The examiners found four 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.

- (11) The examiners found five 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 unreasonably delayed the settlement of a claim.
- (12) The examiners found one violation 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.
- (13) The examiners found five occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In two instances, the company paid an insured more than the insured was entitled to receive under the terms of the policy.
  - b. In three instances, the company failed to pay the claim in accordance with the policy provisions.

**FORMS REVIEW**

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.

**Automobile and Motorcycle Policy Forms****POLICY FORMS USED DURING THE EXAMINATION PERIOD**

The companies provided copies of 36 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found 30 violations of § 38.2-2220 of the Code of Virginia.
  - a. In 22 instances, the company used policy forms that were not in the precise language of the standard forms.
  - b. In eight instances, the company failed to have available for use mandatory standard forms.
- (2) The examiners found four 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 approved by the Bureau.

**Homeowner Policy Forms****POLICY FORMS USED DURING THE EXAMINATION PERIOD**

The companies provided copies of 34 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no errors in this area.

## **PART TWO – CORRECTIVE ACTION PLAN**

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

### **General**

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

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

### **Termination Review**

Garrison Property & Casualty Insurance Company  
United Services Automobile Association  
USAA Casualty Insurance Company, and  
USAA General Indemnity 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 "Termination Overcharges Cited During the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the



- overcharges listed in the file.
- (4) Retain proof of mailing the cancellation notice sent to the insured.
  - (5) Mail the cancellation notice to the insured's address shown in the policy.
  - (6) Advise the insured of the right to review by the Commissioner of Insurance on non-renewal notices.
  - (7) Advise the insured of the availability of insurance through the VPIA on non-renewal notices.
  - (8) Cancel motor vehicle policies mailed after the 59<sup>th</sup> day of coverage only for the reasons permitted by the statute.
  - (9) Send a cancellation notice to the insured.
  - (10) Cancel homeowner policies mailed after the 89<sup>th</sup> day of coverage only for the reasons permitted by the statute.
  - (11) Maintain accurate data population files.
  - (12) Ensure agents retain the applications for at least three years.

### **Claims Review**

Garrison Property & Casualty Insurance Company  
United Services Automobile Association  
USAA Casualty Insurance Company, and  
USAA General Indemnity 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 attached 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) 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.
- (5) Obtain a valid AOB before issuing payment to the medical provider.
- (6) Properly represent pertinent facts or insurance provisions relating to the replacement cost provisions of the policy.

**Forms Review**

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

- (1) Use the precise language of the standard automobile forms adopted by the Bureau.
- (2) Have available for use all mandatory standard automobile forms adopted by the Bureau.
- (3) Use the forms filed as broadenings in the precise language filed and approved by the Bureau.

### **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.

#### **RECOMMENDATIONS**

We recommend that the companies take the following actions:

##### **Termination**

- File the SR-26 with DMV within 15 days of the cancellation effective date.
- Maintain evidence of the insured's request for cancellation.
- Change "may collect" to "will collect" in the company's Notice of Information Practices since it is the companies' practice to obtain the claim history and other referenced information on every applicant.
- Delete the private passenger auto Important Notice from homeowner cancellation notices.

##### **Claims**

- Document claim files so that all events and dates pertinent to the claim can be reconstructed.
- Document the claim file that all applicable coverages have been fully disclosed to the insured. Particular attention should be given to the MEB coverage, rental benefits under UMPD, and Transportation Expenses coverage.
- Notify the insured, in writing, every 45 calendar days of the reason for the company's delay in completing the investigation of the claim.
- Make all denials in writing and keep a copy of the written denial in the claim file.
- Provide copies of vehicle repair estimates prepared by or on behalf of the company to insureds and claimants.
- Properly represent pertinent facts or insurance provisions relating to coverage(s) at issue.

- Adopt and implement reasonable standards for the prompt investigation of claims.
- Provide convenient access to files, documents, and records relating to the examination.
- Make all payments in accordance with the policy provisions.
- Make UM claim payments under the correct coverage.
- Make an appropriate reply to communications within 15 calendar days.
- Advise insureds that they have six months after the last actual cash value payment to assert a claim for replacement cost with homeowner policies.
- Only state that the deductible was applied with payments where the deductible was actually applied instead of making the statement with every subsequent payment.

### **Forms**

- Correct the wording of the PP 00 01 form to have item C appear as item B on page 23 under Part F: Our Right to Recover Payment.

### **SUMMARY OF PREVIOUS EXAMINATION FINDINGS**

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

During the private passenger automobile and homeowner examination of United Services Automobile Association and USAA Casualty Insurance Company as of November 30, 1992, the companies violated §§ 38.2-2208, 38.2-2212, 38.2-1906, 38.2-610, 38.2-2113, 38.2-2114, 38.2-510 A 6 and 38.2-510 A 10 of the Code of Virginia, as well as 14 VAC 5-400 30 C of the Virginia Administrative Code.

During the private passenger automobile and homeowner examination of United Services Automobile Association and USAA Casualty Insurance Company as of June 30, 1998, the companies 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, 38.2-2212 of the Code of Virginia, as well as 14 VAC 5-400-70 D of the Virginia Administrative Code.

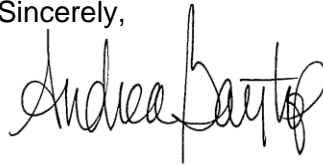
During the private passenger automobile and homeowner examination of United Services Automobile Association, USAA Casualty Insurance Company and USAA General Indemnity Company as of March 31, 2004, the companies violated 14 VAC 5-400-40 A and 14 VAC 5-400-70 D of the Virginia Administrative Code.

During the private passenger automobile and homeowner examination of United Services Automobile Association, USAA Casualty Insurance Company, USAA General Indemnity Company and Garrison Property and Casualty Insurance Company as of August 31, 2014, the companies violated §§ 38.2-317 A, 38.2-502, 38.2-511, 38.2-610 A, 38.2-2210 A, 38.2-2210 C, 38.2-2234 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, 38.2-2212 E, 38.2-2214, 38.2-2220, 38.2-2223, 38.2-510 A 1, 38.2-510 A 3, 38.2-510 A 6 of the Code of Virginia, as well as, 14 VAC 5-400-30, 14 VAC 5-400-40 A and 14 VAC 5-400-70 D of the Virginia Administrative Code.

**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 that reads "Andrea Barto". The signature is written in a cursive style with a large, looped initial "A".

Manager  
P&C Market Conduct Section

# COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE

P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
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[scc.virginia.gov](http://scc.virginia.gov)

July 30, 2021

## VIA E-MAIL DELIVERY

Ms. Stacey Spenser  
Compliance Risk Manager Senior  
USAA Group of Insurance Companies  
One Norterra Drive  
Phoenix, AZ 85085  
[Stacey.spenser@usaa.com](mailto:Stacey.spenser@usaa.com)

RE: Market Conduct Examination  
Garrison Property & Casualty Insurance Company, NAIC #21253  
United Services Automobile Association, NAIC #25941  
USAA Casualty Insurance Company, NAIC #25968  
USAA General Indemnity Company, NAIC #18600  
Examination Period: April 1, 2019 through March 31, 2020

Dear Ms. Spenser:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above-referenced companies for the period of April 1, 2019 through March 31, 2020. The preliminary examination report (Report) has been drafted for the companies' review.

Attached with this letter is a copy of the Report and copies of review sheets that have been added, withdrawn, or revised since April 16, 2021. Also attached are several technical reports that will provide you with the specific file references for the violations listed in the Report.

Due to the number of Virginia insurance law violations cited in the examination, I would urge you to closely review the Report. Please provide a written response. 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 their position. When the companies respond, please do not include any personal identifiable or privileged information (names, policy numbers, claim numbers, addresses, etc.). The companies should use exhibits or appendices to reference such information. In addition, 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.

Secondly, the companies must 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 attached an Excel file that the companies must complete and return to the Bureau with their response. This file lists the review items for which the examiners identified termination overcharges and claims underpayments.

The companies' response and the spreadsheet mentioned above must be returned to the Bureau by September 27, 2021.

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 September 27, 2021.

Sincerely,



Andrea Baytop, AMCM  
Manager, Market Conduct Section  
Property & Casualty Division  
Cell: (804) 592-0245  
Office: (804) 371-9547  
[andrea.baytop@scc.virginia.gov](mailto:andrea.baytop@scc.virginia.gov)

ADB/pgh  
Attachments



9800 Fredericksburg Road  
San Antonio, Texas 78288



Andrea Baytop, AMCM  
Manager, Market Conduct Section  
Property & Casualty Division  
1300 E. Main Street  
Richmond, VA 23219  
Office: (804) 371-9547  
[andrea.baytop@scc.virginia.gov](mailto:andrea.baytop@scc.virginia.gov)

09/27/2021

Reference: Market Conduct Examination  
Garrison Property & Casualty Insurance Company, NAIC #21253  
United Services Automobile Association, NAIC #25941  
USAA Casualty Insurance Company, NAIC #25968  
USAA General Indemnity Company, NAIC #18600  
Examination Period: April 1, 2019 through March 31, 2020

Dear Ms. Baytop,

We have uploaded our response to the draft report received on July 30, 2021. In Part One of the Report, we have indicated some items for further review and consideration. Parts Two and Three of the Report address corrective action and recommendations.

Included with our responses are the supporting documents labeled with the BOI reference numbers within Part One of the Report. The restitution spreadsheets have also been completed and uploaded.

We would like to thank you and your exam team for the opportunity to review and respond to the draft report and for your professionalism throughout the examination.

If you have any questions, please reach out to me via telephone or email listed below.

Sincerely,

*Stacey Spenser*  
Compliance Risk Manager Senior  
USAA Group of Insurance Companies  
One Norterra Drive  
Phoenix, AZ 85085  
(602) 245-2027  
[Stacey.spenser@usaa.com](mailto:Stacey.spenser@usaa.com)

# **MARKET CONDUCT EXAMINATION REPORT**

**OF**

GARRISON PROPERTY & CASUALTY INSURANCE COMPANY

UNITED SERVICES AUTOMOBILE ASSOCIATION

USAA CASUALTY INSURANCE COMPANY

USAA GENERAL INDEMNITY COMPANY

**AS OF**

**March 31, 2020**

**COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE**

**Property and Casualty Division  
Market Conduct Section**

**COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE**

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# TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	4
INTRODUCTION .....	6
COMPANY PROFILES .....	6
SCOPE OF THE EXAMINATION .....	11
STATISTICAL SUMMARY .....	12
PART ONE – THE EXAMINERS’ OBSERVATIONS .....	14
TERMINATION REVIEW .....	14
Private Passenger Automobile Policies .....	14
Company-Initiated Cancellations .....	14
All Other Cancellations .....	15
Company-Initiated Non-renewals .....	16
Rejected Applications .....	17
Motorcycle Policies .....	17
Company-Initiated Cancellations .....	17
All Other Cancellations .....	17
Company-Initiated Non-renewals .....	18
Homeowner Policies .....	18
Company-Initiated Cancellations .....	18
All Other Cancellations .....	20
Company-Initiated Non-renewals .....	21
Rejected Applications .....	22
CLAIMS REVIEW .....	22
Private Passenger Automobile Claims .....	22
Motorcycle Claims.....	26
Homeowner Claims.....	27
FORMS REVIEW .....	31
Automobile and Motorcycle Policy Forms .....	31
Policy Forms Used During the Examination Period .....	31

Homeowner Policy Forms .....	31
Policy Forms Used During the Examination Period .....	31
PART TWO – CORRECTIVE ACTION PLAN .....	32
General.....	32
Termination Review .....	32
Claims Review .....	35
Forms Review.....	37
PART THREE – RECOMMENDATIONS.....	37
RECOMMENDATIONS .....	37
Termination.....	37
Claims.....	38
Forms .....	39
SUMMARY OF PREVIOUS EXAMINATION FINDINGS.....	39
ACKNOWLEDGEMENT.....	41

## EXECUTIVE SUMMARY

The examination included a detailed review of United Services Automobile Association, USAA Casualty Insurance Company, Garrison Property and Casualty Insurance Company, and USAA General Indemnity Company private passenger automobile and homeowner lines of business written in Virginia for the period beginning April 1, 2019 and ending March 31, 2020. This review pertained to policy terminations, claims handling, and forms.

The examination was called as a result of the Market Conduct Annual Statement (MCAS) and market analysis. This is the fifth Market Conduct Examination the Virginia Bureau of Insurance (Bureau) has performed of United Services Automobile Association and USAA Casualty Insurance Company. The Bureau has examined the other companies at least once in the last ten years.

The examination revealed violations that were significant. There were 274 total violations in this Report. The bulk of these were the 154 violations found in the claims area, which included five general business practices (GBP). There were 86 termination violations and 34 violations in the forms area.

The Corrective Action Plan (CAP) for terminations requested that the companies calculate return premium properly, send cancellation notices to insureds, retain proof of mailing cancellation notices, mail the cancellation notice to the insured's address shown in the policy, properly advise the insured of the right to review by the Commissioner of Insurance, advise the insured of the availability of insurance through the Virginia Property Insurance Association (VPIA), cancel auto and homeowner policies only for the reasons permitted by the statutes, provide convenient access to files, documents and records requested during the examination, and ensure agents retain applications for at least three years.

The claims CAP requested that the companies offer the insured a fair and reasonable amount, properly make payments under the Medical Expense Benefits (MEB) coverage without improper reductions, make payments directly to the insured when the company does not have a valid assignment of benefits, properly document the claim file, provide a copy of the homeowner estimate to the insured, and properly represent coverages at issue.

In the area of forms, the companies were advised to use the precise language of the standard automobile forms, have the mandatory standard automobile forms available for use, and use the precise language of broadened automobile forms filed and approved by the Bureau.

Finally, the CAP requested that the companies make restitution of \$35,240.78 to 38 consumers.

## INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a targeted examination has been made of the private passenger automobile, motorcycle and homeowner lines of business written by United Services Automobile Association, USAA Casualty Insurance Company, Garrison Property and Casualty Insurance Company, and USAA General Indemnity Company at the office of the State Corporation Commission, Bureau of Insurance in Richmond, Virginia.

The examination commenced June 15, 2020 and concluded April 16, 2021. Brandon L. Ayers, Andrea D. Baytop, Ju'Coby D. Hendrick, Daniel Koch, Melody S. Morrissette, and Latitia L. Orange, examiners of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Market Action Tracking System on January 22, 2020 and was assigned the Action Number of VA-VA177-12. The examination was conducted in accordance with the guidelines contained in the National Association of Insurance Commissioners (NAIC) Market Regulation Handbook.

## COMPANY PROFILES\*

USAA General Indemnity Company (UGIC) was incorporated under the laws of Texas on June 23, 1972 and commenced business on August 2, 1972.

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\* Source: Best's Insurance Reports, Property & Casualty, 2020 Edition.

Garrison Property and Casualty Insurance Company (GPCIC) was incorporated on December 1, 1900 and commenced business on that date. The company operated under the title Brewers' Exchange until the company changed its name to Reciprocal Exchange during 1905. Effective June 8, 1998 the company changed its name to Garrison Property and Casualty Association and redomesticated from Missouri to Texas on December 21, 1998. On November 1, 2003, the company converted to a stock company and adopted the current title.

United Services Automobile Association (USAA) was incorporated under the laws of Texas on June 20, 1922 and commenced business on that date. The Association began business as the United States Army Automobile Insurance Association. The present title was adopted during 1924. The home office is maintained in San Antonio, Texas.

USAA Casualty Insurance Company (UCIC) was incorporated under the laws of Texas on September 6, 1968 and commenced 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.

All companies are based in San Antonio, Texas.



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 the date that the company was licensed in Virginia except as noted in the table.

<b>GROUP CODE: 0200</b>	<b>GPCIC</b>	<b>USAA</b>	<b>UCIC</b>	<b>UGIC</b>
NAIC Company Number	21253	25941	25968	18600
LICENSED IN VIRGINIA	7/01/1918	3/10/1945	12/28/1972	5/01/1975
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				
Farmowner Multi-Peril				
Fidelity				
Fire	X	X	X	X
General Liability	9/12/2005	X	X	X
Glass				
Homeowner Multi-Peril	4/20/2005	X	X	X
Inland Marine	4/20/2005	X	X	X
Miscellaneous Property	X	X	X	X
Ocean Marine	4/20/2005	X	X	X
Surety				
Water Damage	X			
Workers' Compensation				

The table below shows the companies' premium volume and approximate market share of business written in Virginia during 2020 for those lines of insurance included in this examination.\* This business was developed through captive agents.

<b>COMPANY AND LINES</b>	<b>PREMIUM VOLUME</b>	<b>MARKET SHARE</b>
Garrison Property & Casualty Insurance Company		
Private Passenger Automobile Liability	\$41,183,666	1.28%
Private Passenger Physical Damage	\$36,852,443	1.45%
Homeowner	\$31,744,674	1.23%
United Services Automobile Association		
Private Passenger Automobile Liability	\$185,699,866	5.75%
Private Passenger Physical Damage	\$174,439,982	6.84%
Homeowner	\$270,104,675	10.49%
USAA Casualty Insurance Company		
Private Passenger Automobile Liability	\$139,436,340	4.32%
Private Passenger Physical Damage	\$126,649,341	4.97%
Homeowner	\$148,070,350	5.75%
USAA General Indemnity Company		
Private Passenger Automobile Liability	\$62,207,819	1.93%
Private Passenger Physical Damage	\$58,302,837	2.29%
Homeowner	\$53,318,130	2.07%

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\* Source: The 2020 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, motorcycle and homeowner lines written in Virginia for the period beginning April 1, 2019 and ending March 31, 2020. This review included policy terminations, claims handling and forms. 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.

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 laws 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 in Virginia. The Other Law Violations portion of Part One notes violations of other related laws that apply to insurers.

In Part Two, the Corrective Action Plan identifies the violations that 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 specific company practices does not constitute an acceptance of the practices by the Bureau.

### **STATISTICAL SUMMARY**

The files selected for the review of the 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.

**Population  
Sample Requested**

AREA	USAA	UCIC	UGIC	GPCIC	TOTAL	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
<b>Private Passenger Auto <sup>1</sup></b>									
Co-Initiated Cancellations <sup>2</sup>	<u>1</u> 1	<u>5</u> 4	<u>6</u> 3	<u>4</u> 3	<u>16</u> 11	13	0	4	31%
All Other Cancellations <sup>3</sup>	<u>20672</u> 17	<u>14941</u> 16	<u>13613</u> 15	<u>7305</u> 14	<u>56,531</u> 62	56	0	13	23%
Nonrenew als <sup>4</sup>	<u>318</u> 8	<u>378</u> 8	<u>205</u> 10	<u>146</u> 8	<u>1047</u> 34	17	0	2	12%
Rejected Applications <sup>5 *</sup>	<u>456</u> 10	<u>987</u> 11	<u>956</u> 11	<u>717</u> 11	<u>3116</u> 43	41	0	7	17%
<b>Motorcycle</b>									
Co-Initiated Cancellations	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	0	0	0	N/A
All Other Cancellations <sup>6</sup>	<u>12</u> 9	<u>0</u> 0	<u>4</u> 4	<u>1</u> 1	<u>17</u> 14	13	0	7	54%
Nonrenew als	<u>0</u> 0	<u>0</u> 0	<u>1</u> 1	<u>0</u> 0	<u>1</u> 1	1	0	0	0%
<b>Homeowner</b>									
Co-Initiated Cancellations <sup>7</sup>	<u>45</u> 11	<u>51</u> 8	<u>41</u> 6	<u>26</u> 5	<u>163</u> 30	27	0	17	63%
All Other Cancellations <sup>8</sup>	<u>11287</u> 14	<u>5532</u> 13	<u>3331</u> 9	<u>1521</u> 9	<u>21,671</u> 45	46	0	5	11%
Nonrenew als <sup>9</sup>	<u>118</u> 5	<u>89</u> 6	<u>228</u> 6	<u>121</u> 3	<u>556</u> 20	18	0	11	61%
Rejected Applications <sup>10 *</sup>	<u>743</u> 12	<u>557</u> 13	<u>411</u> 10	<u>247</u> 10	<u>1958</u> 45	44	0	4	9%
<b>Claims</b>									
Private Passenger Auto	<u>149,929</u> 54	<u>112,112</u> 41	<u>49,215</u> 30	<u>30,962</u> 25	<u>342,218</u> 150	150	0	70	47%
Motorcycle	<u>23</u> 10	<u>6</u> 3	<u>4</u> 3	<u>0</u> 0	<u>33</u> 16	16	0	4	25%
Property	<u>13,686</u> 40	<u>7192</u> 25	<u>3040</u> 20	<u>1417</u> 15	<u>25,335</u> 100	100	0	37	37%

Footnote <sup>1</sup>	This section includes private passenger automobile and hybrid policies that insure both private passenger automobiles and motorcycles.
Footnote <sup>2</sup>	Two additional After the 60th Day cancellations were moved from the Insured Requested (All Other) category.
Footnote <sup>3</sup>	Three files were not Nonpayment of Premium cancellations and were not reviewed. One Insured Requested cancellation was rewritten and not reviewed. Two Insured Requested cancellations were actually After the 60th Day cancellations and were moved to the Company-Initiated category.
Footnote <sup>4</sup>	Seventeen files were not reviewed because they were non-renewed in the prior term and therefore, not terminated within the examination period.
Footnote <sup>5</sup>	Two files were not rejected applications and were not reviewed.
Footnote <sup>6</sup>	One file was rewritten by the company and not reviewed.
Footnote <sup>7</sup>	One After the 89th Day cancellation was already reviewed by the Bureau in a Consumer Services complaint and, therefore, not reviewed in this examination. Two Prior to the 90th Day cancellations were moved to the Insured Requested (All Other) category.
Footnote <sup>8</sup>	One Nonpayment cancellation was a duplicate and not reviewed. Two additional cancellations were moved from the Prior to the 90th Day (Company Initiated) category to the Insured Requested category.
Footnote <sup>9</sup>	Two files were not reviewed because they were non-renewed in the prior term and therefore, not terminated within the examination period.
Footnote <sup>10</sup>	One file was not a rejected application and was not reviewed.
Footnote *	These samples included 20 rejected applications effective after the examination period (per Area). The companies were unable to provide complete files for this category during the examination period. Therefore, additional files were sampled with current rejection dates between June 1, 2020 and July 31, 2020 to allow the companies to provide complete files that they could access.

## 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.

### 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.

### **Private Passenger Automobile Policies**

#### COMPANY-INITIATED CANCELLATIONS

#### **Notice Mailed Prior to the 60<sup>th</sup> Day of Coverage**

The examiners reviewed ten 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. During this review, the examiners found no overcharges and undercharges totaling \$200.49.

- (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.

**Company Response:** Upon review of the undercharge, we have included additional supporting documentation of the billing screens for reconsideration.

#### **TPA006**

- (2) The examiners found one occurrence where the company failed to comply with the provisions of the policy. The company failed to send a cancellation notice to the insured.

**Notice Mailed After the 59<sup>th</sup> Day of Coverage**

The examiners reviewed three automobile cancellations that were initiated by the companies where the companies mailed the notices on or after the 60<sup>th</sup> day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found one violation of § 38.2-2212 D of the Code of Virginia. The company cancelled the insured's motor vehicle policy for a reason not permitted after the 59<sup>th</sup> day of coverage.

**Company response:** Upon review of the notice in question, we believe the intent of the underwriter was to nonrenew in accordance with 38.2-2212C (2) and the cancellation notice was an inadvertent selection, but termination was still appropriate.

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

**ALL OTHER CANCELLATIONS****Nonpayment of the Premium**

The examiners reviewed 29 automobile cancellations that were initiated by the companies for nonpayment of the policy premium. During this review, the examiners found overcharges totaling \$23.38 and no undercharges. The net amount that should be refunded to insureds is \$23.38 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 eight violations of § 38.2-2208 A of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the insured.

**Other Law Violations**



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

The examiners found two violations of § 46.2-482 of the Code of Virginia. The company failed to file an SR-26 within 15 days of cancelling the policy as required by the Virginia Motor Vehicle Code.

### **Requested by the Insured**

The examiners reviewed 27 automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found one violation of § 38.2-1318 C 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 population data files.
- (2) The examiners found four occurrences where the company failed to comply with the provisions of the policy. The company failed to maintain evidence of the insured's request for cancellation.

**Company Response:** Upon review of the insured's request for cancellation, we have included additional supporting documentation for further review by the bureau. **TPA062** did not receive a final response from the bureau.

### COMPANY-INITIATED NON-RENEWALS

The examiners reviewed 17 automobile non-renewals that were initiated by the companies.

The examiners found one violation of § 38.2-2208 A of the Code of Virginia. The company failed to retain proof of mailing the nonrenewal notice to the insured.

### Other Law Violations

Although not a violation of Virginia insurance laws, the examiners noted the

following as a violation of another Virginia law.

The examiners found one violation of § 46.2-482 of the Code of Virginia. The company failed to file an SR-26 within 15 days of cancelling the policy as required by the Virginia Motor Vehicle Code.

#### REJECTED APPLICATIONS

The examiners reviewed 41 automobile insurance applications for which the company declined to issue a policy.

- (1) The examiners found one violation of § 38.2-610 A of the Code of Virginia. The company failed to provide an Adverse Underwriting Decision (AUD) notice to the applicant.
- (2) The examiners found six violations of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents and records relating to the examination. The company did not provide a copy of the applicant's quote or AUD indicated by the population file data.

### **Motorcycle Policies**

#### COMPANY-INITIATED CANCELLATIONS

The companies did not provide any cancellations in this category for review.

#### ALL OTHER CANCELLATIONS

### **Nonpayment of Premium**

The companies did not provide any cancellations in this category for review.

### **Requested by the Insured**

The examiners reviewed 13 motorcycle cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found no overcharges and no undercharges.

The examiners found six occurrences where the company failed to comply with the

provisions of the policy. The company failed to maintain evidence of the insured's request for cancellation.

### Other Law Violations

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

The examiners found one violation of § 46.2-482 of the Code of Virginia. The company failed to file an SR-26 within 15 days of cancelling the policy as required by the Virginia Motor Vehicle Code.

### COMPANY-INITIATED NON-RENEWALS

The examiners reviewed one motorcycle non-renewal that was initiated by the companies.

The examiners found no errors in this area.

## **Homeowner Policies**

### COMPANY-INITIATED CANCELLATIONS

#### **Notice Mailed Prior to the 90<sup>th</sup> Day of Coverage**

The examiners reviewed nine homeowner cancellations that were initiated by the companies where the companies mailed the notices prior to the 90th day of coverage in the initial policy period. During this review, the examiners found no overcharges and undercharges totaling \$168.08.

- (1) The examiners found one violation of § 38.2-502 1 of the Code of Virginia. The company misrepresented benefits, advantages, conditions, or terms of the insurance policy. The company misrepresented the reason for cancelling the policy on the cancellation notice.
- (2) The examiners found two violations of § 38.2-1318 C 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 population data files.

- (3) 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 did not calculate the earned premium correctly.

**Company Response:** Upon review of the earned premium, we have included the billing screens for further consideration. **THO001**

- (4) The examiners found one violation of § 38.2-2113 C of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the insured.

- (5) The examiners found three occurrences where the company failed to comply with the provisions of the policy.

- a. In one instance, the company failed to provide adequate days' notice of cancellation to the insured.
- b. In two instances, the company failed to send the cancellation notice to the insured's address shown in the policy.

#### **Notice Mailed After the 89<sup>th</sup> Day of Coverage**

The examiners reviewed 18 homeowner cancellations that were initiated by the companies where the companies mailed the notices on or after the 90<sup>th</sup> day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found two violations of § 38.2-2113 C of the Code of Virginia.
- a. In one instance, the company failed to retain proof of mailing the cancellation notice to the insured.
  - b. In one instance, the company failed to retain a copy of the cancellation notice sent to the insured.
- (2) The examiners found 11 violations of § 38.2-2114 A of the Code of Virginia.

- a. In four instances, the company failed to send a cancellation notice to the insured.
  - b. In three instances, the company failed to send the cancellation notice to the insured's address shown in the policy.
  - c. In one instance, the company cancelled the policy due to a physical change in the insured structure without proper documentation of the change.  
**Company response:** We respectfully disagree that two physical inspections are required prior to termination of a policy. We agree that a physical inspection is required prior to termination. That was completed. The law in 38.2-2114A5 does not require a prior physical inspection. We use truth statements during the application process and the applicants must disclose whether there is anything other than cosmetic damage at their home. They set forth that the property only had cosmetic damage. The damage seen upon physical inspection resulting in termination demonstrated that even if the property had cosmetic damage initially, it now had physical changes rendering it uninsurable based on the physical inspection. This termination complied with the legal requirements.
  - d. In three instances, the company cancelled the policy for foreclosure without obtaining documentation of a change in the deed of trust reflecting the sale of the property.
- (3) The examiners found one violation of § 38.2-2114 C of the Code of Virginia. The company failed to advise the insured of the right to request a review by the Commissioner of Insurance.

#### ALL OTHER CANCELLATIONS

#### **Nonpayment of the Premium**

The examiners reviewed 19 homeowner cancellations that were initiated by the

companies for nonpayment of the policy premium. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found three violations of § 38.2-2113 C of the Code of Virginia. The company failed to retain proof of mailing the cancellation notice to the insured.
- (2) The examiners found one violation of § 38.2-2114 A of the Code of Virginia. The company failed to send the cancellation notice to the insured's address shown in the policy.

### **Requested by the Insured**

The examiners reviewed 27 homeowner cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During 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 policy. The company failed to maintain evidence of the insured's request for cancellation.

### **Company-Initiated Non-renewals**

The examiners reviewed 18 homeowner non-renewals that were initiated by the companies.

- (1) The examiners found two violations of § 38.2-2114 A of the Code of Virginia. The company failed to send the cancellation notice to the insured's address shown in the policy.
- (2) The examiners found 17 violations of § 38.2-2114 C of the Code of Virginia.
  - a. In 11 instances, the company failed to advise the insured of the right to request a review by the Commissioner of Insurance.
  - b. In six instances, the company failed to advise the insured of the availability of insurance through the Virginia Property Insurance Association (VPIA).

REJECTED APPLICATIONS

The examiners reviewed 44 homeowner insurance applications for which the company declined to issue a policy.

- (1) The examiners found one violation of § 38.2-604 A of the Code of Virginia. The company failed to provide the Notice of Information Collection and Disclosure Practices to the applicant.

**Company Response:** Upon review of the insured's request for cancellation, we have included the additional supporting documentation requested for further review by the bureau. **THO115** did not receive a final response from the bureau.

- (2) The examiners found three violations of § 38.2-1809 B of the Code of Virginia. The company failed to require its captive agents to maintain documentation of the application or quote for at least three years.

Claims Review**Private Passenger Automobile Claims**

The examiners reviewed 150 automobile claims for the period of April 1, 2019 through March 31, 2020. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$1,083.72 and underpayments totaling \$14,209.45. The net amount that should be paid to claimants is \$14,209.45 plus six percent (6%) simple interest.

- (1) The examiners found six violations of 14 VAC 5-400-30 C. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found seven violations of 14 VAC 5-400-40 A. The company failed to disclose all pertinent benefits, coverages, or provisions of an insurance policy

- to the insured.
- a. In two instances, the company failed to fully disclose the Medical Expense Benefits (MEB) coverage when the file indicated the coverage was applicable to the loss.
  - b. In four instances, the company failed to fully disclose the Transportation Expenses coverage when the file indicated the coverage was applicable to the loss.
  - c. In one instance, the company failed to fully disclose the benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage (UMPD) coverage and/or Underinsured Motorist (UIM) coverage when the file indicated the coverage was applicable to the loss.
- (3) 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.
- Company response:** We respectfully disagree with one of the violations and have attached a copy of the 45-day letter provided in the Claims Violations documents with supporting documentation for one violation. **CPA045**
- (4) The examiners found two 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.
- (5) The examiners found 34 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 UMPD coverages applied to the claim.

- b. In one instance, the company failed to pay the insured's UMPD claim properly.
- c. In 22 instances, the company failed to pay the proper sales and use tax, title fee, and/or license fee on a first-party total loss settlement.
- d. In four instances, the company failed to pay the claim in accordance with the policy provisions under the insured's MEB coverage.
- e. In four instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses coverage.
- f. In two instances, the company failed to pay the insured's Collision or Other Than Collision claim properly.

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

- (6) The examiners found nine violations 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.
  - a. In five instances, the company failed to provide a copy of the repair estimate to the insured.
  - b. In four instances, the company failed to provide a copy of the repair estimate to the claimant.

**Company response:** While the companies respectfully disagree that they were not providing repair estimates as required, they have implemented additional procedures requiring appraisers or repairers to communicate with individuals concerning their repairs, and provide copies of initial and

subsequent repair estimates as standard procedure.

- (7) The examiners found seven violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue.
- (8) The examiners found four 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 four 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.
  - a. In three instances, the company unreasonably delayed the settlement of a claim.
  - b. In one instance, the company failed to pay the proper sales and use tax, title fee, and/or license fee on a third-party total loss settlement.
- (10) The examiners found two violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or the insured's beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which the payment was made.
- (11) The examiners found one violation of § 38.2-1318 C of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company did not provide accurate information in the population data file or a copy of the insured's policy.
- (12) The examiners found three violations of § 38.2-2201 D of the Code of Virginia.
  - a. In two instances, the company failed to obtain a valid Assignment of Benefits (AOB) from an insured authorizing the company to make payments directly to the medical provider.

**Company Response:** Upon review of the insured's request for cancellation, we have included additional supporting documentation for further review by the bureau. **CPA020** did not receive a final response from the bureau.

- b. In one instance, the company reduced the amount payable to an insured when MEB may not be reduced for any benefits paid, payable, or available through an insurance policy providing hospital, medical, surgical, and similar or related benefits.

**Company response:** Company has communicated changes in procedures to all adjusters and operational leadership. Thereafter, training occurred for all adjusters to ensure their understanding of these items.

- (13) The examiners found 11 occurrences where the company failed to comply with the provisions of the insurance policy.
  - a. In four instances, the company paid an insured more than the insured was entitled to receive under the terms of the policy.
  - b. In five instances, the company failed to pay an Uninsured Motorist (UM) claim properly.
  - c. In two instances, the company failed to issue payment under the correct coverage.

### **Motorcycle Claims**

The examiners reviewed 16 motorcycle claims for the period of April 1, 2019 through March 31, 2020. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$2,008.88 and underpayments totaling \$15.00. The net amount that should be paid to claimants is \$15.00 plus six percent (6%) simple interest.

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

**Company Response:** Upon review of the claim documentation, we have included additional supporting documentation requested for further review by the bureau. CMC010 did not receive a final response from the bureau. **CPA057** has additional documentation pertaining to the estimates in question for further consideration.

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

- (2) The examiners found two violations of 14 VAC 5-400-70 D. The company failed to pay the proper sales and use tax, title fee, and/or license fee on first party total loss settlements.

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

- (3) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company paid an insured more than the insured was entitled to receive under the terms of the policy.

### **Homeowner Claims**

The examiners reviewed 100 homeowner claims for the period of April 1, 2019 through March 31, 2020. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. During this review, the examiners found overpayments totaling \$450.00 and underpayments totaling \$20,992.95. The net amount that should be paid to claimants is \$20,992.95 plus six percent (6%) simple interest.

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

- document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.
- (2) The examiners found one violation of 14 VAC 5-400-40 A. The company failed to inform the insured of the benefits under the Additional Living Expense (ALE) coverage of the policy.
  - (3) The examiners found seven violations of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within 15 calendar days to pertinent communications from a claimant or a claimant's authorized representative that reasonably suggested a response was expected.
  - (4) The examiners found one violation of 14 VAC 5-400-50 D. The company failed to provide necessary claim forms, instructions or reasonable assistance to the insured upon receiving notification of the claim.
  - (5) The examiners found one violation 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.
  - (6) The examiners found one violation 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.
  - (7) The examiners found six 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 three instances, the company failed to pay the insured's Dwelling Replacement Cost coverage claim properly.
    - b. In two instances, the company failed to pay the insured's ALE coverage claim properly.

- c. In one instance, the company failed to pay the insured's Additional Coverages claim properly.
- (8) The examiners found ten violations of 14 VAC 5-400-90. The company failed to provide the homeowner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.

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

**Company response:** We respectfully disagree with the violations as stated. In **CHO025** (estimate provided 1/22/20), **CHO031** (estimate provided 7/9/19), **CHO035** (estimate provided 1/24/20), **CHO045** (estimate provided 3/31/20), **CHO067**(estimate provided 10/28/19), **CHO075** (2 estimates provided 7/22/19), **CHO090** (estimate provided 10/29/19). Copies of estimates are also contained in the claim files. When someone selects electronic delivery as their method for their claim, estimates are uploaded to their portal when complete and the claim files are documented and what will be seen by the insured is a message that states: "The estimate for your property damage has been completed. Check Claim Status for more information." These 7 violations resulted despite estimates being provided and documented in the files. We responded previously explaining that after sending the message to the insured regarding their estimate, they can go into their claim portal via the app or online and view their estimate. The violations are for failure to provide estimates, but they were provided. If these 7 violations are to remain, it will need to be explained what documentation or process needs to be done differently.

- (9) The examiners found eight 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 two instances, the company failed to properly represent the provisions of the policy.
- b. In six 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.

- (10) The examiners found four 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.
- (11) The examiners found five 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 unreasonably delayed the settlement of a claim.

**Company Response:** We have included our last response for your review as we have not received an outcome of our supporting documentation for **CPA078**.

- (12) The examiners found one violation 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.
- (13) The examiners found five occurrences where the company failed to comply with the provisions of the insurance policy.
  - a. In two instances, the company paid an insured more than the insured was entitled to receive under the terms of the policy.
  - b. In three instances, the company failed to pay the claim in accordance with

the policy provisions.

### **Forms Review**

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.

### **Automobile and Motorcycle Policy Forms**

#### POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 36 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found 30 violations of § 38.2-2220 of the Code of Virginia.
  - a. In 22 instances, the company used policy forms that were not in the precise language of the standard forms.
  - b. In eight instances, the company failed to have available for use mandatory standard forms.
- (2) The examiners found four 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 approved by the Bureau.

### **Homeowner Policy Forms**

#### POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 34 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.



The examiners found no errors in this area.

## **PART TWO – CORRECTIVE ACTION PLAN**

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

### **General**

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

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

### **Termination Review**

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

**Company response:** Any identified overcharge has been refunded.

- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.

**Company response:** Interest has been paid as required.

- (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 companies acknowledge that they have refunded or credited the overcharges listed in the file.

**Company response:** File is attached

- (4) Calculate return premium according to the filed rules and policy provisions.

**Company response:** We agree.

- (5) Retain proof of mailing the cancellation notice sent to the insured.

**Company Response:** The company has implemented process improvements with mailroom operations to ensure future retention of proof of mailings when required.

- (6) Properly represent the insured's rights to review by the Commissioner of Insurance with homeowner policy cancellations.

**Company response:** The inadvertent exclusion of the right to review by the Commissioner of Insurance has been corrected.

- (7) Mail the cancellation notice to the insured's address shown in the policy.

**Company response:** Company will be implementing changes in procedures, changes in letter correspondence system and training to correct.

- (8) Advise the insured of the right to review by the Commissioner of Insurance on non-renewal notices.

**Company response:** The inadvertent exclusion of the right to review by the Commissioner of Insurance has been corrected.

- (9) Advise the insured of the availability of insurance through the VPIA.

**Company response:** The inadvertent exclusion of VPIA language has been corrected.

- (10) Cancel motor vehicle policies mailed after the 59<sup>th</sup> day of coverage only for the

reasons permitted by the statute.

**Company response:** The company will recommunicate to underwriters that they need to nonrenew for fraud in the claim in accordance with 38.2-2212 C.

- (11) Send a cancellation notice to the insured.

**Company response:** The company inadvertently included insured initiated cancellations in data reported as company initiated, resulting in what appeared as missing notices. We are exploring and plan to improve accuracy in future data samples.

- (12) Cancel homeowner policies mailed after the 89<sup>th</sup> day of coverage only for the reasons permitted by the statute.

**Company response:** The company is reviewing processes relating to mortgagees and foreclosures and intends to make any necessary changes in compliance with the law and policy provisions.

- (13) Maintain accurate data population files.

**Company response:** The company inadvertently included insured initiated cancellations in data reported as company initiated, resulting in what appeared as missing notices. We are exploring and plan to improve accuracy in future data samples.

- (14) Ensure agents retain the applications for at least three years.

**Company response:** While the companies do not use a standard application, and they respectfully disagree that they did not retain all legally required documentation, they will review the legal requirements, retain all necessary documentation relating to the application process for 3 years, and will make any necessary changes.

**Claims Review**

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

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.

**Company response:** Any errors that resulted in underpayments were inadvertent, but they have been corrected and additional amounts were sent.

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

**Company response:** All amounts sent included interest as required.

- (3) Complete and submit to the Bureau the attached 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.

**Company response:** File is attached. Upon review of the restitution payments, there was one included that was withdrawn for **CPA018**.

- (4) 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.

**Company response:** Company has communicated changes in procedures to all adjusters and operational leadership. Thereafter, training occurred for all adjusters to ensure their understanding of these items. Restitution has been made on all instances identified and proof is attached.

- (5) Properly make payments under the MEB coverage without reduction and after

obtaining a valid EOB pursuant to the statute.

**Company response:** Company has communicated changes in procedures to all adjusters and operational leadership. Thereafter, training occurred for all adjusters to ensure their understanding of these items. Restitution has been made on all instances identified and proof is attached.

- (6) Obtain a valid AOB before issuing payment to the medical provider.

**Company response:** Company has communicated changes in procedures to all adjusters and operational leadership. Thereafter, training occurred for all adjusters to ensure their understanding of these items.

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

**Company response:** Communications and training are occurring to ensure proper claims file documentation.

- (8) Properly represent pertinent facts or insurance provisions relating to the replacement cost provisions of the policy.

**Company response:** Company will update procedures in accordance with Virginia law and policy provisions. Company will communicate all updates of procedures to adjusters and operational leadership.

- (9) Provide the insured copies of the homeowner repair estimates prepared by or on behalf of the company.

**Company response:** The companies respectfully disagree that repair estimates were not being provided. However, it reviewed and made changes to ensure that copies of initial and any subsequent reports are provided with any appropriate file documentation.

**Forms Review**

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

- (1) Use the precise language of the standard automobile forms adopted by the Bureau.
- (2) Have available for use all mandatory standard automobile forms adopted by the Bureau.
- (3) Use the forms filed as broadenings in the precise language filed and approved by the Bureau.

**Company response:** Per SERFF filing USAA-132905976 submitted on 7/16/21 and approved 9/22/21, the Companies have adopted and will be using the state approved Standard Auto ISO forms effective 1/1/22 and a broadening form with the language as approved.

**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.

**RECOMMENDATIONS**

We recommend that the companies take the following actions:

**Company response:** The companies are reviewing all recommendations and either have or will make any necessary changes where appropriate.

**Termination**

- File the SR-26 with DMV within 15 days of the cancellation effective date.

- Maintain evidence of the insured's request for cancellation.
- Change "may collect" to "will collect" in the company's Notice of Information Practices since it is the companies' practice to obtain the claim history and other referenced information on every applicant.
- Delete the private passenger auto Important Notice from homeowner cancellation notices.

## Claims

- Document claim files so that all events and dates pertinent to the claim can be reconstructed.
- Document the claim file that all applicable coverages have been fully disclosed to the insured. Particular attention should be given to the physical damage deductible, MEB coverage, rental benefits under UMPD, and Transportation Expenses coverage.
- Notify the insured, in writing, every 45 calendar days of the reason for the company's delay in completing the investigation of the claim.
- Make all denials in writing and keep a copy of the written denial in the claim file.
- Provide copies of vehicle repair estimates prepared by or on behalf of the company to insureds and claimants.
- Properly represent pertinent facts or insurance provisions relating to coverage(s) at issue.
- Adopt and implement reasonable standards for the prompt investigation of claims.
- Provide convenient access to files, documents, and records relating to the examination.
- Make all payments in accordance with the policy provisions.
- Make UM claim payments under the correct coverage.
- Advise insureds that they have six months after the last actual cash value payment to assert a claim for replacement cost with homeowner policies.
- Only state that the deductible was applied with payments where the deductible was actually applied instead of making the statement with every subsequent payment.

**Forms**

- Correct the wording of the PP 00 01 form to have item C appear as item B on page 23 under Part F: Our Right to Recover Payment.

**SUMMARY OF PREVIOUS EXAMINATION FINDINGS**

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

During the private passenger automobile and homeowner examination of United Services Automobile Association and USAA Casualty Insurance Company as of November 30, 1992, the companies violated §§ 38.2-2208, 38.2-2212, 38.2-1906, 38.2-610, 38.2-2113, 38.2-2114, 38.2-510 A 6 and 38.2-510 A 10 of the Code of Virginia, as well as 14 VAC 5-400 30 C of the Virginia Administrative Code.

During the private passenger automobile and homeowner examination of United Services Automobile Association and USAA Casualty Insurance Company as of June 30, 1998, the companies 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, 38.2-2212 of the Code of Virginia, as well as 14 VAC 5-400-70 D of the Virginia Administrative Code.

During the private passenger automobile 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 14 VAC 5-400-40 A and 14 VAC 5-400-70 D of the Virginia Administrative Code.

During the private passenger automobile and homeowner examination of United Services Automobile Association, USAA Casualty Insurance Company, USAA General Indemnity Company and Garrison Property and Casualty Insurance Company as of August 31, 2014, the companies violated §§ 38.2-317 A, 38.2-502, 38.2-511, 38.2-610 A,

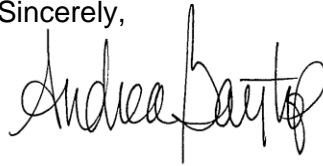


38.2-2210 A, 38.2-2210 C, 38.2-2234 A, 38.2-1318, 38.2-1905 C, 38.2-1906 D, 38.2-2113 C, 38.2-2114 B, 38.2-2114 C, 38.2-2208 A, 38.2-2208 B, 38.2-2212 E, 38.2-2214, 38.2-2220, 38.2-2223, 38.2-510 A 1, 38.2-510 A 3, 38.2-510 A 6 of the Code of Virginia, as well as, 14 VAC 5-400-30, 14 VAC 5-400-40 A and 14 VAC 5-400-70 D of the Virginia Administrative Code.

**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 that reads "Andrea Barto". The signature is written in a cursive style with a large, prominent initial "A".

Manager  
P&C Market Conduct Section

# COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE

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November 10, 2021

## VIA E-MAIL DELIVERY

Ms. Stacey Spenser  
Compliance Risk Manager Senior  
USAA Group of Insurance Companies  
One Norterra Drive  
Phoenix, AZ 85085  
[Stacey.spenser@usaa.com](mailto:Stacey.spenser@usaa.com)

RE: Market Conduct Examination  
Garrison Property & Casualty Insurance Company, NAIC #21253  
United Services Automobile Association, NAIC #25941  
USAA Casualty Insurance Company, NAIC #25968  
USAA General Indemnity Company, NAIC #18600  
Examination Period: April 1, 2019 through March 31, 2020

Dear Ms. Spenser:

The Bureau of Insurance (Bureau) has reviewed the response to the Preliminary Market Conduct Report (Report) that the above-referenced Companies submitted on September 27, 2021. The Bureau's response only addresses the Companies' rebuttals or items that have changed in the Report. This response follows the format of the Report.

## PART ONE – EXAMINERS' OBSERVATIONS

### Automobile Cancellations Mailed Prior to the 60<sup>th</sup> Day of Coverage

- (1) After further review, the violation for TPA006 has been withdrawn from the Report. The Company provided the billing screens showing the payment made on the auto policy. The Report has been renumbered to reflect this change.

### **Automobile Cancellations Mailed After the 59<sup>th</sup> Day of Coverage**

- (1) The violation for TPA011 remains in the Report. The Company indicated that the intent was to non-renew the policy. However, the Company issued a cancellation notice with an effective date of October 7, 2019, which did not coincide with the October 25, 2019 expiration date of the policy. Therefore, this was not a non-renewal, but a mid-term cancellation after the 59<sup>th</sup> day. The statute limits cancellations during this period to a few specific reasons, and the reason stated by the Company did not fall within those limitations.

### **Automobile Cancellations Requested by the Insured**

- (2) After further review, the violation for TPA062 has been withdrawn from the Report. The Company provided system screens and documentation showing the insured requested cancellation of the policy.

### **Homeowner Notice Mailed Prior to the 90<sup>th</sup> Day of Coverage**

- (3) After further review, the violation for THO001 has been withdrawn from the Report. The Company provided a billing screen showing the adjustment to the policy premium. The Report has been renumbered to reflect this change.

### **Homeowner Notice Mailed After the 89<sup>th</sup> Day of Coverage**

- (2c) The violation for THO013 remains in the Report. For cancellations after the 89<sup>th</sup> day the Bureau looks for two inspection reports to support the insurer's position that the property deteriorated. Without such documentation, insurers cannot substantiate that a physical change in the property occurred to make it become uninsurable. Please refer to the Common Problems Identified by the Property and Casualty Market Conduct and Consumer Services Sections document on the Bureau's website.

### **Homeowner Rejected Applications**

- (1) After further review, the violation for THO115 has been withdrawn from the Report. The Company provided the requested quote screens. The Report has been renumbered to reflect this change.

### **Private Passenger Automobile Claims**

- (1) The violation for CPA057 remains in the Report. The Company stated the initial estimate was incorrectly labeled as a supplement due to rescheduling the initial appraisal from May 6 to May 15, 2019. However, the May 15 estimate appears to be a supplement as it reflects a reduction of \$108.45 from the initial \$4,508.14 estimate. Therefore, an initial estimate appears to have been created by the Company for \$4,508.14, but not maintained in the claim file.

- (3) The violation for CPA045 remains in the Report. The Company provided a 45-day letter dated May 22, 2019, which requested medical bills and records to complete the investigation. The Company received a bill on October 10, 2019. The Company had not finished its investigation or paid the bill as of the Bureau's review on June 29, 2020. The regulation requires insurers to send the insured a letter every 45 days until the investigation is complete or payment has been made. The claim file only indicated one 45-day letter was sent to the insured over a span of 404 days.
- (9a) After further review, the violation for CPA078 has been withdrawn from the Report.
- (12a) The violation for CPA020 remains in the Report. The Company provided the requested documentation and the underpayment has been amended to \$279.

### **Motorcycle Claims**

- (1) After further review, the violation for CMC010 has been withdrawn from the Report. The Company provided the necessary documentation.  
  
The Company incorrectly addressed a violation for CPA057 under this item. The Bureau's response is provided in item (1) under the Private Passenger Automobile Claims section above.

### **Homeowners Claims**

- (8) After further review, the violations for CHO025, CHO031, CHO035, CHO045, CHO067, CHO075 and CHO090 have been withdrawn from the Report. The Company provided the estimate to the insured via a portal. Such violations would be avoided if the claim notes stated the estimate was provided to the property owner in the Portal or the claims system specified which documents were uploaded to the Portal for the insured's review.
- (11) The Company incorrectly addressed a violation for CPA078 under this item. The Bureau's response is provided in item (9a) under the Private Passenger Automobile Claims section above.

## **PART TWO – CORRECTIVE ACTION PLAN**

### **Termination Review**

- (4) This item has been removed as a result of violations withdrawn in Part One of the Report. The Report has been renumbered to reflect this change.
- (6) Provide a copy of the revised cancellation notice that includes the right to review language.

- (7) Provide the estimated completion date for mailing cancellation notices to the proper address.
- (8) Provide a copy of the revised non-renewal notice that includes the right to review language.
- (9) Provide a copy of the revised cancellation notice that includes the availability of insurance through the VPIA.

### **Claims Review**

- (3) The underpayment for CPA018 has been corrected to \$5.  
The Company only paid \$1.02 for CMC010 instead of \$10.60. The Company should pay the remainder of the requested restitution and update the restitution spreadsheet or justify the amount of the payment made.
- (7) This item has been removed as a result of violations withdrawn in Part One of the Report. The Report has been renumbered to reflect this change
- (8) Provide the estimated completed date to update procedures regarding misrepresentation of policy coverages and facts.
- (9) This item has been removed as a result of violations withdrawn in Part One of the Report. The Report has been renumbered to reflect this change.

We have made the changes noted above to the Report. Enclosed with this letter is a revised version of the Report, technical reports and Restitution spreadsheet and any review sheets withdrawn, added or altered as a result of this review.

Once we have received and reviewed the Companies' responses to these items, we will be in a position to make a settlement offer. We look forward to your response by November 26, 2021.

Sincerely,



Andrea Baytop, AMCM  
Manager, Market Conduct Section  
Property & Casualty Division  
Cell: (804) 592-0245  
[andrea.baytop@scc.virginia.gov](mailto:andrea.baytop@scc.virginia.gov)

ADB/pgh  
Enclosures



Andrea Baytop, AMCM  
Manager, Market Conduct Section  
Property & Casualty Division  
1300 E. Main Street  
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[andrea.baytop@scc.virginia.gov](mailto:andrea.baytop@scc.virginia.gov)

11/24/2021

Reference: Market Conduct Examination

Garrison Property & Casualty Insurance Company, NAIC #21253  
United Services Automobile Association, NAIC #25941  
USAA Casualty Insurance Company, NAIC #25968  
USAA General Indemnity Company, NAIC #18600  
Examination Period: April 1, 2019 through March 31, 2020

Dear Ms. Baytop,

We have uploaded our response and documents to the draft report letter received on November 10, 2021.

**PART TWO – CORRECTIVE ACTION PLAN** information requested:

**Termination Review**

(6) The revised cancellation notice with the 'right to review' language is labeled – **CX MIDTERM SAMPLE – OWNER OCCUPIED**

(7) The estimated completion date for mailing cancellation notices to the proper address.  
A flag is being developed, which will populate for property cancellation notices to advise the insurance professional/ underwriter to send the notice to the policy address and is scheduled to be released in December 2021.

(8) The revised non-renewal notice that includes the 'right to review' language is labeled – **NONRENEWAL SAMPLE – OWNER OCCUPIED**

(9) The revised cancellation notice that includes the availability of the insurance through the VPIA is labeled – **CX MIDTERM SAMPLE – OWNER OCCUPIED**

**Claims Review**

(3) The restitution spreadsheet has been updated to reflect the correct amount(s) paid and shown as requested.



(9) We have provided coaching to individual adjusters regarding each violation. We are making updates to specific procedures (mold coverage handling and request for depreciation), as well as creating a new letter that does not prefill 180 days extension of coverage for all property claims. These updates will be provided to all adjusters via mass communication and incorporated in all team meetings by March 2022. We also implemented a coverage explanation letter regarding our auto claims first party coverages in October 2020 to be able to fully advise our insureds of the potential coverages that can apply to their policies.

We would like to thank you and your exam team for the revisions made to the draft report and hope that these additional items will help bring your examination closer to closure.

If you have any questions, please reach out to me via telephone or email listed below.

Sincerely,

*Stacey Spenser*

Compliance Risk Manager Senior  
USAA Group of Insurance Companies  
One Norterra Drive  
Phoenix, AZ 85085  
[Stacey.spenser@usaa.com](mailto:Stacey.spenser@usaa.com)



# COMMONWEALTH OF VIRGINIA



**SCOTT A. WHITE**  
**COMMISSIONER OF INSURANCE**  
**STATE CORPORATION COMMISSION**  
**BUREAU OF INSURANCE**

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**[scc.virginia.gov](http://scc.virginia.gov)**

January 13, 2022

## VIA E-MAIL

Ms. Stacey Spenser  
Compliance Risk Manager Senior  
USAA Group of Insurance Companies  
One Norterra Drive  
Phoenix, AZ 85085  
[Stacey.spenser@usaa.com](mailto:Stacey.spenser@usaa.com)

RE: Market Conduct Examination  
Garrison Property & Casualty Insurance Company, NAIC #21253  
United Services Automobile Association, NAIC #25941  
USAA Casualty Insurance Company, NAIC #25968  
USAA General Indemnity Company, NAIC #18600  
Examination Period: April 1, 2019 through March 31, 2020

Dear Ms. Spenser:

The Bureau of Insurance (Bureau) has concluded its review of the companies' response of November 24, 2021. Based upon the Bureau's review of the companies' correspondence, we are now in a position to conclude this examination. Attached is the final Market Conduct Examination Report of Garrison Property & Casualty Insurance Company, United Services Automobile Association, USAA Casualty Insurance Company and USAA General Indemnity Company (Report).

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 38.2-510 A 1, 38.2-1318 C, 38.2-1809 B, 38.2-2113 C, 38.2-2114 A, 38.2-2114 C, 38.2-2201 D, 38.2-2208 A, 38.2-2212 D, 38.2-2212 E, 38.2-2220, and 38.2-2223 of the Code of Virginia; and 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 "Andrea Baytop". The signature is written in a cursive style with a large initial "A".

Andrea Baytop, AMCM  
Manager, Market Conduct Section  
Property & Casualty Division  
Cell: (804) 592-0245  
Office: (804) 371-9547  
[andrea.baytop@scc.virginia.gov](mailto:andrea.baytop@scc.virginia.gov)

ADB/pgh  
Attachment

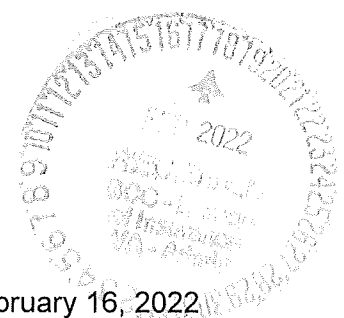
9800 Fredericksburg Road  
San Antonio, Texas 78288



Rebecca Nichols  
Deputy Commissioner  
Property and Casualty  
Bureau of Insurance

P. O. Box 1157  
Richmond, VA 23218

February 16, 2022



Reference: Market Conduct Examination Settlement Offer  
Ecase/Docket Number: INS-2022-00007

Dear Ms. Nichols,

This will acknowledge receipt of the Bureau of Insurance's letter dated February 3, 2022, 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 §§ 38.2-510 A 1, 38.2-1318 C, 38.2-1809 B, 38.2-2113 C, 38.2-2114 A, 38.2-2114 C, 38.2-2201 D, 38.2-2208 A, 38.2-2212 D, 38.2-2212 E, 38.2-2220, and 38.2-2223 of the Code of Virginia; and 14 VAC 5-400-70 D of the Virginia Administrative Code to indicate a general business practice.

1. We have enclosed with this letter a check payable to the Treasurer of Virginia in the amount of \$34,000.
2. We agree to comply with the corrective action plan set forth in the companies' letters of September 27, 2021, and November 24, 2021.
3. We confirm that restitution was made to 40 consumers for \$37,358.55 in accordance with the companies' letters of September 27, 2021, and November 24, 2021.
4. 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,

*Christopher G. Hobert*

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

*Christopher G. Hobert*

(Signed)

Christopher G. Hobert CIE, AMCM

(Type or Print Name)

Director Compliance Risk Management

(Title)

February 16, 2022

(Date)

# COMMONWEALTH OF VIRGINIA



**SCOTT A. WHITE**  
**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**  
**[scc.virginia.gov](http://scc.virginia.gov)**

Garrison Property & Casualty Insurance Company, United Services Automobile Association, USAA Casualty Insurance Company, and USAA General Indemnity Company have tendered to the Bureau of Insurance the settlement amount of \$34,000 by their check numbered 0003780013 and dated February 17, 2022, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 3, 2022

CLERK'S OFFICE  
ACCIDENT CONTROL CENTER

2022 MAR -3 A 11: 29

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2022-00007

UNITED SERVICES AUTOMOBILE ASSOCIATION,  
USAA CASUALTY INSURANCE COMPANY,  
USAA GENERAL INDEMNITY COMPANY, and  
GARRISON PROPERTY AND CASUALTY INSURANCE COMPANY  
Defendants

SETTLEMENT ORDER

Based on a market conduct inquiry conducted by the Bureau of Insurance ("Bureau"), it is alleged that United Services Automobile Association, USAA Casualty Insurance Company, USAA General Indemnity Insurance Company, and Garrison Property and Casualty Insurance Company (collectively, the "Defendants"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), in certain instances violated § 38.2-510 A 1 of the Code of Virginia ("Code") by failing to represent facts or insurance policy provisions relating to coverages at issue with such frequency as to indicate a general business practice; § 38.2-1318 C of the Code by failing to provide convenient access to files, documents, and records to Commission personnel during an examination; § 38.2-1809 B of the Code by failing to retain records relative to insurance transactions for three previous calendar years as required by statute; §§ 38.2-2208 A and 38.2-2113 C of the Code by failing to retain a valid proof of mailing of the companies' notice to the insured of the cancellation of a policy; §§ 38.2-2114 A, 38.2-2114 C, 38.2-2212 D, and 38.2-2212 E of the Code by failing to accurately terminate insurance policies; § 38.2-2201 D of the

Code by failing to obtain a valid Assignment of Benefits from the insured authorizing direct payment of medical expense benefits to the health care provider; § 38.2-2220 of the Code by failing to use the precise language of standard auto forms filed and adopted by the Commission; and § 38.2-2223 of the Code by including additional provisions or more favorable coverage in standard forms without obtaining approval from the Commission prior to use; as well as 14 VAC 5-400-70 D of the Virginia Administrative Code by failing to offer a fair and reasonable amount as shown by the investigation of the claim.

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 the right to a hearing in this matter whereupon the Defendants, without admitting or denying any violation of Virginia law, have made an offer of settlement to the Commission wherein the Defendants have agreed to comply with the corrective action plan outlined in the companies' correspondence dated September 27, 2021, and November 24, 2021; have confirmed that restitution was made to 40 consumers in the amount of Thirty Seven Thousand Three Hundred Fifty Eight Dollars and Fifty-five Cents (\$37,358.55); have tendered to the Treasurer of Virginia the sum of Thirty Four Thousand Dollars (\$34,000); and have waived the right to a hearing.

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) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

A COPY hereof shall be sent by the Clerk of the Commission by electronic mail to: Ms. Stacey Spenser, Senior Compliance Risk Manager, USAA Group of Insurance Companies, at [stacey.spenser@usaa.com](mailto:stacey.spenser@usaa.com), One Norterra Drive, Phoenix, Arizona 85085; 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.