



Illinois Department of Insurance

JB Pritzker
Governor

Ann Gillespie
Acting Director

June 6, 2024

Wayne Peacock, President
c/o Lindsay Bates
United Services Automobile Association & Affiliates
9800 Fredericksburg Road
San Antonio, TX. 78288

Re: USAA Life Insurance Company, NAIC 69663
Market Conduct Examination Report Closing Letter

Dear Wayne Peacock:

The Department has received your Company's proof of compliance. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report and Stipulation and Consent Order available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

Erica Weyhenmeyer
Chief Market Conduct Examiner
Illinois Department of Insurance
320 West Washington St., 5th Floor
Springfield, IL 62767
Phone: 217-782-1790
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**Illinois Department of Insurance
Market Conduct Examination**

of

USAA Life Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: September 1, 2021, to August 31, 2022

EXAMINATION OF: USAA Life Insurance Company (NAIC #69663)

LOCATION OF EXAMINATION: Remote
9800 Fredericksburg Road
San Antonio, Texas 78288

PERIOD COVERED BY EXAMINATION: September 1, 2021, through August 31, 2022
(Complaints were reviewed for the period March 1, 2021, through August 31, 2022)

EXAMINERS: Craig L. Leonard, CIE, CPCU, CCP, FLMI, ARC, AIAF, ARM, MCM
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I. SUMMARY

A comprehensive market conduct examination of USAA Life Insurance Company (NAIC #69663), (herein referred to as “Company”) was performed to determine compliance with Illinois Statutes and the Illinois Administrative Code.

The Life insurance lines of business under review included Individual Term, Whole and Universal Life.

The following represents general findings from issued criticisms; however, specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS						
Crit #	Statute/ Rule	Description of Violation	Findings	Reviewed	Violations	Error %
57	215 ILCS 5/143d(b)	Consumer Complaints – Life: Company failed to provide a written response within 21 days of receiving the complaint.	A.02.	15	1	6.70%
64	215 ILCS 5/234(1)	Risk Selection – Life Lapsed: Company failed to send the billing statement at least 15 days, but not more than 45 days, prior to the premium due date.	D.12.	79	3	3.80%
84	215 ILCS 5/234.1	Risk Selection – Life Nonforfeitures: Company failed to provide a notice to the policyowner which included the specific available options under the nonforfeiture provisions of the policy.	D.10.	7	6	85.70%
86	215 ILCS 5/236(e)	Underwriting and Rating – New Life Applications Declined: Company rejected an application due to the applicant’s future foreign travel plans.	C.08.	79	1	1.30%
87	215 ILCS 5/1011(A)(2)	Underwriting and Rating – New Life Applications Declined: Company failed to provide the applicant with a summary of the rights established under subsection (B) and Sections 1009 and 1010.	C.08.	79	2	2.50%
97	50 Ill. Adm. Code 919.70(a)(2)	Claims – Life Claims – Paid: Company failed to provide the claimants with a letter explaining why the claim remained unresolved within 45 days from the date it was reported.	E.12.	98	13	13.30%
99	50 Ill. Adm. Code 919.70(a)(2)	Claims – Life Claims – Paid: Company failed to provide claimants with the notice of availability of the Department of Insurance on letters regarding delays.	E.12.	98	7	7.10%
119	50 Ill. Adm. Code 917.70(c)	Risk Selection – External Life Replacements: Company failed to provide the existing insurers with the Notice Regarding Replacement within three (3) working days after receipt of the application.	D.14.	57	2	3.50%
120	50 Ill. Adm. Code 917.60(b)(1) 50 Ill. Adm. Code 917.70(b)	Risk Selection – External Life Replacements: Company failed to require producers to provide a list of existing policy numbers.	D.14.	57	1	1.75%

TABLE OF TOTAL VIOLATIONS

Crit #	Statute/ Rule	Description of Violation	Findings	Reviewed	Violations	Error %
124	215 ILCS 5/224(2)	Risk Selection – External Life Replacements: Company failed to provide the existing insurers with Policy Summary’s pursuant to 50 Ill. Adm. Code 930.40(i) within three (3) working days after the date the replacement policies were issued.	D.14.	57	57	100%
125	50 Ill. Adm. Code 917.60(b)(1)	Risk Selection – External Life Replacements: Producers failed to list the policy numbers which are to be replaced with or as part of the Notice Regarding Replacement.	D.14.	57	1	1.75%

II. BACKGROUND

The examination is of USAA Life Insurance Company (NAIC #69663), (herein referred to as “Company”). USAA Life Insurance Company (USAA Life) was incorporated on June 26, 1963, as a stock life insurance company and commenced business on August 21, 1963. USAA Life writes life, annuities, and health insurance products and is a wholly owned subsidiary of USAA. USAA Life is authorized to sell products in all states including the District of Columbia, except New York.

As of December 31, 2021, the Company’s written premiums in Illinois for the lines of business subject to the scope of this examination were as follows:

USAA Life Insurance Company					
Direct Premiums and Annuity Considerations	Ordinary	Credit Life (Group and Individual)	Group	Industrial	Total
Life Insurance	20,620,933	0	0	0	20,620,933
Annuity considerations	77,570,945	0	0	0	77,570,945
Deposit-type contract funds	1,424,331	0	0	0	1,424,331
Other considerations	0	0	0	0	0
Totals	99,616,209	0	0	0	99,616,209

III. METHODOLOGY

The market conduct examination places emphasis on an insurer's systems, procedures and guidelines used in dealing with insureds and claimants. Other than for the reviews of Complaints, the examination period was September 1, 2021, through August 31, 2022. The following categories were the areas examined:

- A. Complaint Handling
- B. Marketing and Sales
- C. Underwriting and Rating
- D. Risk Selection
- E. Claims

The review of these categories was accomplished through examination of individual policy and claim files, the Company's procedures, written interrogatories, and interviews with the Company's personnel. Each category was examined for compliance with Illinois Department of Insurance ("DOI") rules and regulations, and applicable state laws.

Criticisms were provided to the Company addressing violations discovered in the review processes. All valid criticisms were incorporated into this report.

The following methods were used to obtain the required samples and to assure a statistically accurate and methodical selection. The samples were developed from data provided by the Company. The sample size was based on the most recent NAIC *Market Regulation Handbook*. Random samples were generated using Audit Command Language ("ACL") software and the selected samples were provided to the Company for retrieval.

A. Complaint Handling

DOI Complaints and Consumer Complaints for the period March 1, 2021, through August 31, 2022, were reviewed for compliance with applicable state laws and the Company's own guidelines.

DOI Complaints – The population request for this category consisted of complaints received from the DOI during the examination period. The Company's complaint registry was reconciled with the individual file information and the DOI records to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with applicable state laws and the Company's own guidelines.

Consumer Complaints – The population request for this category consisted of complaints received directly from consumers during the examination period. The Company's complaint registry was reconciled with the individual file information to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with applicable state laws and the Company's own guidelines.

B. Marketing and Sales

Marketing and sales materials were reviewed to evaluate the representations made by the Company about their products or services and for compliance with applicable state laws and the Company's own guidelines.

The examiners requested the Company's advertising and marketing manual; procedures for the approval of any advertising developed; a listing of all advertising and marketing materials used by the Company during the examination period; and producer training materials.

The Company reported they do not have brokers or agents.

The reviews included judgmental sampling from the listing of all advertising and marketing materials provided by the Company.

C. Underwriting and Rating

The underwriting and rating samples consisted of new and denied business for the life insurance line of business.

The life insurance new business sample was randomly selected based on the issuance date occurring during the examination period. Policies were reviewed for compliance with applicable state laws and the Company's own guidelines.

The life insurance applications declined sample was randomly selected based on the declination date occurring during the examination period. Policies were reviewed for compliance with applicable state laws and the Company's own guidelines.

D. Risk Selection

For the Life insurance line of business, Nonforfeitures, Lapses, Replacements, and Cash Surrenders were reviewed for compliance with applicable state laws and the Company's own guidelines. Random samples were selected based on transactions occurring during the examination period.

During the examination, the Company notified the examiners the population of rescinded life policies was incorrectly reported and that there were no rescinded policies during the examination period.

E. Claims

Claims samples were selected based on settlement occurring within the examination period. Claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1, et seq.) and the Illinois Administrative Code (50 Ill. Adm. Code 101 et seq.).

For life insurance, separate samples were selected for paid and denied claims.

The Company reported they did not have any denied life claims for the examination period.

SELECTION OF SAMPLES		
A. Complaint Handling	<u>Sample Size</u>	<u>% Reviewed</u>
1. Department of Insurance Complaints	1	100.00%
2. Consumer Complaints	15	100.00%
B. Marketing and Sales	<u>Sample Size</u>	<u>% Reviewed</u>
1. Company-generated Advertising	113	13.90%
2. Producer Training Materials	124	100.00%
3. Producer Communications	76	100.00%
C. Underwriting and Rating	<u>Sample Size</u>	<u>% Reviewed</u>
1. New Life Issued	113	12.60%
2. New Life Apps Declined	79	44.90%
D. Risk Selection	<u>Sample Size</u>	<u>% Reviewed</u>
1. Life Nonforfeitures	7	100.00%
2. Life Rescinded	0	0.00%
3. Life Lapsed	79	42.00%
4. Life Internal Replacements	79	76.70%
5. Life External Replacements	57	100.00%
6. Life Cash Surrenders	79	69.30%
E. Claims	<u>Sample Size</u>	<u>% Reviewed</u>
1. Life – Paid	98	100.00%

IV. FINDINGS

A. Complaint Handling

1. Consumer Complaints

- In one (1) Life file, (6.7% of the 15 Life files examined), the Company failed to provide a written response within 21 days of receiving the complaint, thereby in violation of 215 ILCS 5/143d(b). (Crit # 057).

B. Marketing and Sales

1. Company-generated Advertising

- No violations were noted.

2. Producer Training Materials

- No violations were noted.

3. Producer Communications

- No violations were noted.

C. Underwriting and Rating

1. New Life Apps Declined

- In one (1) file (1.3% of the 79 files examined), the Company rejected an application due to the applicant's future foreign travel plans, thereby in violation of 215 ILCS 5/236(e). (Crit #086).
- In two (2) files (2.5% of the 79 files examined), the Company failed to provide the applicant with a summary of the rights established under subsection (B) and Sections 1009 and 1010, thereby in violation of 215 ILCS 5/1011(A)(2). (Crit #087).

D. Risk Selection

1. Life Nonforfeitures

- In six (6) files (85.7% of the seven (7) files examined), the Company failed to provide a notice to the policyowner which included the specific available options under the nonforfeiture provisions of the policy, thereby in violation of 215 ILCS 5/234.1. (Crit #084).

2. Life Rescinded

- No violations were noted.

3. Life Lapsed

- In three (3) files (3.8% of the 79 files examined), the Company failed to send the billing statement at least 15 days, but not more than 45 days, prior to the premium due date, thereby in violation of 215 ILCS 5/234(1). (Crit #064).

4. Life External Replacements

- In two (2) files (3.5% of the 57 files examined), the Company failed to provide the existing insurers with the Notice Regarding Replacement within three (3) working days after receipt of the application, thereby in violation of 50 Ill. Adm. Code 917.70(c). (Crit #119).
- In one (1) files (1.75% of the 57 files examined), the Company failed to require producers to provide a list of existing policy numbers as required by 50 Ill. Adm. Code 917.60(b)(1), thereby in violation of 50 Ill. Adm. Code 917.70(b). (Crit #120).
- In 57 files (100.0% of the 57 files examined), the Company failed to provide the existing insurers with Policy Summary's pursuant to 50 Ill. Adm. Code 930.40(i) within three (3) working days after the date the replacement policies were issued, thereby in violation of 215 ILCS 5/224(2). (Crit #124).
- In one (1) files (1.75% of the 57 files examined), the producers failed to list the policy numbers which are to be replaced with or as part of the Notice Regarding Replacement, thereby in violation of 50 Ill. Adm. Code 917.60(b)(1). (Crit #125).

E. Claims

1. Life Claims Paid

- In 13 files (13.3% of the 98 files examined), the Company failed to provide the claimants with a letter explaining why the claim remained unresolved within 45 days from the date it was reported, thereby in violation of 50 Ill. Adm. Code 919.70(a)(2). (Crit #097).
- In seven (7) files (7.1% of the 98 files examined), the Company failed to provide claimants with the notice of availability of the Department of Insurance on letters regarding delays, thereby in violation of 50 Ill. Adm. Code 919.70(a)(2). (Crit #099).

V. ACKNOWLEDGEMENT

A comprehensive market conduct examination has been conducted of USAA Life Insurance Company (NAIC #69663). The examination was conducted in accordance with the Illinois Department of Insurance guidelines and relevant National Association of Commissioners' (NAIC) Market regulation Handbook procedures.

The examination included reviews of Operations and Management, Marketing and Sales, Complaint Handling, Underwriting and Rating, Policyholder Services (Risk Selection), and Claims Handling.

A detailed review was performed on Individual Life Insurance.

The Examiners wish to express appreciation for the courteous cooperation and assistance given by the officers and employees of the Company during the examination.

Sincerely,

Craig L. Leonard, CIE, CPCU, CCP, FLMI, ARC, AIAF, ARM, MCM
Examiner-in-Charge
Examination Resources, LLC

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

USAA LIFE INSURANCE COMPANY
9800 FREDERICKSBURG ROAD
SAN ANTONIO, TX. 78288

STIPULATION AND CONSENT ORDER

WHEREAS, the Director of the Illinois Department of Insurance (“Department”) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, USAA Life Insurance Company, (“the Company”), NAIC 69663, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report covering the examination period of March 1, 2021, through August 31, 2022, which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407, and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall provide a notice to the policyowner which included the specific available options under the nonforfeiture provisions of the policy. 215 ILCS 5/234.1
2. Institute and maintain policies and procedures whereby the Company shall provide the claimants with a letter explaining why the claim remained unresolved within 45 days from the date it was reported. 50 Ill. Adm. Code 919.70(a)(2)
3. Institute and maintain policies and procedures whereby the Company shall provide claimants with the notice of availability of the Department of Insurance on letters regarding delays. 50 Ill. Adm. Code 919.70(a)(2)
4. Institute and maintain policies and procedures whereby the Company shall provide the existing insurers with Policy Summary's within three (3) working days after the date the replacement policies were issued. 215 ILCS 5/224(2)
5. Institute and maintain policies and procedures whereby the Company shall list the policy numbers which are to be replaced with or as part of the Notice Regarding Replacement. 50 Ill. Adm. Code 917.60(b)(1)
6. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above five (5) orders within thirty (30) days of execution of this Order.
7. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$38,475.⁰⁰ to be paid within ten (10) days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code including, but not limited to, levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of USAA LIFE INSURANCE COMPANY

BCA

Signature

Brandon Carter

Name

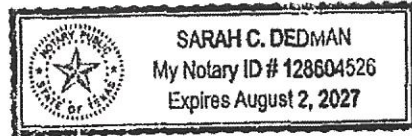
President, Life Company

Title

Subscribed and sworn to before me this
1st day of May 2024.

Sarah C. Dedman

Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE 5/2/2024

Ann Gillespie

Ann Gillespie
Acting Director

