



# Illinois Department of Insurance

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JB Pritzker  
Governor

Ann Gillespie  
Acting Director

July 1, 2024

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

Re: USAA Casualty Insurance Company, NAIC 25968  
USAA General Indemnity Company, NAIC 18600  
Garrison Property and Casualty Insurance Company, NAIC 21253  
United Services Automobile Association, NAIC 25941  
*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  
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**Illinois Department of Insurance  
Market Conduct Examination**

of

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

## MARKET CONDUCT EXAMINATION REPORT

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

EXAMINATION OF: USAA Casualty Insurance Company (NAIC #25968)  
USAA General Indemnity Company (NAIC #18600)  
Garrison Property and Casualty Insurance Company (NAIC #21253)  
United Services Automobile Association (NAIC #25941); and

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: MCM  
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## I. SUMMARY

A comprehensive market conduct examination of USAA Casualty Insurance Company (NAIC #25968), USAA General Indemnity Company (NAIC #18600), Garrison Property and Casualty Insurance Company (NAIC #21253), and United Services Automobile Association (NAIC #25941), (herein referred to as “Companies”) was performed to determine compliance with Illinois Statutes and the Illinois Administrative Code.

The property and casualty (“P&C”) lines of business under review included Private Passenger Automobile (“PPA”), Motorcycle (“MC”), Homeowners (“HO”), Dwelling Fire (“DF”), and Mobile Home (“MH”).

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 %
2	215 ILCS 5/143.15	Risk Selection – Private Passenger Automobile and Motorcycle – Canceled Less Than or Equal to 60 Days: Companies failed to provide 10 days’ notice to the insured of cancellation due to nonpayment of premium.	D.01.	113	1	0.90%
4	50 Ill. Adm. Code 919.80(b)(2)	Claims – Private Passenger Automobile and Motorcycle – First-Party Paid: Companies failed to send a written explanation for the delay to the insured when the claim exceeded 40 days.	E.01.	109	2	1.80%
5	50 Ill. Adm. Code 919.80(c)	Claims – Private Passenger Automobile and Motorcycle – First-Party Paid: Companies failed to provide the insured with the information contained in Exhibit A when the insured vehicle was deemed a total loss.	E.01.	109	21	19.30%
6	215 ILCS 5/154.6(b)	Claims – Private Passenger Automobile and Motorcycle – First-Party Paid: Companies failed to respond to pertinent communications regarding the claim.	E.01.	109	2	1.80%
7	50 Ill. Adm. Code 919.80(b)(2)	Claims – Private Passenger Automobile and Motorcycle – First-Party Paid: Companies failed to send a timely written explanation for the delay to the insured when the claim exceeded 40 days.	E.01.	109	2	1.80%
11	50 Ill. Adm. Code 919.80(c)	Claims – Private Passenger Automobile – Litigated: Companies failed to provide the insured with the information contained in Exhibit A when the insured vehicle was deemed a total loss.	E.07.	82	10	12.20%

**TABLE OF TOTAL VIOLATIONS**

Crit #	Statute/ Rule	Description of Violation	Findings	Reviewed	Violations	Error %
15	50 Ill. Adm. Code 919.30(c)	Claims – Private Passenger Automobile and Motorcycle – First-Party Paid: Companies failed to provide detailed documentation in order to permit reconstruction of the activities relative to the claim.	E.01.	109	3	2.75%
17	215 ILCS 5/154.6(c)	Claims – Private Passenger Automobile and Motorcycle – First-Party Paid: Companies initiated the investigation of the claim and determined the insured to be at fault. The Companies did not request the police report or make any attempt to obtain the third-party claimant’s information in order to address the exposure to the insured, and thereby failed to promptly investigate the claim.	E.01.	109	1	0.90%
28	50 Ill. Adm. Code 919.50(a)(1)	Claims – Private Passenger Automobile and Motorcycle – First-Party Closed Without Payment: Companies did not include the Notice of Availability of the Department of Insurance with the written explanation for the denial of the claim.	E.02.	108	1	0.90%
30	50 Ill. Adm. Code 919.50(a)(1)	Claims – Private Passenger Automobile and Motorcycle – First-Party Closed Without Payment: Companies did not provide a written explanation for the denial of the claim.	E.02.	108	4	3.70 %
31	50 Ill. Adm. Code 919.80(c)	Claims – Private Passenger Automobile and Motorcycle – First-Party Closed Without Payment: Companies failed to provide the insured with the information contained in Exhibit A when the insured vehicle was deemed a total loss.	E.02.	108	2	1.90%
32	215 ILCS 5/154.6(b)	Claims – Private Passenger Automobile and Motorcycle – First-Party Closed Without Payment: Companies failed to respond to pertinent communications regarding the claim.	E.02.	108	3	2.80%
33	50 Ill. Adm. Code 919.80(b)(2)	Claims – Private Passenger Automobile and Motorcycle – First-Party Closed Without Payment: Companies failed to send a timely written explanation for the delay to the insured when the claim remained unresolved for more than 40 days.	E.02.	108	1	0.90%

**TABLE OF TOTAL VIOLATIONS**

Crit #	Statute/ Rule	Description of Violation	Findings	Reviewed	Violations	Error %
34	50 Ill. Adm. Code 919.30(c)	Claims – Private Passenger Automobile and Motorcycle – First-Party Closed Without Payment: Companies failed to provide detailed documentation in order to permit reconstruction of the activities relative to the claim.	E.02.	108	50	46.30%
35	215 ILCS 5/143.13(f)	Risk Selection – Homeowners – Canceled Greater Than 60 Days: Companies failed to maintain documentation of the insured’s request to cancel the policy.	D.05.	116	1	0.90%
43	215 ILCS 5/143.14(a)	Risk Selection – Private Passenger Automobile and Motorcycle – Canceled Less Than or Equal to 60 Days: Companies failed to maintain documentation of the insured’s request to cancel the policy.	D.01.	113	1	0.90%
49	215 ILCS 5/154.6(b) 215 ILCS 5/154.6(c)	Claims – Private Passenger Automobile and Motorcycle – First-Party Closed Without Payment: Companies failed to send an acknowledgement when the claim was reported, and the Companies also delayed investigation of the claim.	E.02.	108	1	0.90%
53	50 Ill. Adm. Code 919.80(b)(2)	Claims – Private Passenger Automobile – Total Loss: Companies failed to send a written explanation for the delay to the insured when the claim exceeded 40 days.	E.03.	108	2	1.90%
54	50 Ill. Adm. Code 919.80(c)	Claims – Private Passenger Automobile – Total Loss: Companies failed to provide the insured with the information contained in Exhibit A when the insured vehicle was deemed a total loss.	E.03.	108	96	88.90%
56	50 Ill. Adm. Code 919.80(b)(2)	Claims – Private Passenger Automobile – Total Loss: Companies failed to send a timely written explanation for the delay to the insured when the claim exceeded 40 days.	E.03.	108	5	4.60%
58	215 ILCS 5/143d(b)	Consumer Complaints – P&C: Companies failed to provide a written response within 21 days of receiving the complaint.	A.02.	84	8	9.50%
59	215 ILCS 5/143d(b)	Consumer Complaints – P&C: Companies failed to provide a written response to the complaint.	A.02.	84	5	6.00%

**TABLE OF TOTAL VIOLATIONS**

Crit #	Statute/ Rule	Description of Violation	Findings	Reviewed	Violations	Error %
65	215 ILCS 5/143b	Claims – Private Passenger Automobile – Subrogated: Companies failed to refund the deductible to the insured as soon as the subrogation amount was received.	E.06.	108	2	1.85%
67	215 ILCS 5/154.6(n)	Claims – Private Passenger Automobile – Third-Party Closed Without Payment: Companies failed to send a liability denial or compromise offer letter to the claimant in follow up to the verbal offer.	E.05.	105	1	1.00%
68	215 ILCS 5/154.6(i)	Claims – Private Passenger Automobile – Third-Party Closed Without Payment: Companies failed to send a coverage denial letter to either the insured or claimant.	E.05.	105	2	1.90%
69	50 Ill. Adm. Code 919.80(b)(3)	Claims – Private Passenger Automobile – Third-Party Closed Without Payment: Companies failed to send a written explanation when the liability claim remained unresolved in excess of 60 calendar days.	E.05.	105	1	1.00%
70	215 ILCS 5/154.6(c)	Claims – Private Passenger Automobile – Third-Party Closed Without Payment: Companies accepted 100% liability but did not attempt to locate the claimant information either from their insured or by requesting a police report when available.	E.05.	105	3	2.90%
71	50 Ill. Adm. Code 919.50(a)(2)	Claims – Private Passenger Automobile – Third-Party Closed Without Payment: Companies failed to send a liability denial letter to the claimant.	E.05.	105	6	5.71%
72	50 Ill. Adm. Code 919.80(c)	Claims – Private Passenger Automobile – Third-Party Closed Without Payment: Companies failed to provide the insured with the information contained in Exhibit A when the insured vehicle was deemed a total loss.	E.05.	105	3	2.90%
73	50 Ill. Adm. Code 919.90(c)	Claims – Private Passenger Automobile – Third-Party Closed Without Payment: Companies accepted 85% liability and as the claimant disagreed, failed to instruct the claimant on how to present a claim, but recommended he go through his own policy.	E.05.	105	1	1.00%



TABLE OF TOTAL VIOLATIONS						
Crit #	Statute/ Rule	Description of Violation	Findings	Reviewed	Violations	Error %
74	215 ILCS 5/154.6(c)	Claims – Private Passenger Automobile – Third-Party Closed Without Payment: Companies failed to send status or closing letters to the claimant informing them of the time limits for presenting a claim.	E.05.	105	10	9.52%
75	50 Ill. Adm. Code 919.50(a)	Claims – Private Passenger Automobile – Third-Party Closed Without Payment: Companies failed to affirm liability with the claimant and offer payment when the claim was not in dispute.	E.05.	105	5	4.80%
76	215 ILCS 5/154.6(c)	Claims – Private Passenger Automobile – Third-Party Closed Without Payment: Companies failed to send a Reservation of Rights letter to the insured when there was a coverage issue.	E.05.	105	1	1.00%
77	50 Ill. Adm. Code 919.50(a)	Claims – Private Passenger Automobile – Third-Party Paid: Companies failed to offer payment within 30 days after affirmation of liability and the amount of the claim was determined.	E.04.	109	3	2.75%
78	50 Ill. Adm. Code 919.80(b)(3)	Claims – Private Passenger Automobile – Third-Party Paid: Companies failed to send a written explanation for the delay to the third-party claimant when the claim exceeded 60 days.	E.04.	109	9	8.30%
79	215 ILCS 5/154.6(c)	Claims – Private Passenger Automobile – Third-Party Paid: Companies did not request the police report or attempt to contact the third-party claimant to determine the exposure to the insured and thereby failed to promptly investigate the claim.	E.04.	109	6	5.50%
80	50 Ill. Adm. Code 919.80(b)(3)	Claims – Private Passenger Automobile – Third-Party Paid: Companies failed to send a timely written explanation for the delay to the third-party claimant when the claim exceeded 60 days.	E.04.	109	1	0.90%
81	215 ILCS 5/154.6(c)	Claims – Private Passenger Automobile – Third-Party Paid: Companies failed to respond to pertinent communications and implement reasonable standards for the prompt investigation of claims.	E.04.	109	4	3.70%
82	50 Ill. Adm. Code 919.30(c)	Claims – Private Passenger Automobile – Third-Party Paid: Companies failed to provide detailed documentation regarding the total loss settlement.	E.04.	109	9	8.30%

**TABLE OF TOTAL VIOLATIONS**

Crit #	Statute/ Rule	Description of Violation	Findings	Reviewed	Violations	Error %
83	215 ILCS 5/154.6(d) 50 Ill. Adm. Code 919.80(c)(3)(A)(i)	Claims – Private Passenger Automobile – Third-Party Paid: Companies did not issue the appropriate payment and failed to pay the required amounts of sales taxes, transfer and/or title fees to the insured at the time of the total loss settlement resulting in underpayments of \$447.57	E.04.	109	22	20.20%
88	50 Ill. Adm. Code 754.10 (b)(1)	Underwriting and Rating – Homeowners – New Business: Companies failed to file a rating rule that specifies a married individual who is separated, is therefore considered to be single with regard to determining the appropriate status for the application of the Homeowners’ Marital Status Factor necessary to rate policies.	C.05.	116	N/A	N/A
89	50 Ill. Adm. Code 919.30(c)	Claims – Private Passenger Automobile – Third-Party Paid: Companies failed to provide detailed documentation regarding the total loss settlement.	E.04.	109	5	4.60%
92	50 Ill. Adm. Code 919.30(c)	Claims – Homeowners – Closed Without Payment: Companies failed to provide detailed documentation in order to permit reconstruction of the activities relative to the claim.	E.09.	108	29	26.90%
93	50 Ill. Adm. Code 919.50(a)(1)	Claims – Homeowners – Closed Without Payment: Companies did not provide a written explanation for the denial of the claim.	E.09.	108	9	8.33%
96	215 ILCS 5/143c	Underwriting and Rating – Private Passenger Automobile and Motorcycle – Renewals: Renewal packets with effective dates on or after December 3, 2021, contained revised policies, endorsements, and other notices. The revisions did not include written notice of the Companies’ complaint department address or the address of the Public Service Division of the Department of Insurance.	C.02.	184	134	72.80%

**TABLE OF TOTAL VIOLATIONS**

Crit #	Statute/ Rule	Description of Violation	Findings	Reviewed	Violations	Error %
102	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile – New Business: Companies’ filed rule stated, “... We will include the new vehicles and their assigned symbols in periodic (emphasis added) updates to the filed symbol assignment pages.” As no symbol filing has been made since February 21, 2021, the rule is either ambiguous or the Companies failed to adhere to the filed rule and violated Illinois Personal Auto Manual, Rule 3, B, 2.	C.01.	116	N/A	N/A
103	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile – New Business: Companies failed to file updates to their private passenger automobile symbols. The most recent PPA Symbol Filing was submitted to the Department on February 21, 2021, to become effective on May 17, 2021. The filing did not include all makes and models for model years 2021 and 2022 and no known makes and models for model year 2023. The Companies failed to maintain information necessary to rate PPA policies.	C.01.	116	N/A	N/A
104	50 Ill. Adm. Code 932.40 215 ILCS 5/143.28	Underwriting and Rating – Private Passenger Automobile – New Business: Companies failed to apply the appropriate anti-theft discount.	C.01.	116	1	0.90%
106	50 Ill. Adm. Code 919.30(c)	Claims – Homeowners – Paid: Companies failed to provide detailed documentation in order to permit reconstruction of the activities relative to the claim.	E.08.	109	5	4.60%
107	50 Ill. Adm. Code 919.50(a)(1)	Claims – Homeowners – Paid: Companies did not provide a written explanation for the partial denial of the claim.	E.08.	109	7	6.40%
108	215 ILCS 5/154.6(c)	Claims – Homeowners – Paid: Companies failed to properly apply a prior payment or policy limitation resulting in an overpayment of \$27,113.73.	E.08.	109	2	1.83%
109	215 ILCS 5/154.6(d)	Claims – Private Passenger Automobile – Third-Party Paid: Companies failed to issue the appropriate payment owed to the claimant at the time of the total loss settlement resulting in underpayments of \$1,227.58.	E.04.	109	3	2.80%

**TABLE OF TOTAL VIOLATIONS**

Crit #	Statute/ Rule	Description of Violation	Findings	Reviewed	Violations	Error %
110	50 Ill. Adm. Code 919.50(a)	Claims – Dwelling Fire – Paid: Companies failed to tender payment within 30 days after affirmation of liability and the amount of the claim was determined.	E.10.	82	1	1.20%
112	215 ILCS 5/143.21	Risk Selection – Dwelling Fire – Canceled Greater Than 60 Days: Companies provided an inaccurate reason for canceling the policy.	D.08.	114	1	0.90%
117	50 Ill. Adm. Code 919.30(c)	Claims – Dwelling Fire – Paid: Companies failed to provide detailed documentation in order to permit reconstruction of the activities relative to the claim.	E.10.	82	3	3.70%
129	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile – New Business: Companies filed rule for rating excess vehicle(s) where all operators are age 50 or older requires rating utilizing specific excess vehicle age/gender/marital status (AGMS) factors and the mileage factors for age 40. The Companies actual procedure for rating excess vehicle(s) where all operators are age 50 or older is to use the AGMS and mileage factors of the operator with the lowest AGMS if the BI AGMS factor is less than one (1). The Companies’ procedure conflicts with the Companies’ filed rule.	C.01.	116	N/A	N/A
131	50 Ill. Adm. Code 919.50(a)	Claims – Dwelling Fire – Paid: Companies failed to tender payment within 30 days after affirmation of liability and the amount of the claim was determined.	E.10.	82	1	1.20%
133	215 ILCS 5/143c	Underwriting and Rating – Private Passenger Automobile – New Business: Policy issuance packets with effective dates on or after December 3, 2021, did not include written notice of the Companies’ complaint department address or the address of the Public Service Division of the Department of Insurance.	C.01.	116	92	79.30%
134	50 Ill. Adm. Code 919.30(c)	Claims – Dwelling Fire – Paid: Companies failed to provide detailed documentation in order to permit reconstruction of the activities relative to the claim.	E.10.	82	1	1.20%
136	215 ILCS 5/143.17(a)	Risk Selection – Dwelling Fire – Nonrenewed: Companies failed to send a nonrenewal notice to the insured.	D.09.	39	1	2.60%

**TABLE OF TOTAL VIOLATIONS**

Crit #	Statute/ Rule	Description of Violation	Findings	Reviewed	Violations	Error %
140	215 ILCS 5/143.17(e)	Risk Selection – Dwelling Fire – Nonrenewed: Companies’ nonrenewal notice stated, “We can’t offer to renew the policy...because of our eligibility and acceptability rules”, which was not a specific explanation of the reason(s) for nonrenewal.	D.09.	39	11	28.20%
141	215 ILCS 5/143.17(a)	Risk Selection – Dwelling Fire – Nonrenewed: The nonrenewal notice listed the incorrect insured property address.	D.09.	39	1	2.60%
142	215 ILCS 5/143.17(e)	Risk Selection – Homeowners – Nonrenewed: Companies’ enclosure included with the Nonrenewal Notice stated, “This action was taken because of our eligibility and acceptability rules”, which was not a specific explanation of the reason(s) for nonrenewal.	D.09.	79	50	63.30%
144	50 Ill. Adm. Code 754.10(b) 50 Ill. Adm. Code 754.10(f)	Underwriting and Rating – Private Passenger Automobile – New Business: Companies failed to use the rates in force on the effective date of the policies which was inconsistent with the effective dates specified in the filings, resulting in premium differences of \$47.88 (\$37.57 overcharge and \$10.31 undercharge).	C.01.	116	2	1.70%
145	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile and Motorcycle – Renewals: Companies failed to file updates to their private passenger automobile symbols. The most recent PPA Symbol Filing was submitted to the Department on February 21, 2021, to become effective on May 17, 2021. The filing did not include all makes and models for model years 2021 and 2022 and no known makes and models for model year 2023. The Companies failed to maintain information necessary to rate PPA policies.	C.02.	184	N/A	N/A
146	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile – New Business: Companies failed to use accurate information to properly tier the policies resulting in incorrect premiums.	C.01.	116	6	5.20%

**TABLE OF TOTAL VIOLATIONS**

Crit #	Statute/ Rule	Description of Violation	Findings	Reviewed	Violations	Error %
147	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile – New Business: Companies failed to consistently apply a vague and ambiguous rule resulting in unfair discrimination, as generally defined in the business of insurance. The Companies failed to file and adhere to rules with sufficient specificity to definitively determine the proper premium.	C.01.	116	12	10.30%
148	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile – New Business: Companies rounded the product of the physical damage model year factors times the symbol factors to the nearest 100th, contrary to the Premium Determination and Exact Premium rule.	C.01.	116	100	86.20%
151	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile – New Business: Companies applied an Early Quote Discount to policies that were ineligible for the discount due to not being the first policy issued to the named insured.	C.01.	116	12	10.30%
152	50 Ill. Adm. Code 754.10(b)	Underwriting and Rating – Private Passenger Automobile – New Business: Companies failed to apply the proper Early Quote Discount in accordance with their filed rule and rating plan.	C.01.	116	2	1.70%
154	50 Ill. Adm. Code 754.10(b)(1) 50 Ill. Adm. Code 754.10(f)	Underwriting and Rating – Homeowners – New Business: Companies utilized rates other than those contained in SERFF Tracking# USAA-133013499 that became effective January 17, 2022, for new business.	C.05.	116	1	0.90%
155	50 Ill. Adm. Code 754.10(b)(1)	Underwriting and Rating – Homeowners – New Business: Companies failed to comply with filed rates since they had failed to file a rating factor or rule(s) on identifying the specific information to use when dwellings have more than one foundation type.	C.05.	116	5	4.30%
156	50 Ill. Adm. Code 754.10(b)(1)	Underwriting and Rating – Homeowners – New Business: Companies failed to file a rating rule that specified if a divorced or widowed individual should be considered single or married with regards to determining the appropriate status for the application of the Homeowners’ Marital Status Factor necessary to rate policies.	C.05.	116	N/A	N/A

**TABLE OF TOTAL VIOLATIONS**

Crit #	Statute/ Rule	Description of Violation	Findings	Reviewed	Violations	Error %
157	50 Ill. Adm. Code 754.10(b)(1)	Underwriting and Rating – Homeowners – New Business: Companies failed to comply with filed rates as policyholders whose marital status reflected separated were rated single.	C.05.	116	2	1.70%

## II. BACKGROUND

The examination is of USAA Casualty Insurance Company (NAIC #25968), USAA General Indemnity Company (NAIC #18600), Garrison Property and Casualty Insurance Company (NAIC #21253), and United Services Automobile Association (NAIC #25941), (herein referred to as “Companies”).

Information about each of the listed companies can be found below.

- USAA Casualty Insurance Company (NAIC 25968)  
USAA Casualty Insurance Company (USAA CIC) was incorporated on September 6, 1968, under the laws of Texas and began business on December 1, 1969. USAA CIC operated under the name United States Casualty Insurance Company until December 2, 1970, when the present name was adopted. Effective December 31, 1990, USAA CIC merged with the newly formed USAA Casualty Insurance Company of Florida and re-domesticated from San Antonio, Texas to Tampa, Florida. Subsequently, on January 31, 2000, USAA CIC re-domesticated from Tampa, Florida to San Antonio, Texas. USAA CIC is a wholly owned subsidiary of United Services Automobile Association (USAA). USAA CIC is licensed in all states, the District of Columbia, and the U.S. Virgin Islands.
- USAA General Indemnity Company (NAIC 18600)  
USAA General Indemnity Company (USAA GIC) was incorporated on June 23, 1972, under the laws of Texas and began business on August 2, 1972. USAA GIC is a wholly owned subsidiary of USAA. USAA GIC is licensed in all states, the District of Columbia, the U.S. Virgin Islands and Puerto Rico.
- Garrison Property and Casualty Insurance Company (NAIC 21253)  
Garrison Property and Casualty Insurance Company (Garrison) was originally chartered in Missouri on December 1, 1900, as Brewers’ Exchange, a reciprocal inter-insurance exchange, and was renamed Reciprocal Exchange in 1905. USAA acquired control of Reciprocal Exchange on December 31, 1997. Garrison re-domesticated to Texas and the name was changed to Garrison Property and Casualty Insurance Association on December 21, 1998. On November 1, 2003, Garrison Property and Casualty Insurance Association was converted to a stock insurance company and the name was changed to Garrison Property and Casualty Insurance Company. Garrison is a wholly owned subsidiary of USAA. Garrison is currently licensed in all states and the District of Columbia.
- United Services Automobile Association (NAIC 25941)  
United Services Automobile Association (USAA) was organized and began business on June 20, 1922, as United States Army Automobile Insurance Association. The present name was adopted in 1924. USAA is a Texas domestic reciprocal inter-insurance exchange. USAA is licensed in all states, District of Columbia, the U.S. Virgin Islands, Guam, and Puerto Rico.

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



USAA Casualty Insurance Company						
Line of Business	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Unearned Premium (\$)	Direct Losses Paid (\$)	Direct Losses Incurred (\$)	Direct Losses Unpaid (\$)
Fire	1,376,428	1,381,551	753,606	46,672	35,166	97,562
Homeowners Multiple Peril	45,049,005	43,658,252	23,767,181	31,811,036	33,092,233	9,377,177
Private Passenger Automobile Liability	36,432,526	36,595,276	8,737,337	20,555,034	23,804,897	28,136,385
Private Passenger Automobile Physical Damage	34,085,902	33,934,999	8,239,146	21,762,980	21,230,481	(316,593)
<b>Totals</b>	116,943,861	115,570,078	41,497,270	74,175,722	78,162,777	37,294,531

USAA General Indemnity Company						
Line of Business	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Unearned Premium (\$)	Direct Losses Paid (\$)	Direct Losses Incurred (\$)	Direct Losses Unpaid (\$)
Fire	885,355	874,068	484,755	0	100,870	136,834
Homeowners Multiple Peril	29,499,630	28,257,456	15,899,659	18,351,536	20,413,934	7,133,912
Private Passenger Automobile Liability	25,214,900	25,429,909	6,235,592	18,012,185	18,667,840	17,711,740
Private Passenger Automobile Physical Damage	24,857,501	24,906,598	6,134,147	19,643,297	19,522,036	67,513
<b>Totals</b>	80,457,386	79,468,031	28,754,153	56,007,018	58,704,680	25,049,999

Garrison Property and Casualty Insurance Company						
Line of Business	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Unearned Premium (\$)	Direct Losses Paid (\$)	Direct Losses Incurred (\$)	Direct Losses Unpaid (\$)
Fire	404,294	400,432	221,073	32,354	92,454	87,193
Homeowners	12,487,408	11,678,898	6,717,018	7,332,725	7,555,996	1,877,774
Private Passenger Automobile Liability	11,226,172	11,119,994	2,797,053	7,621,533	9,003,573	8,820,450
Private Passenger Automobile Physical Damage	12,554,882	12,406,547	3,099,721	8,386,357	8,424,085	71,755
<b>Totals</b>	36,672,756	35,605,871	12,834,865	23,372,969	25,076,108	10,857,172

United Services Automobile Association						
Line of Business	Direct Premiums Written (\$)	Direct Premiums Earned (\$)	Direct Unearned Premium (\$)	Direct Losses Paid (\$)	Direct Losses Incurred (\$)	Direct Losses Unpaid (\$)
Fire	2,907,243	2,953,259	1,541,075	633,837	1,241,775	869,007
Homeowners	54,015,941	53,286,779	28,918,931	29,096,293	31,649,573	11,401,341
Private Passenger Automobile Liability	35,303,633	35,731,154	8,313,053	23,891,196	23,511,397	33,934,978
Private Passenger Automobile Physical Damage	33,492,511	33,641,087	7,914,213	22,047,890	21,992,183	36,572
<b>Totals</b>	125,719,328	125,612,279	46,687,272	75,669,216	78,394,928	46,241,898

### 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 Companies' procedures, written interrogatories, and interviews with the Companies' 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 Companies 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 Companies. 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 Companies 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 Companies' own guidelines.

DOI Complaints – The population request for this category consisted of complaints received from the DOI during the examination period. The Companies' 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 Companies' own guidelines.

Consumer Complaints – The population request for this category consisted of complaints received directly from consumers during the examination period. The Companies' 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 Companies' own guidelines.

#### **B. Marketing and Sales**

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

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

The Companies 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 Companies.

### **C. Underwriting and Rating**

The underwriting and rating samples consisted of new and renewal business for the property and casualty lines of business.

The Companies reported they did not have any Motorcycle New Business policies for the examination period.

The Companies reported they did not have any Mobile Home New Business or Renewal policies for the examination period.

Since the Companies' policies, procedures and personnel were the same for Private Passenger Automobile as Motorcycle, the examiners combined the Motorcycle Renewals with the Private Passenger Automobile Renewals.

The property and casualty new business samples were randomly selected based on the inception date occurring during the examination period. Policies were reviewed for rating accuracy, use of filed rates, use of filed forms, and compliance with applicable state laws and the Companies' own guidelines.

The property and casualty renewal business samples were randomly selected based on the renewal date occurring during the examination period. Policies were reviewed for the Companies' handling of the renewal process as well as compliance with applicable state laws and the Companies' own guidelines.

### **D. Risk Selection**

For the property and casualty lines of business, Cancellations, and Nonrenewals were reviewed for compliance with applicable state laws, the Companies' own guidelines, and to ensure reasons for termination were valid and not unfairly discriminatory. Random samples were selected based on transactions occurring during the examination period.

The Companies combined the Motorcycle policies with the Private Passenger Automobile for the areas under review where there were Motorcycle policies within the examination period.

The Companies reported they did not have any Motorcycle policies Canceled Less Than or Equal to 60 Days for the examination period.

The Companies reported they did not have any Mobile Home policies for the examination period.

The Companies reported they did not have any Rescinded Private Passenger Automobile, Motorcycle, Homeowners or Dwelling Fire policies for 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 the property and casualty lines of business, separate samples were selected for First-Party and Third-Party claims. For each, separate samples were developed for both paid claims and those closed without payment (“CWP”). In addition, separate reviews were conducted of all total loss, subrogated, and litigated claims.

The Companies combined the Motorcycle Claims with the Private Passenger Automobile Claims. The Companies reported that there were no Third-Party Motorcycle claims.

<b>SELECTION OF SAMPLES</b>		
<b>A. Complaint Handling</b>		
	<b><u>Sample Size</u></b>	<b><u>% Reviewed</u></b>
1. Department of Insurance Complaints	72	100.00%
2. Consumer Complaints	84	24.21%
<b>B. Marketing and Sales</b>		
	<b><u>Sample Size</u></b>	<b><u>% Reviewed</u></b>
1. Company-generated Advertising	113	13.90%
2. Producer Training Materials	124	100.00%
3. Producer Communications	76	100.00%
<b>C. Underwriting and Rating</b>		
	<b><u>Sample Size</u></b>	<b><u>% Reviewed</u></b>
1. PPA New Business	116	1.10%
2. PPA & MC Renewals	184	<0.1%
3. HO New Business	116	1.70%
4. HO Renewals	184	0.30%
5. DF New Business	113	16.60%
6. DF Renewals	116	1.60%
<b>D. Risk Selection</b>		
	<b><u>Sample Size</u></b>	<b><u>% Reviewed</u></b>
1. PPA & MC Cancellations – Less than or Equal to 60 Days	113	17.30%
2. PPA & MC Cancellations – Greater than 60 Days	116	0.70%
3. PPA & MC Nonrenewed	79	57.70%
4. HO Cancellations – Less than or Equal to 60 Days	79	41.40%
5. HO Cancellations – Greater than 60 Days	116	1.80%
6. HO Nonrenewed	79	55.60%
7. DF Cancellations – Less than or Equal to 60 Days	79	43.40%
8. DF Cancellations – Greater than 60 Days	114	8.10%
9. DF Nonrenewed	39	100.00%
<b>E. Claims</b>		
	<b><u>Sample Size</u></b>	<b><u>% Reviewed</u></b>
1. PPA & MC – First-Party Paid	109	0.70%
2. PPA & MC – First-Party CWP	108	3.40%
3. PPA – Total Loss	108	3.40%
4. PPA – Third-Party Paid	109	2.00%
5. PPA – Third-Party CWP	105	15.00%
6. PPA – Subrogated	108	3.30%
7. PPA – Litigated	82	28.90%
8. HO – Paid	109	1.90%
9. HO – CWP	108	5.10%
10. DF – Paid	82	20.90%
11. DF – CWP	76	46.90%

## **IV. FINDINGS**

### **A. Complaint Handling**

#### **1. Consumer Complaints**

- In eight (8) P&C files, (9.52% of the 84 P&C files examined), the Companies failed to provide a written response within 21 days of receiving the complaint, thereby in violation of 215 ILCS 5/143d(b). (Crit #058).
- In five (5) P&C files, (6.0% of the 84 P&C files examined), the Companies failed to provide a written response to the complaint, thereby in violation of 215 ILCS 5/143d(b). (Crit #059).

### **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. Private Passenger Automobile New Business**

- The Companies' filed rule states, "... We will include the new vehicles and their assigned symbols in periodic (emphasis added) updates to the filed symbol assignment pages." As no symbol filing has been made since February 21, 2021, the rule is either ambiguous or the Companies failed to adhere to the filed rule, thereby in violation of 50 Ill. Adm. Code 754.10(b) and Illinois Personal Auto Manual, Rule 3, B, 2. (Crit #102).
- The Companies failed to file updates to their private passenger automobile symbols. The most recent PPA Symbol Filing was submitted to the Department on February 21, 2022, to become effective on May 17, 2021. The filing did not include all makes and models for model years 2021 and 2022 and no known makes and models for model year 2023. The failure to maintain information necessary to rate PPA policies on file with the Department violates 50 Ill. Adm. Code 754.10(b). (Crit #103)
- In one (1) file (0.9% of the 116 files examined), the Companies failed to apply the appropriate anti-theft discount, thereby in violation of 50 Ill. Adm. Code 932.40 and 215 ILCS 5/143.28. (Crit #104).

- The Companies' filed rule for rating excess vehicle(s) where all operators are age 50 or older requires rating utilizing specific excess vehicle age/gender/marital status (AGMS) factors and the mileage factors for age 40. The Companies' actual procedure for rating excess vehicle(s) where all operators are age 50 or older is to use the AGMS and mileage factors of the operator with the lowest AGMS if the BI AGMS factor is less than one (1). The Companies' procedure conflicts with the Companies' filed rule, thereby in violation of 50 Ill. Adm. Code 754.10(b). (Crit #129).
- In 92 files (79.3% of the 116 files examined), policy issuance packets with effective dates on or after December 3, 2021, did not include written notice of the Companies' complaint department address or the address of the Public Service Division of the Department of Insurance, thereby in violation of 215 ILCS 5/143c. (Crit #133).
- In two (2) files (1.7% of the 116 files examined) the Companies failed to use the rates in force on the effective date of the policies which was inconsistent with the effective dates specified in the filings and premium differences of \$47.88 (\$37.57 overcharge and \$10.31 undercharge), thereby violating 50 Ill. Adm. Code 754.10(b) and 50 Ill. Adm. Code 754.10(f). (Crit #144).
- In six (6) files (5.2% of the 116 files examined), the Companies failed to use accurate information to properly tier the policies resulting in incorrect premiums, thereby in violation of 50 Ill. Adm. Code 754.10(b). (Crit #146).
- In 12 files (10.3% of the 116 files examined), the Companies failed to consistently apply a vague and ambiguous rule resulting in unfair discrimination, as generally defined in the business of insurance. The failure to file and adhere to rules with sufficient specificity to definitively determine the proper premium, thereby in violation of 50 Ill. Adm. Code 754.10(b). (Crit #147).
- In 100 files (86.2% of the 116 files examined), the Companies rounded the product of the physical damage model year factors times the symbol factors to the nearest 100th, contrary to the Premium Determination and Exact Premium rule, thereby in violation of 50 Ill. Adm. Code 754.10(b) and the Companies rules. (Crit #148).
- In 12 files (10.3% of the 116 files examined), the Companies applied an Early Quote Discount to policies that were ineligible for the discount due to not being the first policy issued to the named insured, thereby in violation of 50 Ill. Adm. Code 754.10(b). (Crit # 151).
- In two (2) files (1.7% of the 116 files examined), the Companies failed to apply the proper Early Quote Discount in accordance with their filed rule and rating plan, thereby in violation of 50 Ill. Adm. Code 754.10(b). (Crit # 152).

## **2. Private Passenger Automobile & Motorcycle Renewals**

- In 134 files (72.8% of the 184 files examined), the renewal packets with effective dates on or after December 3, 2021, contained revised policies, endorsements, and other notices. The revisions did not include written notice of the Companies' complaint department address or the address of the Public Service Division of the Department of Insurance, thereby in violation of 215 ILCS 5/143c. (Crit #096).

- The Companies failed to file updates to their private passenger automobile symbols. The most recent PPA Symbol Filing was submitted to the Department on February 21, 2021, to become effective on May 17, 2021. The filing did not include all makes and models for model years 2021 and 2022 and no known makes and models for model year 2023. The failure to maintain information necessary to rate PPA policies on file with the Department violates 50 Ill. Adm. Code 754.10(b). (Crit #145).

### **3. Homeowners New Business**

- The Companies failed to file a rating rule that specifies a married individual who is separated, is therefore considered to be single with regard to determining the appropriate status for the application of the Homeowners' Marital Status Factor necessary to rate policies, thereby in violation of 50 Ill. Adm. Code 754.10(b)(1). (Crit #088).
- In one (1) file (0.9% of the 116 files examined), the Companies utilized rates other than those contained in SERFF Tracking# USAA-133013499 that became effective January 17, 2022, for new business, thereby in violation of 50 Ill. Adm. Code 754.10(b)(1) and 50 Ill. Adm. Code 754.10(f). (Crit #154).
- In five (5) files (4.3% of the 116 files examined), the Companies failed to comply with
- filed rates since they had failed to file a rating factor or rule(s) on identifying the specific information to use when dwellings have more than one foundation type, thereby in violation of 50 Ill. Adm. Code 754.10(b)(1). (Crit #155).
- The Companies failed to file a rating rule that specified if a divorced or widowed individual should be considered single or married with regards to determining the appropriate status for the application of the Homeowners' Marital Status Factor necessary to rate policies. Since the Companies' filed rules are vague, ambiguous, and potentially unfairly discriminatory and since the Companies are incorrectly rating legally single individuals as married (if widowed), thereby in violation of 50 Ill. Adm. Code 754.10(b)(1). (Crit #156).
- In two (2) files (1.7% of the 116 files examined), the Companies failed to comply with filed rates as policyholders whose marital status reflected separated were rated single, thereby in violation of 50 Ill. Adm. Code 754.10(b)(1). (Crit #157).

### **4. Dwelling Fire New Business**

- No violations were noted.

### **5. Dwelling Fire Renewals**

- No violations were noted.



## **D. Risk Selection**

### **1. Private Passenger Automobile & Motorcycle Cancellations – Less than or Equal to 60 Days**

- In one (1) file (0.9% of the 113 files examined), the Companies failed to provide 10 days' notice to the insured of cancellation due to nonpayment of premium, thereby in violation of 215 ILCS 5/143.15. (Crit #002).
- In one (1) file (0.9% of the 113 files examined), the Companies failed to maintain documentation of the insured's request to cancel the policy, thereby in violation of 215 ILCS 5/143.14(a). (Crit #043).

### **2. Homeowners Cancellations – Greater than 60 Days**

- In one (1) file (0.9% of the 116 files examined), the Companies failed to maintain documentation of the insured's request to cancel the policy, thereby in violation of 215 ILCS 5/143.13(f). (Crit #035).

### **3. Homeowners Nonrenewed**

- In 50 files (63.30% of the 79 files examined), the Companies' enclosure included with the Nonrenewal Notice stated, "This action was taken because of our eligibility and acceptability rules", which was not a specific explanation of the reason(s) for nonrenewal, thereby in violation of 215 ILCS 5/143.17(e). (Crit #142).

### **4. Dwelling Fire Cancellations – Greater than 60 Days**

- In one (1) file (0.9% of the 114 files examined), the Companies provided an inaccurate reason for canceling the policy, thereby in violation of 215 ILCS 5/143.21. (Crit #112).

### **5. Dwelling Fire Nonrenewed**

- In one (1) file (2.6% of the 39 files examined), the Companies failed to send a nonrenewal notice to the insured, thereby violating 215 ILCS 5/143.17(a). (Crit #136).
- In 11 files (28.2% of the 39 files examined), the Companies' nonrenewal notice stated, "We can't offer to renew the policy...because of our eligibility and acceptability rules", which was not a specific explanation of the reasons for nonrenewal, thereby violating 215 ILCS 5/143.17(e). (Crit #140).
- In one (1) file (2.6% of the 39 files examined), the nonrenewal notice listed the incorrect insured property address, thereby in violation of 215 ILCS 5/143.17(a). (Crit #141).

## **E. Claims**

### **1. Private Passenger Automobile & Motorcycle First-Party Paid**

- In two (2) files (1.8% of the 109 files examined), the Companies failed to send a written explanation for the delay to the insured when the claim exceeded 40 days, thereby in violation of 50 Ill. Adm. Code 919.80(b)(2). (Crit #004).
- In 21 files (19.30% of the 109 files examined), the Companies failed to provide the insured with the information contained in Exhibit A when the insured vehicle was deemed a total loss, thereby in violation of 50 Ill. Adm. Code 919.80(c). (Crit #005).
- In two (2) files (1.8% of the 109 files examined), the Companies failed to respond to pertinent communications regarding the claim, thereby in violation of 215 ILCS 5/154.6(b). (Crit #006).
- In two (2) files (1.8% of the 109 files examined), the Companies failed to send a timely written explanation for the delay to the insured when the claim exceeded 40 days, thereby in violation of 50 Ill. Adm. Code 919.80(b)(2). (Crit #007).
- In three (3) files (2.75% of the 109 files examined), the Companies failed to provide detailed documentation in order to permit reconstruction of the activities relative to the claim, thereby in violation of 50 Ill. Adm. Code 919.30(c). (Crit #015).
- In one (1) file (0.9% of the 109 files reviewed), the Companies initiated the investigation of the claim and determined the insured to be at fault. The Companies did not request the police report or make any attempt to obtain the third-party claimant's information in order to address the exposure to the insured, and thereby failed to promptly investigate the claim in violation of 215 ILCS 5/154.6(c). (Crit #017).

### **2. Private Passenger Automobile & Motorcycle First-Party Closed Without Payment**

- In one (1) file (0.9% of the 108 files examined), the Companies did not include the Notice of Availability of the Department of Insurance with the written explanation for the denial of the claim, thereby in violation of 50 Ill. Adm. Code 919.50(a)(1). (Crit #028).
- In four (4) files (3.7% of the 108 files examined), the Companies did not provide a written explanation for the denial of the claim, thereby in violation of 50 Ill. Adm. Code 919.50(a)(1). (Crit #030).
- In two (2) files (1.9% of the 108 files examined), the Companies failed to provide the insured with the information contained in Exhibit A when the insured vehicle was deemed a total loss, thereby in violation of 50 Ill. Adm. Code 919.80(c). (Crit #031).
- In three (3) files (2.8% of the 108 files examined), the Companies failed to respond to pertinent communications regarding the claim, thereby in violation of 215 ILCS 5/154.6(b). (Crit #032).

- In one (1) file (0.9% of the 108 files examined), the Companies failed to send a timely written explanation for the delay to the insured when the claim remained unresolved for more than 40 days, thereby in violation of 50 Ill. Adm. Code 919.80(b)(2). (Crit #033).
- In 50 files (46.3% of the 108 files examined), the Companies failed to provide detailed documentation in order to permit reconstruction of the activities relative to the claim, thereby in violation of 50 Ill. Adm. Code 919.30(c). (Crit #034).
- In one (1) file (0.9% of the 108 files examined), the Companies failed to send an acknowledgement when the claim was reported in violation of 215 ILCS 5/154.6(b). The Companies also delayed investigation of the claim, thereby in violation of 215 ILCS 5/154.6(c). (Crit #049).

### **3. Private Passenger Automobile Total Loss**

- In two (2) files (1.9% of the 108 files examined), the Companies failed to send a written explanation for the delay to the insured when the claim exceeded 40 days, thereby in violation of 50 Ill. Adm. Code 919.80(b)(2). (Crit #053).
- In 96 files (88.9% of the 108 files examined), the Companies failed to provide the insured with the information contained in Exhibit A when the insured vehicle was deemed a total loss, thereby in violation of 50 Ill. Adm. Code 919.80(c). (Crit #054).
- In five (5) files (4.6% of the 108 files examined), the Companies failed to send a timely written explanation for the delay to the insured when the claim exceeded 40 days, thereby in violation of 50 Ill. Adm. Code 919.80(b)(2). (Crit #056).

### **4. Private Passenger Automobile Third-Party Paid**

- In three (3) files (2.75% of the 109 files examined), the Companies failed to offer payment within 30 days after affirmation of liability and the amount of the claim was determined, thereby in violation of 50 Ill. Adm. Code 919.50(a). (Crit #077).
- In nine (9) files (8.3% of the 109 files examined), the Companies failed to send a written explanation for the delay to the third-party claimant when the claim exceeded 60 days, thereby in violation of 50 Ill. Adm. Code 919.80(b)(3). (Crit #078).
- In six (6) files (5.5% of the 109 files examined), the Companies did not request the police report or attempt to contact the third-party claimant to determine the exposure to the insured and thereby failed to promptly investigate the claim in violation of 215 ILCS 5/154.6(c). (Crit #079).
- In one (1) file (0.9% of the 109 files examined), the Companies failed to send a timely written explanation for the delay to the third-party claimant when the claim exceeded 60 days, thereby in violation of 50 Ill. Adm. Code 919.80(b)(3). (Crit #080).
- In four (4) files (3.7% of the 109 files examined), the Companies failed to respond to pertinent communications and implement reasonable standards for the prompt investigation of claims, thereby in violation of 215 ILCS 5/154.6(c). (Crit #081).

- In nine (9) files (8.3% of the 109 files examined), the Companies failed to provide detailed documentation regarding the total loss settlement, thereby in violation of 50 Ill. Adm. Code 919.30(c). (Crit #082).
- In 22 files (20.20% of the 109 files examined), the Companies did not issue the appropriate payment and failed to pay the required amounts of sales taxes, transfer and/or title fees to the insured at the time of the total loss settlement resulting in underpayments of \$447.57, thereby in violation of 215 ILCS 5/154.6(d) and 50 Ill. Adm. Code 919.80(c)(3)(A)(i). (Crit #083).
- In five (5) files (4.6% of the 109 files examined), the Companies failed to provide detailed documentation regarding the total loss settlement, thereby in violation of 50 Ill. Adm. Code 919.30(c). (Crit #089).
- In three (3) files (2.8% of the 109 files examined), the Companies failed to issue the appropriate payment owed to the claimant at the time of the total loss settlement, thereby in violation of 215 ILCS 5/154.6(d) and resulting in underpayments of \$1,227.58. (Crit #109).

#### **5. Private Passenger Automobile Third-Party Closed Without Payment**

- In one (1) file (1.0% of the 105 files examined), the Companies failed to send a liability denial or compromise offer letter to the claimant in follow up to the verbal offer, thereby in violation of 215 ILCS 5/154.6(n). (Crit #067).
- In two (2) files (1.90% of the 105 files examined), the Companies failed to send a coverage denial letter to either the insured or claimant, thereby in violation of 215 ILCS 5/154.6(i). (Crit #068).
- In one (1) file (1.0% of the 105 files examined), the Companies failed to send a written explanation when the liability claim remained unresolved in excess of 60 calendar days, thereby in violation of 50 Ill. Adm. Code 919.80(b)(3). (Crit #069).
- In three (3) files (2.9% of the 105 files examined), the Companies accepted 100% liability but did not attempt to locate the claimant information either from their insured or by requesting a police report when available, thereby in violation of 215 ILCS 5/154.6(c). (Crit #070).
- In six (6) files (5.71% of the 105 files examined), the Companies failed to send a liability denial letter to the claimant, thereby in violation of 50 Ill. Adm. Code 919.50(a)(2). (Crit #071).
- In three (3) files (2.9% of the 105 files examined), the Companies failed to provide the insured with the information contained in Exhibit A when the insured vehicle was deemed a total loss, thereby in violation of 50 Ill. Adm. Code 919.80(c). (Crit #072).
- In one (1) file (1.0% of the 105 files examined), the Companies accepted 85% liability and as the claimant disagreed, failed to instruct the claimant on how to present a claim, but recommended he go through his own policy, thereby in violation of 50 Ill. Adm. Code 919.90(c). (Crit #073).

- In 10 files (9.52% of the 105 files examined), the Companies failed to send status or closing letters to the claimant informing them of the time limits for presenting a claim, thereby in violation of 215 ILCS 5/154.6(c). (Crit #074).
- In five (5) files (4.8% of the 105 files examined), the Companies failed to affirm liability with the claimant and offer payment when the claim was not in dispute, thereby in violation of 50 Ill. Adm. Code 919.50(a). (Crit #075).
- In one (1) file (1.0% of the 105 files examined), the Companies failed to send a Reservation of Rights letter to the insured when there was a coverage issue, thereby in violation of 215 ILCS 5/154.6(c). (Crit #076).

#### **6. Private Passenger Automobile Subrogated**

- In two (2) files (1.85% of the 108 files examined), the Companies failed to refund the deductible to the insured as soon as the subrogation amount was received, thereby in violation of 215 ILCS 5/143b. (Crit #065).

#### **7. Private Passenger Automobile Litigated**

- In ten (10) files (12.2% of the 82 files examined), the Companies failed to provide the insured with the information contained in Exhibit A when the insured vehicle was deemed a total loss, thereby in violation of 50 Ill. Adm. Code 919.80(c). (Crit #011).

#### **8. Homeowners Paid**

- In five (5) files (4.6% of the 109 files examined), the Companies failed to provide detailed documentation in order to permit reconstruction of the activities relative to the claim, thereby in violation of 50 Ill. Adm. Code 919.30(c). (Crit #106).
- In seven (7) files (6.4% of the 109 files examined), the Companies did not provide a written explanation for the partial denial of the claim, thereby in violation of 50 Ill. Adm. Code 919.50(a)(1). (Crit #107).
- In two (2) files (1.83% of the 109 files examined), the Companies failed to properly apply a prior payment or policy limitation resulting in an overpayment, thereby in violation of 215 ILCS 5/154.6(c). (Crit #108).

#### **9. Homeowners Closed Without Payment**

- In 29 files (26.9% of the 108 files examined), the Companies failed to provide detailed documentation in order to permit reconstruction of the activities relative to the claim, thereby in violation of 50 Ill. Adm. Code 919.30(c). (Crit #092).
- In nine (9) files (8.33% of the 108 files examined), the Companies did not provide a written explanation for the denial of the claim, thereby in violation of 50 Ill. Adm. Code 919.50(a)(1). (Crit #093).

## 10. Dwelling Fire Paid

- In one (1) file (1.2% of the 82 files examined), the Companies failed to tender payment within 30 days after affirmation of liability and the amount of the claim was determined, thereby in violation of 50 Ill. Adm. Code 919.50(a). (Crit #110).
- In three (3) files (3.7% of the 82 files examined), the Companies failed to provide detailed documentation in order to permit reconstruction of the activities relative to the claim, thereby in violation of 50 Ill. Adm. Code 919.30(c). (Crit #117).
- In one (1) file (1.2% of the 82 files examined), the Companies failed to tender payment within 30 days after affirmation of liability and the amount of the claim was determined, thereby in violation of 50 Ill. Adm. Code 919.50(a). (Crit #131).
- In one (1) file (1.2% of the 82 files examined), the Companies failed to provide detailed documentation in order to permit reconstruction of the activities relative to the claim, thereby in violation of 50 Ill. Adm. Code 919.30(c). (Crit #134).

## V. ACKNOWLEDGEMENT

A comprehensive market conduct examination has been conducted of USAA Casualty Insurance Company (NAIC #25968), USAA General Indemnity Company (NAIC #18600), Garrison Property and Casualty Insurance Company (NAIC #21253), and United Services Automobile Association (NAIC #25941). 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.

Detailed reviews were performed on Private Passenger Automobile, Motorcycle, Homeowners, and Dwelling Fire.

The Examiners wish to express appreciation for the courteous cooperation and assistance given by the officers and employees of the Companies 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:

**UNITED SERVICES AUTOMOBILE ASSOCIATION & AFFILIATES**  
**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 Casualty Insurance Company, (“the Company”), NAIC 25968, USAA General Indemnity Company, NAIC 18600, Garrison Property and Casualty Insurance Company, NAIC 21253, United Services Automobile Association, NAIC 25941, 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 provide a specific explanation of the reason(s) for nonrenewal. 215 ILCS 5/143.17(e)
2. Institute and maintain policies and procedures whereby the Company shall provide detailed documentation to permit reconstruction of activities relative to the claim. 50 Ill. Adm. Code 919.30(c)
3. Institute and maintain policies and procedures whereby the Company shall provide the insured with the information contained in Exhibit A when the insured vehicle was deemed a total loss. 50 Ill. Adm. Code 919.80(c)
4. Institute and maintain policies and procedures whereby the Company shall file updates to their private passenger automobile symbols. 50 Ill. Adm. Code 754.10(b)
5. Institute and maintain policies and procedures whereby the Company shall send a written explanation for the delay to the third-party claimant when the claim exceeded 60 days. 50 Ill. Adm. Code 919.80(b)(3)
6. Institute and maintain policies and procedures whereby the Company shall provide a written explanation for the denial of a claim. 50 Ill. Adm. Code 919.50(a)(1)
7. Institute and maintain policies and procedures whereby the Company shall include written notice of the Companies' complaint department address or the address of the Public Service Division of the Department of Insurance. 215 ILCS 5/143c
8. Institute and maintain policies and procedures whereby the Company shall provide detailed documentation regarding the total loss settlement. 50 Ill. Adm. Code 919.30(c)
9. Institute and maintain policies and procedures whereby the Company shall issue the appropriate payment, including any amounts of sales taxes, transfer and/or title fees to the insured at the time of the total loss settlement. 215 ILCS 5/154.6(d) and 50 Ill. Adm. Code 919.80(c)(3)(A)(i)

10. Institute and maintain policies and procedures whereby the Company shall not apply discounts to policies that are ineligible. 50 Ill. Adm. Code 754.10(b)
11. Institute and maintain policies and procedures whereby the Company shall file and adhere to rules with sufficient specificity to definitively determine the proper premium. 50 Ill. Adm. Code 754.10(b)
12. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above eleven (11) orders within thirty (30) days of execution of this Order.
13. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$100,000.<sup>00</sup> 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 CASUALTY INSURANCE COMPANY, USAA GENERAL INDEMNITY COMPANY, GARRISON PROPERTY AND CASUALTY INSURANCE COMPANY, and UNITED SERVICES AUTOMOBILE ASSOCIATION

Chris Sitowski

Signature

Chris Sitowski

Name

VP Claims

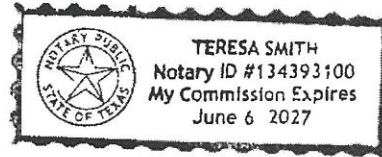
Title

Subscribed and sworn to before me this

20 day of May 2024.

Teresa Smith

Notary Public



DEPARTMENT OF INSURANCE of the  
State of Illinois:

DATE 5/28/2024

Ann Gillespie

Ann Gillespie  
Acting Director

