DELAWARE DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION REPORT

United Service Automobile Association, #25941
USAA Casualty Insurance Company, #25968
USAA General Indemnity Company, #18600
Garrison Property and Casualty Insurance Company, #21253

Examination Authority # 25941-17-PIP-703

9800 Fredericksburg Road
San Antonio, TX  78288

As of

April 30, 2017
I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of April 30, 2017 on

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

is a true and correct copy of the document filed with this Department.

Attest By: [Signature]

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 6th day of June, 2018.

Trinidad Navarro
Insurance Commissioner
REPORT ON EXAMINATION

OF THE

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

AS OF

April 30, 2017

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.

In Witness Whereof, I have hereunto set my hand

and affixed the official seal of this Department at the

City of Dover, this ___ day of ___ , 2018.

Trinidad Navarro
Insurance Commissioner
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The Honorable Trinidad Navarro  
Insurance Commissioner  
State of Delaware  
841 Silver Lake Boulevard  
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in the Exam Authority Number: 25941-17-PIP-703 and pursuant to statutory provisions including 18 Del. C. §§ 318-322, a market conduct examination has been conducted of the affairs and practices of:

- United Service Automobile Association, #25941  
- USAA Casualty Insurance Company, #25968  
- USAA General Indemnity Company, #18600  
- Garrison Property and Casualty Insurance Company, #21253

This examination was performed as of April 30, 2017. The examination consisted of one phase, an off-site phase. The off-site examination phase was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department or DDOI, or other suitable locations.

The report of examination herein is respectfully submitted.
EXECUTIVE SUMMARY

This examination focused on the activities of United States Automobile Association, USAA Casualty Insurance Company, USAA General Indemnity Company, and Garrison Property and Casualty Insurance Company, (hereinafter referenced collectively as “USAA”) related to private passenger auto Personal Injury Protection (PIP) claims. More specifically, a targeted review of medical bills submitted to the Company versus what the Company paid was performed.

21 Exceptions –

18 Del. C. § 2304 Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(16) Unfair claim settlement practices. — No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

f. Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear;

USAA paid these 21 claims in excess of 30 days after the Company had the requisite information to issue payment.

21 Exceptions –

21 Del. C. § 2118B Processing and payment of insurance benefits.

(c) When an insurer receives a written request for payment of a claim for benefits pursuant to § 2118(a)(2) of this title, the insurer shall promptly process the claim and shall, no later than 30 days following the insurer's receipt of said written request for first-party insurance benefits and documentation that the treatment or expense is compensable pursuant to § 2118(a) of this title, make payment of the amount of claimed benefits that are due to the claimant or, if said claim is wholly or partly denied, provide the claimant with a written explanation of the reasons for such denial. If an insurer fails to comply with the provisions of this subsection, then the amount of unpaid benefits due from the insurer to the claimant shall be increased at the monthly rate of:

(1) One and one-half percent from the thirty-first day through the sixtieth day; and
(2) Two percent from the sixty-first day through the one hundred and twentieth day; and
(3) Two and one-half percent after the one hundred and twenty-first day.

Interest due on the 21 late-paid PIP claims was only paid after the delinquency was brought to the Company’s attention by the examiners.

1 Exception –

18 Del. C. § 2304 Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(16) Unfair claim settlement practices. – No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

f. Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear;

USAA failed to pay up to the limits of coverage.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. C. §§ 318-322 and covered the experience period of July 1, 2015, through April 30, 2017, unless otherwise noted. The purpose of the examination was a target, limited scope review of the Company’s activities related to private passenger auto PIP claims. The auto PIP claims were reviewed to determine compliance with the Delaware insurance laws and regulations pertaining specifically to PIP coverages.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While the examiner’s report on the errors found in individual files, the general business practices of the Company were also a subject of the review.

The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.
Delaware Market Conduct Examination Report
United States Automobile Association Companies

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. General practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referenced in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination Company officials were provided status memoranda which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and to review written summaries provided on the exceptions found.

COMPANY OPERATIONS AND MANAGEMENT

Company History

The following is a description of the Companies examined:

UNITED SERVICE AUTOMOBILE ASSOCIATION
USAA CASUALTY INSURANCE COMPANY
USAA GENERAL INDEMNITY COMPANY
GARRISON PROPERTY AND CASUALTY INSURANCE COMPANY

United Services Automobile Association (USAA) is a member-owned reciprocal inter-insurance exchange founded in 1922 to provide competitively priced insurance for its members. The USAA property & casualty group of insurers (USAA P&C) consists of United Services Automobile Association, USAA Casualty Insurance Company (USAA CIC), USAA General Indemnity Company (USAA GIC), and Garrison Property and Casualty Insurance Company (Garrison). All are domiciled in Texas. The Company’s main administrative offices are located in San Antonio, Texas.

USAA is licensed in all states, District of Columbia, the U.S. Virgin Islands, Guam and Puerto Rico.

USAA CIC and USAA GIC are licensed in all states, the District of Columbia and the U.S. Virgin Islands. In addition, USAA GIC is licensed in Puerto Rico.

Garrison is currently licensed in all states and the District of Columbia.
USAA P&C provides personal lines property and casualty insurance to its policyholders, which include automobile, homeowners, renters, fire, (also referred to as rental property insurance, or RPI), umbrella, valuable personal property, and pleasure boat.

The USAA Insurance Agency, Inc. (USAA IAI) offers specialized products and solutions to members with distinctive needs for which USAA P&C does not offer a product.

USAA has claims operations in San Antonio, TX, Chesapeake, VA, Tampa, FL, Colorado Springs, CO, and Phoenix, AZ. Based on the process, claims may be handled outside of San Antonio by licensed adjusters in other office locations.

CLAIMS

Paid PIP Claims

USAA provided a listing of all PIP claims paid during the examination period. From a universe of 1,667, a random sample of 107 claim files was selected for review. The files were requested, received, and reviewed. The following exceptions were noted:

21 Exceptions –

21 Del. C. § 2118B Processing and payment of insurance benefits.

(a) The purpose of this section is to ensure reasonably prompt processing and payment of sums owed by insurers to their policyholders and other persons covered by their policies pursuant to § 2118 of this title, and to prevent the financial hardship and damage to personal credit ratings that can result from the unjustifiable delays of such payments.

(c) When an insurer receives a written request for payment of a claim for benefits pursuant to § 2118(a)(2) of this title, the insurer shall promptly process the claim and shall, no later than 30 days following the insurer's receipt of said written request for first-party insurance benefits and documentation that the treatment or expense is compensable pursuant to § 2118(a) of this title, make payment of the amount of claimed benefits that are due to the claimant or, if said claim is wholly or partly denied, provide the claimant with a written explanation of the reasons for such denial. If an insurer fails to comply with the provisions of this subsection, then the amount of unpaid benefits due from the insurer to the claimant shall be increased at the monthly rate of:

(1) One and one-half percent from the thirty-first day through the sixtieth day; and
(2) Two percent from the sixty-first day through the one hundred and twentieth day; and
(3) Two and one-half percent after the one hundred and twenty-first day.

It was noted that in 21 instances, bills paid by USAA were not paid within 30 days of receipt of proof of loss. In addition, interest due on these late-paid PIP claims was only paid after it was brought to the Company’s attention by the examiners.

The Company conducted a self-audit of its practices regarding payment of interest on late-paid PIP claims. The Company decided to review all Delaware PIP-related bills processed from July 1, 2017 through October 31, 2017. There were a total of 7,896 bills reviewed. The Company’s investigation revealed that, of the 7,896 bills reviewed, there were 38 claim files involving 48 late claim payments for which interest due had not been paid. The total amount of interest due was $322.09. The Company verified that, for the four-month period subject to audit, no checks had been issued for interest payments due on any of the late-paid PIP claims. The Company provided documentation showing that payments were subsequently issued.

Recommendation: The Company shall pay its claims within 30 days after it has obtained the requisite information pursuant to 21 Del. C. § 2118B - Processing and payment of insurance benefits.

Recommendation: The company shall pay interest on late-paid PIP claims pursuant to 21 Del. C. § 2118B - Processing and payment of insurance benefits.

Recommendation: It is recommended that the Company expand their previously conducted self-audit to determine whether interest is due on additional late-paid PIP claims submitted within the scope of this examination and should extend that review through the first quarter of 2018. A report of findings should be subsequently issued to the Delaware Department of Insurance and all consumers should be compensated according to the results of the review.

1 Exception –

18 Del. C. § 2304 Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(16) Unfair claim settlement practices. – No personal shall commit or perform with such frequency as to indicate a general business practice any of the following:

f. Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear;
It was noted in one (1) claim file that the Company failed to pay up to the limits of coverage.

Recommendation: The Company shall pay its claims up to the limits of coverage. 18 Del. C. § 2304 - Unfair methods of competition and unfair or deceptive acts or practices defined.
CONCLUSION

As stated in the Scope of Examination section, the purpose of the examination was to determine compliance by the Company with Delaware insurance laws and regulations related to the private passenger auto lines.

The recommendations made below identify corrective measures the Department finds necessary as a result of the exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company pay its PIP claims within 30 days after it has obtained the requisite information pursuant to Del. C. § 2118B - Processing and payment of insurance benefits.

2. It is recommended that the Company pay interest due on late-paid PIP claims pursuant to 21 Del. C. § 2118B - Processing and payment of insurance benefits.

3. It is recommended that the Company pay up to the coverage limits pursuant to 18 Del. C. § 2304 - Unfair methods of competition and unfair or deceptive acts or practices defined.

4. It is recommended that the Company expand their previously conducted self-audit to determine whether interest is due on additional late-paid PIP claims submitted within the scope of this examination and should extend that review through the first quarter of 2018. A report of findings should be subsequently issued to the Delaware Department of Insurance and all consumers should be compensated according to the results of the review.

The examination was conducted by Shelly Shuman, Joe Krug, Jim Myers, Gwendolyn Douglas, and Linda Armstrong. This report is respectfully submitted.

Linda Armstrong, JD, MCM
Examiner-in-Charge