

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

In Re:)
)
USAA GENERAL INDEMNITY) **Market Conduct Examination**
COMPANY (NAIC #18600)) **No. 307074**
) **NAIC MATS NO. MO-HICKSS1-91**

ORDER OF THE DIRECTOR

NOW, on this 20th day of July, 2020, Director, Chlora Lindley-Myers, after consideration and review of the market conduct examination report of USAA General Indemnity Company (NAIC #18600) (hereinafter “UGIC”), examination report number 307074, prepared and submitted by the Division of Insurance Market Regulation (hereinafter “Division”) pursuant to §374.205.3(3)(a)¹, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement and Voluntary Forfeiture (“Stipulation”), relating to the market conduct examination number 307074, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director’s findings and conclusions accompanying this order pursuant to §374.205.3(4). The Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4), §374.280 RSMo, and §374.046.15. RSMo, is in the public interest.

IT IS THEREFORE ORDERED that UGIC and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that UGIC shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri, and to maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

IT IS FURTHER ORDERED that UGIC shall pay, and the Department of Commerce and Insurance, State of Missouri, shall accept, the Voluntary Forfeiture of \$4,500 payable to the Missouri State School Fund in connection with the market conduct examination number 307074.

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016 as amended.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 20th day of July, 2020.

Chlora Lindley Myers

Chlora Lindley-Myers
Director



**IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

In Re:)
)
USAA GENERAL INDEMNITY) **Market Conduct Examination**
COMPANY (NAIC #18600)) **No. 307074**
) **NAIC MATS NO. MO-HICKSS1-91**

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and USAA General Indemnity Company (NAIC #18600) (hereinafter “UGIC”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (hereinafter “the Department”), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State of Missouri;

WHEREAS, UGIC has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a market conduct examination of UGIC, examination #307074;

WHEREAS, based on the market conduct examination of UGIC, the Division alleges that:

1. In seven instances involving paid medical payments and bodily injury claims, UGIC failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims, did not disclose all available coverages to claimants, and did not effectuate prompt, fair and equitable settlements, in violation of §375.1007 (1), (3) and (4)¹ and §375.1005, and 20 CSR 100-1.020(1)(A).

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended.

2. In six instances involving paid medical payments and uninsured motorist coverage claims, UGIC failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims, did not disclose all available coverages to claimants, and did not effectuate prompt, fair and equitable settlements, in violation of §375.1007 (1), (3) and (4) and §375.1005.

3. In one instance, UGIC failed to adequately maintain documentation in a claim file in violation of §374.205.2 (2) and 20 CSR 100-8.040 (2).

4. In three instances, UGIC utilized unfiled forms in violation of §375.920.

WHEREAS, the Division and UGIC have agreed to resolve the issues raised in the market conduct examination as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture (hereinafter "Stipulation") embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** UGIC agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably ensure that the errors noted in this Stipulation do not recur. Such remedial actions shall consist of the following:

1. UGIC agrees to fully disclose to all first party claimants all pertinent benefits and coverages available under the policy.

2. UGIC agrees not to offset medical payments coverage by payments made for uninsured motorist or bodily injury claims or to offset uninsured motorist or bodily injury payments made for medical payments claims.

3. To the extent it has not already done so, UGIC agrees that it will provide payment to the claimants listed on page 10 of the Final Report in the amounts listed as underpayments and will include interest in an amount to be calculated pursuant to §374.191. A letter will accompany the payments noting that as a result of a Missouri market conduct examination it was determined that the policyholder was entitled to an additional payment on their claim.

4. UGIC agrees that it will review paid medical payments and bodily injury claims from January 1, 2017 to the date of the Order approving this Stipulation to determine if any offsets were applied on medical payments or bodily injury claims and if additional payments are owed for medical payments coverage or for bodily injury coverage. If additional payments are owed, UGIC agrees it will make such payments and will include interest in an amount to be determined under §374.191. A letter will accompany the payments noting that as a result of a Missouri market conduct examination it was determined that the policyholder was entitled to an additional payment on their claim.

5. UGIC agrees that it will review paid medical payments and uninsured motorist coverage claims from January 1, 2017 to the date of the Order approving this Stipulation to determine if any offsets were applied on medical payments or uninsured motorist bodily injury claims and if additional payments are owed for medical payments coverage or for uninsured motorist bodily injury coverage. If additional payments are owed UGIC agrees it will make such payments and will include interest in an amount to be determined under §374.191. A letter will accompany the payments noting that as a result of a Missouri market conduct examination it was determined that the policyholder was entitled to an additional payment on their claim.

6. To the extent it has not already done so, UGIC agrees that it will provide payment to the claimants listed on page 12 of the Final Report in the amounts listed as underpayments and

will include interest in an amount to be calculated pursuant to §374.191. A letter will accompany the payments noting that as a result of a Missouri market conduct examination it was determined that the policyholder was entitled to an additional payment on their claim.

7. UGIC agrees that it will not utilize unfiled forms.

C. **Compliance.** UGIC agrees to file documentation with the Division, in a format acceptable to the Division, by December 31, 2020 of any remedial action taken pursuant to Paragraph B to implement compliance with the terms of this Stipulation and to document the payment of any restitution required by this Stipulation. Such documentation is provided pursuant to §374.205.

D. **Fees.** UGIC agrees to pay any reasonable examination fees expended by the Division in conducting its review of the documentation provided by UGIC pursuant to Paragraphs B and C of this Stipulation.

E. **Voluntary Forfeiture.** UGIC agrees, voluntarily and knowingly, to surrender and forfeit the sum of \$4,500 such sum payable to the Missouri State School Fund, in accordance with §374.049.11 and §374.280.2.

F. **Other Penalties.** The Division agrees that it will not seek penalties against UGIC, other than those agreed to in this Stipulation, in connection with the above-referenced market conduct examination.

G. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by UGIC, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above-referenced market conduct examination.

H. **Waivers.** UGIC, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an

opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the above-referenced market conduct examination.

I. **Changes.** No changes to this Stipulation shall be effective unless made in writing and agreed to by representatives of the Division and UGIC.

J. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

K. **Authority.** The signatories below represent, acknowledge and warrant that they are authorized to sign this Stipulation, on behalf of the Division and UGIC respectively.

L. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution and delivery of this Stipulation by facsimile or by an electronically transmitted signature shall be fully and legally effective and binding.

M. **Effect of Stipulation.** This Stipulation shall become effective only upon entry of a Final Order by the Director approving this Stipulation.

N. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation, ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 7-15-2020


Stewart Freilich
Chief Market Conduct Examiner and
Senior Counsel
Division of Insurance Market Regulation

DATED: July 9, 2020


Daniel Dilley, AVP Compliance
USAA General Indemnity Company

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE



FINAL MARKET CONDUCT EXAMINATION REPORT
Property and Casualty Business of

USAA General Indemnity Company
NAIC Group #200
NAIC # 18600

MISSOURI EXAMINATION # 307074

NAIC EXAM TRACKING SYSTEM # MO-HICKSS1-91

July 15, 2020

USAA General Indemnity Company
9800 Fredericksburg Road
San Antonio, Texas 78288

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FOREWORD

This is a targeted market conduct examination report of the USAA General Indemnity Company (NAIC Code # 18600). This examination was conducted at the offices of the Missouri Department of Commerce and Insurance (DCI), located at 301 West High Street, Room 530, Jefferson City, Missouri, 65101.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DCI.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

Where used in this report:

- “Company” refers to USAA General Indemnity Company;
- “CSR” refers to the Missouri Code of State Regulation;
- “DCI” refers to the Missouri Department of Commerce and Insurance;
- “Director” refers to the Director of the Missouri Department of Commerce and Insurance;
- “NAIC” refers to the National Association of Insurance Commissioners; and
- “RSMo” refers to the Revised Statutes of Missouri.

SCOPE OF EXAMINATION

The DCI has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DCI regulations and to consider whether the Company’s operations were consistent with the public interest. The primary period covered by this review was January 1, 2014 through December 31, 2016, unless otherwise noted. However, errors outside of this time period found during the course of the examination may also be included in the report.

The examination included a review of the following areas of the Company’s operations for its private passenger automobile business: claims handling, underwriting/rating, complaints of medical payments issued coverage, and medical payments claims delays and denials.

The examination was conducted in accordance with the standards in the NAIC’s *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices it is ten percent (10%). The benchmark error rates were not utilized for reviews not applying to the general business practice standard.

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been found. As such, this report may not fully reflect all of the practices and procedures of the Company. Failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

COMPANY PROFILE

The following profile was provided to the examiners by the Company:

USAA General Indemnity Company (GIC) is a Texas domiciled insurer with a statutory home and administrative office located at 9800 Fredericksburg Road, San Antonio, Texas. GIC was incorporated as a stock fire and casualty insurance company on July 5, 1972, and licensed on August 2, 1972, under the provisions of Chapter 822 of the Texas Insurance Code. Approximately 98% of GIC's business is comprised of insurance written for homeowners' multiple peril and private passenger automobile liability and physical damage coverages.

GIC is a member of an insurance holding company system comprised of over 100 insurance company and noninsurance company affiliates. USAA Reciprocal Attorney-In-Fact, Inc. (USAA Attorney), is the ultimate controlling entity of the holding company system. GIC is a wholly owned subsidiary of United Services Automobile Association (USAA). GIC has authorized capital of 50,000 shares of \$100 par value common stock, of which 45,000 shares are issued and outstanding to USAA.

GIC is authorized to operate in all 50 states, the District of Columbia, and the territories of Guam, Puerto Rico, and U.S. Virgin Islands. GIC writes private passenger automobile insurance for junior non-commissioned officers and enlisted personnel in the U.S. Armed Forces (Army, Air Force, Navy, Marine Corps, and Coast Guard) currently serving in, retired, or honorably separated from active duty, reserve, or a federally recognized National Guard and un-remarried widow(er)s of GIC insureds. GIC also participates in the Federal Flood Insurance Program.

GIC's coverage is produced through member service representative centers operated by USAA through mailings, internet, and direct telephone communications.

EXECUTIVE SUMMARY

The DCI conducted a targeted market conduct examination of the USAA General Indemnity Company. The examiners found the following areas of concern:

- **13 errors – *Improper or Unfair Claims Settlement Practices.***
§375.1007 RSMo “Any of the following acts by an insurer, if committed in violation of section 375.1005, constitutes an improper claims practice:

(1) Misrepresenting to claimants and insureds relevant facts or policy provisions relating to coverages at issue;"

The Company misrepresented relevant facts and policy provisions relating to coverages by offsetting medical payments, bodily injury coverage, or uninsured motorist coverage.

- **13 errors – *Improper or Unfair Claims Settlement Practices.***
*§375.1007 RSMo “Any of the following acts by an insurer, if committed in violation of section 375.1005, constitutes an improper claims practice:
(3) Failing to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies;”*

The Company failed to implement reasonable standards for the settlement of claims by offsetting against medical payments, bodily injury coverage or uninsured motorist coverage.

- **13 errors – *Improper or Unfair Claims Settlement Practices.***
*§375.1007 RSMo “Any of the following acts by an insurer, if committed in violation of section 375.1005, constitutes an improper claims practice:
(4) Not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear;”*

The Company failed to effectuate prompt, fair and equitable settlement of claims by offsetting medical payments, bodily injury coverage, and uninsured motorist coverage.

- **3 errors – *Use of Unfiled Forms***
§375.920 RSMo “No insurer shall deliver any policy of private passenger automobile insurance, homeowner's insurance, dwelling-owner's insurance, residential fire insurance, or tenant's or renter's insurance written upon property within this state until such policy form shall have been approved as provided for in sections 375.920 to 375.923.”

The Company used unfiled forms without obtaining appropriate approval.

EXAMINATION FINDINGS

I. CLAIMS PRACTICES

This section of the report provides a review of the Company's claims handling practices. The examiners reviewed how the Company handled claims to determine the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

To minimize the duration of the examination, while still achieving an accurate evaluation of claim practices, the examiners reviewed a statistical sampling of the claims

processed. The examiners requested a listing of claims paid and claims closed without payment during the examination period for the line of business under review. Missouri claims with a closing date between January 1, 2015 and December 31, 2017 were selected from a list furnished by the Company.

A claim file is determined in accordance with 20 CSR 100-8.040 and the NAIC *Market Regulation Handbook*. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.1000 – 375.1018 and 375.445 RSMo) and compared with the NAIC benchmark error rate of seven percent (7%). Error rates in excess of the NAIC benchmark are presumed to indicate a general business practice. Errors indicating a failure to comply with laws that do not apply the general business practice standard are separately noted as errors and are not included in the error rate calculation.

A claim error includes, but is not limited to, any of the following:

- An unreasonable delay in the acknowledgement of a claim.
- An unreasonable delay in the investigation of a claim.
- An unreasonable delay in the payment or denial of a claim.
- A failure to calculate claim benefits correctly.
- A failure to comply with Missouri law regarding claim settlement practices.

The examiners reviewed a sample of the claim files for timeliness. In determining timeliness, examiners reviewed the duration of time the Company used to acknowledge the receipt of the claim, investigate the claim, and provide payment or a written denial of the claim.

DCI regulations require companies to abide by the following parameters for claims processing:

- Acknowledgement of the notification of a claim must be made within 10 working days.
- Completion of the investigation of a claim must be made within 30 calendar days after notification of the claim. If more time is needed, the Company must notify the claimant and send follow-up letters every 45 days.
- Payment or denial of a claim must be made within 15 working days after the investigation of the claim is complete.

Missouri statutes also require the Company to disclose to first-party claimants all pertinent benefits, coverage or other provisions of an insurance policy under which a claim is presented. Claim denials must be presented to the claimant in writing, and the Company must maintain a copy in its claim files.

In addition, the examiners reviewed the Company's claim handling processes to determine compliance with contract provisions and adherence to unfair claims settlement practices statutes and regulations. Whenever information in the claim file reflected that the Company failed to meet these standards, the examiners cited the Company for noncompliance.

A. Medical Payments Claims Closed Without Payment

1. Claims Time Studies

The examiners requested a sample from the total population of Missouri private passenger automobile medical payments claims closed without payment during the examination period. The examiners reviewed the first 25 of the sample of 82.

a. Acknowledgment

Field Size:	453
Sample Size:	25
Type of Sample:	Random
Number of Errors:	0

The examiners found no issues or concerns.

b. Investigation

Field Size:	453
Sample Size:	25
Type of Sample:	Random
Number of Errors:	0

The examiners found no issues or concerns.

c. Determination

Field Size:	453
Sample Size:	25
Type of Sample:	Random
Number of Errors:	0

The examiners found no issues or concerns.

2. Unfair Settlement and General Handling Practices

The examiners requested a sample from the total population of Missouri private passenger automobile medical payments claims closed without payment during the examination period. The examiners reviewed the first 25 of the sample of 82.

Field Size:	453
Sample Size:	25
Type of Sample:	Random
Number of Errors:	0

The examiners found no issues or concerns.

3. Unfair Claims Practices

The examiners requested a sample from the total population of Missouri private passenger automobile medical payments claims closed without payment during the examination period. The examiners reviewed the first 25 of the sample of 82.

Field Size:	453
Sample Size:	25
Type of Sample:	Random
Number of Errors:	0

The examiners found no issues or concerns.

B. Denied Medical Payments Claims

1. Claims Time Studies

The examiners requested a census of the total population of Missouri private passenger automobile denied medical payments claims during the examination period.

a. Acknowledgment

Field Size:	18
Sample Size:	18
Type of Sample:	Census
Number of Errors:	0

The examiners found no issues or concerns.

b. Investigation

Field Size:	18
Sample Size:	18
Type of Sample:	Census
Number of Errors:	0

The examiners found no issues or concerns.

c. Determination

Field Size:	18
Sample Size:	18
Type of Sample:	Census
Number of Errors:	0

The examiners found no issues or concerns.

2. Unfair Settlement and General Handling Practices

The examiners requested a census of the total population of Missouri private passenger automobile denied medical payments claims during the examination period.

Field Size:	18
Sample Size:	18
Type of Sample:	Census
Number of Errors:	0

The examiners found no issues or concerns.

3. Unfair Claims Practices

The examiners requested a census of the total population of Missouri private passenger automobile denied medical payments claims during the examination period.

Field Size:	18
Sample Size:	18
Type of Sample:	Census
Number of Errors:	0

The examiners found no issues or concerns.

C. Paid Medical Payments and Bodily Injury Claims

1. Claims Time Studies

The examiners requested all paid Missouri private passenger automobile claims involving both medical payments and bodily injury claims during the examination period. The examiners reviewed the first 50 of the 100 claims.

a. Acknowledgment

Field Size:	100
Sample Size:	50
Number of Errors:	0

The examiners found no issues or concerns.

b. Investigation

Field Size:	100
Sample Size:	50
Number of Errors:	0

The examiners found no issues or concerns.

c. Determination

Field Size: 100
Sample Size: 50
Number of Errors: 0

The examiners found no issues or concerns.

2. Unfair Settlement and General Handling Practices

The examiners requested all paid Missouri private passenger automobile claims involving medical payments and bodily injury claims during the examination period. The examiners reviewed the first 50 of the 100 claims.

Field Size: 100
Sample Size: 50
Error Ratio: 14.00%
Number of Errors: 7
Within DCI Guidelines: No

1. The examiners found seven instances where the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims for reasons stated in the explanation field.

Claim	Explanation	Underpayment	Paid
xxxx3837	Offset of Medical Payment Coverage	\$4,909.46	
xxxx5630	Offset of Medical Payment Coverage	\$4,003.70	
xxxx9090	Offset of Medical Payment Coverage	\$5,000.00	\$5,250.00
xxxx4746	Offset of Bodily Injury Liability Coverage	\$1,830.59	
xxxx5506	Offset of Bodily Injury Liability Coverage	\$2,479.82	
xxxx6268	Offset of Medical Payment Coverage	\$3,925.00	\$4,448.31
xxxx8166	Offset of Medical Payment Coverage	\$4,584.98	

Reference: §375.1007(3) RSMo

3. Unfair Claims Practices

Field Size: 100
Sample Size: 50
Error Ratio: 14.00%
Number of Errors: 7
Within DCI Guidelines: No

The * indicated in the instances below indicate that the claim files contain more than one unfair claims practices. However, the instances were counted only once in the error ratio.

1. The examiners found seven instances where the Company misrepresented to claimants and insureds relevant facts or policy provisions relating to coverages at issue for reasons stated in the explanation field.

Claim	Explanation	Underpayment	Paid
*xxxx3837	Offset of Medical Payment Coverage	\$4,909.46	
*xxxx5630	Offset of Medical Payment Coverage	\$4,003.70	
*xxxx9090	Offset of Medical Payment Coverage	\$5,000.00	\$5,250.00
*xxxx4746	Offset of Bodily Injury Liability Coverage	\$1,830.59	
*xxxx5506	Offset of Bodily Injury Liability Coverage	\$2,479.82	
*xxxx6268	Offset of Medical Payment Coverage	\$3,925.00	\$4,448.31
*xxxx8166	Offset of Medical Payment Coverage	\$4,584.98	

Reference: §375.1007(1) RSMo and 20 CSR 100-1.020(1)(A)

2. The examiners found seven instances where the Company did not attempt in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability had become reasonably clear for reasons stated in the explanation field.

Claim	Explanation	Underpayment	Paid
*xxxx3837	Offset of Medical Payment Coverage	\$4,909.46	
*xxxx5630	Offset of Medical Payment Coverage	\$4,003.70	
*xxxx9090	Offset of Medical Payment Coverage	\$5,000.00	\$5,250.00
*xxxx4746	Offset of Bodily Injury Liability Coverage	\$1,830.59	
*xxxx5506	Offset of Bodily Injury Liability Coverage	\$2,479.82	
*xxxx6268	Offset of Medical Payment Coverage	\$3,925.00	\$4,448.31
*xxxx8166	Offset of Medical Payment Coverage	\$4,584.98	

Reference: §375.1007(4) RSMo

D. Paid Medical Payments and Uninsured Motorist Coverage Claims

1. Claims Time Studies

The examiners requested a census of the total population of paid Missouri private passenger automobile claims involving both medical payments claims and uninsured motorist injury claims during the examination period.

a. Acknowledgment

Field Size:	36
Sample Size:	36
Type of Sample:	Census
Number of Errors:	0

The examiners found no issues or concerns.

b. Investigation

Field Size: 36
Sample Size: 36
Type of Sample: Census
Number of Errors: 0

The examiners found no issues or concerns.

c. Determination

Field Size: 36
Sample Size: 36
Type of Sample: Census
Number of Errors: 0

The examiners found no issues or concerns.

2. Unfair Settlement and General Handling Practices

The examiners requested a census of the total population of Missouri private passenger automobile claims involving both medical payments and uninsured motorist injury claims during the examination period.

Field Size: 36
Sample Size: 36
Type of Sample: Census
Error Ratio: 16.66%
Number of Errors: 6
Within DCI Guidelines: No

1. The examiners found six instances where the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims for the reasons stated in the explanation field.

Claim	Explanation	Underpayment	Paid
xxxx6192	Offset of UMBI Coverage	\$876.36	
xxxx5789	Offset of Medical Payment Coverage	\$1,272.85	
xxxx8185	Offset of UMBI Coverage	\$753.00	
xxxx5463	Offset of UMBI Coverage	\$588.00	
xxxx0286	Offset of Medical Payment and UMBI Coverage	\$9,377.29	
xxxx3715	Offset of UMBI Coverage	\$22,500.00	

Reference: §§375.1007(3)

3. Unfair Claims Practices

Field Size:	36
Sample Size:	36
Type of Sample:	Census
Error Ratio:	16.66%
Number of Errors:	6
Within DCI Guidelines:	No

The * indicated in the instances below indicate that the claim files contain more than one unfair claims practices. However, the instances were counted only once in the error ratio.

1. The examiners found six instances where the Company misrepresented to claimants and insureds relevant facts or policy provisions relating to coverages at issue for reasons stated in the explanation field.

Claim	Explanation	Underpayment	Paid
*xxxx6192	Offset of UMBI Coverage	\$876.36	
*xxxx5789	Offset of Medical Payment Coverage	\$1,272.85	
*xxxx8185	Offset of UMBI Coverage	\$753.00	
*xxxx5463	Offset of UMBI Coverage	\$588.00	
*xxxx0286	Offset of Medical Payment and UMBI Coverage	\$9,377.29	
*xxxx3715	Offset of UMBI Coverage	\$22,500.00	

Reference: §375.1007(1) RSMo and 20 CSR 100-1.020(1)(A)

2. The examiners found six instances where the Company did not attempt in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability had become reasonably clear for reasons stated in the explanation field.

Claim	Explanation	Underpayment	Paid
*xxxx6192	Offset of UMBI Coverage	\$876.36	
*xxxx5789	Offset of Medical Payment Coverage	\$1,272.85	
*xxxx8185	Offset of UMBI Coverage	\$753.00	
*xxxx5463	Offset of UMBI Coverage	\$588.00	
*xxxx0286	Offset of Medical Payment and UMBI Coverage	\$9,377.29	
*xxxx3715	Offset of UMBI Coverage	\$22,500.00	

Reference: §375.1007(4) RSMo

4. Failure to Maintain Claims Documentation

1. The examiners found in Claim #xxxx6707 the Company failed to maintain the claim file to clearly show the disposition of the claim.

Reference: §374.205 RSMo and 20 CSR 100-8.040(2)

II. UNDERWRITING AND RATING PRACTICES

This section of the report provides a review of the Company's underwriting and rating practices. These practices include the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures for declining or terminating coverage. The examiners reviewed the Company's handling of new and renewal policies to determine whether the Company was underwriting and rating risks according to its own underwriting guidelines, filed rates, and Missouri statutes and regulations.

Because of the time and cost involved in reviewing each policy/underwriting file, the examiners utilized sampling techniques in conducting compliance testing. A policy/underwriting file is reviewed in accordance with 20 CSR 100-8.040 and the NAIC's *Market Regulation Handbook*. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.930 – 375.948 and 375.445, RSMo) and compared with the NAIC benchmark error rate of ten percent (10%). Error rates in excess of the NAIC benchmark are presumed to indicate a general business practice. Errors indicating a failure to comply with laws that do not apply a general business practice standard are separately noted as errors and are not included in the error rate calculations.

The examiners requested the Company's underwriting and rating manuals for the lines of business under review. This request included all rates, guidelines and rules that were in effect on the first day of the examination period and at any point during that period to ensure that the examiners could properly rate each policy reviewed.

The examiners also reviewed the Company's procedures, rules and forms filed by or on behalf of the Company with the DCI. The examiners either used a census or randomly selected the files for review from a listing furnished by the Company.

The examiners also requested a written description of significant underwriting and rating changes that occurred during the examination period for underwriting files that were maintained in an electronic format.

An error includes, but is not limited to, any miscalculation of the premium based on the information in the file, an improper acceptance or rejection of an application, the misapplication of the Company's underwriting guidelines, incomplete file documentation preventing the examiners from readily ascertaining the Company's rating and underwriting practices, and any other activity indicating a failure to comply with Missouri statutes and regulations.

A. Forms and Filings

The examiners reviewed the Company's policy and contract forms for compliance with filing, approval, and content requirements to ensure that the contract language is not ambiguous or misleading and is adequate to protect those insured.

The examiners found the Company used three unfiled forms without obtaining appropriate approval. Those unfiled forms were:

- Form A063(05) Name Non-Owner Coverage
- Form A155CW(01) – Storage Endorsement
- Form 119MO(02) – Exclusion of Named Driver

References: §375.920 RSMo

III. COMPLAINTS

This section of the report reviews the Company's complaint handling practices. The examiners reviewed how the Company handled complaints to determine whether it followed its own guidelines and Missouri statutes and regulations.

Section 375.936(3) RSMo, requires companies to maintain a registry of all written complaints received. The registry must include all Missouri complaints, whether sent directly to the DCI or sent directly to the Company.

The examiners reviewed the Company's complaint registry dated January 1, 2014 to December 31, 2016. The registry listed 19 complaints. The examiners reviewed all 19 complaints.

A. Complaints Sent Directly to the DCI

The examiners reviewed the nature of each complaint, the disposition of each complaint and the time taken to process the complaint, as required by §375.936(3) RSMo and 20 CSR 100-8.040(3)(D).

The examiners found no issues or concerns.

B. Complaints Sent Directly to the Company

The examiners requested and received copies of the Company's complaints sent directly to the Company.

The examiners found no issues or concerns.

IV. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with requested material or to respond to criticisms. Missouri law requires that companies respond to criticisms and formal requests within 10 calendar days. In the event an extension was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the subsequent time frame. If the response was not received within that time period, the response was not considered timely.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
Received w/in time limit, including any extensions	7	100.0%
Not received w/in time limit, including any extensions	0	0.00%
Total	7	100.00%

The examiners found no issues or concerns.

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
Received w/in time limit, including any extensions	34	100.00%
Not received w/in time limit, including any extensions	0	0.00%
Total	34	100.00%

The examiners found no issues or concerns.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of USAA General Indemnity Company, (NAIC #18600), Examination Number 307074. This examination was conducted by Shelly Herzing, Examiner-in-Charge, Darren Jordan, Examiner, and Gary Bird, Examiner. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated December 18, 2019. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

7-15-2020

Date



Stewart Freilich

Chief Market Conduct Examiner