

2000 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

USAA CASUALTY INSURANCE COMPANY  
(USAA GROUP)

BY

THE FLORIDA DEPARTMENT OF INSURANCE

FILED DATE: 7/26/01

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## I. INTRODUCTION

USAA Casualty Insurance Company is a foreign property and casualty insurer licensed to conduct business in the State of Florida during the scope of this property and casualty market conduct examination, January 1996 through December 1999. The examination began October 29, 2000 and ended December 30, 2000. The last property and casualty market conduct examination of this insurer, by the Florida Department of Insurance, was concluded March 24, 1995.

The 1995 property and casualty market conduct examination included the review of private passenger automobile, homeowners, dwelling fire, renter's protection, inland marine and personal umbrella policies. Violations cited included of the use of unfiled rating plans for symbols, failure to attach mandatory forms or endorsements, and to provide specific reasons for denial, cancellation or nonrenewal of policies.

The purpose of the current target examination was to determine compliance with Florida Statutes and Rules.

During this examination, records reviewed included policies, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints for the period of January 1996 through December 1999, as reflected in the report.

This report contains examination results addressing all areas of noncompliance found during the course of the examination. In all instances, the Company was directed to take corrective action as required, and immediately cease any activity that continues to place the Company in noncompliance with Florida Statutes and Rules.

II. PRE-EXAM REVIEW OF COMPANY WRITINGS

A. CERTIFICATE OF AUTHORITY - AUTHORIZED LINES

1. General Comments

The Certificate of Authority/Renewal Invoices were reviewed for all years within the scope of the examination.

2. Exam Findings

The review included verification of the lines of business the Company was authorized to write during the scope of examination versus those lines actually being written. It also included verification that notification requirements were met for any line of business that was discontinued.

No errors were found.

### III. COMPANY OPERATIONS/MANAGEMENT

#### A. PROFILE

USAA Casualty Insurance Company (CIC) was incorporated and licensed in the state of Texas under the name United Services Casualty Insurance Company in September, 1968. The current name was adopted in December, 1970. In July 1990, CIC was redomesticated in Florida. In January 2000, CIC was redomesticated back to Texas. All outstanding capital stock is owned by United Services Automobile Association. The Chief executive officer is Robert G. Davis. The Company is licensed in all states and the District of Columbia.

CIC specializes in writing personal lines property and casualty insurance for active duty enlisted personnel other than non commissioned officers and ex-dependents of USAA members. These lines included private passenger automobile, dwelling fire, homeowners, renters, personal articles floater, boatowners, and personal umbrella insurance.

CIC has no agency force except as required by law. Operations are conducted by mail and telephone with policyholders on a direct basis from the Home and Regional Officers. Regional offices, which include claims offices, are maintained in Colorado Springs, Colorado; Norfolk, Virginia; Sacramento, California; and Tampa, Florida. The majority of claims are handled through the regional and home office staff, with claims requiring additional handling referred to staff field adjusters. Additionally, USAA-CIC launched its Web site, usaa.com, in March, 1999. Most business is still conducted by mail and telephone.

The USAA Group includes the following companies.

- Unites Services Automobile Association, a reciprocal inter-insurance exchange domiciled in Texas.

- USSA Casualty Insurance Company, a Texas-domiciled stock insurance company writing personal lines property and casualty insurance policies.
- USAA General Indemnity Company, a Texas-domiciled stock insurance Company writing flood insurance under the Federal Write Your Own program, non-standard private passenger automobile insurance, and mobile homeowners insurance.
- Garrison Property and Casualty Association, a reciprocal inter-insurance exchange domiciled in Texas writing private passenger automobile insurance in Colorado.

B. MANAGEMENT

USAA Casualty Insurance Company computer system consists of several mainframes and a network with systems running Windows NT and several forms of Unix.

USAA Casualty Insurance Company has a disaster recovery plan in place. In lieu of an anti-fraud plan, USAA Casualty Insurance Company has a special Investigations Unit, in accordance with Section 626.9891 (1), Florida Statutes. A description of the unit and its functions is on file with the Florida Department of Insurance. USAA Casualty Insurance Company is subjected to an internal audit of operational areas using a risk-based audit schedule.

C. OPERATIONS

USAA Casualty Insurance Company markets its products throughout the State of Florida.

IV. REVIEW OF POLICIES

A. PRIVATE PASSENGER AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

USAA Casualty Insurance Company independently files rules/rates in accordance with Section 627.0651, Florida Statutes.

b. Form Filings

USAA Casualty Insurance Company independently files forms in accordance with Section 627.410, Florida Statutes.

c. Statistical Affiliation

The Insurance Service Office acts as the Company's Official statistical agent.

2. Premium and Policy Counts

Direct Premiums Written and in-force policy counts for the scope of the examination are as follows:

<u>Year</u>	<u>DPW</u>	<u>Policy Count</u>
1997	\$104,255,716	82,102
1998	\$108,876,664	86,718
1999	\$113,382,938	90,480

3. Exam Findings

Fifty (50) policy files were examined.

No errors were found.



B. HOMEOWNERS

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

USAA Casualty Insurance Company is a subscriber of Insurance Services Office (ISO) and as such ISO is authorized to file rules/rates on the Company's behalf in accordance with Section 627.062, Florida Statutes. In addition, the Company does make some independent filings.

b. Form Filings

USAA Casualty Insurance Company is a subscriber of Insurance Services Office (SO) and as such ISO is authorized to file forms on the Company's behalf in accordance with Section 627.410, Florida Statutes. In addition, the Company does make some independent filings.

c. Statistical Affiliation

Insurance Services Office acts as the Company's official statistical agent.

2. Premium and Policy Counts

Direct Premiums Written and in-force policy counts for the scope of the examination are as follows:

<u>Year</u>	<u>DPW</u>	<u>Policy Count</u>
1997	\$33,113,124	40,278
1998	\$31,767,757	39,746

1999	\$39,517,129	43,706
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3. Exam Findings

Fifty (50) policy files were examined.

No errors were found.

V. AGENTS/MGA REVIEW

Twenty (20) applications/policies written during the scope of examination were examined.

No errors were found.

VI. CANCELLATIONS/NONRENEWALS REVIEW

Thirty (30) cancelled/nonrenewed policies were examined.

No errors were found.

## VII. CLAIMS REVIEW

Fifty (50) claims were examined.

Two (2) errors were found.

None of the errors affected payments.

The Company's internal claims handling procedures and reserving practices are described in Exhibit I.

The errors are broken down as follows:

1. Two (2) errors were due to failure to maintain records. This constitutes a violation of Section 627.318, Florida Statutes. Claim documentation to support the adjustment of claims was not retained.

## VIII. COMPLAINTS REVIEW

A complete record of all the complaints received by the Company since the date of the last examination has been maintained as is required by Section 626.9541(1)(j), Florida Statutes. Procedures for handling these complaints have been established by the Company. Complaint handling procedures are described in Exhibit II.

Consumer complaints received during the scope of examination were reviewed, and findings are as follows:

### A. DOI REFERRALS

Investigation case number 1146. Referral Number S-9798-0053318. No violations noted.

Investigation case number 1149. Referral Number S-9798-0054283. No violations noted.

Investigation case number 1150. Referral Number 9798-0053729. No violations noted.

Investigation case number 1151. Referral Number 9798-0053812. No violations noted.

Investigation case number 1152. Referral Number 9798-0052830. No violations noted.

### B. COMPANY RECEIVED COMPLAINTS

Ten complaints were reviewed.

No errors were found.

IX. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
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CLAIMS PROCEDURES	I
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COMPLAINTS PROCEDURES	II
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