



# Illinois Department of Insurance

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Bruce Rauner  
Governor

Anne Melissa Dowling  
Acting Director

March 18, 2016

Alan Wayne Krapf, President  
Stewart Blain Parker, President  
United Services Automobile Association  
9800 Fredericksburg Road  
San Antonio, TX 78288

**Re:** United Services Automobile Association (A Reciprocal Exchange), NAIC 25941  
USAA Casualty Insurance Company, NAIC 25968  
USAA General Indemnity Company, NAIC 18600  
Garrison Property and Casualty Insurance Company, NAIC 21253  
*Market Conduct Examination Report Closing Letter*

Dear Mr. Krapf and Mr. Parker:

The Department has reviewed your Companies' proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report 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,

A handwritten signature in cursive script that reads "Jack Engle".

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**United Services Automobile Association (A Reciprocal Exchange)  
USAA Casualty Insurance Company  
USAA General Indemnity Company  
Garrison Property and Casualty Insurance Company**

**EXAMINATION REPORT**

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: October 20, 2014 through July 1, 2015

EXAMINATION OF: United Services Automobile Association (A Reciprocal Exchange)  
(P&C Foreign) NAIC #25941

USAA Casualty Insurance Company  
(P&C Foreign) NAIC #25968

USAA General Indemnity Company  
(P&C Foreign) NAIC #18600

Garrison Property and Casualty Insurance Company  
(P&C Foreign) NAIC #21253

LOCATION: 9800 Fredericksburg Road  
San Antonio, TX 78288

PERIOD COVERED BY  
EXAMINATION: January 1, 2013 through March 31, 2014

EXAMINERS: Roger Henschen  
Ron Cochran  
Sara Moler  
Sean Connolly  
Linda Miller  
J. Joseph Cohen, Examiner-in-Charge

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I. SUMMARY

A comprehensive Market Conduct examination of United Services Automobile Association (A Reciprocal Exchange), USAA Casualty Insurance Company, USAA General Indemnity Company and Garrison Property and Casualty Insurance Company was performed to determine compliance with Illinois Statutes and the Illinois Administrative Code. The companies were examined as a group and are hereinafter collectively referred to as USAA or the Company. The four lines of business reviewed were Private Passenger Automobile, Homeowners, Renters and Dwelling Fire.

The following table represents general findings, with specific details in each section of the report.

<b>TABLE OF TOTAL VIOLATIONS</b>						
<b>Crit #</b>	<b>Statute/Rule</b>	<b>Description of Violations</b>	<b>Population</b>	<b>Files Reviewed</b>	<b># of Violations</b>	<b>Error %</b>
1	50 Ill. Adm. Code 926.40(a)	Failed to respond to Department complaints in a timely manner. (Complaints - DOI)	45	45	2	4.44%
2	215 ILCS 5/143d	Failed to provide a sufficient written response to written inquiries and complaints within 21 days of receipt. (Complaints - Consumer)	137	137	13	9.5%
3	50 Ill. Adm. Code 919.80(c)	Failed to provide the insured with Exhibit A within 7 days of total loss determination. (Private Passenger Automobile-1 <sup>st</sup> Party Claims-Total Loss)	2562	108	4	3.70%
4	50 Ill. Adm. Code 919.80(c)(3)(A)(i)	Failed to pay the correct sales tax and/or title and transfer fees. (Private Passenger Automobile-1 <sup>st</sup> Party Claims-Total Loss)	2562	108	12	11.11%
5	215 ILCS 5/154.6(d)	Failed to treat insureds fairly and equitably by paying taxes and/or fees for insureds that did not provide proof of replacement vehicle while not paying others. (Seventeen instances out of sixty-three files where proof of a replacement vehicle was not provided for an error rate of 26.98%.) (Private Passenger Automobile-1 <sup>st</sup> Party Claims-Total Loss)	2562	108	17	15.74%

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<b>Crit #</b>	<b>Statute/Rule</b>	<b>Description of Violations</b>	<b>Population</b>	<b>Files Reviewed</b>	<b># of Violations</b>	<b>Error %</b>
6	50 Ill. Adm. Code 919.80(c)(2)(E)	Failed to properly document the file for the amount of the claim payment. (Private Passenger Automobile-1st Party Claims-Total Loss)	2562	108	1	0.93%
8	215 ILCS 5/500-15	Failed to use a producer who was properly licensed. (Dwelling Fire New Business)	1375	114	2	1.75%
9	50 Ill. Adm. Code 919.80(b)(2)	Failed to provide a delay letter in a claim unresolved for greater than 40 days. (One (1) instance out of twelve files requiring a delay letter for an error rate of 8.33%.) (Private Passenger Automobile-1st Party Claims (Coll)-Paid)	11,746	116	1	0.86%
10	50 Ill. Adm. Code 919.80(b)(2)	Failed to provide a delay letter in claims unresolved for greater than 40 days. (Two (2) instances out of five (5) files requiring a delay letter for an error rate of 40%.) (Private Passenger Automobile-1st Party Claims (Coll)-CWOP)	7368	116	2	1.72%
11	215 ILCS 5/154.6(j)	Failed to settle claims for a reasonable amount by placing caps or limits on paint or materials. (Private Passenger Automobile-1st Party Claims (Coll)-Paid)	11,756	116	16	13.79%
12	215 ILCS 5/500-15	Failed to use a producer who was properly licensed. (Renters New Business)	8238	116	1	0.86%
20	50 Ill. Adm. Code 919.30(c)	Failed to maintain adequate documentation to reconstruct claim activity. (Homeowners-1st Party Property Claims-Paid)	5268	109	5	4.59%

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<b>Crit #</b>	<b>Statute/Rule</b>	<b>Description of Violations</b>	<b>Population</b>	<b>Files Reviewed</b>	<b># of Violations</b>	<b>Error %</b>
22	50 Ill. Adm. Code 919.80(d)(7)(B)	Failed to provide a delay letter in claims unresolved for more than 75 calendar days from the date it is reported, or 25 calendar days after receipt of proof of loss, whichever is less. (Three (3) instances out of four (4) files requiring a delay letter for an error rate of 75%). (Homeowners-1st Party Property Claims-Paid)	5268	109	3	2.75%
23	50 Ill. Adm. Code 919.50(a)(1)	Failed to provide adequate documentation for the basis of a lower offer or denial. (Dwelling Fire-1st Party Property Claims-Paid)	489	83	3	3.61%
24	50 Ill. Adm. Code 919.80(d)(7)(B)	Failed to provide a delay letter in claims unresolved for more than 75 calendar days from the date it is reported, or 25 calendar days after receipt of proof of loss, whichever is less. (Five (5) instances out of six (6) files requiring a delay letter for an error rate of 83.33%). (Dwelling Fire-1st Party Property Claims-Paid)	489	83	5	6.02%
25	215 ILCS 5/397.1	Failed to obtain the required certificate for property taxes and demolition expenses before the claim was paid. (One (1) instance in the sample where the tax and demolition certificate was required for an error rate of 100%). (Homeowners-1st Party Property Claims-Paid)	5268	109	1	0.92%
26	50 Ill. Adm. Code 919.50(a)(1)	Failed to send a written denial letter for claims. (Dwelling Fire-1st Party Property Claims-CWOP)	346	82	3	3.66%
27	215 ILCS 5/500-15	Failed to use a producer who was properly licensed. (Homeowners New Business)	9291	116	2	1.72%

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28	50 Ill. Adm. Code 919.80(d)(7)(B)	Failed to provide a delay letter in claims unresolved for more than 75 calendar days from the date reported, or 25 calendar days after receipt of proof of loss, whichever is less. (Two (2) instances out of two (2) files requiring a delay letter for an error rate of 100%.) (Renters-1st Party Property Claims-Paid)	1091	107	2	1.87%
29	215 ILCS 5/154.6(c) and 50 Ill. Adm. Code 919.40	Failed to make a bona fide effort to communicate with the third party where liability was reasonably clear within 21 working days after notification of loss. (Private Passenger Automobile-3rd Party Claims (PD)-CWOP)	2628	108	11	10.19%
30	50 Ill. Adm. Code 919.80(b)(3)	Failed to provide a delay letter in claims unresolved for greater than 60 days. (Three (3) instances out of ten files requiring a delay letter for an error rate of 30%.) (Private Passenger Automobile-3rd Party Claims (PD)-CWOP)	2628	108	3	2.78%
31	215 ILCS 5/143.21	Failed to properly cancel policies in effect longer than 60 days by canceling for reasons outside of those allowed by statute. (Dwelling Fire Cancellations)	12	12	2	16.67%
33	215 ILCS 5/143.27	Failed to provide a reasonable period of time for rehabilitation of property prior to cancellation. (Dwelling Fire Cancellations)	12	12	2	16.67%
34	50 Ill. Adm. Code 919.30(c)	Failed to maintain adequate documentation to reconstruct claim activity. (Homeowners-1st Party Property Claims-CWOP)	2619	108	7	6.48%



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36	50 Ill. Adm. Code 919.50(a)(1)	Failed to provide the insured with a written explanation of denial within 30 days of investigation. (Seven (7) instances out of forty-five files requiring a denial letter for an error rate of 15.56%.) (Homeowners-1st Party Property Claims-CWOP)	2619	108	7	6.48%
37	215 ILCS 5/805.1(a)	Failed to provide mine subsidence coverage without the required waiver from the insured. (One (1) instance out of twenty-four files where mine subsidence coverage was required for an error rate of 4.17%.) (Homeowners New Business)	9291	116	1	0.86%
38	215 ILCS 5/143.22	Failed to notify the named insured of eligibility for the FAIR Plan and the procedures to make application to the FAIR Plan. (One (1) instance out of nineteen files where FAIR Plan notification was required for an error rate of 5.26%.) (Renters Nonrenewals)	26	26	1	3.85%
43	215 ILCS 5/143.17(e)	Failed to provide a specific explanation of the reasons for nonrenewal. These violations occurred in nonrenewals due to the death of the insured as was also found in nonrenewals for Homeowners and Dwelling Fire. (Private Passenger Automobile Nonrenewals)	136	79	13	16.46%
44	215 ILCS 5/143.17(a)	Failed to maintain proof of mailing of the notice of nonrenewal. (Private Passenger Automobile Nonrenewals)	136	79	2	2.53%

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45	215 ILCS 5/143.19.1	Failed to give at least 60 days notice. (Three (3) instances out of thirty files where proper notice was required for an error rate of 10%.) (Private Passenger Automobile Nonrenewals)	136	79	3	3.80%
46	215 ILCS 5/143.17(e)	Failed to provide a specific explanation of the reason for nonrenewal. These violations occurred in nonrenewals due to the death of the insured as was also found in nonrenewals for Automobile and Dwelling Fire. (Homeowners Nonrenewals)	176	79	28	35.44%
47	215 ILCS 5/143.27	Failed to provide a reasonable period of time for rehabilitation of property prior to nonrenewal. One file was not in compliance with seventeen files having rehabilitation issues. (Dwelling Fire Nonrenewals)	126	79	1	1.27%
48	215 ILCS 5/143.17(e)	Failed to provide a specific explanation of the reason for nonrenewal. These violations occurred in nonrenewals due to the death of the insured as was also found in nonrenewals for Automobile and Homeowners. (Dwelling Fire Nonrenewals)	126	79	5	6.33%
51	50 Ill. Adm. Code 919.50(a)(1)	Failed to provide the insured with a written explanation of denial within 30 days of investigation. (Seven (7) instances out of thirty-three files requiring a denial letter for an error rate of 21.21%.) (Renters-1 <sup>st</sup> Party Property Claims-CWOP)	523	105	7	6.67%
52	50 Ill. Adm. Code 919.30(c)	Failed to maintain adequate documentation to reconstruct the claim activity. (Renters-1 <sup>st</sup> Party Property Claims-CWOP)	523	105	2	1.90%

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<b>Crit #</b>	<b>Statute/Rule</b>	<b>Description of Violations</b>	<b>Population</b>	<b>Files Reviewed</b>	<b># of Violations</b>	<b>Error %</b>
53	50 Ill. Adm. Code 919.80(d)(7)(B)	Failed to provide a delay letter in claims unresolved for more than 75 calendar days from the date reported, or 25 calendar days after receipt of proof of loss, whichever is less. (Ten instances out of twelve files requiring a delay letter for an error rate of 83.33%.) (Renters-1st Party Property Claims-CWOP)	523	105	10	9.52%
62	215 ILCS 5/143.21	Failed to properly cancel policies in effect longer than 60 days by canceling for reasons outside of those allowed by statute. (Homeowners Cancellations)	28	28	1	3.57%

## II. BACKGROUND

### 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.

The Company's 2013 NAIC Annual Statement, Page 14 (Illinois), reflects the following information:

	Line of Business	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
1	Fire	\$2,764,814	\$2,680,976	\$576,579	\$518,419
4	Homeowners multiple peril	\$39,497,880	\$38,111,128	\$22,130,952	\$22,377,291
19.2	Other private passenger auto liability	\$27,491,757	\$27,572,988	\$17,579,934	\$19,038,602
21.1	Private passenger auto physical damage	\$25,417,989	\$25,474,280	\$18,248,549	\$17,919,139
	Total Lines 1, 4, 19.2 & 21.1	\$95,172,440	\$93,839,372	\$58,536,014	\$59,853,451
35	All Lines Total	\$102,421,225	\$100,989,117	\$60,888,457	\$62,020,620

### 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 USAA.

The Company's 2013 NAIC Annual Statement, Page 14 (Illinois), reflects the following information:

	Line of Business	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
1	Fire	\$1,487,251	\$1,410,869	\$153,074	\$151,349
4	Homeowners multiple peril	\$30,645,369	\$29,430,333	\$17,312,998	\$16,677,372
19.2	Other private passenger auto liability	\$23,126,664	\$22,984,869	\$15,876,104	\$16,427,521
21.1	Private passenger auto physical damage	\$20,567,608	\$20,338,380	\$14,617,092	\$14,340,310
	Total Lines 1, 4, 19.2 & 21.1	\$75,826,892	\$74,164,451	\$47,959,268	\$47,596,552
35	All Lines Total	\$79,914,673	\$78,117,710	\$49,076,912	\$48,523,675

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.

The Company's 2013 NAIC Annual Statement, Page 14 (Illinois), reflects the following information:

	Line of Business	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
1	Fire	\$322,060	\$266,814	\$0	\$10,053
4	Homeowners multiple peril	\$7,396,752	\$6,078,335	\$5,108,627	\$5,635,535
19.2	Other private passenger auto liability	\$9,870,892	\$9,254,331	\$6,409,204	\$7,819,040
21.1	Private passenger auto physical damage	\$10,457,005	\$9,841,062	\$7,340,923	\$7,254,066
	Total Lines 1, 4, 19.2 & 21.1	\$28,046,709	\$25,440,542	\$18,858,754	\$20,718,694
35	All Lines Total	\$29,965,663	\$27,119,145	\$20,338,962	\$22,398,338

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 Group acquired control of Reciprocal Exchange on December 31, 1997. Garrison re-domesticated to Texas and the name was changed to Garrison Property and Casualty 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 Casualty Insurance Company.

The Company's 2013 NAIC Annual Statement, Page 14 (Illinois), reflects the following information:

	Line of Business	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred
1	Fire	\$187,075	\$175,893	\$8,165	\$892
4	Homeowners multiple peril	\$3,504,628	\$3,115,304	\$1,962,466	\$1,894,612
19.2	Other private passenger auto liability	\$4,729,602	\$4,612,470	\$2,349,443	\$2,394,239
21.1	Private passenger auto physical damage	\$3,889,263	\$3,782,967	\$2,574,989	\$2,536,944
	Total Lines 1, 4, 19.2 & 21.1	\$12,310,568	\$11,686,634	\$6,895,063	\$6,826,687
35	All Lines Total	\$12,803,380	\$12,124,215	\$7,183,119	\$7,185,773

### III. METHODOLOGY

The Market Conduct Examination process places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The four lines of business reviewed in this examination were Private Passenger Automobile, Homeowners, Renters and Dwelling Fire. This report is a collective report with group samples that combine all companies since they all operate with the same procedures, platforms and personnel. The group samples were proportional between each individual company.

The scope of this examination was a comprehensive examination including a review of the following areas:

- A. Company Operations and Management
- B. Complaints
- C. Producer Licensing
- D. Risk Selection
- E. Underwriting
- F. Claims

The review of the categories was accomplished through examination of material related to Company operations and management, complaint files, producer lists, underwriting files, risk selection files and claim files, as well as interviews and Company responses to the Coordinator's Handbook, Information Requests and Criticisms. Each of the categories was examined for compliance with Illinois Department of Insurance (ILDOI) regulations and applicable state laws.

The following method was used to obtain the required samples and to ensure a statistically sound selection: Surveys were developed from Company-generated Excel spreadsheets. Random statistical file selections were generated by the examiners from these spreadsheets and presented to the Company for retrieval.

#### Company Operations and Management

A review was conducted of the Companies' underwriting and claims guidelines and procedures, policy forms, third party vendors, internal audits, certificates of authority, previous market conduct examinations and annual statements. These documents were reviewed for compliance with the Illinois Compiled Statutes and the Illinois Administrative Code.

There were no exceptions noted.

### Complaints

The Company was requested to identify all consumer and ILDOI complaints received during the examination period (plus two years prior for trending purposes) and to provide copies of the complaint logs. All complaint files and logs were received. After removal of files outside the scope of the exam, including the files outside the examination period, the remaining files were reviewed for compliance with the Illinois Compiled Statutes and the Illinois Administrative Code.

### Producer Licensing

The Company was requested to provide a list of all producers licensed to do business in the State of Illinois during the examination period. The Company identified a universe of producers. A random sample of producers was requested, received and reviewed in comparison to the State of Illinois licensing database and for compliance with the Illinois Compiled Statutes and the Illinois Administrative Code. Newly Issued business was also reviewed to determine if solicitations were made by duly licensed persons.

### Risk Selection

The Company was requested to provide a list of all policies in the following categories during the examination period: company initiated cancellations, cancellations due to non-payment of premiums and nonrenewals. The Company identified the universes of policies. Due to difficulties with the data provided, primarily due to the way the Company maintains the data, the examiners made a total of three requests for appropriate universes for Company initiated cancellations and nonrenewals. Random samples of the provided files were requested, received and reviewed unless the small population of files required an examination of the entire universe. In addition, due to other disqualifying factors, some individual files in the samples were replaced, generally with the next file in the universe. The files were reviewed to ensure that the policies were processed in compliance with the Illinois Compiled Statutes and the Illinois Administrative Code. The review included compliance with statutory requirements, the accuracy and validity of reasons given and for any possible discrimination.



## Underwriting

The Company was requested to provide a list of all New Business policies in the four lines of business under review. The Company identified the universes of policies. Random samples of the provided files were requested, received and reviewed. In addition, due to disqualifying factors, some individual files in the samples were replaced, generally with the next file in the universe. The files were reviewed to ensure that the policies were processed in compliance with the Illinois Compiled Statutes and the Illinois Administrative Code. The review also included the rating of twenty-five policies for each line of business. New policies were also reviewed for the use of filed rates, the use of filed forms, compliance with Company underwriting guidelines and to ensure the coverage provided was as requested by the applicant.

## Claims

The Company was requested to provide a list of all claims in various categories during the examination period to include Paid, Denied and Closed without Payment (CWOP). The Company was able to provide Paid and CWOP claims. However, the Company advised that its systems capture claims that are not paid for any reason in only the one CWOP category. Due to various disqualifying factors, some individual files in the samples were replaced with another file, generally the next file in the universe. The files were reviewed to ensure that the claims were processed in compliance with the Illinois Compiled Statutes and the Illinois Administrative Code.

#### IV. SELECTION OF SAMPLE

<b>Survey</b>	<b>Population</b>	<b># Reviewed</b>	<b>% Reviewed</b>
<b>Complaints</b>			
Complaints-DOI	45	45	100%
Complaints-Consumer	137	137	100%
<b>Producer Licensing</b>	4,580	115	2.51%
<b>Risk Selection</b>			
Private Passenger Automobile-Cancellations	21	21	100%
Private Passenger Automobile-Nonrenewals	136	79	58.09%
Homeowners-Cancellations	30	28	93.33%
Homeowners-Nonrenewals	176	79	44.89%
Renters-Cancellations	7	7	100%
Renters-Nonrenewals	26	26	100%
Dwelling Fire-Cancellations	12	12	100%
Dwelling Fire-Nonrenewals	126	79	62.70%
Private Passenger Automobile-Non Pay Cancels	3,519	113	3.21%
Homeowners-Non Pay Cancels	290	84	28.97%
Renters-Non Pay Cancels	1,511	109	7.21%
Dwelling Fire-Non Pay Cancels	60	60	100%
<b>Underwriting</b>			
Private Passenger Automobile-New Business	24,895	116	0.47%
Homeowners-New Business	9,291	116	1.25%
Renters-New Business	8,238	116	1.41%
Dwelling Fire-New Business	1,375	114	8.29%
<b>Claims</b>			
Private Passenger Automobile-3rd Party Claims (PD)-Paid	7,857	109	1.39%
Private Passenger Automobile-3rd Party Claims (PD)-CWOP	2,628	108	4.11%
Private Passenger Automobile-1st Party Claims (Coll)-Paid	11,756	116	0.99%
Private Passenger Automobile-1st Party Claims (Coll)-CWOP	7,368	116	1.57%
Private Passenger Automobile-Total Loss (1st Party)	1,087	108	9.94%
Private Passenger Automobile-Subrogation (1st Party-Collision)	1,603	108	6.74%
Homeowners-1st Party Property Claims-Paid	2,624	109	4.15%
Homeowners-1st Party Property Claims-CWOP	1,333	108	8.10%
Renters-1st Party Property Claims-Paid	344	107	31.10%
Renters-1st Party Property Claims-CWOP	179	105	58.66%
Dwelling Fire-1st Party Property Claims-Paid	343	83	24.20%
Dwelling Fire-1st Party Property Claims-CWOP	236	82	34.75%

## V. FINDINGS

### A. COMPANY OPERATIONS AND MANAGEMENT

There were no criticisms in this review.

### B. COMPLAINTS

#### 1. Complaints - DOI

In two (2) instances out of 45 files reviewed, for an error rate of 4.44%, the Company failed to respond to Department complaints in a timely manner. This is a violation of 50 Ill. Adm. Code 926.40(a).

Item #	DOI #	Member #	Criticism
45			Response due 4-17-2014; Response made 4-18-2014, 1 day late.
53			Response due 12-11-13; Extension requested 12-13-13, 2 days late.

#### 2. Complaints - Consumer

In thirteen instances out of 137 files reviewed, for an error rate of 9.5%, the Company failed to provide a sufficient written response to written inquiries and complaints within 21 days of receipt. This is a violation of 215 ILCS 5/143d.

Item #	Company Complaint #	Criticism
9/10		Duplicate Complaints. The complaint was received on 5-24-13 and the Company written response was dated 7-3-13; 19 days late.
14		Response failed to adequately address all the reasons for the insured's complaint.
44		Response failed to adequately address all the reasons for the insured's complaint.
63		Response failed to adequately address all the reasons for the insured's complaint.
70		The complaint was received on 5-5-13 and the Company written response was dated 5-30-13; 4 days late.
71		Response failed to adequately address all the reasons for the insured's complaint.
81		Response failed to adequately address all the reasons for the insured's complaint.
110		Response failed to adequately address all the reasons for the insured's complaint.
119		Response failed to adequately address all the reasons for the insured's complaint.
122		The complaint was received on 6-28-13 and the Company written response was dated 7-22-13, 3 days late; also the Response failed to adequately address all the reasons for the insured's complaint.
132		Response failed to adequately address all the reasons for the insured's complaint.
142		Response failed to adequately address all the reasons for the insured's complaint.
166		Response failed to adequately address all the reasons for the insured's complaint.

C. PRODUCER LICENSING

There were no criticisms in this survey.

D. RISK SELECTION

1. Private Passenger Automobile - Cancellations

There were no criticisms in this survey.

2. Private Passenger Automobile - Nonrenewals

In thirteen instances out of 79 files reviewed, for an error rate of 16.46%, the Company failed to provide a specific explanation of the reason for nonrenewal. This is a violation of 215 ILCS 5/143.17(e). These violations occurred in nonrenewals due to the death of the insured as was also found in nonrenewals for Homeowners and Dwelling Fire.

Item #	Member #	Issue Date	Nonrenewal Date	Reason Provided	Criticism
1		11-18-12	5-18-13	None	No specific explanation given for nonrenewal.
2		9-11-12	3-11-13	None	No specific explanation given for nonrenewal.
3		9-12-12	3-12-13	None	No specific explanation given for nonrenewal.
4		1-26-13	7-26-13	None	No specific explanation given for nonrenewal.
5		7-1-12	1-1-13	Our strict eligibility and acceptability rules.	No specific explanation given for nonrenewal.
7		3-18-13	9-18-13	None	No specific explanation given for nonrenewal.
8		6-19-13	12-19-13	None	No specific explanation given for nonrenewal.
10		8-24-13	2-24-14	None	No specific explanation given for nonrenewal.
11		1-1-13	7-1-13	None	No specific explanation given for nonrenewal.
12		3-4-13	9-4-13	None	No specific explanation given for nonrenewal.
63		1-7-13	7-7-13	None	No specific explanation given for nonrenewal.
64		9-15-12	3-15-13	None	No specific explanation given for nonrenewal.
65		5-16-13	11-16-13	None	No specific explanation given for nonrenewal.

In two (2) instances out of 79 files reviewed, for an error rate of 2.53%, the Company failed to maintain proof of mailing of the notice of nonrenewal. This is a violation of 215 ILCS 5/143.17(a).

Item #	Member #	Issue Date	Nonrenewal Date	Reason Provided	Criticism
23		11-1-12	5-1-13	Excessive loss history	No proof of mailing.
24		3-25-13	9-25-13	Excessive loss history	No proof of mailing.

In three (3) instances out of 79 files reviewed, for an error rate of 3.80%, the Company failed to give at least a 60 day notice. (Three (3) instances out of 30 files where proper notice was required for an error rate of 10%). This is a violation of 215 ILCS 5/143.19.1.

Item #	Member #	Issue Date	Nonrenewal Date	Nonrenewal Notice Date	Reason Provided	Criticism
1		11-18-80	5-18-13	4-2-13	None	No 60 day notice.
4		1-26-80	7-26-13	6-13-13	None	No 60 day notice.
5		12-31-91	1-1-13	12-13-12	Our strict eligibility and acceptability rules.	No 60 day notice.

### 3. Homeowners - Cancellations

In one (1) instance out of 28 files reviewed (all in effect for 60 days), for an error rate of 3.57%, the Company failed to properly cancel policies in effect longer than 60 days by canceling for reasons outside of those allowed by statute. This is a violation of 215 ILCS 5/143.21.

Item #	Member #	Issue Date	Cancellation Date	Reason Provided	Criticism
1		10-2-13	1-6-14	Lack of inspection	Insufficient reason for cancellation in notice as required after 60 days.

### 4. Homeowners - Nonrenewals

In twenty-eight instances out of 79 files reviewed, for an error rate of 35.44%, the Company failed to provide a specific explanation of the reason for nonrenewal. This is a violation of 215 ILCS 5/143.17(e). These violations occurred in nonrenewals due to the death of the insured as was also found in nonrenewals for Automobile and Dwelling-Fire.

Item #	Member #	Issue Date	Nonrenewal Date	Reason Provided	Criticism
1		6-11-12	6-11-13	None	No specific explanation given for nonrenewal.
2		6-14-12	6-14-13	None	No specific explanation given for nonrenewal.
5		8-27-12	8-27-13	None	No specific explanation given for nonrenewal.

10		8-18-12	8-18-13	None	No specific explanation given for nonrenewal.
13		3-24-13	3-24-14	None	No specific explanation given for nonrenewal.
16		3-19-13	3-19-14	None	No specific explanation given for nonrenewal.
17		4-29-12	4-29-13	None	No specific explanation given for nonrenewal.
18		5-10-12	5-10-13	None	No specific explanation given for nonrenewal.
19		8-4-12	8-4-13	None	No specific explanation given for nonrenewal.
21		5-12-12	5-12-13	None	No specific explanation given for nonrenewal.
23		3-29-12	3-29-13	None	No specific explanation given for nonrenewal.
25		10-31-12	10-31-13	None	No specific explanation given for nonrenewal.
28		1-16-12	1-16-13	None	No specific explanation given for nonrenewal.
29		8-28-12	8-28-13	None	No specific explanation given for nonrenewal.
31		3-1-12	3-1-13	None	No specific explanation given for nonrenewal.
32		11-23-12	11-23-13	None	No specific explanation given for nonrenewal.
33		11-17-12	11-17-13	None	No specific explanation given for nonrenewal.
34		11-15-12	11-15-13	None	No specific explanation given for nonrenewal.
35		2-18-12	2-18-13	None	No specific explanation given for nonrenewal.
37		5-6-12	5-6-13	None	No specific explanation given for nonrenewal.
42		7-20-12	7-20-13	None	No specific explanation given for nonrenewal.
43		6-1-12	6-1-13	None	No specific explanation given for nonrenewal.
46		6-23-12	6-23-13	None	No specific explanation given for nonrenewal.
47		3-28-12	3-28-13	None	No specific explanation given for nonrenewal.
58		11-21-12	11-21-13	None	No specific explanation given for nonrenewal.
68		1-15-12	1-15-13	None	No specific explanation given for nonrenewal.
69		4-24-12	4-24-13	Strict eligibility and acceptability rules	No specific explanation given for nonrenewal.
73		11-16-12	11-16-13	None	No specific explanation given for nonrenewal.

5. Renters - Cancellations

There were no criticisms in this survey.

6. Renters - Nonrenewals

In one (1) instance out of 26 files reviewed, for an error rate of 3.85%, the Company failed to notify the named insured of eligibility for the FAIR Plan and the procedures to make application to the FAIR Plan. (One (1) instance out of 19 files where FAIR Plan notification was required for an error rate of 5.26%.) This is a violation of 215 ILCS 5/143.22.

Item #	Member #	Issue Date	Nonrenewal Date	Reason Provided	Criticism
2		12-12-12	12-12-13	Excessive claim history	Failed to notify insured of eligibility for FAIR Plan.

7. Dwelling Fire - Cancellations

In two (2) instances out of 12 files reviewed (all in effect for 60 days), for an error rate of 16.67%, the Company failed to properly cancel policies in effect longer than 60 days by canceling for reasons outside of those allowed by statute. This is a violation of 215 ILCS 5/143.21.

Item #	Member #	Issue Date	Cancellation Date	Reason Provided	Criticism
2		12-12-12	12-12-13	Lack of inspection	Insufficient reason for cancellation in notice as required after 60 days.
11		10-1-13	10-1-14	Lack of inspection	Insufficient reason for cancellation in notice as required after 60 days.

In two (2) instances out of 12 files reviewed, for an error rate of 16.67%, the Company failed to provide a reasonable period of time for rehabilitation of property prior to cancellation. This is a violation of 215 ILCS 5/143.27.

Item #	Member #	Issue Date	Cancellation Date	Reason Provided	Criticism
1		10-12-12	10-12-12	Condition of property.	Insufficient time for rehabilitation.
3		10-16-12	10-16-12	Condition of property.	Insufficient time for rehabilitation.

#### 8. Dwelling Fire - Nonrenewals

In one (1) instance out of 79 files reviewed, for an error rate of 1.27%, the Company failed to provide a reasonable period of time for rehabilitation of property prior to nonrenewal. This is a violation of 215 ILCS 5/143.27.

Item #	Member #	Issue Date	Nonrenewal Date	Reason Provided	Criticism
70		6-28-12	6-28-13	Condition of property is deteriorated and uninhabitable.	Provided no time for rehabilitation.

In five (5) instances out of 79 files reviewed, for an error rate of 6.33%, the Company failed to provide a specific explanation of the reasons for nonrenewal. This is a violation of 215 ILCS 5/143.17(e). These violations occurred in nonrenewals due to the death of the insured as was also found in nonrenewals for Automobile and Homeowners.

Item #	Member #	Issue Date	Nonrenewal Date	Reason Provided	Criticism
7		6-4-12	6-4-13	None	No specific explanation given for nonrenewal.
12		2-7-12	2-7-13	None	No specific explanation given for nonrenewal.
14		8-20-12	8-20-13	Strict eligibility and acceptability rule	No specific explanation given for nonrenewal.
18		6-2-12	6-2-13	None	No specific explanation given for nonrenewal.
26		5-3-12	5-3-13	none	No specific explanation given for nonrenewal.

#### 9. Private Passenger Automobile - Non Pay Cancels

There were no criticisms in this survey.

#### 10. Homeowners - Non Pay Cancels

There were no criticisms in this survey.



11. Renters - Non Pay Cancels

There were no criticisms in this survey.

12. Dwelling Fire - Non Pay Cancels

There were no criticisms in this survey.

E. UNDERWRITING

1. Private Passenger Automobile - New Business

There were no criticisms in this survey.

2. Homeowners - New Business

In two (2) instances out of 116 files reviewed, for an error rate of 1.72%, the Company failed to use a producer who was properly licensed. This is a violation of 215 ILCS 5/500-15.

Item #	Member #	Issue Date	Criticism
2		10-24-13	Producer not licensed on date of policy issue.
95		1-1-14	Producer not licensed on date of policy issue.

In one (1) instance out of 116 files reviewed, for an error rate of 0.86%, the Company failed to provide mine subsidence coverage without the required waiver from the insured. (One instance out of 24 files where mine subsidence coverage was required for an error rate of 4.17%.) This is a violation of 215 ILCS 5/805.1(a).

Item #	Member #	Issue Date	Expiration Date	Criticism
76		11-1-13	11-1-14	This policy did not contain mine subsidence coverage and there was no waiver by the insured.

3. Renters - New Business

In one (1) instance out of 116 files reviewed, for an error rate of 0.86%, the Company failed to use a producer who was properly licensed. This is a violation of 215 ILCS 5/500-15.

Item #	Member #	Issue Date	Criticism
108		8-24-13	Producer not licensed on date of policy issue.

4. Dwelling Fire - New Business

In two (2) instances out of 114 files reviewed, for an error rate of 1.75%, the Company failed to use a producer who was properly licensed. This is a violation of 215 ILCS 5/500-15.

Item #	Member #	Issue Date	Criticism
57		7-30-13	Producer not licensed on date of policy issue.
81		1-15-13	Producer not licensed on date of policy issue.

F. CLAIMS

1. Private Passenger Automobile - 3<sup>rd</sup> Party Claims - (PD) Paid & Median Claims

There were no criticisms for the median of paid claims.

2. Private Passenger Automobile - 3<sup>rd</sup> Party Claims – (PD) CWOP

In three (3) instances out of 108 files reviewed, for an error rate of 2.78%, the Company failed to provide a delay letter in claims unresolved for greater than 60 days. (Three (3) instances out of ten files requiring a delay letter for an error rate of 30%.) This is a violation of 50 Ill. Adm. Code 919.80(b)(3).

Item #	Member #	Date of Report	Date of CWOP	Number of Days	Criticism
13		1-14-14	unresolved	--	No delay letter.
85		5-24-13	11-7-13	167	No delay letter.
98		12-4-13	3-29-14	115	Untimely delay letter.

In eleven instances out of 108 files reviewed, for an error rate of 10.19%, the Company failed to make a bona fide effort to communicate with the third party where liability was reasonably clear within 21 working days after notification of loss. This is a violation of 215 ILCS 5/154.6(c) as related to 50 Ill. Adm. Code 919.40.

Item #	Member #	Date of Report	Date of CWOP	Number of Days	Criticism
9		1-9-14	1-9-14	--	No effort to communicate.
18		4-16-13	5-30-13	--	No effort to communicate.
21		12-21-12	1-22-13	--	No effort to communicate.
32		8-13-13	9-6-13	--	No effort to communicate.
44		6-24-13	7-22-13	--	No effort to communicate.
48		12-13-13	1-10-14	--	No effort to communicate.
58		1-22-14	2-21-14	--	No effort to communicate.
70		1-3-13	1-21-13	--	No effort to communicate.
72		9-19-13	12-20-13	--	No effort to communicate.

85		5-24-13	11-7-13	76	Untimely effort - Contacted on 8-8-13 and 8-13-13 by telephone and a letter was sent on 8-14-13.
89		12-20-13	12-24-13	--	No effort to communicate.

### 3. Private Passenger Automobile - 1<sup>st</sup> Party Claims (Coll) - Paid & Median Claims

There were no criticisms for the median of paid claims.

In one (1) instance out of 116 files reviewed, for an error rate of 0.86%, the Company failed to provide a delay letter in a claim unresolved for greater than 40 days. (One (1) instance out of twelve files requiring a delay letter for an error rate of 8.33%). This is a violation of 50 Ill. Adm. Code 919.80(b)(2).

Item #	Member #	Date of Report	Date of Payment	Number of Days	Criticism
115		9-15-12	12-19-12	95	No delay letter.

In sixteen instances out of 116 files reviewed, for an error rate of 13.79%, the Company failed to settle claims for a reasonable amount by placing caps or limits on paint materials. This is a violation of 215 ILCS 5/154.6(j).

Item #	Member #	Date of Loss	Company Paid for Paint Materials	Company Owed for Paint Materials	Criticism
3		12-26-13	\$400	\$537.00 (17.9 hours at \$30/hr.)	Capped paint materials resulting in underpayment of \$137.00, plus tax.
6		6-8-13	\$500	\$507.00 (16.9 hours at \$30/hr.)	Capped paint materials resulting in underpayment of \$7.00, plus tax.
18		9-3-13	\$500	\$503.20 (14.8 hours at \$34/hr.)	Capped paint materials resulting in underpayment of \$3.20, plus tax.
23		1-25-13	\$500	\$520.80 (18.6 hours at \$28/hr.)	Capped paint materials resulting in underpayment of \$20.80, plus tax.
25		8-7-13	\$400	\$694.40 (24.8 hours at \$28/hr.)	Capped paint materials resulting in underpayment of \$294.40, plus tax.
27		2-26-13	\$500	\$532 (19 hours at \$28/hr.)	Capped paint materials resulting in underpayment of \$32.00, plus tax.
34		12-8-13	\$500	\$571.20 (20.4 hours at \$28/hr.)	Capped paint materials resulting in underpayment of \$71.20, plus tax.
62		1-24-13	\$400	\$460.20 (17.7 hours at \$26/hr.)	Capped paint materials resulting in underpayment of \$60.20, plus tax.
64		12-20-12	\$400	\$509.60 (19.6 hours at \$26/hr.)	Capped paint materials resulting in underpayment of \$109.60, plus tax.
83		8-16-13	\$400	\$506.80 (18.1 hours at \$28/hr.)	Capped paint materials resulting in underpayment of \$106.80, plus tax.
86		2-27-13	\$400	\$418.60 (16.1 hours at \$26/hr.)	Capped paint materials resulting in underpayment of \$18.60, plus tax.
88		12-19-13	\$400	\$498.40 (17.8 hours at \$28/hr.)	Capped paint materials resulting in underpayment of \$98.40, plus tax.

91		2-19-13	\$400	\$465.80 (13.7 hours at \$34/hr.)	Capped paint materials resulting in underpayment of \$65.80, plus tax.
101		5-28-13	\$400	\$444.60 (17.1 hours at \$26/hr.)	Capped paint materials resulting in underpayment of \$44.60, plus tax.
104		9-23-13	\$400	\$400.40 (14.3 hours at \$28/hr.)	Capped paint materials resulting in underpayment of \$0.40, plus tax.
107		8-16-13	\$500	\$509.60 (18.2 hours at \$28/hr.)	Capped paint materials resulting in underpayment of \$9.60, plus tax.

#### 4. Private Passenger Automobile - 1<sup>st</sup> Party Claims – (Coll) CWOP

In two (2) instances out of 116 files reviewed, for an error rate of 1.72%, the Company failed to provide a delay letter in claims unresolved for greater than 40 days. (Two (2) instances out of five (5) files requiring a delay letter for an error rate of 40%.) This is a violation of 50 Ill. Adm. Code 919.80(b)(2).

Item #	Member #	Date of Report	Date of CWOP	Number of Days	Criticism
32		10-25-13	open	--	No delay letter.
105		10-16-13	11-14-13	29	No delay letter.

#### 5. Private Passenger Automobile - Total Loss (1<sup>st</sup> Party)

In four (4) instances out of 108 files reviewed, for an error rate of 3.70%, the Company failed to provide the insured with “Exhibit A” within 7 days of total loss determination. This is a violation of 50 Ill. Adm. Code 919.80(c).

Item #	Member #	Date of Report	Date Total Loss Determined	Criticism
17		4-19-13	4-20-13	No “Exhibit A” provided.
46		4-18-13	5-6-13	No “Exhibit A” provided.
90		4-12-13	5-9-13	No “Exhibit A” provided.
101		12-22-12	1-13-13	No “Exhibit A” provided.

In twelve instances out of 108 files reviewed, for an error rate of 11.11%, the Company failed to pay the correct sales tax and/or title and transfer fees. This is a violation of 50 Ill. Adm. Code 919.80(c)(3)(A)(i). The Company has now paid any underpayments.

Item #	Member #	Date of Report	Date of Payment	Amount Owed	Criticism
2		6-17-13	6-27-13	\$10	Paid \$110 title/transfer fees; correct amount was \$120.
13		1-19-14	1-30-14	\$120	Failed to pay transfer and title fees.
35		12-26-13	1-29-14	\$120	Failed to pay transfer and title fees.
49		12-6-13	1-10-14	\$95	Failed to pay transfer and title fees (\$120) but overpaid \$25 plate fee that was not owed.

60		4-18-13	4-30-13	\$23.28	Failed to pay proper tax.
65		3-2-13	3-12-13	\$95	Failed to pay transfer and title fees (\$120) but overpaid \$25 plate fee that was not owed.
67		7-10-13	7-18-13	\$46.88	Failed to pay proper tax.
78		2-2-13	2-12-13	(\$117.28)	Overpaid tax, transfer and title fees.
82		4-8-13	4-24-13	\$120	Failed to pay transfer and title fees.
87		8-16-13	8-29-13	(\$96.60)	Overpaid tax.
97		10-14-13	10-25-13	(\$75.72)	Overpaid tax, transfer and title fees.
100		10-8-13	10-16-13	\$120	Failed to pay transfer and title fees.

In seventeen instances out of 108 files reviewed, for an error rate of 15.74%, the Company failed to treat insureds fairly and equitably by paying taxes and/or fees for insureds that did not provide proof of a replacement vehicle while the Company did not pay others. (Seventeen instances out of 63 files where proof of a replacement vehicle was not provided for an error rate of 26.98%.) This is a violation of 215 ILCS 5/154.6(d).

Item #	Member #	Date of Report	Date of Payment	Overpayment	Criticism
5		4-19-13	5-3-13	\$25.00	Paid plate transfer fee with no proof of replacement vehicle.
7		2-26-13	3-18-13	\$120.00	Paid title and transfer fees with no proof of replacement vehicle.
11		12-31-13	2-6-14	\$9.00	Paid plate sticker with no proof of replacement vehicle.
15		9-6-13	9-18-13	\$25.00	Paid plate transfer fee with no proof of replacement vehicle.
16		12-16-12	1-7-13	\$25.00	Paid plate transfer fee with no proof of replacement vehicle.
24		2-19-13	3-8-13	\$25.00	Paid plate transfer fee with no proof of replacement vehicle.
38		6-11-13	6-28-13	\$95.00	Paid title fee with no proof of replacement vehicle.
42		3-12-13	3-27-13	\$25.00	Paid plate transfer fee with no proof of replacement vehicle.
47		11-13-13	11-19-13	\$97.60	Paid tax (owner retained) with no proof of replacement vehicle.
63		7-18-13	8-1-13	\$120.00	Paid title and transfer fees with no proof of replacement vehicle.
65		3-2-13	3-12-13	\$25.00	Paid plate transfer fee with no proof of replacement vehicle.
76		9-9-13	10-9-13	\$25.00	Paid plate transfer fee with no proof of replacement vehicle.
88		12-22-12	1-29-13	\$25.00	Paid plate transfer fee with no proof of replacement vehicle.
93		5-2-13	5-28-13	\$25.00	Paid plate transfer fee with no proof of replacement vehicle.
101		12-22-12	1-13-13	\$25.00	Paid plate transfer fee with no proof of replacement vehicle.

106		3-2-13	3-13-13	\$95.00	Paid title fee with no proof of replacement vehicle.
108		8-25-13	9-11-13	\$25.00	Paid plate transfer fee with no proof of replacement vehicle.

In one (1) instance out of 108 files reviewed, for an error rate of 0.93%, the Company failed to properly document the file for the amount of claim payment. This is a violation of 50 Ill. Adm. Code 919.80(c)(2)(E).

Item #	Member #	Date of Report	Date of Payment	Number of Days	Criticism
14		7-29-13	8-14-13	16	Paid total loss in an amount different than estimates with insufficient documentation.

#### 6. Private Passenger Automobile - Subrogation (1<sup>st</sup> Party-Collision)

There were no criticisms in this survey.

#### 7. Homeowners - 1<sup>st</sup> Party Property Claims - Paid & Median Claims

There were no criticisms for the median of paid claims.

In five (5) instances out of 109 files reviewed, for an error rate of 4.59%, the Company failed to maintain adequate documentation to reconstruct the claim activity. This is a violation of 50 Ill. Adm. Code 919.30(c).

Loss #	Member #	Date of Report	Date of Payment	Number of Days	Criticism
425		1-10-14	1-17-14	7	Letter to insured dated 3-10-14 quotes incorrect estimate for repairs and payment amount.
6		4-20-13	8-26-13	128	Missing documentation of delay letter.
22		6-26-13	11-12-13	139	Missing documentation of initial ACV letter with payment of 9-8-13 not found, and payment letter of 11-11-13 does not show proper amount.
12		3-12-14	3-18-14	6	Missing documentation of letter with claim payment.
1		4-18-13	6-10-13	53	Missing documentation of letter with claim payment.

In three (3) instances out of 109 files reviewed, for an error rate of 2.75%, the Company failed to provide a delay letter in claims unresolved for more than 75 calendar days from the date it was reported, or 25 calendar days after receipt of proof of loss, whichever is less. (Three (3) instances out of 4 files requiring a delay letter for an error rate of 75%.) This is a violation of 50 Ill. Adm. Code 919.80(d)(7)(B).

Loss #	Member #	Date of Report	Date of Payment	Number of Days	Criticism
6		4-20-13	8-26-13	128	No delay letter.
6		5-6-13	10-9-13	156	No delay letter.
4		1-13-13	4-11-13	88	No delay letter.

In one (1) instance out of 109 files reviewed, for an error rate of 0.92%, the Company failed to obtain the required certificate for property taxes and demolition expenses before the claim was paid. (One instance in the sample where the tax and demolition certificate was required for an error rate of 100%.) This is a violation of 215 ILCS 5/397.1

Loss #	Member #	Date of Report	Date of Payment	Number of Days	Criticism
3		4-19-13	5-2-13	13	Failed to obtain tax and demolition certificate.

#### 8. Homeowners – 1<sup>st</sup> Party Property Claims - CWOP

In seven (7) instances out of 108 files reviewed, for an error rate of 6.48%, the Company failed to maintain adequate documentation to reconstruct the claim activity. This is a violation of 50 Ill. Adm. Code 919.30(c).

Loss #	Member #	Date of Report	Date of CWOP	Number of Days	Criticism
23		4-19-13	4-19-13	0	Missing denial letter.
416		4-27-13	5-2-13	5	Missing denial letter.
2		4-18-13	4-19-13	1	Missing denial letter.
11		7-02-13	7-10-13	8	Missing denial letter.
1		9-16-13	11-5-13	50	Missing denial letter.
1		5-15-13	7-8-13	54	Missing denial letter.
16		5-16-13	7-23-13	68	Missing status letter to insured as indicated by file.

In seven (7) instances out of 108 files reviewed, for an error rate of 6.48%, the Company failed to provide the insured with a written explanation of denial within 30 days of investigation. (Seven (7) instances out of 45 files requiring a denial letter for an error rate of 15.56%.) This is a violation of 50 Ill. Adm. Code 919.50(a)(1).

Loss #	Member #	Date of Report	Date of CWOP	Number of Days	Criticism
416		4-27-13	5-2-13	5	Missing denial letter.
2		4-18-13	4-19-13	1	Missing denial letter.
11		7-02-13	7-10-13	8	Missing partial denial letter.
21		6-26-13	7-2-13	6	Denial letter sent 48 days after reporting.
2		10-14-13	11-6-13	23	Denial letter sent 70 days after reporting.
1		9-16-13	11-5-13	50	Missing denial letter.
1		5-15-13	7-8-13	54	Missing denial letter.

#### 9. Renters – 1<sup>st</sup> Party Property Claims - Paid & Median Claims

There were no criticisms for the median of paid claims.

In two (2) instance out of 107 files reviewed, for an error rate of 1.87%, the Company failed to provide a delay letter in claims unresolved for more than 75 calendar days from the date reported, or 25 calendar days after receipt of proof of loss, whichever is less. (Two (2) instances out of two (2) files requiring a delay letter for an error rate of 100%.) This is a violation of 50 Ill. Adm. Code 919.80(d)(7)(B).

Item #	Member #	Date of Report	Date of Payment	Number of Days	Criticism
2		4-22-13	10-9-13	170	Missing delay letter.
89		6-21-13	9-16-13	87	Late delay letter (1 day).

#### 10. Renters – 1<sup>st</sup> Party Property Claims - CWOP

In seven (7) instances out of 105 files reviewed, for an error rate of 6.67%, the Company failed to provide the insured with a written explanation of denial within 30 days of investigation. (Seven (7) instances out of 33 files requiring a denial letter for an error rate of 21.21%.) This is a violation of 50 Ill. Adm. Code 919.50(a)(1).

Item #	Member #	Date of Report	Date of CWOP	Number of Days	Criticism
9		7-16-13	8-06-13	21	Failed to send denial letter.
21		11-17-13	11-18-13	1	Denial letter sent late.
32		3-14-13	3-14-13	0	Missing documentation of denial letter as indicated by file.
43		1-29-13	1-30-13	1	Failed to send denial letter.
90		7-18-13	8-07-13	20	Failed to send denial letter.
93		7-09-13	7-09-13	0	Missing documentation of denial



					letter as indicated by file.
100		1-15-13	1-15-13	0	Failed to send denial letter.

In two (2) instances out of 105 files reviewed, for an error rate of 1.90%, the Company failed to maintain adequate documentation to reconstruct the claim activity. This is a violation of 50 Ill. Adm. Code 919.30(c).

Item #	Member #	Date of Report	Date of CWOP	Number of Days	Criticism
9		7-16-13	8-06-13	21	Missing documentation for loss of contents.
46		12-02-13	12-02-13	0	No notes in file; found in related but separate file.

In ten (10) instances out of 105 files reviewed, for an error rate of 9.52%, the Company failed to provide a delay letter in claims unresolved for more than 75 calendar days from the date reported, or 25 calendar days after receipt of proof of loss, whichever is less. (Ten (10) instances out of twelve files requiring a delay letter for an error rate of 83.33%.) This is a violation of 50 Ill. Adm. Code 919.80(d)(7)(B).

Item #	Member #	Date of Report	Date of CWOP	Number of Days	Criticism
5		4-01-13	4-04-13	3	No delay letter.
8		12-30-13	12-31-13	1	No delay letter.
9		7-16-13	8-06-13	21	No delay letter.
33		1-22-14	3-23-14	60	No delay letter.
34		5-24-13	7-14-13	51	No delay letter.
52		4-10-13	7-18-13	99	No delay letter.
58		10-24-13	11-22-13	29	Delay letter returned by USPS with no follow-up.
61		4-22-13	4-22-13	0	No delay letter.
78		7-17-13	8-22-13	36	No delay letter.
97		3-29-13	4-12-13	14	No delay letter.

#### 11. Dwelling Fire – 1<sup>st</sup> Party Property Claims - Paid & Median Claims

There were no criticisms for the median of paid claims.

In three (3) instances out of 83 files reviewed, for an error rate of 3.61%, the Company failed to provide adequate documentation for the basis of a lower offer or denial. This is a violation of 50 Ill. Adm. Code 919.50(a)(1).

Item #	Member #	Date of Report	Date of Payment	Number of Days	Criticism
11		12-23-13	3-27-14	94	Policy basis of lower offer not sufficiently explained.
71		4-19-13	5-15-13	26	Policy basis of lower offer not sufficiently explained.

74		11-07-13	1-06-14	60	No written explanation for partial denial.
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In five (5) instances out of 83 files reviewed, for an error rate of 6.02%, the Company failed to provide a delay letter in claims unresolved for more than 75 calendar days from the date it was reported, or 25 calendar days after receipt of proof of loss, whichever is less. (Five (5) instances out of 6 files requiring a delay letter for an error rate of 83.33%.) This is a violation of 50 Ill. Adm. Code 919.80(d)(7)(B).

Item #	Member #	Date of Report	Date of Payment	Number of Days	Criticism
11		12-23-13	3-27-14	94	No delay letter.
13		6-12-13	2-21-14	254	No delay letter.
14		10-21-13	6-12-14	234	Delay letter late (77 days).
21		3-03-14	6-7-14	96	No delay letter.
72		1-03-14	6-29-14	177	No delay letter.

#### 12. Dwelling Fire – 1<sup>st</sup> Party Property Claims - CWOP

In three (3) instances out of 82 files reviewed (all requiring a denial letter), for an error rate of 3.66%, the Company failed to send a written denial for the claims. This is a violation of 50 Ill. Adm. Code 919.50(a)(1).

Item #	Member #	Date of Report	Date of CWOP	Number of Days	Criticism
16		3-23-13	5-30-13	68	No written denial of claim provided to insured/claimant.
65		4-22-13	4-22-13	0	No written denial of claim provided to insured/claimant.
67		7-8-13	7-18-13	10	No written denial of claim provided to insured/claimant.

#### V. TECHNICAL APPENDICES

There were no technical appendices produced for this report.

#### VI. INTER-RELATED and/or ADDITIONAL FINDINGS

There were no Inter-Related and/or Additional Findings produced for this report.

STATE OF KENTUCKY        )  
  ) ss  
COUNTY OF JEFFERSON    )

J. Joseph Cohen, Examiner-in-Charge, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of United Services Automobile Association NAIC #25941, USAA Casualty Insurance Company NAIC #25968, USAA General Indemnity Company NAIC #18600 and Garrison Property and Casualty Insurance Company NAIC #21253, (collectively known as USAA or the "Company");

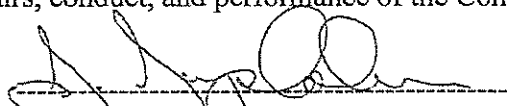
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;


That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

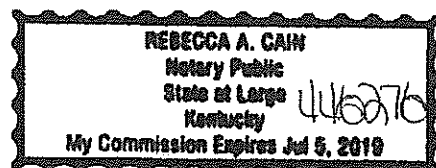
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.

  
Examiner-In-Charge

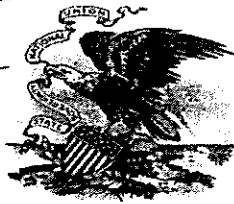
Subscribed and sworn to before me this 20<sup>th</sup> day of July, 2015.

  
Notary Public



# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**United Services Automobile Association (A Reciprocal Exchange), NAIC 25941  
USAA Casualty Insurance Company, NAIC 25968  
USAA General Indemnity Company, NAIC 18600, and  
Garrison Property and Casualty Insurance Company, NAIC 21253**

### STIPULATION AND CONSENT ORDER

WHEREAS, the Acting 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, United Services Automobile Association (A Reciprocal Exchange), USAA Casualty Insurance Company, USAA General Indemnity Company and Garrison Property and Casualty Insurance Company ("Companies"), are authorized under the insurance laws of this State and by the Acting Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Companies was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, 407, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, 5/407, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Companies were 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 Companies 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 Companies; and

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

WHEREAS, the Companies understand and agree that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Companies and the Acting 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 Companies and the Acting Director as follows:

1. The Market Conduct Examination indicated various areas in which the Companies were not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Acting Director and the Companies consent to this Order requiring the Companies 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 Acting Director that the Companies shall:

1. The Companies shall institute and maintain procedures to ensure they provide a sufficient written response to written inquiries and complaints from consumers within 21 days of receipt, as required by 215 ILCS 5/143d.
2. The Companies shall institute and maintain procedures to ensure they pay the correct sales tax and/or title and transfer fees, as required by 50 Ill. Adm. Code 919.80(c)(3)(A)(i).
3. The Companies shall institute and maintain procedures to ensure they treat insureds fairly and equitably by paying taxes and/or fees as required by 215 ILCS 5/154.6(d).
4. The Companies shall institute and maintain procedures to ensure they settle claims for a reasonable amount by not placing thresholds, caps or limits on payout materials, as required by 215 ILCS 5/154.6(j).
5. The Companies shall institute and maintain procedures to ensure they make a bona fide effort to communicate with the third party where liability is reasonably clear within 21 working days after notification of loss, as required by 215 ILCS 5/154.6(c) as related to 50 Ill. Adm. Code 919.40.
6. The Companies shall institute and maintain procedures to ensure they properly cancel policies in effect longer than 60 days by canceling only for reasons allowed by statute, as required by 215 ILCS 5/143.21.
7. The Companies shall institute and maintain procedures to ensure they provide a reasonable period of time for rehabilitation of property prior to cancellation, as required by 215 ILCS 5/143.27.
8. The Companies shall institute and maintain procedures to ensure they provide a specific explanation of the reasons for nonrenewal, as required by 215 ILCS 5/143.17(e).

9. The Companies shall institute and maintain procedures to ensure they provide a delay letter in claims unresolved for more than 75 calendar days from the date reported, or 25 calendar days after receipt of proof of loss, whichever is less, as required by 50 Ill. Adm. Code 919.80(d)(7)(B).
10. Submit to the Acting Director of Insurance, State of Illinois, proof of compliance with the above nine (9) orders within 30 days of execution of this Order.
11. Pay to the Acting Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$19,500 to be paid within 30 days of execution of this Order.

NOTHING contained herein shall prohibit the Acting 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 Companies 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 UNITED SERVICES AUTOMOBILE ASSOCIATION (A RECIPROCAL EXCHANGE),  
USAA CASUALTY INSURANCE COMPANY, USAA GENERAL INDEMNITY COMPANY, and  
GARRISON PROPERTY AND CASUALTY INSURANCE COMPANY

*Michael W. Foley*

Signature

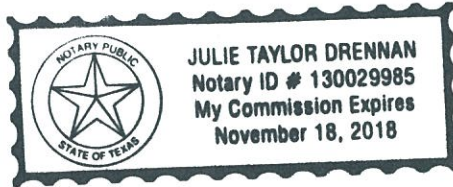
*Michael W. Foley*

Name

*AVP, Insurance Compliance*

Title

Subscribed and sworn to before me this  
9 day of February 2016.



*J Taylor Drennan*

Notary Public

DATE

*2/16/16*

DEPARTMENT OF INSURANCE of the  
State of Illinois:

*Anne Melissa Dowling*

Anne Melissa Dowling  
Acting Director