

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

USAA CASUALTY INSURANCE COMPANY
San Antonio, Texas

**AS OF
November 9, 2006**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: January 8, 2007

USAA CASUALTY INSURANCE COMPANY

TABLE OF CONTENTS

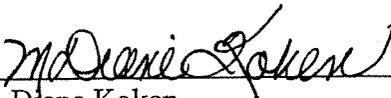
Order

I.	Introduction.....	1
II.	Scope of Examination.....	3
III.	Company History/Licensing.....	5
IV.	Underwriting Practices and Procedures.....	6
V.	Underwriting	
	A. Private Passenger Automobile.....	8
	B. Assigned Risk.....	10
	C. Property.....	10
	D. Commercial Property.....	12
VI.	Rating	
	A. Private Passenger Automobile.....	16
	B. Assigned Risk.....	27
	C. Homeowners.....	27
VII.	Claims.....	29
VIII.	Forms.....	37
IX.	Advertising.....	39
X.	Consumer Complaints.....	40
XI.	Licensing.....	42
XII.	Recommendations.....	43
XIII.	Company Response.....	46

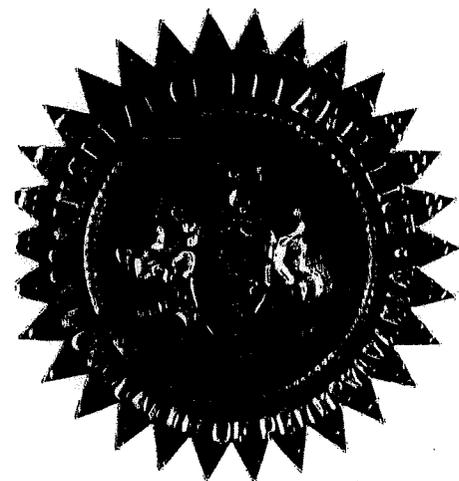
BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 29 day of April, 2002, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Randolph L. Rohrbaugh, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.



M. Diane Koken
Insurance Commissioner



BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:
: :
USAA CASUALTY INSURANCE : Act 1990-6, Sections 1705(a)(1), (3)
COMPANY : and (4), 1716, 1731(b) and (c), 1738(c),
9800 Fredericksburg Road : (d)(1) and (2), 1791.1(a), 1792(b)(1),
San Antonio, TX 78288 : 1793(b) and 1799.3(d) (Title 75, Pa.C.S.
: §§ 1705, 1716, 1731, 1738, 1791, 1793
: and 1799)
: :
: Section 3(a)(6) of the Act of July 3,
: 1986, P.L. 396, No. 86 (40 P.S. § 3403)
: :
: Sections 5(a)(4) and 5(a)(7)(iii) of
: the Unfair Insurance Practices Act, Act
: of July 22, 1974, P.L. 589, No. 205
: (40 P.S. §§ 1171.5)
: :
: Section 2006(2) of Act 68 of 1998 (40
: P.S. §§ 991.2006)
: :
: Title 18, Pennsylvania Consolidated
: Statutes, Section 6310.3(d)
: :
: Title 31, Pennsylvania Code, Sections
: 62.52(b), 146.5(a), 146.6 and
: 146.7(a)(1)
: :
: Title 75, Pennsylvania Consolidated
: Statutes, Section 1161(a) and (b), and
: 1822
: :
Respondent. : Docket No. MC06-11-036

CONSENT ORDER

AND NOW, this 8th day of January, 2007, this Order is hereby
issued by the Deputy Insurance Commissioner of the Commonwealth of

Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. § 101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra. or other applicable law.

FINDINGS OF FACT

3. The Deputy Insurance Commissioner finds true and correct each of the following Findings of Fact:

(a) Respondent is USAA Casualty Insurance Company, and maintains its address at 9800 Fredericksburg Road, San Antonio, Texas 78288.

(b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2004 through December 31, 2004.

(c) On November 9, 2006, the Insurance Department issued a Market Conduct Examination Report to Respondent.

(d) A response to the Examination Report was provided by Respondent on December 8, 2006.

(e) The Examination Report notes violations of the following:

(i) Section 1705(a)(1), (3) and (4) of Act 1990-6, Title 75, Pa.C.S.

§ 1705(a)(1), (3) and (4), which requires every insurer, prior to the issuance of a private passenger motor vehicle liability insurance policy, to provide each applicant an opportunity to elect a tort option. If the named insured does not indicate a choice in 20 days, the insurer shall send an identical second notice. If the named insured has not responded to either notice, he is presumed to have chosen the full tort option. A policy may not be issued unless the applicant has been provided an opportunity to elect a tort option;

(ii) Section 1716 of Act 1990-6, Title 75, Pa.C.S. §1716, which requires

that benefits are overdue if not paid within 30 days after the insurer receives reasonable proof of the amount of benefits. If reasonable proof is not supplied as to all benefits, the portion supported by reasonable proof is overdue if not paid within 30 days after the proof is received by the insurer.

Overdue benefits shall bear interest at the rate of 12% per annum from the

date the benefits become due. In the event the insurer is found to have acted in an unreasonable manner in refusing to pay the benefits when due, the insurer shall pay, in addition to the benefits owed and the interest thereon, a reasonable attorney fee based upon actual time expended;

- (iii) Section 1731(b) and (c) of Act 1990-6, Title 75, Pa.C.S. § 1731, which requires the named insured to be informed that he may reject uninsured and underinsured motorist coverage by signing a written rejection form;
- (iv) Section 1738(c)(d)(1)(2) of Act 1990-6, Title 75, Pa.C.S. § 1738, which requires the insurer to advise that named insured shall be informed that he may exercise the waiver for stacked uninsured and underinsured motorist coverage by signing written rejection forms;
- (v) Section 1791.1(a) of Act 1990-6, Title 75, Pa.C.S. § 1791, which requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages.

Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages.” The insurer shall provide the itemized invoice to the insured in conjunction with the declaration of coverage limits and premiums for the insured’s existing coverages;

(vi) Section 1792(b)(1) requires every private passenger automobile insurance policy providing collision coverage to provide a deductible in the amount of \$500.00 for collision coverage, unless the named insured signs a statement indicating the insured is aware that the purchase of a lower deductible is permissible and that there is an additional cost of purchasing a lower deductible and the insured agrees to accept it;

(vii) Section 1793(b) of Act 1990-6, Title 75, Pa. C.S. § 1793, which requires the insurer to provide to the insured a surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and shall deliver the plan to each insured at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage;

(viii) Section 1799.3(d) of Act 1990-6, Title 75, Pa.C.S. § 1799, which requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the named insured of the determination and specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect;

(ix) Section 3(a)(6) of Act 86 (40 P.S. § 3403), which requires that a nonrenewal notice shall state that at the insured's request, the insurer shall provide loss information to the insured for at least three years or the period of time during which the insurer has provided coverage to the insured, whichever is less;

(x) Section 5(a)(4) of Act 205 (40 P.S. § 1171.5), which defines an unfair method of competition and deceptive act or practice as entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance;

(xi) Section 5(a)(7)(iii) of Act 205 (40 P.S. § 1171.5), which defines and prohibits unfair methods of competition as making or permitting any unfair discrimination between individuals of the same class and

essentially the same hazard with regard to underwriting standards and practices or eligibility requirements by reason of race, religion, nationality or ethnic group, age, sex, family size, occupation, place of residence or marital status;

(xii) Section 2006(2) of Act 68 of 1998 (40 P.S. § 991.2006), which requires an insurer to deliver or mail to the named insured a nonrenewal notice and state the specific reason or reasons of the insurer for cancellation;

(xiii) Title 18, Pennsylvania Consolidated Statutes, Section 6310.3(d), which prohibits an insurer from increasing premiums, imposing any surcharge or rate penalty, or making any driver record point assignment for automobile insurance, nor shall an insurer cancel or refuse to renew an automobile insurance policy on account of a suspension under this section;

(xiv) Title 31, Pennsylvania Code, Section 69.52(b), which requires an insurer to pay medical bills for care that are not referred to a Peer Review Organization within 30 days after the insurer receives sufficient documentation supporting the bill;

(xv) Title 31, Pennsylvania Code, Section 146.5(a), which requires every insurer, upon receiving notification of a claim, shall, within 10 working days, acknowledge the receipt of such notice unless payment is made within such

period of time. If an acknowledgment is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice;

(xvi) Title 31, Pennsylvania Code, Section 146.6, requires that every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected;

(xvii) Title 31, Pennsylvania Code, Section 146.7(a)(1), which requires within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer. No insurer shall deny a claim on the grounds of a specific policy provision, condition or exclusion unless reference to such provision, condition or exclusion is included in the denial. The denial must be given to the claimant in writing and the claim file of the insurer shall contain a copy of the denial;

(xviii) Title 75, Pennsylvania Consolidated Statutes, Section 1161(a) and (b), which states:

(a) Except as provided in sections 1162 and 1163, a person who owns or possesses or transfers a vehicle located or registered in this Commonwealth which qualifies as a salvage vehicle shall make application to the Department for a certificate of salvage for that vehicle, and

(b) An owner who transfers a vehicle to be destroyed or dismantled, salvaged or recycled shall assign the certificate of title to the person to whom the vehicle is transferred. Except as provided in section 1163, the transferee shall immediately present the assigned certificate of title to the Department or an authorized agent of the Department with an application for a certificate of salvage upon a form furnished and prescribed by the Department. An insurer as defined in section 1702 to which title to a vehicle is assigned upon payment to the insured or claimant of the replacement value of a vehicle shall be regarded as a transferee under this subsection. If an owner retains possession of a vehicle which is damaged to the extent that it qualifies for vehicle replacement payment, the owner shall apply for a certificate of salvage immediately. In this case, an insurer shall not pay vehicle replacement value until the owner produces evidence to the insurer that the certificate of salvage has been issued; and

(xix) Title 75, Pa. C.S. § 1822, which requires, not later than May 1, 1990, all applications for insurance, renewals and claim forms shall contain a

statement that clearly states, in substance, the following: Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing any false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000.00.

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Deputy Insurance Commissioner makes the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Respondent's violations of Section 3(a)(6) of Act 86 (40 P.S. §3403) are punishable under Section 8 (40 P.S. § 3408) of this act by one or more of the following causes of action:
 - (i) Order that the insurer cease and desist from the violation.
 - (ii) Impose a fine of not more than \$5,000 for each violation.
- (c) Respondent's violations of Sections 5(a)(4) and 5(a)(7)(iii) of the Unfair Insurance Practices Act, No. 205 (40 P.S. § 1171.5) are punishable by the

following, under Section 9 of the Unfair Insurance Practices Act (40 P.S.

§ 1171.9):

- (i) cease and desist from engaging in the prohibited activity;
- (ii) suspension or revocation of the license(s) of Respondent.

(d) In addition to any penalties imposed by the Commissioner for Respondent's violations of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 – 1171.5), the Commissioner may, under Sections 10 and 11 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:

- (i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);
- (ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars (\$1,000.00).

(e) Respondent's violations of Section 2006(2) of Act 68 of 1998 are punishable by the following, under Section 2013 of the Act (40 P.S. § 991.2013): Any individual or insurer who violates any of the provisions of

this article may be sentenced to pay a fine not to exceed five thousand dollars (\$5,000.00).

- (f) Respondent's violations of Title 31, Pennsylvania Code, Sections 146.6 and 146.7 are punishable under Sections 9, 10 and 11 of the Unfair Insurance Practices Act (40 P.S. §§ 1171.9, 1171.10 and 1171.11), as stated above.

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Deputy Insurance Commissioner orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.
- (c) Respondent shall comply with all recommendations contained in the attached Report.

(d) Respondent shall pay Thirty Thousand Dollars (\$30,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.

(e) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Fraser, Administrative Assistant, Bureau of Enforcement, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.

6. In the event the Deputy Insurance Commissioner finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Deputy Insurance Commissioner may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Deputy Insurance Commissioner may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Deputy Commissioner finds that there has been a breach of any of the provisions of this Order, the Deputy Commissioner may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate

action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

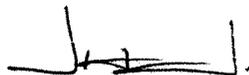
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

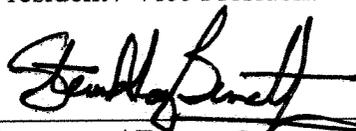
11. This Order shall be final upon execution by the Deputy Insurance Commissioner. Only the Insurance Commissioner or a duly authorized Deputy Insurance Commissioner is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent

Order is not effective until executed by the Insurance Commissioner or a duly authorized Deputy Insurance Commissioner.

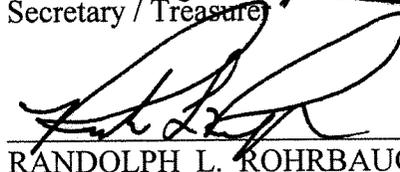
BY: USAA CASUALTY INSURANCE
COMPANY, Respondent



President / Vice President



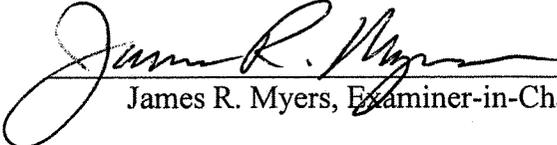
Secretary / Treasurer



RANDOLPH L. ROHRBAUGH
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

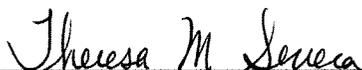
VERIFICATION

Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).


James R. Myers, Examiner-in-Charge

Sworn to and Subscribed Before me

This 23 Day of October, 2006



Notary Public
COMMONWEALTH OF PENNSYLVANIA

NOTARIAL SEAL
THERESA M. SENECA, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires Aug. 15, 2010

I. INTRODUCTION

The market conduct examination was conducted at USAA Casualty Insurance Company's office located in San Antonio, Texas, from June 5, 2006, through August 4, 2006. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

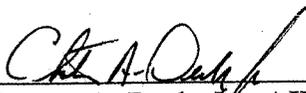
Pennsylvania Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review those areas of concern in order to determine the potential impact upon Company operations or future compliance. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties.

In certain areas of review listed in this Report, the examiners will refer to "error ratio." This error ratio is calculated by dividing the number of policies with violations by the total number of policies reviewed. For example, if 100 policies are reviewed and it is determined that there are 20 violations on 10 policies, the error ratio would be 10%.

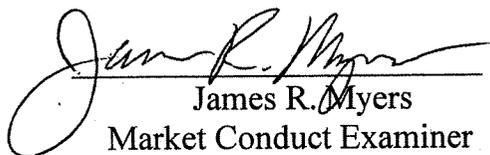
Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company personnel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

The courtesy and cooperation extended by the officers and employees of the Company during the course of the examination is hereby acknowledged.

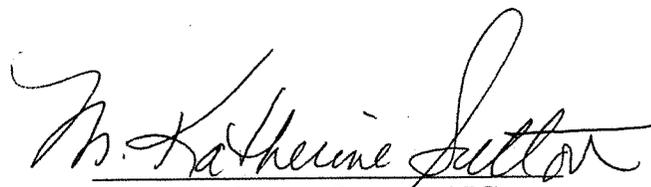
The undersigned participated in this examination and in preparation of this Report.



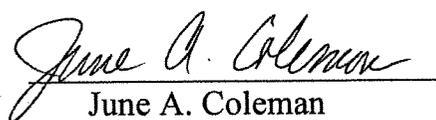
Chester A. Derk, Jr., AIE, HIA
Market Conduct Division Chief



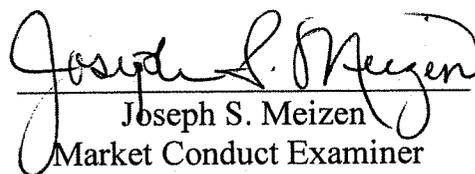
James R. Myers
Market Conduct Examiner



M. Katherine Sutton, AIC
Market Conduct Examiner



June A. Coleman
Market Conduct Examiner



Joseph S. Meizen
Market Conduct Examiner

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on USAA Casualty Insurance Company, hereinafter referred to as "Company," at their office located in San Antonio, Texas. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of January 1, 2004, through December 31, 2004, unless otherwise noted. The purpose of the examination was to determine the Company's compliance with Pennsylvania insurance laws and regulations.

The examination focused on Company operations in the following areas:

1. Private Passenger Automobile
 - Underwriting – Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations and declinations.
 - Rating – Proper use of all classification and rating plans and procedures.
2. Property
 - Underwriting – Appropriate and timely notices of midterm cancellations, 60-day cancellations, declinations and rescissions.
 - Rating – Proper use of all classification and rating plans and procedures.
3. Commercial Property
 - Underwriting – Appropriate and timely notices of midterm cancellations, 60-day cancellations, declinations and renewals.
4. Claims
5. Forms

6. Advertising

7. Complaints

8. Licensing

III. COMPANY HISTORY AND LICENSING

USAA Casualty Insurance Company was originally incorporated on September 6, 1968, under the laws of Texas and began business on December 1, 1969. The Company operated under the title United Services Casualty Insurance Company until December 2, 1970, when the current title was adopted. Effective July 16, 1990, the Company merged with and into the USAA Casualty Insurance Company of Florida and redomesticated from San Antonio, Texas, to Tampa, Florida. Effective January 1, 2000, the Company redomesticated from Florida back to Texas. Simultaneously, the name was changed back to USAA Casualty Insurance Company.

LICENSING

USAA Casualty Insurance Company's Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2006. The Company is licensed in all states, District of Columbia, Guam and U.S. Virgin Islands. The Company's 2005 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$88,052,493. Premium volume related to the areas of this review were: Fire \$509,035; Homeowner's Multiple Peril \$19,566,471; Inland Marine \$934,019; Private Passenger Automobile Direct Written Premium was reported as Private Passenger Auto No-Fault (personal injury protection) \$6,718,547; Other Private Passenger Auto Liability \$31,998,014 and Private Passenger Auto Physical Damage \$27,411,529.

IV. UNDERWRITING PRACTICES AND PROCEDURES

As part of the examination, the Company was requested to supply manuals, underwriting guides, bulletins, directives or other forms of underwriting procedure communications for each line of business being reviewed. Agency bulletins and Pennsylvania automobile product guides were furnished for private passenger automobile. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature.

The following finding was made:

1 Violation Act 205, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)]

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined. “Unfair Methods of Competition” and “Unfair or Deceptive Practices” in the business of insurance means: Unfairly discriminating by means of: Making or permitting any unfair discrimination between individuals of the same class and essentially the same hazard with regard to underwriting standards and practices or eligibility requirements by reason of race, religion, nationality or ethnic group, age, sex, family size, occupation, place of residence or marital status. The terms “underwriting standards and practices” or “eligibility rules” do not include the promulgation of rates if made or promulgated in accordance with the appropriate rate regulatory act of this Commonwealth and regulations promulgated by the Commissioner pursuant to such act. The homeowner guidelines indicated the following: “Theft Exposure: Individual: Some individuals present a greater than average theft exposure. Careful consideration is required particularly with regard to loss experience,

amount of insurance requested and the amount of time spent away from home. These individuals usually: Are in the public eye and their whereabouts are usually known to the public; Spend a considerable amount of time away from home due to their occupation's demand for traveling.

Concern: It is recommended that the Company delete the guidelines that imply supporting coverage within each section. "We prefer that we ALSO have written or will write the primary residence at next anniversary or expiration date".

V. UNDERWRITING

A. Private Passenger Automobile

1. 60-Day Cancellations

A 60-day cancellation is considered to be any policy, which was cancelled within the first 60 days of the inception date of the policy.

The primary purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited. These files were also reviewed for compliance with Act 68, Section 2002(b)(3) [40 P.S. §991.2002(b)(3)], which requires an insurer who cancels a policy of automobile insurance in the first 60 days, to supply the insured with a written statement of the reason for cancellation.

From the universe of 125 private passenger automobile files cancelled within the first 60 days of new business, 75 files were selected for review. All 75 files were received and reviewed. No violations were noted.

2. Midterm Cancellations

A midterm cancellation is any policy that terminates at any time other than the normal twelve-month policy anniversary date.

The primary purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited, and Section 2006 (40 P.S. §991.2006), which establishes the requirements which must be met regarding the form and conditions of the cancellation notice.

From the universe of 4,259 private passenger automobile files identified as midterm cancellations by the Company, 175 files were selected for review. All 175 files were received and reviewed. No violations were noted.

3. Nonrenewals

A nonrenewal is considered to be any policy that was not renewed, for a specific reason, at the normal twelve-month policy anniversary date.

The purpose of the review was to determine compliance with Act 68, Section 2003 (40 P.S. §991.2003), which establishes conditions under which action by the insurer is prohibited, and Section 2006 (40 P.S. §991.2006), which establishes the requirements which must be met regarding the form and conditions of the cancellation notice.

From the universe of 699 private passenger automobile files identified as nonrenewals by the Company, 150 files were selected for review. All 150 files were received and reviewed. No violations were noted.

4. Declinations

A declination is any application that is received by the Company and was declined to be written.

The primary purpose of the review was to determine compliance with Act 68, Section 2003 [40 P.S. §991.2003], which establishes conditions under which action by the insurer is prohibited.

The universe of 2 private passenger automobile files identified as being declined by the Company during the experience period was selected for review. The 2 files were received and reviewed. No violations were noted.

B. Private Passenger Automobile – Assigned Risk

The Company is an excused carrier under the assigned risk Limited Assignment Distribution procedure. Under this procedure groups of companies not under common ownership or management may form a Limited Assignment Distribution (LAD) arrangement. Each LAD arrangement has one servicing company, which writes assigned risk business on behalf of those members, which choose to buy out from their private passenger quota. As part of this arrangement the Company wrote no assigned risk business during the experience period.

C. Property

1. 60-Day Cancellations

A 60-day cancellation is considered to be any policy, which was cancelled within the first 60 days of the inception date of the policy.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)], which prohibits an insurer from canceling a policy for discriminatory reasons and Title 31, Pennsylvania Code, Section 59.9(b), which requires an insurer who cancels a policy in the first 60 days to provide at least 30 days notice of the termination.

The universe of 60 personal property policies which were cancelled in the first 60 days of new business was selected for review. All 60 policies requested were received and reviewed. The property policies consisted of homeowners, tenant homeowners and inland marine. No violations were noted.

2. Midterm Cancellations

A midterm cancellation is any policy termination that occurs at any time other than the twelve-month policy anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the cancellation notice.

From the universe of 3,355 property policies which were cancelled midterm during the experience period, 294 files were selected for review. The property policies consisted of homeowners, tenant homeowners, inland marine and boat. All 294 files were received and reviewed. No violations were noted.

3. Nonrenewals

A nonrenewal is considered to be any policy, which was not renewed, for a specific reason, at the normal twelve-month anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the nonrenewal notice.

The Company did not report any personal property nonrenewals during the experience period.

4. Declinations

A declination is any application that is received and the Company declines to write the coverage.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(7)(iii) [40 P.S. §1171.5(a)(7)(iii)], discriminatory reasons.

From the universe of 71 homeowner declinations reported during the experience period, 25 files were selected for review. All 25 files were received and reviewed. No violations were noted.

5. Rescissions

A rescission is any policy, which was void *ab initio*.

The primary purpose of the review was to determine compliance with Act 205, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes conditions under which cancellation of a policy is permissible along with the form requirements of the rescission notice.

The universe of 1 homeowner policy identified as a rescission was selected for review. The file requested was received and reviewed. No violations were noted.

D. Commercial Property

1. 60-Day Cancellations

A 60-day cancellation is considered to be any policy, which was cancelled within the first 60 days of the inception date of the policy.

The primary purpose of the review was to determine compliance with Act 86, Section 7 (40 P.S. §3407), which requires an insurer, who cancels a policy that is in effect less than 60 days, to provide 30 days notice of termination no later than the 60th day unless the policy provides for a longer period of notification.

The universe of 14 tenant occupied dwelling fire policies which were cancelled within the first 60 days was selected for review. All 14 files were received and reviewed. No violations were noted.

2. Midterm Cancellations

A midterm cancellation is any policy termination that occurs at any time other than the twelve-month policy anniversary date.

The purpose of the review was to determine compliance with Act 86, Section 2 (40 P.S. §3402), which prohibits cancellation except for specified reasons and Section 3 (40 P.S. §3403), which establishes the requirements, which must be met regarding the form and condition of the cancellation notice.

From the universe of 299 tenant occupied dwelling fire policies which were cancelled during the experience period, 75 files were selected for review. All 75 files were received and reviewed. The 3 violations noted were based on 3 files, resulting in an error ratio of 4%.

The following findings were made:

3 Violations Act 86, Section 3(a)(6) [40 P.S. §3403(a)(6)]

Requires that a cancellation notice shall state that at the insured's request, the insurer shall provide loss information to

the insured for at least three years or the period of time during which the insurer has provided coverage to the insured, whichever is less. The 3 files noted contained a cancellation notice which did not provide the required information.

3. Nonrenewals

A nonrenewal is considered to be any policy that was not renewed, for a specific reason, at the normal twelve-month policy anniversary date.

The review was conducted to determine compliance with Act 86, Section 3 (40 P.S. §3403), which establishes the requirements that must be met regarding the form and condition of the nonrenewal notice.

The Company did not report any commercial property nonrenewals during the experience period.

4. Declinations

A declination is any application that is received and the Company declines to write the coverage.

The primary purpose of the review was to determine compliance with Act 205, Section 5 [40 P.S. §1171.5], which defined unfair methods of competition and unfair or deceptive acts or practices.

From the universe of 47 tenant occupied dwelling fire identified as declinations by the Company, 25 files were selected for review. All 25 files selected were received and reviewed. The 2 violations noted were based on 2 files, resulting in an error ratio of 8%.

The following findings were made:

2 Violations Act 205, Section 5(a)(4) [40 P.S. §1171.5(a)(4)]

Unfair Methods of Competition and Unfair or Deceptive Acts or Practices Defined. Entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance. The Company used supporting coverage as a requirement to write the policy.

5. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date. The purpose of the review was to measure compliance with Act 86, Section 1 (40 P.S. §3401), which requires 30 days advance notice of an increase in renewal premium.

From the universe of 794 tenant occupied dwelling fire policies which were renewed during the experience period, 75 files were selected for review. All 75 files were received and reviewed. No violations were noted.

VI. RATING

A. Private Passenger Automobile

1. New Business

New business, for the purpose of this examination, is defined as policies written for the first time by the Company during the experience period.

The primary purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) [40 P.S. §1184], which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at that time. Files were also reviewed to determine compliance with all provisions of Act 6 of 1990 and Act 68, Section 2005(c) [40 P.S. §991.2005(c)], which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance or as a result of any other factors.

The Company processes and issues personal automobile policies using an automated system. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. Once the computer programming had been verified, only the input data needed to be verified. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the examiners were able to determine compliance with the Company's filed and approved rating plans.

Private Passenger Automobile – New Business Without Surcharges

From the universe of 2,477 private passenger automobile policies identified as new business without surcharges by the Company, 50 files were selected for review. All 50 files were received and reviewed. The 14,862 violations noted were based on the universe of 2,477, resulting in an error ratio of 100%.

The following findings were made:

2,477 Violations Title 75, Pa. C.S. §1705(a)(1)

Each insurer, not less than 45 days prior to the first renewal of a private passenger motor vehicle liability insurance policy on and after July 1, 1990, shall notify in writing each named insured of the availability of two alternatives of full tort insurance and limited tort insurance described in subsections (c) and (d). The notice shall be a standard form adopted by the commissioner and shall include the following language: "If you wish to choose the "limited tort" option described in paragraph A, you must sign this notice where indicated below and return it. If you do not sign and return this notice, you will be considered to have chosen the "full tort" coverage as described in paragraph B and you will be charged the "full tort" premium.

AND

Title 75, Pa. C.S. §1705(a)(3)

If a named insured who receives a notice under paragraph (1) does not indicate a choice within 20 days, the insurer shall send a second notice. The second notice shall be in a form identical to the first notice, except that it shall be identified as

a second and final notice. If a named insured has not responded to either notice ten days prior to the renewal date, the named insured and those he is empowered by this section to bind by his choice are conclusively presumed to have chosen the full tort alternative. All notices required by this section shall advise that if no tort election is made, the named insured and those he is empowered to bind by his choice are conclusively presumed to have chosen the full tort alternative. Any person subject to the limited tort option by virtue of this section shall be precluded from claiming liability of any person based upon being inadequately informed.

AND

Title 75, Pa. C.S. §1705(a)(4)

Each insurer, prior to the issuance of a private passenger motor vehicle policy on or after July 1, 1990, shall provide each applicant with the notice required by paragraph (1). A policy may not be issued until the applicant has been provided and opportunity to elect a tort option. The Company failed to provide the insured with an opportunity to elect a tort option prior to the issuance of the policy.

2,477 Violations Title 75, Pa. C.S. §1731(b) & (c)

No motor vehicle liability insurance policy shall be delivered or issued for delivery in this Commonwealth, with respect to any motor vehicle registered or principally garaged in this Commonwealth, unless uninsured motorist and underinsured motorist coverages are offered therein or supplemental thereto in amounts equal to the bodily injury liability coverage except as provided in Section 1734. The named insured shall be

informed that he may reject uninsured and underinsured motorist coverage by signing the written rejection form. The Company failed to disclose, prior to policy issuance, that the insured may reject uninsured and underinsured motorist coverage.

2,477 Violations Title 75, Pa. C.S. §1738(c)(d)(1)&(2)

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The Company failed to disclose, prior to policy issuance, the insured may elect to waive stacking of uninsured and underinsured motorist coverage.

2,477 Violations Title 75, Pa. C.S. §1791.1(a)

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages." The insurer shall provide the itemized invoice to the insured in

conjunction with the declaration of coverage limits and premiums for the insured's existing coverages. The Company failed to disclose the required notice at the time of application.

2,477 Violations Title 75, Pa. C.S. 1792(b)(1)

Mandatory deductibles. Every private passenger automobile insurance policy providing collision coverage issued or renewed on and after the effective date of this subsection shall provide a deductible in an amount of \$500 for collision coverage, unless the named insured signs a statement indicating the insured is aware that the purchase of a lower deductible is permissible and that there is an additional cost of purchasing a lower deductible, and the insured agrees to accept it. The Company failed to disclose, prior to policy issuance, that the insured may request a deductible in an amount less than \$500.

2,477 Violations Title 75, Pa. C.S. §1793(b)

Requires the insurer to provide to the insured a copy of their surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and the plan shall be delivered to each insured by the insurer at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage. The Company failed to disclose the surcharge disclosure plan to the insured at the time of application.

Private Passenger Automobile – New Business With Surcharges

From the universe of 339 private passenger automobile policies identified as new business with surcharges by the Company, 75 files were selected for review. All 75 files were received and reviewed. The 2,373 violations noted were based on the universe of 339, resulting in an error ratio of 100%.

The following findings were made:

339 Violations Title 75, Pa. C.S. §1705(a)(1)

Each insurer, not less than 45 days prior to the first renewal of a private passenger motor vehicle liability insurance policy on and after July 1, 1990, shall notify in writing each named insured of the availability of two alternatives of full tort insurance and limited tort insurance described in subsections (c) and (d). The notice shall be a standard form adopted by the commissioner and shall include the following language: "If you wish to choose the "limited tort" option described in paragraph A, you must sign this notice where indicated below and return it. If you do not sign and return this notice, you will be considered to have chosen the "full tort" coverage as described in paragraph B and you will be charged the "full tort" premium.

AND

Title 75, Pa. C.S. §1705(a)(3)

If a named insured who receives a notice under paragraph (1) does not indicate a choice within 20 days, the insurer shall send a second notice. The second notice shall be in a form identical to the first notice, except that it shall be identified as

a second and final notice. If a named insured has not responded to either notice ten days prior to the renewal date, the named insured and those he is empowered by this section to bind by his choice are conclusively presumed to have chosen the full tort alternative. All notices required by this section shall advise that if no tort election is made, the named insured and those he is empowered to bind by his choice are conclusively presumed to have chosen the full tort alternative. Any person subject to the limited tort option by virtue of this section shall be precluded from claiming liability of any person based upon being inadequately informed.

AND

Title 75, Pa. C.S. §1705(a)(4)

Each insurer, prior to the issuance of a private passenger motor vehicle policy on or after July 1, 1990, shall provide each applicant with the notice required by paragraph (1). A policy may not be issued until the applicant has been provided an opportunity to elect a tort option. The Company failed to provide the insured with an opportunity to elect a tort option prior to the issuance of the policy.

339 Violations Title 75, Pa. C.S. §1731(b) & (c)

No motor vehicle liability insurance policy shall be delivered or issued for delivery in this Commonwealth, with respect to any motor vehicle registered or principally garaged in this Commonwealth, unless uninsured motorist and underinsured motorist coverages are offered therein or supplemental thereto in amounts equal to the bodily injury liability coverage except as provided in Section 1734. The named insured shall be

informed that he may reject uninsured and underinsured motorist coverage by signing the written rejection form. The Company failed to disclose, prior to policy issuance, that the insured may reject uninsured and underinsured motorist coverage.

339 Violations Title 75, Pa. C.S. §1738(c)(d)(1)&(2)

The named insured shall be informed that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage by signing written rejection forms. The Company failed to disclose, prior to policy issuance, the insured may elect to waive stacking of uninsured and underinsured motorist coverage.

339 Violations Title 75, Pa. C.S. §1791.1(a)

Requires that at the time of application for original coverage and every renewal thereafter, an insurer must provide to an insured an itemized invoice listing the minimum motor vehicle insurance coverage levels mandated by the Commonwealth and the premium charge for the insured to purchase the minimum mandated coverages. The invoice must contain the following notice in print of no less than ten-point type: "The laws of the Commonwealth of Pennsylvania, as enacted by the General Assembly, only require you to purchase liability and first-party medical benefit coverages. Any additional coverage or coverages in excess of the limits required by law are provided only at your request as enhancements to basic coverages." The insurer shall provide the itemized invoice to the insured in

conjunction with the declaration of coverage limits and premiums for the insured's existing coverages. The Company failed to disclose the required notice at the time of application.

339 Violations Title 75, Pa. C.S. 1792(b)(1)

Mandatory deductibles. Every private passenger automobile insurance policy providing collision coverage issued or renewed on and after the effective date of this subsection shall provide a deductible in an amount of \$500 for collision coverage, unless the named insured signs a statement indicating the insured is aware that the purchase of a lower deductible is permissible and that there is an additional cost of purchasing a lower deductible, and the insured agrees to accept it. The Company failed to disclose, prior to policy issuance, that the insured may request a deductible in an amount less than \$500.

339 Violations Title 75, Pa. C.S. §1793(b)

Requires the insurer to provide to the insured a copy of their surcharge disclosure plan. The insurer providing the surcharge disclosure plan shall detail the provisions of the plan and the plan shall be delivered to each insured by the insurer at least once annually. Additionally, the surcharge information plan shall be given to each prospective insured at the time application is made for motor vehicle insurance coverage. The Company failed to disclose the surcharge disclosure plan to the insured at the time of application.

339 Violations Title 75, Pa. C.S. §1799.3(d)

Requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the insured of the determination and specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect. The Company failed to specify the dates of accidents and/or violations on the premium notice.

2. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time. Files were also reviewed to determine compliance with Act 68, Section 2005(c) (40 P.S. §991.2005(c)), which requires insurers to provide to insureds a detailed statement of the components of a premium and shall specifically show the amount of surcharge or other additional amount that is charged as a result of a claim having been made under a policy of insurance, or as a result of any other factors.

The Company processes and issues personal automobile policies using an automated system. In order to verify the automated system, several policies were manually rated to ensure the computer had been programmed correctly. Once the computer programming had been verified, only the input data needed to be verified. By reviewing base premiums, territory assignments, rating symbols, classifications and surcharge disclosures, the examiners were able to determine compliance with the Company's filed and approved rating plans.

Private Passenger Automobile – Renewals Without Surcharges

From the universe of 36,381 private passenger automobile policies renewed without surcharges during the experience period, 100 files were selected for review. All 100 files were received and reviewed. No violations were noted.

Private Passenger Automobile – Renewals With Surcharges

From the universe of 12,372 private passenger automobile policies renewed with surcharges during the experience period, 150 files were selected for review. All 150 files were received and reviewed. The 12,372 violations were based on the universe of 12,372, resulting in an error ratio of 100%.

The following findings were made:

12,372 Violations Title 75, Pa. C.S. §1799.3(d)

Requires insurers who make a determination to impose a surcharge, rate penalty or driver record point assignment, to inform the insured of the determination and specify the manner in which the surcharge, rate penalty or driver record point assignment was made and clearly identify the amount of

the surcharge or rate penalty on the premium notice for as long as the surcharge or rate penalty is in effect. The Company failed to specify the dates of accidents and/or violations on the premium notice.

Private Passenger Automobile – Renewals In a Higher Plan

From the universe of 91 private passenger automobile policies renewed in a higher plan, 50 files were selected for review. All 50 files were received and reviewed. No violations were noted.

B. Private Passenger Automobile – Assigned Risk

The Company is an excused carrier under the assigned risk Limited Assignment Distribution procedure. Under this procedure groups of companies not under common ownership or management may form a Limited Assignment Distribution (LAD) arrangement. Each LAD arrangement has one servicing company, which writes assigned risk business on behalf of those members, which choose to buy out from their private passenger quota. As part of this arrangement, the Company wrote no assigned risk business during the experience period.

C. Homeowners

1. New Business

New business, for the purpose of this examination, was defined as policies written for the first time by the Company during the experience period.

The purpose of the review was to measure compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it

proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time.

Homeowner Rating – New Business Without Surcharges

From the universe of 2,420 homeowner policies written as new business without surcharges during the experience period, 50 files were selected for review. All 50 files were received and reviewed. No violations were noted.

2. Renewals

A renewal is considered to be any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The purpose of the review was to determine compliance with Act 246, Sections 4(a) and (h) (40 P.S. §1184), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates which are in effect at the time.

Homeowner Rating – Renewals Without Surcharges

From the universe of 16,182 homeowner policies renewed without surcharges during the experience period, 75 files were selected for review. All 75 files were received and reviewed. No violations were noted.

VII. CLAIMS

The Company was requested to provide copies of all established written claim handling procedures utilized during the experience period. Written claim handling procedures were received and reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

The Claims review consisted of the following areas of review:

- A. Automobile Property Damage Claims
- B. Automobile Comprehensive Claims
- C. Automobile Collision Claims
- D. Automobile Total Loss Claims
- E. Automobile First Party Medical Claims
- F. Automobile First Party Medical Claims Referred to a PRO
- G. Homeowner Claims
- H. Dwelling Fire Claims

The primary purpose of the review was to determine compliance with Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices. The files were also reviewed to determine compliance with Act 205, Section 4 (40 P.S. §1171.4) and Section 5(a)(10)(vi) [40 P.S. §1171.5(a)(10)(vi)], Unfair Insurance Practices Act.

A. Automobile Property Damage Claims

From the universe of 3,366 private passenger automobile property damage claims reported during the experience period, 100 files were selected for review. All 100 files were received and reviewed. The 9 violations noted were based on 9 files, resulting in an error ratio of 9%.

The following findings were made:

7 Violations Title 31, Pa. Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide a timely status letter for the 7 claims noted.

2 Violations Title 31, Pa. Code, Section 146.5(a)

Every insurer, upon receiving notification of a claim, shall, within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgment is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated. Notification given to an agent of an insurer shall be notification to the insurer, dating from the time the insurer receives notice. The Company did not acknowledge the 2 claims noted within 10 working days.

B. Automobile Comprehensive Claims

From the universe of 3,506 private passenger automobile comprehensive claims reported during the experience period, 100 files were selected for review. All 100 files were received and reviewed. No violations were noted.

C. Automobile Collision Claims

From the universe of 3,349 private passenger automobile collision claims reported during the experience period, 100 files were selected for review. All 100 files were received and reviewed. The 11 violations noted were based on 11 files, resulting in an error ratio of 11%.

The following findings were made:

11 Violations Title 31, Pa. Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide a timely status letter for the 11 claims noted.

D. Automobile Total Loss Claims

From the universe of 538 private passenger automobile total loss claims reported during the experience period, 50 files were selected for review. All 50 files were received and reviewed. The 21 violations noted were based on 18 files, resulting in an error ratio of 36%.

The following findings were made:

4 Violations Title 31, Pa. Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide a timely status letter for the 4 claims noted.

17 Violations Title 75, Pa. C.S. §1161(a)&(b) – Certificate of Salvage Required.

(a) General rule – Except as provided in Sections 1162 and 1163, a person, including an insurer or self-insurer as defined in Section 1702 (relating to definitions), who owns, possesses or transfers a vehicle located or registered in the Commonwealth which qualifies as a salvage vehicle shall make application to the Department for a certificate of salvage for that vehicle.

(b) Application for certificate of salvage. – An owner who transfers a vehicle to be destroyed or dismantled, salvaged or recycled shall assign the certificate of title to the person to whom the vehicle is transferred. Except as provided in Section 1163, the transferee shall immediately present the assigned certificate of title to the Department or an authorized agent of the Department with an application for a certificate of salvage upon a form furnished and prescribed by the Department. An insurer as defined in Section 1702 to which title to a vehicle is assigned upon payment to the insured or

regarded as a transferee under this subsection. The 17 files noted did not reflect a Pennsylvania salvage title was obtained.

E. Automobile First Party Medical Claims

From the universe of 1,840 private passenger automobile first party medical claims reported during the experience period, 100 files were selected for review. All 100 files were received and reviewed. The 74 violations noted were based on 56 files, resulting in an error ratio of 56%.

The following findings were made:

27 Violations Title 31, Pa. Code, Section 69.52(b)

Requires an insurer to pay bills for care that are not referred to a Peer Review Organization within 30 days after the insurer receives sufficient documentation supporting the bill. The Company did not pay the 27 claims noted within 30 days.

4 Violations Title 75, Pa. C.S. §1716

Payment of Benefits. Benefits are overdue if not paid within 30 days after the insurer receives reasonable proof of the amount of benefits. If reasonable proof is not supplied as to all benefits, the portion supported by reasonable proof is overdue if not paid within 30 days after the proof is received by the insurer. Overdue benefits shall bear interest at the rate of 12% per annum from the date the benefits become due. In the event the insurer is found to have acted in an unreasonable manner in refusing to pay the benefits when due, the insurer shall pay, in addition to the benefits owed and the interest

thereon, a reasonable attorney fee based upon actual time expended. The Company did not pay interest on 4 claims that were not paid within 30 days.

43 Violations Title 31, Pa. Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the 43 claims noted.

F. Automobile First Party Medical Claims Referred to a PRO

The universe of 7 private passenger automobile first party medical claims referred to a peer review organization was selected for review. Of the 7 claims reported as peer review referrals, only 2 were referred to a peer review organization. The Company was requested to provide copies of any contracts with the peer review organization it has contracted. The contracts were received and reviewed. No violations were noted.

G. Homeowner Claims

From the universe of 1,673 homeowner claims reported during the experience period, 100 files were selected for review. All 100 files were received and reviewed. The 35 violations noted were based on 35 files, resulting in an error ratio of 35%.

The following findings were made:

33 Violations Title 31, Pa. Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the 33 claims noted.

2 Violations Title 31, Pa. Code, Section 146.7(a)(1)

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer. No insurer shall deny a claim on the grounds of a specific policy provision, condition, or exclusion unless reference to such provision, condition or exclusion is included in the denial. The denial must be given to the claimant in writing and the claim file of the insurer shall contain a copy of the denial. The 2 claims noted did not have a copy of the denial letter in the claim file.

H. Dwelling Fire

The universe of 45 tenant occupied dwelling fire claims reported during the experience period was selected for review. All 45 files selected were received and reviewed. The 16 violations noted were based on 16 files, resulting in an error ratio of 36%.

The following findings were made:

16 Violations Title 31, Pa. Code, Section 146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot reasonably be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the 16 claims noted.

VIII. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy forms used in order to verify compliance with Insurance Company Law, Section 354 (40 P.S. §477b), Approval of Policies, Contracts, etc., Prohibiting the Use Thereof Unless Approved. During the experience period of the examination, Section 354 provided that it shall be unlawful for any insurance company to issue, sell, or dispose of any policy contract or certificate covering fire, marine, title and all forms of casualty insurance or use applications, riders, or endorsements in connection therewith, until the forms have been submitted to and formally approved by the Insurance Commissioner. All underwriting and claim files were also reviewed to verify compliance with Act 165 of 1994 [18 Pa. CS §4117(k)(1)] and Title 75, Pa. C.S. §1822, which requires all insurers to provide an insurance fraud notice on all applications for insurance, all claims forms and all renewals of coverage.

The following findings were made:

Private Passenger Automobile Rating – New Business Without Surcharges

2,477 Violations Title 75, Pa. C.S. §1822

Warning notice on application for insurance and claim forms. Not later than May 1, 1990, all applications for insurance, renewals and claim forms shall contain a statement that clearly states in substance the following: "Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000." The Company failed to provide the fraud warning at the time of application.

Private Passenger Automobile Rating – New Business With Surcharges

339 Violations Title 75, Pa. C.S. §1822

Warning notice on application for insurance and claim forms. Not later than May 1, 1990, all applications for insurance, renewals and claim forms shall contain a statement that clearly states in substance the following: "Any person who knowingly and with intent to injure or defraud any insurer files an application or claim containing false, incomplete or misleading information shall, upon conviction, be subject to imprisonment for up to seven years and payment of a fine of up to \$15,000." The Company failed to provide the fraud warning at the time of application.

IX. ADVERTISING

The Company was requested to provide copies of all advertising, sales material and internet advertisements in use during the experience period.

The purpose of this review was to determine compliance with Act 205, Section 5 [40 P.S. §1171.5], which defines unfair methods of competition and unfair or deceptive acts or practices in the business of insurance, as well as Title 31, Pennsylvania Code, Section 51.2(c) and Section 51.61.

The Company provided 75 pieces of advertising which included brochures, mail solicitation and media aids. Internet advertising was reviewed. No violations were noted.

X. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for the preceding four years. The Company identified 46 consumer complaints received during the experience period and provided all consumer complaint logs requested. Of the 46 complaints, 27 complaint files were requested, received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). Section 5(a)(11) of the Act requires a Company to maintain a complete record of all complaints received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint.

The following findings were made:

1 Violation Act 68, Section 2006(2) [40 P.S. §991.2006(2)]

Requires an insurer to deliver or mail to the named insured a nonrenewal notice and state the date, not less than sixty (60) days after the date of the mailing or delivery, on which cancellation shall become effective. When the policy is being cancelled for the nonpayment of premium, the effective date may be fifteen (15) days from the date of mailing or delivery. The Company did not provide 60 days notice of nonrenewal.

1 Violation 18, Pa. C.S. §6310.3(d)

An insurer may not refuse to renew a policy based on the license suspension of an insured for underage drinking. The policy

nonrenewed due to a non-vehicle related, underage drinking citation, which resulted in a license suspension.

Concern: The Complaint logs did not appear to reflect the actual date the Company received the complaint, but rather the date the complaint was logged onto the records. There was no consistent use of date stamps or other means to determine the actual date received.

The following synopsis reflects the nature of the 27 complaints that were reviewed.

• 16	Cancellation/Nonrenewal	61%
• 2	Rates	7%
• 1	Billing	3%
• 2	Declinations	7%
• 6	Claims	22%
<hr/>		<hr/>
27		100%

XI. LICENSING

In order to determine compliance by the Company and its agency force with the licensing requirements applicable to Section 641.1(a) [40 P.S. §310.41(a) and Section 671-A [40 P.S. §310.71] of the Insurance Department Act No. 147, the Company was requested to furnish a list of all active producers during the experience period and a listing of all producers terminated during the experience period. Underwriting files were checked to verify proper licensing and appointment.

No violations were noted.

XII. RECOMMENDATIONS

The recommendations made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other statutory or regulatory violations, noted in the Report.

1. The Company must review and revise internal control procedures to ensure compliance relative to commercial cancellation requirements of Act 86, Section 3 [40 P.S. §3403], so that the violations noted in the Report do not occur in the future.
2. The Company must review Act 205, Section 5(a)(4) [40 P.S. §1171.5(a)(4)] to ensure that the violations relative to supporting coverage noted in the Report does not occur in the future.
3. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to elect a tort option prior to policy issuance and that signed tort option selection forms are obtained and retained with the underwriting file. This is to ensure that violations noted under Title 75, Pa. C.S. §1705(a)(1), (3) &(4) do not occur in the future.
4. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to exercise the waiver for uninsured and underinsured motorist coverage prior to policy issuance and that signed forms are obtained and retained with the underwriting file. This is to ensure that violations noted under Title 75, Pa. C.S. §1731(b) & (c) do not occur in the future.

5. The Company must revise underwriting procedures to ensure that the insured is aware that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage prior to policy issuance and by signing written rejection forms. This is to ensure that violations noted under Title 75, Pa. C.S. §1738(d)(1) and (2) do not occur in the future.
6. The Company must review Title 75, Pa. C.S. §1791.1(a) to ensure that an itemized invoice listing minimum coverages is provided at the time of application as noted in the Report and does not occur in the future.
7. The Company must revise underwriting procedures to ensure that the insured is aware that there is an additional cost for purchasing a lower deductible for collision coverage prior to policy issuance. This is to ensure that violations noted under Title 75, Pa. C.S. §1792(b)(1) do not occur in the future.
8. When a surcharge is imposed on a private passenger automobile policy the Company must include specifics of accidents and citations and give notice to the insured. This procedure must be implemented within 30 days of the Report issue date. This is to ensure that violations noted under Title 75, Pa. C.S. §1799.3(d) do not occur in the future.
9. The Company must review Title 75, Pa. C.S. 1793(b) to ensure that violations regarding the requirement to provide the insured with a surcharge disclosure plan at the time of application, as noted in the Report, do not occur in the future.

10. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to status letters, claim acceptance and denials as noted in the Report do not occur in the future.
11. The Company must review Title 31, Pa. Code, Section 69.52(b) with its claim staff to ensure that first party medical bills are paid within 30 days. Those claims that have not been paid within 30 days shall bear interest at the rate of 12% annum from the date the benefits become due as required by Title 75, Pa. C.S. §1716. The interest amount must be paid to the claimant and proof of such payment must be provided to the Insurance Department within 30 days of the Report issue date.
12. The Company must review Title 75, Pa. C.S. §1161(a)&(b) with its claim staff to ensure that Pennsylvania salvage certificates are obtained and are retained with the claim file.
13. The Company must ensure that all applications and claim forms contain the required fraud warning notice.
14. The Company must review and revise internal control procedures to ensure compliance with cancellation notice requirements of Act 68, Section 2006(2) [40 P.S. §991.2006(2)], so that the violation noted in the Report does not occur in the future.
15. The Company must revise and reissue their underwriting guidelines for use in Pennsylvania to ensure that the guidelines do not exclude applicants from being eligible to obtain insurance based on occupation.

XIII. COMPANY RESPONSE



9800 Fredericksburg Road
San Antonio, Texas 78288

December 07, 2006

Chester A. Derk Jr., AIE, HIA
Market Conduct Division Chief
Commonwealth of Pennsylvania
Bureau of Enforcement
1321 Strawberry Square
Harrisburg, PA 17120

BY OVERNIGHT DELIVERY AND E-MAIL

Reference: Market Conduct Examination of USAA Casualty Insurance Company

Dear Mr. Derk:

USAA Casualty Insurance Company ("the Company") appreciates the opportunity to review and respond to your report dated November 9, 2006. We understand and respect the intent of market conduct examinations and trust that the Department accepts our position and responses as an indication of our commitment to compliance.

As explained in prior communications with the Department, we respectfully disagree with the position taken on certain issues cited in this report. However, we respect that the Department has taken a stance through its interpretation of these laws, and as such, we will conform.

Our response will parallel the order of findings noted at XII – RECOMMENDATIONS of the report.

1. The Company must review and revise internal control procedures to ensure compliance relative to commercial cancellation requirements of Act 86, Section 3 [40 P.S. 3403], so that the violations noted in the Report do not occur in the future.

Response: The Company is in the process of making the necessary system changes to update cancellation notices to reflect the required language. This system change has been prioritized and will be completed as quickly as possible.

2. The Company must review Act 205, Section 5(a)(4) [40 P.S. 1171.5(a)(4)] to ensure that the violations relative to supporting coverage noted in the Report does not occur in the future.

Response: The Company is aware of the Department's position on supporting coverage, and all references to preference for supporting coverage were removed from our underwriting guidelines on September 15, 2004, when this issue was first brought to our attention. The Company's underwriting guidelines have been further revised to specifically reflect that the state of Pennsylvania strictly prohibits declination of dwelling insurance based on lack of supporting coverage. This has been communicated to the appropriate personnel.

3. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to elect a tort option prior to policy issuance and that signed tort option selection forms are obtained and retained with the underwriting file. This is to ensure that violations noted under Title 75, Pa. C.S. 1705(a)(1), (3) & (4) do not occur in the future.

Response: The Company is committed to ensuring practices and procedures adhere to all laws and regulations. We believe our practices comply with the required disclosure, and in good faith, provide members with an opportunity to choose the coverage that best meets their needs.

Based on the Department's interpretation of the disclosure requirements, we submit the following completed or in-process actions:

- Conduct reinforcement training to ensure service representatives continue to offer full and limited tort.
- Add online procedures for easy reference by service representatives.
- Provide the member with the option to submit the appropriate form in the following manners:
 - Electronic signature on usaa.com.
 - Facsimile.
 - Record the phone transaction(s) in which the member has been informed of their tort options and has requested limited tort.
- Maintain management oversight.
- Continue to retain signed forms or recordings according to statute.

4. The Company must revise its underwriting procedures to ensure that each applicant for private passenger automobile liability insurance is provided an opportunity to exercise the waiver for uninsured and underinsured motorist coverage prior to policy issuance and that signed forms are obtained and retained with the underwriting file. This is to ensure that violations noted under Title 75, Pa. C.S. 1731 (b) & (c) do not occur in the future.

Response: The Company is committed to ensuring practices and procedures adhere to all laws and regulations. We believe our practices comply with the required disclosure, and

in good faith, provide members with an opportunity to choose the coverage that best meets their needs.

Based on the Department's interpretation of the disclosure requirements, we submit the following completed or in-process actions:

- Conduct reinforcement training to ensure service representatives continue to offer the option to waive uninsured and underinsured motorist coverage.
- Add online procedures for easy reference by service representatives.
- Provide the member with the option to submit the appropriate form in the following manners:
 - Electronic signature on usaa.com.
 - Facsimile.
 - Record the phone transaction(s) in which the member has been informed of their options and have selected to waive uninsured and underinsured coverage.
- Maintain management oversight.
- Continue to retain signed forms or recordings according to statute.

5. The Company must revise underwriting procedures to ensure that the insured is aware that he may exercise the waiver of stacked limits for uninsured and underinsured motorist coverage prior to policy issuance and by signing written rejection forms. This is to ensure that violations noted under Title 75, Pa. C.S. 1738(d)(1) and (2) do not occur in the future.

Response: The Company is committed to ensuring practices and procedures adhere to all laws and regulations. We believe our practices comply with the required disclosure, and in good faith, provide members with an opportunity to choose the coverage that best meets their needs.

Based on the Department's interpretation of the disclosure requirements, we submit the following completed or in-process actions:

- Conduct reinforcement training to ensure service representatives continue to offer the option to reject stacked uninsured and underinsured motorist coverage.
- Add online procedures for easy reference by service representatives.
- Provide the member with the option to submit the appropriate form in the following manners:
 - Electronic signature on usaa.com.
 - Facsimile.
 - Record the phone transaction(s) in which the member has been informed of their options and selected to waive stacked limits for uninsured and underinsured coverage.
- Maintain management oversight.

- Continue to retain signed forms or recordings according to statute.

6. The Company must review Title 75, Pa. C.S. 1791.1(a) to ensure that an itemized invoice listing minimum coverages is provided at the time of application as noted in the Report and does not occur in the future.

Response: The Company is committed to ensuring practices and procedures adhere to all laws and regulations. We believe our practices comply with the required disclosure, and in good faith, provide members with an opportunity to choose the coverage that best meets their needs.

Based on the Department's interpretation of the disclosure requirements, we submit the following completed or in-process actions:

- Conduct training to ensure service representatives quote minimum coverages.
- Add online procedures for easy reference by service representatives.
- Maintain management oversight.

7. The Company must revise underwriting procedures to ensure that the insured is aware that there is an additional cost for purchasing a lower deductible for collision coverage prior to policy issuance. This is to ensure that violations noted under Title 75, Pa. C.S. 1792(b)(1) do not occur in the future.

Response: The Company is committed to ensuring practices and procedures adhere to all laws and regulations. We believe our practices comply with the required disclosure, and in good faith, provide members with an opportunity to choose the coverage that best meets their needs.

Based on the Department's interpretation of the disclosure requirements, we submit the following completed or in-process actions:

- Conduct reinforcement training to ensure service representatives continue to offer multiple deductible options.
- Add online procedures for easy reference by service representatives.
- Provide the member with the option to submit the appropriate form in the following manners:
 - Electronic signature on usaa.com.
 - Facsimile.
 - Record the phone transaction(s) in which the member has been informed of their options and selected a deductible other than \$500.00.
- Maintain management oversight.

- Continue to retain signed forms or recordings according to statute.
8. When a surcharge is imposed on a private passenger automobile policy the Company must include specifics of accidents and citations and give notice to the insured. This procedure must be implemented within 30 days of the Report issue date. This is to ensure that violations noted under Title 75, Pa. C.S. 1799.3(d) do not occur in the future.

Response: The Company is committed to ensuring practices and procedures adhere to all laws and regulations of each state. We are in the process of modifying our policy packet to include a message displayed on the coversheet page informing the member to refer to the Notification of Premium Surcharge form. The form will advise the member his premium was impacted by the listed accident(s) or conviction(s), and show the date(s) of the occurrence(s). The form will also advise the member that the charge for the accident(s) or conviction(s) is displayed on the Declaration Page. As requested, we will notify the Department once this has been completed.

9. The Company must review Title 75, Pa. C.S. 1793(b) to ensure that violations regarding the requirement to provide the insured with a surcharge disclosure plan at the time of application, as noted in the Report, do not occur in the future.

The Company is committed to ensuring practices and procedures adhere to all laws and regulations. We believe our practices comply with the required disclosure, and in good faith, provide members with an opportunity to choose the coverage that best meets their needs.

Based on the Department's interpretation of the disclosure requirements, we submit the following completed or in-process actions:

- Implement a script and procedure to comply with the notification requirements.
 - Conduct training for our service representatives to ensure they follow the script.
 - Maintain management oversight.
10. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to status letters, claim acceptance and denials as noted in the Report do not occur in the future.

Response: The Company has begun reinforcement training for claims representatives to ensure they continue to provide status letters, claim acceptance and denials in accordance with Pennsylvania requirements. Management will continue to monitor for training opportunities.

11. The Company must review Title 31, Pa. Code, Section 69.52(b) with its claim staff to ensure that first party medical bills are paid within 30 days. Those claims that have not been paid within 30 days shall bear interest at the rate of 12% annum from the date the benefits become due as required by Title 75, Pa. C.S. 1716. The interest amount must be paid to the claimant and proof of such payment must be provided to the Department within 30 days of the Report issue date.

Response: The Company has begun reinforcement training to ensure that first party medical bills are paid within 30 days and interest is paid at the prescribed rate if the timeline is missed. Management will continue to monitor for training opportunities.

The Company paid interest on November 20, 2006 for the four exceptions noted during the exam and proof was provided to the Department as requested.

12. The Company must review Title 75, Pa. C.S. 1161 (a)&(b) with its claim staff to ensure the Pennsylvania salvage certificates are obtained and are retained with the claim file.

Response: The Company has begun reinforcement training and has implemented a process change to ensure that title applications are filed through Pennsylvania and a copy is appropriately secured. Management will continue to monitor for training opportunities.

13. The Company must ensure that all applications and claim forms contain the required fraud warning notice.

Response: The Company is committed to ensuring practices and procedures adhere to all laws and regulations of each state. We believe our current practices comply with the requirements of the law, although we have made the following changes:

- Implement a script and procedure to comply with the notification requirements.
- Conduct training for our service representatives to ensure they follow the script.
- Maintain management oversight.

14. The Company must review and revise internal control procedures to ensure compliance with cancellation notice requirements of Act 68, Section 2006(2) [40 P.S. 991.2006(2)], so that the violation noted in the Report does not occur in the future.

Response: The Company identified the non-renewal errors prior to this exam and coverage was previously reinstated without lapse. We believe these were isolated

incidents that are not indicative of a problem with our internal control procedures. However, management will continue to monitor for training opportunities in an effort to further mitigate the risk of non-compliance.

15. The Company must revise and reissue their underwriting guidelines for use in Pennsylvania to ensure that the guidelines do not excluded applicants from being eligible to obtain insurance based on occupation.

Response: The Company has never made a practice of using an applicant's occupation as an underwriting factor to determine acceptability for insurance. The reference in question was intended to provide underwriting guidance with regard to theft and occupancy exposures, not to exclude applicants based on occupation. The Company acknowledged the Department's interpretation of the referenced language and removed all references to occupation from the underwriting guidelines on September 15, 2004, when Pennsylvania first brought this issue to our attention.

Once again, we sincerely appreciate this opportunity to review the report and provide a response. We are proud of USAA's ongoing efforts to achieve full compliance and are hopeful that the proactive and voluntary corrective measures we have submitted to the Department will support our commitment to our members and compliance.

Please extend our appreciation to the examination team for their professionalism and cooperation throughout the course of this examination.

If anything further is needed, please call me.

Sincerely,

Daniel Dilley, AIC
Compliance Director
Insurance Compliance
daniel.dilley@usaa.com
Phone: 210-913-0253
Fax: 210-498-0634