

**BEFORE THE INSURANCE COMMISSIONER
STATE OF OKLAHOMA**

FILED

JUN 14 2011

INSURANCE COMMISSIONER
OKLAHOMA

STATE OF OKLAHOMA, *ex rel.*)
JOHN D. DOAK,)
Insurance Commissioner,)
)
Plaintiff,)
)
vs.)
)
USAA Casualty Insurance Company, a foreign)
insurance company)
)
Respondent.)

Case No. 11-0343-DIS

**CONDITIONAL ADMINISTRATIVE ORDER AND
NOTICE OF RIGHT TO BE HEARD**

COMES NOW the State of Oklahoma *ex rel.* Kim Holland, Insurance Commissioner, by and through her attorney, Natasha M. Scott, and states as follows:

JURISDICTION AND NOTICE OF RIGHT TO BE HEARD

1. The Insurance Commissioner is charged with the duties of administering and enforcing the provisions of the Oklahoma Insurance Code found at 36 O.S. §§ 101-7204.
2. USAA Casualty Insurance Company (“USAA”) is a licensed foreign insurance company, holding NAIC Company ID number 25968.
3. USAA has the right to request a hearing. A request for a hearing must be made in writing and should state the basis for the requested relief. OKLA. ADMIN. CODE 365:1-7-1(a). Upon receipt of a written request for a hearing, the Insurance Commissioner shall either set the matter for hearing within thirty (30) days from receipt of the written request or shall deny the request by written order. OKLA. ADMIN. CODE

365:1-7-1(b). If a hearing is requested, the Insurance Commissioner will appoint an independent hearing examiner who shall sit as a quasi-judicial officer and preside over the hearing. OKLA. STAT. tit. 36, § 319.

ALLEGATIONS OF FACT

4. USAA has recently implemented a new property insurance program, which is called Simplified Property Insurance (“SPI”). SPI utilizes several tier factors, one of which is credit-based insurance scoring. In initiating SPI, USAA sent disclosure statements prior to policy renewals to homeowner and renter policyholders informing them that their policies would be renewed in the new program and that credit information would be obtained.

5. On or about February 22, 2011, USAA reported to the Oklahoma Insurance Department (“OID”) that an internal risk assessment had revealed that the disclosure statements were not mailed to approximately 16,500 homeowner policy holders and to approximately 6,600 renter policyholders. USAA reports that a manual coding defect caused the failure to send the notices.

6. USAA reports that policyholders who would be adversely impacted by the credit scoring factor were properly notified and thereby given the option to not renew their policies.

7. The above described failures took place from August 1, 2009 through January 29, 2010 for homeowner policyholders and from April 1, 2009 through September 29, 2009 for renter policyholders.

8. USAA reports that corrective measures have since been implemented to prevent recurrence of this issue. USAA has updated its information technology system

such that manual coding is no longer necessary. The expected number of disclosure statements to be sent will be validated in the system. After mailing of the disclosure statements, effected policies will be reviewed to confirm that the policyholders' files include a copy of the statement. USAA has also dedicated 110 representatives to address policyholder concerns regarding the failure to send the disclosure statements.

ALLEGED VIOLATION OF LAW

9. The activity described above is in violation of 36 O.S. § 955. This Section states, in pertinent part, as follows:

If an insurer writing personal insurance uses credit information in underwriting or rating a consumer, the insurer or its agent shall disclose, either on the insurance application or at the time the insurance application is taken, that it may obtain credit information in connection with such application. Such disclosure shall be either written or provided to an applicant in the same medium as the application for insurance.

OKLA. STAT. tit. 36, § 955(A).

ORDER

IT IS THEREFORE ORDERED by the Insurance Commissioner that USAA has violated 36 O.S. § 955 and that USAA shall be **fin ed in the amount of One Thousand Dollars (\$1,000.00)**.

IT IS FURTHER ORDERED that in the future, USAA will comply with the Oklahoma Insurance Code, 36 § 101 et seq., and will provide disclosure statements in accord with the relevant statutory provisions.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED by the Insurance Commissioner that this Order is a Conditional Order. Unless USAA requests a hearing with respect to the Allegations of Fact set forth above within thirty (30) days of the date of mailing of this Order, this Order and the penalty set forth above shall become

a Final Order on the thirty-first day following the date of mailing of this Order. If a hearing is desired, the request shall be made in writing, addressed to Natasha M. Scott, Oklahoma Insurance Department, Legal Division, P.O. Box 53408, Oklahoma City, Oklahoma 73152-3408 and must be served upon the Oklahoma Insurance Department within thirty (30) days of the date of mailing of this Order. The hearing will be conducted in accordance with the Oklahoma Insurance Code, 36 O.S. §§ 101-7135, and the Oklahoma Administrative Procedures Act, 75 O.S. §§ 250-323. If USAA serves a timely request for hearing on the Oklahoma Insurance Department, this Conditional Order shall act as a notice of the matters to be reviewed at the hearing, and the Allegations of Fact, Alleged Violations of Law, and penalties imposed in this Conditional Order shall be considered withdrawn, pending final resolution of this matter through hearing.

WITNESS My Hand and Official Seal this 14th day of June 2011.



JOHN D. DOAK
INSURANCE COMMISSIONER
STATE OF OKLAHOMA

Natasha M. Scott
Assistant General Counsel
Oklahoma Insurance Department
5 Corporate Plaza
3625 NW 56th St., Suite 100
Oklahoma City, Oklahoma 73107
Tel: (405) 521-2746
Fax: (405) 522-0125

CERTIFICATE OF MAILING

On this 14th day of June, 2011, a true and correct copy of the above and foregoing *Conditional Administrative Order and Notice of Right to Be Heard* was mailed, via certified mail, to:

Claudia Gonzales
P&C Operations Counsel
USAA
9800 Fredericksburg Rd.
San Antonio, TX 78288

CERTIFIED MAIL NO:
7008 1830 0003 9411 7859



Natasha M. Scott

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Street, Apt. No., or PO Box No.	P&C Operations Counsel USAA 9800 Fredericksburg Rd. San Antonio, TX 78288	
City, State, ZIP+4	11-0343-DIS/NMS(mt) Cond. Admin. Order	



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- Print your name and address on the reverse so that we can return the card to you.
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1. Article Addressed to:

Claudia Gonzales
 P&C Operations Counsel USAA
 9800 Fredericksburg Rd.
 San Antonio, TX 78288

11-0343-DIS/NMS(mt)
 Cond Admin.Order.

RECEIVED
 OKLAHOMA INSURANCE DEPARTMENT

JUN 23 2011

Legal Division

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *Clinton A. Edwards*

- Agent
 Addressee

B. Received by (Printed Name)

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