



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

1000 Washington Street, Suite 810 • Boston, MA 02118-6200
(617) 521-7794 • Toll-free (877) 563-4467
<http://www.mass.gov/doi>

CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

JAY ASH
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

JOHN C. CHAPMAN
UNDERSECRETARY OF CONSUMER AFFAIRS
AND BUSINESS REGULATION

GARY D. ANDERSON
COMMISSIONER OF INSURANCE

December 17, 2018

The Honorable Gary D. Anderson
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, Massachusetts 02118-6200

Dear Commissioner Anderson:

Pursuant to your instructions and in accordance with Massachusetts General Laws ("M.G.L."), Chapter 175, Section 4, the Massachusetts Division of Insurance ("Division") has performed a limited-scope examination of the market conduct of United Services Automobile Association, USAA Casualty Insurance Company, USAA General Indemnity Company, and Garrison Property and Casualty Insurance Company (collectively, "the Company") related to compliance with premium rating rules and rates as the Company filed with the Division. The limited-scope examination covered the period from January 1, 2014 to December 31, 2015 ("Examination Period") and was conducted in accordance with the *2014 NAIC Market Regulation Handbook*. Representatives from the firm of Rudmose & Noller Advisors, LLC ("RNA"), were engaged to complete certain agreed upon procedures. The following summarizes the scope and observations noted in this limited-scope examination.

Scope

RNA tested the Company's policies and procedures to comply with provisions of M.G.L. c. 175, §§ 113B and 193R; M.G.L. c. 175E, §§ 4, 7, and 7A; 211 CMR 56.04, 79.00 and 134.00; and Division Bulletins 2008-08, 2008-17, 2009-12, 2009-13, 2010-01, 2010-11, 2011-09 and 2012-04.

The Company self-reported several premium rating errors to the Division with the intent to correct the premium rates charged and provide overcharged consumers premium refunds plus 6% annual interest. For overcharged premium rates, RNA sought evidence that proper premium refunds plus 6% annual interest were paid to consumers. Further, after the Company's systems and processes were corrected, RNA selected 116 private passenger automobile policies issued during the Examination Period to ensure that the premium rates complied with Massachusetts laws, regulations and bulletins, and premium rating rules and rates as filed with the Division. The sample was a statistically valid sample using guidance set forth in the *2014 NAIC Market Regulation Handbook*. Finally, RNA reviewed the Company's complaint logs and internal audit reports to ensure all premium rating matters were timely identified and addressed.

Observations

RNA determined that premium refunds plus 6% annual interest appear to have been provided to consumers where premium rates were overcharged. For the testing of the premiums charged after the Company's systems and processes were corrected, RNA determined that the premium rates charged for the 116 private passenger automobile policies complied with Massachusetts laws, regulations and bulletins, and the premium rating rules and rates as filed with the Division. Since no errors were identified in the policy premiums tested, based on our statistically valid sample, RNA is 95% confident that the errors in the entire population are below the 10% non-claims tolerable error threshold set forth in the *2014 NAIC Market Regulation Handbook*.

Finally, RNA determined that the Company's complaint logs and internal audits appeared reasonable with complaints and audit exceptions timely and properly addressed.

ACKNOWLEDGMENT

This is to certify that the undersigned is duly qualified and that, in conjunction with RNA, applied certain agreed-upon procedures to the corporate records of the Company in order for the Division to fulfill the Commonwealth's requirements regarding limited-scope examinations of Massachusetts licensed insurers.

The undersigned's participation in this limited-scope examination as the Examiner-In-Charge encompassed responsibility for the coordination, direction and management of the limited-scope examination performed, which was in accordance with, and substantially complied with, those standards established by the NAIC and contained in the *2014 NAIC Market Regulation Handbook*. This participation consisted of involvement in the planning (development, supervision and review of agreed-upon procedures), administration, and preparation of the limited-scope examination report.

The cooperation and assistance the officers and employees of the Company extended to all examiners during the course of the examination is hereby acknowledged.



Mark G. Noller, CIE
Rudmose & Noller Advisors, LLC
Representing:
Commonwealth of Massachusetts
Division of Insurance
Boston, Massachusetts