

**Before the State of South Carolina  
Department of Insurance**

**In the Matter of:**

SCDOI File Number 10-2251

**USAA Casualty Insurance Co.**  
9800 Fredericksburg Road  
San Antonio, TX 78288

**CONSENT ORDER  
Imposing Administrative Fine  
Company License Number 100311**

This matter comes before me pursuant to an agreement entered into between the State of South Carolina Department of Insurance and USAA group of Property and Casualty Insurers (USAA), all of which are licensed to transact business in the State of South Carolina.

After careful review of the evidence presented, I find as follows:

**FINDINGS OF FACT**

1. USAA is presently domiciled in Texas with a South Carolina license number 100311.
2. From June 11, 2007 to December 30, 2009, USAA sent cancellation and non-renewal notices to 277 of their insured that were not in compliance with S.C. Code of Laws.

**CONCLUSIONS OF LAW**

**1. S.C. Code Section 38-75-1160(A)(1)(d)(e) provides :**

(A)(1) Except for a cancellation pursuant to Section 38-75-730, a cancellation or refusal to renew by an insurer of a policy of insurance covered in this article is not effective unless the insurer delivers or mails to the named insured at the address shown in the policy a written notice of the cancellation or refusal to renew. This notice must:

(d) inform the insured of his right to request in writing within thirty days of the receipt of notice that the director review the action of the insurer. The notice of cancellation or refusal to renew must contain the following statement in bold print to inform the insured of this right:

**"IMPORTANT NOTICE:** Within thirty days of receiving this notice, you or your attorney may request in writing that the director review this action to determine whether the insurer has complied with South Carolina laws in canceling or nonrenewing your policy. If this insurer has failed to comply with the cancellation or nonrenewal laws, the director may require that your policy be reinstated. However, the director is prohibited from making underwriting judgments. If this

insurer has complied with the cancellation or nonrenewal laws, the director does not have the authority to overturn this action."

(e) inform the insured of the possible availability of other insurance which may be obtained through his agent, or through another insurer;

**2. S.C. Code Section 38-5-120(A)(6) provides:**

(A) The Director or his designee shall revoke or suspend the certificates of authority granted to an insurer and its officers and agents if he is of the opinion upon examination or other evidence that one or more of the following exist:

(6) The insurer has not complied with a lawful order of the director or his designee.

**3. S.C. Code Section 38-2-10 (1) provides:**

(1) If the violator is an insurer or a health maintenance organization licensed in this State, the director or his designee shall (a) fine the violator in an amount not to exceed fifteen thousand dollars, or (b) suspend or revoke the violator's authority to do business in this State, or both. If the violation is willful, the director or his designee shall (a) fine the violator in an amount not to exceed thirty thousand dollars, or (b) suspend or revoke the violator's authority to do business in this State, or both.

4. USAA violated the laws of this state and was in violation of Section 38-75-1160 and 38-5-120 when they issued cancellation and non-renewal notices that were not in compliance with the required language established under the SC Code of Laws.

Prior to the initiation of any administrative proceedings by the Department against USAA the parties agreed to submit the entire matter to me, along with their specific recommendation, for my summary decision, rather than to proceed toward a formal public hearing. The consensual recommendation was that, in lieu of the Department seeking to revoke their authority, USAA would waive their right to a public hearing and pay an administrative fine in the total amount of seven thousand dollars (\$7,000.00). **The administrative fine will be paid within thirty (30) days of receipt of this order.**

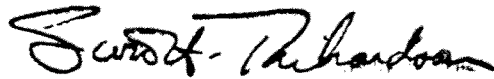
Although I can now revoke their company license, I hereby invoke the discretionary authority given to me and impose an administrative fine against USAA in the total amount of seven thousand dollars (\$7,000.00). That fine must be paid as prescribed in the preceding paragraph. If that total fine amount is not timely paid, the company license will be revoked without any further disciplinary proceedings.

This fine has been reached by the parties as a result of negotiation and compromise, and with the expectation that USAA will comply with all statutes and regulations of this Department. This fine includes all expenses related to investigation of this matter as provided in § 38-13-70 of the South Carolina Code. The parties expressly agree and understand payment of the agreed upon fine constitutes full accord and satisfaction of this matter. By the signature of Michael W. Foley, Assistant Vice President, General Counsel and Insurance Compliance Officer of USAA, upon this consent order, he acknowledges this administrative order as a public record subject to the disclosure requirements of the State of South Carolina's *Freedom of Information Act*, S.C. Code Ann. §§ 30-4-10, *et seq.* (1991 and Supp. 2000).

Nothing contained within this administrative order should be construed to limit, or to deprive any person of, any private right of action under the law. Nothing contained within this administrative order should be construed to limit, in any manner, the criminal jurisdiction of any law enforcement officer or judicial officer. Nothing contained within this administrative order should be construed to limit the statutory duty, of the Director of Insurance, exercised either directly or through the Department of Insurance, to "report to the Attorney General or other appropriate law enforcement officials criminal violations of the laws relative to the business of insurance or the provisions of this title which he considers necessary to report." S.C. Code Ann. § 38-3-110 (Supp. 2004).

THEREFORE, it is ordered that USAA shall, pay through the South Carolina Department of Insurance an administrative fine in the total amount of seven thousand dollars (\$7,000.00). It is FURTHER ORDERED that the National Association of Insurance Commissioners be immediately be notified of this consent order.


This consent order becomes effective as of the date of my signature below.



Scott H. Richardson  
Director of Insurance

Dated this 5th day of August 2010  
Columbia, South Carolina

I CONSENT TO THE FOLLOWING ORDER AND WILL COMPLY AS AGREED:

  
Signature

MICHAEL W. FOLEY  
Printed Name

AVP, INSURANCE COMPLIANCE OFFICER  
Title

Michael W. Foley  
Assistant Vice President and Insurance Compliance Officer  
USAA Casualty Insurance Company  
9800 Fredericksburg Road  
San Antonio, TX 78288

Dated this 11 day of August 2010.