



**STATE OF RHODE ISLAND
DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION
1511 PONTIAC AVENUE, BUILDING 69-2
CRANSTON, RHODE ISLAND 02920**

IN THE MATTER OF:

USAA LIFE INSURANCE COMPANY

RESPONDENT.

2024-IN-005

CONSENT AGREEMENT

It is hereby agreed between the Department of Business Regulation (Department) and USAA Life Insurance Company (Respondent) as follows:

1. Respondent is an insurance company domiciled in the State of Texas that is licensed to market individual life policies, annuity contracts and health insurance policies in Rhode Island accident and health insurance company and identified with the NAIC Company Code number of 69663.
2. Respondent has been licensed in Rhode Island to issue life, annuity, accident and health policies since April 12, 1968.
3. During the Department's market conduct analysis, the Department determined that Respondent's internal replacement disclosure used when an application for a replacement policy or contract for an existing policy or contract is processed did not comply with R.I. Gen. Laws § 27-29-4.7.



4. Rhode Island enacted R.I. Gen. Laws § 27-29-4.7 to combat twisting and churning, as such terms are defined therein. Churning is a concern as it involves replacing a policy with another policy from the same company.

5. R.I. Gen. Laws § 27-29-4.7(b) requires an insurer when issuing a replacement to disclose “to the applicant at the time of offer if how and the extent to which the policy or contract values (including cash value, dividends and other assets) of a previously issued policy or contract will be used to purchase a replacing or additional policy or contract with the same insurer. The internal replacement disclosure must include the comparison of the premiums, the death benefit of the proposed replacing or additional policy, and the date on which the values of the existing policy or contract will be insufficient to pay the premiums of the replacing or additional policy or contract”.

MARKET CONDUCT ANALYSIS TIMELINE

6. On May 20, 2022, the Department requested additional information about the internal replacement disclosure Respondent used for internal replacements.

7. On June 13, 2022, in response to the Department’s request for additional information, Respondent advised that the Respondent uses *Appendix A Important Notice: Replacement of Life Insurance or Annuities* and *Rhode Island Policy Disclosure Forms and Instructions* for internal replacements.

8. On July 6, 2023, the Department advised that the previously provided disclosure documents failed to identify any existing loans on the old policy, compare fees between the old and new, identify any riders being added or terminated from the old vs new policy, identify benefits changed from old to new, compare minimum interest rates and identify if a consumer had any policy that was replaced or exchanged within the preceding sixty (60) months. The



Department asked Respondent if the Respondent had a disclosure that included the missing items.

9. On July 13, 2023, Respondent advised that the Respondent does not have an additional form and the missing items identified by the Department on July 6, 2023. Respondent advised procedures were in place to mitigate any unfair competition practices during replacement.

10. On July 27, 2023, after the Department reviewed Respondent's responses to additional questions, the Department advised Respondent the notices provided did not comply with the requirements of R.I. Gen. Laws § 27-29-4.7 and 230-RICR-20-25-4. Specifically, the notices did not include a) a comparison of the old policy dividends to the dividends of the new policy, b) a comparison of the old policy other assets to the other assets of the new policy and c) a comparison of the old policy riders to the new policy riders.

11. At the Company's request, on September 20, 2023, the Department met with Respondent and reviewed the compliance requirements for the internal replacement disclosure. At that time, Respondent advised work would begin on a revised internal replacement disclosure.

12. On March 8, 2024, after a follow-up by the Department, Respondent advised a revised internal replacement disclosure was in draft and would be implemented beginning the 2nd quarter of 2024. Respondent also provided a copy of their draft internal replacement disclosure intended to meet the statutory requirements.

13. During the limited period of the Department's market conduct analysis, Respondent reported a total of sixty-three (63) internal replacements that were completed without giving consumers the statutorily required comparisons.



AUTHORITY

14. 230-RICR-20-25-4.10(D) states, in part, “Violations of this Part shall subject the violators to penalties that may include ... monetary fines”.
15. R.I. Gen. Laws § 27-29-4.7(a) includes within the definition of unfair methods of competition and deceptive acts or practices in the business of insurance, the failure to comply with the internal replacement disclosure requirements set forth in R.I. Gen. Laws § 27-29-4.
16. R.I. Gen. Laws § 27-29-4.5 sets an administrative penalty for failure to comply with these disclosure requirements of up to five thousand dollars (\$5,000) per violation.

THEREFORE, based on the foregoing, the Respondents and the Department have decided to resolve this matter without further administrative proceedings and hereby agree to the following resolution:

- I. Respondent admits to the above referenced facts.
- II. Respondent agrees to pay an administrative penalty of ten thousand dollars (\$10,000) within thirty (30) days to resolve the within-described internal replacement disclosure non-compliance.
- III. On or before June 22, 2025, Respondent will review all replacement transactions after the date the internal replacement disclosure was implemented to ensure compliance and report any non-compliance to the Department.
- IV. Waiver of Hearing and Appeal. By agreeing to resolve this matter through the execution of this Consent Agreement, Respondent knowingly and voluntarily waives any right to an administrative hearing and waives any right to pursue an appeal to the Superior Court under the Rhode Island Administrative Procedures Act, R.I. Gen. Laws § 42-35-1 *et seq.*



V. Enforcement. If Respondent fails to comply with any term or condition of this Consent Agreement within any applicable time period set forth herein, Respondent will be in violation hereunder and the Department shall be entitled to immediately to take enforcement or other action in accordance with applicable law.

VI. Compliance: Other Laws. Compliance with the terms of this Consent Agreement does not relieve Respondent of any obligation to comply with other applicable laws or regulations administered by or through the Department or any other governmental agency.


Counsel for the Respondent and the Department hereby consent and agree on the foregoing on behalf of their respective clients the 29th day of May, 2025.

Rhode Island Department of
Business Regulation
by its Legal Counsel

Respondent
by its Legal Counsel



Patrick J. Smock II (#7550)



C. Summer Simmons