

## FORGING A SHARED VISION

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### NARRATIVE

## HAROLD DUNTON WAS A CIVILIAN BUSINESSMAN. BUT HE WAS ALSO A RESERVE OFFICER IN THE AIR SERVICE,

so he understood the frustration brewing at a gathering of Army officers in San Antonio's Gunter Hotel on a hot June day in 1922. The problem? Traditional insurance agencies were balking at the risk of insuring the property of military officers. To local agents, military customers were out-of-sight, out-of-mind once they transferred to a new location. And few companies were offering coverage at an affordable price for the new kinds of risk that came with the advent of the automobile: collision, theft, property damage, liability. But Dunton had been enlisted by Maj. William Garrison to pitch a business idea that would solve that problem. "The only way I can see for you to get the service you need, at a price you can afford to pay," Dunton told the officers, "is to organize your own association."

The vote was unanimous: Every officer in the room signed to take on the risk themselves in insuring one another's automobiles. After all, who better to have your back than a fellow officer who knew what it meant to serve?

Dunton was voted in as the fledgling association's first general manager, and the United States Army Automobile Insurance Association opened its doors for business. In the years that followed, the organization would grow beyond what anyone at the Gunter Hotel could have imagined in 1922. But while organizational change through the decades was inevitable, one thing remained constant: the shared vision to serve those who serve.

### From Model T to a Membership Model

Anyone who passed by the Gunter on that day in 1922 would have noticed an unusual number of cars lining the street in front of the hotel: Model Ts, Studebakers, Hudsons, Chevrolets, an Elcar Sportster. Automobiles had been a relatively expensive luxury at first, but by the 1920s, Henry Ford's assembly line manufacturing and his continued design refinements had made the automobile more widely accessible. The price of a new Model T dropped from \$850 in 1908 to just \$260 in 1921. The nation's road system was developing rapidly, with Congress passing the Federal Highway Act to pave the way for an interstate road system. By the end of the decade, more than 23 million vehicles would be registered.



But the explosive growth of the automobile industry came with a whole new set of challenges and risks. Newspapers reported daily stories of run-ins between automobiles and pedestrians or automobiles and streetcars. On the day the officers met at the Gunter, The San Antonio Express newspaper published a letter to the editor lamenting the carelessness of drivers who "bear down upon pedestrians, sound a shrill horn and making no attempt to reduce speed ... (sending the pedestrians) scurrying in other directions seeking safety."

If an automobile was a luxury, insurance was a necessity. The risk of being held liable for injuring a person or someone's property was high, as was the potential for a pothole on the country's mostly unpaved roads to wreak havoc on a vehicle. Traditional insurance agencies

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were having a hard time keeping up, often failing financially when they were overwhelmed by claims. And when it came to the transient members of the military community, agencies were even more reluctant to offer coverage.

The solution to this shared problem was the brainchild of Maj. Garrison. True to the resourceful “see-a-need, fill-a-need” military mindset, Garrison brought military heart to solve a business problem — and in the process, set a new trajectory for the insurance business, focusing on serving the niche needs of military personnel.



Maj. William H. Garrison Jr., circa 1922.

### Rallying the Troops

Garrison was no stranger to risk, as an Army pilot and commanding officer at Kelly Field who survived a biplane crash a few weeks before calling the meeting at the Gunter Hotel. But he was also an optimist, and taking a page from the rural America playbook where farmers organized mutual associations to support one another, Garrison was confident that the same idea would work for his fellow military officers when it came to insuring their cars. The fact that he had no money to start a business and no relevant insurance

experience was a minor obstacle. Garrison recruited Dunton to bring business acumen to his idea — and a group of 25 fellow officers to help fund it.

With the unanimous backing of the officers and Dunton steering the business, the association began operating out of a WWI-era barrack at Kelly Field. In short order, official bylaws were adopted and membership opened to U.S. Army officers and warrant officers. The first to insure his vehicle — a 1922 Elcar — was Maj. Walter Moore, one of the original officers present at the Gunter Hotel and a board member of the organization. His annual premium was \$114.47, the equivalent of about \$1,800 in 2021.

As commander in chief of the U.S. military, President Warren G. Harding was also eligible for membership in the new association, a fact Garrison was sure to make known to the president with a letter and personal invitation to join the ranks of USAA members. Harding graciously declined, wishing Garrison and the new association success. Ever the optimist, Garrison said, “Well, Dunton, we’re only a month old, and already we have the personal blessing of the President of the United States.”

By the time the first members meeting took place, one year to the day of USAA’s founding in the same room at the Gunter Hotel, the organization was servicing approximately 800 Army officers. That first membership meeting would usher in the first significant change to USAA’s bylaws, opening membership to active Navy and Marine officers.

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USAA's iconic diamond-shaped emblem, seen here attached to a car grill.

### Defining USAA's North Star

USAA's early years saw the growing pains of a young business working to define itself. The vision that the company developed would ultimately help it navigate a century of transformative events and continue to provide a strategic north star for growth and innovation. As the organization began to grow and change — renaming to United

Services Automobile Association (USAA) in 1924, opening membership to officers of different military branches, expanding into financial and insurance products beyond car insurance — the one thing that remained constant was USAA's core commitment to service.

The earliest examples of USAA's advertising in 1922 speak directly to this commitment, stating: "Service is the motto of our association, it is the reason for our existence — it is the secret of our success."

Word-of-mouth about a new insurance association dedicated to service personnel spread rapidly among officers, earning USAA a reputation for excellent and economical service.

The first printing of USAA's bylaws in 1924 laid out the association's first credo, highlighting values like generosity, promptness of service and affordable pricing. The credo's attention to details like these not only underscored the priority of service as a value, it reflected the organization's military mindset and became the building block for what would later become USAA's guiding mission statement.

From its first days operating out of Kelly Field, a sense of camaraderie, trust, and personal responsibility for taking care of one another's needs defined USAA's organizational character — and was evident in the way the organization processed claims early on. In the event of an accident or claim, the officer was required to fill out a claim form and have three fellow officers (regardless of whether or not they were USAA members) certify that the claim was true. The USAA treasurer would pay out the claim, no questions asked. While the level of trust and respect the organization had for its members was undeniable, the learning curve of operating a business would soon put USAA's commitment to service to the test.

### Learning Curves

The idealism of USAA's early years began to give way to the growing pains of an early-stage startup. The organization's founders had chosen to establish USAA as a reciprocal insurance exchange, meaning that members took on the risk of insuring one another. Expenses and claims would be paid out of member premiums rather than business capital. The odds were stacked against the organization succeeding: historically, reciprocal insurance companies had a higher failure rate than traditional mutual insurance companies. And USAA's first leaders didn't have much in the way of experience when it came to the business end of running an insurance reciprocal.

That lack of experience surfaced in August 1924, when the organization received a notice from the Texas Department of Insurance in Austin. "We hear you're writing insurance down there in San Antonio," the letter read. "It's a violation of the insurance laws of Texas to do that without first securing a Certificate of Authority from the Department of Insurance." By that time, USAA had already passed the 2,500-member mark and had been underwriting policies for more than two years. Leadership moved quickly to compliance, paying the \$1 fee to obtain its first official operating license.

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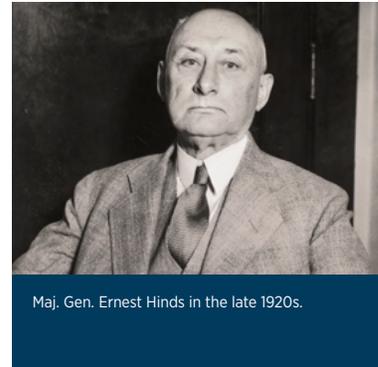
The transient nature of military personnel posed another challenge to the stability of the young organization. Garrison's tenure as president was short-lived, as he was transferred to a post in Washington, D.C., just months after the meeting at the Gunter Hotel. The board amended the bylaws to give them the authority to replace any board member who moved out of San Antonio. As a result, the organization's early years were marked by a revolving door of leaders with differing opinions about everything, whether it was how the organization should be led or whether or not the office should move to a civilian location.

By the time Army Maj. Gen. Ernest Hinds stepped in to take the helm of the organization in 1930, USAA was in desperate need of a leader who could command the respect of the board, the employees and the members. Not only was Hinds the right man for the job, his common sense, careful financial stewardship, and work ethic set up the association to successfully weather the Great Depression and establish a solid foundation for the future.

#### USAA Values in Practice

Hinds led USAA through the Depression, and the organization emerged stronger than ever. It had proven its commitment to providing unparalleled service to its members, and done so without laying off a single employee. The decades that followed provided the association with even more opportunities to hone its service-oriented focus.

As the U.S. involvement in World War II loomed closer, USAA had successfully transitioned to the leadership of Col. Herbert White, and membership had grown to 37,000 officers. Difficult decisions had to be made in the aftermath of the attack on Pearl Harbor on December 7, 1941. The board met quickly and voted to immediately renew any



Maj. Gen. Ernest Hinds in the late 1920s.

policies that were expiring in order to provide continuous coverage for members who might have been affected by the events at Pearl Harbor. And as many of the association's members (and employees) prepared to deploy overseas, USAA ramped up staffing and supplies so the high level of service they'd become known for wouldn't suffer.

The post-war period saw continued improvements and focus on providing superior service to members, especially war widows and soldiers transitioning back to civilian life. USAA committed to keeping policies open for members who hadn't been heard from at the end of the war and ensured that the tens of thousands of dollars in dividends it held for those members were paid out. Life insurance was added to the association's service offerings in the early 1960s.

Although membership dipped in the aftermath of WWII, conflicts in Korea and then Vietnam once again bolstered demand for USAA's services. Intent on its mission to support military families, USAA refused to follow other life insurers in adding war exclusion clauses to its policies, instead offering \$200,000 limited life insurance benefits to all soldiers going to Vietnam. Membership had been expanded to include National Guard and Reserve officers, and the organization began seriously debating the possibility of extending eligibility to non-officer enlisted soldiers. While it would be several more decades before enlisted members were welcomed in 1996, USAA grew in record numbers as it continued to do what it did better than anyone else: serve the needs of the military community.

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### With a renewed sense of purpose and unity, the leadership of USAA looked toward the future.

#### Emerging Unity

“Service to the Services” continued to be USAA’s priority as it worked to maintain the integrity of its founding mission and communicate its unified commitment in new ways.

In 1988, USAA rallied to take a stand against California Proposition 103, which threatened to compromise the association’s ability to provide services exclusively to military members. The proposition was billed as a cost-saving measure, promising consumers a retroactive rollback, a 20% discount for good drivers, and an elected insurance commissioner with the authority to approve or deny future rate increases. But USAA took issue with ambiguous language in the bill that would require an insurance company to insure any good driver who applied, regardless of whether they were eligible for membership by USAA standards. For USAA, it was a matter of integrity: the military had been its niche audience since the day the association was formed. Opening the doors to anyone would compromise its mission and possibly its future success. Thousands of members in California came together to campaign for an exemption that would allow USAA to remain a military-focused association — and won. Then-Chairman and CEO Gen. Robert McDermott pointed to the cooperation of many as the driving force behind the success of the campaign. “We proved once again that we are a family committed to helping one another,” he said.

With a renewed sense of purpose and unity, the leadership of USAA looked toward the future as they worked to solidify a mission statement that would carry the organization forward. While “Service to the Services” was still at the heart of the association’s mission, in 1997 the board approved a revised mission statement that more clearly expressed where USAA was focusing its future efforts: “The mission of the Association is to facilitate the financial security of its members, associates, and their families through provision of a full range of highly competitive financial products and services; in so doing, USAA seeks to be the provider of choice for the military community.”

#### A Mission Tested

That mission to serve military families has been put to the test in crises of every magnitude since 1922: wars, economic depressions, leadership transitions, political and regulatory challenges. Moments from the organization’s more recent history reveal that USAA is more committed than ever to serving its members.

In the aftermath of the Sept. 11 attacks in New York, USAA improvised new ways to serve members affected by the tragedy. The company normally would send out claims representatives to assess damage and quickly process checks for policyholders, but the catastrophic loss went far beyond property for many members. USAA set up a post in the Department of Defense’s Survivor Assistance Center to provide personal assistance to survivors and families navigating loss.

With a swift military retaliation for the terrorist attacks imminent, other insurance companies began invoking war exclusions to their policies as service personnel were deployed overseas. But USAA held the same line it had held during the Vietnam War, that supporting military meant supporting them even when they were on the front lines. “Whenever a war starts, most insurance companies are quick to invoke the war clause in their life insurance policies,” McDermott said.

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### As USAA marks 100 years in 2022, the organization's definition of service is growing.

“Since we serve military officers, we have no such clause. We’re one of only a few companies that didn’t invoke a war clause as soon as Desert Storm began.”

Having already successfully navigated one depression, the financial crisis of 2008 would prove to be another test of USAA’s ability to elevate its mission to serve members in the midst of economic chaos. Under the leadership of Maj. Gen. Joe Robles, who took over as president in 2007, USAA prepared for the worst of the recession by adjusting its workforce and spending and diversifying its economic portfolio. While other financial service companies ended up cutting thousands of jobs, USAA managed to turn a profit, increase its membership, and keep its workforce intact. “We are holding our heads high, because that was no mean feat in 2008,” Robles said. “But it made for some long days and some sleepless nights.”

### An Ever-Growing Commitment to Service

From humble beginnings serving a niche military audience to today’s broad range of services and inclusive membership, the constant thread throughout USAA’s history has been its commitment to service and to its other core values of integrity, honesty and loyalty. As USAA marks 100 years in 2022, the organization’s definition of service is growing to encompass service not only to members, but also to employees, communities and the world at large. Whether continuing to build a positive workplace culture, meeting the needs of veterans in the local community, or delivering the best financial solutions for its members, USAA heads into the future with its shared vision as a guide. Few organizations can claim that their founding statement — “Service to the Services” — still resonates so deeply after 100 years.