



August 16, 2023

Vice Admiral James M. Zortman, USN, Retired
Chairman of the Board, USAA
c/o Wayne Peacock
President and CEO, USAA
9800 Fredericksburg Rd.
San Antonio, TX 78288

Via Email and CM-RRR

Dear Admiral Zortman:

On June 29, 2023, members of Stand Together Against Racism and Radicalism in the Services, Inc. (STARRS), sent the attached letter regarding our concerns about USAA's position regarding DEI, to strongly encourage you to stop supporting its underlying divisive ideology. We have not received an acknowledgment or response.

As the annual general membership meeting approaches on August 25, 2023, and as members of USAA, the purpose of this letter is to alert you and members of the Board of additional concerns. Please pass this letter to members of the Board.

USAA, now a reciprocal inter-insurance exchange owned by its members, was founded in 1922 for the purpose of providing competitively priced insurance to its members, at the time just U.S. Army officers. Today, through its various related entities, it ranks as one of America's leading insurance and financial services companies, now serving present and former members of all branches of the U.S. military.

Many STARRS members are USAA members, and thus owners of the company. As owners, their interests extend well beyond their being consumers of insurance and financial services. They expect the company's operations to reflect the culture and needs of the population it serves (our active duty and former military service members and their families), that is, its owners.

It was with deep concern, therefore, that STARRS leadership recently learned of certain developments at USAA. We hope the information was incorrect, but the circumstances under which the information was provided would suggest otherwise. We thus ask the USAA Board of Directors to address the following:

1. Why did the company recently commence to change its culture, a culture that had served it well for over a century?
2. Did that cultural change include embrace of Diversity, Equity, and Inclusion (DEI), a Marxist-based, political philosophy the tenets of which include principles antithetical to equal opportunity, racial neutrality, meritocracy, the U.S.

Constitution's Equal Protection mandate, and the mandate of Title VII of the Civil Rights Act of 1964?

3. Is it true that pursuant to its reported embrace of DEI, and perhaps in anticipation of pushback from its employees, the Board of Directors approved policy changes whereby executives' evaluations (for purposes of such things as compensation, bonuses and promotion) would no longer include a component that had been used to measure employee satisfaction?
4. Is it true that the Board of Directors also approved employment practices that included race-based hiring goals, including provisions whereby upper-level executives and managers would be evaluated in part based upon the achievement of such race-based employment practices goals?
5. Do such practices include, as reported, that the award of executives'/mangers' compensation, bonuses and/or other financial incentives could depend upon the achievement of such race-based hiring goals?
6. Is it true that within the past two years at least one high level vice-president position was filled by a less-experienced employee who happened to be in an allegedly "underrepresented" group rather than by a well-respected and more experienced white male whose subordinates broadly had expected would be elevated to the position because his experience, knowledge and leadership was widely regarded as making him the best-qualified person for the position?
7. Is it true that the policy changes outlined in items 3-6, above, if they occurred, were concealed from most USAA employees? If so, why?
8. If any of the policy changes and practices described in items 3-7 occurred, why were we, as owners of USAA, not informed?
9. We understand that for the first time since 1923, and despite, during the interim, positive financial performance through the Great Depression, periods of two world wars and prolonged military conflict, economic downturns/recessions, double digit inflation, the 2008-09 economic crash, and a pandemic, USAA recently reported having operated at a financial loss in 2022. Similarly, press reports include multiple rounds of layoffs, and anecdotal reports include widespread employee dissatisfaction. What, that had not previously occurred, went wrong this time and that contributed to this poor financial performance?
10. What steps has the Board undertaken to investigate and consider, independently, whether the reported embrace of DEI as part of its reported cultural transformation, with its alleged loss of employee satisfaction and morale, and with the reported compromise of merit undiluted by identity preferences in employment practices, has played a role in its declining financial performance?

We believe that the use of employment practices described in items 3-7, above, if they have occurred, would clearly be detrimental to the financial wellbeing of USAA and thus its member-owners for a variety of reasons, both operationally and because they would increase USAA's liability exposure for violation of Title VII (42 USC 2000e-2(a)).

As you are no doubt aware, on July 13, 2023, in the wake of the Supreme Court's June 2023 decision in *Students for Fair Admissions v. Harvard College and University of North Carolina*, [thirteen state attorneys general warned the Fortune 100 CEOs](#) that if they did not reform their employment practices to conform to the letter and spirit of Title VII, enforcement action against those companies would ensue. That warning applies with equal force to USAA (and USAA does business in each of those thirteen states).

Moreover, any concealment of such from USAA's employees and member-owners would be wholly unacceptable and not in keeping with a culture that includes trust and transparency, which are integral to the culture upon which USAA was founded and that in part accounted for its success for a century.

As you know, USAA's officers and directors have an obligation to the company (and derivatively to its member-owners) to act reasonably, in good faith and in USAA's best interest at all times. We respectfully ask you to fully and completely report to us and to all member-owners about whether the above reported practices have occurred, and if so what is being done to immediately bring USAA into full and unquestioned compliance with Title VII.

The Supreme Court said, in *Harvard/UNC*, that all race-based discrimination is "odious to a free people," and "invidious in all contexts," and that "it demeans the dignity and worth of a person to be judged by ancestry instead of by his or her own merit and essential qualities." USAA's present and former members include many who have fought for, and some who died for, those principles, as well as many family members who have suffered the loss of or injury to loved ones for the protection of those ideals. We certainly expect USAA to operate not only lawfully but clearly and transparently as an example of such principles as equal opportunity and protection from discrimination. Employment practices that justify and reward race-based or gender-based discrimination would be antithetical to those core values.

Thank you. We look forward to your response.

Very respectfully,



Robert D. Bishop, Jr.
Lieutenant General, USAF, Retired
Chairman, STARRS



William "Dean" Lee
Vice Admiral, USCG, Retired
Advisor, STARRS



Joseph W. Arbuckle
Major General, USA, Retired
Vice Chairman, STARRS



Ronald J. Scott, Jr.
Colonel, USAF, Retired
President and CEO, STARRS

Attachment: STARRS June 29, 2023, Letter to USAA CEO



June 29, 2023

Wayne Peacock
President and CEO
USAA
9800 Fredericksburg Rd. San Antonio, TX 78288

Dear Mr. Peacock:

The purpose of this letter is to make you aware of grave concerns we have about USAA's position regarding DEI, and to strongly encourage you to stop supporting its underlying divisive ideology. Thousands of veterans who comprise your customer base would take umbrage if they were aware that the banking/Insurance organization to which they have been so loyal were supporting a cause that they consider antithetical to team unity and traditional moral values.

The undersigned represent the leadership of STARRS. We are a volunteer 501c3 organization composed of retired senior military officers and patriotic civilians. We have over 3000 followers. Please see our website for our vision, mission, and other instructive information at: <https://starrs.us>.

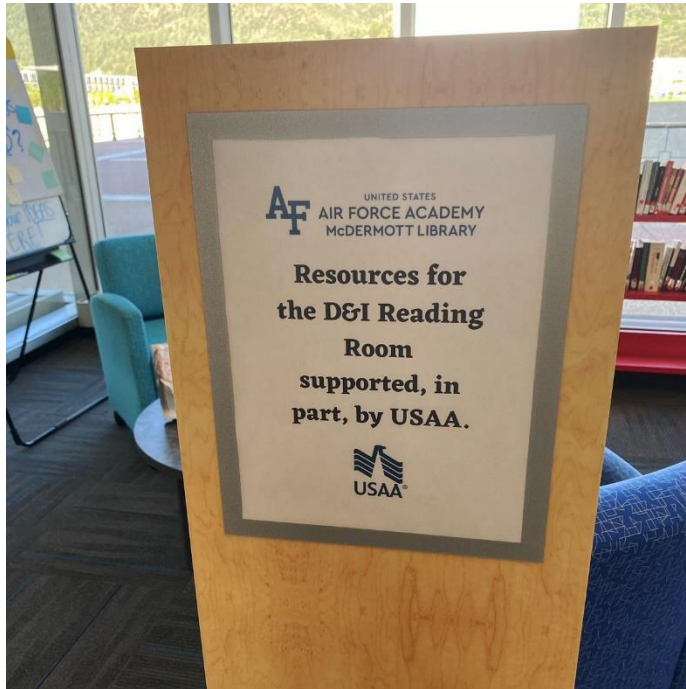
We have had two main strategic goals. One is to educate why DoD's mandatory vaccination policy should be eliminated (because it was illegal), and we played a key role in that happening. Our second goal is to educate the public, including members of Congress, on the divisive aspects of DEI within the DoD.

Moreover, 180 retired generals and admirals have sent a letter addressed to the House leadership specifying their grave concerns about the toxic effects of DEI on military readiness and the warrior ethos. Please see: <https://starrs.us/160-retired-generals-and-admirals-request-congress-remove-diversity-inclusion-and-equity-funding-from-dod/>.

Added to the letter above, which describes the serious dangers DEI presents to DoD readiness, the Heritage Foundation conducted a 5-month study on this topic, and we invite you to review the results at: <https://www.heritage.org/defense/report/report-the-national-independent-panel-military-service-and-readiness>.

What is wrong with DEI? The answer is provided in the above links, which we implore you to read, but in simple terms DEI is a subtle poison that quietly, but quickly, destroys the organs of society along with the heart and soul of our military—the warrior ethos. DEI is a spin-off of Critical Race Theory (CRT)—it's roots, history, lineage, and intent are all grounded in Marxism. It divides people into identity groups, often along racial lines, pitting them against each other—the oppressed vs the oppressors. Such a divisive ideology is antithetical to our military culture, which is based on “unity” not “division.” Our military must have total confidence in each other for their very lives from

the foxhole to the top of the chain. DEI destroys that trust and confidence by focusing on identity groups vs “one team, one fight.”



How does this involve USAA? Two ways: First, we were shocked to see photos at the U.S. Air Force Academy (AFA) library introducing a D&I Reading Room where dozens of leftist/Marxist books and documents are displayed and supported, in part, by USAA. Translation: USAA is supporting the indoctrination of AFA cadets into DEI, which is a Marxist based ideology. It is bad enough to have the AFA supporting DEI but seeing USAA helping to fund it in the library generated this letter. See additional photos (taken last week) here: <https://starrs.us/inside-the-dei-reading-room-at-the-air-force-academy/>.

Second, your USAA website has a slide dedicated to supporting DEI (attached). Two problems: One, DEI includes “equity” which means equal outcomes, which requires lowering of standards to accommodate identity groups. Then the slide says USAA will provide an opportunity for all to obtain or advance their careers based on “merit.” Point: DEI is the opposite of a meritocracy based system. We hope USAA operates based on meritocracy but that cannot happen when DEI predominates.

On its face, DEI sounds good and appears to overcome claims of racism; yet its focus on immutable characteristics of race, ethnicity, and gender enables deliberate discrimination to achieve equity. Winning wars are far more consequential than winning games—professional sports are based on merit, not DEI.

USAA likely has 10s if not 100s of thousands of Korea and Vietnam veteran members who fought against Marxist Communism resulting in ~37,000 killed in Korea and 58,000+ killed in Vietnam; over 95,000 killed fighting the Marxist ideology that justifies DEI praxis.

We know USAA along with the DoD, all federal agencies, and private corporations are under great political pressure to support DEI. But considering your customer base, including the combined ~200 years of USAA membership of the undersigned, we ask that you remove all support of DEI at the AFA and any other military organization; plus seriously consider what DEI means internally to USAA.

As loyal members of a first-class banking/insurance corporation that caters to those who dedicate or have dedicated their life to serving our Nation, we look forward to your response.

Very respectfully,



Robert D. Bishop, Jr.
Lieutenant General, USAF, Retired
Chairman, STARRS



William "Dean" Lee
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Attachment: USAA Slide on Diversity, Equity and Inclusion (DEI)



DIVERSITY, EQUITY AND INCLUSION (DEI)

USAA is committed to fostering and preserving a culture of diversity, equity and inclusion. The collective sum of individual differences, life experiences, knowledge, backgrounds, unique capabilities and skills represent a significant part of our culture, reputation and ability to accomplish our mission. At USAA, we embrace diversity and work to foster a culture of inclusion and belonging where all employees have the opportunity to reach their full potential. DEI is a strategic imperative and woven into our core values and The USAA Standard to promote conditions for success and to encourage diverse perspectives, innovation and bold ideas.

At USAA, we create an inclusive culture when we respect the talents and abilities of others. We do not discriminate based on legally protected characteristics such as race, sex, gender identity/expression, age, religion, national origin, disability or veteran status. Our employees are empowered to leverage their unique abilities and talents and recognized as valuable members of the teams that they serve on.

We reinforce our commitment to diversity, equity and inclusion by:

- Ensuring our employment practices are fair and ensuring that everyone has an opportunity to obtain or advance their careers based on merit.
- Treating everyone we work with at USAA, our members and our community at large with the utmost respect and dignity.
- Ensuring that our workplace is collaborative and that we encourage diversity of thoughts, ideas and perspectives, as well as healthy challenge.
- Maintaining the principles of equal employment opportunities and adherence to the laws relating to non-discrimination and fair employment practices.
- Employing enterprise-wide proactive programs, initiatives and strategies that assist in attracting, developing and retaining all talent that reflects our membership and communities, enabling us to better serve their financial needs.