



REPORT ON
MARKET CONDUCT EXAMINATION

of the

PROTECTIVE AGENCY INC., DBA BETTER BUDGET PLAN
Lumberton, North Carolina

BY REPRESENTATIVES OF THE
NORTH CAROLINA DEPARTMENT OF INSURANCE

as of

April 9, 2013

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Raleigh, North Carolina
April 9, 2013

Honorable Wayne Goodwin
Commissioner of Insurance
Department of Insurance
State of North Carolina
Dobbs Building
430 N. Salisbury Street
Raleigh, North Carolina 27603

Honorable Commissioner:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the North Carolina business of

PROTECTIVE AGENCY INC., DBA BETTER BUDGET PLAN
Lumberton, North Carolina

hereinafter generally referred to as the Company, at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

FOREWORD

This examination reflects the North Carolina procedures for refunding private passenger automobile premiums of Protective Agency Inc., dba Better Budget Plan. The examination is, in general, a report by exception. Therefore, much of the material reviewed will not be contained in this written report, as reference to any practices, procedures, or files that manifested no improprieties were omitted.

SCOPE OF EXAMINATION

This examination commenced on March 4, 2013 and covered the period of January 1, 2009 through October 31, 2009 with analyses of certain refund procedures of the Company being conducted through April 4, 2013. All comments made in this report reflect conditions observed during the period of the examination.

This examination was arranged and conducted by the Department. It was made in accordance with Market Regulation standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC) and accordingly included tests of the Company's refund procedures associated with the 2008 Private Passenger Automobile Rate Filing Case (2008 Rate Filing Case).

EXECUTIVE SUMMARY

This market conduct examination revealed no concerns with Company procedures and practices in the following area: private passenger automobile premiums associated with the 2008 Rate Filing Case.

All North Carolina General Statutes cited in this report may be viewed on the North Carolina Department of Insurance Web Site www.ncdoi.com by clicking "INSURANCE DIVISIONS" then "Legislative Services".

All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify or criticize improper or non-compliant business practices in North

Carolina does not constitute acceptance of such practices. Examination report findings that do not reference specific insurance laws, regulations, or bulletins are presented to improve the Company's practices and ensure consumer protection.

EXAMINATION OVERVIEW

Purpose of Examination

This examination was undertaken to verify the Company's procedures for refunding private passenger automobile premiums associated with the 2008 Rate Filing Case. For the 2008 Rate Filing Case, insurance carriers were required to mail refund checks to premium finance companies that paid private passenger automobile premiums on the behalf of policyholders. In turn, the premium finance companies were required by North Carolina Department of Insurance Bulletin Number 10-B-04 (Procedures for the Handling of Refund Checks) to issue any refunds due its policyholders.

Policies and Coverages Subject to the Refund Procedures

Policies and coverages to which these procedures apply are non-fleet private passenger automobile (including motorcycle liability) policies and coverages subject to the jurisdiction of the North Carolina Rate Bureau and non-fleet private passenger automobile (including motorcycle liability) policies and coverages ceded to the North Carolina Reinsurance Facility (Facility) that are "clean risks" as defined in the provisions of NCGS 58-37-35(1) effective beginning January 1, 2009 through October 31, 2009 for new and renewal policies for the 2008 Rate Filing Case.

Policies and Coverages Not Subject to the Refund Procedures

For the 2008 Rate Filing Case, these procedures do not apply to motorcycle physical damage policies and coverages and do not apply to "consent to rate" policies or coverages issued or renewed pursuant to the provisions of NCGS 58-36-30(b) ("consent to rate") or to

“other than clean risk” policies or coverages, as defined in the provisions of NCGS 58-37-35(1), ceded to the Facility.

Premium to be Refunded

Per the provisions of Bulletin Number 10-B-04, the Company was entitled to offset any outstanding balance owed by a policyholder to the Company on the policies subject to the 2008 Rate Filing Case. Only outstanding balances attributed to private passenger automobile policies were to be used to offset a refund resulting from the 2008 Rate Filing Case. There were to be no other deductions from the refund checks by the Company.

Time Frame for Refund Payment

In accordance with the provisions of Bulletin Number 10-B-04, all refund checks were to have been mailed to policyholders within 45 days after the Company received refund checks from insurance carriers.

Delivery to Policyholders

Refunds were to be mailed or delivered to the named policyholder or policyholders at the address shown on the policy record for which a refund was made or at such other address the Company, in good faith, determined and believed to be more current.

The Company indicated that in addition to the above, it utilized the following procedure for returned checks:

- The Company used the most current telephone numbers on file when attempting to contact policyholders, and also tried to find more current addresses on file.

Returned checks not falling into the category listed above were considered undeliverable.

Unclaimed Refunds

The Company must maintain unclaimed funds and escheat those funds to the North Carolina Treasury Department as stipulated under the provisions of NCGS 4-116B. As of the conclusion of this examination, 268 refund checks totaling \$4,582.55 had been returned to the Company.

REFUND ANALYSES

The Department implemented procedures to test Company data for compliance with North Carolina Department of Insurance Bulletin Number 10-B-04. Areas tested included premium refund calculations using Company methodologies and timeliness of refund.

The examiners randomly selected 100 records from a population of 15,239 for review. The Company provided all records requested.

AREAS OF CONCERN

The review of the Company's procedures for refunding private passenger automobile premiums subject to the 2008 Rate Filing Case revealed no concerns regarding its refund procedures.

TABLE OF STATUTES AND RULES

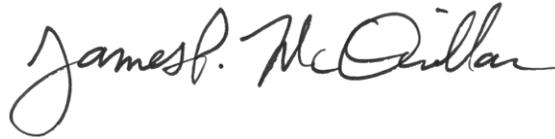
| <u>Statute/Rule</u> | <u>Title</u> |
|---------------------|---|
| NCGS 4-116B | North Carolina Unclaimed Property Act. |
| NCGS 58-2-131 | Examinations to be made; authority, scope, scheduling, and conduct of examinations. |
| NCGS 58-2-132 | Examination reports. |
| NCGS 58-2-133 | Conflict of interest; cost of examinations; immunity from liability. |
| NCGS 58-2-134 | Cost of certain examinations. |
| NCGS 58-36-30 | Deviations. |
| NCGS 58-37-35 | The Facility; functions; administration. |

CONCLUSION

An examination has been conducted on the refund procedures utilized by Protective Agency Inc., dba Better Budget Plan relative to the 2008 Private Passenger Automobile Rate Filing Case. This examination referenced the period January 1, 2009 through October 31, 2009 with analyses referencing certain refund procedures through April 4, 2013.

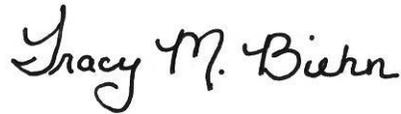
This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures.

Respectfully submitted,

A handwritten signature in black ink that reads "James P. McQuillan". The signature is written in a cursive style with a large, looping initial "J".

James P. McQuillan, CPCU, AIT
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.

A handwritten signature in black ink that reads "Tracy M. Biehn". The signature is written in a cursive style with a large, looping initial "T".

Tracy Miller Biehn, LPCS, MBA
Deputy Commissioner
Market Regulation Division
State of North Carolina