The consent to rate letter used to be thought of as a form that had to be found and dusted off once every couple of years in order to write collision insurance on a car that was just too old or too risky for some particular insurance company's appetite. Today, with the violent gyrations happening in the NC homeowners insurance marketplace, the consent to rate letter has become almost as common as the monthly bills that insurance companies mail out. This trend has me wondering how the NC Rate Bureau must feel about this new, heavy use of the consent to rate form treading on their authority.

First a word of warning: If you have received a consent to rate letter or a consent to rate form from your insurance company then do not simply sign it and return it. You also shouldn't ignore it as doing nothing might leave you with no insurance at all. But you should understand that you have other options and that blindly signing this form will almost certainly place you in the position of paying far more for your homeowners insurance policy than you need to. To learn more about the consent to rate form and what it means for you and your insurance rates, please read my blog about that by clicking here .

Here's a little bit of background so you can understand how this previously benign little form is starting to usurp the power of the NC rate bureau. In North Carolina, homeowners insurance rates are controlled by the NC rate bureau and approved or not approved by the NC Insurance Commissioner's office. The rate bureau sets a maximum rate that can be charged for homeowners insurance in NC and in practice, most companies then file rate credits to offer prices below this maximum rate. With the very hard market that we are experiencing in North Carolina right now, many insurance companies are choosing to increase homeowners insurance rates some, but they are also using the consent to rate form to charge a much, much higher rate to a selected group of their customers while still offering the much lower rates to their more preferred clients. The consent to rate form, once signed by a homeowner, simply gives the insurance company the right to charge more than the maximum rate allowed by the rate bureau for just that customer who signed the form.

When these forms were sent out to some small fraction of policy holders each year then it was being used in the manner in which the rate bureau intended. This form could allow an insurance company to bend the rating rules to help put insurance in force on a uniquely high risk situation. But now we are seeing insurance companies sending the form to large blocks of their homeowner customers. Some may be sending the letter to as many as 25% of their home insurance customers in NC. When that happens, and when a significant number of them sign the form and return it and then pay the increased rate, well at that point in time I think we have a new rating scheme that effectively makes an end run around the NC rate bureau. I am openly wondering what the powers that be in the NC rate bureau feel about this end run on their

system. Are the ok with homeowners rates for some portion of our population turning into an unregulated wild west where the ignorant and the less informed pay as much as 300% more than they would have to with a clearer understanding of their options?

If you receive a consent to rate letter from your insurance company, please don't simply sign and return it. Call us, we will help you explore your options in great detail, taking as much time as you need to fully understand your choices. You don't have to pay 2 or 3 times the maximum state allowed rate for your home insurance. We want to help, just give us a call, toll free at 877-687-7557.