

I have written a few articles about the nasty sneakiness of the insurance industry's consent to rate letter. If you have missed those articles, please remember the most important point: If you get one from your insurance company, do not blindly sign and return it. You are just giving them carte blanche to charge you far more than you probably will need to pay for your insurance policy. In this article I want to point out one more sneaky aspect of this form letter than can mislead insurance consumers.

First a quick background on the North Carolina consent to rate form and why it exists in the first place. In NC, the rates for homeowners insurance and auto insurance as well as many other types of insurance policies, are filed by the rate bureau and then approved, or rejected, by the NC Department of Insurance. Generally speaking, these rates are established as the maximum rate that can be charged to the consumer. As a matter of practice, almost all insurance companies discount the rates that they charge their customers to some level far below the maximum rate allowed to be charged. In some cases though, an insurance company may feel that they are unwilling to write insurance for a client that is too risky. This is because the maximum rate is not high enough for them to feel that they can make money on that account. When this happens, they are allowed to charge rates higher than the allowed maximum, but only if they get you to agree in writing that you are willing to pay rates higher than the state mandated maximums. The consent to rate letter, once you sign it, is their permission slip to raise your rates to levels above the maximum allowed by the NC Insurance Department. This should make it clear that signing a consent to rate letter without checking around for a better rate is almost always going to mean that you are going to be paying far more for your insurance policy than you would otherwise have to pay.

As if it's not enough that the ramifications of signing this form are not well enough understood, there is also the potential for additional misunderstanding in another section of the consent to rate letter. Here I am talking about the estimated maximum premium that is shown in the letter. If you receive a consent to rate letter to sign, you will probably notice that there is a mention of the estimated rate that you will be expected to pay if you sign the letter. The problem here is that many insurance companies will simply print the new, higher, base rate on the letter. This base rate often does not include the additional costs of endorsements to your policy that help to make your policy unique to your needs. Perhaps you added rental reimbursement to your auto insurance policy or you have added back up of sewers and drains coverage to your homeowners insurance policy. In many cases, the consent to rate letter will show a new price for your policy that doesn't include these other endorsements and the charges that go along with them. So you may encounter a double sticker shock, once when you read the letter for the first time and yet another shock when you actually receive your updated, consent to rate renewal policy.

The consent to rate letter is a bizarre outcome of the regulations that North Carolina requires for the insurance rating making process. It can be confusing and downright misleading. My advice to anyone who receives a consent to rate letter from their agent is to call their agent right away and try and understand why you are receiving this letter and what other options you may have for your insurance policy. If you don't get an answer that suits you, please call us and we will help you find a better solution.

At Clinard Insurance Group, we have many options available to our policyholders as well as to others who are faced with a consent to rate letter decision. Please feel free to call us, toll free, at 877-687-7557 and we will work to help you explore options that don't include signing over a consent to rate letter to your insurance company.