

The consent to rate letter in North Carolina is the legal way for your insurance company to get you to agree to let your insurance company charge you more than the highest rate allowed by the [NC Insurance Department](#). If you get one, don't sign it without first checking in with an [independent agent that you trust](#)

. You may have much better options than to sign this letter and watch your rates skyrocket. I've blogged about all of this in the past and you can

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. But now the insurance companies are using the consent to rate letter in a more insidious fashion. Their new technique uses this form as a way to get around ratemaking rules in North Carolina. Be careful; don't sign this without a second opinion.

To understand the consent to rate form, it helps to understand how insurance rates are generated at in North Carolina. This state is very different from most other states in that the NC rate bureau holds a lot of power in the rate making process. In this state, the rate bureau determines the maximum rate that insurance companies can charge for each type of insurance policy. From there, each insurance company that wants to do business in NC can file their deviations from this rate. In most cases, the rate bureau rate is far above what most insurance companies would be able charge for your policy if they want to be competitive. The reality is that insurance company rates are discounted from the maximum rate, sometimes as much as 55%. There is a loophole in this process though, if an insurance company can get you to agree in writing to allow them to charge you more than the rate bureau maximum rate, then they are allowed to do so. And the consent to rate form is the form that gives your written consent. So, don't sign this form without first understanding all of your alternatives.

So what is the legitimate use for the consent to rate form? Well, this form is useful if you have had a few insurance losses and you might not be able to buy insurance anywhere from any other company unless you allow them to charge a high enough rate to accommodate the riskiness of your particular situation. In that case, the consent to rate form can allow you to procure insurance when otherwise you might not be able to do so.

The North Carolina homeowners insurance market is currently in a state of turmoil. Much of this is due to the fact that the high risk beach houses that are insured in the last resort market provided by the government are not paying a high enough rate to cover their risks. This wind pool is grossly underfunded and could result in billions of dollars of losses in the event of a large hurricane hitting our coast. This underfunded risk used to be pushed on to the insurance companies on an unlimited basis. Several years ago the law was changed to allow wind pool losses to be assessed to all [homeowners policies](#) across the state with a one time assessment allowed up to 10% of the policy premium until the wind pool is made whole again. This sneaky

and horribly unfair approach will still not close the gap and insurance companies remain on the hook for a large share of this risk as well. They want to be able to increase rates, especially in the wind pool itself but the politicians in our state have repeatedly blocked them. Now I am hearing that some companies are using the consent to rate form to prepare for an end run around the rate bureau and the traditional process of rate making. They can do this by having their customers sign a consent to rate form on every policy, then holding these forms in file until they need to use them. Signing one of these documents on an open ended basis like this lets your insurance company hang the sword of Damocles over your head. You will be agreeing to a rate increase above the maximum rate, sometime in the future, to be used when the insurance company wants it or needs it. My guess is that eventually the rate bureau will want to change the rules to disallow this kind of rate meddling but until they do, you should do whatever you can to be sure that you aren't playing into their hands. **DO NOT SIGN A CONSENT TO RATE FORM UNTIL YOU HAVE EXPLORED YOUR OPTIONS WITH AN INDEPENDENT AGENT!!**

Clinard Insurance Group is an independent insurance agency located in Winston Salem, NC. We represent many different insurance companies and we can help you with your home and [auto insurance](#)

, no matter where you live in NC. If you have received a consent to rate form and are unsure what to do, please call us, toll free, at 877-687-7557 or visit us on the web at

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