

Currently the NC House and Senate are debating auto insurance modernization bills which are similar and have at their core a plan to completely change the way that auto insurance rates are created in North Carolina. These bills, in my opinion, have some very good features and are steps in the right direction but also contain some wording that might create huge problems for the auto insurance consumer down the road. Of course I wonder why our legislature is working so hard to fix an auto insurance system that is working so well, both stable and competitive, while ignoring the exact same rating system for home insurance that is so desperately broken that it is causing homeowners in our state incredible headaches? Trying hard to fix something that isn't broken while patently ignoring a crisis going on around them is probably a trademark of a good politician I suppose.

House Bill 265 has at its heart a more free market approach to auto insurance rate making in North Carolina than we currently have in place. Our present system of rate making is a two-step process. The NC Rate Bureau, owned by all of the insurance companies that do business in our state, proposes rates that would be the maximum that could be charged. These proposed rates are sent to the insurance commissioner who can approve them or partially approve them or even modify them or reject them entirely. The problem with this approach is that in election cycles it is difficult for the insurance commissioner to go on record as approving a rate increase even if one is desperately needed.

In NC, our homeowners insurance marketplace is in crisis. Many homeowners have had their home insurance policies non-renewed by their insurance company because the insurance company cannot get the rate increases that they need to write that policy. Somewhat ironically, a homeowner in NC will find it very difficult to buy home insurance in North Carolina without also purchasing auto insurance from that same insurance company. Why? Because the maximum rates allowed for home insurance in NC are too low to allow the insurance companies to make money on those policies while the rates on auto insurance are high enough to allow profit and competition in that arena. So why in the world is our legislature working so hard to modernize auto insurance rates while doing nothing to solve the rate crisis we are experiencing here on home insurance policies? This type of open market rate making that is being proposed for auto insurance is exactly what we need for home insurance in North Carolina at this time.

I can get behind the bill to allow insurance companies to make their own rates, whatever they may be, for North Carolina Auto Insurance. The free market will usually generate much better results for all consumers than will one that is dependent on the political will and whims of an elected insurance commissioner. But I have one point of concern with this new legislation. The bill as it stands now would allow insurance companies to develop their own coverage forms for auto insurance. This will make comparing one auto policy to another much more complicated

for the average consumer. Apples to apples quotes will be a thing of the past though many consumers may not realize this. The dark side of this kind of change is that many auto insurance buyers will purchase their insurance based solely on the lowest price and the result for them may be that they don't have the protection that they need after an accident happens. I have been told by some that in the states where differing policies are allowed, that most insurance companies tend to sell the same basic coverage to everyone. So this may not be a big concern though on the surface from my perspective it doesn't look good for the consumer.

One other possible bad consequence of this legislation could be the ultimate loss of our rate bureau. This bill would make insurance company membership into the NC Rate Bureau voluntary. Will this mean that the large auto only insurance companies might leave the bureau and as a result leave the bureau without the funds that it needs to survive? And if this happens, what then will become of our home insurance market which is currently unable to squeeze out a high enough rate for many insurance companies to even continue to write home insurance in NC. Could this deepen the homeowners insurance crisis in NC?

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