



# *Consent to Rate Overview*

*Committee on Regulatory and Rate Issues in Insurance*

*Legislative Research Commission*

*April 7, 2016*

# *Consent to Rate Purpose*

- To enable underwriting and coverage of unique properties
  - Historically significant properties
  - Ex. Elizabeth II 16<sup>th</sup> century replica



# *Consent to Rate*

## *Statutory Basis*

### **GS 58-36-30. Deviations**

- (b) Insurers may charge a rate higher than that promulgated by NCRB if:
  - In accordance with adopted rules
  - With knowledge & written consent of insured

# *Consent to Rate*

## **Procedures**

CTR application form must be filed with DOI and must comply with Administrative Code requirements

**11 NCAC 10 .0602 Consent to Rate  
Procedures: Rate Bureau Coverages**



# *Consent to Rate - Code*

## **11 NCAC 10 .0602 Consent to Rate Procedures: Rate Bureau Coverages**

### **(a) First-time application to effect CTR in excess of NCRB rate must include:**

- 1) Description of insurance proposed, coverage, limits, etc.
- 2) Rate & Premium charged without CTR
- 3) Proposed Rate & Premium
- 4) Percent increase (presumed reasonable if  $\leq 250\%$  approved rate)
- 5) \*Nonfleet private passenger provision (not applicable to homeowners' policies)
- 6) Names and addresses of insurer, agent & insured
- 7) Effective date of proposed rate
- 8) Policy period
- 9) Policy number
- 10) Letter signed by insured consenting to proposed rate
  - If coverage available through residual market (ex. Beach Plan) insured must sign acknowledgment that this other coverage is available

### **(b) Insurer must retain letters signed by insureds consenting to proposed rates**

# *Consent to Rate – Application*

## **Written Consent**

- Law currently requires written consent from insured on initial CTR form
- Initial signature authorizes insurer to raise rates up to 250% of approved rates *in perpetuity*
- No consent from insured required for second or any following rate hikes regardless of amount (up to 250%)
- Policy renewals or endorsements with higher CTR rates must state rates greater than “...those rates that are applicable in the State of North Carolina.”
- *No written consent by insured and minimal detail for following rate hikes after initial signature on first CTR form*

## *Consent to Rate - Oversight*

### **Department of Insurance**

- Reviews and approves initial CTR application form for compliance with statute and code requirements
- Market Conduct Examinations
  - To ensure statutory and code compliance

# *Consent to Rate - Concerns*

## **Inadequate Consent Procedures**

- Initial signature on CTR form authorizes all following rate hikes (250%)
- No written consent required for rate hikes after first CTR form is signed

## **Inadequate Consumer Transparency**

- No rate detail required for renewals and endorsement rate hikes  
*"...states that the rates are greater than those rates that are applicable in the State of North Carolina."*

## **Industry Uses of CTR Forms**

- One insurer issued CTR forms to a significant number of its NC policyholders proposing same \$1 rate hike for all
- DOI concern no actuarial basis for identical insignificant hike on all policyholders
- Insurer may now increase rates on all of its consumers' CTR policies without their written consent to hikes up to 250% of approved rates and with minimal information about details of the rate hike