CTR FAQs

1) What is CTR?

Answer: CTR or Consent to Rate is a form utilized by insurance companies to adjust upward (increase) automobile physical damage and residential property rates above the rates approved by the Commissioner. Currently, the insurance companies must obtain a signature from the policyholder before charging a rate above the approved rate.

2) What does the new legislation (HB 382) do to the existing law?

Answer: The short answer is that HB 382:

a) Removes the CTR signature requirement;
b) Replaces the CTR form with a disclosure statement that must be included on all new and renewal policies as well as endorsements to the policy whenever the premium charged exceeds the premium based upon the approved manual rate.
    a. The disclosure statement must be included on the declarations page or on a separate page before the declarations page.
    b. The disclosure statement must be in, at least, 14-point type or in a font size larger than the remainder of the document (whichever is larger) and it must be bold and capitalized.
c) Requires the Commissioner to collect and publish annually on the Department's website certain aggregated residential property consent to rate data for each geographical territory.
d) Requires the insurance companies to collect certain auto physical damage and homeowners' property insurance data and transmit the data to the Commissioner on a semi-annual basis.

3) What is the purpose of the new legislation?

Answer: The new legislation offers:

a) Enhanced regulation;

b) Transparency;
c) Protection and awareness;
d) Simplification; and
e) Data.

4) The new legislation DOES NOT:

Answer: Raise insurance rates or eliminate the consumer's ability to consent.

5) What lines of business are covered by the new CTR law?

Answer: Private passenger automobile physical damage coverage and residential property coverage (including homeowners' and Dwelling Fire and Extended Coverage).

6) Is liability not covered under the new CTR law?

Answer: The <u>only</u> liability policies that are covered under the new CTR law are those policies that have higher limits required by a personal excess liability policy (an umbrella policy) that are above the limits that can be ceded to the N.C. Reinsurance Facility ($250k/$500k/$100k per G.S. 58-37-35(b)(2a)).

7) What is the effective date of the new legislation?

Answer: The new legislation goes into effect January 1, 2019 for all new and renewal policies and for all endorsements. The trigger date is the effective date of the policy. Any policy <u>effective</u> after 1/1/19 will be required to provide the CTR disclosure statement instead of obtaining a signature from the policyholder, even those policies for which renewal notices are sent prior to 1/1/19. All policies effective prior to 1/1/19, even those effective December 31, 2018, are still required to have signatures to effectuate CTR.

8) Will CTR forms currently in use still be required?

Answer: No, not after the legislative effective date of 1/1/19. As noted above, renewal notices sent out in 2018 for renewal policies effective on or after 1/1/19 will not have to use the CTR forms but will have to include the required disclosure statement on the declarations page.

9) Will there be any changes to regulations covering CTR?

Answer: Once the new statutes become effective on 1/1/19, there will no longer be a signature requirement. CTR regulations found in NCAC 10.0602 and 10.0606 will be changed so that the regulations comport with the new statutory changes. Changes to the regulations, however, may involve a lengthy process and may not occur until 2019 or later. It should be noted that the regulations concerning the policyholder consent and the CTR forms will no longer be effective after 1/1/19, but, the CTR regulations concerning the "not to exceed" of 250% for residential property (NCAC 10.0602(4)) and 550% for auto physical damage (NCAC 10.0602(5)) will still be effective after 1/1/19.

10) If a company sells or renews a CTR policy effective 12/1/18 and the policyholder does not sign the CTR form by 1/1/19, can the company just send out the new disclosure notice instead of tracking down the policyholder to get the signature?

Answer: No. The trigger date for the new statute is 1/1/19. All policies/renewals/endorsements effective prior to that trigger date are legally bound to follow the current statutes which require a signature.

11) Why was the change in law necessary?

Answer: The Department understands that consumers were negatively impacted when they did not sign and return a consent to rate form which left them with loss of physical damage coverage or homeowners' coverage. The change in the law was necessary so that consumers were given notice of the intended insurer increase in premium beyond the approved rate, had an opportunity to seek out other coverage if desired, and did not inadvertently lose their coverage.

12) How do I "consent" under the new law?

Answer: Rather than a written signature consenting to the rate above the approved rate, "consent" will be given with payment of the premium.