



**NC** DEPARTMENT  
*of* INSURANCE  
MIKE CAUSEY, COMMISSIONER



A CONSUMER'S GUIDE TO  
**SHOPPING FOR  
INSURANCE**

## COVERAGE DECISIONS



Buying insurance is one of the most important financial transactions that you make. Buying the right types and amounts of coverage will help protect your own financial future, and your family's financial future as well. You must prepare yourself to make the right coverage decisions; Here are some tips to help you do just that.

### DECIDE WHAT COVERAGES AND FEATURES YOU NEED

Begin by listing the insurance features and coverages that are important to you, such as specific coverages, and/or price. When you talk to insurance company representatives or agents, remember that the right insurance company and policy for you, is your decision.

- **Find out what insurance products are available to cover the points on your list.** For example, auto insurance can include liability, collision, comprehensive, uninsured motorist coverage and medical payments. Of these, only liability and uninsured motorist coverage is required by law. Not everyone wants or needs other types of coverage.
- **Consider the amount of insurance you will need.** For example, the amount of life insurance you need may vary depending on your survivors' needs, assets such as property and income, lifestyle and debt amount.
- **Determine your price range.** The insurance you want may be more expensive than your projection, but you may find significant price variations by comparison shopping. Also, you may be able to reduce your premium by making adjustments in the coverage you buy. Most policies have maximum limits, deductibles and optional coverages; as these change, so does the price.
- **Visit or call the North Carolina Department of Insurance (ncdoi.gov).** We can provide brochures on auto, home, life, health, small business, title and other insurance topics in print and/or online. These detailed brochures can help describe the types of insurance products that are available to you and help you to better understand these products in an easy-to-read format.

### COMPARISON SHOP

Compare policies and premiums for several different companies, but make sure the policies that you are comparing provide similar coverages and coverage limits. By gathering and comparing important policy information, you are more likely to make a good purchase decision.

Depending on the type of insurance you are looking for, compare policies and companies via the internet. It may also be helpful to meet with a local insurance agent who can help you understand important policy coverages, rates and features. It may also be helpful to ask trusted friends, co-workers, and/or family members for recommendations on insurance companies and agents.

### MAKE SURE THE COMPANY AND AGENT ARE LICENSED IN NORTH CAROLINA

Although insurance can be purchased directly from some insurance companies, some insurance products is bought through insurance agents. The North Carolina Department of Insurance (NCDI) licenses insurance companies and insurance agents. You should always deal with licensed agents and companies, unless you are looking for a type of coverage not offered by licensed insurance companies (see below).

When confirming company and agent information, protect yourself by making sure that:

- The company is licensed in North Carolina, or listed as an eligible "surplus lines" carrier. A surplus lines carrier sells insurance to cover unusual or hard-to-insure risks, but is not licensed by the Department of Insurance. Surplus lines carriers must sell through licensed surplus lines agents who certify that the insurance you want is not available through a licensed insurance company.
- The agent is licensed in North Carolina and appointed by the company he or she claims to represent. If shopping online, look for a disclosure statement about the states where the agent is authorized to sell.

You can check to see if the company and the agent are licensed to do business in North Carolina by calling the NCDI Consumer Services Division at 855-408-1212. You can also look up companies and agents on [www.ncdoi.gov](http://www.ncdoi.gov).

## CONDUCT RESEARCH

Carefully research the proposals you receive. If necessary, consult your attorney or accountant for legal, financial and tax advice. There are various resources available, such as:

- **Rating publications.** They rate insurers on their financial condition and policyholder treatment, and many are available at your local library.
- **Consumer groups and magazines.** Consumer and interest groups at the local, state and national level provide useful information. Many consumer magazines also rate insurers and offer advice on buying insurance.
- **The Better Business Bureau.** This business organization, among other things, monitors the consumer relations records of its members' businesses.

The North Carolina Department of Insurance web site ([www.ncdoi.gov](http://www.ncdoi.gov)) can also provide you with a variety of helpful information, including:

- Consumer Guides and other publications about different types of insurance
- Answer your insurance related questions
- Provide insurance company contact information
- Insurance Company and Agent license status

However, The North Carolina Department of Insurance cannot endorse or refer you to any insurance company, individual or product, or advise you if an insurance product is right for you.

## CHECK RATING AGENCIES

Although the Department of Insurance monitors the financial condition of insurance companies, the Department does not assign company ratings or grades. There are private services that do so, using their own rating criteria. Some services may charge for the information; however, many libraries subscribe to some of the rating agencies' publications. When reviewing information from a rating agency, be sure you understand the rating criteria on which the ratings are based.

Listed below are some of the rating services that can provide rating information on insurance companies.

*The telephone numbers and Web addresses listed are provided strictly as a courtesy; the Department of Insurance does not endorse or represent any of the agencies listed.*

A.M. Best Company, (908) 439-2200, [www.ambest.com](http://www.ambest.com)  
Demotech, Inc., (800) 354-7207, [www.demotech.com](http://www.demotech.com)  
Duff & Phelps, Inc., (866) 282-8258, [www.duffandphelps.com](http://www.duffandphelps.com)  
Fitch Ratings Ltd., (800) 893-4824, [www.fitchratings.com](http://www.fitchratings.com)  
Moody's Investors Svc., (212) 553-0377, [www.moody's.com](http://www.moody's.com)  
Standard & Poor's, (212) 438-2400, [www2.standardandpoors.com](http://www2.standardandpoors.com)  
Weiss Research, Inc., (877) 934-7778, [www.weissratings.com](http://www.weissratings.com)

## CONSUMER TIPS



- Never permit high-pressure tactics. There is no reason to be rushed or hurried by high pressure sales tactics. You are in control. Buy only the insurance you want and need.
- Do not buy on price alone; consider coverage and service. Select a company and agent you feel you can trust.
- Make sure you are comparing identical or very similar coverages when comparing companies.
- Be more cautious if the type of insurance you need recently became more expensive or harder to get and the policy costs far less than what other insurers charge.
- Check with an accountant, attorney, financial adviser, or another individual that is knowledgeable in the field of personal finance before putting savings or large sums of money into any annuity, other investment, or trust.
- Determine what coverages you want and need, including amounts of insurance and deductibles.
- Plan your purchase. List points regarding coverage and price that are important to you in buying insurance.
- Learn what kinds of policies are available to meet your needs and pick the one that best suits you.

## SHOP SMART ON THE INTERNET



The convenience of shopping for insurance on the Internet is appealing. The internet is a useful tool for finding answers to many insurance questions or problems. It can also be used for researching companies and agents, defining your insurance needs, comparing rates, and even applying for many types of insurance.

However, you may have some concerns about the security of personal/financial data that you send to a company via the internet, or even about whether you are dealing with a legitimate company. The basics of shopping for insurance do not change because you are on the Internet. You should gather information, evaluate your needs, and purchase coverage based on your research. Keep in mind, if an insurance deal seems too good to be true, it probably is.

### INSURANCE SCAMS

Insurance fraud is nothing new. Especially through the internet. Dishonest people can open and close electronic storefronts quickly, often leaving little, if any, trace. Some common schemes are listed below.

- “Imposter” web site fraudulently using legitimate company logo -- an on-line application promises a consumer auto coverage from what appears to be a reputable insurance company. The consumer later learns the company never received the application or payment.
- A multi-level marketing or “pyramid” scheme -- an e-mail or Internet Web site offers various financial incentives, including an insurance policy, to those who pay a membership fee. All the incentives ultimately are designed to encourage recruitment of more members and more cash flow. New members are told they can sell memberships and even borrow money against their insurance policies and use that money to obtain credit cards and certificates of deposit. Members are not told they can borrow only against a policy’s cash value, which is usually zero in the first year.
- By far the most common schemes involve unauthorized health insurance. “Unauthorized Insurers” attempt to look and act like licensed insurance companies. However, they attempt to sell insurance products without being licensed. Unauthorized health insurers typically offer low rates regardless of your health history, and sometimes use high pressure sales tactics. Claims are paid slowly, or not paid at all. These companies attempt to avoid state regulation, and often operate under several different names.

To guard against becoming a victim of insurance fraud, gather information before you make a purchase, and call the Department of Insurance to make sure you are dealing with a licensed agent and insurance company.

### PRIVACY CONCERNS

The Internet provides access to information, products, and services you need, but it also may allow companies to collect personal data regarding your finances, health, buying preferences, etc. This information is sometimes shared with others. Safeguard your privacy on-line by following these tips:

- Don’t disclose private information routinely. Keep your address, telephone number, Social Security number, e-mail address, credit card number, and medical information private unless you know who is collecting the information, why they’re collecting it, how it will be used, and how disclosure benefits you.
- Review a company’s privacy policy. Many companies post privacy policies on their Web sites, including how any information collected will be used and protected from improper disclosure. If you can’t find a policy, send an e-mail to the webmaster or Web site asking for the company’s policy on privacy and information security.
- Many companies ask whether they can share your personal information with other companies. If you have privacy concerns, let the company know you do not want your personal information disclosed to other companies.

## SECURITY ON THE INTERNET

The Internet is a convenient medium for shopping. It pays, however, to take extra steps to make sure your online dealings are secure.

- Use browsers and anti-virus software that provide the highest levels of security available. Security-enabled browsers encrypt, or scramble, credit card numbers and personal information before transmission. A security enabled browser also can confirm the identity of the Web site before transmitting and even notify you if it looks suspicious.
- If you are about to send credit card or personal information over the Internet, be sure that the company to which you are sending this information is using a secure server. When you are looking at the web page (form) through which you will be sending private information, check the web page address at the top of your screen; if the address begins with "https://" instead of the usual http://, and if you see a proper security symbol (an unbroken key, or a padlock) in the bottom right-hand or left-hand corner of your screen, then the company's server should be secure.
- If you do not want to submit the information over the Internet, contact the company or agent and ask about submitting it by phone, in person, fax or regular mail.
- Keep passwords private. Use a combination of numbers, letters, and symbols. Avoid using portions of your telephone number, birth date, or Social Security number.
- Keep records. Print out copies of quotes or any forms you fill out on-line.
- Pay with a credit card rather than a debit card, so that any unauthorized charges can be disputed with your credit card company.

## THE SALES & APPLICATION PROCESS



### UNDERSTANDING COMMON INSURANCE TERMINOLOGY

Ever find yourself scratching your head when people start talking about insurance? There is a lot of terminology that may not be understood, that is used in insurance transactions and the policy itself. It's important to learn the meaning of the terms the insurance company and agent are using. Here are a few terms that may commonly be heard and used in your insurance policies.

- **Adjuster:** A representative of your insurance company who investigates your insurance claim. After investigating the claim, they'll determine if the claim is covered, and if so, how much you'll be paid.
- **Agent:** An individual licensed by the respective states Department of Insurance to sell insurance on behalf of an insurance company. They're knowledgeable about your insurance needs, often help to service your insurance policy and available to help answer any questions you have regarding your insurance.
- **Application:** The form you fill out with information about you. An insurance company will use this to decide if they should issue a policy and how much your rate will be.
- **Appraisal:** A professional assessment of your property to determine its value. Appraisals are conducted to determine the value of your expensive possessions, like jewelry or antiques, in order to purchase adequate coverage. An appraisal can also be done after a loss to determine the extent of damage.
- **Cancellation:** Terminating an insurance contract before the specified end-date listed in the policy.
- **Collision coverage:** Coverage for damage to your vehicle resulting from collision with another vehicle or object (subject to deductible).
- **Comprehensive coverage (also known as Other than Collision Coverage):** Coverage for damage to your vehicle not caused by collision or upset (subject to deductible). Examples may include theft, vandalism, weather events and contact with animals.
- **"Consent to Rate":** In North Carolina, consent to rate (CTR) is an agreement between the insurer and policyholder where the policyholder agrees to pay a premium greater than the established insurance premiums set by the North Carolina Rate Bureau. If your policy is being subjected to "consent to rate", there is a requirement for automobile or residential property insurers to include a disclosure statement either on the policy declarations page or on a separate page before the declarations page notifying an insured that the premium being charged exceeds the premium based upon the approved rates in North Carolina.

- **Declarations page:** A page in your policy – usually the front page – with basic information that identifies the policyholder, the property or vehicles covered, the coverages and the premium amounts. In informal conversation, you may hear it referred to as the “dec” page.
- **Deductible:** The amount of the damage or loss that you’re responsible for before your company pays on a claim. Higher deductibles allow insurance companies to offer reduced premiums. Lower deductibles will increase the amount of the premium you will pay.
- **Depreciation:** A decrease in the value of property due to wear, age or other cause.
- **Endorsement:** An add-on to your insurance policy that changes the coverage provided in your policy.
- **Exclusion:** A provision in an insurance policy that excludes and/or limits certain coverages.
- **Free look:** The time period (may be days or weeks) when a new insurance policyholder can terminate the policy without any penalties, such as surrender charges.
- **Insured:** The policyholder; the person(s) protected in case of a loss or claim.
- **Insurer:** The insurance company that provides insurance coverage.
- **Insurable interest:** A consideration of value that is insured under a policy. A person with insurable interest will suffer a genuine hardship if a loss should occur to the person or property they’ve insured. For instance, people have an insurable interest in their own lives and property, but generally do not have insurable interest in their neighbor’s life or property. Insurable interest must be present in order for an insurance contract to be legal and valid.
- **Insurance score:** A credit-based insurance score is a number that is calculated using information from your credit report. It provides an assessment of your insurance risk at a particular point in time and helps to determine how likely you are to suffer losses that lead to claims.
- **Lapse:** A period of time when someone goes without insurance coverage.
- **Perils:** The specific risk or cause of a loss covered by your insurance policy. Examples include explosion, collision, fire, theft, vandalism, water damage, etc.
- **Non-renewal:** A decision by an insurance company not to renew a policy at its expiration date.
- **Short Rate Cancellation:** A short rate cancellation is when the policyholder cancels an insurance policy before the policy’s expiration date. When a policy allows short rate cancellation (such as most personal auto policies in NC), there are administrative costs and penalties charged by the insurance company. These costs are deducted from any unearned premiums and serve as a disincentive to cancelling policies early.
- **Subrogation:** Subrogation is a term describing a right held by most insurance carriers to legally pursue a third party that caused an insurance loss to the insured. For example: If you are injured and it is another person’s fault, your insurance company may pay your claim and then attempt to recover the damages paid from the other person or his or her insurance carrier. This recovery is known as subrogation.
- **Surcharge:** When an insurance company increases your rate due to a factor (like your driving record, or the distance from your house to the fire department) that increases your likelihood of suffering a loss.
- **Underwriting:** The process an insurance company uses to decide whether to accept or reject an application for a policy.

## SECURING COVERAGE

**Insist that all promises made to you about future costs, benefits or coverages be in writing.** When your policy is delivered, ask the broker or agent to go over the policy language and conditions, including any promises that are specifically made as part of the policy contract that you do not fully understand.

**Request copies of all illustrations or proposals that are shown to you.** You can study the illustration or proposal at home without pressure. This way, you will get a better understanding of what your insurance program is designed to do.

**Obtain copies of everything you sign.** Obtain receipts for any payment you make. Never pay in cash. All checks or money orders should be made payable to the insurance company or to the agency, not personally to the broker or agent. Keep receipts and canceled checks in a safe place for the duration of the policy as evidence of payment.

**Be careful when using premium financing.** Brokers or agents are not required to help you arrange to pay for your insurance on a monthly basis. However, they do have access to organizations that will allow you to pay for your insurance over a designated period of time. Premium finance companies charge for their services and premium financing can be costly. Read the premium finance contract carefully and pay special attention to early cancellation wording.

**Fill out your application completely and accurately.** Do not sign a blank application. It is important to give correct and complete answers when applying for insurance. If you omit or misrepresent information, the company can void the contract.

**Carefully review the copy of your application contained in your policy** and report any errors or omissions to the company or agent.

**If you are turned down for insurance, ask for the specific reason(s).**

**Review your policy!** Read the policy contract and understand what you are buying. Many consumer complaints arise because the buyer does not understand the coverages or limitations proposed for the policy. The unprepared consumer may not realize that the policy ordered fails to meet his or her assumptions regarding provisions such as waiting periods, deductibles, policy limitations, exclusions, premium payments or optional endorsements. All of these vary from insurer to insurer. If you make assumptions, you may be unpleasantly surprised. If you don't understand something you have read, now is the time to ask for clarification. Ask for an explanation in layman's terms.

**Review renewal documents to ensure you are still getting the same coverage requested.** Coverage may change at renewals. Its important to review the renewal documents to ensure any changes made are understood and accepted.

**REMEMBER, IF IT SEEMS TOO GOOD TO BE TRUE... IT PROBABLY IS.**

**IF YOU HAVE QUESTIONS, THE CONSUMER SERVICES DIVISION OF THE DEPARTMENT OF INSURANCE IS HERE TO HELP.**

Toll free: 855-408-1212

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1201 Mail Service Center  
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You can find additional information as well as a downloadable copy of our **Request for Assistance** form on the NCDI Web site.

**NC Department of Insurance | Mike Causey, Commissioner | [www.ncdoi.gov](http://www.ncdoi.gov)**