

# Consumers Guide to Shopping for Insurance

## *Message from the Commissioner*

As a buyer of different types of insurance, you may have insurance on your home, your car and your life. Consumers often buy insurance without adequately planning or even understanding what the marketplace has to offer. This guide has been provided by the North Carolina Department of Insurance (NCDOI) to help you make informed choices when shopping for insurance.

You must prepare yourself to buy only the insurance you want and need. Here are some tips to help you successfully complete your insurance transaction through careful planning and effective participation in the sales process.

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The purchase of insurance is one of the most important personal business transactions that you make. Your financial future and that of your family may depend upon what policies you choose to purchase. Smart shopping takes time and effort.

## *Decide What to Buy*

List the points that are important to you in buying insurance, such as coverage and price. When you talk to company representatives or agents, remember that they are salespeople who make their living selling insurance for insurance companies. You are responsible for purchasing your insurance. You must ultimately decide which insurance product and company is right for you.

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 coverage is legally required. Not everyone wants or needs other types of coverage.

Contact the NCDOI. 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.

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 achieve your price range by making adjustments in the coverage you buy. Most policies have maximum limits, deductibles and optional coverages; as these change, so does the price.

## *Tips*

- 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.

## *Comparison Shop*

Compare the rates of different companies, as prices vary considerably. However, keep in mind that "you get what you pay for." Be sure to meet your list of important points. Review and compare all quotations to determine if the coverages, deductibles and limits are similar to each other. This is an excellent way to learn about competing insurance products and to interview potential agents at the same time. By gathering relevant information, you have a greater likelihood of making an informed decision.

Consider carefully your choice of agent and insurance company to make sure they meet your needs. Consult with knowledgeable friends and respected advisors for recommendations based on their experiences. Since purchasing insurance can be time consuming, costly and complex, you need to find an agent and insurance company that you

can rely on. Choosing an agent should be handled similarly to the process you would use to hire any consultant (such as an accountant, tax advisor or banker).

### **MAKE SURE THE COMPANY AND AGENT ARE LICENCED TO DO BUSINESS IN NORTH CAROLINA.**

Although insurance can be purchased directly from some insurance companies, most insurance is bought through agents. The North Carolina Department of Insurance (NCDOI) licenses insurance agents and regulates their practices. Unlawful actions of agents can result in suspension or revocation of their license.

#### **Conduct Research**

Carefully research the proposals you receive. If necessary, consult your attorney or accountant for legal, financial and tax advice.

Various resources are available:

- Friends and advisors. Some of the best sources of information come from people you know and trust.
- Rating publications. Many are available at your local library; they rate insurers on their financial condition and policyholder treatment.
- 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 consumer relations records of its members' businesses.

The Department of Insurance can provide you with the following information:

- Whether or not the company and agent are licensed;
- A company's complaint ratio; and
- A company's address and phone number.

*The North Carolina Department of Insurance cannot endorse any company, individual or product.*

#### **Check Rating Agencies**

Although the Department of Insurance does not rate the financial condition of insurance companies, there are many private rating services that conduct financial analyses and grade insurance companies. Each rating service uses its own criteria. Private ratings are therefore only opinions and carry no guarantee of accuracy. However, such ratings can provide you with some information about how private analysts view the financial condition of particular insurance companies.

You can obtain those ratings by phone, mail or via the Internet. Some of the services may charge for the information. Many libraries subscribe to some of the rating agencies' publications. When checking with a rating agency, be sure to ask for an explanation of its criteria so that you can fully understand the rating assigned to a particular company. You might also want to compare prior year ratings for that company. Listed below are some of the rating services that can provide rating information on insurance companies.

*The telephone numbers and Web addresses listed below are provided as a courtesy of the NCDOI to the residents of North Carolina. The Department does not endorse or represent any of the agencies listed.*

<b>A.M. Best Company</b>	(908) 439-2200	<a href="http://www.ambest.com">www.ambest.com</a>
<b>Demotech, Inc.</b>	(800) 354-7207	<a href="http://www.demotech.com">www.demotech.com</a>
<b>Duff &amp; Phelps, Inc.</b>	(212) 450-2800	<a href="http://www.duffllc.com">www.duffllc.com</a>
<b>Fitch Investors Svc.</b>	(800) 893-4824	<a href="http://www.fitchratings.com">www.fitchratings.com</a>
<b>Moody's Investors Svc.</b>	(212) 553-0377	<a href="http://www.moodys.com">www.moodys.com</a>
<b>Standard &amp; Poor's</b>	(212) 438-2400	<a href="http://www2.standardandpoors.com">www2.standardandpoors.com</a>
<b>Weiss Research, Inc.</b>	800-289-9222	<a href="http://www.weissratings.com">www.weissratings.com</a>

### *Tips*

- Shop around. Compare the products, services and premiums of several insurance companies and salespeople. Consider higher deductibles and discounts to reduce costs.
- Check with the NCDOI to see if the company and the agent are licensed to do business in North Carolina.
- Try to do business with agents and companies who have good reputations in your community. Talk to friends and relatives, and learn from their experiences.
- Check and compare the financial ratings of each company.
- 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 your own decision. You are ultimately responsible to make the final choice on what you need and can afford.

### *Document and Understand the Transaction*

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.

Use the checklist you have created to be sure that important points are covered. 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 limits, premium payments or optional endorsements. All of these vary from insurer to insurer. If you make assumptions, you may be unpleasantly surprised.

Obtain copies of everything you sign. Obtain receipts for any payment you make. Never pay in cash. All checks 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.

### *Tips*

- Understand what you are buying. Ask for a detailed explanation in layman's terms. Do not accept calculations or examples you do not understand.
- 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.
- Keep copies. Request copies of all presentation materials including charts, graphs, illustrations or proposals and keep copies of all promises and signed applications.
- 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).
- Do not pay cash, but if paying with cash is your only option, make sure you are provided a receipt listing the name of the insurance company.
- Pay with a personal check or money order made out to the insurance company or agency.
- Get a receipt for your premium payment and retain it for the time the policy is in force.

- Understand premium financing. Do not borrow from a premium finance company without fully understanding the terms and conditions of the contract.

### ***Review your Policy***

Read your insurance policy as soon as you receive it. The insurance policy is the written agreement between you and the insurer. It includes duties that the insurance company must perform and duties you must perform under the contract. Many times consumers who purchase insurance fail to read their policy. Often, at some later time, they discover that the policy does not cover what they thought it did. Most insurance companies are not willing to retroactively change a policy, especially after a loss has occurred.

Check to see if a “free look” period is offered. Some policies provide a free look period during which the buyer may cancel for a refund by writing directly to the insurer. Utilize this time period wisely to completely review the policy. The only way to be sure that the contract between you and the insurance company is what you authorized is to read the policy as soon as it arrives.

### ***Tips***

- Read the policy. Check to see if the delivered policy is what you have purchased. If changes are needed, contact the salesperson or insurance company immediately.
- Check policy provisions that restrict or reduce benefits.
- If you have questions about your policy, or if you do not fully understand your coverage, ask your agent for an answer or an explanation.
- Know what you and the company must do if you have a claim. Make sure you know how to file a claim if you have a loss.
- Save your policy. Keep your policy in a safe place, so you will have it when needed.

### **Remember, if it Seems too Good to be True, it Probably is**

If you find that one company is able to quote you a much lower price or a much higher yield on an insurance product than the rest of the companies you are considering, be careful. Usually, high yields or low rates should generate a number of questions as to how the company can offer this product when other companies cannot.

### ***How to Reach Us***

You can reach the North Carolina Department of Insurance, Consumer Services Division at:

800-546-5664    Toll free inside North Carolina  
919-807-6750    Outside of North Carolina  
919-715-0319    TDD (Telephone Device for Deaf Caller)  
919-733-0085    Fax

You can find additional information including our complaint form on the North Carolina Department of Insurance Web site at [www.ncdoi.com](http://www.ncdoi.com).

The address for the North Carolina Department of Insurance, Consumer Services Division is:

Consumer Services Division  
North Carolina Department of Insurance  
1201 Mail Service Center  
Raleigh, NC 27699-1201