



January 25, 2007

CIRCULAR LETTER TO ALL MEMBER COMPANIES

IMMEDIATE
ATTENTION REQUIRED

Re: Revised Homeowners Insurance Rates

On December 29, 2006, the Rate Bureau filed with the Commissioner of Insurance proposed revised homeowners insurance rates for coverages subject to the Rate Bureau's jurisdiction. The Rate Bureau's rate filing proposed (1) a statewide average rate level change of +21.9% for all homeowner forms, with changes varying by form and by territory; and (2) revised Windstorm or Hail Exclusion Credits.

The Bureau and the Department of Insurance have negotiated an agreement as to this filing, and on January 25, 2007, the Commissioner signed a Settlement Agreement and Consent Order approving settlement of this filing. The Settlement Agreement and Consent Order approves the filing subject to certain modifications which include (1) an approved overall statewide average rate level increase of +5.4% and (2) modified Windstorm or Hail Exclusion Credits to track the revised base rates.

Enclosed are final exhibits which set forth (1) the rate level changes by territory; (2) the revised Windstorm or Hail Exclusion Credits; and (3) the revised base rates for all forms.

Since these changes have been approved by the Commissioner, no portion of the premiums on applicable policies is required to be escrowed. The approved changes are to be implemented in accordance with the following Rule of Application:

These changes are applicable to all policies becoming effective on or after May 1, 2007.

The enclosed exhibits are intended to enable you to implement the approved revisions in accordance with the above Rule of Application. Reprinted manual pages will be distributed in the usual manner as soon as possible. In the meantime, notice of the changes should be sent as soon as possible to your Company's North Carolina agents to make them aware of the revisions.

In connection with the implementation of the revised rates, your attention is further directed to G.S. 58-36-30(a) which provides in part as follows:

"... no insurer and no officer, agent or representative of an insurer shall knowingly issue or deliver or knowingly permit the issuance or delivery of any policy of insurance in this State that does not conform to the rates, rating plans, classifications, schedules, rules and standards made and filed by the Bureau. An insurer may deviate from the rates promulgated by the Bureau if the insurer has filed the proposed deviation with the Bureau and the Commissioner, if the proposed deviation is based on sound actuarial principles, and if the proposed deviation is approved by the Commissioner...."

Your attention is also directed to G.S. 58-36-45 which provides in part as follows:

"Whenever an insurer changes the coverage other than at the request of the insured or changes the premium rate, it shall give the insured written notice of such coverage change or premium rate change at least 15 days in advance of the effective date of such change or changes with a copy of such notice to the agent. This section shall apply to all policies and coverages subject to the provisions of this Article"

In the past, some insurers have given notice of premium rate changes by providing to an insured and agent, at least 15 days in advance of the effective date, a renewal policy, renewal certificate, billing or endorsement showing the revised rates, together with a written notice substantially as follows:

NOTICE OF RATE CHANGE - NORTH CAROLINA

The premium for this policy reflects changes in rates applicable to North Carolina placed into effect under the provisions of Article 36, Chapter 58 of the North Carolina General Statutes.

The form of this notice has varied at the option of the insurer (printed notice, stamp, stick-on label, etc.). Companies should consult legal counsel with respect to the appropriateness of their own procedures under this statute. It is important that each Company establish procedures that will insure continued compliance with the 15 day advance notice requirement.

Please see to it that this circular letter is immediately brought to the attention of all interested personnel in your Company.

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

Attachments

P-07-1

NORTH CAROLINA
HOMEOWNERS INSURANCE
STATEWIDE AND TERRITORY RATE LEVEL CHANGES

<u>Territory</u>	<u>Forms 2,3,5,7,8</u>	<u>Form 4</u>	<u>Form 6</u>
05	25.0%	20.0%	17.0%
06	25.0%	20.0%	17.0%
32	3.0%	-5.0%	4.5%
34	8.0%	5.8%	7.0%
36	0.0%	-15.0%	-10.0%
38	0.0%	-15.0%	-10.0%
39	0.0%	-15.0%	-20.0%
41	22.0%	4.5%	7.3%
42	25.0%	12.8%	17.0%
43	25.0%	12.8%	17.0%
44	8.0%	4.4%	0.0%
45	11.5%	-5.0%	2.5%
46	0.0%	0.0%	2.4%
47	4.0%	-5.0%	0.0%
53	2.0%	-10.0%	7.5%
57	0.0%	-15.0%	-10.0%
60	0.0%	-15.0%	-10.0%
Statewide	5.7%	-7.7%	-1.7%

Combined Overall Statewide Change of +5.4% for all forms.

Windstorm or Hail Exclusion Credits

Owners Forms

Territories 05,06	\$1,053
Territories 42,43	578

Tenant Form

Territories 05,06	65
Territories 42,43	49

Condominium Form

Territories 05,06	80
Territories 42,43	42

NORTH CAROLINA
HOMEOWNERS INSURANCE
APPROVED BASE-CLASS PREMIUMS

<u>Territory</u>	<u>Form 3</u>	<u>Form 4</u>	<u>Form 6</u>
05	1,295	140	126
06	1,295	140	126
32	410	45	46
34	531	73	54
36	354	34	34
38	358	37	32
39	345	33	30
41	614	57	44
42	809	83	78
43	809	83	78
44	414	47	39
45	518	47	40
46	393	48	42
47	446	46	38
53	398	40	43
57	357	35	29
60	316	31	26

Approved base-class premiums for Forms 2,5,7 and 8 are determined by applying the approved form relativities to the Form 3 base-class premiums.