



May 13, 2008

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Corrections to Dwelling 2002 Policy Program

By Circular Letter to All Member Companies dated November 20, 2007, this Bureau announced the approval of the new Dwelling 2002 Policy Program. It has come to our attention that certain rules and rates on the North Carolina Exception pages contain typographical errors.

For your convenience, please find attached an explanation of the corrections along with the revised rule and rate pages. The revised pages will be posted on ISONet in the near future.

We apologize for any inconvenience this may have caused.

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

Attachments

P-08-10

Explanation of Changes

Rate Pages

- Adding Rule 206. Minimum Premium which was inadvertently omitted from the NC Rate Page.
- Adding Rule 208. Waiver of Premium which was inadvertently omitted from the NC Rate Page.
- Correcting typographical error by revising Rule 500. Miscellaneous Loss Costs under paragraph E. of Table 500. (R) Miscellaneous Rates. Reference to endorsement DP 46 65 should be DP 04 65.
- Correcting typographical error by revising Rule 508. Trees, Shrubs and Other Plants under territory codes Table 508.(R) Premium Computation.
- Correcting typographical error by revising Rule 514. Assisted Living Care to correct the rates for both basic and increased limits.

Exception Page Rules

- Correcting Rule 206 Minimum Premium to specify that the minimum premium is shown on the state rate pages.
- Correcting Rule 208. Waiver of Premium by adding a North Carolina Exception to specify that the minimum waiver of premium amount is shown on the state rate pages.
- Correcting typographical error by revising Rule 305. Loss Settlement Options to add a 70% replacement value, with a factor of .78, to Table 305.B.4.c. Factors.
- Correcting typographical error revising Rule 406. Deductible to correct the footnote in Table 406.B.1 to specify that the minimum annual additional premium applies “per location” rather than “per policy”.
- Correcting typographical error by adding Rule 515. Motorized Golf Cart – Physical Loss Coverage to the Exception Pages to specify that the multistate rule does not apply.

ADDITIONAL RULE(S)

**RULE A3.
WINDSTORM OR HAIL EXCLUSION – TERRITORIES 05,
06, 42 AND 43 ONLY**

Territories 05, 06	
Building Credit	\$ 149
Contents Credit	20
Territories 42, 43	
Building Credit	\$ 78
Contents Credit	11

Table A3.B.2.(R) Windstorm Or Hail Exclusion – Territories 05, 06, 42 And 43 Only

**RULE A5.
INSTALLMENT PAYMENT PLAN**

C. The additional charge per installment is \$3.00.

**RULE A6.
UNPROTECTED DWELLINGS – PROTECTION CLASS 9,
9E, 9S OR 10**

Rates Per \$1,000	
Additional rate of insurance	\$ 1.50

Table A6.C.1.a.(R) Unprotected Dwellings – Protection Class 9, 9E, 9S Or 10

**RULE 206.
MINIMUM PREMIUM**

D. Minimum Premium – \$50.

**RULE 208.
WAIVER OF PREMIUM**

B. Amount that may be waived – \$3 or less.

**RULE 302.
VANDALISM AND MALICIOUS MISCHIEF – (DP 00 01)**

Rates Per \$1,000	
Not Seasonal or Vacant	\$.17
Seasonal and Not Vacant	1.40
Vacant	9.30
In Course of Construction	.19

Table 302.(R) Vandalism And Malicious Mischief (DP 00 01)

**RULE 404.
MOBILE OR TRAILER HOMES – (DP 00 01)**

Use the One Family, Coverage **A** or **C**, Frame Base Premium.

**RULE 406.
DEDUCTIBLES**

B. Optional Deductibles

The Minimum Additional Charge is \$25.00.

**RULE 500.
MISCELLANEOUS LOSS COSTS**

Rates Per \$1,000*	
Exposure	Rates
A. Fire: Protection Class 1-8	\$ 2.50
Fire: Protection Class 9, 9E, 9S & 10	4.50
B. Extended Coverage (DP 00 01)	1.00
C. Broad Form (DP 00 02)	1.50
D. Special Form (DP 00 03)	2.00
E. Broad Form (DP 00 02) with Endorsement DP 04 65	2.00
* These rates apply to all occupancies, territories, construction and protection classifications, unless otherwise specified. Rates for A. are cumulative with either B. , C. , D. , or E.	

Table 500.(R) Miscellaneous Rates

**RULE 507.
FIRE DEPARTMENT SERVICE CHARGE**

The Additional Rate per \$1,000 of insurance is \$15.00.

**RULE 508.
TREES, SHRUBS AND OTHER PLANTS**

C. Premium Computation

1. Fire, Extended Coverage, Broad And Special Forms

The rates in the following table apply to all occupancies, territories, construction and protection classifications, unless otherwise specified:

Fire (DP 00 01)		
Protection Class	Rates Per \$1,000	
1 – 8	\$ 2.50	
9, 9E, 9S & 10	4.50	
Extended Coverage (DP 00 01) – All Specified Perils		
Territory	Rates Per \$1,000	
	Including Wind Or Hail	Excluding Wind Or Hail
05, 06	\$ 57.00	\$ 1.00
42, 43	29.00	1.00
32, 34, 41, 45 – 47, 53	15.00	1.00
36, 38, 39, 44, 57, 60	13.10	1.00
Windstorm Or Hail (DP 00 02 And DP 00 03)		
Territory	Rates Per \$1,000	
05, 06	\$ 56.00	
42, 43	28.00	
32, 34, 41, 45 – 47, 53	14.00	
36, 38, 39, 44, 57, 60	12.10	

Table 508.C.1.(R) Premium Computation

**RULE 512.
WINDSTORM OR HAIL COVERAGE – MISCELLANEOUS
PROPERTIES**

	Rates Per \$1,000			
	Territories			
	05, 06	42, 43	32, 34, 41, 45 – 47, 53	36, 38, 39, 44, 57, 60
1. Signs				
All Metal	\$ 33.60	\$ 16.80	\$ 12.10	\$ 11.20
Other Construction	112.00	56.00	44.30	38.70
2. Cloth Awnings	56.00	28.00	14.00	12.10
3. Radio Or Television Equipment	112.00	56.00	44.30	32.70
4. Swimming Pools – Construction Of Pool And Related Structures*				
Masonry, Uncovered	.94	.47	.37	.28
Masonry, With Combustible Superstructures (Including Roof) And/Or Fencing – Pool Only	.94	.47	.37	.28
Masonry, With Combustible Superstructures (Including Roof) And/Or Fencing – Superstructure And/Or Fencing	32.60	16.30	11.20	8.40
Other Construction With Or Without Roof	32.60	16.30	11.20	8.40
Inflated Enclosure Or Covering Of Plastic Material	168.00	84.00	65.30	56.00
5. Screens (Including Supports)	32.60	16.30	11.20	8.40
6. Fences And Walls				
Masonry, Iron Or Reinforced Concrete	2.80	1.40	1.12	1.03
Other Construction	56.00	28.00	14.00	12.10
7. Bathhouses, Cabanas, Pergolas, Slat-houses, Trellises; Structures Over Water				
Masonry	4.67	2.33	1.49	1.31
Other Construction – Fully Enclosed	6.53	3.27	1.96	1.68
Other Construction – Not Fully Enclosed	17.72	8.86	7.00	6.53
8. Outdoor Equipment	4.80	2.40	2.12	2.03
9. Greenhouses Or Hothouses				
Structures Including Glass, Flowers And Plants	130.60	65.30	61.10	60.60
If insured separately: Structure	11.56	5.78	4.67	4.48
Glass	66.20	33.10	31.30	30.80
Flowers And Plants	87.80	43.90	40.60	40.10
* If any part of a pool's enclosure or roof is made of plastic film or cloth, supported on wood framing, the entire pool is subject to the rates displayed for Inflated Enclosure or Covering of Plastic Material.				

Table 512.D.(R) Premium Windstorm Or Hail Coverage – Miscellaneous Properties

**RULE 514.
ASSISTED LIVING CARE**

C. Premium

For Basic Limits, the rate per unit is \$55.38.

For increased Coverage C Limit, the rate per \$1,000 is \$6.38.

**RULE 104.
PROTECTION CLASSIFICATION CODES AND
INFORMATION (Cont'd)**

- E. In a classified area where split classifications are shown where no hydrants are installed (Example: 9/10), or where the hydrant distance does not apply due to an alternate creditable water supply (Example: 7/10), the classification is determined as follows:
1. If the split class is X/10 (Example: 7/10):
 - a. Within 5 road miles of fire station, unless otherwise indicated, use first protection class.
 - b. Over 5 road miles from fire station, use class 10.
 2. If the split class is X/9E (Example: 7/9E):
 - a. Within 5 road miles of fire station, unless otherwise indicated, use first protection class.
 - b. Between 5 and 6 road miles of fire station use Class 9E.
 - c. Over 6 road miles from fire station, use class 10.
- F. Rural Fire Protection Districts are areas which have been inspected and for which protection classes are published.
- G. All other properties are class 10.

**PART II
SERVICING TYPE RULES**

**RULE 201.
POLICY PERIOD**

Paragraph C. is replaced by the following:

- C. Three years in annual installments. Each annual installment shall be the annual premium then in effect for the company.

**RULE 206.
MINIMUM PREMIUM**

Paragraphs D. and E. are replaced by the following:

- D. Refer to state company rates for the minimum premium.

**RULE 208.
WAIVER OF PREMIUM**

Paragraph B. is replaced by the following:

- B. Refer to state company rates for amount that may be waived.

**PART III
BASE PREMIUM COMPUTATION RULES**

**RULE 302.
VANDALISM AND MALICIOUS MISCHIEF – DP 00 01**

The following is added to Rule 302.:

The 60 day limit of vacancy may be extended. The charge for the additional period of vacancy shall be based on the difference between the premiums for vacant and non-vacant buildings, and shall be figured pro rata for the period allowed in the endorsement.

Use Vandalism And Malicious Mischief Vacancy Endorsement **DP 04 40**.

**RULE 305.
LOSS SETTLEMENT OPTIONS**

Paragraph A.4. is replaced by the following:

A. Functional Replacement Cost Loss Settlement – Forms DP 00 02 And DP 00 03 Only

4. Endorsement

Use Functional Replacement Cost Loss Settlement – North Carolina Endorsement **DP 32 63**.

Paragraph B. is replaced by the following:

B. Actual Cash Value Loss Settlement – Forms DP 00 02 And DP 00 03 Only

1. Introduction

The policy provides building loss settlement on a replacement cost basis if, at the time of loss, the amount of insurance on the damaged building represents at least 80% of the full replacement cost of the building immediately before the loss.

2. Coverage Description

The policy may be endorsed to provide building loss settlement exclusively on an actual cash value basis if, on the inception date of the policy, the Coverage A limit of liability selected by the insured is less than 80% of the full replacement cost of the dwelling.

3. Mobile Or Trailer Home

When written in conjunction with this endorsement, Form **DP 00 02** may be used to insure a mobile or trailer home.

To develop the Base Premium, multiply the premium developed in Rule 301. by a factor of .98.

RULE 305.
LOSS SETTLEMENT OPTIONS (Cont'd)

4. Dwelling Building Other Than Mobile Or Trailer Home

The premium is computed as follows:

- a. Multiply the Coverage A limit of liability by the appropriate factor from the following table and round to the nearest \$1,000:

% Of Replacement Value*	Factor
20%	4.00
30%	2.67
40%	2.00
50%	1.60
60%	1.33
70%	1.14

Table 305.B.4.a. Factors

- b. Develop a Base Premium in accordance with Rule 301. for the amount of insurance computed in Paragraph B.4.a.
- c. Multiply the premium determined in Paragraph B.4.b. by the appropriate factor from the following table:

% Of Replacement Value*	Factor
20%	.73
30%	.74
40%	.75
50%	.76
60%	.77
70%	.78
80%	.80

Table 305.B.4.c. Factors

5. Endorsement

Use Actual Cash Value Loss Settlement Endorsement **DP 04 76**.

PART IV
ADJUSTED BASE PREMIUM COMPUTATION RULES

RULE 406.
DEDUCTIBLES

The introductory text in Rule 406. preceding Paragraph A. is replaced by the following:

All policies are subject to a deductible that applies to loss from all perils, except Earthquake. A separate deductible type applies to Earthquake Coverage.

Refer to the Earthquake Coverage rule for the applicable deductible provision.

Table 406.B.1. is replaced by the following:

Deductible	Factors
\$ 100*	1.05
500	.95
1,000	.89
2,500	.81

* Refer to state rates for the minimum annual additional premium charge that applies per location for all \$100 Perils Deductibles.

Table 406.B.1. All Perils Deductibles

Paragraph B.2.a.(6) is deleted and replaced by the following:

B. Optional Deductibles

2. Windstorm Or Hail Deductibles

a. Percentage Deductibles

(6) Deductible Factors

In Territories 05, 06, 42 and 43 only, when the property is located in an area serviced by the North Carolina Insurance Underwriting Association (NCIUA), additional calculations must be performed to ensure that the premium credit applied to the deductible is **not** greater than the premium credit that would be applied if the peril of Windstorm or Hail were excluded from the policy.

- (a) Property **Not** Located in Area Served by the NCIUA

To compute the premium for this provision, multiply the Extended Coverage, Broad or Special Form Base Premium for the Base Deductible for each coverage insured under the policy by the factor selected for the desired windstorm or hail deductible options from the following tables.

- (b) Property **Is** Located in Area Served by the NCIUA

To determine if an "adjusted deductible credit" or the calculated deductible credit applies, complete each of the following steps:

- Step 1. Multiply the windstorm or hail exclusion credit shown in the state rates, under Additional Rule A3. – Windstorm Or Hail Exclusion, by the Key Factor, for the same amount of insurance used to determine the Extended Coverage, Broad or Special Form Base Premium.

RULE 512.
WINDSTORM OR HAIL COVERAGE – MISCELLANEOUS
PROPERTIES (Cont'd)

3. Glass Condition of Insurance

- a.** Use this Condition when glass is **not** separately insured:

"Windstorm or Hail Coverage for Greenhouse (Hothouse) Glass

It is understood by you and us that, in the event greenhouse (hothouse) glass is broken or destroyed by the peril of Windstorm or Hail, we will pay no more than the least of the following amounts:

- A.** \$____. This dollar amount for greenhouse (hothouse) glass is determined by multiplying:

1. The agreed value per square foot of greenhouse (hothouse) glass, \$____, by
2. The number of square feet of all insured greenhouse (hothouse) glass, ____;

- B.** An amount computed by:

1. Dividing the number of square feet of all broken or destroyed greenhouse (hothouse) glass by the total number of square feet of insured greenhouse (hothouse) glass, and
2. Multiplying the amount computed in **B.1.** above by the dollar amount for greenhouse (hothouse) glass stated in **A.** above; or

- C.** The actual cost to repair or replace the broken or destroyed greenhouse (hothouse) glass.

Also, if greenhouse (hothouse) glass is covered by other insurance, we will pay no more than the proportion of a loss that the dollar amount for such greenhouse (hothouse) glass stated in **A.** above bears to the total amount of insurance covering that glass".

- b.** Use this Condition when glass is separately insured:

"Windstorm or Hail Coverage for Greenhouse (Hothouse) Glass

It is understood by you and us that, in the event greenhouse (hothouse) glass is broken or destroyed by the peril of Windstorm or Hail, we will pay no more than the least of the following amounts:

- A.** The limit of liability declared above for greenhouse (hothouse) glass, which is determined by multiplying:

1. The agreed value per square foot of greenhouse (hothouse) glass, \$____, by
2. The number of square feet of all insured greenhouse (hothouse) glass, ____;

- B.** An amount computed by:

1. Dividing the number of square feet of all broken or destroyed greenhouse (hothouse) glass by the total number of square feet of insured greenhouse (hothouse) glass, and
2. Multiplying the amount computed in **B.1.** above by the limit of liability for greenhouse (hothouse) glass declared above; or

- C.** The actual cost to repair or replace the broken or destroyed greenhouse (hothouse) glass.

Also, if greenhouse (hothouse) glass is covered by other insurance, we will pay no more than the proportion of loss that our limit of liability for such greenhouse (hothouse) glass bears to the total amount of insurance covering that glass".

D. Premium

Refer to the state rates.

RULE 513.
WATER BACK UP AND SUMP OVERFLOW

Rule 513. does not apply.

RULE 515.
MOTORIZED GOLF CART – PHYSICAL LOSS
COVERAGE

Rule 515. does not apply.

RULE 517.
LIMITED FUNGI, WET OR DRY ROT, OR BACTERIA
COVERAGE

Rule 517. does not apply.