

September 2, 2009

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Homeowners Policy Program
Water Back-Up and Sump Discharge or Overflow – North Carolina
Revised Rule, Rate and Endorsement

The Commissioner of Insurance has recently approved revisions to the Water Back-Up and Sump Discharge or Overflow rate, rule and endorsement which are designed for use in North Carolina on an optional basis with the Homeowners Policy Program.

These revisions were made to reflect the recent changes made to the Water Damage Exclusion in the HO 32 32, to provide for a basic limit of liability along with an option for higher specific limits and the corresponding rates.

For your convenience, please find attached revised copies of Homeowners Endorsement HO 04 84, North Carolina State Exception Page Rule 521 and North Carolina Rate Page Rule 521.

These revisions become effective in accordance with the following Rule of Application:

This revision becomes effective with respect to all new and renewal policies effective on or after March 1, 2010.

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

Sincerely,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

Attachments

P-09-21

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

WATER BACK-UP AND SUMP DISCHARGE OR OVERFLOW – NORTH CAROLINA

(SUBJECT TO POLICY LIMITS)
SCHEDULE

Limit Of Liability: \$

Information required to complete this Schedule, if not show above, will be shown in the Declarations.

A. Coverage

~~We insure for direct physical loss will pay, up to the limit of liability shown in the Schedule, for direct physical loss, not caused by the negligence of an "insured", to property covered under Section I caused by water, or water-borne material, which:~~

1. Backs up through sewers or drains; or
2. Overflows or is discharged from a:
 - a. Sump, sump pump; or
 - b. Related equipment;

even if such overflow or discharge results from mechanical breakdown. This coverage does not apply to direct physical loss of the sump pump, or related equipment, which is caused by mechanical breakdown.

This endorsement does not increase the amount of insurance that applies to the covered property.

B. Section I – Perils Insured Against

With respect to the coverage described in A. above, Paragraphs:

- A.2.c.(6)(b) in Form HO 00 03;
- A.2.e.(2) in Form HO 00 05;
- 2.j.(2) in Endorsement HO 32 95;
- 3.j.(2) in Endorsement HO 32 35; and
- 2.c.(6)(b) in Endorsement HO 32 34;

~~are~~ deleted and replaced by the following:

Latent defect, inherent vice, or any quality in property that causes it to damage or destroy itself;

C. Special Deductible

The following replaces any other deductible provision in this policy with respect to loss covered under this endorsement.

We will pay only that part of the total of all loss payable under Section I that exceeds \$250. No other deductible applies to this coverage. This deductible does not apply with respect to Coverage D – Loss of Use.

D. Exclusion

The **Water Damage** ~~e~~Exclusion is deleted and replaced by the following:

Water Damage, meaning: **Water**

This means:

- a1. Flood, including but not limited to flash flood, surface water, waves, including tidal wave and tsunami, seiche, tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind, including storm surge;
- b2. Water, or water-borne material, which:
 - (1a.) Backs up through sewers or drains; or
 - (2b.) Overflows or is otherwise discharged from a sump, sump pump or related equipment; as a direct or indirect result of flood; or
- 3c. Water, or water-borne material, below the surface of the ground, including water which:
 - (1) Exerts pressure on; or
 - (2) Seeps, or leaks or flows through; a building, sidewalk, driveway, patio, foundation, swimming pool or other structure; or
4. Waterborne material carried or otherwise moved by any of the water referred to in D.1. through D.3. of this Exclusion.

~~caused by or resulting from human or animal forces or any act of nature.~~

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This Exclusion applies regardless of whether any of the above, in D.1. through D.4., is caused by an act of nature, an act of man or is otherwise caused.

This Exclusion applies to, but is not limited to, escape, overflow or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system whether natural, manmade or is otherwise made.

However, direct loss by fire, or explosion or theft resulting from any of the above, in D.1. through D.4., water damage is covered.

All other provisions of this policy apply.

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**RULE 521.
WATER BACK-UP AND SUMP DISCHARGE OR
OVERFLOW**

DC. Premium

~~Charge per policy — Up to the policy limits of liability
—\$25~~

1. Basic Limit

Charge per policy - \$22

2. Increased Limits

Limit	
\$ 10,000	\$ 30
15,000	35
25,000	40

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**RULE 521.
WATER BACK-UP AND SUMP DISCHARGE OR
OVERFLOW**

Rule 521. is replaced by the following:

A. Coverage Description

The policy forms exclude coverage for loss resulting from water or water-borne material which backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment.

B. ~~Coverage Option~~ Basic Limit

The policy may be endorsed to provide such coverage for a limit of liability of \$5,000 subject to a \$250 deductible up to the policy limits of liability. No other deductible option is available.

C. Increased Limits

The basic limit of liability may be increased to \$10,000, \$15,000 or \$25,000.

DG. Premium

Refer to the state rate pages for the additional charge.

ED. Endorsement

Use Water Back Up and Sump Overflow Endorsement **HO 04 84.**

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