

March 5, 2010

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Introduction of Named Storm Percentage Deductible
Policy Forms, Rules and Rates
Homeowners Policy Program

The Commissioner of Insurance has recently approved a newly introduced Endorsement HO 03 63 04 10, Named Storm Percentage Deductible – North Carolina including rules and rates. This Endorsement is designed for use in North Carolina in the beach and coastal territories only on an optional basis by the member companies of the Rate Bureau with the Homeowners Policy Program. The Named Storm Percentage Deductible is being introduced to comply with the provisions of House Bill 1305.

In addition, the Rate Bureau is withdrawing endorsement HO 32 24 05 03, Hurricane Percentage Deductible-North Carolina.

For your convenience, please find attached (1) a copy of Endorsement HO 03 63 04 10, Named Storm Percentage Deductible – North Carolina; and (2) a copy of the Homeowners Manual Rule 406-Deductibles.

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

The new Endorsement HO 03 63 04 10, Named Storm Percentage Deductible – North Carolina becomes effective immediately for use on an optional basis with policies effective on or after March 4, 2010. The withdrawal of Endorsement HO 32 24 05 03 - Hurricane Percentage Deductible - North Carolina shall be effective December 1, 2010, and shall not be available for use with policies effective on and after that date.

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-10-4

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

NAMED STORM PERCENTAGE DEDUCTIBLE – NORTH CAROLINA

SCHEDULE

Named Storm Percentage Deductible:
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. Definitions

The following definitions are added for purposes of this endorsement only:

1. "National Weather Service" means the National Weather Service including any of its offices, centers or agencies or, if the National Weather Service ceases to exist or ceases to perform the function of issuing warnings, watches or advisories for "named storms", such other entity as may replace it or as determined by the North Carolina Rate Bureau.
2. "Named storm" means a weather-related event involving wind that has been assigned a formal name by the National Hurricane Center, National Weather Service, World Meteorological Association or any other generally recognized scientific or meteorological association that provides formal names for public use and reference. A named storm includes hurricanes, tropical depressions and tropical storms.

B. Named Storm Deductible

The following special deductible is added to the policy:

1. With respect to the peril of Windstorm or Hail, we will pay only that part of the total of all loss payable resulting from a "named storm", under Section I that exceeds the applicable named storm deductible described in Paragraph B.2. of this endorsement.
2. The applicable named storm deductible:
 - a. Is the dollar amount determined by multiplying the Coverage A or C Limit Of Liability shown in the Declarations, whichever is greater, by the percentage shown as the Named Storm Deductible in the Schedule.

b. Only applies to loss caused by the peril of Windstorm or Hail during the period:

- (1) Beginning at the time an advisory, watch or warning for a "named storm" is issued or declared for any part of the state of North Carolina by the "National Weather Service"; and
- (2) Ending 24 hours following:
 - (a) The termination of the last watch or warning for a "named storm" for any part of North Carolina by the "National Weather Service"; or
 - (b) The issuance of the last advisory for a "named storm" for any part of North Carolina by the "National Weather Service";
 whichever is later.

3. No other deductible applies to loss caused by the peril of Windstorm or Hail and resulting from a "named storm" during the period described in Paragraph B.2.b. of this endorsement.

4. Refer to the policy Declarations for the deductible that applies to loss caused by the peril of Windstorm or Hail and resulting from a "named storm" other than during the period described in Paragraph B.2.b. of this endorsement.

All other provisions of this policy apply.

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**RULE 406.
DEDUCTIBLES (Cont'd)**

The following is added to Rule 406.:

~~**D. Hurricane Percentage Deductible Territories 07, 08, 48, 49 And 52 Only (All Forms Except HO 00 04 And HO 00 06)**~~

~~**1. Deductible Amounts**~~

~~a. The Hurricane Percentage Deductible option is used in conjunction with a deductible applicable to All Other Section I Perils.~~

~~A percentage amount of 1%, 2% or 5% of the Coverage A limit of liability is available when the dollar amount of the percentage deductible selected exceeds the amount of the deductible applicable to All Other Section I perils.~~

~~b. The Hurricane percentage deductible applies to the total of the windstorm loss that occurs during a hurricane. This deductible applies beginning at the time a hurricane warning is issued for any part of North Carolina by the National Weather Service and ends 24 hours following the termination of the last hurricane warning issued for any part of North Carolina by the National Weather Service.~~

~~**2. Definition**~~

~~Hurricane means a storm system that has been declared to be a hurricane by the National Weather Service. The National Weather Service currently uses the Saffir/Simpson Hurricane scale to categorize hurricanes. This scale specifies that a hurricane is a storm that originates in the tropics and results in either a sustained wind speed of at least 74 miles per hour or a storm surge of at least 4 feet above normal.~~

~~**3. Endorsement**~~

~~Use Hurricane Percentage Deductible Endorsement **HO 32 24**.~~

~~**4. Declarations Instructions**~~

~~Enter on Endorsement **HO 32 24** or the policy declarations, the percentage amount that applies to Hurricane and the dollar amount that applies to All Other Section I Perils. For example:~~

~~• Deductible Section I 250 except 1% of the Coverage A Limit for Windstorm during a Hurricane.~~

~~• Deductible Section I \$100 except 2% of the Coverage A Limit for Windstorm during a Hurricane.~~

~~**5. Loss By Windstorm That Is A Hurricane**~~

~~In the event of Hurricane loss to covered property, the dollar amount is deducted from the total of the loss for all coverages.~~

~~For Example:~~

Coverage	Limit Of Liability	Amount Of Loss Before
A	\$ 100,000	\$ 7,500
B	10,000	1,350
C	50,000	3,000
D	20,000	660
		\$ 12,510
		-11,510
		1% Deductible 1,000

~~Table 406.D.5. Example~~

~~**6. Deductible Factors**~~

~~The factors displayed below incorporate the factors for the All Perils Deductibles shown in paragraph C.1. Do not use the factors for the All Perils Deductibles when rating a policy with a higher Hurricane deductible.~~

~~Additional calculations must be performed to ensure that the premium credit applied for 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.~~

~~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 rate pages, under Additional Rule A3, Windstorm Or Hail Exclusion Territories 07, 08, 48, 49 And 52 Only Base Credit, by the Key Factor, for the same amount of insurance used to determine the Base Premium.~~
- ~~Step 2. Multiply the result determined in Step 1. by .9 to determine the "adjusted deductible credit".~~
- ~~Step 3. Select the factor for the desired windstorm or hail deductible option from the following tables and subtract that factor from unity (1.00).~~

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- Step 4. Multiply the factor determined in Step 3, by the Base Premium. The result is the windstorm or hail deductible credit.
- Step 5. Compare the results in Steps 2. and 4. If the result in: Step 2. is **less** than the result in Step 4., to compute the premium, subtract the "adjusted deductible credit" from the Base Premium. Step 2. is **greater than or equal to** the result in Step 4., multiply the Base Premium by the factor for the desired windstorm or hail deductible option.

1% Hurricane Deductible	
All Other Perils Deductible Amount	Territory—07, 08, 48, 49, 52
\$ 100	1.06
250	.97
500	.94
1,000	.89
1,500	.85
2,500	.75

Table 406.D.6.#1 1% Hurricane Deductible

2% Hurricane Deductible	
All Other Perils Deductible Amount	Territory—07, 08, 48, 49, 52
\$ 100	1.03
250	.96
500	.92
1,000	.86
1,500	.81
2,500	.73

Table 406.D.6.#2 2% Hurricane Deductible

5% Hurricane Deductible	
All Other Perils Deductible Amount	Territory—07, 08, 48, 49, 52
\$ 100	1.01
250	.94
500	.90
1,000	.84
1,500	.79
2,500	.74

Table 406.D.6.#3 5% Hurricane Deductible

D. Named Storm Percentage Deductible – Territories 07, 08, 48, 49 And 52 Only

1. Deductible Amounts

The Named Storm Percentage Deductible option is used in conjunction with a deductible applicable to All Other Section I Perils.

A percentage amount of 1%, 2% or 5% of the Coverage A or C limit of liability, whichever is greater, is available when the dollar amount of the percentage deductible selected exceeds the amount of the deductible applicable to All Other Section I Perils.

2. Endorsement

Use Named Storm Percentage Deductible – North Carolina Endorsement **HO 03 63**.

3. Schedule Instructions

Enter on the Endorsement **HO 03 63** or the policy declarations the percentage amount that applies to Named Storm.

4. Loss By Windstorm That Is A Named Storm

In the event of Named Storm loss to covered property, the dollar amount is deducted from the total of the loss for all coverages.

5. Deductible Factors

The factors displayed below incorporate the factors for the All Perils Deductibles shown in Paragraph C.1. Do not use the factors for the All Perils Deductibles when rating a policy with a higher Named Storm deductible.

Additional calculations must be performed to ensure that the premium credit applied for 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.

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 rate pages, under Additional Rule A3, Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49 And 52 Only Base Credit, by the Key Factor, for the same amount of insurance used to determine the Base Premium.

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- Step 2.** Multiply the result determined in Step 1. by .9 to determine the "adjusted deductible credit".
- Step 3.** Select the factor for the desired named storm deductible option from the following table and subtract that factor from unity (1.00).
- Step 4.** Multiply the factor determined in Step 3. by the Base Premium. The result is the named storm deductible credit.
- Step 5.** Compare the results in Steps 2. and 4. If the result in:
 Step 2. is **less** than the result in Step 4., to compute the premium, subtract the "adjusted deductible credit" from the Base Premium.
 Step 2. is **greater than or equal to** the result in Step 4., multiply the Base Premium by the factor for the desired named storm deductible option.

Territories 07, 08, 48, 49 & 52				
Named Storm Deductible Percentage	All Other Perils Deductible Amount	HO 00 02, HO 00 03, HO 00 05 And HO 00 08	HO 00 04	HO 00 06
1%	\$ 100	1.06	=	=
	250	.97	=	=
	500	.94	.92	.91
	1,000	.89	.83	.80
	1,500	.85	=	=
	2,500	.75	.67	.62
2%	100	1.03	=	=
	250	.96	=	=
	500	.92	.91	.90
	1,000	.86	.82	.79
	1,500	.81	=	=
	2,500	.73	.66	.61
5%	100	1.01	=	=
	250	.94	=	=
	500	.90	.90	.89
	1,000	.84	.81	.78
	1,500	.79	=	=
	2,500	.71	.65	.60

Table 406.D.5. Named Storm Percentage Deductible