

March 5, 2010

CIRCULAR LETTER TO ALL MEMBER COMPANIES

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

The Commissioner of Insurance has recently approved a newly introduced Endorsement DP 03 60 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 Dwelling Policy Program. The Named Storm Percentage Deductible is being introduced to comply with the provisions of House Bill 1305.

For your convenience, please find attached (1) a copy of Endorsement DP 03 60 04 10, Named Storm Percentage Deductible – North Carolina; and (2) a copy of the Dwelling Manual Rule 406-Deductibles.

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

The new Endorsement DP 03 60 04 10, Named Storm Percentage Deductible – North Carolina and Manual Rule 406-Deductibles become effective immediately for use on an optional basis with policies effective on or after March 4, 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-10-5

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

# NAMED STORM PERCENTAGE DEDUCTIBLE – NORTH CAROLINA

## SCHEDULE

Described Location	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", that exceeds the applicable named storm deductible described in Paragraph **B.2.** of this endorsement.
2. The applicable named storm deductible, corresponding to each Described Location stated in the Schedule above:
  - a. Is the dollar amount determined by multiplying the Coverage **A, B, C, D** or **E** Limit Of Liability shown in the Declarations, whichever is greatest, 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)**

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The following is added to Paragraph B.:

**3. Named Storm Percentage Deductible – Territories 05, 06, 42 And 43 Only**

**a. Deductible Amounts**

The Named Storm Percentage Deductible option is used in conjunction with a deductible applicable to all other perils.

A percentage amount of 1%, 2% or 5% of the Coverage **A, B, C, D or E** limit of liability, whichever is greatest, is available when the dollar amount of the percentage deductible selected exceeds the amount of the deductible applicable to all other perils.

**b. Endorsement**

Use Named Storm Percentage Deductible – North Carolina Endorsement **DP 03 60**.

**c. Schedule Instructions**

Enter on Endorsement **DP 03 60** or the policy declarations the percentage amount that applies to Named Storm.

**d. 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.

**e. Deductible Factors**

The factors displayed below incorporate the factors for the All Perils Deductibles shown in Paragraph **B.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 05, 06, 42, And 43 Only, by the Key Factor, for the same amount of insurance used to determine the Extended Coverage, Broad or Special Form 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 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 Extended Coverage, Broad or Special Form Base Premium. The result is the named storm deductible credit.

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**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 Extended Coverage, Broad or Special Form Base Premium. Step 2. is **greater than or equal** to the result in Step 4., multiply the Extended Coverage, Broad or Special Form Base Premium by the factor for the desired named storm deductible option.

<b>Territories 05, 06, 42 &amp; 43</b>			
<b><u>Named Storm Deductible Percentage</u></b>	<b><u>All Other Perils Deductible Amount</u></b>	<b><u>Coverage A, B, D, Or E And Coverage Options For Building And Non-building Structures</u></b>	<b><u>Coverage C And Other Personal Property Coverage Options</u></b>
<b><u>1%</u></b>	\$ 100	1.00	1.08
	<u>250</u>	<u>.94</u>	<u>1.00</u>
	500	.89	.91
	<u>1,000</u>	<u>.73</u>	<u>.73</u>
	<u>2,500</u>	<u>.50</u>	<u>.50</u>
<b><u>2%</u></b>	<u>100</u>	<u>.93</u>	<u>1.08</u>
	<u>250</u>	<u>.87</u>	<u>1.00</u>
	500	.82	.91
	<u>1,000</u>	<u>.73</u>	<u>.73</u>
	<u>2,500</u>	<u>.50</u>	<u>.50</u>
<b><u>5%</u></b>	100	.83	1.08
	<u>250</u>	<u>.78</u>	<u>1.00</u>
	<u>500</u>	<u>.72</u>	<u>.91</u>
	<u>1,000</u>	<u>.64</u>	<u>.73</u>
	<u>2,500</u>	<u>.49</u>	<u>.50</u>

**Table 406.B.3.e Named Storm Percentage Deductible**