

January 13, 2015

CIRCULAR LETTER TO ALL MEMBER COMPANIES

**IMMEDIATE
ATTENTION REQUIRED**

Re: Revised Homeowners Insurance Rates
Revised Homeowners Territory Definitions

On January 3, 2014, the Rate Bureau filed with the Commissioner of Insurance (Commissioner) proposed revised homeowners insurance rates for homeowners coverages subject to the Rate Bureau's jurisdiction. The Rate Bureau's rate filing proposed (1) a statewide average rate level change of +25.3% for all homeowner forms, with changes varying by form and by territory; (2) revised windstorm or hail exclusion credits; (3) revised wind mitigation credits; and (4) revised territory definitions.

On October 20, 2014, the Commissioner convened a public hearing related to the filing and following that hearing the Commissioner issued an Order dated December 18, 2014 (which was amended on December 19, 2014 and January 13, 2015). The Order (1) calls for an overall statewide rate change of 0.0% resulting in a decrease of -0.3% for the owners forms, an increase of +11.2% for the tenant forms and an increase of +8.1% for the condominium forms; (2) modifies the windstorm or hail exclusion credits; (3) modifies the wind mitigation credits; and (4) approves the revised territory definitions as filed by the Rate Bureau.

The Governing Committee of the Rate Bureau has considered this matter and, as a result of actions taken by the Governing Committee, the Rate Bureau will (1) appeal the Commissioner's Order to the Court of Appeals and (2) implement the Commissioner's ordered revisions. By implementing the ordered rates, no escrow will be required by the member companies.

Enclosed are final exhibits which set forth (1) the ordered rate level changes and ordered base rates by territory and form; (2) the ordered windstorm or hail exclusion credits; (3) the ordered wind mitigation credits; and (4) the revised territory boundaries. The revised territory boundaries were previously announced by Circular Letters To All Member Companies dated August 13, 2014 and November 14, 2014. The attached territory definitions remain the same as announced in those circular letters.

The ordered changes are to be implemented in accordance with the following Rule of Application:

These changes are applicable to all new and renewal policies becoming effective on or after June 1, 2015.

The enclosed exhibits are intended to enable you to implement the ordered 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 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 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-15-2

**RULE 301.
BASE PREMIUM COMPUTATION**

Base Class Premium Table

| TERRITORY | HO 00 03 | HO 00 04 | HO 00 06 |
|------------------|-----------------|-----------------|-----------------|
| 110 | 1468 | 114 | 97 |
| 120 | 1721 | 132 | 118 |
| 130 | 898 | 71 | 74 |
| 140 | 1175 | 89 | 81 |
| 150 | 775 | 55 | 56 |
| 160 | 846 | 70 | 60 |
| 170 | 500 | 53 | 50 |
| 180 | 545 | 56 | 52 |
| 190 | 647 | 58 | 55 |
| 200 | 742 | 60 | 59 |
| 210 | 505 | 56 | 49 |
| 220 | 594 | 86 | 50 |
| 230 | 671 | 56 | 54 |
| 240 | 497 | 58 | 46 |
| 250 | 570 | 54 | 46 |
| 260 | 368 | 59 | 47 |
| 270 | 410 | 47 | 54 |
| 280 | 358 | 43 | 38 |
| 290 | 452 | 49 | 47 |
| 300 | 547 | 54 | 46 |
| 310 | 369 | 50 | 41 |
| 320 | 425 | 48 | 42 |
| 330 | 357 | 48 | 45 |
| 340 | 358 | 55 | 45 |
| 350 | 407 | 52 | 44 |
| 360 | 351 | 36 | 41 |
| 370 | 408 | 45 | 46 |
| 380 | 392 | 44 | 44 |
| 390 | 384 | 42 | 43 |

Table 301. Base Class Premium

ADDITIONAL RULE(S)

**RULE A1.
SPECIAL STATE REQUIREMENTS**

A. Special Provisions Endorsement HO 32 32

Use this endorsement with all Homeowners policies.

B. Windstorm Exterior Paint And Waterproofing Exclusion Endorsement HO 32 86

Use this endorsement with all Homeowners policies in Territories 110 and 120.

C. Flood, Earthquake, Mudslide, Mudflow, Landslide Or Windstorm Or Hail Insurance Notice

North Carolina law provides that an insurer selling property insurance that does not provide coverage for the perils of flood, earthquake, mudslide, mudflow, landslide, or windstorm or hail shall provide a specific notice (a "warning" set forth in the related statute) to the policyholder as to which of the listed perils are not covered under the policy.

The required notice must be:

1. Provided upon issuance and renewal of each policy;
2. In Times New Roman 16-point font or another equivalent font; and
3. Included in the policy on a separate page immediately before the Declarations page.

The following warning, citing which peril is not covered, must be furnished with each new policy and upon each renewal:

"WARNING: THIS PROPERTY INSURANCE POLICY DOES NOT PROTECT YOU AGAINST LOSSES FROM [FLOODS], [EARTHQUAKES], [MUDSLIDES], [MUDFLOWS], [LANDSLIDES], [WINDSTORM OR HAIL]. YOU SHOULD CONTACT YOUR INSURANCE COMPANY OR AGENT TO DISCUSS YOUR OPTIONS FOR OBTAINING COVERAGE FOR THESE LOSSES. THIS IS NOT A COMPLETE LISTING OF ALL OF THE CAUSES OF LOSSES NOT COVERED UNDER YOUR POLICY. YOU SHOULD READ YOUR ENTIRE POLICY TO UNDERSTAND WHAT IS COVERED AND WHAT IS NOT COVERED."

D. North Carolina Joint Underwriting Association

Section XVI of the Plan of Operation of the Joint Underwriting Association (Fair Plan) sets forth the following as to "Responsibility with Respect to Cancellation or Nonrenewals":

As respects risks eligible under the Plan of Operation, each participating Insurer agrees that with respect to cancellation or nonrenewals initiated by it, it will give to policyholders, except in cases of nonpayment of premium, material misrepresentation, or evidence of incendiarism, 30 days to avail themselves of the Plan of Operation and the Insurer shall, in writing, explain to the policyholder the procedures for making application under the Plan of Operation.

E. Company Rates/State Rate Pages

References in the manual to "state company rates" means "state rate pages" in North Carolina.

F. Insert – North Carolina Endorsement HO 32 46

Use this endorsement with all Homeowners policies.

**RULE A2.
INSTALLMENT PAYMENT PLAN**

Annual Policy

When a policy is issued on an installment basis, the following rules apply:

- A. The first installment shall be due on the effective date of the policy and the due date of the last installment shall be no later than one month prior to the policy anniversary date.
- B. The premium calculated for the first installment payment, exclusive of installment charges, shall not be less than the pro rata charge for the period from the inception date of the policy to the due date of the next installment.
- C. Refer to the state rate pages for the additional charge that shall be made for each installment.

**RULE A3.
WINDSTORM OR HAIL EXCLUSION – TERRITORIES
110, 120, 130, 140, 150 AND 160 ONLY**

- A. The peril of Windstorm or Hail may be excluded if:
 1. The property is located in an area eligible for such coverage from the North Carolina Underwriting Association; and
 2. A Windstorm or Hail Rejection Form is secured and maintained by the company.

Use Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94**.
- B. To compute the Base Premium:
 1. Determine the appropriate Key Premium as described in Rule **301**.
 2. Subtract the Windstorm or Hail Exclusion credit shown on the state rate pages from the Key Premium.
 3. Multiply the Key Premium excluding Windstorm or Hail Coverage developed in Step 2. by the Key Factor for the desired limit of liability.

**RULE A3.
WINDSTORM OR HAIL EXCLUSION – TERRITORIES
110, 120, 130, 140, 150 AND 160 ONLY (Cont'd)**

4. For example:Form **HO 00 02** Key Premium = \$1,310

Windstorm or Hail Exclusion Credit = \$1,131

Key Factor for \$100,000 = 1.109

Step 1. Determine the Key Premium
Key Premium = \$1,310Step 2. Subtract Windstorm or Hail Exclusion
Credit from Key Premium
\$1,310 – \$1,131 = \$179Step 3. Multiply Key Factor for desired limit
by amount in Step 2. $\$179 \times 1.109 =$
 $\$198.51$, round to \$199 = Base
Premium**C.** When Endorsement **HO 32 94** is attached to the policy, enter the following on the Declarations page:

"This policy does not provide coverage for the peril of Windstorm or Hail".

D. When coverage for other specific structures or other structures rented to others is requested, refer to Rules **514.A.1.a.** and **514.A.2.a.(1)** in the state rate pages for the rates excluding windstorm or hail coverage.

**RULE A4.
WATERBED LIABILITY – FORMS HO 00 04 AND
HO 00 06**

A. Coverage Description

The policy may be endorsed to provide coverage for property damage caused by waterbeds to non-owned property on the residence premises.

B. Premium

Charge the rate shown on the state rate pages.

C. EndorsementUse Waterbed Liability Endorsement **HO 32 40**.

**RULE A5.
YEAR OF CONSTRUCTION – NEWLY CONSTRUCTED
DWELLINGS – ALL FORMS EXCEPT HO 00 04
AND HO 00 06**

A. A Dwelling is eligible for a discount depending on the calendar year that the dwelling was completed and first occupied. If the year first occupied is different than the year completed, the later year would apply.**B.** To compute the premium for this provision, multiply the Base Premium by the appropriate credit factor selected from the following table:

| Age Of Dwelling (In Years) | Credit |
|-------------------------------|-------------------|
| up to 1 | .82 |
| 1 up to 2 | .85 |
| 2 up to 3 | .88 |
| 3 up to 4 | .91 |
| 4 up to 5 | .94 |
| 5 up to 6 | .97 |
| 6 and over | No Credit Applies |

Note: A dwelling under construction shall be considered to be completed and occupied during the current calendar year.

Table A5.B. Age Of Dwelling Credits**C.** To develop a premium for this option, multiply the Base Premium by the appropriate credit factor.

**RULE A6.
OPTIONAL INFLATION GUARD ENDORSEMENTS**

Subject to the provisions noted in Paragraphs **B.** and **C.**, the inflation guard endorsements referenced in this rule may be used instead of the endorsement noted in General Rule **405**.**A. Eligible Forms**The limits of liability for the following forms and coverages may be adjusted, automatically, to respond to inflation as recognized by the indexes named in Paragraph **B.**:

- Forms **HO 00 02**, **HO 00 03** and **HO 00 05** – Coverages **A**, **B**, **C** and **D**; and
- Forms **HO 00 04** and **HO 00 06** – Coverages **C** and **D**.

These limits will be adjusted at the same rate as the change in the Index shown on the Declarations, billing notice or named on the form.

**RULE A9.
WINDSTORM MITIGATION PROGRAM – ALL FORMS
EXCEPT HO 00 04 AND HO 00 06**

A. Introduction

With respect to risks located in Territories 110, 120, 130, 140, 150 and 160, premium credits shall be made available for insureds who build, rebuild or retrofit certain residential dwellings, in accordance with specified standards, to better resist hurricanes and other catastrophic windstorm events.

B. Eligibility

1. A dwelling may be eligible for a premium credit if:
 - a. The dwelling has been designed and constructed in conformity with, and has been certified as meeting, the Hurricane, Tornado and Hail and High Wind requirements of the Hurricane Fortified for Safer Living® (Fortified) program promulgated by the Institute for Business and Home Safety® (IBHS);
 - b. The dwelling has been certified as meeting, either the Bronze, Silver or Gold hurricane mitigation measures in the Hurricane Fortified for Existing Homes® program promulgated by the IBHS;
 - c. The dwelling contains Opening Protection in accordance with the qualification requirements set forth in Paragraph **D.1.b.**; or
 - d. The dwelling contains a Total Hip Roof.
2. The provisions of this rule do not apply:
 - a. To condominiums or tenant policies.
 - b. If the policy excludes the peril of Windstorm or Hail.
 - c. To dwellings under construction.
 - d. To mobile homes.
3. To be eligible for a premium credit, mitigation features are not required for adjacent structures including, but not limited to, detached garages, storage sheds, barns, apartments, etc. located on the insured premises.

C. Proof Of Compliance

The named insured must submit proof that the windstorm loss mitigation features and/or construction techniques have been implemented for each of the following:

1. IBHS Hurricane Fortified For Safer Living®

The named insured shall provide a copy of the proper designation certificate from the IBHS issued for the dwelling.

2. IBHS Hurricane Fortified For Existing Homes®

The named insured shall provide a copy of the proper designation certificate from the IBHS issued for the dwelling. The credit will apply for five years from the date of designation. In order to continue receiving the mitigation credit after five years, the dwelling must be re-inspected and re-designated by the IBHS. If the IBHS designation expires, the applicable mitigation credit will expire upon renewal.

3. Opening Protection

The existence of Opening Protection may be verified by proof of installation.

4. Total Hip Roof

The existence of a hip roof may be verified through photographs of the roof.

D. Description Of Mitigation Credit Tables

With respect to dwellings to which this rule applies and subject to all other provisions of this Windstorm Mitigation Program, the following approved and properly maintained windstorm mitigation features shall be recognized for a premium credit:

1. IBHS Hurricane Fortified Homes

- a. A home designated by the IBHS as Hurricane Fortified for Safer Living®.
- b. A home designated by the IBHS as Hurricane Fortified for Existing Homes®, including:
 - (1) Hurricane Fortified for Existing Homes Bronze, Option 1
 - (2) Hurricane Fortified for Existing Homes Bronze, Option 2
 - (3) Hurricane Fortified for Existing Homes Silver, Option 1
 - (4) Hurricane Fortified for Existing Homes Silver, Option 2
 - (5) Hurricane Fortified for Existing Homes Gold, Option 1
 - (6) Hurricane Fortified for Existing Homes Gold, Option 2

2. Opening Protection

- a. Building opening protective features must have been tested and/or certified as having met standards of the American Society for Testing and Materials ASTM E 1886 (standard test method) and ASTM E 1996 (standard specification). Such opening protective features shall be considered qualified.

**PART III
BASE PREMIUM COMPUTATION RULES**

**RULE 302.
LOSS SETTLEMENT OPTIONS**

Rule 302. is replaced by the following:

A. Functional Replacement Cost Loss Settlement – HO 00 02, HO 00 03 And HO 00 05 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 a functional replacement cost basis if, at the time of loss, the amount of insurance on the damaged building is 80% or more of the functional replacement cost of the building immediately before the loss. Functional Replacement Cost means the amount which it would cost to repair or replace the damaged building with less costly common construction materials and methods which are functionally equivalent to obsolete, antique or custom construction materials and methods.

3. Premium Computation

Develop the Base Premium in accordance with Rule 301. for the amount of insurance selected for this option. However, if Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94** is also made a part of the policy then develop the Base Premium in accordance with Additional Rule **A3**. Windstorm Or Hail Exclusion – Territories 110, 120, 130, 140, 150 And 160 Only.

4. Endorsement

Use Functional Replacement Cost Loss Settlement – North Carolina Endorsement **HO 32 50**.

B. Actual Cash Value Loss Settlement – HO 00 02, HO 00 03 And HO 00 05 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. Premium Computation

To develop the Base Premium for the Coverage **A** limit of liability shown in the policy declarations:

- 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 302.B.3.a. Factors

- b. Develop a Base Premium in accordance with Rule 301. for the amount of insurance computed in Paragraph **B.3.a**.
- c. Multiply the premium determined in Paragraph **B.3.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 302.B.3.c. Factors

- d. If Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94** is also made a part of the policy then develop the Base Premium in accordance with Additional Rule **A3**. Windstorm Or Hail Exclusion – Territories 110, 120, 130, 140, 150 And 160 Only and multiply that Base Premium by the appropriate factor from Table **302.B.3.c**.

RULE 302.
LOSS SETTLEMENT OPTIONS (Cont'd)

4. Endorsement

Use Actual Cash Value Loss Settlement Endorsement **HO 04 81**.

C. Special Loss Settlement – HO 00 02, HO 00 03 And HO 00 05 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

This percentage amount may be modified to 50%, 60% or 70% of replacement value without affecting the loss settlement provisions. If this option is selected, the Coverage **A** limit of liability representing 50%, 60% or 70% of replacement value is to be shown in the policy declarations.

3. Premium Computation

To develop the Base Premium for the Coverage **A** limit of liability shown in the policy declarations:

- 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 |
|------------------------|--------|
| 50% | 1.60 |
| 60% | 1.33 |
| 70% | 1.14 |

Table 302.C.3.a. Factors

- b. Develop a Base Premium in accordance with Rule **301**. for the amount of insurance computed in preceding Paragraph **a**. However, if Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94** is also made a part of the policy then develop the Base Premium in accordance with Additional Rule **A3**. Windstorm Or Hail Exclusion – Territories 110, 120, 130, 140, 150 And 160 Only for the amount of insurance computed in Paragraph **a**.

- c. Multiply the premium determined in preceding Paragraph **b**. by the appropriate factor from the following table:

| % Of Replacement Value | Factor |
|------------------------|--------|
| 50% | .96 |
| 60% | .97 |
| 70% | .98 |

Table 302.C.3.c. Factors

4. Endorsement

Use Special Loss Settlement – North Carolina Endorsement **HO 32 56**.

RULE 303.
ORDINANCE OR LAW COVERAGE – ALL FORMS EXCEPT HO 00 08

Paragraph **B.2.a.** is replaced by the following:

B. Increased Amount Of Coverage

2. Premium Determination

a. Forms HO 00 02, HO 00 03 And HO 00 05

To develop the Base Premium:

- (i) If Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94** does not apply, multiply the premium computed in accordance with Rule **301**. by the appropriate factor selected from the following table:

| Percentage Of Coverage A | | Factors Coverage A Limit | |
|-----------------------------------|--------------|--------------------------|-----------|
| Increase In Amount | Total Amount | \$60,000 To \$140,000 | All Other |
| 15% | 25% | 1.13 | 1.05 |
| 40% | 50% | 1.35 | 1.14 |
| 65% | 75% | 1.51 | 1.20 |
| 90% | 100% | 1.67 | 1.27 |
| For each add'l 25% increment, add | | .16 | .07 |

Table 303.B.2.a.(i) Factors

- (ii) If Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94** applies, multiply the premium computed in accordance with Additional Rule **A3**. Windstorm Or Hail Exclusion – Territories 110, 120, 130, 140, 150 And 160 Only, by the appropriate factor selected from the following table:

| Percentage Of Coverage A | | Factors Coverage A Limit | |
|-----------------------------------|--------------|--------------------------|-----------|
| Increase In Amount | Total Amount | \$60,000 To \$140,000 | All Other |
| 15% | 25% | 1.13 | 1.05 |
| 40% | 50% | 1.35 | 1.14 |
| 65% | 75% | 1.51 | 1.20 |
| 90% | 100% | 1.67 | 1.27 |
| For each add'l 25% increment, add | | .16 | .07 |

Table 303.B.2.a.(ii) Factors

RULE 406.
DEDUCTIBLES (Cont'd)**(2) Endorsement**

Use Windstorm Or Hail Percentage Deductible Endorsement **HO 03 12**.

(3) Declarations Instructions

Enter, on the policy Declarations, the percentage amount that applies to Windstorm or Hail and the dollar amount that applies to All Other Section I Perils. For example:

- (a)** Deductible – Windstorm or Hail 1% of Coverage **A** limit and \$250 for All Other Perils.
- (b)** Deductible – Windstorm or Hail 2% of Coverage **A** limit, \$250 for Theft of Personal Property and \$100 for All Other Perils.

(4) Deductible Application

In the event of a Windstorm or Hail loss to covered property, the dollar amount is deducted from the total of the loss for all coverages.

(5) Use Of Factors

The factors displayed in Paragraph **(6)** incorporate the factors for the All Perils Deductibles. Do not use the factors for the All Perils Deductibles when rating a policy with a higher Windstorm or Hail deductible.

(6) Deductible Factors

In Territories 110, 120, 130, 140, 150 and 160 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 Serviced By NCIUA

To compute the premium for this provision, multiply the Base Premium by the factor selected from the following tables for the deductible amounts desired.

(b) Property Is Located In Area Serviced by 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 rate pages, under Additional Rule – Windstorm Or Hail Exclusion – Territories 110, 120, 130, 140, 150 And 160 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).
- 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.

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

(6) Deductible Factors

In Territories 110, 120, 130, 140, 150 and 160 only, when the property is located in an area serviced by the 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 Serviced By NCIUA

To compute the premium for this provision, multiply the Base Premium by the factor selected from the following tables for the deductible amounts desired.

(b) Property Is Located In Area Serviced By 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 rate pages, under Additional Rule – Windstorm Or Hail Exclusion – Territories 110, 120, 130, 140, 150 And 160 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).
- 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.

| \$1,000 Windstorm Or Hail Deductible | | | | |
|---|---|-------------------------|---------------------------|---------------------------|
| All Other Perils Ded. Amount | Coverage A Limit (Expressed In \$) | | | |
| | Up To 59,999 | 60,000 To 99,999 | 100,000 To 200,000 | 200,001 & Over |
| \$ 100 | 1.02 | 1.03 | 1.05 | 1.06 |
| 250 | .95 | .95 | .97 | .98 |
| 500 | .88 | .88 | .90 | .95 |

Table 406.C.3.b.(6)#1 \$1,000 Windstorm Or Hail Deductible

| \$2,000 Windstorm Or Hail Deductible | | | | |
|---|---|-------------------------|---------------------------|---------------------------|
| All Other Perils Ded. Amount | Coverage A Limit (Expressed In \$) | | | |
| | Up To 59,999 | 60,000 To 99,999 | 100,000 To 200,000 | 200,001 & Over |
| \$ 100 | .98 | 1.00 | 1.03 | 1.04 |
| 250 | .91 | .92 | .95 | .96 |
| 500 | .85 | .85 | .88 | .93 |
| 1,000 | .75 | .75 | .77 | .88 |
| 1,500 | .70 | .70 | .72 | .84 |

Table 406.C.3.b.(6)#2 \$2,000 Windstorm Or Hail Deductible

| \$5,000 Windstorm Or Hail Deductible | | | | |
|---|---|-------------------------|---------------------------|---------------------------|
| All Other Perils Ded. Amount | Coverage A Limit (Expressed In \$) | | | |
| | Up To 59,999 | 60,000 To 99,999 | 100,000 To 200,000 | 200,001 & Over |
| \$ 100 | .96 | .97 | 1.01 | 1.02 |
| 250 | .88 | .89 | .92 | .94 |
| 500 | .82 | .82 | .85 | .91 |
| 1,000 | .72 | .72 | .75 | .86 |
| 1,500 | .67 | .67 | .70 | .82 |
| 2,500 | .58 | .59 | .60 | .74 |

Table 406.C.3.b.(6)#3 \$5,000 Windstorm Or Hail Deductible

RULE 406.
DEDUCTIBLES (Cont'd)

D. Named Storm Percentage Deductible – Territories 110, 120, 130, 140, 150 And 160 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 – Windstorm Or Hail Exclusion – Territories 110, 120, 130, 140, 150 And 160 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 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.

RULE 406.
DEDUCTIBLES (Cont'd)

| Territories 110, 120, 130, 140, 150 And 160 | | | | |
|---|------------------------------------|---|----------|----------|
| 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 |
| | 5,000 | .64 | — | — |
| | 7,500 | .59 | — | — |
| | 10,000 | .55 | — | — |
| 2% | 100 | 1.03 | — | — |
| | 250 | .96 | — | — |
| | 500 | .92 | .91 | .90 |
| | 1,000 | .86 | .82 | .79 |
| | 1,500 | .81 | — | — |
| | 2,500 | .73 | .66 | .61 |
| | 5,000 | .62 | — | — |
| | 7,500 | .57 | — | — |
| | 10,000 | .54 | — | — |
| 5% | 100 | 1.01 | — | — |
| | 250 | .94 | — | — |
| | 500 | .90 | .90 | .89 |
| | 1,000 | .84 | .81 | .78 |
| | 1,500 | .79 | — | — |
| | 2,500 | .71 | .65 | .60 |
| | 5,000 | .60 | — | — |
| | 7,500 | .56 | — | — |
| | 10,000 | .52 | — | — |

Table 406.D.5. Named Storm Percentage Deductible

RULE 407.
ADDITIONAL AMOUNTS OF INSURANCE – FORMS
HO 00 02, HO 00 03 AND HO 00 05

Paragraphs C.1.b. and C.1.c. are replaced by the following:

C. Options Available

1. Specified Additional Amount Of Insurance For Coverage A Only

b. The premium for this option is computed by multiplying the Base Premium by the appropriate factor selected from the following table:

| Additional Amount Of Insurance Options | Factor |
|--|--------|
| 25% | 1.02 |
| 50% | 1.03 |

Table 407.C.1.b. Additional Amounts Of Insurance Factors

c. Use Specified Additional Amount Of Insurance For Coverage A Endorsement **HO 32 20.**

Paragraphs C.2.b. and C.2.c. are replaced by the following:

2. Additional Limits Of Liability For Coverages A, B, C, And D

b. The premium is computed by multiplying the Base Premium by a factor of 1.06.

c. Use Additional Limits Of Liability For Coverages A, B, C And D Endorsement **HO 32 11.**

ADDITIONAL RULE(S)

**RULE A2.
INSTALLMENT PAYMENT PLAN**

C. Charge per installment – \$3

**RULE A3.
WINDSTORM OR HAIL EXCLUSION – TERRITORIES
110, 120, 130, 140, 150 AND 160 ONLY**

| | Territory | | | | | |
|---|-----------|---------|--------|--------|--------|--------|
| | 110 | 120 | 130 | 140 | 150 | 160 |
| All Forms Except HO 00 04 and HO 00 06 | \$ 1225 | \$ 1485 | \$ 801 | \$ 949 | \$ 551 | \$ 615 |
| HO 00 04 | 78 | 91 | 38 | 52 | 23 | 29 |
| HO 00 06 | 56 | 77 | 37 | 44 | 21 | 23 |

Table A3. Wind Or Hail Exclusion Credit

**RULE A4.
WATERBED LIABILITY – FORMS HO 00 04 AND
HO 00 06**

B. Premium

Charge per policy – \$14

**RULE A9.
WINDSTORM MITIGATION PROGRAM – ALL FORMS
EXCEPT HO 00 04 AND HO 00 06**

| Mitigation Feature | Territory 110 | Territory 120 | Territory 130 | Territory 140 | Territory 150 | Territory 160 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Total Hip Roof | \$ 85 | \$ 101 | \$ 56 | \$ 65 | \$ 37 | \$ 42 |
| Opening Protection | 87 | 104 | 56 | 66 | 36 | 43 |
| Total Hip Roof and Opening Protection | 172 | 204 | 111 | 131 | 73 | 85 |
| IBHS Designation: | | | | | | |
| <i>Hurricane Fortified for Safer Living®</i> | 278 | 357 | 160 | 217 | 80 | 141 |
| <i>Hurricane Fortified for Existing Homes® Bronze Option 1</i> | 67 | 81 | 44 | 51 | 29 | 33 |
| <i>Hurricane Fortified for Existing Homes® Bronze Option 2</i> | 104 | 127 | 63 | 81 | 36 | 52 |
| <i>Hurricane Fortified for Existing Homes® Silver Option 1</i> | 167 | 215 | 90 | 132 | 38 | 85 |
| <i>Hurricane Fortified for Existing Homes® Silver Option 2</i> | 200 | 260 | 107 | 162 | 44 | 105 |
| <i>Hurricane Fortified for Existing Homes® Gold Option 1</i> | 213 | 274 | 120 | 165 | 57 | 107 |
| <i>Hurricane Fortified for Existing Homes® Gold Option 2</i> | 247 | 320 | 137 | 195 | 63 | 126 |

Table A9. Windstorm Loss Mitigation Credit

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**RULE 507.
FORM HO 00 06 COVERAGE A DWELLING BASIC AND
INCREASED LIMITS AND SPECIAL COVERAGE
HO 00 06**

C. Special Coverage

1. Charge per policy for \$1,000 in basic form – \$2
2. Rate for each add'l \$1,000 of Coverage **A** – \$1

**RULE 509.
HOME DAY CARE COVERAGE**

D. Premium Computation

1. Section I

- c. Rate per \$1,000 for business in other structure – \$5

**RULE 510.
PERMITTED INCIDENTAL OCCUPANCIES RESIDENCE
PREMISES**

E. Premium Computation

1. Section I

- c. Rate per \$1,000 for business in other structure – \$5

**RULE 511.
SUPPLEMENTAL LOSS ASSESSMENT COVERAGE**

A. Residence Premises

3. Premium

All forms except **HO 00 03, HO 00 05** or **HO 00 06** with **HO 32 34**

| New Amount Of Coverage | |
|-----------------------------------|------|
| \$ 5,000 | \$ 3 |
| 10,000 | 6 |
| Each add'l \$5,000 up to \$50,000 | 1 |

Table 511.A.3.#1 Additional Charge

HO 00 03, HO 00 05 or HO 00 06 with HO 32 34

| New Amount Of Coverage | |
|-----------------------------------|------|
| \$ 5,000 | \$ 4 |
| 10,000 | 8 |
| Each add'l \$5,000 up to \$50,000 | 2 |

Table 511.A.3.#2 Additional Charge

B. Additional Locations

2. Premium

All forms except **HO 00 03, HO 00 05** or **HO 00 06** with **HO 32 34**

| New Amount Of Coverage | |
|-----------------------------------|------|
| \$ 1,000 | \$ 6 |
| 5,000 | 9 |
| 10,000 | 11 |
| Each add'l \$5,000 up to \$50,000 | 1 |

Table 511.B.2.#1 Additional Charge

HO 00 03, HO 00 05 or HO 00 06 with HO 32 34

| New Amount Of Coverage | |
|-----------------------------------|------|
| \$ 1,000 | \$ 7 |
| 5,000 | 11 |
| 10,000 | 13 |
| Each add'l \$5,000 up to \$50,000 | 2 |

Table 511.B.2.#2 Additional Charge

**RULE 512.
LOSS OF USE – INCREASED LIMIT**

- B.** Rate per \$1,000 – \$4

**RULE 514.
OTHER STRUCTURES**

A. On-premises Structures

1. Specific Structure – Increased Limits

a. Premium

Rate per \$1,000 for policies with windstorm or hail coverage – \$4

Territories 110, 120, 130, 140, 150 And 160 Only – Rate per \$1,000 for policies excluding windstorm or hail coverage – \$2

2. Structure On The Residence Premises Rented To Others

a. Premium

(1) Rate per \$1,000 for policies with windstorm or hail coverage – \$5

Territories 110, 120, 130, 140, 150 And 160 Only – Rate per \$1,000 for policies excluding windstorm or hail coverage – \$3

B. Structures Off The Residence Premises

1. Forms HO 00 02, HO 00 03 And HO 00 05

b. Premium

Off premises structures charge per policy – \$15

2. All Forms

a. Premium

(2) Specific structures – Off-Premises Rate per \$1,000 – \$5

1. TERRITORY ASSIGNMENTS

If a territory shown is defined in terms of United States Postal Service (USPS) ZIP code:

- A.** Determine the applicable rating territory based on the location of the dwelling.
- B.** An insured's rates shall not be changed solely because the USPS changed his or her ZIP code and the physical boundaries of a rating territory shall be determined by the ZIP code boundaries in effect at the time of the latest rate filing defining the territory.

Territory boundaries in North Carolina are concurrent with USPS ZIP code boundaries in effect as of **July 1, 2013**. If the USPS introduces a new ZIP code or realigns a ZIP code boundary after **July 1, 2013**, the new ZIP code may not yet be listed in Rule **2.C**. If this is the case, assign the rating territory based on the ZIP code boundary that formerly applied to the dwelling before the USPS changed the ZIP code.

2. TERRITORY DEFINITIONS – (For all Coverages and Perils Other than Earthquake).

Assign the applicable territory using the following order of priority:

A. Counties

| County of | Code |
|------------------------------------|-------------|
| Alamance | 310 |
| Alexander | 340 |
| Alleghany | 360 |
| Anson | 300 |
| Ashe | 360 |
| Avery | 370 |
| Beaufort | 150 |
| Bertie | 180 |
| Bladen | 230 |
| Buncombe | 360 |
| Burke | 360 |
| Cabarrus | 320 |
| Caldwell | 360 |
| Camden | 150 |
| Caswell | 310 |
| Catawba | 360 |
| Chatham | 280 |
| Cherokee | 390 |
| Chowan | 150 |
| Clay | 390 |
| Cleveland | 350 |
| Columbus | 200 |
| Craven | 150 |
| Cumberland | 220 |
| Currituck (other than Beach Areas) | 130 |
| Dare (other than Beach Areas) | 130 |
| Davidson | 320 |
| Davie | 310 |
| Duplin | 190 |
| Durham | 270 |
| Edgecombe | 210 |
| Forsyth | 310 |
| Franklin | 240 |
| Gaston | 350 |

| County of | Code |
|-------------------------------|-------------|
| Gates | 170 |
| Graham | 390 |
| Granville | 260 |
| Greene | 180 |
| Guilford | 310 |
| Halifax | 240 |
| Harnett | 250 |
| Haywood | 380 |
| Henderson | 360 |
| Hertford | 170 |
| Hoke | 250 |
| Hyde (other than Beach Areas) | 130 |
| Iredell | 340 |
| Jackson | 390 |
| Johnston | 240 |
| Jones | 150 |
| Lee | 290 |
| Lenoir | 190 |
| Lincoln | 350 |
| Macon | 390 |
| Madison | 380 |
| Martin | 180 |
| McDowell | 360 |
| Mecklenburg | 340 |
| Mitchell | 370 |
| Montgomery | 300 |
| Moore | 290 |
| Nash | 240 |
| Northampton | 240 |
| Orange | 280 |
| Pamlico | 130 |
| Pasquotank | 150 |
| Perquimans | 150 |
| Person | 260 |
| Pitt | 180 |
| Polk | 360 |
| Randolph | 320 |
| Richmond | 300 |
| Robeson | 230 |
| Rockingham | 310 |
| Rowan | 320 |
| Rutherford | 350 |
| Sampson | 220 |
| Scotland | 250 |
| Stanly | 340 |
| Stokes | 310 |
| Surry | 310 |
| Swain | 380 |
| Transylvania | 380 |
| Tyrrell | 150 |
| Union | 340 |
| Vance | 260 |
| Wake | 270 |
| Warren | 260 |
| Washington | 150 |
| Watauga | 360 |
| Wayne | 180 |
| Wilkes | 340 |
| Wilson | 210 |
| Yadkin | 330 |
| Yancey | 360 |

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B. Beach Areas

Beach Area – Localities south and east of the Inland Waterway from the South Carolina Line to Fort Macon (Beaufort Inlet), thence south and east of Core, Pamlico, Roanoke and Currituck Sounds to the Virginia Line, being those portions of land generally known as the "Outer Banks".

Beach Areas in Currituck, Dare and Hyde Counties: 110

Beach areas in Brunswick, Carteret, New Hanover, Onslow and Pender Counties: 120

C. Other Than Beach Areas Of Brunswick, Carteret, New Hanover, Onslow And Pender Counties

For areas of Brunswick, Carteret, New Hanover, Onslow and Pender Counties, other than the Beach Areas, refer to the following ZIP codes. If portions of these ZIP codes fall in Counties other than Brunswick, Carteret, New Hanover, Onslow and Pender Counties use the territory code for those Counties.

1. Eastern Coastal Territory

| ZIP Code | USPS ZIP Code Name | Code |
|----------|--------------------|------|
| 28403 | Wilmington | 140 |
| 28404 | Wilmington | 140 |
| 28405 | Wilmington | 140 |
| 28406 | Wilmington | 140 |
| 28407 | Wilmington | 140 |
| 28408 | Wilmington | 140 |
| 28409 | Wilmington | 140 |
| 28410 | Wilmington | 140 |
| 28411 | Wilmington | 140 |
| 28412 | Wilmington | 140 |
| 28422 | Bolivia | 140 |
| 28428 | Carolina Beach | 140 |
| 28443 | Hampstead | 140 |
| 28445 | Holly Ridge | 140 |
| 28459 | Shalotte | 140 |
| 28460 | Sneads Ferry | 140 |
| 28461 | Southport | 140 |
| 28462 | Supply | 140 |
| 28467 | Calabash | 140 |
| 28468 | Sunset Beach | 140 |
| 28469 | Ocean Isle Beach | 140 |
| 28470 | Shalotte | 140 |
| 28480 | Wrightsville Beach | 140 |
| 28511 | Atlantic | 140 |
| 28516 | Beaufort | 140 |
| 28520 | Cedar Island | 140 |
| 28524 | Davis | 140 |
| 28528 | Gloucester | 140 |

| ZIP Code | USPS ZIP Code Name | Code |
|----------|--------------------|------|
| 28531 | Harkers Island | 140 |
| 28532 | Havelock | 140 |
| 28533 | Cherry Point | 140 |
| 28539 | Hubert | 140 |
| 28553 | Marshallberg | 140 |
| 28557 | Morehead City | 140 |
| 28570 | Newport | 140 |
| 28577 | Sealevel | 140 |
| 28579 | Smyrna | 140 |
| 28581 | Stacy | 140 |
| 28584 | Swansboro | 140 |
| 28589 | Williston | 140 |

2. Western Coastal Territory

| ZIP Code | USPS ZIP Code Name | Code |
|----------|--------------------|------|
| 28401 | Wilmington | 160 |
| 28402 | Wilmington | 160 |
| 28420 | Ash | 160 |
| 28421 | Atkinson | 160 |
| 28425 | Burgaw | 160 |
| 28429 | Castle Hayne | 160 |
| 28435 | Currie | 160 |
| 28436 | Delco | 160 |
| 28447 | Ivanhoe | 160 |
| 28448 | Kelly | 160 |
| 28451 | Leland | 160 |
| 28452 | Longwood | 160 |
| 28454 | Maple Hill | 160 |
| 28456 | Riegelwood | 160 |
| 28457 | Rocky Point | 160 |
| 28466 | Wallace | 160 |
| 28478 | Willard | 160 |
| 28479 | Winnabow | 160 |
| 28518 | Beulaville | 160 |
| 28521 | Chinquapin | 160 |
| 28540 | Jacksonville | 160 |
| 28541 | Jacksonville | 160 |
| 28542 | Camp Lejeune | 160 |
| 28543 | Tarawa Terrace | 160 |
| 28544 | Midway Park | 160 |
| 28545 | McCutcheon Field | 160 |
| 28546 | Jacksonville | 160 |
| 28547 | Camp Lejeune | 160 |
| 28555 | Maysville | 160 |
| 28574 | Richlands | 160 |
| 28582 | Stella | 160 |

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