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February 19, 2002

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Amendatory Endorsement - North Carolina
Homeowners Policy Program

The Department of Insurance has approved a new mandatory Endorsement and revised endorsements which are designed for use in North Carolina with the Homeowners Policy Program. Enclosed is a copy of the following: (1) new Amendatory Endorsement - North Carolina HO 32 33 10 01; (2) revised endorsements which have been amended from "country-wide" endorsements to "state specific" endorsements; (3) approved manual rule changes; and (4) a required Notice To Policyholder.

The new Amendatory Endorsement - North Carolina HO 32 33 10 01 is designed to provide and more specifically describe the intended mold and fungus coverage for the benefit of policyholders and to help companies better manage coverage for mold and fungus subject to certain limits. The Endorsement also removes the peril of "seepage and leakage" as a covered peril under the HO-3 policy form. This Endorsement is a mandatory endorsement and is required to be attached, in addition to the Endorsement HO 32 32, to all Homeowners Policy issued in North Carolina.

The enclosed Notice to Policyholder is a mandatory Notice to be attached to all Homeowners Policies issued in North Carolina. The Notice should be attached to all policies written on or after May 1, 2002 through April 31, 2003.

In addition, the enclosed revised endorsements have been amended for editorial reasons to track the changes that are a result of the new Amendatory Endorsement HO 32 33 10 01. Please note that it has been necessary to re-number the revised endorsements as a result of "country-wide" endorsements being amended and are now recognized as "North Carolina specific" endorsements.

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

These changes become effective with respect to policies written on or after May 1, 2002.

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

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dp

Enclosures

P-02-2

NEW AND REVISED HOMEOWNERS POLICY ENDORSEMENTS

<u>Endorsement</u>	<u>Old Endorsement #</u>	<u>New Endorsement #</u>
Amendatory Endorsement	N/A	HO 32 33 10 01
Special Personal Property Coverage	HO 00 15 04 91	HO 32 36 10 01
Special Computer Coverage	HO 04 14 04 91	HO 32 37 10 01
Unit-Owners Coverage A	HO 17 32 04 91	HO 32 34 10 01
Unit-Owners Coverage C	HO 17 31 04 91	HO 32 35 10 01

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY

AMENDATORY ENDORSEMENT - NORTH CAROLINA

DEFINITIONS

The following definition is added to all forms:

9. "Fungi"

- a. "Fungi" means any type or form of fungus, including mold or mildew and any mycotoxins, spores, scents or byproducts produced or released by fungi.
- b. Under Section II, this does not include any fungi that are, are on, or are contained in any good or product intended for consumption.

regardless of any other cause or event contributing concurrently or in any sequence.

It is the most we will pay for the cost:

- a. to remove "fungi", wet or dry rot, or bacteria from covered property;
- b. to tear out and replace any part of the building or other covered property as needed to gain access to the "fungi", wet or dry rot, or bacteria; and
- c. of any testing of air or property to confirm the absence, presence or level of "fungi", wet or dry rot, or bacteria whether performed prior to, during or after removal, repair, restoration or replacement. The cost of such testing will be provided only to the extent that there is a reason to believe that there is the presence of "fungi", wet or dry rot, or bacteria.

SECTION I - PROPERTY COVERAGES

The following **ADDITIONAL COVERAGE** is added to all forms except **HO 00 04**.

11. "Fungi", Wet Or Dry Rot, Or Bacteria. We will pay up to a total of \$5000 for:

- a) Direct physical loss to property covered under Section I Coverage A - Dwelling, Coverage B - Other Structures and Coverage C - Personal Property caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria if the direct result of a Peril Insured Against; and
- b) Necessary increase in costs which you incur to maintain your normal standard of living when the "residence premises" is uninhabitable due to a loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria which is the direct result of a Peril Insured Against.

The coverage provided above applies only when such loss or costs are the result of a Peril Insured Against that occurs during the policy period and only if all reasonable means were used to save and protect the property from further damage at or after the time of the occurrence of that Peril Insured Against.

If there is covered loss or damage to covered property, not caused, in whole or in part, by "fungi", wet or dry rot, or bacteria, loss payment will not be limited by the terms of this Additional Coverage, except to the extent that "fungi", wet or dry rot, or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Additional Coverage.

The coverage provided above is the only coverage under Section I Coverage A - Dwelling, Coverage B - Other Structures, Coverage C - Personal Property and Coverage D - Loss of Use for damage or loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria caused directly or indirectly

This is additional insurance and is the most we will pay for the total of all loss or costs payable under the Additional Coverage regardless of the number of locations insured under this endorsement or the number of claims made. No deductible applies to this coverage.

HO 32 33 10 01

(This is Additional Coverage 10 in form **HO 00 06** and Additional Coverage 9 in form **HO 00 08**)

SECTION I - PERILS INSURED AGAINST

In the Form **HO 00 03**, item **2.e.(3)** is deleted and replaced by the following:

- (3) smog, rust, or other corrosion;

In the Form **HO 00 03**, item **2.e. (9)** is added.

- (9) Constant or repeated discharge, seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years.

SECTION I - EXCLUSIONS

In all forms the following exclusion is added:

- 9. "Fungi", Wet Or Dry Rot, Or Bacteria,** meaning the presence, growth, proliferation, spread or any activity of "fungi", wet or dry rot, or bacteria other than as provided in **ADDITIONAL COVERAGE, "Fungi", Wet Or Dry Rot, Or Bacteria.**

(This is exclusion **1. (i)** in form **HO 00 03**)

SECTION II - LIABILITY EXCLUSIONS

In all forms the following exclusion is added to **Coverage E - Personal Liability and Coverage F - Medical Payments to Others.**

- 1.m arising directly or indirectly, in whole or in part, out of the actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of or presence of any "fungi", wet or dry rot, or bacteria.

All other provisions of this policy apply.

Material in [brackets] is deleted; material underlined> is new.

**HOMEOWNERS
HO 32 36 10 01**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SPECIAL PERSONAL PROPERTY COVERAGE

Form **HO 00 03** Only

For an additional premium, the Perils Insured Against under Coverages A, B and C are deleted and replaced by the following:

SECTION I – PERILS INSURED AGAINST

We insure against risk of direct loss to property described in Coverages A, B and C, only if that loss is a physical loss to property.

We do not insure, however, for loss:

1. Under Coverages A, B and C:

a. Excluded under **SECTION I – EXCLUSIONS;**

b. Caused by:

(1) Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This exclusion applies only while the dwelling is vacant, unoccupied or being constructed, unless you have used reasonable care to:

- (a)** Maintain heat in the building; or
- (b)** Shut off the water supply and drain the system and appliances of water;

(2) Freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:

- (a)** Fence, pavement, patio or swimming pool;
- (b)** Foundation, retaining wall, or bulkhead; or
- (c)** Pier, wharf or dock;

(3) Theft in or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied;

(4) Any of the following:

- (a)** Wear and tear, marring, deterioration;
- (b)** Inherent vice, latent defect, mechanical breakdown;
- (c)** Smog, rust or other corrosion[, mold, wet or dry rot];

(d) Smoke from agricultural smudging or industrial operations;

(e) Discharge, dispersal, seepage, migration, release or escape of pollutants unless the discharge, dispersal, seepage, migration, release or escape is itself caused by one or more of the Perils Insured Against that would apply under Coverage C of the policy form if this endorsement were not attached to the policy form.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed;

(f) Settling, shrinking, bulging or expansion, including resultant cracking, of pavements, patios, foundations, walls, floors, roofs or ceilings;

(g) Birds, vermin, rodents, or insects; or

(h) Animals owned or kept by an "insured."

If any of these cause water damage not otherwise excluded, from a plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance, we cover loss caused by the water including the cost of tearing out and replacing any part of a building necessary to repair the system or appliance.

We do not cover loss to the system or appliance from which this water escaped.

Under items **(1)** through **(4)**, any ensuing loss to property described in Coverages A, B and C not excluded or excepted in this policy is covered.

2. Under Coverages A and B:

a. Caused by vandalism and malicious mischief if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant.

- b. Involving collapse, other than as provided in Additional Coverages – 8. Collapse. However, any ensuing loss to property described in Coverages A and B not excluded or excepted in this policy is covered.

3. Under Coverage C caused by:

a. Breakage of:

- (1) Eyeglasses, glassware, statuary, marble;
- (2) Bric-a-brac, porcelains and similar fragile articles other than jewelry, watches, bronzes, cameras and photographic lenses.

There is coverage for breakage of the property by or resulting from:

- (1) Fire, lightning, windstorm, hail;
- (2) Smoke, other than smoke from agricultural smudging or industrial operations;
- (3) Explosion, riot, civil commotion;
- (4) Aircraft, vehicles, vandalism and malicious mischief, earthquake or volcanic eruption;
- (5) Collapse of a building or any part of a building;
- (6) Water not otherwise excluded;
- (7) Theft or attempted theft; or
- (8) Sudden and accidental tearing apart, cracking, burning or bulging of:
 - (a) A steam or hot water heating system;
 - (b) An air conditioning or automatic fire protective sprinkler system; or
 - (c) An appliance for heating water;

- b. Dampness of atmosphere or extremes of temperature unless the direct cause of loss is rain, snow, sleet or hail;

- c. Refinishing, renovating or repairing property other than watches, jewelry and furs;

- d. Collision, other than collision with a land vehicle, sinking, swamping or stranding of watercraft, including their trailers, furnishings, equipment and outboard engines or motors;

- e. Destruction, confiscation or seizure by order of any government or public authority; or

- f. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body. However, any ensuing loss to property described in Coverage C not excluded or excepted in this policy is covered.

SECTION I – COVERAGE C – PERSONAL PROPERTY

The **Special Limits of Liability** items 5., 6., and 7., are deleted and replaced by the following:

- 5. \$1,000 for loss by theft, misplacing or losing of jewelry, watches, furs, precious and semi-precious stones.
- 6. \$2,000 for loss by theft, misplacing or losing of firearms.
- 7. \$2,500 for loss by theft, misplacing or losing of silverware, silver-plated ware, goldware, gold-plated ware and pewterware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.

SECTION I – ADDITIONAL COVERAGES

8. Collapse

Paragraph a. is deleted and replaced by the following:

- a. Perils Insured Against in Coverages A and B.

The following paragraph is also added:

This additional coverage does not apply to Coverage C – Personal Property.

SECTION I – EXCLUSIONS

- 1.b. **Earth Movement.** The following paragraph is added:

This exclusion applies only to property described in Coverages A and B.

- 1.c. **Water Damage.** The following paragraphs are added:

Water damage to property described in Coverage C away from a premises or location owned, rented, occupied or controlled by an "insured" is covered.

Water damage to property described in Coverage C on a premises or location owned, rented, occupied or controlled by an "insured" is excluded even if weather conditions contribute in any way to produce the loss.

All other provisions of this policy apply.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SPECIAL COMPUTER COVERAGE

All Forms Except **HO 00 03** with **HO 32 36**
And **HO 00 06** with **HO 32 35**

THIS ENDORSEMENT: (1) DOES NOT INCREASE THE LIMIT OF LIABILITY WHICH APPLIES TO COVERAGE C, AND (2) DOES NOT MODIFY THE SPECIAL LIMITS OF LIABILITY OR THE PROVISIONS OF PROPERTY NOT COVERED UNDER COVERAGE C.

For an additional premium, the Perils Insured Against which apply to Coverage C are deleted and replaced by the following with respect to "computer equipment":

Perils Insured Against: We cover an "insured's" "computer equipment," as defined in this endorsement, against risk of direct physical loss.

We do not insure, however, for loss:

A. Excluded under SECTION I – EXCLUSIONS.

B. Caused by:

(1) Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This exclusion applies only while the dwelling is vacant, unoccupied or being constructed, unless you have used reasonable care to:

- (a)** Maintain heat in the building; or
- (b)** Shut off the water supply and drain the system and appliances of water;

(2) Theft in or to a dwelling under construction, until the dwelling is finished and occupied;

(3) Any of the following:

- (a)** Wear and tear, marring, deterioration;
- (b)** Inherent vice, latent defect, mechanical breakdown;
- (c)** Smog, rust or other corrosion[, mold, wet or dry rot];
- (d)** Smoke from agricultural smudging or industrial operations;
- (e)** Discharge, dispersal, seepage, migration, release or escape of pollutants unless the discharge, dispersal, seepage, migration, release or escape is itself caused by one or more of the Perils Insured Against that would apply under Coverage C of the policy form if this endorsement were not attached to the policy form.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed;

(f) Settling, shrinking, bulging or expansion, including resultant cracking, of pavements, patios, foundations, walls, floors, roofs or ceilings;

(g) Birds, vermin, rodents or insects; or

(h) Animals owned or kept by an "insured."

If any of these cause water damage not otherwise excluded, from a plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance, we cover loss caused by the water.

Under items **(1)** through **(3)**, any ensuing loss not excluded or excepted in this policy is covered.

(4) Vandalism and malicious mischief if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant;

(5) Dampness of atmosphere or extremes of temperature unless the direct cause of loss is rain, snow, sleet or hail;

(6) Refinishing, renovating or repairing property;

(7) Collision, other than collision with a land vehicle, sinking, swamping or stranding of watercraft, including their trailers, furnishings, equipment and outboard engines or motors;

(8) Destruction, confiscation or seizure by order of any government or public authority; or

(9) Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body. However, any ensuing loss not excluded or excepted in this policy is covered.

DEFINITION

With respect to the coverage provided by this endorsement, "computer equipment" means:

1. Electronic data processing hardware and related peripheral equipment, including CRT screens, disc drives, printers and modems; and
2. Discs, tapes, wires, records or other software media used with the equipment in 1. above.

All other provisions of this policy apply.

Material in [brackets] is deleted; material underlined is new.

**HOMEOWNERS
HO 32 34 10 01**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

UNIT-OWNERS COVERAGE A

Special Coverage
Form **HO 00 06** Only

For an additional premium, the Perils Insured Against applying to Coverage A are amended as follows:

Perils Insured Against

We insure against risk of direct loss to property described in Coverage A, only if that loss is a physical loss to property.

We do not insure, however, for loss:

1. Involving collapse, other than as provided in Additional Coverages – Collapse.
2. Caused by:
 - a. Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This exclusion applies only while the unit is vacant, unoccupied or being constructed unless you have used reasonable care to:
 - (1) Maintain heat in the building; or
 - (2) Shut off the water supply and drain the system and appliances of water;
 - b. Freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:
 - (1) Fence, pavement, patio or swimming pool;
 - (2) Foundation, retaining wall, or bulkhead; or
 - (3) Pier, wharf or dock;
 - c. Theft in or to a unit under construction, or of materials and supplies for use in the construction until the unit is finished and occupied;
 - d. Vandalism and malicious mischief if the unit has been vacant for more than 30 consecutive days immediately before the loss. A unit being constructed is not considered vacant;
 - e. Any of the following:
 - (1) Wear and tear, marring, deterioration;
 - (2) Inherent vice, latent defect, mechanical breakdown;
 - (3) Smog, rust or other corrosion[, mold, wet or dry rot];
 - (4) Smoke from agricultural smudging or industrial operations;

- (5) Discharge, dispersal, seepage, migration, release or escape of pollutants unless the discharge, dispersal, seepage, migration, release or escape is itself caused by a Peril Insured Against under Coverage C of this policy.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed;

- (6) Settling, shrinking, bulging or expansion, including resultant cracking, of pavements, patios, foundations, walls, floors, roofs or ceilings;
- (7) Birds, vermin, rodents, or insects; or
- (8) Animals owned or kept by an "insured."

If any of these cause water damage not otherwise excluded, from a plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance, we cover loss caused by the water including the cost of tearing out and replacing any part of a building necessary to repair the system or appliance. We do not cover loss to the system or appliance from which this water escaped.

3. Excluded under SECTION I – EXCLUSIONS.

Under items 1. and 2., any ensuing loss to property described in Coverage A not excluded or excepted in this policy is covered.

The following exclusions are added to SECTION I – EXCLUSIONS:

We do not insure for loss to property described in Coverage A caused by any of the following. However, any ensuing loss to property described in Coverage A not excluded or excepted in this policy is covered.

- a. **Weather conditions.** However, this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in SECTION I – EXCLUSIONS, other than exclusions b., and c. below, to produce the loss;
- b. **Acts or decisions,** including the failure to act or decide, of any person, group, organization or governmental body;

c. Faulty, inadequate or defective:

- (1) Planning, zoning, development, surveying, siting;
- (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

(3) Materials used in repair, construction, renovation or remodeling; or

(4) Maintenance;
of part or all of any property whether on or off the "residence premises."

All other provisions of this policy apply.

Material in [brackets] is deleted; material underlined> is new.

**HOMEOWNERS
HO 32 35 10 01**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

UNIT-OWNERS COVERAGE C

Special Coverage
Form **HO 00 06** Only

For an additional premium, the Perils Insured Against under Coverage C are deleted and replaced by those shown below. This coverage is provided with the understanding that you occupy the unit in which property covered under Coverage C is located.

SECTION I – PERILS INSURED AGAINST

We insure against risk of direct loss to property described in Coverage C, only if that loss is a physical loss to property.

We do not insure, however, for loss:

1. Excluded under SECTION I – EXCLUSIONS;
2. To property in a unit regularly rented or held for rental to others by you;
3. Caused by:
 - a. Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This exclusion applies only while the dwelling is vacant, unoccupied or being constructed, unless you have used reasonable care to:
 - (1) Maintain heat in the building; or
 - (2) Shut off the water supply and drain the system and appliances of water;
 - b. Freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:
 - (1) Fence, pavement, patio or swimming pool;
 - (2) Foundation, retaining wall or bulkhead; or
 - (3) Pier, wharf or dock;
 - c. Theft in or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied;
 - d. Any of the following:
 - (1) Wear and tear, marring, deterioration;
 - (2) Inherent vice, latent defect, mechanical breakdown;
 - (3) Smog, rust or other corrosion[, mold, wet or dry rot];
 - (4) Smoke from agricultural smudging or industrial operations;

- (5) Discharge, dispersal, seepage, migration, release or escape of pollutants unless the discharge, dispersal, seepage, migration, release or escape is itself caused by one or more of the Perils Insured Against that would apply under Coverage C of the policy form if this endorsement were not attached to the policy form.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed;

- (6) Settling, shrinking, bulging or expansion, including resultant cracking, of pavements, patios, foundations, walls, floors, roofs or ceilings;
- (7) Birds, vermin, rodents or insects; or
- (8) Animals owned or kept by an "insured."

If any of these cause water damage not otherwise excluded, from a plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance, we cover loss caused by the water including the cost of tearing out and replacing any part of a building necessary to repair the system or appliance.

We do not cover loss to the system or appliance from which this water escaped;

- e. Breakage of:
 - (1) Eyeglasses, glassware, statuary, marble;
 - (2) Bric-a-brac, porcelains and similar fragile articles other than jewelry, watches, bronzes, cameras and photographic lenses.

There is coverage for breakage of the property by or resulting from:

- (1) Fire, lightning, windstorm, hail;
- (2) Smoke, other than smoke from agricultural smudging or industrial operations;
- (3) Explosion, riot, civil commotion;

- (4) Aircraft, vehicles, vandalism and malicious mischief, earthquake or volcanic eruption;
- (5) Collapse of a building or any part of a building;
- (6) Water not otherwise excluded;
- (7) Theft or attempted theft; or
- (8) Sudden and accidental tearing apart, cracking, burning or bulging of:
 - (a) A steam or hot water heating system;
 - (b) An air conditioning or automatic fire protective sprinkler system; or
 - (c) An appliance for heating water;
- f. Dampness of atmosphere or extremes of temperature unless the direct cause of loss is rain, snow, sleet or hail;
- g. Refinishing, renovating or repairing property other than watches, jewelry and furs;
- h. Collision, other than collision with a land vehicle, sinking, swamping or stranding of watercraft, including their trailers, furnishings, equipment and outboard engines or motors;
- i. Destruction, confiscation or seizure by order of any government or public authority; or
- j. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

Under items 3.a. through 3.d., and under item 3.j., any ensuing loss to property described in Coverage C not excluded or excepted in this policy is covered.

SECTION I – COVERAGE C – PERSONAL PROPERTY

The **Special Limits of Liability** items 5., 6., and 7. are deleted and replaced by the following:

- 5. \$1,000 for loss by theft, misplacing or losing of jewelry, watches, furs, precious and semi-precious stones.

- 6. \$2,000 for loss by theft, misplacing or losing of firearms.
- 7. \$2,500 for loss by theft, misplacing or losing of silverware, silver-plated ware, goldware, gold-plated ware and pewterware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.

SECTION I – ADDITIONAL COVERAGES

8. Collapse

Paragraph a. is deleted and replaced by the following:

- a. Perils Insured Against in Coverage A.

The following paragraph is also added:

This additional coverage does not apply to Coverage C – Personal Property.

SECTION I – EXCLUSIONS

- 2. **Earth Movement.** The following paragraph is added:

This exclusion applies only to property described in Coverage A.

- 3. **Water Damage.** The following paragraphs are added:

Water damage to property described in Coverage C away from a premises or location owned, rented, occupied or controlled by an "insured" is covered.

Water damage to property described in Coverage C on a premises or location owned, rented, occupied or controlled by an "insured" is excluded even if weather conditions contribute in any way to produce the loss.

All other provisions of this policy apply.

HOMEOWNERS POLICY PROGRAM

NOTICE TO POLICYHOLDER

Enclosed with this renewal of your policy is a new amendatory endorsement that is mandatory on all homeowners policies in North Carolina. Please read it together with your policy and other endorsements carefully. As summarized below, the endorsement specifies the coverage provided for loss caused by or resulting from fungi, wet or dry rot, or bacteria. Fungi are defined in the endorsement and include mold.

Under Section I of the amended policy, a new Additional Coverage is added. Up to a total of \$5000 of insurance is provided to pay for direct physical loss to covered property caused by, or resulting from, fungi, wet or dry rot, or bacteria if the loss is the result of a covered peril. Included in this amount of insurance is the cost of testing the air or property to determine the absence, presence or level of fungi, wet or dry rot, or bacteria if there has been a covered loss. This additional coverage is subject to the limitations set forth in the endorsement. This Additional Coverage was not previously included in your policy.

Under Section I - Exclusions, an exclusion has been added. This exclusion specifies that the only coverage under your policy for loss caused by or resulting from fungi, wet or dry rot, or bacteria is that provided under the new Section I - Additional Coverage that is summarized above. The previous coverage was limited to mold or wet/dry rot if it was the result of a covered water loss.

Under Section II - Liability, an exclusion has been added for bodily injury or property damage arising from fungi, wet or dry rot, or bacteria. This exclusion does not apply to fungi that are, are on, or are contained in goods or products that are intended for consumption. The previous policy did not have such an exclusion.

The above changes apply to all homeowners policies. If your homeowners policy is an **HO-3, Special Form**, additional changes are also being made to your policy as summarized below:

The provision in Section I - Perils Insured Against applicable to Coverage A - Dwelling and Coverage B - Other Structures has been changed. This change provides that there is no coverage for loss caused by or resulting from constant or repeated discharge, seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years. The previous policy did not have such an exclusion.

This Notice To Policyholder is only a summary for your information, and neither expands nor reduces coverage. The provisions of your policy and any attached endorsements govern coverage in the event of loss.

301. BASE PREMIUM COMPUTATION

Paragraph **A.2.** is replaced by the following:

2. Form HO 00 04

- a. From the Base Class Premium Table, select the **HO 00 04** premium for the territory that applies.
- b. From the Classification Table, select the Protection – Construction Classification Factor that applies.
- c. Multiply the Base Class Premium by the Protection – Construction Classification Factor and round to the nearest whole dollar to arrive at the Key Premium.
- d. From the Key Factor Table, select the Key Factor for the desired limit of liability. If the limit of liability is not shown in the tables, interpolate as illustrated in Paragraph **C.** of this rule.
- e. Multiply the Key Premium from **2.c.** by the Key Factor and round to the nearest whole dollar to arrive at the BASE PREMIUM.

Paragraph **A.3.** is added:

3. Form HO 00 06

Refer to Rule **A.3.** of the Classification Pages for the rating instructions.

Paragraph **B.3.** is replaced by the following:

- 3. Special Personal Property Coverage – HO 00 03 (Endorsement HO 32 36) and HO 00 06 (Endorsement HO 32 35)**

**304. SPECIAL PERSONAL PROPERTY COVERAGE –
HO 00 03 AND HO 00 06**

This rule is replaced by the following:

A. HO 00 03 Only

1. Coverages A and B under Form HO 00 03 are insured against additional risks of physical loss subject to certain exclusions. Coverage C is insured against perils named in the form.

2. The policy may be endorsed to insure Coverage C against additional risks of physical loss subject to certain exclusions.

(When Rule 302., Special Loss Settlement is used, this option may not be used.)

3. Develop the BASE PREMIUM in accordance with Rule 301.

Status Code 7

Use Endorsement HO 32 36 Special Personal Property Coverage – HO 00 03 only.

B. HO 00 06 Only

1. Coverage C under Form HO 00 06 is insured against perils named in the form. The policy may be endorsed to insure Coverage C against additional risks of physical loss subject to certain exclusions.

2. This option may only be used when the condominium or cooperative unit is owner occupied.

3. Develop the BASE PREMIUM in accordance with Rule 301.

Status Code 7

Use Endorsement HO 32 35 Unit-Owners – Coverage C – Special Coverage – HO 00 06 Only.

Deleted: Paragraph B.3. is replaced by the following:¶
3. . Develop the BASE PREMIUM in accordance with Rule 301.¶

406. DEDUCTIBLES

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

2. \$250 Theft Deductible – All Forms except HO 00 03 with HO 32 36 and HO 00 06 with HO 32 35.
(Theft Indicator Code 3)

a. The theft deductible applies to Coverage C – Personal Property and is available only when:

(1) A \$100 deductible applies to All Other Perils; or

(2) A higher deductible applies to the peril of Windstorm or Hail, as described in **C.2.** of this rule, and a \$100 deductible applies to All Other Perils.

b. When the \$100 deductible applies to All Other Perils, compute the premium by multiplying the BASE PREMIUM by a factor of:

(1) 1.09 for All Forms except **HO 00 04 & 06**; or

(2) 1.05 for Forms **HO 00 04 or 06.**

c. When a higher Windstorm or Hail and \$100 All Other Perils deductible applies, subtract a factor of .01 from the factors shown in **C.2.a.(5)** or **C.2.b.(4)** for policies applicable to a higher windstorm or hail deductible.

Paragraph **C.1.** is replaced by the following:

C. Optional Higher Deductibles

1. All Perils Deductibles (Type Code 5)

To compute the premium for this provision, multiply the BASE PREMIUM by the factors listed below:

ALL FORMS EXCEPT HO 00 04 AND 06

Coverage A Limit	Deductible Amounts and Size Codes		
	\$500	\$1000	\$2500
	(50)	(82)	(86)
Up to \$59,999	.91	.79	.62
\$60,000 to 99,999	.91	.79	.62
100,000 to 200,000	.92	.79	.62
200,001 and Over	.96	.89	.75

HO 00 04 or HO 00 06

Coverage C Limit

Up to \$9,999	.90	.77	.63
\$10,000 and Over	.93	.83	.71

Paragraph **C.2.a.(5)** is replaced by the following:

a.(5) 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 Serviced by NCIUA

To compute the premium for this provision, multiply the BASE PREMIUM by the factor selected for the desired windstorm or hail deductible options from the tables below.

(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 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 tables below and subtract that factor from unity (1.00).
- Step 4. Multiply the factor determined in Step 3. above 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% Windstorm or Hail Deductible
(Windstorm or Hail Deductible Size Code 01)
All Coverage A Limit
Other Perils**

Ded. Amount	Up to \$59,999	Coverage A Limit		\$200,001 and Over
		\$60,000 to 99,999	\$100,000 to 200,000	
\$ 100	1.05	1.04	1.04	1.04
\$ 250	.96	.96	.96	.96
\$ 500	.89	.89	.89	.93
\$1,000	–	–	.78	.88
\$2,500	–	–	–	.74

2% Windstorm or Hail Deductible
(Windstorm or Hail Deductible Size Code 02)

All Other Perils	Coverage A Limit				
	Ded. Amount	Up to \$59,999	\$60,000 to 99,999	\$100,000 to 200,000	\$200,001 and Over
\$ 100	1.02	1.02	1.02	1.02	1.02
\$ 250	.93	.93	.94	.95	
\$ 500	.86	.86	.87	.91	
\$1,000	.76	.76	.76	.85	
\$2,500	—	—	.60	.72	

5% Windstorm or Hail Deductible
(Windstorm or Hail Deductible Size Code 05)

All Other Perils	Coverage A Limit				
	Ded. Amount	Up to \$59,999	\$60,000 to 99,999	\$100,000 to 200,000	\$200,001 and Over
\$ 100	.97	.97	.99	1.00	
\$ 250	.89	.89	.91	.93	
\$ 500	.82	.82	.84	.89	
\$1,000	.72	.72	.73	.83	
\$2,500	.59	.59	.59	.70	

Paragraph **C.2.b.(4)** is replaced by the following:

b.(4) Deductible Factors

In Territories 05, 06, 42 and 43 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 for the desired windstorm or hail deductible options from the tables below.

(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 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 tables below and subtract that factor from unity (1.00).

Step 4. Multiply the factor determined in Step 3. above 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
(Windstorm or Hail Deductible Size Code 51)**

All Other Perils Ded. Amount	Coverage A Limit Up to \$59,999	Coverage A Limit		
		\$60,000 to 99,999	\$100,000 to 200,000	\$200,001 and Over
\$ 100	1.02	1.03	1.05	1.06
\$ 250	.95	.95	.97	.98
\$ 500	.88	.88	.90	.95

**\$2,000 Windstorm or Hail Deductible
(Windstorm or Hail Deductible Size Code 52)**

All Other Perils Ded. Amount	Coverage A Limit Up to \$59,999	Coverage A Limit		
		\$60,000 to 99,999	\$100,000 to 200,000	\$200,001 and 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

**\$5,000 Windstorm or Hail Deductible
(Windstorm or Hail Deductible Size Code 55)**

All Other Perils Ded. Amount	Coverage A Limit			
	Up to \$59,999	\$60,000 to 99,999	\$100,000 to 200,000	\$200,001 and Over
\$ 100	.96	.97	1.01	1.02
\$ 250	.88	.89	.92	.94
\$ 500	.82	.82	.85	.91
\$1,000	.72	.72	.75	.86
\$2,500	.58	.59	.60	.74

The following paragraph is added:

3. Hurricane Percentage Deductible – Territories 05, 06, 42 and 43 Only

All Forms except HO 00 04 and HO 00 06

- 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 is issued for any part of North Carolina by the National Weather Service.

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.

- c.** Attach Hurricane Percentage Deductible En-dorsement **HO 32 24** to the policy and enter, on the endorsement or the policy declarations, the percentage amount that applies to Hurricane and the dollar amount that applies to All Other Section I perils.

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

Example:

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

e. Deductible Factors

The factors displayed below incorporate the factors for the All Perils Deductibles shown in **C.1.** above. 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 – Windstorm or Hail Exclusion 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 tables below and subtract that factor from unity (1.00).
- Step 4. Multiply the factor determined in Step 3. above 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 (Size Code 41)

All Other Perils Ded. Amount	Territory 05, 06,42, 43
\$ 100	1.06
250	.97
500	.94
1,000	.89
2,500	.75

2% Hurricane Deductible (Size Code 42)

All Other Perils Ded. Amount	Territory 05, 06,42, 43
\$ 100	1.03
250	.96
500	.92
1,000	.86
2,500	.73

5% Hurricane Deductible (Size Code 45)

All Other Perils Ded. Amount	Territory 05, 06,42, 43
\$ 100	1.01
250	.94
500	.90
1,000	.84
2,500	.71

505. EARTHQUAKE COVERAGE

Paragraph A. is replaced by the following:

A. The policy may be endorsed to provide coverage against a loss resulting from the peril of Earthquake. This peril shall apply to all Section I Coverages for the same limits provided in the policy. For Form HO 00 03 with HO 32 36 and Form HO 00 06 with HO 32 35, this peril is automatically included for Coverage C.

Use Endorsement HO 04 54 Earthquake.

Paragraph D.2.c. and D.2.d. are replaced by the following:

c. Coverage A and C limits for Form HO 00 06 without HO 32 35.

d. Coverage A limit only for Form HO 00 03 with HO 32 36 and HO 00 06 with HO 32 35.

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

Paragraph **A.** is replaced by the following:

A. Basic Limits

The policy automatically provides a basic Coverage **A** limit of \$1,000 on a named perils basis. If increased limits are not desired, enter "\$1,000" under Coverage **A** – Dwelling on the Declarations pages.

Limit Code 1

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

B. Increased Limits

The basic limit may be increased. The premium is developed based on the additional limit of insurance. The premium for each additional \$1,000 of insurance is developed as follows:

1. Multiply the **HO 00 04** Key Factor for "Each Add'l \$1,000" by the **HO 00 04** Key Premium.
2. Multiply the product developed in 1. above by the **HO 00 06** factor shown in Rule **301.** in the state pages.

Report Limit Code as follows:

	Limits	Code
\$	1,001 – 9,999	2
	10,000 – 19,999	3
	20,000 – 29,999	4
	30,000 – 39,999	5
	40,000 – 49,000	6
	50,000 – 59,999	7
	60,000 – 69,999	8
	70,000 – and Over	9

Paragraph **C.** is replaced by the following:

C. Special Coverage

The Section I Perils Insured Against may be broadened to cover additional risks of loss. The additional premium is developed as shown on the state rate page.

Does not affect coding.

Use Endorsement **HO 32 34** Unit-Owners Coverage A – Special Coverage.

515. PERSONAL PROPERTY

Paragraph **D.3.** is replaced by the following:

3. Silverware, Goldware and Pewterware

The special limit of liability (25% of Coverage **C**) for loss by theft of silverware, etc., may be increased. Charge the additional rate per \$500 shown on the state rate pages.

Paragraph **D.4.** is replaced by the following:

4. Firearms

The special limit of liability (10% of Coverage **C**) for loss by theft of firearms may be increased in increments of \$100. Charge the additional rate per \$100 shown on the state rate pages.

The last sentence in Paragraph **D.** is replaced by the following:

Use Endorsement **HO 04 66** Coverage C Increased Special Limits of Liability for **HO 00 03** with **HO 32 36** or **HO 00 06** with **HO 32 35.**

The following paragraphs are added.

G. Additional Coverage – Jewelry and Furs

Does not affect coding.

1. The policy may be endorsed to provide an increased limit of liability (up to \$5000) and coverage for additional risks of loss on unscheduled jewelry and furs.
2. Charge the additional rates shown on the state rate pages.
Use Endorsement **HO 32 27** Additional Coverage – Unscheduled Jewelry and Furs.
3. If Endorsement **HO 04 65** or **HO 04 66**, Coverage **C** Increased Special Limits of Liability, is also endorsed on the policy, Item **5.** (which pertains to jewelry and furs) should be left blank in deference to the limits provided under Endorsement **HO 32 27.**

H. Rented Personal Property

Does not affect coding.

1. Basic Limit

a. Landlords Furnishings

Under Forms **HO 00 02** and **HO 00 03**, the policy automatically provides, at no additional charge, \$2,500 of landlord's furnishings coverage, on a named perils basis, excluding Theft, for property regularly rented or held for rental in an apartment on the residence premises.

b. Theft (Burglary) Option

Coverage, as noted in **1.a.** above, may be extended to include loss resulting from burglary.

c. Premium

Refer to the state rate pages for the charge per unit.

2. Increased Limits

a. The basic limit noted in **1.a.** above may be increased up to the Coverage **C** limit of liability.

b. The increased limit applies to the same perils that apply to the basic limit and may vary by rented unit.

c. Premium

Refer to the state rate pages.

3. Endorsement

a. Endorsement **HO 32 21** Rented Personal Property indicates when the Theft option and/or Increased Limits option are selected.

b. When Increased Limits are selected, the increased limit and the total limit of liability are designated on the endorsement.

c. The insured may select one option or both.

**517. RENTAL TO OTHERS – THEFT COVERAGE ALL FORMS EXCEPT HO 00 03 WITH HO 00 15
AND HO 00 06 WITH HO 17 31.**

The rule is replaced by the following:

**517. RENTAL TO OTHERS – THEFT COVERAGE ALL FORMS EXCEPT HO 00 03 WITH HO 32 36
AND HO 00 06 WITH HO 32 35.**

A. Coverage – Non-Specified Events

1. Coverage

The policy may be endorsed to cover loss by theft while the portion of the residence premises usually occupied by the insured is occasionally rented in whole or in part to others, or while there is rental to a roomer or boarder.

2. Premium

Charge the additional rate shown in the state rate pages.

3. Endorsement

Use Endorsement **HO 32 41** Extended Theft Coverage For Residence Premises Rented To Others For Specified Events – North Carolina.

B. Coverage – Specified Events

1. Coverage

The policy may be endorsed to insure against loss by theft to an insured's covered property when all or part of residence premises usually occupied by the insured is occasionally rented, in whole or in part, to others, or is regularly or occasionally rented to roomers or boarders. Coverage would apply for seven days (7) before and seven (7) days after the specified event and period of time indicated in the schedule of the endorsement.

2. Premium

Charge the additional rate shown in the state rate pages.

3. Endorsement

Use Endorsement **HO 32 41** Extended Theft Coverage For Residence Premises Rented To Others For Specified Events – North Carolina.

519. SPECIAL COMPUTER COVERAGE
ALL FORMS EXCEPT HO 00 03 WITH HO 32 36
OR HO 00 06 WITH HO 32 35

This rule is replaced by the following:

Status Code

- All Forms except **HO 00 06**: Code 2.
- **HO 00 06**: Code 6 when **HO 17 33** also used; Code 2 otherwise

The policy may be endorsed to insure computers and related equipment against additional risks of physical loss subject to certain exclusions. Charge the additional rate shown in the state rate pages.

Use Endorsement **HO 32 37** Special Computer Coverage.

SPECIAL STATE REQUIREMENTS

Special Provisions Endorsement – **HO 32 32**

Use this endorsement with all Homeowners policies.

No Coverage For Home Day Care Business – **HO 04 96**

This endorsement details the exclusions and restrictions of the policy with respect to a home day care exposure. Use this endorsement with all Homeowners policies.

Windstorm Exterior Paint and Waterproofing Exclusion – **HO 04 86**

Use this endorsement with all Homeowners policies in Territories 05 and 06.

[Amendatory Endorsement – North Carolina – HO 32 33](#)

[This endorsement details the limited coverages, exclusions and restrictions with respect to a fungi, wet or dry rot, or bacteria exposure. Use this endorsement with all Homeowners policies.](#)

The following special notice must be furnished with each new policy and upon each renewal:

FLOOD INSURANCE NOTICE

The North Carolina Department of Insurance has requested all companies to advise their policyholders that the homeowners policy program does not provide coverage for floods. You will not have coverage for property damage from floods unless you take steps to purchase a separate policy of flood insurance at an additional premium from the National Flood Insurance Program, 42 U.S.C. Section 4001, et seq.

This Notice does not expand or increase coverage in any homeowners policy or endorsement. That policy and accompanying endorsements remain subject to all exclusions, limitations and condition.

If you would like more information about obtaining coverage under the National Flood Insurance Program, please contact your agent or this company.

Notification may be included with other materials sent to the policyholders and may be sent in the manner normally used by the company to notify policyholders of such matters. Notification should contain, at a minimum, the attached language but may contain further information not inconsistent with the attached language at the option of the individual member company.

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 incendiaryism, thirty 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.