

# NORTH CAROLINA RATE BUREAU

POST OFFICE BOX 176010  
RALEIGH, NORTH CAROLINA 27619-6010

RAYMOND F. EVANS, JR. CPCU  
General Manager

5401 SIX FORKS ROAD  
RALEIGH, NORTH CAROLINA 27609-4435

TELEPHONE (919) 783-9790  
FACSIMILE (919) 783-0355

JERRY G. HAMRICK  
Workers Compensation Manager

F. TIMOTHY LUCAS  
Personal Lines Manager

DAVID E. SINK, JR.  
Accounting Manager

May 1, 2002

## CIRCULAR LETTER TO ALL MEMBER COMPANIES

<p>IMMEDIATE ATTENTION REQUIRED</p>
---

Re: Revised Homeowners Insurance Rates and  
Territory Definitions

### Two Filings Made

On March 22, 2002, the Rate Bureau filed with the Commissioner of Insurance proposed revised homeowners insurance rates for coverages subject to the Rate Bureau's jurisdiction. The Rate Bureau's rate filing proposed (1) a statewide average rate level change of +20.0% for all homeowner forms, with changes varying by form and by territory; (2) revised Windstorm or Hail Exclusion Credits; and (3) revised key factors for Coverage A for all forms except HO-4 and HO-6.

In addition, on January 31, 2002, the Rate Bureau filed with the Commissioner revised territory definitions to reflect more accurately the different loss exposure of various counties. (Preliminary information concerning this territory definition filing was provided to member companies for informational purposes by Circular Letter P-02-7 dated March 21, 2002).

### Modification of Filings by Consent Order

The Bureau and the Department of Insurance have negotiated an agreement as to the above filings, and on April 30, 2002, the Commissioner signed a Consent Order approving settlement of these filings. The Consent Order approves the rate filing, subject to several modifications which include (1) an approved overall statewide average rate level increase of +5.0%; (2) caps on the territorial rate increases for the owners forms; and (3) modified Windstorm or Hail Exclusion Credits to track the revised base rates.

The Consent Order also approves the territory definition filing. While the territorial definitions that were sent out by Circular Letter P-02-7 dated March 21, 2002 have not changed since that letter, the filing was subsequently amended such that the territory statistical code numbering system has been revised since that circular letter. Three territories have been re-numbered: territory 33 in the circular letter has been re-numbered to 53, territory 37 to 57, and territory 40 to 60. Therefore, you should utilize the final exhibits attached to this letter rather than the exhibits attached to the March 21, 2002 circular letter. Also, please note that the new territory map will be available in visual form on the Bureau's web site which can be accessed at [www.ncrb.org](http://www.ncrb.org).

#### Exhibits Attached

Enclosed are final exhibits which set forth (1) the rate level changes by territory and coverage; (2) the revised Windstorm or Hail Exclusion Credits; (3) revised key factors for Coverage A for all forms except HO-4 and HO-6; and (4) the revised territory definitions and statistical codes.

#### No Escrow; Effective Date

Since these changes have been approved by the Commissioner, no portion of the premiums on applicable policies is required to be escrowed. The approved changes are to be implemented in accordance with the following Rule of Application:

These changes are applicable to all new and renewal policies effective on or after August 15, 2002.

The enclosed exhibits are intended to enable you to implement the approved revisions in accordance with the above Rule of Application. Time is of the essence, particularly since changes have been made in the territorial definitions. 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.

#### Compliance with Revised Rates and Territorial Changes is Mandatory

In connection with the implementation of the revised rates and territorial definitions, 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 proposed deviation is based on

sound actuarial principles and if the deviation is approved by the Commissioner..."

Notice of Rate Changes

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:dp

Enclosures

P-02-9

NORTH CAROLINA

HOMEOWNERS INSURANCE

STATEWIDE AND TERRITORY RATE LEVEL CHANGES

<u>Territory</u>	<u>Forms 2, 3, 3w/15 &amp; 8</u>	<u>Form 4</u>	<u>Form 6</u>
05	+ 30.0%	+36.0%	+46.3%
06	+ 30.0%	+36.0%	+46.3%
32	+ 6.0%	-12.6%	-4.7%
53	+ 5.0%	-16.2%	-11.9%
34	+ 15.0%	+1.0%	+5.5%
36	+ 2.0%	-28.1%	-19.2%
57	+ 2.0%	-27.0%	-32.6%
38	+ 2.0%	-22.4%	-25.5%
39	+ 0.0%	-29.3%	-19.6%
60	+ 0.0%	-35.5%	-35.9%
41	+ 20.0%	-13.5%	-13.5%
42	+ 20.0%	-5.6%	+6.9%
43	+ 20.0%	-5.6%	+6.9%
44	+ 15.0%	-17.1%	-13.8%
45	+ 15.0%	-13.7%	-19.3%
46	+ 2.0%	-16.4%	-15.5%
47	+ 6.0%	-14.4%	-20.9%
Statewide	+ 6.1%	-20.9%	-17.6%

NORTH CAROLINA

HOMEOWNERS INSURANCE

CURRENT AND REVISED TERRITORY BASE RATES (A)

<u>Territory</u>	<u>Current</u>			<u>APPROVED</u>		
	<u>Form 3 (B)</u>	<u>Form 4 (C)</u>	<u>Form 6 (C)</u>	<u>Form 3</u>	<u>Form 4</u>	<u>Form 6</u>
05	\$674	\$78	\$67	\$ 901	\$106	\$ 98
06	\$674	\$78	\$67	\$ 901	\$106	\$ 98
32	\$361	\$60	\$51	\$ 398	\$ 52	\$ 49
53	\$354	\$58	\$50	\$ 390	\$ 49	\$ 44
34	\$383	\$62	\$53	\$ 447	\$ 63	\$ 56
36	\$334	\$61	\$52	\$ 354	\$ 44	\$ 42
57	\$341	\$61	\$52	\$ 357	\$ 45	\$ 35
38	\$335	\$61	\$52	\$ 358	\$ 47	\$ 39
39	\$337	\$61	\$52	\$ 350	\$ 43	\$ 42
60	\$310	\$58	\$50	\$ 319	\$ 37	\$ 32
41	\$375	\$62	\$53	\$ 457	\$ 54	\$ 46
42	\$479	\$76	\$65	\$ 588	\$ 72	\$ 69
43	\$479	\$76	\$65	\$ 588	\$ 72	\$ 69
44	\$309	\$58	\$50	\$ 365	\$ 48	\$ 43
45	\$377	\$62	\$53	\$ 443	\$ 54	\$ 43
46	\$377	\$62	\$53	\$ 393	\$ 52	\$ 45
47	\$377	\$62	\$53	\$ 409	\$ 53	\$ 42

(A) Base Class is Protection Class 5, Frame Construction.

(B) The current rates are those in effect adjusted to a \$75,000 base.

(C) The current rates are those in effect adjusted to a \$10,000 base.

---

**ADDITIONAL RULE(S)**

---



---

**INSTALLMENT PAYMENT PLAN**

---

C. Charge per installment.....\$ 3

---

**WATER BACK UP OF SEWERS OR DRAINS**

---

B. Charge per policy  
Up to the policy limits of liability .....\$25

---

**WINDSTORM OR HAIL EXCLUSION –  
TERRITORIES 05, 06, 42 and 43 ONLY**

---

Territories 05 and 06		Territories 42 and 43	
All Forms Except HO 00 04 and		All Forms Except HO 00 04 and	
HO 00 06	\$[427] <u>665</u>	HO 00 06	\$[219] <u>319</u>
HO 00 04	\$[ 21] <u>52</u>	HO 00 04	\$[ 18] <u>26</u>
HO 00 06	\$[ 17] <u>53</u>	HO 00 06	\$[ 14] <u>29</u>

---

**THEFT COVERAGE – NEWLY CONSTRUCTED  
DWELLINGS**

---

B. Charge per policy.....\$13

---

**WATERBED LIABILITY – FORMS HO 00 04 AND  
HO 00 06**

---

B. Charge per policy.....\$14

---

**HOME BUSINESS SECTION II – LIABILITY**

---

1. Home Business Basic Limits Premiums – Coverages E and F
  - a. Office (Gross Annual Receipts Up To \$250,000)

Business Visitors		
Per Week*	Under 10	10 or more
	\$2.44	\$3.66

301. BASE PREMIUM COMPUTATION  
CLASSIFICATION AND KEY FACTOR TABLES

A.1. All Forms Except HO 00 04 & 06

a. Classification Tables

(1) Form Factors	
Form HO 00 02	.95
Form HO 00 03	1.00
Form HO 00 03 w/15	1.30
Form HO 00 08	1.25

(2) Protection – Construction Factors

Prot. Class	Construction*	
	Frame	Masonry
1-6	1.00	.95
7	1.25	1.00
8	1.40	1.10
9, 9E, 9S	1.50	1.30
10	1.90	1.60

b. Key Factors

Coverage A		
Amount	Code	Factor
**\$ 10,000	(010)	[.367] .510
**\$ 12,000	(012)	[.389] .526
**\$ 14,000	(014)	[.411] .542
**\$ 16,000	(016)	[.434] .558
**\$ 18,000	(018)	[.457] .574
20,000	(020)	[.479] .590
22,000	(022)	[.501] .606
24,000	(024)	[.525] .622
26,000	(026)	[.547] .638
28,000	(028)	[.569] .654
30,000	(030)	[.592] .670
32,000	(032)	[.615] .686
34,000	(034)	[.637] .702
36,000	(036)	[.660] .718
38,000	(038)	[.682] .734
40,000	(040)	[.705] .750
42,000	(042)	[.719] .766
44,000	(044)	[.733] .782
46,000	(046)	[.747] .798
48,000	(048)	[.761] .814
50,000	(050)	[.775] .830
55,000	(055)	.853
60,000	(060)	.930
65,000	(065)	.953
70,000	(070)	.977
75,000	(075)	1.000
80,000	(080)	1.023
85,000	(085)	1.040
90,000	(090)	1.050
95,000	(095)	1.068
100,000	(100)	1.109
110,000	(110)	1.195
120,000	(120)	1.281
130,000	(130)	1.367
140,000	(140)	1.453
150,000	(150)	1.539
160,000	(160)	[1.623] 1.609
170,000	(170)	[1.711] 1.679
180,000	(180)	[1.797] 1.749
190,000	(190)	[1.883] 1.819
200,000	(200)	[1.969] 1.889
<b>Each Add'l \$1,000</b>	<b>(+)</b>	<b>[.0086] .0070</b>

FOOTNOTES

\* Masonry Veneer is rated as Masonry. Aluminum or Plastic Siding over Frame is rated as Frame.

Minimum Limits of Liability

\*\* Section I – Property

	HO 00 02 & 03	HO 00 08
Primary Location	\$25,000	\$15,000
Secondary Location	\$15,000	\$10,000

Section II – Liability

	All Forms
Personal Liability	\$25,000
Medical Payments to Others	\$ 1,000

**301. BASE PREMIUM COMPUTATION  
CLASSIFICATION AND KEY FACTOR TABLES (Cont'd)**

**A.2. HO 00 04 & 06**

a. Classification Tables

Protection – Construction Factors

Prot. Class	Construction*	
	Frame	Masonry
1-6	1.00	.90
7	1.00	.90
8	1.10	.90
9, 9E, 9S	1.50	1.20
10	1.70	1.30

~~A.3. HO 00 06~~

- ~~To develop the BASE PREMIUM for **HO 00 06**,~~
- ~~multiply the **HO 00 04** BASE PREMIUM by a factor of:~~
- ~~.855 when **HO 17 31** is **not** part of the policy.~~
- ~~1.197 when **HO 17 31** is part of the policy.~~

**FOOTNOTES**

- \* Masonry Veneer is rated as Masonry.
- Aluminum or Plastic Siding over Frame is rated as Frame.

Minimum Limits of Liability

\*\* Section I – Property

- HO 00 04** – \$ 6,000
- HO 00 06** – \$10,000
- HO 00 06** – \$ 5,000 or less  
available only for Units  
Regularly Rented to Others

Section II – Liability

	All Forms
Personal Liability	\$25,000
Medical Payments to Others	\$ 1,000

b. Key Factors

Coverage A		
Amount	Code +	Factor
** \$ 1,000	(001)	.37
** 2,000	(002)	.44
** 3,000	(003)	.51
** 4,000	(004)	.58
** 5,000	(005)	.65
** 6,000	(006)	.72
** 7,000	(007)	.79
** 8,000	(008)	.86
** 9,000	(009)	.93
** 10,000	(010)	1.00
11,000	(011)	1.10
12,000	(012)	1.20
13,000	(013)	1.30
14,000	(014)	1.40
15,000	(015)	1.50
16,000	(016)	1.58
17,000	(017)	1.66
18,000	(018)	1.74
19,000	(019)	1.82
20,000	(020)	1.90
21,000	(021)	1.98
22,000	(022)	2.06
23,000	(023)	2.14
24,000	(024)	2.22
25,000	(025)	2.30
26,000	(026)	2.38
27,000	(027)	2.46
28,000	(028)	2.54
29,000	(029)	2.62
30,000	(030)	2.70
31,000	(031)	2.78
32,000	(032)	2.86
33,000	(033)	2.94
34,000	(034)	3.02
35,000	(035)	3.10
36,000	(036)	3.18
37,000	(037)	3.26
38,000	(038)	3.34
39,000	(039)	3.42
40,000	(040)	3.50
<b>Each Add'l \$1,000</b>	<b>(+)</b>	<b>.08</b>

Formatted: Strikethrough



NORTH CAROLINA  
HOMEOWNERS POLICY PROGRAM  
REVISED TERRITORY DEFINITIONS AND RULES

The Commissioner of Insurance has approved revised Homeowner territory definitions to more accurately reflect differences in the exposure to the peril of windstorm and hail. Below is a summary of the changes.

1. The current territory 35 is being subdivided into the following three separate territories.

The following counties will be in a new territory 45:

Bertie	Lenoir
Duplin	Martin
Gates	Pitt
Greene	Sampson
Hertford	Wayne

The following counties will be in a new territory 46:

Caswell  
Granville  
Person  
Vance  
Warren

The following counties will be in a new territory 47:

Edgecombe	Lee
Franklin	Moore
Halifax	Nash
Harnett	Northampton
Hoke	Scotland
Johnston	Wilson

2. The remaining counties in territory 35 are moved into the following territories:

Alamance 57  
Chatham 53

3. The following counties are removed from territory 40 into their own new territory 44.

Anson  
Montgomery  
Richmond

4. Stokes County is moved from territory 37 to territory 60.
5. Former territory 35 is retired.
6. Territory 33 is renumbered to 53.
7. Territory 37 is renumbered to 57.
8. Territory 40 is renumbered to 60.

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

**A. Cities**

<b>City of</b>	<b>County of</b>	<b>Code</b>
Charlotte	Mecklenburg	38
Durham	Durham	32
Greensboro	Guilford	36
Raleigh	Wake	32
Winston-Salem	Forsyth	36

**B. Other Than Cities**

<b>County of</b>	<b>Code</b>
Alamance	57
Alexander	60
Alleghany	60
Anson	44
Ashe	60
Avery	60
Beaufort	43
Bertie	45
Bladen	41
Brunswick	42
Buncombe	60
Burke	60
Cabarrus	60
Caldwell	60
Camden	43
Carteret	43
Caswell	46
Catawba	60
Chatham	53
Cherokee	60
Chowan	43
Clay	60
Cleveland	60
Columbus	41
Craven	43
Cumberland	34
Currituck	43
Dare	43
Davidson	57
Davie	60
Duplin	45
Durham	53
Edgecombe	47
Forsyth	57
Franklin	47
Gaston	39
Gates	45
Graham	60
Granville	46
Greene	45
Guilford	57
Halifax	47
Harnett	47
Haywood	60

<b>County of</b>	<b>Code</b>
Henderson	60
Hertford	45
Hoke	47
Hyde	43
Iredell	60
Jackson	60
Johnston	47
Jones	43
Lee	47
Lenoir	45
Lincoln	60
Macon	60
Madison	60
Martin	45
McDowell	60
Mecklenburg	39
Mitchell	60
Montgomery	44
Moore	47
Nash	47
New Hanover	42
Northampton	47
Onslow	42
Orange	53
Pamlico	43
Pasquotank	43
Pender	42
Perquimans	43
Person	46
Pitt	45
Polk	60
Randolph	57
Richmond	44
Robeson	41
Rockingham	60
Rowan	60
Rutherford	60
Sampson	45
Scotland	47
Stanly	60
Stokes	60
Surry	60
Swain	60
Transylvania	60
Tyrrell	43
Union	39
Vance	46
Wake	53
Warren	46
Washington	43
Watauga	60
Wayne	45
Wilkes	60
Wilson	47
Yadkin	57
Yancey	60

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 Carteret, Currituck, Dare and Hyde Counties: 05  
Beach areas in Brunswick, New Hanover, Onslow and Pender Counties: 06