



September 29, 2004

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Introduction of Insurance Services Office (ISO)  
Homeowners Policy Program (2000 Edition)

The North Carolina Commissioner of Insurance has approved the HO 2000 Homeowners Policy Program for use by all member companies in North Carolina. This new Homeowners Policy Program will replace the current Homeowners 1991 (HO 91) Program. This Program will become effective April 1, 2005 in accordance with the following Rule of Application:

These changes are applicable to all new and renewal policies written on or after April 1, 2005.

OBTAINING COPIES

By circular letter dated August 28, 2004, for member companies advanced planning, the Rate Bureau announced the filing of the HO-2000 and indicated that copies of the filing, memoranda and exhibits which set forth and explained the forms, endorsements and rating manual to be utilized with the new HO 2000 Program were available through the Department of Insurance web site set forth below. The Program can still be accessed through the Department of Insurance web site, but it is available only in a PDF format. However, if member companies would like to access the forms and endorsements in a Word format, please access the Insurance Services Office (ISO) web site through [ISONet](#). When accessing the forms and endorsements through ISONet, please indicate the effective date of April 1, 2005 to access the appropriate forms. At the present time, only the multistate forms are available at ISONet, however, the North Carolina Specific endorsements will be available in the near future. With regard to the revised rating manual, the only access is through the Department of Insurance web site at <http://infoportal.ncdoi.net/filingdetail.jsp?fid=361600>.

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#### NOTIFICATION TO POLICYHOLDERS

G.S. 58-36-45 provides in part that whenever an insurer changes the coverage in a policy, it shall give the policyholder notice of such coverage change at least 15 days in advance of the effective date and provide a copy of such notice to the agent. Further, case law in North Carolina has held that when an insurer renews a policy, the policyholder may assume that the renewal policy will be the same as the earlier policy unless reductions in coverage are clearly, conspicuously and unambiguously called to the policyholder's attention. North River Insurance v. Young, 117 N.C. App. 663, 453 S.E. 2d 205 (1995). The necessity and manner of notifying policyholders of coverage revisions is an individual company responsibility. However, the Rate Bureau will be sending out, for your consideration, within the next few weeks a sample Notice To Policyholders prepared by ISO. You may also want to consider the advisability of notifying the policyholder that the HO 2000 is a new contract rather than a renewal of the prior contract. It is suggested that you consult with your attorney as to the necessity, method, detail and language of your policyholder notification.

COINSURANCE CONTRACT

Under G.S. 58-3-15 the term "coinsurance contract" must be appropriately printed or stamped on policies that constitute coinsurance. The North Carolina Court of Appeals held in Surratt v. Grain Dealers, 74 N.C. App. 288, 328 S.E. 2d 16 (1985) that the language in certain policies and endorsements rendered them coinsurance contracts, and this interpretation would likely apply to the HO 2000 Program. The Department of Insurance has previously directed that the term "coinsurance contract" should be the size or type sufficient to comply with G.S. 58-38-20; i.e., in a typeface "at least as large as 10 point modern type, 1 point leaded...". The Department also has suggested that the term be located (1) on the Declarations Page or policy jacket and (2) also on any applicable endorsement attached to the policy. Placement of the term is the responsibility of each member company. You are advised to consult with your counsel to assure compliance. Based on a study by a Rate Bureau Subcommittee, at least the following policies and endorsements in the HO 2000 program are, or may be construed to contain, coinsurance provisions under the court's definition:

<u>Policy Forms</u>	<u>Endorsements</u>
HO 00 02 Broad Form	HO 04 56 Special Loss Settlement
HO 00 03 Special Form	HO 04 78 Multiple Company Insurance
HO 00 05 Comprehensive	HO 32 11 Additional Limits for Liability Coverages A, B, C & D
	HO 32 20 Specified Additional Limits for Coverage A
	HO 32 50 Functional Replacement Cost Loss Settlement-North Carolina

Please make sure that this information is brought to the attention of interested personnel within your Company.

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dp

Enclosures

P-04-13