



September 21, 2006

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Senate Bill 277 - Notice of
Non-Coverage of Flood, Earthquake, etc

Section 2 of Senate Bill 277 enacted G.S. §58-44-60 which requires every insurer that sells property insurance policies which do not provide coverage for the perils of flood, earthquake, mudslide, mudflow or landslide to identify to the policyholder which of those perils are not covered in the policy. This requirement is effective as to policies issued or renewed on or after January 1, 2007. The following is the language that is required by the statute.

WARNING: THIS PROPERTY INSURANCE POLICY DOES NOT PROTECT YOU AGAINST LOSSES FROM [FLOODS], [EARTHQUAKES], [MUDSLIDES], [MUDFLOWS], [LANDSLIDES]. 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.

The Property Committee of the Rate Bureau (Bureau) has requested that Bureau staff coordinate with the Department of Insurance (Department) to determine the Department's position as to several issues related to this warning notice. As a result of meetings with the Department, the Department has provided the following interpretations and guidance:

- (1) The statute requires the notice to be "on a separate page immediately before the declaration page." Such a requirement may present problems for companies that have the insured's name and address appear on the declarations page and through the window of an envelope. The Department's position is that, if a company places a "mailing page" immediately preceding the declaration page in which the only purpose of the "mailing page" is to provide the insured name and address so as to fit in a window envelope, the company may print the statutory language on the "mailing page".

- (2) With regard to the Flood Notice as provided in the current Homeowners Policy Program, Manual Rule A.1.D - Flood Insurance Notice, please note that the current requirements as specified by this rule will be replaced by this new "Notice" to coincide with the effective date of the new statute. Revised manual rule pages will be distributed at a later date.

Please note that this information is advisory only. This warning has not been filed by the Bureau with the Department, but the interpretations referenced above result from extensive discussions with the Department regarding the notice. As always, please consult your own legal counsel regarding these requirement as well as other statutory requirements, such as font size, included in this statute. Please note that the Department's interpretations may not be binding on the courts.

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

P-06-15