NCRB-NCRF-NCIGA

north carolina
RATE BUREAU
REINSURANCE FACILITY
INSURANCE GUARANTY ASSOCIATION

North Carolina Rate Bureau

September 26, 2006

<u>CIRCULAR LETTER TO ALL MEMBER COMPANIES</u>

Re: Homeowners Policy Program
Primary Insurance Coverage Endorsement
HO 32 02 08 06

The Commissioner of Insurance has approved the attached new Primary Insurance Coverage Endorsement HO 32 02 08 06 designed for use on an optional basis in North Carolina with the Homeowners Policy Program. This endorsement and the approved manual rule (copy attached) are available only for policies written in the North Carolina Insurance Underwriting Association (NCIUA). Member companies of the North Carolina Rate Bureau may not use this form because it has not been approved for use on a voluntary basis. The purpose of notifying the member companies of this change is to provide notice of the manual rule addition.

The new Primary Insurance Coverage Endorsement is designed to be attached to a Homeowners Policy which has been placed in the NCIUA allowing them to become the primary carrier for an insured property for coverage up to $1 million by amending the other insurance condition in the Homeowners Policy.

This change becomes effective in accordance with the following Rule of application:

> This change becomes effective with respect to new and renewal policies effective on or after September 21, 2006

If you have any questions concerning this matter please feel free to contact me.

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dms
Enclosures
P-06-16

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

PRIMARY INSURANCE FOR COVERAGE A – DWELLING
NORTH CAROLINA FORM HO 00 02 AND HO 00 03

It is agreed that the policy is amended as follows:

SECTION I – PROPERTY COVERAGES

E. Additional Coverages

The last paragraph of **3. Trees, Shrubs and Other Plants, 4. Fire Department Service Charge,** and **11. Ordinance or Law** (HO 00 02 and HO 00 03) is deleted and replaced by the following:

Payment under this coverage reduces the limit of liability that applies to the damaged covered property by the amount paid for the same loss.

SECTION I - CONDITIONS

F.Other Insurance and Service Agreement is deleted and replaced by the following:

F. Other Insurance and Service Agreement.

If a loss covered by this policy is also covered by:

1. Other insurance, the insurance for the property covered under Coverage A – Dwelling, shall be primary over any other valid and collectible insurance available to you.; or

2. A service agreement, this insurance is excess over any amounts payable under any such agreement. Service agreement means a service plan, property restoration plan, home warranty or other similar service warranty agreement, even if it is characterized as insurance.

All other provisions of this policy apply.

RULE A11. PRIMARY INSURANCE COVERAGE

1. **Endorsement**

   HO 32 02 – HO 00 02 and HO 00 03

   Use the Primary Insurance Endorsement, specified above, only with a North Carolina Insurance Underwriting Association (NCIUA) policy.

   This endorsement replaces the Other Insurance Condition in the policy form and make the NCIUA policy primary insurance for the insured property. When a Primary Insurance Endorsement is not attached to the policy, the Other Insurance Condition in the policy form is unchanged.

2. **Rating**

   A. Primary Insurance

      1. **For HO 00 02 or HO 00 03** When the Coverage Limit of Liability is less than 100% of actual cash value or replacement value, divide the selected limit by the ACV or replacement value, whichever applies. The result is the "Percent of Total Value".

      2. Go to the First Loss Table below provided and select the factor in Column **2** that corresponds to the "Percent of Total Value" computed in **1.** above

      3. Multiply the total value of the dwelling or personal property (actual or replacement) by the factor selected in **2.** above.

      4. Use the resulting product as the limit for computing the premium.

B. Coverage A Example

   Replacement Value of Dwelling: $5,000,000

   Primary Policy – Coverage **A** Limit: $1,000,000

   1. Divide Coverage **A** Limit by Replacement Value limit ($1,000,000/$5,000,000 = 20% or 20.00 Percent of Total Value).

   2. Find Factor that corresponds to Percent of Total Value.

   3. Multiply Replacement Value by Factor from Column **2** ($5,000,000) (65.5) = $3,275,000.

   4. Use resulting product to compute Coverage **A** premium (Rate the policy as if $3,275,000 is the Coverage **A** limit to be insured)

Note: This procedure is used to determine the appropriate exposure basis for primary insurance. It does not increase the amount of coverage available.

FIRST LOSS TABLE

(Used When Primary Coverage Provided)

% of Total Value	Factor	% of Total Value	Factor	% of Total Value	Factor
1.00	22.4	10.00	54.0	56.00	84.1
1.10	22.9	11.00	55.1	57.00	84.4
1.20	23.5	12.00	56.3	58.00	84.6
1.30	24.1	13.00	57.4	59.00	84.8
1.40	24.7	14.00	58.6	60.00	85.0
1.50	25.2	15.00	59.7	61.00	85.3
1.60	25.8	16.00	60.9	62.00	85.5
1.70	26.4	17.00	62.0	63.00	85.7
1.80	27.0	18.00	63.2	64.00	86.0
1.90	27.5	19.00	64.3	65.00	86.2
2.00	28.1	20.00	65.5	66.00	86.4
2.10	28.4	21.00	66.0	67.00	86.7
2.20	28.7	22.00	67.8	68.00	86.9
2.30	29.0	23.00	68.9	69.00	87.1
2.40	29.3	24.00	70.1	70.00	87.3
2.50	29.6	25.00	71.2	71.00	87.6
2.60	29.8	26.00	72.0	72.00	87.8
2.70	30.1	27.00	72.1	73.00	88.0
2.80	30.4	28.00	73.4	74.00	88.3
2.90	30.7	29.00	74.1	75.00	88.5
3.00	31.0	30.00	74.8	76.00	89.0
3.10	31.6	31.00	75.6	77.00	89.4
3.20	32.1	32.00	76.3	78.00	89.9
3.30	32.7	33.00	77.0	79.00	90.3
3.40	33.3	34.00	77.3	80.00	90.8
3.50	33.9	35.00	77.6	81.00	91.3
3.60	34.4	36.00	78.0	82.00	91.7
3.70	35.0	37.00	78.4	83.00	92.2
3.80	35.6	38.00	78.8	84.00	92.6
3.90	36.2	39.00	79.2	85.00	93.1
4.00	36.7	40.00	79.5	86.00	93.6
4.10	37.3	41.00	79.9	87.00	94.0
4.20	37.9	42.00	80.2	88.00	94.5
4.30	38.5	43.00	80.4	89.00	94.9
4.40	39.0	44.00	80.8	90.00	95.4
4.50	39.6	45.00	81.1	91.00	95.9
4.60	40.2	46.00	81.5	92.00	96.3
4.70	40.8	47.00	81.8	93.00	96.8
4.80	41.3	48.00	82.1	94.00	97.2
4.90	41.9	49.00	82.4	95.00	97.7
5.00	42.5	50.00	82.7	96.00	98.2
6.00	44.8	51.00	83.0	97.00	98.6
7.00	47.1	52.00	83.2	98.00	99.1
7.50	48.2	53.00	83.4	99.00	99.5
8.00	49.4	54.00	83.7	100.00	100.0
9.00	51.7	55.00	83.9		