

NORTH CAROLINA RATE BUREAU

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September 1, 1999

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Revised Dwelling Fire and Extended Coverage
Insurance Rates - North Carolina

The Rate Bureau filed with the Commissioner of Insurance proposed revised premium rates for dwelling fire and extended coverage insurance subject to the Rate Bureau's jurisdiction. The Rate Bureau's filing proposed (1) statewide average rate level changes of 10.7% for fire insurance and 14.9% for extended coverage insurance; (2) rate levels varying by territory within the state according to the loss experience within the territory; (3) revised windstorm or hail exclusion credits; and (4) the withdrawal of Endorsements DP 32 48 and DP 32 49 Dwelling and Public Protection Classes 9, 9S and 10 (Endorsements AA@ and AB@).

The Commissioner of Insurance and the Rate Bureau have entered a Consent Order which provides for the approval of the filing subject to the following modifications: (1) an overall rate level increase of 4.3% for fire insurance and 6.1% for extended coverage insurance; (2) rate levels varying by territory revised to balance to the approved overall rate level increases; (3) windstorm or hail exclusion credits revised in accordance with the approved territory rate levels.

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 December 1, 1999.

Since these revised rates have been established by Consent Order and have been approved by the Commissioner of Insurance, no portion of the premiums on policies to which this Consent Order applies is required to be escrowed. The enclosed exhibits set forth (1) the rate level changes by territory; (2) new windstorm or hail exclusion credits; and (3) the other material to be implemented.

These exhibits are intended for your advance information to enable you to make preparations to implement the approved revisions. Reprinted dwelling 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.

In connection with the implementation of the revised rates, your attention is

directed to G.S. 58-36-30(a) which provides in part as follows:

ANo insurer, officer, agent or representative thereof shall knowingly issue or deliver or knowingly permit the issuance or delivery of any policy of insurance in this state which does not conform to the rates, rating plans, classifications, schedules, rules and standards made and filed by the Bureau. However, an insurer may deviate from the rates promulgated by the Bureau provided the insurer has filed a deviation to be applied both with the Bureau and the Commissioner, and provided said deviation is uniform in its application to all risks in this state of the class to which such deviation is to apply; and provided such deviation is approved by the Commissioner...@

G.S. 58-36-45 provides in part as follows:

ANwhenever an insurer changes the coverage other than at the request of the insured or changes the premium rates, 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...@

It is our opinion that receipt by an insured and agent, at least 15 days in advance of the effective date of a renewal policy, renewal certificate, billing or endorsement showing revised rates, together with a notice such as referred to below, complies with this statutory requirement. A notice should accompany such renewal policies, certificates, endorsements or billings as they become subject to the revised rates which notice may, in our opinion, be in a form at company option (printed notice, stamp notice, stick-on label, etc.), and the suggested language is as follows:

NOTICE OF RATE CHANGE - NORTH CAROLINA

The premium for this policy reflect changes in rates applicable to North Carolina placed into effect under the provisions of Article 36, Chapter 58 of the North Carolina General Statutes.

It is important that each Company establish procedures that will insure continued compliance with the above cited 15 day advance notice requirement.

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

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL: dp

P-99-15