

# NORTH CAROLINA RATE BUREAU

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February 17, 1999

## CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Revised Homeowners Insurance Rates  
North Carolina

### Rate Filing Settlement

On December 3, 1998, the Rate Bureau filed with the Commissioner of Insurance proposed revised rates for homeowners insurance coverages subject to the Rate Bureau's jurisdiction. The Rate Bureau's filing proposed (1) statewide average rate level changes of 15.6% for all Forms except HO-4 and HO-6; (2) revised windstorm or hail exclusion credits; and (3) several classification plan changes which were announced by our Circular Letter to All Member Companies P-98-17 dated December 4, 1998.

On February 17, 1999, the Commissioner of Insurance signed a Settlement Agreement and Consent Order which provides for the approval of the Rate Bureau's December 3, 1998 filing subject to modifications which include (1) an overall rate level increase of 4.3%; (2) amended territorial rates; and (3) amended windstorm or hail exclusion credits. The approved changes are to be implemented in accordance with the following Rule of Application:

These changes are applicable to all new policies effective on or after June 1, 1999 and all renewal policies effective on or after July 15, 1999.

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

The enclosed exhibits are intended for your advance information to enable you to make preparations to implement the approved revisions. Reprinted homeowners 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 the deviation to be applied both with the Bureau and the Commissioner, and provided the 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... @

### Notice of Rate Changes

Your attention is 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 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... @

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 above cited 15 day advance notice requirement.

### Flood Insurance Notification

During settlement discussions, the Commissioner of Insurance advised the Rate

Bureau that the National Association of Insurance Commissioners and the Federal Emergency Management Agency have expressed concern over the fact that many people choose not to buy flood insurance from the National Flood Insurance Program. As a result, the Commissioner directed the Rate Bureau to advise member companies that a flood insurance notice be sent to their policyholders. Enclosed is a copy of the Commissioner's Directive. Member companies are advised that notification efforts are applicable to all new policies effective on or after June 1, 1999 and all renewal policies effective on or after July 15, 1999. Also enclosed is a new homeowners manual rule approved by the Commissioner which provides for the notification. Member companies should take appropriate steps to implement procedures to send the notification to policyholders.

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

Enclosures

P-99-5