

November 29, 2012

CIRCULAR LETTER TO ALL MEMBER COMPANIES

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

On January 4, 2011, 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) a combined average rate level increase of 20.5%; (2) rate levels varying by territory within the state according to the loss experience within each territory; (3) revised windstorm or hail exclusion credits; and (4) revised territory definitions.

Following a public hearing, the Commissioner of Insurance on December 9, 2011 issued an Order adopting the proposed fire rate level changes and the revised territory definitions but rejecting in total the proposed extended coverage rate level changes. Following a vote of the Governing Committee, the Rate Bureau implemented the Commissioner's ordered rate level and appealed the Commissioner's Order to the Court of Appeals. By Circular Letter To All Member Companies P-12-1 dated January 17, 2012, member companies were notified of the revised rate level for fire (there was no change to the extended coverage rate level) and the revised territory definitions. Those changes were applicable to all new and renewal policies that became effective on or after May 1, 2012.

On November 26, 2012, the Commissioner of Insurance and the Rate Bureau entered into a [Settlement Agreement and Consent Order \(click here for copy\)](#) which continues the approval of the fire insurance rate changes implemented May 1, 2012 as described above and provides for overall statewide rate level increases for extended coverage insurance to be spread over three years as follows:

- An 11.4% statewide average increase applicable to all new and renewal policies becoming effective on or after March 1, 2013, varying by territory;
- An 8.3% increase, in all territories, applicable to all new and renewal policies becoming effective on or after March 1, 2014; and
- A 3.4% increase, in all territories, applicable to all new and renewal policies becoming effective on or after March 1, 2015.

The Settlement Agreement and Consent Order also modifies the Windstorm or Hail exclusion credits for the various territories.

Information pertaining to the rate level changes in the second and third years as described above will be provided in the future. The remainder of this Circular Letter pertains solely to the changes in the first year.

The approved changes for the first year (the 11.4% statewide average rate level increase for dwelling extended coverage insurance) are to be implemented in accordance with the following Rule of Application:

These changes are applicable to all new and renewal policies becoming effective on or after March 1, 2013.

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 key premiums by territory for the first year of the Consent Order; and (2) new windstorm or hail exclusion credits for the first year of the Consent Order. 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:

" . . . no insurer and no officer, agent or representative of an insurer shall knowingly issue or deliver or knowingly permit the issuance or delivery of any policy of insurance in this State that does not conform to the rates, rating plans, classifications, schedules, rules and standards made and filed by the Bureau. An insurer may deviate from the rates promulgated by the Bureau if the insurer has filed the proposed deviation with the Bureau and the Commissioner, if the proposed deviation is based on sound actuarial principles, and if the proposed deviation is approved by the Commissioner."

Your attention is also 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 rate, 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 . . ."

The manner of giving such notice to insureds is up to the individual company. 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, endorsement or other information 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 15 day advance notice requirement.

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

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

Enclosures

P-12-7