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RATE BUREAU
REINSURANCE FACILITY
INSURANCE GUARANTY ASSOCIATION

North Carolina Rate Bureau

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JAN 0 3 2014

N.C. Dept of Insurance
Property & Casualty

January 3, 2014

Honorable Wayne Goodwin
Commissioner of Insurance
North Carolina Department of Insurance
P. O. Box 26387
Raleigh, North Carolina 27611

Re: Revision of Homeowners Insurance Rates and Homeowners Insurance Territory Definitions

Dear Sir:

Enclosed herewith for filing on behalf of all member companies of the North Carolina Rate Bureau are revised premium rates for homeowners insurance subject to the jurisdiction of the Rate Bureau. This filing also includes revised homeowners insurance territory definitions.

The enclosed memoranda and exhibits set forth and explain the calculations for needed rate level changes that have been capped by territory to produce an overall statewide average rate level change of +25.3%. The filing shows the filed rate levels varying by territory within the state, based on the revised territory definitions, and the filed windstorm and hail exclusion credits.

The foregoing changes were calculated based on rates currently in force and reflect consideration duly given to data for the experience period set forth herein. Ratios in the filing relating to expense experience were developed from special calls issued by the Rate Bureau. In preparing this filing, due consideration has been given to the factors specified in G.S. 58-36-10(2).

Information and statistical data required pursuant to G.S. 58-36-15 and 11 NCAC 10.1105 are shown and referenced in Section E. Additionally, the pre-filed testimony of (a) Robert J. Curry, Assistant Vice President and Actuary - Insurance Services Office, Inc.; (b) Brian Donlan, Allstate Insurance Company, Chairman, Property Rating Subcommittee; (c) David Lalonde, Senior Vice President – AIR Worldwide Corporation; (d) Dr. James Vander Weide, Fuqua School of Business, Duke University; and (e) Dr. David Appel - Director – Milliman, Inc. are submitted herewith.

The revised rates are to become effective in accordance with the following Rule of Application:

> These changes are applicable to all new and renewal policies becoming effective on or after August 1, 2014.

Your approval of this filing is respectfully requested.

Very truly yours,

Raymond F. Evans, Jr. CPCU
General Manager

Enclosures

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N.C. Dept of Insurance
Property & Casualty

NORTH CAROLINA

HOMEOWNERS INSURANCE

REVISION OF RATES

NORTH CAROLINA

HOMEOWNERS INSURANCE

SECTION A - SUMMARY OF REVISION

NORTH CAROLINA

HOMEOWNERS INSURANCE

STATEWIDE RATE LEVEL CHANGES

FORM	PREMIUM WEIGHT [(A)]	INDICATED CHANGE	FILED CHANGE
OWNERS	$2,258,101,591	39.3%	24.5%
TENANT	$45,066,775	89.0%	54.7%
CONDOMINIUMS	$22,630,296	74.1%	49.7%
ALL FORMS	$2,325,798,662	40.6%	25.3%

(A) Year-ended 12/31/2011 aggregate premium at current level

NORTH CAROLINA

HOMEOWNERS INSURANCE

STATEWIDE AND TERRITORY RATE LEVEL CHANGES

		INDICATED RATE LEVEL CHANGE			FILED RATE LEVEL CHANGE		
New Territory	Current Territory	Owners	Tenant	Condominiums	Owners	Tenant	Condominiums
07	07	120.3%	194.4%	157.5%	35.0%	55.0%	55.0%
08	08	132.8%	211.6%	178.8%	35.0%	55.0%	55.0%
48	48	9.8%	73.7%	59.0%	9.8%	55.0%	55.0%
49	49	7.8%	52.8%	30.8%	7.8%	52.8%	30.8%
52A	52	137.9%	194.1%	167.5%	35.0%	55.0%	55.0%
52B	52	-2.7%	60.0%	36.1%	-2.7%	55.0%	36.1%
101	36	18.2%	79.5%	51.3%	18.2%	55.0%	51.3%
101	38	16.9%	61.2%	40.5%	16.9%	55.0%	40.5%
101	39	23.2%	92.7%	68.6%	23.2%	55.0%	55.0%
101	46	9.5%	71.7%	34.1%	9.5%	55.0%	34.1%
101	57	13.8%	79.5%	51.3%	13.8%	55.0%	51.3%
101	60	29.8%	113.5%	73.5%	29.8%	55.0%	55.0%
102	60	21.1%	51.4%	61.8%	21.1%	51.4%	55.0%
103	44	-0.8%	46.0%	41.5%	-0.8%	46.0%	41.5%
103	57	24.5%	65.9%	48.7%	24.5%	55.0%	48.7%
103	60	42.0%	97.3%	70.6%	35.0%	55.0%	55.0%
104	60	33.3%	78.4%	79.4%	33.3%	55.0%	55.0%
105	45	16.8%	70.4%	73.5%	16.8%	55.0%	55.0%
106	41	18.3%	69.6%	61.5%	18.3%	55.0%	55.0%
106	47	83.7%	86.3%	100.0%	35.0%	55.0%	55.0%
107	53	18.2%	95.0%	40.0%	18.2%	55.0%	40.0%
108	60	25.9%	67.6%	67.6%	25.9%	55.0%	55.0%
109	39	26.6%	85.4%	71.4%	26.6%	55.0%	55.0%
109	60	33.3%	105.4%	76.5%	33.3%	55.0%	55.0%
110	41	45.0%	94.6%	94.2%	35.0%	55.0%	55.0%
111	34	30.4%	104.6%	53.8%	30.4%	55.0%	53.8%
111	44	62.4%	166.0%	95.1%	35.0%	55.0%	55.0%
111	45	31.3%	146.3%	63.3%	31.3%	55.0%	55.0%
111	47	60.7%	160.8%	90.5%	35.0%	55.0%	55.0%
112	45	55.1%	100.0%	87.8%	35.0%	55.0%	55.0%
113	32	24.4%	85.1%	71.4%	24.4%	55.0%	55.0%
113	46	38.4%	89.1%	90.9%	35.0%	55.0%	55.0%
113	53	32.1%	117.5%	86.7%	32.1%	55.0%	55.0%
114	45	22.0%	83.3%	69.4%	22.0%	55.0%	55.0%
114	47	49.4%	94.1%	97.6%	35.0%	55.0%	55.0%
115	46	63.1%	113.0%	65.9%	35.0%	55.0%	55.0%
115	47	33.5%	92.2%	73.8%	33.5%	55.0%	55.0%
116	45	16.5%	72.2%	67.3%	16.5%	55.0%	55.0%
117	60	28.3%	75.7%	73.5%	28.3%	55.0%	55.0%
118	47	26.5%	68.6%	76.2%	26.5%	55.0%	55.0%
119	46	45.0%	97.8%	63.6%	35.0%	55.0%	55.0%
119	47	18.7%	78.4%	71.4%	18.7%	55.0%	55.0%
120	57	2.9%	61.4%	56.4%	2.9%	55.0%	55.0%
Statewide		39.3%	89.0%	74.1%	24.5%	54.7%	49.7%

NORTH CAROLINA

HOMEOWNERS INSURANCE

CURRENT AND FILED BASE RATES [(A)]

		Current			Filed		
New Territory	Current Territory	Owners [(B)]	Tenant [(C)]	Condominiums [(C)]	Owners [(B)]	Tenant [(C)]	Condominiums [(C)]
07	07	$1,613	$107	$106	$2,178	$166	$164
08	08	$1,823	$112	$113	$2,461	$174	$175
48	48	$1,021	$76	$83	$1,121	$118	$129
49	49	$871	$72	$78	$939	$110	$102
52A	52	$1,140	$85	$83	$1,539	$132	$129
52B	52	$1,140	$85	$83	$1,109	$132	$113
101	36	$369	$44	$39	$436	$68	$59
101	38	$373	$49	$42	$436	$76	$59
101	39	$354	$41	$35	$436	$64	$54
101	46	$398	$46	$44	$436	$71	$59
101	57	$383	$44	$39	$436	$68	$59
101	60	$336	$37	$34	$436	$57	$53
102	60	$336	$37	$34	$407	$56	$53
103	44	$481	$50	$41	$477	$73	$58
103	57	$383	$44	$39	$477	$68	$58
103	60	$336	$37	$34	$454	$57	$53
104	60	$336	$37	$34	$448	$57	$53
105	45	$595	$54	$49	$695	$84	$76
106	41	$755	$56	$52	$893	$87	$81
106	47	$486	$51	$42	$656	$79	$65
107	53	$417	$40	$45	$493	$62	$63
108	60	$336	$37	$34	$423	$57	$53
109	39	$354	$41	$35	$448	$64	$54
109	60	$336	$37	$34	$448	$57	$53
110	41	$755	$56	$52	$1,019	$87	$81
111	34	$599	$65	$52	$781	$101	$80
111	44	$481	$50	$41	$649	$78	$64
111	45	$595	$54	$49	$781	$84	$76
111	47	$486	$51	$42	$656	$79	$65
112	45	$595	$54	$49	$803	$84	$76
113	32	$443	$47	$49	$551	$73	$76
113	46	$398	$46	$44	$537	$71	$68
113	53	$417	$40	$45	$551	$62	$70
114	45	$595	$54	$49	$726	$84	$76
114	47	$486	$51	$42	$656	$79	$65
115	46	$398	$46	$44	$537	$71	$68
115	47	$486	$51	$42	$649	$79	$65
116	45	$595	$54	$49	$693	$84	$76
117	60	$336	$37	$34	$431	$57	$53
118	47	$486	$51	$42	$615	$79	$65
119	46	$398	$46	$44	$537	$71	$68
119	47	$486	$51	$42	$577	$79	$65
120	57	$383	$44	$39	$394	$68	$60

(A) Base Class is Protection Class 5, Frame

(B) Rates are for $75,000 Coverage A

(C) Rates are for $10,000 Coverage C

NORTH CAROLINA

HOMEOWNERS INSURANCE

DETERMINATION OF RATES TO BE CHARGED INDIVIDUAL INSUREDS

The filed base rates by territory are shown on page A-3. These are the filed manual rates for the classification carrying a unity differential. The revised rates for the remaining classifications are determined by applying the established classification rate differentials to the base rates by territory.

NORTH CAROLINA

HOMEOWNERS INSURANCE

SECTION B - MATERIAL TO BE IMPLEMENTED

NORTH CAROLINA

HOMEOWNERS INSURANCE

REVISED RULES

1. Wind Exclusion credits are revised to reflect the filed rates. See page B-2 for the manual rule corresponding to this revision.

2. Wind Mitigation credits are revised to reflect the filed rates. See page B-2 for the manual rule corresponding to this revision.

ADDITIONAL RULE(S)

RULE A3.
WINDSTORM OR HAIL EXCLUSION - TERRITORIES 07, 08, 48, 49, 52A AND 52B ONLY

	Territory					
	07	**08**	**48**	**49**	**52A**	**52B**
All Forms Except HO 00 04 AND HO 00 06	$1,885	$2,174	$1,001	$659	$1,272	$816
HO 00 04	102	103	62	52	66	59
HO 00 06	103	114	75	50	75	54

Table A3. Wind or Hail Exclusion Credit

RULE A9.
WINDSTORM MITIGATION PROGRAM – ALL FORMS EXCEPT HO 00 04 AND HO 00 06

Mitigation Feature	Territory 07	Territory 08	Territory 48	Territory 49	Territory 52A	Territory 52B
Total Hip Roof	131	148	70	45	87	56
Opening Protection	133	152	70	43	88	57
Total Hip Roof and Opening Protection	264	299	139	87	175	113
IBHS Designation:						
Hurricane Fortified for Safer Living®	428	522	200	96	291	187
Hurricane Fortified for Existing Homes® Bronze	103	118	55	34	68	44
Hurricane Fortified for Existing Homes® Bronze	160	187	79	43	108	70
Hurricane Fortified for Existing Homes® Silver	257	315	112	46	177	113
Hurricane Fortified for Existing Homes® Silver	308	380	134	53	217	139
Hurricane Fortified for Existing Homes® Gold	328	401	149	68	221	142
Hurricane Fortified for Existing Homes® Gold	381	468	171	75	261	167

Table A9. Windstorm Loss Mitigation Credit

NORTH CAROLINA

HOMEOWNERS INSURANCE

SECTION C - SUPPORTING MATERIAL

NORTH CAROLINA

HOMEOWNERS INSURANCE- OWNERS FORMS

DETERMINATION OF STATEWIDE RATE LEVEL CHANGE

	(1) INCURRED LOSSES EXCL. HURRICANE [(A)]	(2) EXCESS LOSSES [(B)]	(3) [(1)-(2)] × EXCESS FACTOR [(B)]	(4) LOSSES WITH LAE (3)×LAE [(C)]	(5) CURRENT COST/AMOUNT FACTOR [(D)]
2007	620,159,493	6,142,319	651,472,221	729,648,888	0.953
2008	861,518,609	186,149,570	716,566,550	802,554,536	0.969
2009	875,737,068	120,108,768	801,721,626	897,928,221	0.982
2010	1,059,241,335	199,763,015	911,906,497	1,021,335,277	0.994
2011	1,811,234,767	1,004,085,745	856,385,112	959,151,325	0.987

	(6) HOUSE-YEARS	(7) TRENDED AVG. LOSS COST (4)×(5)×CPF/(6) [(E)]	(8) AVERAGE RATING FACTOR [(F)]	(9) TRENDED BASE-CLASS LOSS COST [(G)]	(10) YEARLY WEIGHTS
2007	1,918,682	392.13	2.202	178.08	0.10
2008	1,906,639	441.32	2.266	194.76	0.15
2009	1,920,887	496.68	2.335	212.71	0.20
2010	1,954,858	561.91	2.403	233.84	0.25
2011	1,947,706	525.91	2.427	216.69	0.30

(11)	WEIGHTED TRENDED NON-HURRICANE BASE-CLASS LOSS COST [(H)]	213.03
(12)	CREDIBILITY (9,648,771 HOUSE-YEARS) [(I)]	1.00
(13)	TRENDED MODELED HURRICANE BASE-CLASS LOSS COST [(J)]	78.72
(14)	FIXED EXPENSE PER POLICY [(K)]	44.20
(15)	(11) + (13) + (14)	335.95
(16)	1 - (VARIABLE EXPENSE + PROFIT + CONTINGENCIES) [(L)]	0.7310
(17)	BASE RATE EXCLUDING COMP. FOR ASSESS. RISK, NET REINSURANCE COST, DEVIATIONS (15) / (16)	459.58
(18)	COMPENSATION FOR ASSESSMENT RISK PER POLICY [(M)]	24.80
(19)	NET REINSURANCE COST PER POLICY [(N)]	146.63
(20)	(17) + (18) + (19)	631.01
(21)	SELECTED DEVIATION [(O)]	0.05
(22)	DEVIATION AMOUNT PER POLICY ((20) / (1.0 - (21)) - (20)	33.21
(23)	REQUIRED BASE RATE, (20) + (22)	664.22
(24)	CURRENT AVERAGE BASE RATE	476.79
(25)	INDICATED RATE-LEVEL CHANGE, (23) / (24)	1.393

NORTH CAROLINA

HOMEOWNERS INSURANCE - TENANT FORM

DETERMINATION OF STATEWIDE RATE LEVEL CHANGE

	(1) INCURRED LOSSES EXCL. HURRICANE [A]	(2) LOSSES WITH LAE (1)×LAE [C]	(3) CURRENT COST/AMOUNT FACTOR [D]	(4) HOUSE-YEARS
2007	11,770,474	13,300,636	1.136	167,162
2008	14,387,280	16,257,626	1.117	183,648
2009	17,627,561	19,919,144	1.090	206,069
2010	19,502,284	22,037,581	1.068	233,333
2011	23,816,991	26,913,200	1.038	265,995

	(5) TRENDED AVG. LOSS COST (2)×(3)×CPF/(4) [E]	(6) AVERAGE RATING FACTOR [F]	(7) TRENDED BASE-CLASS LOSS COST [G]	(8) YEARLY WEIGHTS
2007	98.52	3.957	24.90	0.10
2008	107.78	3.860	27.92	0.15
2009	114.84	3.770	30.46	0.20
2010	109.95	3.693	29.77	0.25
2011	114.48	3.616	31.66	0.30

(9)	WEIGHTED TRENDED NON-HURRICANE BASE-CLASS LOSS COST [H]	29.71
(10)	CREDIBILITY (1,056,207 HOUSE-YEARS) [I]	1.000
(11)	TRENDED MODELED HURRICANE BASE-CLASS LOSS COST [J]	3.64
(12)	FIXED EXPENSE PER POLICY [K]	16.93
(13)	(9) + (11) + (12)	50.28
(14)	1 - (VARIABLE EXPENSE + PROFIT + CONTINGENCIES) [L]	0.7310
(15)	BASE RATE EXCLUDING COMP. FOR ASSESS. RISK, NET REINSURANCE COST, DEVIATIONS (13) / (14)	68.78
(16)	COMPENSATION FOR ASSESSMENT RISK PER POLICY [M]	2.43
(17)	NET REINSURANCE COST PER POLICY [N]	12.62
(18)	(15) + (16) + (17)	83.83
(19)	SELECTED DEVIATION [O]	0.05
(20)	DEVIATION AMOUNT PER POLICY, ((18) / (1.0 - (19)) - (18)	4.41
(21)	REQUIRED BASE RATE, (18) + (20)	88.24
(22)	CURRENT AVERAGE BASE RATE	46.69
(23)	INDICATED RATE-LEVEL CHANGE, (21) / (22)	1.890

NORTH CAROLINA

HOMEOWNERS INSURANCE - CONDOMINIUM UNIT OWNERS FORM

DETERMINATION OF STATEWIDE RATE LEVEL CHANGE

	(1) INCURRED LOSSES EXCL. HURRICANE [(A)]	(2) LOSSES WITH LAE (1)×LAE [(C)]	(3) CURRENT COST/AMOUNT FACTOR [(D)]	(4) HOUSE-YEARS
2007	6,835,118	7,675,838	0.995	64,162
2008	7,636,799	8,576,125	1.011	65,243
2009	9,759,930	10,960,401	1.022	67,732
2010	11,243,636	12,626,603	1.026	72,541
2011	12,186,229	13,685,135	1.016	74,426

	(5) TRENDED AVG. LOSS COST (2)×(3)×CPF/(4) [(E)]	(6) AVERAGE RATING FACTOR [(F)]	(7) TRENDED BASE-CLASS LOSS COST [(G)]	(8) YEARLY WEIGHTS
2007	134.87	6.255	21.56	0.10
2008	150.57	6.311	23.86	0.15
2009	187.38	6.366	29.43	0.20
2010	202.34	6.520	31.03	0.25
2011	211.66	6.576	32.19	0.30

(9)	WEIGHTED TRENDED NON-HURRICANE BASE-CLASS LOSS COST [(H)]	29.04
(10)	CREDIBILITY (344,104 HOUSE-YEARS) [(I)]	1.000
(11)	TRENDED MODELED HURRICANE BASE-CLASS LOSS COST [(J)]	5.16
(12)	FIXED EXPENSE PER POLICY [(K)]	8.94
(13)	(9) + (11) + (12)	43.14
(14)	1 - (VARIABLE EXPENSE + PROFIT + CONTINGENCIES) [(L)]	0.731
(15)	BASE RATE EXCLUDING COMP. FOR ASSESS. RISK, NET REINSURANCE COST, DEVIATIONS (13) / (14)	59.02
(16)	COMPENSATION FOR ASSESSMENT RISK PER POLICY [(M)]	2.40
(17)	NET REINSURANCE COST PER POLICY [(N)]	14.92
(18)	(15) + (16) + (17)	76.34
(19)	SELECTED DEVIATION [(O)]	0.05
(20)	DEVIATION AMOUNT PER POLICY, ((18) / (1.0 - (19)) - (18)	4.02
(21)	REQUIRED BASE RATE, (18) + (20)	80.36
(22)	CURRENT AVERAGE BASE RATE	46.15
(23)	INDICATED RATE-LEVEL CHANGE, (21) / (22)	1.741

NORTH CAROLINA

HOMEOWNERS INSURANCE

DETERMINATION OF STATEWIDE RATE RLEVEL CHANGE

(A) Incurred losses exclude hurricane losses and reflect the following loss development factors:

12/31/2007	1.000
12/31/2008	0.999
12/31/2009	0.999
12/31/2010	1.000
12/31/2011	1.017

(B) A description of the "excess procedure" and the calculation of excess losses and the excess factor is provided on pages D-32-34.

(C) Trended loss adjustment expense (LAE) loadings have been calculated to be 12.0%, 13.0% and 12.3% of incurred losses for the Owners, Tenant and Condominium Unit Owners policy forms, respectively. These factors are developed on page D-30

(D) The derivation of the Current Cost/Amount Factors is shown on page D-18 for Owner Forms, D-20 for Tenant Forms and D-22 for Condo Unit Owner Forms.

(E) "CPF" refers to the Composite Projection Factor. The derivation of the Composite Projection Factor is shown on page D-18 for Owner Forms, D-20 for Tenant Forms and D-22 for Condo Unit Owner Forms.

(F) The Average Rating Factor is the ratio of the average rate at current manual level and average current base rate.

(G) The Trended Base-Class Loss Cost is calculated as column (7) / column (8) for the Owners forms and as column (5) / column (6) for the Tenant and Condominium forms.

(H) The Weighted Trended Base Class Loss Cost is the sum of the products, by year, of the Trended Base Class Loss Costs and the accident year weights.

(I) Credibility values are assigned based on the credibility table displayed on page D-23

(J) Modeled hurricane losses are calculated by multiplying the modeled hurricane loss cost per $1000 of coverage developed by AIR Worldwide by 2011 total limits insurance-years (in thousands of dollars). To obtain a loss cost value, the modeled loss amounts are divided by 2011 house-years. To convert the average modeled loss cost to a trended base-class level, it is divided by the trended average rating factor. The trended average rating factor is calculated as (2011 average rating factor) × (2011 Current Amount Factor) × Premium Projection Factor. The AIR loss costs and total limit insurance-years referenced above are displayed on pages D-35-37. The trend factors referenced above are derived on pages D-18, 20 and 22. The derivation of the modeled hurricane base-class loss cost is shown on page D-41.

(K) The derivation of the Fixed Expense loadings (i.e general and other acquisition expenses loadings) is shown on page D-31.

(L) The provisions for profit, contingencies and variable expenses are shown on page D-28.

(M) The Compensation for Assessment Risk loading is 4.4% of premium and is based on an analysis done by D. Appel. The provision is calculated as (.044 × Current Base Rate)/(1- Provisions for Commission,Taxes) The commission and tax provisions are those shown on page D-28.

(N) Derivation of the net reinsurance cost loadings is provided on page D-44-46. These loadings are based on analysis done by D. Appel.

(O) The 5% deviation loading was selected by the North Carolina Rate Bureau.

NORTH CAROLINA

HOMEOWNERS INSURANCE

INDICATED BASE-CLASS LOSS COST BY TERRITORY - OWNERS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
TERR.	NON-HURRICANE BASE-CLASS LOSS COST (A)	FIVE-YEAR HOUSE-YEARS	CREDI-BILITY (B)	CREDI-BILITY WEIGHTED BASE LOSS COST	MODELED HURRICANE BASE LOSS COST (C)	TOTAL LOSS COST (4) + (5)	INDICATED RELATIVITY TERR (6) / SW (6)	INDICATED STATEWIDE BASE LOSS COST	INDICATED BASE LOSS COST TERR (7) / SW (7) × (8)
07	143.97	38,395	0.70	152.82	668.81	821.63	3.437	291.75	1002.85
08	132.13	51,948	0.90	136.27	910.16	1,046.43	4.378	291.75	1277.41
48	136.97	58,293	0.90	140.62	216.37	356.99	1.494	291.75	435.92
49	143.26	242,646	1.00	143.26	138.99	282.25	1.181	291.75	344.59
52A	140.38	405,126	1.00	140.38	530.52	670.90	2.807	291.75	819.02
52B	145.04	174,662	1.00	145.04	166.73	311.77	1.304	291.75	380.48
101	167.59	2,880,363	1.00	167.59	21.76	189.35	0.792	291.75	231.09
102	167.25	979,018	1.00	167.25	9.41	176.66	0.739	291.75	215.62
103	188.13	716,822	1.00	188.13	22.30	210.43	0.880	291.75	256.77
104	205.09	46,970	0.80	198.77	6.89	205.66	0.860	291.75	250.93
105	199.21	13,102	0.40	183.77	58.02	241.79	1.012	291.75	295.28
106	248.50	104,502	1.00	248.50	83.52	332.02	1.389	291.75	405.28
107	140.48	190,384	1.00	140.48	32.16	172.64	0.722	291.75	210.66
108	188.63	173,827	1.00	188.63	4.92	193.55	0.810	291.75	236.34
109	181.53	457,851	1.00	181.53	15.32	196.85	0.824	291.75	240.43
110	297.97	36,239	0.70	260.62	132.89	393.51	1.646	291.75	480.27
111	231.13	467,581	1.00	231.13	62.77	293.90	1.230	291.75	358.89
112	213.88	93,694	1.00	213.88	117.98	331.86	1.388	291.75	404.99
113	156.87	1,371,552	1.00	156.87	41.80	198.67	0.831	291.75	242.47
114	181.69	391,251	1.00	181.69	84.35	266.04	1.113	291.75	324.75
115	185.05	335,277	1.00	185.05	53.18	238.23	0.997	291.75	290.90
116	206.09	25,803	0.60	193.05	45.09	238.14	0.996	291.75	290.61
117	189.13	163,800	1.00	189.13	5.90	195.03	0.816	291.75	238.09
118	182.12	157,541	1.00	182.12	40.64	222.76	0.932	291.75	271.94
119	176.57	35,688	0.70	175.64	32.88	208.52	0.872	291.75	254.43
120	137.69	36,436	0.70	148.43	13.73	162.16	0.678	291.75	197.83
Statewide	173.48	9,648,771				239.02	0.9999		

Column (4) = (1) × (3) + (1.0-(3)) × Statewide (1)
Column (8) = Line (11) + Line (13), Page C-1

NORTH CAROLINA

HOMEOWNERS INSURANCE

INDICATED BASE CLASS RATE AND RATE LEVEL CHANGE - OWNERS

TERR.	(1) INDICATED BASE CLASS LOSS COST	(2) TRENDED FIXED EXPENSE (D)	(3) VARIABLE EXPENSE, PROFIT, CONTG.	(4) CURRENT BASE CLASS RATE	(5) INDICATED NET BASE-CLASS RATE [(1)+(2)×(4)]/[1.0-(3)]	(6) COMP. FOR ASMT. RISK (E)	(7) NET REINS. COST (F)	(8) (5) + (6) + (7)	(9) SELECTED DEVIATION (G)	(10) DOLLAR DEVIATION PER EXPOSURE [(8) / (1.0- (9))] - (8)	(11) INDICATED REQUIRED BASE-CLASS RATE (8) + (10)	(12) INDICATED RATE LEVEL CHANGE (11) / (4)	(13) BALANCED INDICATED RATE LEVEL CHANGE (H)
07	1,002.85	0.025	0.344	1613.00	1,590.21	83.89	1,696.89	3,370.99	0.05	177.42	3,548.41	2.200	2.203
08	1,277.41	0.024	0.344	1823.00	2,013.97	94.81	1,918.34	4,027.12	0.05	211.95	4,239.07	2.325	2.328
48	435.92	0.036	0.294	1021.00	669.51	53.10	340.25	1,062.86	0.05	55.94	1,118.80	1.096	1.098
49	344.59	0.054	0.294	871.00	554.71	45.30	290.21	890.22	0.05	46.85	937.07	1.076	1.078
52A	819.02	0.038	0.344	1140.00	1,314.54	59.29	1,199.35	2,573.18	0.05	135.43	2,708.61	2.376	2.379
52B	380.48	0.046	0.294	1140.00	613.20	59.29	379.97	1,052.46	0.05	55.39	1,107.85	0.972	0.973
101	231.09	0.119	0.223	363.35	353.06	18.90	41.09	413.05	0.05	21.74	434.79	1.197	1.199
102	215.62	0.122	0.223	336.00	330.26	17.48	38.00	385.74	0.05	20.30	406.04	1.208	1.210
103	256.77	0.131	0.223	364.73	391.96	18.97	41.26	452.19	0.05	23.80	475.99	1.305	1.307
104	250.93	0.108	0.223	336.00	369.65	17.48	38.00	425.13	0.05	22.38	447.51	1.332	1.334
105	295.28	0.080	0.260	595.00	463.35	30.95	164.55	658.85	0.05	34.68	693.53	1.166	1.168
106	405.28	0.076	0.260	694.31	618.98	36.11	191.76	846.85	0.05	44.57	891.42	1.284	1.286
107	210.66	0.081	0.260	417.00	330.32	21.69	115.34	467.35	0.05	24.60	491.95	1.180	1.182
108	236.34	0.096	0.223	336.00	345.68	17.48	38.01	401.17	0.05	21.11	422.28	1.257	1.259
109	240.43	0.133	0.223	344.31	368.37	17.91	38.95	425.23	0.05	22.38	447.61	1.300	1.302
110	480.27	0.063	0.294	755.00	747.64	39.27	251.63	1,038.54	0.05	54.66	1,093.20	1.448	1.450
111	358.89	0.096	0.260	559.87	557.62	29.12	154.24	740.98	0.05	39.00	779.98	1.393	1.395
112	404.99	0.087	0.294	595.00	646.96	30.95	198.26	876.17	0.05	46.11	922.28	1.550	1.552
113	242.47	0.095	0.260	426.25	382.38	22.17	117.92	522.47	0.05	27.50	549.97	1.290	1.292
114	324.75	0.091	0.260	553.97	506.97	28.81	153.35	689.13	0.05	36.27	725.40	1.309	1.311
115	290.90	0.101	0.260	478.63	458.43	24.89	132.34	615.66	0.05	32.40	648.06	1.354	1.356
116	290.61	0.085	0.260	595.00	461.06	30.95	164.54	656.55	0.05	34.56	691.11	1.162	1.164
117	238.09	0.109	0.223	336.00	353.56	17.48	38.00	409.04	0.05	21.53	430.57	1.281	1.283
118	271.94	0.085	0.260	486.00	423.31	25.28	134.41	583.00	0.05	30.68	613.68	1.263	1.265
119	254.43	0.099	0.260	442.03	402.96	22.99	121.77	547.72	0.05	28.83	576.55	1.304	1.306
120	197.83	0.1150	0.223	383.00	311.29	19.92	43.32	374.53	0.05	19.71	394.24	1.029	1.030
Statewide												1.391	1.393

NORTH CAROLINA

HOMEOWNERS INSURANCE

INDICATED RATE LEVEL CHANGE AND FILED BASE CLASS RATE - OWNERS FORMS

		(1) *	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
NEW TERRITORY	CURRENT TERR	INDICATED RATE CHANGE, NEW TERR	CURRENT AVERAGE RATE, NEW TERR	CURRENT RATE, CURRENT TERR	RATE CHANGE, CURRENT TERR =[1+(1)]×[(2)/(3)]	2011 HSE-YRS IN NEW TERR FROM CURR TERR	2011 HSE-YRS IN NEW TERR	2011 PREMIUM AT PRESENT RATE	FILED RATE LEVEL CHANGE (1)	FILED BASE RATE = [1+(8)]×(3)
07	07	120.3%	1613.00	1613.00	120.3%	7,189	7,189	29,718,478	35.0%	2,178
08	08	132.8%	1823.00	1823.00	132.8%	10,527	10,527	47,123,668	35.0%	2,461
48	48	9.8%	1021.00	1021.00	9.8%	12,270	12,270	35,840,449	9.8%	1,121
49	49	7.8%	871.00	871.00	7.8%	49,846	49,846	100,270,222	7.8%	939
52A	52	137.9%	1140.00	1140.00	137.9%	83,517	120,314	232,776,905	35.0%	1,539
52B	52	-2.7%	1140.00	1140.00	-2.7%	36,797	120,314	84,286,580	-2.7%	1,109
101	36	19.9%	363.35	369.00	18.2%	80,221	578,033	68,451,388	18.2%	436
101	38	19.9%	363.35	373.00	16.9%	132,946	578,033	127,156,247	16.9%	436
101	39	19.9%	363.35	354.00	23.2%	104,219	578,033	102,102,925	23.2%	436
101	46	19.9%	363.35	398.00	9.5%	3,591	578,033	3,814,900	9.5%	436
101	57	19.9%	363.35	383.00	13.8%	129,778	578,033	112,011,555	13.8%	436
101	60	19.9%	363.35	336.00	29.8%	127,277	578,033	107,060,359	29.8%	436
102	60	21.0%	336.00	336.00	21.1%	197,608	197,608	173,354,504	21.1%	407
103	44	30.7%	364.73	481.00	-0.8%	7,883	142,331	8,491,268	-0.8%	477
103	57	30.7%	364.73	383.00	24.5%	62,787	142,331	50,109,634	24.5%	477
103	60	30.7%	364.73	336.00	42.0%	71,660	142,331	57,897,925	35.0%	454
104	60	33.4%	336.00	336.00	33.3%	9,588	9,588	9,234,828	33.3%	448
105	45	16.8%	595.00	595.00	16.8%	2,561	2,561	3,461,143	16.8%	695
106	41	28.6%	694.31	755.00	18.3%	15,652	20,301	23,658,304	18.3%	893
106	47	28.6%	694.31	486.00	83.7%	4,648	20,301	4,678,176	35.0%	656
107	53	18.2%	417.00	417.00	18.2%	39,412	39,412	52,155,934	18.2%	493
108	60	25.9%	336.00	336.00	25.9%	34,828	34,828	38,937,036	25.9%	423
109	39	30.2%	344.31	354.00	26.6%	42,991	92,792	33,226,593	26.6%	448
109	60	30.2%	344.31	336.00	33.3%	49,801	92,792	41,324,407	33.3%	448
110	41	45.0%	755.00	755.00	45.0%	7,084	7,084	12,125,010	35.0%	1,019
111	34	39.5%	559.87	599.00	30.4%	52,405	92,820	61,281,513	30.4%	781
111	44	39.5%	559.87	481.00	62.4%	6,911	92,820	6,245,687	35.0%	649
111	45	39.5%	559.87	595.00	31.3%	7,128	92,820	9,512,694	31.3%	781
111	47	39.5%	559.87	486.00	60.7%	26,376	92,820	26,812,371	35.0%	656
112	45	55.2%	595.00	595.00	55.1%	18,206	18,206	22,397,806	35.0%	803
113	32	29.2%	426.25	443.00	24.4%	113,341	281,118	126,194,416	24.4%	551
113	46	29.2%	426.25	398.00	38.4%	17,019	281,118	18,048,161	35.0%	537
113	53	29.2%	426.25	417.00	32.1%	150,758	281,118	172,213,603	32.1%	551
114	45	31.1%	553.97	595.00	22.0%	48,903	77,774	62,015,541	22.0%	726
114	47	31.1%	553.97	486.00	49.4%	28,872	77,774	28,464,768	35.0%	656
115	46	35.6%	478.63	398.00	63.1%	5,769	68,361	5,852,918	35.0%	537
115	47	35.6%	478.63	486.00	33.5%	62,592	68,361	66,019,585	33.5%	649
116	45	16.4%	595.00	595.00	16.5%	5,030	5,030	6,414,052	16.5%	693
117	60	28.3%	336.00	336.00	28.3%	33,379	33,379	32,767,597	28.3%	431
118	47	26.5%	486.00	486.00	26.5%	31,938	31,938	39,988,392	26.5%	615
119	46	30.6%	442.03	398.00	45.0%	3,720	7,182	4,272,311	35.0%	537
119	47	30.6%	442.03	486.00	18.7%	3,462	7,182	3,604,993	18.7%	577
120	57	3.0%	383.00	383.00	2.9%	7,212	7,212	6,726,746	2.9%	394
Statewide									24.5%	

* from previous page

NORTH CAROLINA

HOMEOWNERS INSURANCE

INDICATED BASE-CLASS LOSS COST BY TERRITORY - TENANT FORM

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
TERR.	NON-HURRICANE BASE-CLASS LOSS COST (A)	FIVE-YEAR HOUSE-YEARS	CREDI-BILITY (B)	CREDI-BILITY WEIGHTED BASE LOSS COST	MODELED HURRICANE BASE LOSS COST (C)	TOTAL LOSS COST (4) + (5)	INDICATED RELATIVITY TERR (6) / SW (6)	INDICATED STATEWIDE BASE LOSS COST	INDICATED BASE LOSS COST TERR (7) / SW (7) × (8)
07	5.28	770	0.10	21.14	45.81	66.95	2.604	33.35	86.85
08	21.64	1,952	0.10	22.77	56.10	78.87	3.068	33.35	102.33
48	13.89	1,483	0.10	22.00	15.65	37.65	1.465	33.35	48.86
49	10.39	12,575	0.40	17.90	8.49	26.39	1.027	33.35	34.25
52A	18.51	28,101	0.60	20.27	29.65	49.92	1.942	33.35	64.77
52B	27.44	11,231	0.30	24.26	11.22	35.48	1.380	33.35	46.03
101	24.71	401,721	1.00	24.71	1.21	25.92	1.008	33.35	33.62
102	15.71	83,212	1.00	15.71	0.52	16.23	0.631	33.35	21.05
103	23.08	49,937	0.80	23.04	1.26	24.30	0.945	33.35	31.52
104	10.72	1,540	0.10	21.68	0.39	22.07	0.859	33.35	28.65
105	15.92	459	0.00	22.90	3.28	26.18	1.018	33.35	33.95
106	19.83	6,154	0.20	22.29	4.60	26.89	1.046	33.35	34.89
107	16.37	39,844	0.70	18.33	1.75	20.08	0.781	33.35	26.05
108	12.68	5,709	0.20	20.86	0.29	21.15	0.823	33.35	27.45
109	26.48	31,017	0.60	25.05	0.91	25.96	1.010	33.35	33.69
110	30.20	1,514	0.10	23.63	7.31	30.94	1.204	33.35	40.16
111	48.03	37,254	0.70	40.49	3.56	44.05	1.714	33.35	57.17
112	24.26	6,459	0.20	23.17	6.55	29.72	1.156	33.35	38.56
113	20.61	245,901	1.00	20.61	2.29	22.90	0.891	33.35	29.72
114	22.02	41,826	0.70	22.28	5.07	27.35	1.064	33.35	35.49
115	28.43	23,310	0.50	25.67	3.13	28.80	1.120	33.35	37.36
116	24.98	1,390	0.10	23.11	2.69	25.80	1.004	33.35	33.49
117	17.95	7,971	0.30	21.42	0.35	21.77	0.847	33.35	28.25
118	18.82	11,630	0.30	21.68	2.24	23.92	0.930	33.35	31.02
119	36.34	1,329	0.10	24.24	1.91	26.15	1.017	33.35	33.92
120	18.03	1,920	0.10	22.41	0.79	23.20	0.902	33.35	30.08
Statewide	22.90	1,056,209				25.71	0.9999		

Column (4) = (1) × (3) + (1.0-(3)) × Statewide (1)
Column (8) = Line (9) + Line (11), Page C-2

NORTH CAROLINA

HOMEOWNERS INSURANCE

INDICATED BASE CLASS RATE AND RATE LEVEL CHANGE - TENANT FORM

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
TERR.	INDICATED BASE CLASS LOSS COST	TRENDED FIXED EXPENSE (D)	VARIABLE EXPENSE, PROFIT, CONTG.	CURRENT BASE CLASS RATE	INDICATED NET BASE-CLASS RATE [(1)+(2)×(4)]/[1.0-(3)]	COMP. FOR ASMT. RISK (E)	NET REINS. COST (F)	(5) + (6) + (7)	SELECTED DEVIATION (G)	DOLLAR DEVIATION PER EXPOSURE [(8) / (1.0- (9))] - (8)	INDICATED REQUIRED BASE-CLASS RATE (8) + (10)	INDICATED RATE LEVEL CHANGE (11) / (4)	INDICATED BALANCED RATE LEVEL CHANGE (H)
07	86.85	0.156	0.344	107.00	157.84	5.57	128.49	291.90	0.05	15.36	307.26	2.872	2.940
08	102.33	0.160	0.344	112.00	183.31	5.83	134.50	323.64	0.05	17.03	340.67	3.042	3.115
48	48.86	0.189	0.294	76.00	89.55	3.95	28.91	122.41	0.05	6.44	128.85	1.695	1.735
49	34.25	0.221	0.294	72.00	71.05	3.74	27.39	102.18	0.05	5.38	107.56	1.494	1.530
52A	64.77	0.206	0.344	85.00	125.43	4.42	102.07	231.92	0.05	12.21	244.13	2.872	2.940
52B	46.03	0.205	0.294	85.00	89.88	4.42	32.34	126.64	0.05	6.67	133.31	1.568	1.605
101	33.62	0.383	0.223	44.97	65.44	2.34	5.83	73.61	0.05	3.87	77.48	1.723	1.764
102	21.05	0.389	0.223	37.00	45.62	1.92	4.78	52.32	0.05	2.75	55.07	1.488	1.523
103	31.52	0.391	0.223	40.34	60.87	2.10	5.21	68.18	0.05	3.59	71.77	1.779	1.821
104	28.65	0.377	0.223	37.00	54.82	1.92	4.78	61.52	0.05	3.24	64.76	1.750	1.792
105	33.95	0.273	0.260	54.00	65.80	2.81	17.05	85.66	0.05	4.51	90.17	1.670	1.710
106	34.89	0.286	0.260	54.69	68.29	2.84	17.28	88.41	0.05	4.65	93.06	1.702	1.743
107	26.05	0.412	0.260	40.00	57.47	2.08	12.63	72.18	0.05	3.80	75.98	1.900	1.945
108	27.45	0.325	0.223	37.00	50.80	1.92	4.78	57.50	0.05	3.03	60.53	1.636	1.675
109	33.69	0.399	0.223	39.31	63.55	2.04	5.07	70.66	0.05	3.72	74.38	1.892	1.937
110	40.16	0.257	0.294	56.00	77.27	2.91	21.30	101.48	0.05	5.34	106.82	1.908	1.953
111	57.17	0.283	0.260	60.88	100.54	3.17	19.23	122.94	0.05	6.47	129.41	2.126	2.177
112	38.56	0.293	0.294	54.00	77.03	2.81	20.54	100.38	0.05	5.28	105.66	1.957	2.004
113	29.72	0.405	0.260	44.10	64.30	2.29	13.96	80.55	0.05	4.24	84.79	1.923	1.969
114	35.49	0.342	0.260	53.12	72.51	2.76	16.77	92.04	0.05	4.84	96.88	1.824	1.867
115	37.36	0.319	0.260	50.32	72.18	2.62	15.83	90.63	0.05	4.77	95.40	1.896	1.941
116	33.49	0.295	0.260	54.00	66.78	2.81	17.04	86.63	0.05	4.56	91.19	1.689	1.729
117	28.25	0.358	0.223	37.00	53.41	1.92	4.78	60.11	0.05	3.16	63.27	1.710	1.751
118	31.02	0.283	0.260	51.00	61.42	2.65	16.10	80.17	0.05	4.22	84.39	1.655	1.694
119	33.92	0.315	0.260	48.26	66.38	2.51	15.19	84.08	0.05	4.43	88.51	1.834	1.878
120	30.08	0.337	0.223	44.00	57.80	2.29	5.68	65.77	0.05	3.46	69.23	1.573	1.610
Statewide												1.846	1.890

NORTH CAROLINA

HOMEOWNERS INSURANCE

INDICATED RATE LEVEL CHANGE AND FILED BASE CLASS RATE - TENANT FORM

		(1) *	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
NEW TERRITORY	CURRENT TERR	INDICATED RATE CHANGE, NEW TERR	CURRENT AVERAGE RATE, NEW TERR	CURRENT RATE, CURRENT TERR	RATE CHANGE, CURRENT TERR =[1+(1)]×[(2)/(3)]	2011 HSE-YRS IN NEW TERR FROM CURR TERR	2011 HSE-YRS IN NEW TERR	2011 PREMIUM AT PRESENT RATE	FILED RATE LEVEL CHANGE (1)	FILED BASE RATE = [1+(8)]×(3)
07	07	194.0%	107.00	107.00	194.4%	221	221	90,517	55.0%	166
08	08	211.5%	112.00	112.00	211.6%	594	594	223,623	55.0%	174
48	48	73.5%	76.00	76.00	73.7%	325	325	103,797	55.0%	118
49	49	53.0%	72.00	72.00	52.8%	2,921	2,921	786,588	52.8%	110
52A	52	194.0%	85.00	85.00	194.1%	7,550	10,385	2,178,133	55.0%	132
52B	52	60.5%	85.00	85.00	60.0%	2,835	10,385	818,448	55.0%	132
101	36	76.4%	44.97	44.00	79.5%	20,274	102,659	3,039,305	55.0%	68
101	38	76.4%	44.97	49.00	61.2%	44,071	102,659	7,207,984	55.0%	76
101	39	76.4%	44.97	41.00	92.7%	11,946	102,659	1,989,620	55.0%	64
101	46	76.4%	44.97	46.00	71.7%	202	102,659	39,649	55.0%	71
101	57	76.4%	44.97	44.00	79.5%	16,467	102,659	2,652,953	55.0%	68
101	60	76.4%	44.97	37.00	113.5%	9,698	102,659	1,504,086	55.0%	57
102	60	52.3%	37.00	37.00	51.4%	19,554	19,554	3,116,105	51.4%	56
103	44	82.1%	40.34	50.00	46.0%	425	12,063	87,391	46.0%	73
103	57	82.1%	40.34	44.00	65.9%	4,993	12,063	816,263	55.0%	68
103	60	82.1%	40.34	37.00	97.3%	6,645	12,063	1,021,095	55.0%	57
104	60	79.2%	37.00	37.00	78.4%	353	353	58,872	55.0%	57
105	45	71.0%	54.00	54.00	70.4%	113	113	24,129	55.0%	84
106	41	74.3%	54.69	56.00	69.6%	1,101	1,469	231,695	55.0%	87
106	47	74.3%	54.69	51.00	86.3%	368	1,469	87,545	55.0%	79
107	53	94.5%	40.00	40.00	95.0%	9,560	9,560	1,426,729	55.0%	62
108	60	67.5%	37.00	37.00	67.6%	1,259	1,259	248,365	55.0%	57
109	39	93.7%	39.31	41.00	85.4%	4,235	7,364	661,804	55.0%	64
109	60	93.7%	39.31	37.00	105.4%	3,129	7,364	493,406	55.0%	57
110	41	95.3%	56.00	56.00	94.6%	350	350	84,712	55.0%	87
111	34	117.7%	60.88	65.00	104.6%	6,164	8,797	1,351,823	55.0%	101
111	44	117.7%	60.88	50.00	166.0%	408	8,797	81,013	55.0%	78
111	45	117.7%	60.88	54.00	146.3%	490	8,797	109,789	55.0%	84
111	47	117.7%	60.88	51.00	160.8%	1,735	8,797	342,040	55.0%	79
112	45	100.4%	54.00	54.00	100.0%	1,497	1,497	317,367	55.0%	84
113	32	96.9%	44.10	47.00	85.1%	38,636	65,377	5,936,074	55.0%	73
113	46	96.9%	44.10	46.00	89.1%	1,159	65,377	229,647	55.0%	71
113	53	96.9%	44.10	40.00	117.5%	25,582	65,377	3,713,828	55.0%	62
114	45	86.7%	53.12	54.00	83.3%	7,088	9,934	1,254,739	55.0%	84
114	47	86.7%	53.12	51.00	94.1%	2,845	9,934	535,238	55.0%	79
115	46	94.1%	50.32	46.00	113.0%	946	5,714	141,939	55.0%	71
115	47	94.1%	50.32	51.00	92.2%	4,768	5,714	952,141	55.0%	79
116	45	72.9%	54.00	54.00	72.2%	298	298	63,436	55.0%	84
117	60	75.1%	37.00	37.00	75.7%	1,819	1,819	312,557	55.0%	57
118	47	69.4%	51.00	51.00	68.6%	2,651	2,651	595,145	55.0%	79
119	46	87.8%	48.26	46.00	97.8%	178	309	35,612	55.0%	71
119	47	87.8%	48.26	51.00	78.4%	131	309	25,914	55.0%	79
120	57	61.0%	44.00	44.00	61.4%	410	410	75,662	55.0%	68
Statewide									54.7%	

* from previous page

NORTH CAROLINA

HOMEOWNERS INSURANCE

INDICATED BASE-CLASS LOSS COST BY TERRITORY - CONDOMINIUM FORM

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
TERR.	NON-HURRICANE BASE-CLASS LOSS COST (A)	FIVE-YEAR HOUSE-YEARS	CREDI-BILITY (B)	CREDI-BILITY WEIGHTED BASE LOSS COST	MODELED HURRICANE BASE LOSS COST (C)	TOTAL LOSS COST (4) + (5)	INDICATED RELATIVITY TERR (6) / SW (6)	INDICATED STATEWIDE BASE LOSS COST	INDICATED BASE LOSS COST TERR (7) / SW (7) × (8)
07	17.86	1,217	0.10	21.19	34.31	55.50	2.147	34.20	73.43
08	22.58	6,761	0.30	21.87	49.73	71.60	2.770	34.20	94.73
48	14.61	947	0.10	20.87	20.00	40.87	1.581	34.20	54.07
49	12.86	2,919	0.20	19.82	8.10	27.92	1.080	34.20	36.94
52A	18.18	24,918	0.70	19.19	27.29	46.48	1.798	34.20	61.49
52B	11.30	4,043	0.20	19.51	10.74	30.25	1.170	34.20	40.01
101	20.91	160,511	1.00	20.91	1.11	22.02	0.852	34.20	29.14
102	20.08	37,994	0.80	20.38	0.44	20.82	0.805	34.20	27.53
103	18.03	9,896	0.40	20.15	1.20	21.35	0.826	34.20	28.25
104	31.76	3,032	0.20	23.60	0.36	23.96	0.927	34.20	31.70
105	12.90	7	0.00	21.56	3.32	24.88	0.962	34.20	32.90
106	35.56	492	0.00	21.56	4.78	26.34	1.019	34.20	34.85
107	11.28	13,065	0.50	16.42	1.71	18.13	0.701	34.20	23.97
108	26.87	2,685	0.20	22.62	0.30	22.92	0.887	34.20	30.34
109	21.86	6,295	0.30	21.65	0.89	22.54	0.872	34.20	29.82
110	32.89	17	0.00	21.56	8.32	29.88	1.156	34.20	39.54
111	25.82	6,806	0.30	22.84	2.78	25.62	0.991	34.20	33.89
112	9.96	102	0.00	21.56	7.00	28.56	1.105	34.20	37.79
113	26.61	46,825	0.90	26.11	2.10	28.21	1.091	34.20	37.31
114	21.17	5,467	0.30	21.44	4.94	26.38	1.020	34.20	34.88
115	19.02	1,068	0.10	21.31	3.11	24.42	0.945	34.20	32.32
116	28.74	6	0.00	21.56	2.71	24.27	0.939	34.20	32.11
117	25.28	3,682	0.20	22.30	0.35	22.65	0.876	34.20	29.96
118	21.89	5,151	0.30	21.66	2.15	23.81	0.921	34.20	31.50
119	5.47	24	0.00	21.56	1.11	22.67	0.877	34.20	29.99
120	8.59	173	0.00	21.56	0.90	22.46	0.869	34.20	29.72
SW	21.56	344,103				25.85	1.000		

Column (4) = (1) × (3) + (1.0-(3)) × Statewide (1)
Column (8) = Line (9) + Line (11), Page C-3

NORTH CAROLINA

HOMEOWNERS INSURANCE

INDICATED BASE CLASS RATE AND RATE LEVEL CHANGE - CONDOMINIUM FORM

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
TERR.	INDICATED BASE CLASS LOSS COST	TRENDED FIXED EXPENSE (D)	VARIABLE EXPENSE, PROFIT, CONTG.	CURRENT BASE CLASS RATE	INDICATED NET BASE-CLASS RATE [(1)+(2)×(4)]/[1.0-(3)]	COMP. FOR ASMT. RISK (E)	NET REINS. COST (F)	(5) + (6) + (7)	SELECTED DEVIATION (G)	DOLLAR DEVIATION PER EXPOSURE [(8) / (1.0- (9))] - (8)	INDICATED REQUIRED BASE-CLASS RATE (8) + (10)	INDICATED RATE LEVEL CHANGE (11) / (4)	INDICATED BALANCED RATE LEVEL CHANGE (H)
07	73.43	0.110	0.344	106.00	129.71	5.51	122.25	257.47	0.05	13.55	271.02	2.557	2.578
08	94.73	0.095	0.344	113.00	160.77	5.88	130.33	296.98	0.05	15.63	312.61	2.766	2.788
48	54.07	0.112	0.294	83.00	89.75	4.32	30.33	124.40	0.05	6.55	130.95	1.578	1.591
49	36.94	0.106	0.294	78.00	64.03	4.06	28.50	96.59	0.05	5.08	101.67	1.303	1.314
52A	61.49	0.124	0.344	83.00	109.42	4.32	95.72	209.46	0.05	11.02	220.48	2.656	2.678
52B	40.01	0.130	0.294	83.00	71.95	4.32	30.33	106.60	0.05	5.61	112.21	1.352	1.363
101	29.14	0.219	0.223	39.70	48.69	2.06	4.93	55.68	0.05	2.93	58.61	1.476	1.488
102	27.53	0.232	0.223	34.00	45.58	1.77	4.22	51.57	0.05	2.71	54.28	1.596	1.609
103	28.25	0.258	0.223	35.33	48.09	1.84	4.38	54.31	0.05	2.86	57.17	1.618	1.631
104	31.70	0.242	0.223	34.00	51.39	1.77	4.22	57.38	0.05	3.02	60.40	1.776	1.790
105	32.90	0.278	0.260	49.00	62.87	2.55	14.86	80.28	0.05	4.23	84.51	1.725	1.739
106	34.85	0.223	0.260	49.39	61.98	2.57	14.98	79.53	0.05	4.19	83.72	1.695	1.709
107	23.97	0.174	0.260	45.00	42.97	2.34	13.64	58.95	0.05	3.10	62.05	1.379	1.390
108	30.34	0.207	0.223	34.00	48.11	1.77	4.22	54.10	0.05	2.85	56.95	1.675	1.689
109	29.82	0.262	0.223	34.71	50.08	1.81	4.31	56.20	0.05	2.96	59.16	1.704	1.718
110	39.54	0.234	0.294	52.00	73.24	2.70	18.99	94.93	0.05	5.00	99.93	1.922	1.938
111	33.89	0.167	0.260	51.49	57.42	2.68	15.61	75.71	0.05	3.98	79.69	1.548	1.561
112	37.79	0.187	0.294	49.00	66.51	2.55	17.90	86.96	0.05	4.58	91.54	1.868	1.883
113	37.31	0.183	0.260	47.46	62.16	2.47	14.41	79.04	0.05	4.16	83.20	1.753	1.767
114	34.88	0.214	0.260	48.41	61.13	2.52	14.68	78.33	0.05	4.12	82.45	1.703	1.717
115	32.32	0.174	0.260	42.03	53.56	2.19	12.74	68.49	0.05	3.60	72.09	1.715	1.729
116	32.11	0.254	0.260	49.00	60.21	2.55	14.85	77.61	0.05	4.08	81.69	1.667	1.681
117	29.96	0.249	0.223	34.00	49.45	1.77	4.22	55.44	0.05	2.92	58.36	1.716	1.730
118	31.50	0.222	0.260	42.00	55.17	2.18	12.73	70.08	0.05	3.69	73.77	1.756	1.770
119	29.99	0.209	0.260	43.55	52.83	2.27	13.15	68.25	0.05	3.59	71.84	1.650	1.663
120	29.72	0.245	0.223	39.00	50.55	2.03	4.84	57.42	0.05	3.02	60.44	1.550	1.563
SW												1.727	1.741

NORTH CAROLINA

HOMEOWNERS INSURANCE

INDICATED RATE LEVEL CHANGE AND FILED BASE CLASS RATE - CONDOMINIUM FORM

		(1) *	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
NEW TERRITORY	CURRENT TERR	INDICATED RATE CHANGE, NEW TERR	CURRENT AVERAGE RATE, NEW TERR	CURRENT RATE, CURRENT TERR	RATE CHANGE, CURRENT TERR =[1+(1)]×[(2)/(3)]	2011 HSE-YRS IN NEW TERR FROM CURR TERR	2011 HSE-YRS IN NEW TERR	2011 PREMIUM AT PRESENT RATE	FILED RATE LEVEL CHANGE (1)	FILED BASE RATE = [1+(8)]×(3)
07	07	157.8%	106.00	106.00	157.5%	221	221	124,396	55.0%	164
08	08	178.8%	113.00	113.00	178.8%	1,559	1,559	959,511	55.0%	175
48	48	59.1%	83.00	83.00	59.0%	196	196	102,714	55.0%	129
49	49	31.4%	78.00	78.00	30.8%	614	614	336,569	30.8%	102
52A	52	167.8%	83.00	83.00	167.5%	5,217	6,139	2,403,360	55.0%	129
52B	52	36.3%	83.00	83.00	36.1%	922	6,139	412,277	36.1%	113
101	36	48.8%	39.70	39.00	51.3%	4,853	34,834	1,283,452	51.3%	59
101	38	48.8%	39.70	42.00	40.5%	19,153	34,834	5,569,459	40.5%	59
101	39	48.8%	39.70	35.00	68.6%	5,664	34,834	1,349,393	55.0%	54
101	46	48.8%	39.70	44.00	34.1%	0	34,834	70	34.1%	59
101	57	48.8%	39.70	39.00	51.3%	3,654	34,834	852,371	51.3%	59
101	60	48.8%	39.70	34.00	73.5%	1,511	34,834	355,904	55.0%	53
102	60	60.9%	34.00	34.00	61.8%	8,069	8,069	2,023,966	55.0%	53
103	44	63.1%	35.33	41.00	41.5%	1	2,018	488	41.5%	58
103	57	63.1%	35.33	39.00	48.7%	543	2,018	119,260	48.7%	58
103	60	63.1%	35.33	34.00	70.6%	1,474	2,018	343,007	55.0%	53
104	60	79.0%	34.00	34.00	79.4%	637	637	150,289	55.0%	53
105	45	73.9%	49.00	49.00	73.5%	3	3	646	55.0%	76
106	41	70.9%	49.39	52.00	61.5%	74	100	18,050	55.0%	81
106	47	70.9%	49.39	42.00	100.0%	26	100	7,839	55.0%	65
107	53	39.0%	45.00	45.00	40.0%	2,809	2,809	930,848	40.0%	63
108	60	68.9%	34.00	34.00	67.6%	534	534	158,596	55.0%	53
109	39	71.8%	34.71	35.00	71.4%	971	1,354	226,209	55.0%	54
109	60	71.8%	34.71	34.00	76.5%	383	1,354	82,439	55.0%	53
110	41	93.8%	52.00	52.00	94.2%	5	5	1,089	55.0%	81
111	34	56.1%	51.49	52.00	53.8%	1,435	1,510	502,006	53.8%	80
111	44	56.1%	51.49	41.00	95.1%	24	1,510	7,534	55.0%	64
111	45	56.1%	51.49	49.00	63.3%	2	1,510	356	55.0%	76
111	47	56.1%	51.49	42.00	90.5%	49	1,510	16,592	55.0%	65
112	45	88.3%	49.00	49.00	87.8%	16	16	5,072	55.0%	76
113	32	76.7%	47.46	49.00	71.4%	6,684	10,568	2,318,444	55.0%	76
113	46	76.7%	47.46	44.00	90.9%	12	10,568	2,648	55.0%	68
113	53	76.7%	47.46	45.00	86.7%	3,872	10,568	1,086,715	55.0%	70
114	45	71.7%	48.41	49.00	69.4%	1,081	1,177	302,152	55.0%	76
114	47	71.7%	48.41	42.00	97.6%	97	1,177	28,319	55.0%	65
115	46	72.9%	42.03	44.00	65.9%	2	223	584	55.0%	68
115	47	72.9%	42.03	42.00	73.8%	220	223	78,587	55.0%	65
116	45	68.1%	49.00	49.00	67.3%	1	1	167	55.0%	76
117	60	73.0%	34.00	34.00	73.5%	747	747	175,259	55.0%	53
118	47	77.0%	42.00	42.00	76.2%	1,056	1,056	284,556	55.0%	65
119	46	66.3%	43.55	44.00	63.6%	3	4	968	55.0%	68
119	47	66.3%	43.55	42.00	71.4%	1	4	210	55.0%	65
120	57	56.3%	39.00	39.00	56.4%	32	32	7,929	55.0%	60
Statewide									49.7%	

* from previous page

NORTH CAROLINA

HOMEOWNERS INSURANCE

INDICATED BASE-CLASS RATE AND RATE LEVEL CHANGE

(A) The Non-Hurricane Base-Class Loss Cost is based on five-year incurred developed losses (excuding hurricane), five-year house-years, and the five-year average rating factor. Since the rate-level indications by territory will be based on both modeled and non-modeled experience, and since the modeled loss experience is based on latest-year exposures, the non-hurricane losses and corresponding average rating factors used in the calculation of the Non-Hurricane Base-Class Loss Cost are trended to the latest year. For a given year, "year *i* ", the trend factor for losses is calculated as (Current Cost Factor, year *i*) / (Current Cost Factor, latest year). Similarly, the trend factor for the average rating factors is calculated as (Current Amount Factor, year *i*) / (Current Amount Factor, latest year). The Current Cost Factors and Current Amount Factors used in this calculation are displayed on pages D-18, 20 and 22.

(B) Credibility values are assigned to a given territory based on the partial credibility table shown as page D-23.

(C) The calculation of the Modeled Hurricane Base-Class Loss-Cost is shown on pages D-38 - D-40.

(D) The trended fixed expense ratios are calculated as the ratio of the trended fixed expense dollar loadings displayed on page D-31 to trended earned premium at current manual level.

(E) The Compensation for Assessment Risk provision is calculated as (.044 × Current Base Rate) / (1.0 - (Provision for Commissions + Provision for Taxes)). The .044 value is based on analysis performed by D. Appel. The commission and tax provisions are those shown on page D-28.

(F) The calculation of the provisions for the Net Cost of Reinsurance is displayed on pages D-44 - D-46.

(G) A 5% provision was selected by the NCRB in order to account for company deviations from manual rates.

(H) Since the statewide indicated rate level change will not necessarily equal the average formulaically-indicated change by territory (shown in column (12)), an adjustment factor (calculated as Statewide Indicated Rate Level Change / Statewide column (12)) is applied to the column (12) values in order to determine the column (13) values.

(I) The filed rate changes have been capped by the North Carolina Rate Bureau such that no territory's change is greater than 35.0% for Owners and 55.0% for Tenants and Condominiums.

DERIVATION OF WIND EXCLUSION CREDITS

The filed wind exclusion credits, Page B-2, are derived using the following formula:

$$C = [\,[I - [\,(Ld+F)\,/\,(1.0-V) + kB\,]\,/\,(1.0-D)]\,]\,pr, \text{ where}$$

C = filed credit

I = filed rate

L = pure-premium underlying indicated rate level change

d = portion of L that is attributable to non-wind losses

F = fixed expense provision underlying indicated rate level change

V = variable expense provision

B = provision in indicated rate for the Compensation for Assessment Risk loading

k = adjusment factor, applied to B, to reflect exclusion of wind coverage
= (Indicated non-wind rate without B) / (Indicated rate, without B)
= $[(Ld+F) / (1.0-V)]$ / $[(L+F) / (1.0-V)] = (Ld+F) / (L+F)$

D = selected deviation percentage

p = average protection class, construction class relativity

r = average policy form relativity

The derivation of the filed credits, using the formula defined above, is displayed on page C-16.

NORTH CAROLINA

HOMEOWNERS INSURANCE

DERIVATION OF WIND EXCLUSION CREDIT

Territory	L (A)	d	F (B)	$(1-V)$ (C)	k	B (D)	D	I	p	r	C
					OWNERS						
7	1,002.85	0.160	40.33	0.7310	0.192	83.89	0.05	2,178	1.006	1.001	1,885
8	1,277.41	0.113	43.75	0.7310	0.142	94.81	0.05	2,461	0.997	1.002	2,174
48	435.92	0.360	36.76	0.7310	0.410	53.10	0.05	1,121	1.223	0.999	1,001
49	344.59	0.465	47.03	0.7310	0.529	45.30	0.05	939	1.070	1.001	659
52A	819.02	0.192	43.32	0.7310	0.233	59.29	0.05	1,539	1.026	1.003	1,272
52B	380.48	0.422	52.44	0.7310	0.492	59.29	0.05	1,109	1.057	1.001	816
					TENANT						
7	86.85	0.306	16.69	0.7310	0.418	5.57	0.05	166	1.012	1.000	102
8	102.33	0.280	17.92	0.7310	0.387	5.83	0.05	174	0.988	1.000	103
48	48.86	0.566	14.36	0.7310	0.665	3.95	0.05	118	1.125	1.000	62
49	34.25	0.650	15.91	0.7310	0.761	3.74	0.05	110	1.003	1.000	52
52A	64.77	0.398	17.51	0.7310	0.526	4.42	0.05	132	0.987	1.000	66
52B	46.03	0.661	17.43	0.7310	0.754	4.42	0.05	132	0.993	1.000	59
					CONDOMINIUM						
7	73.43	0.374	11.66	0.7310	0.460	5.51	0.05	164	0.979	1.000	103
8	94.73	0.301	10.74	0.7310	0.372	5.88	0.05	175	0.982	1.000	114
48	54.07	0.499	9.30	0.7310	0.572	4.32	0.05	129	1.015	1.000	75
49	36.94	0.694	8.27	0.7310	0.750	4.06	0.05	102	1.006	1.000	50
52A	61.49	0.403	10.29	0.7310	0.489	4.32	0.05	129	0.978	1.000	75
52B	40.01	0.633	10.79	0.7310	0.711	4.32	0.05	113	0.930	1.000	54

(A) equals column (9) on pages C-5, 8, 11
(B) equals product of columns (2) and (4) on pages C-6, 9, 12
(C) equals (1.0 - statewide provisions for profit, contingencies, commission,taxes on page D-28)
(D) equals column (6) on pages C-6, 9, 12

NORTH CAROLINA

HOMEOWNERS INSURANCE

DERIVATION OF WIND MITIGATION CREDITS

		Territory					
		07	08	48	49	52A	52B
(1)	Current Wind Exclusion Credit	1,357	1,562	777	633	892	892
(2)	Filed Wind Exclusion Credit	1,885	2,174	1,001	659	1,272	816
(3)	Ratio of Filed and Current Wind Credits = (2)/(1)	1.389	1.392	1.288	1.041	1.426	0.915
(4)	**Current Wind Mitigation Credits**						
	Total Hip Roof	94	106	54	43	61	61
	Opening Protection	96	109	54	41	62	62
	Total Hip Roof and Opening Protection	190	215	108	84	123	123
	IBHS Designation:						
	Hurricane Fortified for Safer Living®	308	375	155	92	204	204
	Hurricane Fortified for Existing Homes® Bronze Option 1	74	85	43	33	48	48
	Hurricane Fortified for Existing Homes® Bronze Option 2	115	134	61	41	76	76
	Hurricane Fortified for Existing Homes® Silver Option 1	185	226	87	44	124	124
	Hurricane Fortified for Existing Homes® Silver Option 2	222	273	104	51	152	152
	Hurricane Fortified for Existing Homes® Gold Option 1	236	288	116	65	155	155
	Hurricane Fortified for Existing Homes® Gold Option 2	274	336	133	72	183	183
(5)	**Revised Wind Mitigation Credits = (4)×(3)**						
	Total Hip Roof	131	148	70	45	87	56
	Opening Protection	133	152	70	43	88	57
	Total Hip Roof and Opening Protection	264	299	139	87	175	113
	IBHS Designation:						
	Hurricane Fortified for Safer Living®	428	522	200	96	291	187
	Hurricane Fortified for Existing Homes® Bronze Option 1	103	118	55	34	68	44
	Hurricane Fortified for Existing Homes® Bronze Option 2	160	187	79	43	108	70
	Hurricane Fortified for Existing Homes® Silver Option 1	257	315	112	46	177	113
	Hurricane Fortified for Existing Homes® Silver Option 2	308	380	134	53	217	139
	Hurricane Fortified for Existing Homes® Gold Option 1	328	401	149	68	221	142
	Hurricane Fortified for Existing Homes® Gold Option 2	381	468	171	75	261	167

NORTH CAROLINA

HOMEOWNERS INSURANCE

SECTION D - EXPLANATORY MATERIAL

NORTH CAROLINA

HOMEOWNERS INSURANCE

EXPLANATORY MEMORANDUM

This memorandum supplements the filing letter and supporting exhibits setting forth a revision of homeowners insurance rates in the State of North Carolina. It is the purpose of this memorandum to describe the source data used and to set forth in detail the insurance ratemaking procedures reflected in the filing. Certain pages in the filing and accompanying material contain a notation "all carriers" or other similar wording. This indicates that the data are combined ISO, ISS, and NISS data. Data for certain companies are not included, as noted in Section E.

Premium and Loss Experience

This revision is based upon the combined premium and loss experience of all entities writing homeowners insurance in this State (licensed companies and residual market entities), except as noted in Section E. In order to have this experience available in all detail necessary for rate review and ratemaking in accordance with accepted standards, all such companies are required to file each year their total homeowners insurance experience with the official statistical agents. Experience is recorded pursuant to the officially approved statistical plans and reported by the companies in accordance with instructions issued by the statistical agents under the Official Calls for Experience.

The Commissioner has appointed the following statistical agents for the collection of homeowners insurance experience in North Carolina: Insurance Services Office (ISO), Independent Statistical Services, Inc. (ISS), American Association of Insurance Services (AAIS), and National Independent Statistical Service (NISS).

Experience utilized in the filing was collected under the Personal Lines Statistical Plan and the 2011 Official Statistical Programs of ISO, the Statistical Plan for Homeowners Policies, Mobilehome Policies, and Dwelling Policies and the 2011 Statistical Programs of ISS, the Homeowners Statistical Plan developed by the NISS and the 2011 Statistical Programs of the NISS. In substance, the statistical plans of these statistical agents are similar in North Carolina, and provide for the recording and reporting of the experience in the detail required for ratemaking and in such form that the experience of all companies can be combined. The experience collected by AAIS and in the ISO Stat Agent plan (which totals less than 0.6% of the aggregate experience) is collected in lesser detail and has not been used in this review.

The licensing of an organization and its appointment as a statistical agent in the various states is predicated upon demonstration by the organization of its ability to perform this function. Moreover, the performance of the statistical agents is reviewed periodically through examination by personnel of state insurance departments under the convention examinations of the National Association of Insurance Commissioners. From time to time such organizations are called upon by Insurance Department examiners to verify, and do verify, the data consolidated by them as statistical agents.

The insurance companies likewise are subject to a variety of checks and controls. Effective controls are maintained within the company over the activities of company employees connected with the company's statistics. Companies are required by statute to submit directly to the Insurance Department statistical and accounting information to be found in the Annual Statement and the Insurance Expense Exhibit. These documents are scrutinized by experienced insurance department personnel throughout the country. The insurance companies are also subject to examination by the insurance department, which examinations extend into the statistical records of the companies.

NORTH CAROLINA

HOMEOWNERS INSURANCE

EXPLANATORY MEMORANDUM

Tabulations of experience reported to Independent Statistical Services, Inc. and National Independent Statistical Service are provided to the Insurance Services Office. The Insurance Services Office combines the experience and develops the analysis included in this filing. This work is performed at the direction of the North Carolina Rate Bureau.

Statewide Rate Level Exhibits

1. Experience

   Homeowners insurance experience was compiled on a calendar accident year basis for the years ended December 31, 2011, 2010, 2009, 2008, and 2007. For any twelve-month period, the accident year experience brings together the losses resulting from accidents occurring during that period with the average rating factors and number of exposures "earned" during the same period. Since this filing utilizes a computer model to measure losses attributable to hurricanes, actual hurricane losses have been removed from the ratemaking experience.

2. Average Rating Factors

   The earned premiums at present manual rates for the homeowners insurance coverages are calculated by multiplying the number of insured exposures earned during the experience period by the rates in effect at the time of review. Earned premiums at present rates are used to determine average rating factors. The average rating factor is the ratio of the average rate (earned premium at manual level divided by corresponding house-years) and the current manual base rate by territory. The average rating factor is used to convert the pure-premiums incurred during the experience period to the "base-class" level.

3. Losses

   Losses compiled for any accident year include paid losses as well as loss reserves. The amounts that will ultimately be required as payments of claims on open cases are carefully determined by the claim departments of the companies, and experience has shown that these determinations are highly accurate in the aggregate. Since, however, there are differences between the total incurred losses so determined and the amounts ultimately paid, the ratemaking procedure provides for a "development" of the incurred losses to a basis which, for all practical purposes, can be considered as the ultimate basis. This development is accomplished as follows:

   Each year the experience is compiled for the latest five-years, all valued as of three months after the close of the latest accident year period. Thus, the experience is reported for the latest year as of 15 months, the preceding year as of 27 months, the next preceding year as of 39 months, the third preceding year as of 51 months and the fourth preceding year as of 63 months all measured from the beginning of each accident year respectively.

   From reports of prior years, similarly aged experience was obtained so that there are available 5 successive reports for the earliest year, 4 successive reports for the next earliest year, 3 successive reports for the middle year and 2 successive reports for the second most recent year.

NORTH CAROLINA

HOMEOWNERS INSURANCE

EXPLANATORY MEMORANDUM

Homeowners claims generally are settled and are therefore sufficiently matured as of 63 months, by which time nearly all homeowners incurred losses have been paid. From a comparison of the incurred loses for each year at successive valuation dates, it is determined what the rate of development has been in the past in order to calculate the development of less mature losses. This development is reflected in the incurred losses for the less mature years by the application of loss development factors. In this filing, loss development factors have been calculated based on the statewide experience of companies reporting to ISO and three large writers reporting to the ISS, and are as follows:

Accident Year Ended	Factor to Develop to 63 Months
December 31, 2011	1.017
December 31, 2010	1.000
December 31, 2009	0.999
December 31, 2008	0.999
December 31, 2007	1.000

The derivation of the factors shown above is presented on Page D-11. By applying these factors, the reported incurred losses have been changed to the amounts at which it is believed they will ultimately be settled.

4. "Excess Wind" Losses and Modeled Hurricane Losses

In order to insure stability in indicated rate levels while maintaining adequacy in the event of wide swings in hurricane and other wind losses, an excess wind procedure and a hurricane loss model have been utilized. Hence, inordinate shifts in indicated rate levels (both upward and downward), which would result from reflecting large hurricane and other wind loss events only in the year in which they occur will be avoided.

With respect to the excess wind procedure (pages D-32-34), two adjustments to reported (non-hurricane) incurred losses are made. First, excess wind losses, which result from unusually severe non-hurricane wind activity, are removed from the rate-making experience. Second, the excess losses for a given year are replaced with an expected excess wind loss loading, by application of the statewide "excess wind factor." This statewide excess wind factor is based on the long-term (non-hurricane) wind history and, therefore, is not subject to the type of yearly variation inherent in actual wind losses. (Note that in order to have a complete history of wind experience, the earliest years used in the calculation of the excess wind factor are based on North Carolina Dwelling Extended Coverage experience. For these years, the wind-to-total-minus wind ratios are calculated as $L / P / B \times A$, where P = Dwelling Extended Coverage premium for the given year, L= Dwelling Extended Coverage losses for the given year, B= Dwelling Extended Coverage expected loss ratio and A= the average wind-to-total-minus-wind ratio for years 1961 through 2011.) The derivation of the excess wind factor is described below.

Statewide excess wind losses by year are calculated by determining a "normal" wind-to-total-minus-wind ratio which represents the long-term expected wind-to-total-minus-wind ratio. All losses above the "normal" ratio are defined as "excess" wind losses.

The "normal" wind-to-total-minus-wind ratio is determined by first capping the historical ratios for unusually large wind loss years at 5 times the median statewide value. (The capped wind-to-total-minus wind ratios are shown in column (5) of the excess wind factor exhibit, page D-32). An excess wind-to-total-minus-wind ratio for a given year is composed of two parts:

(1) a capped excess wind-to-total-minus-wind ratio and

(2) an "excess wind-to-total-minus-wind ratio above the cap".

The excess wind factor is calculated as:

Excess Factor = 1.0 + [(average capped excess ratio + average excess ratio above the cap) ÷ (1.0 + normal ratio - average capped excess ratio)]

Excess loss amounts reflecting the mix of deductibles purchased by insureds are adjusted to the base deductible by taking the ratio of excess losses (at reported deductible level) and wind losses (at reported deductible level) and applying it to wind losses at the base deductible level.

The modeled hurricane losses used in this filing are based on analysis performed by AIR Worldwide on behalf of the North Carolina Rate Bureau and are displayed on pages D-35 – D-37.

5. Loss Adjustment Expense

Loss adjustment expenses are determined as an average percentage of the North Carolina incurred losses for the corresponding five calendar accident years, based on a North Carolina expense call. The high and low years are excluded in the average, and the effects of loss trend and expense trend are incorporated into the calculated loading. See pages D-29 – D-30 and item 11 below.

6. Credibility Factor Determination

Credibility considerations enter into the Homeowners ratemaking formula in the calculation of statewide rate level indications which depend, in part, on the determination of the weighted statewide trended base-class pure-premium.

The statewide credibility procedure is based on the ‘frequency with severity modification’ model discussed in "Credibility of the Pure-Premium" by Mayerson, Bowers and Jones. The full credibility standard is based on a normal distribution with a 90% probability of meeting the test and a 5% maximum departure from the expected value, translated to house year standards. Partial credibility (Z_p) is calculated as follows:

$Z_p = \sqrt{\text{five-year house years / full credibility standard}}$ (truncated to one decimal place).

The full credibility standard is 240,000 house years for the Owners Forms, 285,000 house years for the Tenants Form, and 190,000 house years for the Condo Unit Owner Forms. (See page D-23)

7. Loss Trend

Loss trends are quantified by using the information provided by external inflation indices and the observed growth in pure-premiums and severities that occurred during the historical experience period. This procedure is displayed on pages D-12 – D-16 and pages D-18, 20, and 22.

In order to measure the effect of inflation on losses, in terms of external index information, the Current Cost Index (CCI) is constructed using the Boeckh Residential Index (BRI) for North Carolina and components of the Consumer Price Index ("Modified Consumer Price Index", MCPI).

For Owners, the MCPI is a weighted average of the following subgroups of the Consumer Price Index: House Furnishings (48%), Medical Care (20%), Apparel Commodities (16%) and Entertainment Commodities (16%). The Boeckh Residential and the Modified Consumer Price indices are weighted 55% and 45%, respectively. These weights are based on Homeowners loss distributions.

Since Tenants policies cover only contents and Condominium Unit Owners policies cover primarily contents, the Modified Consumer Price Index is used exclusively for the Tenants and Condominium Unit Owner policy forms. It is a weighted average of the following subgroups of the "All-Urban" Consumer Price Index: House furnishings (54%), Apparel Commodities (18%), Entertainment Commodities (18%) and Medical Care (10%).

The "Current Cost Factors" derived from the external indices trend the losses from a given historical year to the midpoint of the latest quarter included in the index information (February 15, 2013). To project the losses to the level anticipated one year beyond the assumed effective date (July 1, 2014), a projection factor is derived from the least-squares "fitted" annual rate of change of the index values.

Since the external indices do not account for the effect of deductibles on underlying loss trends, a "trend-from-first-dollar adjustment factor" is incorporated into the index trend calculations. This factor is used to adjust the index projection factor so as to properly account for deductible effects. (Note that, since the historical experience represents the five years ending 2011, while the modeled hurricane experience represents 2011, the first-dollar factor for historical losses and modeled losses are calculated slightly differently.)

While the index trend constitutes part of the loss trend methodology, the information provided by the historical experience is not ignored. To incorporate the historical information, pure-premiums and severities are calculated by year in cause-of-loss (i.e., fire-related, water-related, etc) detail and fitted least-squares annual rates of change are computed. Based on a comparison of the external index rates of change and the fitted changes for the historical pure-premiums and severities, "Loss Trend Adjustment" factors of 3%, 1.5% and 4% were selected for the Owners, Tenant and Condominium forms, respectively, and incorporated into the projection calculations.

8. Premium Trend

The premium trend procedure is based on the observed growth in yearly average policy amount relativities. (For the Owners forms, these relativities reflect the Coverage A limit selections made by insureds. For the Tenant and Condominium Unit Owners forms, these relativities reflect the Coverage C limit selections made by insureds.) In order to derive the required trend factors, a least-squares fitted annual change is calculated for the historical average relativities. Based on the calculated value, a selection for the annual change is made. (The selected annual changes reflect consideration of the calculated value and the overall pattern in average relativity growth observed during the experience period.) The selected annual changes are 2.3%, -1.0%, and 0.0% in the Owners, Tenant and Condominium forms, respectively.

The selected annual changes are used to derive "Current Amount Factors" and the "Premium Projection Factor". The Current Amount Factor trends the average policy amount relativity (and, therefore, the Average Rating Factor used in the derivation of the statewide and territory rate level indications) from a given historical year to the point in time corresponding to the February 15, 2013 midpoint of the latest quarter of the external index ("CCI") used in the loss trend procedure (described above). The Premium Projection factor accounts for trend that occurs between this midpoint and six months beyond the assumed effective date.

The premium trend calculations are displayed on pages D-17 – D-22.

9. Composite Loss/Premium Trend

Since the base-class pure-premium is the basic quantity underlying the overall rate-making procedure, and since it is calculated as: (average pure premium) / (average rating factor), the loss and premium trend factors are applied in a "composite" form of "Current Cost/Amount" factors and "Composite Projection Factor" (CPF). The Current Cost/Amount Factor, for a given year, is the ratio of the Current Cost Factor and the Current Amount Factor for the given year. The Composite Projection Factor is the ratio of the Loss Projection and Premium Projection factors. These calculations are shown on pages D-18, D-20 and D-22.

10. Expense Trend

The selected annual change to be applied to general expense, other acquisition expense and loss adjustment expense costs is based on the observed growth in the All Items Consumer Price Index and the Compensation Cost Index. The selected annual change is 2.0% based on analysis and review of the index data, which are displayed on pages D-24 – D-27. Item 12 below describes how the selected annual change is used in the derivation of the loadings for general, other acquisition and loss adjustment expenses.

11. Trend Periods

The effective date assumed in this filing is July 1, 2014 for new and renewal policies. Given this effective date, the trend periods for premiums, losses and expenses are as follows:

– premiums, and the corresponding average rating factors, are trended from January 1 of the given year to January 1, 2015.

– losses are trended from July 1 of the given year to July 1, 2015.

– general expense and other acquisition expense loadings, since they are based on 2010-2012 data, are trended from July 1, 2011 to January 1, 2015.

– loss adjustment expense percentages, since they are based on 2008-2012 data, are trended from July 1, 2010 to July 1, 2015.

12. Expense Loadings

General and Other Acquisition Expenses (Fixed Expenses)- The loadings for these "fixed" expenses are based on the information collected in special "calls" for North Carolina expense experience and reflect the 2010, 2011, and 2012 call results as reported by all companies licensed in North Carolina during those years. Based on the information in these calls, the provisions for these expenses are expressed as percentages of all-policy- forms premium. The percentage provision for these expenses (which, in effect, represents the ratio of a "numerator" of expense dollars and a "denominator" of premium dollars) is trended. The numerator is trended based on the indices shown on pages D-24 – D-27, from which a selection of 2% annual growth was made, and the denominator is trended using a subset of the premium trend factors that are relevant in the overall ratemaking methodology. Once the percentage provision for general and other acquisition expenses is trended, it is converted to a corresponding dollar value which can be incorporated into the pure-premium ratemaking methodology utilized in this filing. The dollar value is obtained by multiplying the trended percentage by the trended average rate at current manual level. Distinct dollar values are generated for the Owners, Tenant and Condominium forms. These values by form reflect the judgment that the premium for a single Tenant or Condominium policy requires a dollar loading that is 50% of the dollar loading required by the premium for a single Owners policy.

The calculations described above, and the conversion to the base-class level that is required by the ratemaking methodology utilized in this filing, is shown in detail on page D-31. The underlying experience is shown on pages D-28.

Commissions and Taxes (Variable Expenses)- The loadings for these expenses are based on the same special call information, and same years, as described above for general and other acquisition expenses. Since these expenses are "variable", there is no need for trending or conversion to a dollar value. The underlying experience for these expenses is shown on page D-28.

Loss Adjustment Expense- The percentage loading for this expense is based on the same special call information as described above for general and other acquisition expenses. Since loss adjustment expense is measured relative to losses, a longer time period, 2008-2012, is used. The percentage loading for loss adjustment expense is trended in a manner that is analogous to the trending of the percentage loading for general and other acquisition expenses: the numerator, i.e., dollars of expense, is trended using the indices shown on pages D-24 – D-27 and the denominator, i.e., dollars of loss, is trended using a subset of the loss trend factors that are relevant in the overall ratemaking methodology. This calculation and the underlying data are displayed in detail on pages D-29 – D-30.

Net Cost of Reinsurance- The provisions for the net cost of reinsurance are based on an analysis provided by D. Appel. This analysis generates the all-forms total dollars required by zone based on 2011 house-years. The allocation of these dollars to individual forms and territories is based on the distribution of earned premium at manual level. This calculation and the conversion to the required base-class level are shown on pages D-44 – D-46**.** (See also pre-filed testimony of D. Appel.).

Compensation for Assessment Risk- The Compensation for Assessment Risk provision is calculated as:
(.044 × Current Average Base Rate) / (1.0 - (Provision for Commissions + Provision for Taxes)). The .044 value is based on an analysis performed by D. Appel. The commission and tax provisions are those shown on page D-28. (See also pre-filed testimony of D. Appel.)

Determination of Base-Class Loss Costs by Territory

1. Non-Hurricane Base-Class Loss Cost

A five-year non-hurricane base-class loss cost by territory is derived by dividing five-year territory losses excluding actual hurricane losses by the product of the five-year average rating factor and five-year house-years. For the Owners forms, the loss cost also excludes actual wind losses and includes a territory (non-hurricane) "wind provision"(described below). The losses and average rating factors are trended to the latest year in the experience period so as to be compatible with the modeled hurricane losses (which reflect exposures for the latest year).

The territory wind provision is calculated in a two-step process. In the first step, the statewide excess loss amounts and the excess factor are used to determine a statewide "wind provision." The wind provision is the dollar value of the "implicit" wind losses that remain in the rate-making loss experience, after excess wind losses are removed and the excess factor is applied. The statewide wind provision is defined as $(T - E)F - (T - L)$, where:

T = statewide incurred non-modeled losses
E = statewide non-modeled excess wind losses
F = statewide excess wind factor
L = non-hurricane wind losses

In the second step, the long-term history of wind losses by territory is used to distribute the statewide wind provision to each territory. This calculation is illustrated on page D-34.

2. Credibility

The territory credibility procedure is based on the ‘frequency with severity modification’ model discussed in "Credibility of the Pure-Premium" by Mayerson, Bowers and Jones. The full credibility standard is based on a normal distribution with a 90% probability of meeting the test and a 10% maximum departure from the expected value, translated to house year standards. Partial credibility (Z_p) is calculated as follows:

$$Z_p = \sqrt{\text{five - year house years/full credibility standard}}$$ (truncated to one decimal place)

The full credibility standard is 60,000 house years for the Owners Forms, 75,000 house years for the Tenants Form, and 50,000 house years for the Condo Unit Owner Forms. (See page D-23.) The complement of credibility is assigned to the statewide five-year base-class loss cost excluding hurricane.

3. Modeled Hurricane Base-Class Loss Cost

The modeled hurricane base-class loss cost is derived by dividing modeled hurricane losses by the product of the average rating factor and house-years.

4. Total Base-Class Loss Cost

The base-class loss cost for all losses is the sum of the credibility-weighted non-hurricane base-class loss cost and the modeled hurricane base-class loss cost.

5. Indicated Territory Relativity

The total loss costs by territory are made to be relative to the state by taking the ratio of the by-territory loss costs and the statewide loss cost.

6. Indicated Base-Class Loss Costs By Territory

The territory relativities are applied to the statewide base-class loss cost (computed on the statewide indications pages) in order to obtain the indicated base-class loss costs by territory.

<u>Determination of Base Rates by Territory</u>

1. Fixed Expenses (i.e., General and Other Acquisition Expenses) By Territory

The statewide (trended) provisions for general and other acquisition expenses are adjusted in order to reflect the varying size of the current rates by territory. This is accomplished by multiplying the statewide provisions (in percentage form) by the ratio of the current statewide average rate and the current average rate for the given territory.

2. Variable Expenses, Profit and Contingency Loading

   The variable expense loadings include provisions for commissions and taxes. The profit and contingency provisions vary by territory. These provisions are shown on page D-28. (See also pre-filed testimony of D. Appel.)

3. Compensation for Assessment Risk

   The Compensation for Assessment Risk provision is calculated as:
   (.044 × Current Base Rate) / (1.0 - (Provision for Commissions + Provision for Taxes)). The .044 value is based on analysis performed by D. Appel. The commission and tax provisions are those shown on page D-28. (See also pre-filed testimony of D. Appel.)

4. Net Cost of Reinsurance

   The provisions for the net cost of reinsurance are based on an analysis provided by D. Appel. This analysis generates the all-forms total dollars required by zone based on 2011 house-years. The allocation of these dollars to individual forms and territories is based on the distribution of earned premium at manual level. This calculation and the conversion to the base-class level that is required by the ratemaking methodology utilized in this filing are shown on pages D-44 – D-46. (See also pre-filed testimony of D. Appel.).

5. Selected Deviation

   A 5% deviation provision was selected by the NCRB.

NORTH CAROLINA

HOMEOWNERS INSURANCE

LOSS DEVELOPMENT (ALL FORMS)

Incurred Losses as of:

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months
1994	76,940,067	77,424,129	76,510,853	76,466,012	76,068,620
1995	275,526,649	280,782,943	280,248,953	279,991,248	278,970,910
1996	1,203,842,024	1,233,419,919	1,238,584,102	1,241,887,395	1,238,993,238
1997	285,472,082	290,942,980	291,323,015	290,930,159	289,830,905
1998	441,642,050	449,304,415	449,418,632	450,487,446	450,049,977
1999	518,141,619	530,020,021	532,723,817	532,846,371	533,780,041
2000	417,798,408	424,460,692	425,394,119	426,030,136	426,747,829
2001	342,868,982	350,036,795	352,714,491	352,919,603	352,244,256
2002	426,349,142	436,597,855	438,484,029	437,143,320	436,784,014
2003	535,321,109	546,321,376	548,337,223	547,218,778	548,568,357
2004	381,917,036	386,129,893	386,113,477	385,130,353	384,936,422
2005	375,829,359	380,733,043	381,290,391	382,014,623	381,590,871
2006	435,529,704	440,661,059	440,752,801	440,980,356	439,850,101
2007	495,065,188	496,993,998	496,272,148	494,745,716	493,797,241
2008	637,702,000	667,979,946	669,561,674	669,531,287	
2009	678,954,658	685,425,665	686,725,030		
2010	793,566,232	800,980,906			
2011	1,534,368,693				

Link Ratios

Accident Year	27:15	39:27	51:39	63:51
1994	1.006	0.988	0.999	0.995
1995	1.019	0.998	0.999	0.996
1996	1.025	1.004	1.003	0.998
1997	1.019	1.001	0.999	0.996
1998	1.017	1.000	1.002	0.999
1999	1.023	1.005	1.000	1.002
2000	1.016	1.002	1.001	1.002
2001	1.021	1.008	1.001	0.998
2002	1.024	1.004	0.997	0.999
2003	1.021	1.004	0.998	1.002
2004	1.011	1.000	0.997	0.999
2005	1.013	1.001	1.002	0.999
2006	1.012	1.000	1.001	0.997
2007	1.004	0.999	0.997	0.998
2008	1.047	1.002	1.000	
2009	1.010	1.002		
2010	1.009			

	27:15	39:27	51:39	63:51
Average	1.017	1.001	1.000	0.999

Loss Development Factors

2007	2008	2009	2010	2011
1.000	0.999	0.999	1.000	1.017

NORTH CAROLINA

HOMEOWNERS INSURANCE - OWNERS FORMS

DEVELOPMENT OF CURRENT COST FACTORS (CCF) AND LOSS PROJECTION FACTOR

QUARTER ENDING MARCH 31, 2013

PART A: MONTHLY CURRENT COST INDEX (CCI) WITH:
45% WEIGHT TO MODIFIED CONSUMER PRICE INDEX (MCPI)
55% WEIGHT TO BOECKH RESIDENTIAL INDEX (BRI) FOR N.C.
(MCPI BASE: 1967 = 100 BRI BASE: 1967 = 100)

MO	BRI	MCPI 2010	CCI	QCCI	BRI	MCPI 2011	CCI	QCCI	BRI	MCPI 2012	CCI	QCCI
4	936.1	428.2	707.5		944.3	432.9	714.2		977.1	442.3	736.4	
5	933.0	427.4	705.5		945.6	433.3	715.1		978	442.8	737.2	
6	931.9	426.3	704.4	705.8	944.7	432.7	714.3	714.5	979.4	442.9	738.0	737.2
7	936.8	424.3	706.2		952.8	432.4	718.6		980.1	442.9	738.4	
8	942.8	424.5	709.6		962.8	433.3	724.5		984.2	442.8	740.6	
9	942.2	427.0	710.4	708.7	962.2	434.3	724.6	722.6	983.3	444.5	740.8	739.9

MO	BRI	MCPI 2010-2011	CCI	QCCI	BRI	MCPI 2011-2012	CCI	QCCI	BRI	MCPI 2012-2013	CCI	QCCI
10	948.4	427.7	714.1		963.3	436.2	726.1		983.9	445.2	741.5	
11	945.0	426.9	711.9		968.4	436.5	729.0		986.3	444.7	742.6	
12	945.7	425.5	711.6	712.5	967.6	435.6	728.2	727.8	985.2	442.8	741.1	741.7
1	945.4	426.8	712.0		970.3	437.2	730.4		989.1	444.5	744.0	
2	940.4	430.1	710.8		972.2	439.8	732.6		989.7	446.9	745.4	
3	940.6	431.7	711.6	711.5	974.5	441.5	734.7	732.6	988.4	447.9	745.2	744.9

PART B: CALCULATION OF CURRENT COST FACTORS (CCF)

CALENDAR YEAR AVERAGE CCI				CURRENT COST FACTORS BASED ON AVERAGE CCI VALUE FOR QUARTER ENDING 3/31/2013 = 744.9
YEAR	BRI	MCPI	CCI	
2007	901.5	410.5	680.6	1.094
2008	920.2	416.6	693.6	1.074
2009	932.4	423.0	703.2	1.059
2010	939.0	426.4	708.3	1.052
2011	953.2	433.0	719.1	1.036

NORTH CAROLINA

HOMEOWNERS INSURANCE - OWNERS FORMS

DEVELOPMENT OF CURRENT COST FACTORS (CCF) AND LOSS PROJECTION FACTOR
QUARTER ENDING MARCH 31, 2013

PART C: COMPUTATION OF LOSS PROJECTION FACTOR

YEAR	QUARTER ENDING	QUARTERLY CCI
2010	JUN. 30	705.8
2010	SEP. 30	708.7
2010	DEC. 31	712.5
2011	MAR. 31	711.5
2011	JUN. 30	714.5
2011	SEP. 30	722.6
2011	DEC. 31	727.8
2012	MAR. 31	732.6
2012	JUN. 30	737.2
2012	SEP. 30	739.9
2012	DEC. 31	741.7
2013	MAR. 31	744.9

FITTED QUARTERLY RATE OF CHANGE* = 0.005

ANNUAL RATE OF CHANGE = $(1.0 + 0.005)^{4}$ = 1.020

LOSS PROJECTION FACTOR** = $(1.0 + 0.005)^{28.5/3}$ = 1.049

* FROM LEAST-SQUARES FIT OF QUARTERLY CCI VALUES
** TO PROJECT LOSSES FROM 2/15/13 TO 7/01/15

NORTH CAROLINA

HOMEOWNERS INSURANCE - TENANT, CONDOMINIUM FORMS

DEVELOPMENT OF CURRENT COST FACTORS (CCF) AND LOSS PROJECTION FACTOR

QUARTER ENDING MARCH 31, 2013

PART A: MONTHLY CURRENT COST INDEX (CCI) WITH:
MODIFIED CONSUMER PRICE INDEX (BASE: 1967 = 100)
("QCCI": AVERAGE QUARTERLY CCI)

MO	MCPI 2010	QCCI	MCPI 2011	QCCI	MCPI 2012	QCCI
4	309.7		310.0		314.6	
5	308.7		310.2		314.5	
6	307.3	308.6	309.5	309.9	313.9	314.3
7	305.2		308.8		313.3	
8	305.2		309.5		313.1	
9	307.0	305.8	310.4	309.6	314.5	313.6

MO	MCPI 2010-2011	QCCI	MCPI 2011-2012	QCCI	MCPI 2012-2013	QCCI
10	307.5		311.7		315.2	
11	306.4		311.4		314.5	
12	304.7	306.2	310.1	311.1	312.4	314.0
1	305.4		310.8		313.3	
2	307.7		312.6		314.9	
3	309.2	307.4	314.0	312.5	315.7	314.6

PART B: CALCULATION OF CURRENT COST FACTORS (CCF)

CALENDAR YEAR AVERAGE CCI YEAR	CCI	CURRENT COST FACTORS BASED ON AVERAGE CCI VALUE FOR QUARTER ENDING 3/31/2013 = 314.6
2007	306.1	1.028
2008	307.1	1.024
2009	309.1	1.018
2010	307.3	1.024
2011	309.5	1.016

NORTH CAROLINA

HOMEOWNERS INSURANCE - TENANT, CONDOMINIUM FORMS

DEVELOPMENT OF CURRENT COST FACTORS (CCF) AND LOSS PROJECTION FACTOR

QUARTER ENDING MARCH 31, 2013

PART C: COMPUTATION OF LOSS PROJECTION FACTOR

CAL. YEAR	QUARTER ENDING	QUARTERLY CCI
2010	JUN. 30	308.6
2010	SEP. 30	305.8
2010	DEC. 31	306.2
2011	MAR. 31	307.4
2011	JUN. 30	309.9
2011	SEP. 30	309.6
2011	DEC. 31	311.1
2012	MAR. 31	312.5
2012	JUN. 30	314.3
2012	SEP. 30	313.6
2012	DEC. 31	314.0
2013	MAR. 31	314.6

FITTED QUARTERLY RATE OF CHANGE* = 0.003

ANNUAL RATE OF CHANGE = $(1.0 + 0.003)^{4}$ = 1.012

LOSS PROJECTION FACTOR** = $(1.0 + 0.003)^{28.5/3}$ = 1.029

* FROM LEAST-SQUARES FIT OF QUARTERLY CCI VALUES
** TO PROJECT LOSSES FROM 2/15/13 TO 7/01/15

NORTH CAROLINA

HOMEOWNERS INSURANCE

ANNUAL PURE-PREMIUM AND SEVERITY RATES OF CHANGE

OWNERS

	SEVERITY EX. WIND	PURE PREMIUM EX. WIND	SEVERITY FIRE	PURE PREMIUM FIRE	SEVERITY THEFT	PURE PREMIUM THEFT	SEVERITY LIABILITY	PURE PREMIUM LIABILITY	SEVERITY O.P.D.*	PURE PREMIUM O.P.D.*	SEVERITY WATER	PURE PREMIUM WATER
2007	6712	271.60	14676	147.82	2367	22.19	6027	11.62	3070	18.59	5475	71.38
2008	6683	299.41	13951	147.26	2582	28.07	5499	12.74	3153	20.20	6219	91.15
2009	6844	335.00	15945	147.42	2500	27.79	4998	11.84	3290	26.53	6687	121.42
2010	7342	377.50	15536	179.09	2637	28.68	5540	13.10	3399	26.23	6889	130.41
2011	6622	363.37	14292	171.77	2736	29.05	5231	11.60	2464	31.10	6888	119.85
ANN. CHANGE	0.7%	8.5%	0.5%	5.1%	3.2%	5.8%	-2.7%	0.3%	-3.6%	13.8%	5.8%	15.0%

TENANT

	SEVERITY EX. WIND	PURE PREMIUM EX. WIND	SEVERITY FIRE	PURE PREMIUM FIRE	SEVERITY THEFT	PURE PREMIUM THEFT	SEVERITY LIABILITY	PURE PREMIUM LIABILITY	SEVERITY O.P.D.*	PURE PREMIUM O.P.D.*	SEVERITY WATER	PURE PREMIUM WATER
2007	3452	70.74	6239	23.56	2219	26.36	9504	11.50	1963	4.18	3440	5.13
2008	3313	78.22	5379	20.37	2426	35.02	8289	12.95	1987	4.32	3357	5.56
2009	3463	85.88	6308	21.70	2215	33.81	11213	17.05	2202	4.92	3589	8.40
2010	3548	84.04	6234	22.87	2298	32.45	10123	17.37	2070	4.40	3382	6.94
2011	3134	83.97	5520	23.94	2312	31.97	8125	14.54	1473	6.89	3074	6.63
ANN. CHANGE	-1.2%	4.2%	-1.0%	1.5%	0.3%	3.1%	-1.1%	7.9%	-5.2%	10.8%	-2.2%	7.6%

CONDOMINIUM UNIT OWNERS

	SEVERITY EX. WIND	PURE PREMIUM EX. WIND	SEVERITY FIRE	PURE PREMIUM FIRE	SEVERITY THEFT	PURE PREMIUM THEFT	SEVERITY LIABILITY	PURE PREMIUM LIABILITY	SEVERITY O.P.D.*	PURE PREMIUM O.P.D.*	SEVERITY WATER	PURE PREMIUM WATER
2007	3257	109.19	5361	19.73	1807	12.82	3912	7.63	2098	8.63	3619	60.38
2008	3247	118.22	2985	9.94	1918	17.68	4102	10.93	2571	8.28	3972	71.38
2009	3867	147.30	6726	22.00	2044	17.36	4320	10.71	3079	12.85	4290	84.37
2010	4272	158.75	7456	26.68	1855	10.47	2644	5.61	3138	14.32	4784	101.67
2011	4463	166.05	7476	34.56	1991	11.48	4381	8.68	3184	15.96	4810	95.37
ANN. CHANGE	9.5%	12.0%	17.1%	23.5%	1.6%	-7.2%	-2.1%	-4.0%	10.9%	19.5%	7.8%	13.5%

* O.P.D. = OTHER PHYSICAL DAMAGE

NORTH CAROLINA

HOMEOWNERS INSURANCE

TREND IN AVERAGE POLICY AMOUNT RELATIVITY

OWNERS FORMS

	X	Y = AVG. REL.	Z=LN Y	X*Z	YEAR-TO-YEAR GROWTH IN Y
2007	-2	1.901	0.642	-1.284	
2008	-1	1.969	0.678	-0.678	1.036
2009	0	2.025	0.706	0.000	1.028
2010	1	2.063	0.724	0.724	1.019
2011	2	2.079	0.732	1.464	1.008
			3.482	0.226	

A (MEAN OF FITTED LINE) = (SUM Z)/5 = 3.482/5 = 0.696

B (AVERAGE ANNUAL INCREMENT) = (SUM X*Z)/10 = 0.226/10 = 0.023

FITTED ANNUAL RATE OF CHANGE = $e^{0.023} - 1$ = 0.023

SELECTED AVERAGE ANNUAL RATE OF CHANGE = 0.023

LATEST YEAR RELATIVITY TRENDED FROM 01/01/11 to 02/15/13

$2.079 \times 1.023^{25.5/12} = 2.182$

NORTH CAROLINA

HOMEOWNERS INSURANCE

DEVELOPMENT OF CURRENT COST / AMOUNT AND PROJECTION FACTORS

OWNERS FORMS

	(1)	(2)	(3)	(4)	(5)
	AVERAGE REL.	(2) = 2.182 (A) / (1)	CURRENT AMOUNT FACTOR [(2)-1]*1.0+1	CURRENT COST FACTOR	CURRENT COST/ AMOUNT FACTOR (4)/(3)
2007	1.901	1.148	1.148	1.094	0.953
2008	1.969	1.108	1.108	1.074	0.969
2009	2.025	1.078	1.078	1.059	0.982
2010	2.063	1.058	1.058	1.052	0.994
2011	2.079	1.050	1.050	1.036	0.987

				NON - HURRICANE	MODELED HURRICANE
(6)* PREMIUM PROJECTION FACTOR	1.023	(22.5/12)	=	1.044	1.044
(7) CCI LOSS PROJECTION FACTOR			=	1.049	1.049
(8) ADJUSTMENT TO TREND FROM FIRST DOLLAR OF LOSS (B)			=	1.004	1.003
(9) ANNUAL LOSS TREND ADJUSTMENT (LTA) FACTOR			=	1.030	1.030
(10) TOTAL PERIOD LTA			=	1.073	1.073
(11) COMPOSITE PROJECTION FACTOR FOR LOSS RATIO = [(7) * (8) * (10)] / (6)			=	1.082	1.081

(A) 2.182 PROJECTED AVERAGE RELATIVITY AT 02/15/13

(B) TREND FROM FIRST DOLLAR IS CALCULATED AS FOLLOWS:

1 + ((X-1) Y / (X Z))

WHERE: X = LOSS TREND (WEIGHTED CURRENT COST FACTOR * LOSS PROJECTION FACTOR).

Y = LOSSES ELIMINATED BY $250 DEDUCTIBLE.

Z = FIVE YEAR TOTAL NON-HURRICANE LOSSES.

* PREMIUM PROJECTION FACTOR REFLECTS TREND FROM 2/15/2013 TO 01/01/15

NORTH CAROLINA

HOMEOWNERS INSURANCE

TREND IN AVERAGE POLICY AMOUNT RELATIVITY

TENANT FORM

	X	Y = AVG. REL.	Z=LN Y	X*Z	YEAR-TO-YEAR GROWTH IN Y
2007	-2	2.894	1.063	-2.126	
2008	-1	2.857	1.050	-1.050	0.987
2009	0	2.804	1.031	0.000	0.981
2010	1	2.731	1.005	1.005	0.974
2011	2	2.677	0.985	1.970	0.980
			5.134	-0.201	

A (MEAN OF FITTED LINE) = (SUM Z)/5 = 5.134/5 = 1.027

B (AVERAGE ANNUAL INCREMENT) = (SUM X*Z)/10 = -0.201/10 = -0.020

AVERAGE ANNUAL RATE OF CHANGE = $e^{-0.020} - 1$ = -0.020

SELECTED AVERAGE ANNUAL RATE OF CHANGE = -0.010

LATEST YEAR RELATIVITY TRENDED FROM 01/01/11 to 02/15/13

$2.677 \times 0.990^{25.5/12}$ = 2.620

NORTH CAROLINA

HOMEOWNERS INSURANCE

DEVELOPMENT OF CURRENT COST / AMOUNT AND PROJECTION FACTORS

TENANT FORM

	(1)	(2)	(3)	(4)	(5)
	AVERAGE REL.	(2) = 2.620 [(A)] / (1)	CURRENT AMOUNT FACTOR [(2)-1]*1.0+1	CURRENT COST FACTOR	CURRENT COST/ AMOUNT FACTOR (4)/(3)
2007	2.894	0.905	0.905	1.028	1.136
2008	2.857	0.917	0.917	1.024	1.117
2009	2.804	0.934	0.934	1.018	1.090
2010	2.731	0.959	0.959	1.024	1.068
2011	2.677	0.979	0.979	1.016	1.038

				NON-HURRICANE	MODELED HURRICANE
(6)* PREMIUM PROJECTION FACTOR	0.990	(22.5/12)	=	0.981	0.981
(7) CCI LOSS PROJECTION FACTOR			=	1.029	1.029
(8) ADJUSTMENT TO TREND FROM FIRST DOLLAR OF LOSS [(B)]			=	1.003	1.002
(9) ANNUAL LOSS TREND ADJUSTMENT (LTA) FACTOR			=	1.015	1.015
(10) TOTAL PERIOD LTA			=	1.036	1.036
(11) COMPOSITE PROJECTION FACTOR FOR LOSS RATIO = [(7) * (8) * (10)] / (6)			=	1.090	1.089

(A) 2.620 IS THE PROJECTED AVERAGE RELATIVITY AT 02/15/13

(B) TREND FROM FIRST DOLLAR IS CALCULATED AS FOLLOWS:

$$1 + ((X-1) Y / (X Z))$$

WHERE: X = LOSS TREND (WEIGHTED CURRENT COST FACTOR * LOSS PROJECTION FACTOR).

Y = LOSSES ELIMINATED BY $250 DEDUCTIBLE.

Z = FIVE YEAR TOTAL NON-HURRICANE LOSSES.

* PREMIUM PROJECTION FACTOR REFLECTS TREND FROM 02/15/13 to 01/01/15

NORTH CAROLINA

HOMEOWNERS INSURANCE

TREND IN AVERAGE POLICY AMOUNT RELATIVITY

CONDOMINIUM UNIT OWNER FORM

	X	Y = AVG. REL.	Z=LN Y	X*Z	YEAR-TO-YEAR GROWTH IN Y
2007	-2	4.181	1.431	-2.862	
2008	-1	4.265	1.450	-1.450	1.020
2009	0	4.336	1.467	0.000	1.017
2010	1	4.329	1.465	1.465	0.998
2011	2	4.320	1.463	2.926	0.998
			7.276	0.079	

A (MEAN OF FITTED LINE) = (SUM Z)/5 = 7.276/5 = 1.455

B (AVERAGE ANNUAL INCREMENT) = (SUM X*Z)/10 = 0.079/10 = 0.008

AVERAGE ANNUAL RATE OF CHANGE = $e^{0.008}$ -1 = 0.008

SELECTED AVERAGE ANNUAL RATE OF CHANGE = 0.000

LATEST YEAR RELATIVITY TRENDED FROM 01/01/11 to 02/15/13

$4.320 \times 1.000^{25.5/12} = 4.320$

NORTH CAROLINA

HOMEOWNERS INSURANCE

DEVELOPMENT OF CURRENT COST / AMOUNT AND PROJECTION FACTORS

CONDOMINIUM UNIT OWNER FORM

	(1)	(2)	(3)	(4)	(5)
	AVERAGE REL.	(2) = 4.320 (A) / (1)	CURRENT AMOUNT FACTOR [(2)-1]*1.0+1	CURRENT COST FACTOR	CURRENT COST/ AMOUNT FACTOR (4)/(3)
2007	4.181	1.033	1.033	1.028	0.995
2008	4.265	1.013	1.013	1.024	1.011
2009	4.336	0.996	0.996	1.018	1.022
2010	4.329	0.998	0.998	1.024	1.026
2011	4.320	1.000	1.000	1.016	1.016

	(22.5/12)		NON-HURRICANE	MODELED HURRICANE
(6)* PREMIUM PROJECTION FACTOR	1.000	=	1.000	1.000
(7) CCI LOSS PROJECTION FACTOR		=	1.029	1.029
(8) ADJUSTMENT TO TREND FROM FIRST DOLLAR OF LOSS (B)		=	1.003	1.002
(9) ANNUAL LOSS TREND ADJUSTMENT (LTA) FACTOR		=	1.040	1.040
(10) TOTAL PERIOD LTA		=	1.098	1.098
(11) COMPOSITE PROJECTION FACTOR FOR LOSS RATIO = [(7) * (8) * (10)] / (6)		=	1.133	1.132

(A) 4.320 IS THE PROJECTED AVERAGE RELATIVITY AT 02/15/13

(B) TREND FROM FIRST DOLLAR IS CALCULATED AS FOLLOWS:

$$1 + ((X-1) Y / (X Z))$$

WHERE: X = LOSS TREND (WEIGHTED CURRENT COST FACTOR * LOSS PROJECTION FACTOR).

Y = LOSSES ELIMINATED BY $250 DEDUCTIBLE.

Z = FIVE YEAR TOTAL NON-HURRICANE LOSSES.

* PREMIUM PROJECTION FACTOR REFLECTS TREND FROM 02/15/13 to 01/01/15

NORTH CAROLINA

HOMEOWNERS INSURANCE

CREDIBILITY TABLES

STATEWIDE CREDIBILITY

Owners		Tenants		Condominium Unit Owners	
House-Years	Credibility	House-Years	Credibility	House-Years	Credibility
240,000 & Over	1.00	285,000 & Over	1.00	190,000 & Over	1.00
194,400 - 239,999	.90	230,850 - 284,999	.90	153,900 - 189,999	.90
153,600 - 194,399	.80	182,400 - 230,849	.80	121,600 - 153,899	.80
117,600 - 153,599	.70	139,650 - 182,399	.70	93,100 - 121,599	.70
86,400 - 117,599	.60	102,600 - 139,649	.60	68,400 - 93,099	.60
60,000 - 86,399	.50	71,250 - 102,599	.50	47,500 - 68,399	.50
38,400 - 59,999	.40	45,600 - 71,249	.40	30,400 - 47,499	.40
21,600 - 38,399	.30	25,650 - 45,599	.30	17,100 - 30,399	.30
9,600 - 21,599	.20	11,400 - 25,649	.20	7,600 - 17,099	.20
2,400 - 9,599	.10	2,850 - 11,399	.10	1,900 - 7,599	.10
0 - 2,399	.00	0 - 2,849	.00	0 - 1,899	.00

TERRITORY CREDIBILITY

Owners		Tenants		Condominium Unit Owners	
House-Years	Credibility	House-Years	Credibility	House-Years	Credibility
60,000 & Over	1.00	75,000 & Over	1.00	50,000 & Over	1.00
48,600 - 59,999	.90	60,750 - 74,999	.90	40,500 - 49,999	.90
38,400 - 48,599	.80	48,000 - 60,749	.80	32,000 - 40,499	.80
29,400 - 38,399	.70	36,750 - 47,999	.70	24,500 - 31,999	.70
21,600 - 29,399	.60	27,000 - 36,749	.60	18,000 - 24,499	.60
15,000 - 21,599	.50	18,750 - 26,999	.50	12,500 - 17,999	.50
9,600 - 14,999	.40	12,000 - 18,749	.40	8,000 - 12,499	.40
5,400 - 9,599	.30	6,750 - 11,999	.30	4,500 - 7,999	.30
2,400 - 5,399	.20	3,000 - 6,749	.20	2,000 - 4,499	.20
600 - 2,399	.10	750 - 2,999	.10	500 - 1,999	.10
0 - 599	.00	0 - 749	.00	0 - 499	.00

The formula used to obtain the credibility to be assigned is the square root of the quantity (five-year earned house- years/house-years required for full credibility). These tables are based on the 'frequency with severity modification' model discussed in "Credibility of the Pure Premium" by Mayerson, Bowers and Jones. The full credibility standards are based upon a Normal distribution with a 90% probability of meeting the test and a 5.0% and 10.0% maximum departure from the expected value for Statewide and Territories, respectively. The claims standards have been translated to house-year standards.

NORTH CAROLINA

HOMEOWNERS INSURANCE

DETERMINATION OF TREND FOR EXPENSES

	ALL ITEMS (LESS ENERGY) CPI INDEX	COMPENSATION COST INDEX
Jul-09	218.4	
Aug-09	218.6	110.2
Sep-09	219.1	
Oct-09	219.6	
Nov-09	219.3	110
Dec-09	219.0	
Jan-10	219.3	
Feb-10	219.7	111.3
Mar-10	220.1	
Apr-10	220.3	
May-10	220.3	112.2
Jun-10	220.3	
Jul-10	220.3	
Aug-10	220.6	112.2
Sep-10	221.0	
Oct-10	221.2	
Nov-10	221.2	112.2
Dec-10	221.0	
Jan-11	221.7	
Feb-11	222.5	113.7
Mar-11	223.3	
Apr-11	223.8	
May-11	224.3	114.8
Jun-11	224.6	
Jul-11	225.0	
Aug-11	225.8	114.9
Sep-11	226.3	
Oct-11	226.8	
Nov-11	226.8	115.2
Dec-11	226.8	
Jan-12	227.4	
Feb-12	227.9	115.3
Mar-12	228.7	
Apr-12	229.3	
May-12	229.5	116.3
Jun-12	229.8	
Jul-12	229.8	
Aug-12	230.1	117.3
Sep-12	230.7	
Oct-12	231.2	
Nov-12	231.16	116.5
Dec-12	231.0	
Jan-13	231.7	
Feb-13	232.4	117.3
Mar-13	232.9	
Apr-13	233.1	
May-13	233.3	119.2
Jun-13	233.5	

NORTH CAROLINA

HOMEOWNERS INSURANCE

DETERMINATION OF TREND FOR EXPENSES

	CPI (A)	CCI (B)	Combined (C)
(1) Annual Change in indices based on exponential curve of best fit for the latest 48 points (or 16 quarters)	1.88%	1.99%	1.93%
(2) Annual Change in indices based on exponential curve of best fit for the latest 36 points (or 12 quarters)	2.13%	1.95%	2.04%
(3) Annual Change in indices based on exponential curve of best fit for the latest 24 points (or 8 quarters)	1.90%	1.86%	1.88%
(4) Annual Change in indices based on exponential curve of best fit for the latest 12 points (or 4 quarters)	1.80%	2.23%	2.01%
(5) Average Annual Index (D)			
Year Ended 12/31/2010	220.44	112.0	
Year Ended 6/31/2011	222.13	113.2	
Year Ended 12/31/2011	224.81	114.7	
Year Ended 6/31/2012	227.51	115.4	
Year Ended 12/31/2012	229.71	116.4	
Year Ended 6/31/2013	231.73	117.6	
(6) Current Cost Factor (Latest Index Value Divided by Average Annual Index)			
Year Ended 12/31/2010	1.059	1.065	1.062
Year Ended 6/31/2011	1.051	1.053	1.052
Year Ended 12/31/2011	1.038	1.040	1.039
Year Ended 6/31/2012	1.026	1.033	1.030
Year Ended 12/31/2012	1.016	1.024	1.020
Year Ended 6/31/2013	1.007	1.014	1.011

Selected Annual Change = 2.0% (based on Comp. Cost Index and CPI with and without energy)

Notes: (A) All items CPI index (urban, less energy). Source: Bureau of Labor Statistics.

(B) Total Compensation Cost Index - Insurance Carriers, Agent Brokers, and Service. Source: Bureau of Labor Statistics.

(C) Weighted Average determined as .50 (All items) + .50 (CCI).

(D) Average year ended index for period shown.

NORTH CAROLINA

HOMEOWNERS INSURANCE

DETERMINATION OF TREND FOR EXPENSES

	ALL ITEMS CPI INDEX	COMPENSATION COST INDEX
Jul-09	215.4	
Aug-09	215.8	110.2
Sep-09	216.0	
Oct-09	216.2	
Nov-09	216.3	110
Dec-09	215.9	
Jan-10	216.7	
Feb-10	216.7	111.3
Mar-10	217.6	
Apr-10	218.0	
May-10	218.2	112.2
Jun-10	218.0	
Jul-10	218.0	
Aug-10	218.3	112.2
Sep-10	218.4	
Oct-10	218.7	
Nov-10	218.8	112.2
Dec-10	219.2	
Jan-11	220.2	
Feb-11	221.3	113.7
Mar-11	223.5	
Apr-11	224.9	
May-11	226.0	114.8
Jun-11	225.7	
Jul-11	225.9	
Aug-11	226.5	114.9
Sep-11	226.9	
Oct-11	226.4	
Nov-11	226.2	115.2
Dec-11	225.7	
Jan-12	226.7	
Feb-12	227.7	115.3
Mar-12	229.4	
Apr-12	230.1	
May-12	229.8	116.3
Jun-12	229.5	
Jul-12	229.1	
Aug-12	230.4	117.3
Sep-12	231.4	
Oct-12	231.3	
Nov-12	230.2	116.5
Dec-12	229.6	
Jan-13	230.3	
Feb-13	232.2	117.3
Mar-13	232.8	
Apr-13	232.5	
May-13	232.9	119.2
Jun-13	233.5	

NORTH CAROLINA

HOMEOWNERS INSURANCE

DETERMINATION OF TREND FOR EXPENSES

	CPI (A)	CCI (B)	Combined (C)
(1) Annual Change in indices based on exponential curve of best fit for the latest 48 points (or 16 quarters)	2.28%	1.99%	2.13%
(2) Annual Change in indices based on exponential curve of best fit for the latest 36 points (or 12 quarters)	2.35%	1.95%	2.15%
(3) Annual Change in indices based on exponential curve of best fit for the latest 24 points (or 8 quarters)	1.72%	1.86%	1.79%
(4) Annual Change in indices based on exponential curve of best fit for the latest 12 points (or 4 quarters)	1.70%	2.23%	1.96%

(5) Average Annual Index (D)

Year Ended	12/31/2010	218.05	112.0
Year Ended	6/31/2011	221.08	113.2
Year Ended	12/31/2011	224.93	114.7
Year Ended	6/31/2012	227.83	115.4
Year Ended	12/31/2012	229.59	116.4
Year Ended	6/31/2013	231.35	117.6

(6) Current Cost Factor (Latest Index Value Divided by Average Annual Index)

Year Ended	12/31/2010	1.071	1.065	1.068
Year Ended	6/31/2011	1.056	1.053	1.054
Year Ended	12/31/2011	1.038	1.040	1.039
Year Ended	6/31/2012	1.025	1.033	1.029
Year Ended	12/31/2012	1.017	1.024	1.021
Year Ended	6/31/2013	1.009	1.014	1.012

Selected Annual Change = 2.0% (based on Comp. Cost Index and CPI with and without energy)

Notes: (A) All items CPI index (urban). Source: Bureau of Labor Statistics.

(B) Total Compensation Cost Index - Insurance Carriers, Agent Brokers, and Service. Source: Bureau of Labor Statistics.

(C) Weighted Average determined as .50 (All items) + .50 (CCI).

(D) Average year ended index for period shown.

NORTH CAROLINA

HOMEOWNERS INSURANCE

EXPENSE, PROFIT AND CONTINGENCIES

	2010	2011	2012	Average
Commission & Brokerage	227,648,735	222,869,584	225,107,387	
Written Premium including deviations	1,724,341,759	1,767,724,707	1,791,670,152	
Ratio:	0.132	0.126	0.126	0.128
Other Acquisition Expense	121,568,295	118,846,200	126,796,960	
Earned Premium excluding deviations	1,927,440,496	1,957,706,391	1,927,846,262	
Earned Premium at current manual level	2,066,671,039	2,094,745,838	2,062,795,500	
Ratio:	0.059	0.057	0.061	0.059
General Expense	80,255,121	84,016,909	90,595,044	
Earned Premium excluding deviations	1,927,440,496	1,957,706,391	1,927,846,262	
Earned Premium at current manual level	2,066,671,039	2,094,745,838	2,062,795,500	
Ratio:	0.039	0.040	0.044	0.041
Taxes, Licenses & Fees	46,909,335	46,454,578	46,421,539	
Written Premium including deviations	1,724,341,759	1,767,724,707	1,791,670,152	
Ratio:	0.027	0.026	0.026	0.026

	ZONE 1A	ZONE 1B	ZONE 2	ZONE 3	Statewide
Profit & Contingencies	19.0%	14.0%	10.6%	6.9%	11.5%
1.0 - (commission,tax,profit,conting.)	0.656	0.706	0.740	0.777	0.731
Compensation for Assessment Risk	4.40%	4.40%	4.40%	4.40%	4.40%

NORTH CAROLINA

HOMEOWNERS INSURANCE

LOSS ADJUSTMENT EXPENSE EXHIBIT

	2008	2009	2010	2011	2012	AVERAGE
Allocated LAE	12,796,509	14,288,754	14,388,058	19,303,414	17,101,314	
Unallocated LAE	99,966,085	102,839,709	113,651,607	177,050,675	111,589,727	
Total LAE	112,762,594	117,128,463	128,039,665	196,354,089	128,691,041	
Incurred Losses	832,589,013	924,672,437	1,027,937,087	2,077,932,641	946,345,673	
Ratio: LAE/I.L.	0.135	0.127	0.125	0.094	0.136	0.129 (A)

(A) A selection of 0.129 was made by excluding the high and low years (2011 and 2012)

NORTH CAROLINA

HOMEOWNERS INSURANCE

DERIVATION OF LOADINGS FOR LOSS ADJUSTMENT EXPENSE (LAE)

A. Selected Annual Expense Trend Factor	1.020
B. Midpoint of Historical LAE Experience (2008-2012)	July 1,2010
C. LAE Projected to	July1, 2015 *
D. Number of months between midpoint and projection dates	60
E. Trend Factor for LAE dollars = $A^{(D/12)}$	1.104

* one year past assumed effective date

	Owners	Tenant	Condominium
F. 2010 Current Cost Factor	1.052	1.024	1.024
G. Loss Projection Factor**	1.130	1.069	1.133
H. Trend Factor for losses (= F × G)	1.189	1.095	1.160
I. Historical Average LAE ratio (2008-2012, excluding high/low)	0.129	0.129	0.129
J. Trended LAE Factor = 1.000 + (I × E / H)	1.120	1.130	1.123

** CCI Projection Factor × Total Period Loss Trend Adjustment factor

NORTH CAROLINA

HOMEOWNERS INSURANCE

DERIVATION OF LOADINGS FOR GENERAL AND OTHER ACQUISITION EXPENSES (GE,OA)

Calculation of Trend factor for GE, OA Dollars:

A. Selected Annual Expense Trend Factor	1.020	
B. Midpoint of Historical GE, OA Experience (2010-2012)	July 1,2011	
C. GE, OA Expenses Projected to	Januray 1, 2015	*
D. Number of months between midpoint and projection dates	42	
E. Trend Factor for GE, OA expense dollars = $A^{(D/12)}$	1.072	

* six months past assumed effective date

Calculation of Trend Factor for Premiums and Average All-Forms GE, OA Dollar Loading

	(1) 2011 Earned Premium	(2) 2011 Current Amount Factor	(3) Premium Projection Factor	(4) Trended Premium = (1) × (2) × (3)	(5) 2011 House-Years	(6) Trended Avg. Rate = (4) / (5)
Owners	2,258,101,591	1.050	1.044	2,475,330,964	1,947,706	$1,270.90
Tenant	45,066,775	0.979	0.981	43,282,086	265,995	$162.72
Condominium	22,630,296	1.000	1.000	22,630,296	74,426	$304.06
Total	2,325,798,662			2,541,243,346	2,288,127	$1,110.62

F. All-Forms Premium Trend Factor = Total (4) / Total (1)	=	1.093
G. Historical Average GE OA ratio (2010-2012)	=	0.100
H. Trended GE OA ratio = G × E / F	=	0.098
I. All-Forms Dollar loading for GE, OA = H × Total (6)	=	$108.84

Calculation of Base-Class GE, OA Dollar Loading by Form

	(7) 2011 House-Years	(8) Selected Relativity for GE, OA Dollars per policy *	(9) Average GE,OA Loading = (8) × I / Total (8)	(10) 2011 Average Rating Factor	(11) 2011 Current Amount Factor	(12) Premium Projection Factor	(13) GE,OA Loading at Base-Class Level = (9)/((10)×(11)×(12))
Owners	1,947,706	1.00	$117.59	2.427	1.050	1.044	$44.20
Tenant	265,995	0.50	$58.80	3.616	0.979	0.981	$16.93
Condominium	74,426	0.50	$58.80	6.576	1.000	1.000	$8.94
Total	2,288,127	0.9256					

* Total (8) calculated as weighted average of the column (8) relativities by form using column (7) as weights

NORTH CAROLINA

HOMEOWNERS INSURANCE

DERIVATION OF EXCESS FACTOR (EXCLUDES HURRICANE LOSSES)

Year	(1)* REPORTED WIND LOSSES	(2)** REPORTED TOTAL LOSSES	(3)*** TOTAL MINUS WIND (2) - (1)	(4) WIND / TOTAL MINUS WIND	(5) CAPPED WIND RATIO < (5 × MED)	(6) CAPPED EXCESS WIND RATIO (5)-AVG(5)	(7) CAPPED EXCESS WIND LOSSES (3) × (6)	(8) EXCESS WIND RATIO ABOVE THE CAP	(9) EXCESS WIND LOSSES ABOVE THE CAP (8) × (3)	(10) TOTAL EXCESS WIND LOSSES (7) + (9)
1950	1,388,467	312,200	312,200	0.092	0.092	0.000	0	0.000	0	0
1951	1,422,207	290,780	290,780	0.083	0.083	0.000	0	0.000	0	0
1952	1,440,159	792,365	792,365	0.225	0.225	0.040	31,695	0.000	0	31,695
1956	2,297,877	1,928,925	1,928,925	0.343	0.343	0.158	304,770	0.000	0	304,770
1957	2,117,102	839,255	839,255	0.162	0.162	0.000	0	0.000	0	0
1961	301,538	2,663,173	2,361,635	0.128	0.128	0.000	0	0.000	0	0
1962	272,921	3,126,852	2,853,931	0.096	0.096	0.000	0	0.000	0	0
1963	694,065	5,638,155	4,944,090	0.140	0.140	0.000	0	0.000	0	0
1964	607,512	6,064,576	5,457,064	0.111	0.111	0.000	0	0.000	0	0
1965	671,048	6,901,947	6,230,899	0.108	0.108	0.000	0	0.000	0	0
1966	719,568	8,005,594	7,286,026	0.099	0.099	0.000	0	0.000	0	0
1967	915,862	8,050,817	7,134,955	0.128	0.128	0.000	0	0.000	0	0
1968	498,227	10,627,905	10,129,678	0.049	0.049	0.000	0	0.000	0	0
1969	563,307	13,143,012	12,579,705	0.045	0.045	0.000	0	0.000	0	0
1970	2,479,513	17,038,702	14,559,189	0.170	0.170	0.000	0	0.000	0	0
1971	2,627,662	21,885,664	19,258,002	0.136	0.136	0.000	0	0.000	0	0
1972	1,260,381	21,914,689	20,654,308	0.061	0.061	0.000	0	0.000	0	0
1973	2,266,976	30,436,168	28,169,192	0.080	0.080	0.000	0	0.000	0	0
1974	9,401,408	43,362,415	33,961,007	0.277	0.277	0.092	3,124,413	0.000	0	3,124,413
1975	5,485,456	53,538,527	48,053,071	0.114	0.114	0.000	0	0.000	0	0
1976	2,972,442	52,540,898	49,568,456	0.060	0.060	0.000	0	0.000	0	0
1977	3,476,744	60,315,936	56,839,192	0.061	0.061	0.000	0	0.000	0	0
1978	10,628,669	70,467,546	59,838,877	0.178	0.178	0.000	0	0.000	0	0
1979	3,105,986	71,072,268	67,966,282	0.046	0.046	0.000	0	0.000	0	0
1980	6,474,397	106,691,350	100,216,953	0.065	0.065	0.000	0	0.000	0	0
1981	4,950,144	109,000,823	104,050,679	0.048	0.048	0.000	0	0.000	0	0
1982	9,654,141	118,487,782	108,833,641	0.089	0.089	0.000	0	0.000	0	0
1983	9,722,115	123,552,849	113,830,734	0.085	0.085	0.000	0	0.000	0	0
1984	21,436,988	140,713,231	119,276,243	0.180	0.180	0.000	0	0.000	0	0
1985	30,960,043	179,473,338	148,513,295	0.208	0.208	0.023	3,415,806	0.000	0	3,415,806
1986	16,262,975	157,609,675	141,346,700	0.115	0.115	0.000	0	0.000	0	0
1987	23,190,753	185,616,181	162,425,428	0.143	0.143	0.000	0	0.000	0	0
1988	66,411,702	243,501,978	177,090,276	0.375	0.375	0.190	33,647,152	0.000	0	33,647,152
1989	83,498,398	278,467,229	194,968,831	0.428	0.428	0.243	47,377,426	0.000	0	47,377,426
1990	37,671,988	220,252,894	182,580,906	0.206	0.206	0.021	3,834,199	0.000	0	3,834,199
1991	18,151,400	219,353,728	201,202,328	0.090	0.090	0.000	0	0.000	0	0
1992	26,654,935	222,532,035	195,877,100	0.136	0.136	0.000	0	0.000	0	0
1993	97,830,965	321,921,890	224,090,925	0.437	0.437	0.252	56,470,913	0.000	0	56,470,913
1994	28,862,821	278,066,775	249,203,954	0.116	0.116	0.000	0	0.000	0	0
1995	52,370,482	291,974,195	239,603,713	0.219	0.219	0.034	8,146,526	0.000	0	8,146,526
1996	40,901,941	332,747,529	291,845,588	0.140	0.140	0.000	0	0.000	0	0
1997	37,382,138	303,669,980	266,287,842	0.140	0.140	0.000	0	0.000	0	0
1998	120,075,356	394,840,091	274,764,735	0.437	0.437	0.252	69,240,713	0.000	0	69,240,713
1999	58,232,430	350,186,938	291,954,508	0.199	0.199	0.014	4,087,363	0.000	0	4,087,363
2000	86,652,848	447,040,839	360,387,991	0.240	0.240	0.055	19,821,340	0.000	0	19,821,340
2001	29,726,203	371,449,659	341,723,456	0.087	0.087	0.000	0	0.000	0	0
2002	46,670,010	511,786,136	465,116,126	0.100	0.100	0.000	0	0.000	0	0
2003	112,051,939	466,385,684	354,333,745	0.316	0.316	0.131	46,417,721	0.000	0	46,417,721
2004	61,608,200	394,284,296	332,676,096	0.185	0.185	0.000	0	0.000	0	0
2005	48,759,994	427,428,940	378,668,946	0.129	0.129	0.000	0	0.000	0	0
2006	94,077,678	496,085,897	402,008,219	0.234	0.234	0.049	19,698,403	0.000	0	19,698,403
2007	90,893,907	552,598,571	461,704,664	0.197	0.197	0.012	5,540,456	0.000	0	5,540,456
2008	256,744,968	756,562,303	499,817,335	0.514	0.514	0.329	164,439,903	0.000	0	164,439,903
2009	208,763,352	761,630,203	552,866,851	0.378	0.378	0.193	106,703,302	0.000	0	106,703,302
2010	289,187,399	909,495,277	620,307,878	0.466	0.466	0.281	174,306,514	0.000	0	174,306,514
2011	955,604,179	1,522,007,419	566,403,241	1.687	0.690	0.505	286,033,637	0.997	564,704,031	850,737,668
Total	3,129,051,884	12,706,374,084	9,585,988,012	11.381	10.384	2.874	1,052,642,251	0.997	564,704,031	1,617,346,282
Avg.				0.203	0.185	0.051		0.018		

Average of Column (5) =	0.185
Median value of Column (4)	0.138
Median * 5 =	0.690

EXCESS FACTOR = 1.0 + [(AVG(6) + AVG(8)) / (1.0 + AVG (5) - AVG(6))] = 1.061

* Dwelling E.C. Premiums for 1950,1951,1952,1956,1957

** Dwelling E.C. Losses for 1950,1951,1952,1956,1957.

*** All Dwelling E.C. Losses for 1950-57 are assumed to be Wind Losses.

NORTH CAROLINA

HOMEOWNERS INSURANCE

DEVELOPMENT OF EXCESS LOSSES ON $250 DEDUCTIBLE LEVEL (OWNERS)

YEAR	(1) EXCESS RATIO*	(2) WIND LOSSES AT $250 DED.	(3) (1)×(2) EXCESS LOSSES AT $250 DED.
2007	0.061	100,693,758	6,142,319
2008	0.640	290,858,703	186,149,570
2009	0.511	235,046,512	120,108,768
2010	0.603	331,281,948	199,763,015
2011	0.890	1,128,186,230	1,004,085,745

* From calculation of excess factor; ratio of excess losses to reported wind losses.

METHODOLOGY FOR CALCULATING WIND PROVISIONS BY TERRITORY - OWNER FORMS

In order to develop wind provisions by territory*, the statewide provision is distributed using each territory's "expected" wind losses. This procedure is illustrated in the following example. (All hurricane losses accounted for by the model have been removed. Modeled hurricane losses are not included in this procedure):

Territory	(1) Long-Term** Ratio of Wind to Non-Wind Losses	(2) Non-Wind Losses for Latest Five Years	(3) "Expected" Wind Losses for Latest Five Years (1) × (2)	(4) "Expected" Wind Distribution (3) / Total (3)
A	.250	$16,000,000	$4,000,000	.400
B	.200	6,000,000	1,200,000	.120
C	.600	8,000,000	4,800,000	.480
			Total 10,000,000	1.000

Year	(5) Statewide Wind Provision***	(6) "Expected" Wind Distribution Territory A	(7) Territory B	(8) Territory C	(9) Territory Wind Provision Territory A (5) × (6)	(10) Territory B (5) × (7)	(11) Territory C (5) × (8)
x	$4,000,000	.400	.120	.480	$1,600,000	$480,000	$1,920,000
x+1	1,000,000	.400	.120	.480	400,000	120,000	480,000
x+2	2,000,000	.400	.120	.480	800,000	240,000	960,000
x+3	3,000,000	.400	.120	.480	1,200,000	360,000	1,440,000
x+4	2,000,000	.400	.120	.480	800,000	240,000	960,000

* In calculating the five-year non-hurricane loss costs by territory shown in Column (1) of page C-5, actual non-modeled wind losses are replaced with the wind provisions by territory.

** Average of yearly ratios of non-modeled wind to non-wind losses based on territory experience for all available years.

*** Statewide Wind Provision = (Non Hurricane Incurred Losses - Excess Losses) × Excess Factor
- (Non Hurricane Losses - Non Hurricane Wind Losses)

NORTH CAROLINA

HOMEOWNERS INSURANCE

MODELED HURRICANE LOSSES

OWNERS FORMS

TERRITORY	AIR LOSS COST PER $1,000	TOTAL LIMITS FACTOR	2011 TOTAL LIMIT INSURANCE-YEARS (000)	MODELED HURRICANE LOSSES
07	3.3702	1.857	3,656,612	12,323,513
08	4.4767	1.900	5,254,501	23,522,825
48	1.2839	1.857	5,916,211	7,595,816
49	0.7559	1.868	21,172,431	16,004,227
52A	2.6873	1.880	40,312,563	108,331,863
52B	0.9128	1.889	13,502,598	12,325,177
101	0.1145	1.905	272,303,882	31,178,437
102	0.0534	1.904	90,890,903	4,853,402
103	0.1222	1.900	58,284,079	7,122,314
104	0.0412	1.928	4,599,874	189,506
105	0.3961	1.870	852,018	337,486
106	0.4767	1.895	7,159,554	3,412,973
107	0.1705	1.923	23,584,841	4,021,197
108	0.0321	1.920	17,766,226	570,277
109	0.0869	1.909	38,169,800	3,316,914
110	0.8069	1.933	2,644,797	2,134,090
111	0.3331	1.943	35,089,724	11,688,328
112	0.6892	1.896	6,445,193	4,442,016
113	0.2144	1.925	144,681,653	31,019,746
114	0.4671	1.908	29,464,253	13,762,802
115	0.2979	1.909	26,809,676	7,986,587
116	0.2843	1.890	1,709,765	486,089
117	0.0360	1.916	15,993,815	575,811
118	0.2055	1.943	16,271,826	3,343,890
119	0.2025	1.899	2,905,028	588,272
120	0.0877	1.910	2,748,465	241,045
STATEWIDE				311,374,603

NORTH CAROLINA

HOMEOWNERS INSURANCE

MODELED HURRICANE LOSSES

TENANT FORM

TERRITORY	AIR LOSS COST PER $1,000	2011 TOTAL LIMIT INSURANCE-YEARS (000) (A)	MODELED HURRICANE LOSSES
07	4.4773	8,655	38,749
08	5.4460	20,566	112,002
48	1.7106	12,495	21,374
49	0.8635	107,393	92,734
52A	3.0052	252,820	759,775
52B	1.1558	93,517	108,087
101	0.1197	3,677,699	440,221
102	0.0526	829,083	43,610
103	0.1257	479,399	60,260
104	0.0423	14,691	621
105	0.3804	3,854	1,466
106	0.4609	58,262	26,853
107	0.1784	350,442	62,519
108	0.0328	58,650	1,924
109	0.0910	292,641	26,630
110	0.8177	13,518	11,054
111	0.3541	311,318	110,238
112	0.6799	56,577	38,466
113	0.2309	2,210,631	510,435
114	0.5095	335,413	170,893
115	0.3207	213,022	68,316
116	0.2891	10,941	3,163
117	0.0368	79,358	2,920
118	0.2204	118,685	26,158
119	0.2128	11,472	2,441
120	0.0895	15,244	1,364
STATEWIDE			2,742,273

(A) Includes a factor of 1.2 to reflect total limits coverage

NORTH CAROLINA

HOMEOWNERS INSURANCE

MODELED HURRICANE LOSSES

CONDOMINIUM FORM

TERRITORY	AIR LOSS COST PER $1,000	2011 TOTAL LIMIT INSURANCE-YEARS (000) (A)	MODELED HURRICANE LOSSES
07	3.5906	11,214	40,266
08	5.1559	81,898	422,257
48	1.9622	12,614	24,751
49	0.7371	47,436	34,965
52A	2.4707	319,822	790,185
52B	0.9213	57,893	53,337
101	0.1000	2,627,541	262,754
102	0.0409	647,171	26,469
103	0.1031	152,270	15,699
104	0.0365	43,492	1,587
105	0.3081	142	44
106	0.4155	6,022	2,502
107	0.1531	230,824	35,339
108	0.0312	45,154	1,409
109	0.0805	98,817	7,955
110	0.7697	226	174
111	0.2904	97,973	28,451
112	0.5707	1,270	725
113	0.1951	772,593	150,733
114	0.4842	69,680	33,739
115	0.2864	20,437	5,853
116	0.2300*	40	9*
117	0.0336	53,634	1,802
118	0.1930	75,346	14,542
119	0.1786	169	30
120	0.0814	2,237	182
STATEWIDE			1,955,751

(A) Includes a factor of 1.4 to reflect total limits coverage

* Because of limited exposures, AIR did not compute a loss cost for territory 116. The values shown are calculated based on the percentage relationship between the tenant loss costs for territory 116 and its surrounding territories (i.e., Territories 49, 105 and 119) and the condominium loss costs for the surrounding territories. This calculation is provided below.

Territory	(1) Tenant Loss Cost /$1000	(2) =((1), Territory 116) / (1)	(3) Condominium Loss Cost /$1000	(4) Proportionate Territory 116 Loss Cost /$1000 = (2) × (3)
49	0.8635	0.33484	0.7371	0.2468
105	0.3804	0.76001	0.3081	0.2342
119	0.2128	1.35877	0.1786	0.2427
116	0.2891			

Based on the column (4) values, a loss cost/$1000 of 0.230 was used for Territory 116.

NORTH CAROLINA

HOMEOWNERS INSURANCE

DERIVATION OF MODELED BASE-CLASS LOSS COST

OWNERS

Territory	(1) Modeled Losses	(2) Latest-Year House-Years	(3) Latest-Year Avg. Rating Factor	(4) Modeled BCLC
07	12,323,513	7,189.26	2.563	668.81
08	23,522,825	10,527.39	2.455	910.16
48	7,595,816	12,270.18	2.861	216.37
49	16,004,227	49,845.99	2.310	138.99
52A	108,331,863	83,517.15	2.445	530.52
52B	12,325,177	36,796.80	2.009	166.73
101	31,178,437	578,032.93	2.479	21.76
102	4,853,402	197,608.45	2.611	9.41
103	7,122,314	142,331.05	2.244	22.30
104	189,506	9,587.69	2.867	6.89
105	337,486	2,561.38	2.271	58.02
106	3,412,973	20,300.56	2.013	83.52
107	4,021,197	39,412.23	3.173	32.16
108	570,277	34,827.96	3.327	4.92
109	3,316,914	92,791.52	2.333	15.32
110	2,134,090	7,083.88	2.267	132.89
111	11,688,328	92,820.38	2.006	62.77
112	4,442,016	18,205.95	2.068	117.98
113	31,019,746	281,118.05	2.640	41.80
114	13,762,802	77,774.21	2.098	84.35
115	7,986,587	68,361.16	2.197	53.18
116	486,089	5,030.47	2.143	45.09
117	575,811	33,378.93	2.922	5.90
118	3,343,890	31,938.17	2.576	40.64
119	588,272	7,181.61	2.491	32.88
120	241,045	7,212.22	2.435	13.73

NORTH CAROLINA

HOMEOWNERS INSURANCE

<u>DERIVATION OF MODELED BASE-CLASS LOSS COST</u>

TENANTS

Territory	(1) Modeled Losses	(2) Latest-Yr House Years	(3) Latest-Yr Avg. Rating Factor	(4) Modeled BCLC
07	38,749	221.39	3.821	45.81
08	112,002	594.03	3.361	56.10
48	21,374	324.57	4.208	15.65
49	92,734	2,921.21	3.740	8.49
52A	759,775	7,550.36	3.394	29.65
52B	108,087	2,834.67	3.397	11.22
101	440,221	102,658.54	3.546	1.21
102	43,610	19,553.79	4.307	0.52
103	60,260	12,062.95	3.954	1.26
104	621	352.79	4.510	0.39
105	1,466	112.54	3.970	3.28
106	26,853	1,469.24	3.969	4.60
107	62,519	9,559.58	3.731	1.75
108	1,924	1,259.31	5.330	0.29
109	26,630	7,363.61	3.992	0.91
110	11,054	349.99	4.322	7.31
111	110,238	8,797.08	3.516	3.56
112	38,466	1,497.27	3.925	6.55
113	510,435	65,377.22	3.416	2.29
114	170,893	9,933.89	3.391	5.07
115	68,316	5,713.85	3.817	3.13
116	3,163	298.04	3.942	2.69
117	2,920	1,818.68	4.645	0.35
118	26,158	2,651.44	4.401	2.24
119	2,441	308.90	4.139	1.91
120	1,364	410.22	4.192	0.79

NORTH CAROLINA

HOMEOWNERS INSURANCE

DERIVATION OF MODELED BASE-CLASS LOSS COST

CONDOMINIUM UNIT OWNERS

Territory	(1) Modeled Losses	(2) Latest-Yr House Years	(3) Latest-Yr Avg. Rating Factor	(4) Modeled BCLC
07	40,266	220.93	5.312	34.31
08	422,257	1,559.14	5.446	49.73
48	24,751	196.35	6.303	20.00
49	34,965	614.18	7.026	8.10
52A	790,185	5,216.52	5.551	27.29
52B	53,337	922.31	5.386	10.74
101	262,754	34,834.15	6.791	1.11
102	26,469	8,069.09	7.377	0.44
103	15,699	2,017.93	6.487	1.20
104	1,587	636.91	6.940	0.36
105	44	3.16	4.167	3.32
106	2,502	100.38	5.219	4.78
107	35,339	2,809.47	7.363	1.71
108	1,409	534.27	8.731	0.30
109	7,955	1,353.65	6.567	0.89
110	174	5.13	4.082	8.32
111	28,451	1,510.04	6.771	2.78
112	725	15.53	6.666	7.00
113	150,733	10,568.01	6.784	2.10
114	33,739	1,177.29	5.796	4.94
115	5,853	222.55	8.466	3.11
116	9	0.84	4.045	2.71
117	1,802	746.94	6.901	0.35
118	14,542	1,055.86	6.417	2.15
119	30	4.11	6.611	1.11
120	182	31.60	6.433	0.90

NORTH CAROLINA

HOMEOWNERS INSURANCE

DERIVATION OF STATEWIDE MODELED HURRICANE BASE-CLASS LOSS COST

		OWNERS	TENANT	CONDOMINIUM
a.	Modeled Hurricane Losses	311,374,603	2,742,273	1,955,760
b.	Latest-Year Current Cost Factor	1.036	1.016	1.016
c.	Loss Projection Factor	1.129	1.068	1.132
d.	Loss Adjustment Expense Factor	1.120	1.130	1.123
e.	Latest-Year House-Years	1,947,706	265,995	74,426
f.	Latest-Year Average Rating Factor	2.427	3.616	6.576
g.	Latest-Year Current Amount Factor	1.050	0.979	1.000
h.	Premium Projection Factor	1.044	0.981	1.000
	Modeled Base-Class Loss Cost = (abcd) / (efgh) =	78.72	3.64	5.16

NORTH CAROLINA

HOMEOWNERS INSURANCE

ACTUAL HURRICANE LOSSES (Excluded from Experience)*

TERRITORY	YEAR	OWNERS	TENANT	CONDOMINIUM
07	2009	22,867	0	0
	2010	917,766	0	0
	2011	12,216,866	12,853	10,356
08	2009	8,062	0	0
	2010	120,036	0	448
	2011	7,963,760	13,135	72,469
48	2009	0	0	0
	2010	492,674	0	0
	2011	22,214,472	20,747	13,395
49	2009	32,287	0	0
	2010	277,018	887	0
	2011	100,669,014	155,323	277,382
52A	2009	80,799	222	54,620
	2010	306,805	5,315	0
	2011	30,878,896	26,017	54,729
52B	2009	77,149	0	0
	2010	213,521	0	0
	2011	33,988,807	56,595	0
101	2009	1,044,859	13,059	44,032
	2010	4,050,657	32,579	93,997
	2011	11,527,386	80,953	217,921
102	2009	349,572	2,019	11,869
	2010	1,138,124	90	8,897
	2011	1,856,752	2,687	10,064
103	2009	233,040	539	298
	2010	699,285	109	1,205
	2011	1,688,679	6,895	1,547
104	2009	8,035	0	126
	2010	36,029	2	127
	2011	61,031	16	2,888
105	2009	392	18	0
	2010	4,990	27	0
	2011	3,490,583	7,687	148
106	2009	30,377	0	0
	2010	40,283	1	0
	2011	1,021,721	10,442	146
107	2009	109,609	0	0
	2010	91,473	9	4,754
	2011	803,024	2,980	1,190

NORTH CAROLINA

HOMEOWNERS INSURANCE

ACTUAL HURRICANE LOSSES (Excluded from Experience)*

TERRITORY	YEAR	OWNERS	TENANT	CONDOMINIUM
108	2009	62,947	1	110
	2010	248,344	6	111
	2011	346,113	62	83
109	2009	208,392	2	73
	2010	659,658	5,558	78
	2011	1,860,816	1,940	5,397
110	2009	852	0	0
	2010	60,756	0	0
	2011	640,023	1,195	0
111	2009	240,883	91	0
	2010	564,945	918	1,287
	2011	5,226,740	6,916	14,691
112	2009	47,182	262	0
	2010	62,698	391	1
	2011	48,628,386	201,819	4,750
113	2009	395,100	599	0
	2010	1,715,195	10,963	38,352
	2011	6,559,032	28,889	47,351
114	2009	102,191	2,835	3,302
	2010	258,701	5,609	499
	2011	154,502,880	483,114	103,905
115	2009	59,404	0	0
	2010	262,946	3,985	0
	2011	24,055,080	91,657	8,163
116	2009	8,974	57	0
	2010	28,360	85	0
	2011	5,642,501	18,053	279
117	2009	70,694	1	152
	2010	131,897	9	153
	2011	174,741	65	115
118	2009	68,454	0	0
	2010	149,209	6	0
	2011	899,142	3,119	4,634
119	2009	18,059	0	0
	2010	18,174	0	0
	2011	7,205,608	36,349	107
120	2009	16,226	1	0
	2010	20,128	0	0
	2011	45,741	0	0
Statewide	2009	3,296,406	19,706	114,582
	2010	12,569,672	66,549	149,909
	2011	484,167,794	1,269,508	851,710

* There are no actual hurricane losses for years 2007,2008

DERIVATION OF NET REINSURANCE COST AT BASE-CLASS LEVEL

OWNERS

Territory	(1)* All-Forms Reinsurance Cost by Zone	(2) Latest-Year Earned Premium	(3) All-Forms Zone Earned Premium	(4) Est'd Reins. Dollars =(1)×(2)/(3)	(5) Latest-Yr House Years	(6) Latest-Yr Avg. Rating Factor	(7) Latest-Yr CAF	(8) Prem. Proj. Factor	(9)** Variable Expense	(10) Reinsurance Cost, Base Class =[(4)/(5)]/[(6)×(7)×(8)]/[1-(9)]
				Zone 1A						
07	238,774,466	29,718,478	315,598,590	22,484,301	7,189	2.563	1.050	1.044	0.344	1,696.89
08	238,774,466	47,123,668	315,598,590	35,652,658	10,527	2.455	1.050	1.044	0.344	1,918.34
52A	238,774,466	232,776,905	315,598,590	176,113,529	83,517	2.445	1.050	1.044	0.344	1,199.35
				Zone 1B						
48	66,514,691	35,840,449	257,888,699	9,243,974	12,270	2.861	1.050	1.044	0.294	340.25
49	66,514,691	100,270,222	257,888,699	25,861,710	49,846	2.310	1.050	1.044	0.294	290.21
52B	66,514,691	84,286,580	257,888,699	21,739,207	36,797	2.009	1.050	1.044	0.294	379.97
110	66,514,691	12,125,010	257,888,699	3,127,284	7,084	2.267	1.050	1.044	0.294	251.63
112	66,514,691	22,397,806	257,888,699	5,776,845	18,206	2.068	1.050	1.044	0.294	198.26
				Zone 2						
105	166,816,777	3,461,143	743,620,255	776,440	2,561	2.271	1.050	1.044	0.260	164.55
106	166,816,777	28,336,480	743,620,255	6,356,739	20,301	2.013	1.050	1.044	0.260	191.76
107	166,816,777	52,155,934	743,620,255	11,700,172	39,412	3.173	1.050	1.044	0.260	115.34
111	166,816,777	103,852,265	743,620,255	23,297,241	92,820	2.006	1.050	1.044	0.260	154.24
113	166,816,777	316,456,179	743,620,255	70,990,804	281,118	2.640	1.050	1.044	0.260	117.92
114	166,816,777	90,480,309	743,620,255	20,297,502	77,774	2.098	1.050	1.044	0.260	153.35
115	166,816,777	71,872,503	743,620,255	16,123,202	68,361	2.197	1.050	1.044	0.260	132.34
116	166,816,777	6,414,052	743,620,255	1,438,868	5,030	2.143	1.050	1.044	0.260	164.54
118	166,816,777	39,988,392	743,620,255	8,970,620	31,938	2.576	1.050	1.044	0.260	134.41
119	166,816,777	7,877,304	743,620,255	1,767,120	7,182	2.491	1.050	1.044	0.260	121.77
				Zone 3						
101	97,177,722	520,597,375	1,008,691,119	50,154,568	578,033	2.479	1.050	1.044	0.223	41.09
102	97,177,722	173,354,504	1,008,691,119	16,701,045	197,608	2.611	1.050	1.044	0.223	38.00
103	97,177,722	116,498,827	1,008,691,119	11,223,545	142,331	2.244	1.050	1.044	0.223	41.26
104	97,177,722	9,234,828	1,008,691,119	889,687	9,588	2.867	1.050	1.044	0.223	38.00
108	97,177,722	38,937,036	1,008,691,119	3,751,210	34,828	3.327	1.050	1.044	0.223	38.01
109	97,177,722	74,551,001	1,008,691,119	7,182,274	92,792	2.333	1.050	1.044	0.223	38.95
117	97,177,722	32,767,597	1,008,691,119	3,156,844	33,379	2.922	1.050	1.044	0.223	38.00
120	97,177,722	6,726,746	1,008,691,119	648,057	7,212	2.435	1.050	1.044	0.223	43.32
SW	569,283,656	2,003,181,525	2,067,909,963	555,425,448	1,947,706	2.427	1.050	1.044	0.269	146.63

* From D. Appel analysis

** Column (9), Variable Expense, represents the combined loading for Taxes, Commissions, Profit and Contingencies

DERIVATION OF NET REINSURANCE COST AT BASE-CLASS LEVEL

TENANTS

Territory	(1)* All-Forms Reinsurance Cost by Zone	(2) Latest-Year Earned Premium	(3) All-Forms Zone Earned Premium	(4) Est'd Reins. Dollars =(1)×(2)/(3)	(5) Latest-Yr House Years	(6) Latest-Yr Avg. Rating Factor	(7) Latest-Yr CAF	(8) Prem. Proj. Factor	(9)** Variable Expense	(10) Reinsurance Cost, Base Class =[(4)/(5)]/[(6)×(7)×(8)]/[1-(9)]
				Zone 1A						
07	238,774,466	90,517	315,598,590	68,483	221	3.821	0.979	0.981	0.344	128.49
08	238,774,466	223,623	315,598,590	169,188	594	3.361	0.979	0.981	0.344	134.50
52A	238,774,466	2,178,133	315,598,590	1,647,924	7,550	3.394	0.979	0.981	0.344	102.07
				Zone 1B						
48	66,514,691	103,797	257,888,699	26,771	325	4.208	0.979	0.981	0.294	28.91
49	66,514,691	786,588	257,888,699	202,877	2,921	3.740	0.979	0.981	0.294	27.39
52B	66,514,691	818,448	257,888,699	211,094	2,835	3.397	0.979	0.981	0.294	32.34
110	66,514,691	84,712	257,888,699	21,849	350	4.322	0.979	0.981	0.294	21.30
112	66,514,691	317,367	257,888,699	81,855	1,497	3.925	0.979	0.981	0.294	20.54
				Zone 2						
105	166,816,777	24,129	743,620,255	5,413	113	3.970	0.979	0.981	0.260	17.05
106	166,816,777	319,240	743,620,255	71,615	1,469	3.969	0.979	0.981	0.260	17.28
107	166,816,777	1,426,729	743,620,255	320,059	9,560	3.731	0.979	0.981	0.260	12.63
111	166,816,777	1,884,664	743,620,255	422,788	8,797	3.516	0.979	0.981	0.260	19.23
113	166,816,777	9,879,549	743,620,255	2,216,285	65,377	3.416	0.979	0.981	0.260	13.96
114	166,816,777	1,789,976	743,620,255	401,546	9,934	3.391	0.979	0.981	0.260	16.77
115	166,816,777	1,094,080	743,620,255	245,436	5,714	3.817	0.979	0.981	0.260	15.83
116	166,816,777	63,436	743,620,255	14,231	298	3.942	0.979	0.981	0.260	17.04
118	166,816,777	595,145	743,620,255	133,509	2,651	4.401	0.979	0.981	0.260	16.10
119	166,816,777	61,526	743,620,255	13,802	309	4.139	0.979	0.981	0.260	15.19
				Zone 3						
101	97,177,722	16,433,597	1,008,691,119	1,583,220	102,659	3.546	0.979	0.981	0.223	5.83
102	97,177,722	3,116,105	1,008,691,119	300,207	19,554	4.307	0.979	0.981	0.223	4.78
103	97,177,722	1,924,749	1,008,691,119	185,431	12,063	3.954	0.979	0.981	0.223	5.21
104	97,177,722	58,872	1,008,691,119	5,672	353	4.510	0.979	0.981	0.223	4.78
108	97,177,722	248,365	1,008,691,119	23,928	1,259	5.330	0.979	0.981	0.223	4.78
109	97,177,722	1,155,210	1,008,691,119	111,293	7,364	3.992	0.979	0.981	0.223	5.07
117	97,177,722	312,557	1,008,691,119	30,112	1,819	4.645	0.979	0.981	0.223	4.78
120	97,177,722	75,662	1,008,691,119	7,289	410	4.192	0.979	0.981	0.223	5.68
SW	569,283,656	42,955,863	2,067,909,963	8,521,877	265,995	3.616	0.979	0.981	0.269	12.62

* From D. Appel analysis

** Column (9), Variable Expense, represents the combined loading for Taxes, Commissions, Profit and Contingencies

DERIVATION OF NET REINSURANCE COST AT BASE-CLASS LEVEL

CONDOMINIUM UNIT OWNERS

Territory	(1)* All-Forms Reinsurance Cost by Zone	(2) Latest-Year Earned Premium	(3) All-Forms Zone Earned Premium	(4) Est'd Reins. Dollars =(1)×(2)/(3)	(5) Latest-Yr House Years	(6) Latest-Yr Avg. Rating Factor	(7) Latest-Yr CAF	(8) Prem. Proj. Factor	(9)** Variable Expense	(10) Reinsurance Cost, Base Class =[(4)/(5)]/[(6)×(7)×(8)]/[1-(9)]
				Zone 1A						
07	238,774,466	124,396	315,598,590	94,115	221	5.312	1.000	1.000	0.344	122.25
08	238,774,466	959,511	315,598,590	725,944	1,559	5.446	1.000	1.000	0.344	130.33
52A	238,774,466	2,403,360	315,598,590	1,818,325	5,217	5.551	1.000	1.000	0.344	95.72
				Zone 1B						
48	66,514,691	102,714	257,888,699	26,492	196	6.303	1.000	1.000	0.294	30.33
49	66,514,691	336,569	257,888,699	86,808	614	7.026	1.000	1.000	0.294	28.50
52B	66,514,691	412,277	257,888,699	106,334	922	5.386	1.000	1.000	0.294	30.33
110	66,514,691	1,089	257,888,699	281	5	4.082	1.000	1.000	0.294	18.99
112	66,514,691	5,072	257,888,699	1,308	16	6.666	1.000	1.000	0.294	17.90
				Zone 2						
105	166,816,777	646	743,620,255	145	3	4.167	1.000	1.000	0.260	14.86
106	166,816,777	25,889	743,620,255	5,808	100	5.219	1.000	1.000	0.260	14.98
107	166,816,777	930,848	743,620,255	208,818	2,809	7.363	1.000	1.000	0.260	13.64
111	166,816,777	526,487	743,620,255	118,107	1,510	6.771	1.000	1.000	0.260	15.61
113	166,816,777	3,407,807	743,620,255	764,475	10,568	6.784	1.000	1.000	0.260	14.41
114	166,816,777	330,470	743,620,255	74,135	1,177	5.796	1.000	1.000	0.260	14.68
115	166,816,777	79,171	743,620,255	17,760	223	8.466	1.000	1.000	0.260	12.74
116	166,816,777	167	743,620,255	38	1	4.045	1.000	1.000	0.260	14.85
118	166,816,777	284,556	743,620,255	63,835	1,056	6.417	1.000	1.000	0.260	12.73
119	166,816,777	1,178	743,620,255	264	4	6.611	1.000	1.000	0.260	13.15
				Zone 3						
101	97,177,722	9,410,648	1,008,691,119	906,626	34,834	6.791	1.000	1.000	0.223	4.93
102	97,177,722	2,023,966	1,008,691,119	194,990	8,069	7.377	1.000	1.000	0.223	4.22
103	97,177,722	462,755	1,008,691,119	44,582	2,018	6.487	1.000	1.000	0.223	4.38
104	97,177,722	150,289	1,008,691,119	14,479	637	6.940	1.000	1.000	0.223	4.22
108	97,177,722	158,596	1,008,691,119	15,279	534	8.731	1.000	1.000	0.223	4.22
109	97,177,722	308,647	1,008,691,119	29,735	1,354	6.567	1.000	1.000	0.223	4.31
117	97,177,722	175,259	1,008,691,119	16,885	747	6.901	1.000	1.000	0.223	4.22
120	97,177,722	7,929	1,008,691,119	764	32	6.433	1.000	1.000	0.223	4.84
SW	569,283,656	21,772,575	2,067,909,963	5,336,331	74,426	6.576	1.000	1.000	0.269	14.92

* From D. Appel analysis

** Column (9), Variable Expense, represents the combined loading for Taxes, Commissions, Profit and Contingencies

SECTION E

SUPPLEMENTAL MATERIAL

NORTH CAROLINA
HOMEOWNERS INSURANCE

SUPPLEMENTAL MATERIAL

North Carolina G.S. 58-36-15(h) specifies that the following information must be included in all policy form, rule and rate filings filed under Article 36. 11 NCAC 10.1105 specifies that additional detail be provided under each of these items. These materials are contained on the pages indicated.

STATISTICAL DATA TO COMPLY WITH NORTH CAROLINA
REQUIREMENTS FOR A HOMEOWNERS RATE FILING
AS PER 11 NCAC 10.1105

1. NORTH CAROLINA EARNED PREMIUMS AT THE ACTUAL AND CURRENT RATE LEVEL

LOSSES AND LOSS ADJUSTMENT EXPENSES, EACH ON PAID AND INCURRED BASES WITHOUT TRENDING OR OTHER MODIFICATION FOR THE EXPERIENCE PERIOD, INCLUDING THE LOSS RATIO ANTICIPATED AT THE TIME THE RATES WERE PROMULGATED FOR THE EXPERIENCE PERIOD

NORTH CAROLINA
HOMEOWNERS INSURANCE

EARNED PREMIUMS AT ACTUAL AND CURRENT RATE LEVEL

I. EARNED PREMIUM AT COLLECTED LEVEL

YEAR	OWNER'S FORMS	TENANT FORM	CONDO UNIT FORM
2007	1,281,844,341	23,668,375	14,827,512
2008	1,303,745,570	24,545,278	15,037,830
2009	1,367,145,709	27,098,655	16,036,532
2010	1,482,680,771	31,137,744	17,677,393
2011	1,522,731,409	36,367,725	18,975,234

II. EARNED PREMIUM AT CURRENT LEVEL

YEAR	OWNER'S FORMS	TENANT FORM	CONDO UNIT FORM
2007	2,015,063,848	30,939,860	18,565,952
2008	2,059,279,354	33,032,605	19,002,523
2009	2,140,765,179	36,105,781	19,846,387
2010	2,232,354,647	40,242,838	21,788,992
2011	2,258,101,591	45,066,775	22,630,296

NORTH CAROLINA
HOMEOWNERS INSURANCE

PAID/INCURRED LOSSES AND ALLOCATED LOSS ADJUSTMENT EXPENSE

I. PAID LOSSES

The Rate Bureau is advised by ISO that paid loss and loss adjustment expenses are not available for the experience period of this filing.

II. INCURRED LOSSES (a)

YEAR	OWNERS' FORMS	TENANT FORM	CONDO UNIT FORM
2007	620,159,493	11,770,474	6,835,118
2008	861,518,609	14,387,280	7,636,799
2009	879,033,474	17,647,267	9,874,512
2010	1,071,811,007	19,568,833	11,393,545
2011	2,295,402,561	25,086,499	13,037,939

(a) Incurred losses are developed, include actual wind losses and do not include loss adjustment expenses. These expenses are reflected via a factor. For the owners', tenant and condominium-unit owners forms, these factors are 12.0%, 13.0% and 12.3%, respectively. These losses are adjusted to the $250 base deductible.

NORTH CAROLINA
HOMEOWNERS INSURANCE

ANTICIPATED LOSS AND LOSS ADJUSTMENT EXPENSE RATIOS

The anticipated loss and LAE ratio included in the 2012 filing was .288. The anticipated loss and LAE ratio included in the 2008 filing was .372.

NORTH CAROLINA
HOMEOWNERS INSURANCE

EXCLUDED COMPANIES

(The market shares shown are based on 2011 Statutory Page 14 Homeowners premium for licensed companies and residual market Homeowners premium reported to ISO.)

The historical experience used to develop the statewide rate-level indications, territory rate-level indications, premium trend factors, loss trend factors and wind exclusion credits is based on the experience of companies and residual market entities reporting to the Insurance Services Office (full statistical plan), the Independent Statistical Service, and the National Insurance Statistical Service. The historical premium and loss experience utilized in this filing, after accounting for the premium and loss experience of reporting companies whose data were not included (as described below), accounts for 95.2% of the total North Carolina Homeowners market. (The trend-related experience utilized in this filing, which excludes the experience of an additional company, accounts for 93.2% of the total North Carolina Homeowners market. The experience reported to the American Association of Insurance Services and to Insurance Services Office under the Statistical Agent Plan is excluded because it is not available in sufficient detail. This experience accounts for approximately 0.5% of the total North Carolina Homeowners market.

Premium/loss and trend experience for the following insurers is not included in the filed experience: American Automobile Insurance Company, American Fire & Casualty Company, American Insurance Company, Associated Indemnity Corporation, Balboa Insurance Company, Centennial Insurance Company, Chubb Insurance Company, Cincinnati Insurance Company, Firemans Fund Insurance Company, Graphic Arts Mutual Insurance Company, Harleysville Preferred Insurance Company, Lititz Mutual Insurance Company, Markel American Insurance Company, National Surety Corporation, Ohio Casualty Insurance Company, Republic-Franklin Insurance Company, Southern Guaranty Insurance Company, State Auto Mutual Insurance Company, State Auto P&C Insurance Company, Universal North America Insurance Company, Utica Mutual Insurance Company and West American Insurance Company. The premium and loss experience for Unitrin Insurance Company was excluded for years 2008 and 2009 only and trend experience for this company was excluded for all years. (Note that the exclusion of this company for the 2009 year contributes to the difference that is observed when comparing the by-territory distributions shown on pages D-35-37 to the corresponding pages in the 2012 filing.) The experience for these companies (excluding Chubb Insurance) was not included pending resolution of data anomalies. Experience for Chubb Insurance Company was not included because sufficient detail was not available. Based on 2011 written premium, the premium/loss data for these companies represents 4.3% of the total North Carolina Homeowners market and the trend-related data for these companies represents 6.3% of the total North Carolina Homeowners market.

The loss development factors used in the calculation of the rate level indications are based on ISO North Carolina experience and on the North Carolina experience of three major companies reporting to the ISS. Based on 2011 written premium, this combined experience represents 75.6% of the total North Carolina Homeowners market

See also the prefiled testimony of R. Curry and B. Donlan.

House-years by year are as follows:

YEAR	OWNERS' FORMS	TENANT FORM	CONDO UNIT FORM
2007	1,918,682	167,162	64,162
2008	1,906,639	183,648	65,243
2009	1,920,887	206,069	67,732
2010	1,954,858	233,333	72,541
2011	1,947,706	265,995	74,426

NORTH CAROLINA
HOMEOWNERS INSURANCE

ADJUSTMENTS TO PREMIUMS, LOSSES, LOSS ADJUSTMENT EXPENSES,
EXPENSES AND EXPOSURES

Adjustments made to premiums, losses, loss adjustment expenses, and expenses are set forth below. See also the prefiled testimony of R. Curry, B. Donlan and D. LaLonde.

Losses reported to ISO, ISS, and NISS are adjusted to the $250 base deductible level by application of loss elimination ratios. These factors are applied on a record-by-record basis and vary by cause of loss and policy form.

Losses were developed to an ultimate basis through the application of loss development factors. The derivation and application of loss development factors is described in the response to 11 NCAC 10.1105(3).

Non-hurricane wind losses for the owners forms have been smoothed using an "excess wind" procedure.

Additionally, due to the volatile nature and the catastrophic potential of hurricane losses, actual hurricane losses have been removed from the data and replaced with expected hurricane losses produced by a model designed by AIR Worldwide.

NORTH CAROLINA
HOMEOWNERS INSURANCE

EARNED PREMIUM AT PRESENT RATES CALCULATION

The earned premium at present rates for data reported to ISO, ISS, and NISS is calculated in the following manner for each premium record in the database:

Premium = [(Territory Base Rate × Form Factor × Amount of Insurance Factor × Protection-Construction Factor × Age Of Dwelling Factor) + Additional Coverage C charge] × Earned Exposure

The results are then summed over all territories to generate the statewide earned premium at present rates used to calculate the average rating factors shown on pages C-1-3.

A sample calculation for a single premium record is shown below. This sample record is for Territory 48, Form HO-5, $75,000 Coverage A, protection class 8, masonry construction, Age of Dwelling = 4 years, Additional Coverage C = $12,000:

(1)	Base rate	$1,021
(2)	Form factor	1.30
(3)	Coverage A factor	1.000
(4)	Protection-construction factor	1.10
(5)	Age Of Dwelling Factor	0.91
(6)	Additional Coverage C charge	$36
(7)	Earned Exposure	0.55
(8)	Earned Premium at present rates[((1)×(2)×(3)×(4)×(5))+(6)]×(7)	$750.55

EXHIBIT (1) (e)

TOP TEN HOMEOWNERS INSURANCE WRITERS

COMPANY NAME		2012 (a) WRITTEN PREMIUM	2012 WRITTEN PREMIUM MARKET SHARE		2012 (a) EARNED PREMIUM	2012 EARNED PREMIUM MARKET SHARE
State Farm Fire & Casualty Company		364,370,408	18.47%		357,927,119	18.44%
North Carolina Farm Bureau Mutual Insurance Company		270,229,763	13.70%		274,088,583	14.12%
Nationwide Mutual Insurance Company		143,499,416	7.27%		139,778,813	7.20%
Nationwide Mutual Fire Insurance Company		124,033,110	6.29%		126,917,574	6.54%
Erie Insurance Exchange		97,186,599	4.93%		91,193,056	4.70%
Allstate Indemnity Company		81,014,309	4.11%		77,537,834	3.99%
United Services Automobile Association		69,287,143	3.51%		66,631,056	3.43%
Allstate Insurance Company		64,451,939	3.27%		66,564,562	3.43%
Peerless Insurance Company		46,286,056	2.35%		47,898,769	2.47%
Foremost Insurance Company Grand Rapids MI		44,472,084	2.25%		32,126,208	1.65%
TOTAL	$	1,304,830,827	66.14%	$	1,280,663,574	65.97%
Grand Total		1,972,922,956			1,941,165,945	

(a) 2012 Annual Statement, Statutory Page 14, Line 4.0 (Homeowners).

Note: The Beach and Fair plans do not report Annual Statements and are therefore not included in this report.

NORTH CAROLINA
HOMEOWNERS MULTIPLE PERIL
2011 AGGREGATE ANNUAL STATEMENT DATA
2011 TOP 50 HOMEOWNERS INSURERS

2011 UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS EARNED

	Line of Business	Net Premiums Written	Unearned Premiums Prior Year	Unearned Premiums Current Year	Net Earned Premiums
1	Fire	1,509,730,041	733,139,696	776,793,505	1,466,076,233
2	Allied lines	1,023,252,801	467,612,106	514,934,448	975,930,461
3	Farmowners multiple peril	593,416,676	267,715,923	292,100,525	569,032,072
4	Homeowners multiple peril	31,239,767,128	16,158,426,263	16,552,599,487	30,845,593,908
5	Commercial multiple peril	8,451,494,053	4,097,657,177	4,236,432,751	8,312,718,478
6	Mortgage guaranty	790,715	19,444	584,351	225,808
8	Ocean marine	282,479,100	124,600,666	114,509,869	292,569,896
9	Inland marine	2,477,479,910	1,020,857,769	1,083,691,708	2,414,645,969
10	Financial guaranty	4,058,406	1,556,350	1,556,391	4,058,365
11.1	Medical professional liability - occurrence	86,857,360	26,330,786	36,450,992	76,737,153
11.2	Medical professional liability - claims-made	14,458,786	3,113,689	6,602,976	10,969,498
12	Earthquake	428,069,444	190,852,619	212,992,658	405,929,407
13	Group accident and health	394,657,873	64,144,273	55,377,605	403,424,541
14	Credit accident and health (group and individual)	12,723,509	2,274,316	27,707	14,970,118
15	Other accident and health	40,456,730	8,498,790	14,409,057	34,546,463
16	Workers' compensation	6,413,984,305	1,691,295,056	1,804,705,299	6,300,574,060
17.1	Other liability - occurrence	4,844,686,545	2,279,899,447	2,414,264,425	4,710,321,566
17.2	Other liability - claims-made	1,872,481,257	1,003,148,285	1,006,379,362	1,869,250,180
17.3	Excess Workers' Compensation	76,934,875	52,379,845	39,648,719	89,666,001
18.1	Products liability - occurrence	483,187,309	236,000,239	251,238,200	467,949,348
18.2	Products liability - claims-made	39,266,903	11,401,459	13,798,971	36,869,391
19.1, 19.2	Private passenger auto liability	26,250,737,979	8,249,757,709	8,609,737,544	25,890,758,142
19.3, 19.4	Commercial auto liability	3,292,482,239	1,472,468,844	1,554,359,640	3,210,591,440
21	Auto physical damage	19,169,407,873	6,328,669,189	6,507,857,269	18,990,219,793
22	Aircraft (all perils)	101,544,619	39,370,925	41,269,186	99,646,358
23	Fidelity	260,958,162	145,940,830	140,964,318	265,934,673
24	Surety	707,669,658	432,544,103	425,128,356	715,085,405
26	Burglary and theft	43,649,611	21,868,382	22,985,946	42,532,047
27	Boiler and machinery	126,019,836	59,988,676	63,697,953	122,310,558
28	Credit	48,094,161	17,554,943	15,818,879	49,830,224
29	International	502,526	120,636	98,552	524,609
30	Warranty	163,822,502	225,408,897	242,697,543	146,533,856
31	Reinsurance - Nonproportional Assumed Property	188,502,257	13,519,454	24,157,463	177,864,247
32	Reinsurance - Nonproportional Assumed Liability	73,975,534	15,801,155	8,046,772	81,729,916
33	Reinsurance - Nonproportional Assumed Financial Lines	161,445	488,144	421,392	228,198
34	Aggregate write-ins for other lines of business	18,856,711	7,489,307	7,465,914	18,880,104
35	TOTALS	110,736,618,829	45,471,915,387	47,093,805,728	109,114,728,489

NORTH CAROLINA
HOMEOWNERS MULTIPLE PERIL
2012 AGGREGATE ANNUAL STATEMENT DATA
2012 TOP 50 HOMEOWNERS INSURERS

2012 UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS EARNED

	Line of Business	Net Premiums Written	Unearned Premiums Prior Year	Unearned Premiums Current Year	Net Earned Premiums
1	Fire	1,689,636,102	777,652,800	840,537,150	1,626,751,755
2	Allied lines	1,138,830,355	516,078,261	592,648,726	1,062,259,890
3	Farmowners multiple peril	632,131,742	292,100,525	311,944,111	612,288,160
4	Homeowners multiple peril	32,947,741,828	16,563,104,831	17,647,859,290	31,862,987,367
5	Commercial multiple peril	8,722,476,849	4,270,763,624	4,355,847,562	8,637,392,908
6	Mortgage guaranty	52,381	584,351	402,004	234,728
8	Ocean marine	274,005,497	114,508,222	111,758,890	276,754,831
9	Inland marine	2,635,990,982	1,085,699,386	1,161,356,556	2,560,333,813
10	Financial guaranty	4,060,037	1,556,391	1,556,348	4,060,080
11.1	Medical professional liability - occurrence	70,315,374	36,295,875	35,799,592	70,811,659
11.2	Medical professional liability - claims-made	19,212,910	6,631,511	8,371,308	17,473,111
12	Earthquake	438,036,362	213,131,612	216,466,081	434,701,894
13	Group accident and health	373,145,100	54,903,025	58,969,445	369,078,680
14	Credit accident and health (group and individual)	15,351,518	27,707	29,572	15,349,653
15	Other accident and health	53,885,125	14,289,535	18,572,777	49,601,882
16	Workers' compensation	6,925,512,599	1,849,144,942	1,928,203,259	6,846,454,281
17.1	Other liability - occurrence	5,210,209,557	2,415,938,821	2,559,795,788	5,066,352,595
17.2	Other liability - claims-made	1,883,244,541	1,002,242,967	980,653,092	1,904,834,418
17.3	Excess Workers' Compensation	79,648,853	39,648,720	42,385,050	76,912,525
18.1	Products liability - occurrence	513,358,931	251,337,371	258,728,780	505,967,524
18.2	Products liability - claims-made	28,574,396	13,807,127	11,158,846	31,222,676
19.1, 19.2	Private passenger auto liability	27,402,115,040	8,615,975,170	9,023,072,233	26,995,017,977
19.3, 19.4	Commercial auto liability	3,372,030,668	1,567,574,825	1,572,801,199	3,366,804,297
21	Auto physical damage	19,908,939,856	6,514,681,274	6,787,516,257	19,636,104,874
22	Aircraft (all perils)	98,419,322	41,269,186	39,648,079	100,040,429
23	Fidelity	268,378,719	140,917,883	139,399,053	269,897,546
24	Surety	704,238,972	425,089,263	409,346,574	719,981,659
26	Burglary and theft	40,324,847	23,027,733	22,175,325	41,177,257
27	Boiler and machinery	129,251,747	63,686,870	64,453,658	128,484,959
28	Credit	49,335,320	15,676,252	14,798,321	50,213,250
29	International	508,748	98,552	202,198	405,103
30	Warranty	161,765,275	248,181,584	262,628,619	147,318,240
31	Reinsurance - Nonproportional Assumed Property	273,497,864	31,113,054	24,736,085	279,874,833
32	Reinsurance - Nonproportional Assumed Liability	38,554,392	8,046,944	4,840,391	41,760,944
33	Reinsurance - Nonproportional Assumed Financial Lines	594,137	421,391	348,455	667,073
34	Aggregate write-ins for other lines of business	17,446,595	7,465,914	6,886,820	18,025,690
35	TOTALS	116,120,822,544	47,222,673,495	49,515,897,484	113,827,598,556

NORTH CAROLINA
HOMEOWNERS MULTIPLE PERIL
2011 AGGREGATE ANNUAL STATEMENT DATA
2011 TOP 50 HOMEOWNERS INSURERS

2011 UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - LOSSES PAID AND INCURRED

		Reported Losses				Incurred But Not Reported				
	Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Assumed from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid	Net Unpaid Loss Adjustment Expenses
1	Fire	296,058,701	320,211,829	276,971,279	339,299,248	115,011,788	177,235,485	142,581,410	488,965,110	61,631,504
2	Allied lines	377,015,948	228,723,196	403,982,779	201,756,365	170,976,984	123,250,974	154,423,478	341,560,843	47,869,749
3	Farmowners multiple peril	95,679,775	72,326,396	37,518,413	130,487,760	43,138,158	16,442,054	7,045,383	183,022,588	37,201,940
4	Homeowners multiple peril	4,591,566,611	2,223,326,524	1,905,993,121	4,908,900,012	3,804,255,920	1,563,241,373	1,571,747,326	8,704,649,981	2,255,201,189
5	Commercial multiple peril	2,852,922,737	3,077,962,003	1,951,508,647	3,979,376,093	2,136,801,649	2,096,102,258	1,442,317,811	6,769,962,191	2,967,250,079
6	Mortgage guaranty	0	24,718	0	24,718	0	15,221	0	39,939	0
8	Ocean marine	163,371,080	105,167,721	143,545,144	124,993,658	136,781,292	71,701,831	92,798,482	240,678,301	42,325,342
9	Inland marine	202,820,844	152,436,070	140,010,872	215,246,043	305,815,562	84,381,708	212,405,439	393,037,869	124,859,336
10	Financial guaranty	0	33,930	(5)	33,935	0	12	0	33,947	434
11.1	Medical professional liability - occurrence	44,654,257	14,574,208	4,640,726	54,587,739	31,992,613	78,997,497	27,992,740	137,585,109	34,740,022
11.2	Medical professional liability - claims-made	49,880	37,242,637	18,214,179	19,078,339	271,303	41,347,901	15,042,223	45,655,319	13,424,349
12	Earthquake	934,536	1,621,068	637,495	1,918,108	3,868,307	4,074,792	708,284	9,152,921	2,164,463
13	Group accident and health	6,884,343	96,689,284	75,995,926	27,577,701	45,736,483	115,552,026	104,853,580	84,012,630	8,124,696
14	Credit accident and health (group and individual)	6,053,217	0	5,473,966	579,251	11,507,797	0	9,335,687	2,751,361	994,103
15	Other accident and health	7,068,949	60,859,796	51,691,165	16,237,581	2,074,603	46,717,045	29,665,801	35,363,428	3,176,318
16	Workers' compensation	7,501,853,288	12,558,973,669	9,614,156,616	10,446,670,341	6,485,486,774	10,999,310,033	8,265,169,095	19,666,298,054	2,814,827,569
17.1	Other liability - occurrence	2,760,317,702	2,732,306,304	1,942,851,375	3,549,772,635	6,378,178,855	5,183,828,521	4,211,614,010	10,900,166,002	2,698,797,608
17.2	Other liability - claims-made	640,081,747	560,904,464	389,416,245	811,569,966	2,794,262,068	1,567,997,899	1,420,686,234	3,753,143,700	1,796,705,253
17.3	Excess Workers' Compensation	36,763,090	284,628,008	121,588,120	199,802,978	69,959,263	473,402,488	209,793,634	533,371,095	43,562,752
18.1	Products liability - occurrence	787,872,184	531,042,228	455,187,399	863,727,013	1,199,495,926	1,049,558,113	743,998,482	2,368,782,571	1,159,064,143
18.2	Products liability - claims-made	9,052,243	6,075,278	3,581,675	11,545,845	38,241,020	33,502,395	26,656,447	56,632,813	50,148,626
19.1, 19.2	Private passenger auto liability	12,813,962,122	10,827,141,605	8,993,734,746	14,647,368,983	5,978,079,798	3,770,789,545	3,398,067,467	20,998,170,860	4,338,662,652
19.3, 19.4	Commercial auto liability	1,816,148,594	2,197,663,413	1,542,949,618	2,470,862,388	928,589,251	1,378,309,210	997,147,090	3,780,613,758	631,868,788
21	Auto physical damage	40,835,629	364,490,544	179,602,755	225,723,418	292,114,588	(29,838,266)	31,176,731	456,823,010	419,732,058
22	Aircraft (all perils)	268,184,972	176,319,690	370,535,962	73,968,700	61,022,907	44,228,358	57,729,591	121,490,373	30,985,040
23	Fidelity	64,338,057	26,015,656	23,401,391	66,952,322	163,214,786	62,050,233	59,357,505	232,859,838	38,135,499
24	Surety	38,960,757	(21,454,386)	(20,037,192)	37,543,564	219,686,196	311,537,057	349,355,322	219,411,495	92,500,630
26	Burglary and theft	786,375	1,681,249	484,372	1,983,253	10,552,156	4,780,479	1,256,682	16,059,207	3,184,806
27	Boiler and machinery	16,384,006	9,734,368	8,744,530	17,373,843	8,011,788	9,392,063	5,980,527	28,797,167	4,261,489
28	Credit	7,577,241	8,802,659	12,893,949	3,485,951	20,129,154	10,849,311	23,046,755	11,417,661	1,664,228
29	International	0	3,621,998	278,052	3,343,946	0	13,072,164	338,019	16,078,089	246,817
30	Warranty	218,378	1,291,668	116,787	1,393,259	4,096,838	14,384,313	7,081,243	12,793,166	286,493
31	Reinsurance - nonproportional assumed Property	XXX	142,642,987	36,243,608	106,399,379		111,420,167	26,310,387	191,509,159	2,685,725
32	Reinsurance - nonproportional assumed Liability	XXX	513,866,281	177,534,230	336,332,052		1,036,840,015	345,425,584	1,027,746,483	33,084,148
33	Reinsurance - nonproportional assumed Financial Lines	XXX	12,528,182	2,843,856	9,684,326		8,227,985	2,766,841	15,145,469	322,088
34	Aggregate write-ins for other lines of business	111,432	148,504	53,824	206,112	188,318	193,087	41,379	546,136	71,369
35	TOTALS	35,448,528,693	37,329,623,742	28,872,345,619	43,905,806,817	31,459,542,149	30,472,895,345	23,993,916,665	81,844,327,648	19,759,761,298

NORTH CAROLINA
HOMEOWNERS MULTIPLE PERIL
2012 AGGREGATE ANNUAL STATEMENT DATA
2012 TOP 50 HOMEOWNERS INSURERS

2012 UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - LOSSES PAID AND INCURRED

		Reported Losses				Incurred But Not Reported				
	Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Assumed from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid	Net Unpaid Loss Adjustment Expenses
1	Fire	336,844,470	421,041,101	362,263,067	395,622,504	129,738,000	191,006,405	135,046,158	581,320,753	69,923,850
2	Allied lines	1,632,074,732	272,878,000	1,684,173,035	220,779,698	480,117,556	145,885,783	479,960,102	366,822,937	81,959,009
3	Farmowners multiple peril	88,139,494	67,117,755	30,599,732	124,657,517	31,854,410	12,786,748	5,888,455	163,410,219	37,451,503
4	Homeowners multiple peril	4,561,345,843	2,200,584,037	2,045,253,897	4,716,675,985	3,847,467,536	1,659,030,743	1,741,139,352	8,482,034,913	2,260,765,469
5	Commercial multiple peril	2,937,445,830	3,362,216,316	2,290,068,407	4,009,593,739	2,409,195,140	2,451,753,873	1,975,549,568	6,894,993,182	2,907,246,680
6	Mortgage guaranty	0	4,289	0	4,289	0	3	0	4,292	2
8	Ocean marine	243,398,613	102,490,892	202,534,869	143,354,636	159,734,512	76,510,795	115,251,768	264,348,176	44,377,511
9	Inland marine	195,994,200	177,338,748	149,027,645	224,305,301	379,106,351	134,973,866	285,261,548	453,123,974	133,578,976
10	Financial guaranty	0	0	0	0	0	0	0	0	0
11.1	Medical professional liability - occurrence	38,004,314	13,765,696	4,771,512	46,998,498	43,619,410	75,977,868	32,428,359	134,167,416	35,760,290
11.2	Medical professional liability - claims-made	124,500	35,468,829	19,253,203	16,340,126	304,560	42,703,894	14,001,414	45,347,166	11,453,845
12	Earthquake	726,419	1,040,364	666,247	1,100,536	1,501,151	9,366,704	1,960,457	10,007,936	2,049,580
13	Group accident and health	7,910,232	94,556,471	74,675,771	27,790,932	56,010,529	34,785,440	28,504,300	90,082,601	9,269,223
14	Credit accident and health (group and individual)	6,077,965	0	5,462,568	615,397	10,699,016	0	8,719,413	2,595,000	661,625
15	Other accident and health	3,853,061	59,902,346	50,314,742	13,440,665	2,157,042	46,100,150	28,808,012	32,889,846	2,822,520
16	Workers' compensation	7,533,295,652	12,788,481,892	9,797,046,143	10,524,731,398	7,438,583,180	12,109,816,300	9,338,515,849	20,734,615,027	3,001,558,470
17.1	Other liability - occurrence	2,986,737,116	2,977,964,723	2,251,275,118	3,713,426,722	6,251,637,938	5,775,262,014	4,747,913,618	10,992,413,057	2,661,405,813
17.2	Other liability - claims-made	717,352,114	578,206,836	467,190,160	828,368,790	2,665,519,890	1,748,006,618	1,506,737,714	3,735,157,584	1,822,225,604
17.3	Excess Workers' Compensation	40,669,176	328,960,893	130,652,595	238,977,474	71,445,255	472,372,337	203,597,361	579,197,706	55,403,145
18.1	Products liability - occurrence	760,592,498	499,382,239	437,588,693	822,386,045	1,153,945,234	1,017,617,445	706,263,916	2,287,684,808	1,117,115,597
18.2	Products liability - claims-made	12,750,230	13,059,474	8,081,109	17,728,595	40,699,055	37,163,622	29,903,848	65,687,425	53,200,841
19.1, 19.2	Private passenger auto liability	12,545,387,046	11,561,261,751	9,241,861,669	14,864,787,130	6,634,199,686	4,602,665,865	4,992,466,333	21,109,186,345	4,488,482,336
19.3, 19.4	Commercial auto liability	1,802,199,899	2,466,480,115	1,712,152,139	2,556,527,875	938,273,946	1,577,776,597	1,182,810,251	3,889,768,167	681,767,408
21	Auto physical damage	(5,557,182)	303,406,244	87,442,321	210,406,739	287,618,454	4,910,928	188,857,655	314,078,466	433,891,815
22	Aircraft (all perils)	239,046,961	169,773,647	341,153,690	67,666,918	71,535,394	53,661,722	66,800,427	126,063,607	30,409,615
23	Fidelity	30,615,409	24,839,220	9,004,957	46,449,672	200,053,792	67,536,059	70,460,255	243,579,266	43,298,337
24	Surety	27,329,144	(59,528,675)	(64,121,541)	31,922,011	187,425,690	246,490,165	288,302,437	177,535,430	95,851,284
26	Burglary and theft	1,151,010	1,602,717	332,288	2,421,440	15,506,107	7,078,649	4,284,998	20,721,195	3,582,372
27	Boiler and machinery	18,100,393	11,655,485	11,612,733	18,143,146	12,044,456	13,635,726	10,495,633	33,327,694	5,388,150
28	Credit	6,212,712	7,670,784	10,333,493	3,550,003	18,487,553	9,970,111	20,636,812	11,370,856	935,685
29	International	0	3,307,682	248,755	3,058,927	0	13,396,393	369,127	16,086,192	90,089
30	Warranty	91,060	721,132	110,194	702,000	9,369,936	13,530,308	8,805,039	14,797,205	391,348
31	Reinsurance - nonproportional assumed Property	XXX	160,354,303	45,390,580	114,963,723		196,930,941	50,191,693	261,702,970	3,021,503
32	Reinsurance - nonproportional assumed Liability	XXX	343,894,764	88,968,135	254,926,629		865,902,883	255,087,868	865,741,646	29,339,934
33	Reinsurance - nonproportional assumed Financial Lines	XXX	13,283,439	2,990,342	10,293,097		7,058,504	2,634,924	14,716,676	287,353
34	Aggregate write-ins for other lines of business	148,045	77,060	18,322	206,783	186,481	366,779	42,107	717,937	124,842
35	TOTALS	36,768,060,950	39,003,260,571	31,498,396,585	44,272,924,940	33,548,037,259	33,722,032,237	28,527,696,769	83,015,297,663	20,125,091,628

2011 & 2012 North Carolina Homeowners Insurance (a)		
	2011	2012
Written Premium	1,857,801,432	1,890,773,761
Earned Premium	1,832,465,873	1,849,028,676
Dividends	5,437,887	7,619,086
Unearned Prem Reserves	960,715,941	989,288,728
Losses Paid	2,054,697,910	1,084,212,924
Losses Incurred	2,168,828,674	972,650,067
Losses Unpaid	465,625,579	346,264,143
Defense & Cost Containment Paid	16,493,906	17,230,865
Defense & Cost Containment Incurred	18,412,223	16,655,006
Defense & Cost Containment Unpaid	29,840,639	28,769,017
Commission	238,556,395	241,564,668
Taxes	48,222,431	49,191,562

(a) Top 50 Writers, Annual Statements, Statutory page 14

HOMEOWNERS

1. **ACE American Insurance Company**
- New Construction Credit: New home - 10 yrs. Credit varies 20% - 0%.
- Forms 1, 2, 3, 4 & 6: Fixed Dollar Deductible: Credit varies 15% - 40%.
- Personal Property Increased Limit: $2 per $1,000 of additional coverage.
- Form 2 & 3: Replacement cost on contents - HO 0490: Factor of 11.5% applies to end of the base premium & includes increased limits to 70% of Coverage A dwelling amount.
- Protective Device Credits: All zones & all protection classes: Credit varies 2% - 15%.
- Rate Deviation: Homeowners - 21%; Tenants - 15%; Condominiums - 20%
- Eff. 9/1/92

2. **ACE Fire Underwriters Insurance Company**
- New Construction Credit: New 20%; 1 yr. old - 18%; 2% less credit each added yr.
- Forms 1, 2 & 3: Fixed dollar deductible credits; $500 - 11%; $1,000 - 21%; $2,500 - 34%.
- Form 4: Fixed dollar deductible credits; $500 - 11%; $1,000 - 25%; $2,500 - 40%.
- Forms 1, 2 & 3: Rate for increase in Coverage C: $1 per $1,000.
- Forms 1, 2 & 3: Replacement Cost Coverage HO-290; Charge shall be 4% of adjusted base premium. Coverage C must also be increased to 70% of A at $1 per $1,000.
- Protective Device Credits: All zones & all protection classes; Credit varies 1% - 15%.
- Eff. 5/1/92

3. **AIU Insurance Company**
- All Forms: 10%.
- Eff. 2/1/86

4. **AMEX Assurance Company**
- Various downward deviation based on amount of insurance Form 3.
- Various downward deviation based on amount of insurance Form 4.
- Various downward deviation based on amount of insurance Form 6.
- Protective Device Credits: Credit varies 2% - 15%.
- Home & Auto Credit: Credit varies by form 2% or 5%.
- Replacement Cost on Contents Deviation: Form 3 - 5% of base premium: Forms 4 & 6 - 30% of base premium.
- Coverage A Increased Limits downward deviation form HO 06..
- Utilities rating (New Home Discount) Form 3: Downward deviation : Credit varies 2% - 25% based on age of dwelling.
- Form 3: Downward deviation Coverage C Increased Limits.
- Downward deviation for installment pay plan by electronic funds transfer or payroll deduction.
- No additional charge for Refrigerated Personal Property.
- No charge for townhouse or row house.
- Costco Discount: 2% applies to policies for member insureds of Costco.
- HO 3, 4 & 6 base rates vary by territory.
- Eff. 8-1-05 PC083887 North Carolina Department of Insurance

5. **AXA Re Property & Casualty Insurance Company**
- Discount on Installment Payment Plan: $1 - $2 charge.
- Three or Four Family Dwelling Discount.
- Townhouse or Rowhouse Discount.
- Waterbed Liability waived.
- Base Premium Deviation.
- Forms 2, 3, 4, 6 or 8: Deviation by Amount of Insurance.
- New Home Discount: 0-9 yrs. of age: Credit varies 2%-9%.
- Protective Devices Discount: Credit varies 1%-7%.
- Multi Policy Discount: 5% of the base premium.
- Personal Property Increased Limits Discount: $2 rate per $1000.
- Personal Property Replacement Cost Coverage Discount.
- Form 4: Building Additions & Alterations Increased Limits Deviation.
- Personal Property Increased Limits of Liability: Charge varies by additional amount of insurance.
- Rented Personal Property: No charge.
- Form 6: Coverage A - Dwelling Basic & Increased Limits Deviation.
- Forms 3 & 3 Plus: Inflation Guard Discount.
- Watercraft Discount: Up to 50 HP, no charge.
- Business Pursuits Discount.
- Form 3 Plus: Personal Injury Liability: No charge.
- Eff.10/18/00 PC035279 North Carolina Department of Insurance

6. **Affirmative Insurance Company**

- 15% base deviation for Premier Homeowners Program.
- 3% base deviation for Deluxe Homeowners Program.
- 15% base deviation for Premier Tenant Program.
- 10% base deviation for Deluxe Tenant Program.
- 20% base deviation for Premier Condominium Program.
- 15% base deviation for Deluxe Condominium Program.
- Forms 2 & 3: Deductible credits; $500-15%; $1000-25%; $2500-38%.
- Forms 4 & 6: Deductible credits; $500-15%; $1000-25%; $2500-40%.
- All Forms, except 4 & 6: New Home Credit: New 20%; 2% less credit each additional yr. to 9th yr.
- All Forms: Protective Device Credits: Credits vary 2%-15%.
- Forms 2 & 3: Replacement Cost on Contents; Surcharge of 7.5%. Coverage increased to 70% of Coverage A at no premium charge.
- All forms, except 4 & 6; Personal Property Increased Limit $2 charge per $1000 of coverage.
- Eff 02-15-02 PC046217 North Carolina Department of Insurance

7. **AGRI General Insurance Company**

- Amount of Insurance Deviation: Credits vary 1%-15% by policy amount, territory & county.
- New Home Credit: 20% 1st yr.; 2% less credit each added yr. to 9th yr. Does not apply to Form 8, remodeled or restored homes.
- All Forms, except 4 & 6: Deductible Factors: $250 ded.-1.00; $500 ded.-0.91; $1000 ded.-0.79; $2500 ded.-0.62.
- Protective Device Credit: Premium credit for all protection classifications & territories; Credit varies 1%-15%.
- Eff. 1/1/97

8. **Alfa Alliance Insurance Corporation (Virginia Mutual Insurance Company)**

- Amount of Premium Credit - Claims Free Forms HO 0002, HO 0003, HO 0005 and HO 0008.
- Amount of Premium Credit - Claims Free for forms HO 0004 and HO 0006.
- Row and Townhouses - discount.
- Account Discount –discount if there is also an in force auto policy covering the same named insured written with Virginia Mutual Ins Co.
- Insurance Score Discount –discount applied if a minimum insurance score of 725.
- Newly Constructed Residences (not applicable to Forms 4 and 6) credit varies for a residence constructed and first occupied in one of the last ten calendar years.
- Amount of insurance relativities – Coverage A forms HO 00 02 HO 00 03 HO 00 05 and HO 00 08.
- Installment Payment Plan-Electronic Funds Transfer.
- Effective 9-15-08 PC119471 North Carolina Department of Insurance

9. **Allstate Indemnity Company**

- Claims Rating Deviation – determined by the number of chargeable claims, credits vary.
- Claims Free Discount – 10% discount for no claims for 60 consecutive months.
- New/renovated Home Discount – credit varies.
- Home and Auto Discount Deviation –credit varies.
- The Good Hands People Discount Deviation – 1%
- Zone Deviation.
- Residence Rental Coverage – no charge for coverage.
- Eff 2-20-07 PC098722 North Carolina Department of Insurance

10. **Allstate Insurance Company**

- Deductible factors Forms 2, 3 ; Forms 4 & 6: Deductible factors credits vary.
- Personal Property Replacement Cost Deviation subject to certain requirements.
- Protective devise discount.: discount varies.
- Age of Home Discount Deviation. HO 2 and HO 3 forms.
- Age 55 & Retired Discount Factor. Credit varies when certain criteria met.
- Home and auto discount deviation HO2, HO 3, HO 4 and HO 6 when certain criteria is met.
- Good hands people discount all forms.
- Waterbed Liability Deviation HO4 and HO6.
- Installment payment plan – Allstate Easy Payment Plan.
- Three or four family dwelling rating structure: does not differentiate between 3 or 4 family dwellings in a town or row house structure.
- Zone (Territory) Deviation.

Deluxe Plus

- Deductibles
- Protective Devices.

- Year of Construction – Newly Constructed Dwellings.
- Age 55 and Retired Discount.
- Home and Auto Discount.
- The Good Hands People discount.
- Zone (Territory) Deviation.
- Eff 10/23/07 PC103069 North Carolina Department of Insurance

11. **AMCO Insurance Company**

- Territory Deviation, Forms HO 00 02, HO 00 03, and HO 00 05 and HO 00 04 and HO 00 06 excludes wind or hail or does not exclude wind or hail.
- Multiple Policy Deviation, Forms HO 00 02, HO 00 03 and HO 00 05, HO 00 04, HO 00 06.
- Deductible Deviations, Forms HO 00 02, HO 00 03 and HO 00 05.
- Safe Home Rating Plan Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Age of Oldest Insured Deviation, Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05 and HO 00 06.
- Year of Construction-Age of COnstruction Deviation Forms HO 00 02, HO 00 03 and HO 00 05.
- Amount of Insurance, All Territories Forms HO 00 02, HO 00 03 and HO 00 05.
- Home Renovation Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Roof Rating Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Home Purchase Deviation, Forms HO 00 02, HO 00 03, HO 00 05, and HO 00 06.
- Gated Community Deviation, Forms HO 00 02, HO 00 03, and HO 00 05.
- Flex Check Payment Option-Installment Payment Plan Deviation, Forms HO 00 02, HO 0003, HO 00 04, HO 00 05 and HO 00 06.
- Eff 11-15-07 PC107930 North Carolina Department of Insurance

12. **AmComp Assurance Corporation**

- Forms 2 & 3: Deductible credits; $500-9%; $1000-17%.
- Forms 2 & 3: Premium credits for alarm systems vary 2% - 15%.
- Age 55 & Retired Discount: 10% credit applies when required criteria is met.
- Forms 2 & 3: New Home Credit; 14%; Homes completed & occupied current calendar yr.; 2% less credit each added yr.
- Eff. 12/1/91

13. **American Automobile Insurance Company**

- Protective Device Credits: All forms & all territories: 1% - 15% credit applies to company base premium.
- Portfolio Credit: 5% credit applies to all homeowners policies when Personal Catastrophe Coverage and Personal Inland Marine Coverage is written with Company.
- Deviations by territories and forms: Credit varies.
- Eff. 12/01/03 PC065125 Filing Detail

14. **American Bankers Insurance Company of Florida**

- Retired Discount: 5% if an owner of insured premises or spouse is 55 yrs. of age or older.
- Claim Free Credit: 2% if insured has gone without loss for at least 3 yrs. with American Bankers.
- All Forms: Protective Device Credits: Preferred - credit varies 0%-13%; Standard - credit varies 1%-15%.
- Eff. 5/1/92

15. **American Centennial Insurance Company**

- Forms 1, 2, 3, 3 w/15 & 6: 25%.
- Eff. 9/1/85

16. **American Economy Insurance Company**

- All Forms: Personal Injury (HO-82) included at no charge.
- All Forms, except 4 & 6: New home credit or renovated home credit for homes meeting required criteria; 0-1 yr. - 15%; 2 yrs. - 12%; 3, 4 or 5 yrs. - 10%; 6 or 7 yrs. - 6%; 8-10 yrs. - 4%.
- Forms 2 & 3: Replacement Cost (HO-290) Coverage C is increased to 70% of Coverage A at no extra charge. Charge of 9% (7% in Beach Area) is added to basic premium.
- Forms 4 & 6: Replacement Cost (HO-290); Charge of 30% is added to basic premium.
- Form 3: Replacement or Repair Cost Coverage A (HO-500); No charge.
- Forms 4 & 6: $100 deductible; Minimum additional charge of $10 in lieu of $30.
- Forms 2 & 3: Fixed deductible; $500 ded. - 9%; $1000 ded. - 17%.
- Forms 4 & 6: Fixed deductible credits; $500 - 10%; $1000 - 23%.
- Form 3: XL Coverage rate deviation when eligibility requirements are met.
- One family premium for all Section I & II coverages will apply regardless of number of families.
- Form 2 & 3: Dwelling under construction credit of 20% applies during first yr. when certain requirements are met.
- Form 6: Coverage A increased limits rate; $2.70 per $1000.
- Renewal credit for consecutive yrs. insured with American States Group; 3-5 yrs. - 5%; 6 or more yrs. - 10%.

- Protective Devices: Credit factors vary .98 to .85.
- Forms 3, 4 & 6: Unscheduled jewelry & furs - (HO-65); $2500 increased limit - $33; $5000 increased limit - $60.
- Form 3: XL Coverage Program; $5000 limit included in basic premium. To reduce to $1000 limit, subtract $56. To reduce to $2500 subtract $35.
- Eff. 11/17/97

17. **American Employers Insurance Company**

- New Home Credit All Forms, except 4 & 6:; 0-1 yr. old - 20%; 2% less credit each added yr. to 10th yr.
- Personal Property Replacement Forms 2 & 3: Cost; Charge to increase Cov C to 70% of Cov A; $1 per $1000.
- Additional Limit of Liability for Coverage A. HO 3211. $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- Inflation Guard Endorsement (HO-243) at 6% - at no charge.
- Fixed dollar amount deductible credits Forms 2 & 3:;- $500-15%; $1000-21%; $2500-38%.
- Fixed dollar amount deductible credits Forms 4 & 6:; $500-10%; $1000-23%; $2500-37%.
- Increased Coverage A limits HO-6 $3000 coverage A at no additional charge. Coverage A limit may be increased.
- Form 6: 6.4% deviation.
- 5% discount for insured age 49 or older.
- Form HE-7; HE7w/20 & HE7w/21: Reduced Factors.
- Deviation by amount of insurance for Coverage A $250,000 - $500,000. Variable credit.
- Windstorm or Hail Deductible credit varies by amount of deductible
- Eff. 8/15/02 PC053953 North Carolina Department of Insurance

18. **American Fire & Casualty Company**

- Water Craft Liability Rates: below NCRB for powerboats; below NCRB for sailboats.
- Employees Discount: to qualifying employees insured in the Ohio Casualty Group.
- Eff. 12-1-05 PC082802 North Carolina Department of Insurance

19. **American & Foreign Insurance Company**

- Forms 1, 2 & 3: Replacement or repair cost protection - Coverage A dwelling; $1 per policy.
- Protection Devices Credits: 2%-15%.
- All Forms, except 4 & 6: Deductible credit factors; $500 - .89; $1000 - .79; $2500 - .72.
- Forms 4 & 6: Deductible credit factors; $500-.89; $1000-.77; $2500-.63.
- Forms 1, 2 & 3: Personal Property Replacement Cost; Coverage A amount under $75000 -10% surcharge; $75000 -$99,999 -7% surcharge;$100000 & over-5% surcharge. Charge includes an increase in Coverage C limit 50% - 70% of Coverage A.
- All Forms: 5% preferred customers renewal credit when coverage has been with any of Royal Group for prior 3 yrs. with no losses.
- Discount for Eligible Employees: 20% credit to total homeowners policy premium.
- Form HE-7w/HE-21: 1.25 factor applies to base premium.
- Companion Policy Credit: 5% deviation when auto & homeowners policy is issued in any member of Royal Insurance when certain criteria are met.
- Installment Payment Plan: Policies billed by agent through account current payroll deduction program are not subject to installment or installment fees.
- Installment Payment Plan: $1 each installment for Electronic Fund Transfer.
- Eff. 9/1/99

20. **American Home Assurance Company**

- HO-3 Premier Base Class Premium Deviation by territory: 5% credit.
- HO-4 & HO-6 Base Class Premium Deviation by territory: Credit varies 3%-12%.
- Protection Device Credit for HO-3, HO-4, HO-6, & HO-3 Premier: Credit varies: Max. credit allowed is $75.
- Optional Deductibles: All forms.
- HO-6 Coverage A Dwelling Increased Limits: Premium charge per $1000 is $2.
- 55 or Older & Retired Discount: Apply a factor of .9 to base premium when criteria is met.
- Multi Product Discount: Apply a factor of .9 to base premium when named insured has an auto policy with an American International Company.
- HO-4 & HO-6 Personal Property Replacement Cost Coverage Deviation.
- Age of Dwelling Discount: New Homes – 10 yrs. Credit varies
- Eff. 11/19/01 PC045494 North Carolina Department of Insurance

21. **American Insurance Company**

- Forms 2, 3 & 3w/15: New Home Credit; 20% current yr. & one yr. preceding current yr. of construction; 2% less credit each added yr.
- Protective Devices Credit: All territories 1% - 15%. Credit applies to company base premium.
- All Forms: Deductible credits: $500 -10%; $1000 -20%; $2500 -30%. Credit applies to company base premium.
- HO-3 w/15: Multiply HO-3 key premium by factor of 1.08 to obtain key premium for HO-3 w/15.

- Form 4 & 6: Deductible Credits for Coverage C limit. $10000 & above $500 -10%, $1000 - 20%, $2500 - 30%. Credit applies to company base premium.
- Discount of Replacement Cost on Contents: Apply surcharge of 10% to HO-3 company base premium for replacement cost on contents.
- Eff. 6/1/93

22. **American Manufacturers Mutual Insurance Company**

- Additional Amounts of Insurance (KIP only) deviation.
- All Forms: Optional Higher Deductibles deviation.
- Personal Property Replacement Cost: Increase Coverage C at $1 per $1000. Add $10 surcharge.
- Mature Homeowners Credit: 5% applies to base premium when named insured is 55 yrs. of age & an adult is home during the day.
- New Home Credit Discount: 0 - 15+ yrs. of age: Credit varies 0% - 20%.
- Premium Credits for Protective Devices.
- All Forms, except 3w/15: $100 deductible: Waive minimum premium.
- Form 3: Base rate deviation based on protection class & territory. Credit varies 0%-22%.
- All Forms except 3w/15: $250 theft deductible/ $100 deductible all other perils: Waive minimum premium.
- Form 4: Base Rate Deviation -7%.
- Form 6: Base Rate Deviation - 12%.
- Higher limits for credit cards, fund transfer card, forgery & counterfeit money coverage (KIP only): Limit of $5000 included at no additional charge: $7500 + $1, $10000 + $2.
- Outboard Motors & Water Craft (KIP only): Coverage up to & including 50 HP is included at no additional charge.
- Personal Injury (KIP only): Coverage included at no additional charge.
- Seasonal or Secondary Dwelling Discount (KIP only): 5% discount to base premium.
- Blanket Property Limit (KIP only): Replacement cost contents coverage included at no additional charge.
- Form 3: Special Personal Property Coverage: Factor 1.10 applies to base premium.
- Form 6: Special Personal Property Coverage: Factor 1.20 applies to base premium.
- Form 4: Building Additions & Alterations Increase: KIP & Monoline: Each addl. $1000 rate $10000 Form 4 premium x .08.
- Form 6: Coverage A Dwelling Basic and Increased Limits Special Coverage: Each additional $10000 develop premium $10000 Form 6 premium x .08 or enter total Coverage A limit on Declaration page.
- Form 4 & 6: Ordinance or Law Increased Amount of Insurance: Each additional $1000 of insurance rate $10000 Form 4 or Form 6 premium x .08.
- Refrigerated Property: Coverage included at no additional charge with KIP policy.
- Form 3: KIP only: Ordinance or Law Coverage: Include 12.5% at no additional charge. Modify rating factors for additional coverage options.
- Windstorm and Hail Deductibles for Form 3: Blanket Limits deviation (KIP only).
- HE-7W/HE-40 deviation by territory for KIP only: Territory 40 - 1.20, Remainder of State 1.25.
- HE-7W/HE-40 & HE-20 deviation by territory for KIP only: Territory 40 - 1.25, Remainder of State 1.30.
- HE-7W/HE-40 & HE-21 deviation by territory for KIP only: Territory 40 - 1.30, Remainder of State 1.35.
- Deferred Premium Payment Plan: $1 charge for electronic funds transfer.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2/25/02 PC047937 Filing Detail

23. **American Modern Home Insurance Company**

- Form 3: Deductible Credits; $500 Ded. - 10%; $1000 - 22%; $2500 - 28%.
- Form 3: New Home Credit; Current yr. - 26%; 1st. yr. - 24%; 3% less each yr. to 7th yr.
- Form 3: Multi-policy credit; 5% credit when auto policy written in addition to homeowners policy.
- Protective Device Credits: Credit varies 1% - 10%.
- Amount of Insurance Deviation: Coverage A amount $10000 - $200000: Credit varies by territory.
- Eliminate charge to increase personal property limits.
- For rates above $200000, a factor of .007 applies for each additional $1000 of premium
- Eff. 6/1/99

24. **American Motorists Insurance Company**

- All Forms: Optional Higher Deductibles deviation.
- Personal Property Replacement Cost: Increase Coverage C at $1 per $1000. Add $10 surcharge.
- New Home Credit Discount: 0 - 10+ yrs. of age: Credit varies 0% - 20%.
- Premium Credits for Protective Devices.
- All Forms, except 3w/15: $100 deductible: Waive minimum premium.
- Form 4: Base Rate Deviation 5%.
- Form 6: Base Rate Deviation - 10%.
- Higher limits for credit cards, fund transfer card, forgery & counterfeit money coverage (KIP only): Limit of $5000 included at no additional charge: $7500 + $1, $10000 + $2.
- Outboard Motors & Water Craft (KIP only): Coverage up to & including 50 HP is included at no additional charge.

- Personal Injury (KIP only): Coverage included at no additional charge.
- Seasonal or Secondary Dwelling Discount (KIP only): 5% discount to base premium.
- Blanket Property Limit (KIP only): Replacement cost contents coverage included at no additional charge.
- Form 3: Special Personal Property Coverage: Factor 1.10 applies to base premium.
- Form 6: Special Personal Property Coverage: Factor 1.20 applies to base premium.
- Form 4: Building Additions & Alterations Increase: KIP & Monoline: Each addl. $1000 rate $10000 Form 4 prem x .08.
- Form 6: Coverage A Dwelling Basic and Increased Limits Special Coverage: Each additional $10000 develop premium $10,000 Form 6 premium x .08 or enter total Coverage A limit on Declaration page.
- Form 4 & 6: Ordinance or Law Increased Amount of Insurance: Each additional $1000 of insurance rate $10000 Form 4 or Form 6 premium x .08.
- Refrigerated Property: Coverage included at no additional charge with KIP policy.
- Form 3: KIP only: Ordinance or Law Coverage: Include 12.5% at no additional charge. Modify rating factors for additional coverage options.
- Windstorm and Hail Deductibles for Form 3: Blanket Limits deviation (KIP only).
- HE-7W/HE-40 deviation by territory for KIP only: Territory 40 - 1.20, Remainder of State 1.25.
- HE-7W/HE-40 & HE-20 deviation by territory for KIP only: Territory 40 - 1.25, Remainder of State 1.30.
- HE-7W/HE-40 & HE-21 deviation by territory for KIP only: Territory 40 - 1.30, Remainder of State 1.35.
- Deferred Premium Payment Plan: $1 charge for electronic funds transfer.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2/25/02 PC047938 North Carolina Department of Insurance

25. **American Professionals Insurance Company**

- Form 2, 3 & 3w/15: Company deviation based on amount of insurance, construction & territory: Credit varies.
- Form 6: Territorial deviation.
- Forms 2, 3, 3w/15: New Home Discount based on age of home. Deviation varies 0% - 14%.
- Forms 1, 2, 3 & 3w/15: Fixed dollar amount deductible credit factors; $500 - .85; $1000 - .79; $2500 - .62.
- Forms 1, 2, & 3: Increase in Coverage C; $1 per $1000.
- Protective Devices: All forms: Maximum credit for protective device eliminated. All protection class & all territories. Credit varies 2% - 15%. There is no limit on credit.
- Outboard Motors & Water Craft: Liability rates amended by boat length.
- Form 4 & 6: Fixed dollar amount deductible. Credit factor $500 - .85; $1000 - .77; $2500 - .63.
- All Forms, except 4 & 6: Windstorm or Hail Percentage/Factor Deductible deviation.
- Form 6: Coverage A Dwelling Basic & Increased Limits and Special Coverage.
- All Forms, except 4 & 6: Personal Property Replacement (Coverage C) Cost Coverage. 1.05 factor applies to base premium. Form 4 & 6: 1.35 factor: Minimum additional premium deleted.
- Ordinance or Law Coverage deviation factors.
- Three or Four Family Residence Coverage B & C deviation.
- Installment Payment Plan. Initial installment charge waived.
- 5% account credit when named insured has an auto policy with the Highlands Insurance Group Companies.
- Eff. 6/1/99

26. **American Reliable Insurance Company**

- Loss Free Renewal Credit: Credit applies to any policy that has been loss free for the previous 12 months under an existing American Reliable Insurance Company policy.
- Mature Retiree Credit: If certain criteria are met, a credit of -10% of the Base Premium will be applied.
- New Roof Credit: If the roof has been professionally installed within five years of the inception or renewal date, the premium shall be reduced by 5%. Not to be combined with the Age of Dwelling Credit
- Eff 11/6/02 PC055868 Filing Detail

27. **American States Insurance Company**

- All Forms: Include Personal Injury HO-82 at no charge.
- All Forms, except 4 & 6: New home credit or renovated home credit for homes meeting required criteria; 0-1yr. - 15%; 2 yrs. - 12%; 3, 4 or 5 yrs. - 10%; 6 or 7 yrs. - 6%; 8, 9 or 10 yrs. - 4%.
- Form 2 & 3: Replacement cost (HO-290) Coverage C is increased to 70% of Coverage A at no extra charge: Charge of 9% (7% in Beach Area) is added to basic premium.
- Forms 4 & 6: Replacement cost (HO-290); Charge of 30% is added to basic premium.
- Replacement or Repair Cost Protection Coverage A (HO-500): $1.
- Forms 4 & 6: $100 deductible; Minimum additional charge $10 in lieu of $30.
- One family premiums for all Section I & II coverages will apply regardless of number of families.
- Forms 2 & 3: Dwelling under construction credit of 20% applies during first yr. if certain requirements are met.
- Form 6: Coverage A increased limits; Basic coverage rate per $1000 increase $2.70.
- Renewal credit for consecutive years insured with American States Group: 3-5 yrs. - 5%; 6 or more yrs. - 10%.
- Protective Devices: Credit factors vary .98 to .85.
- Forms 2, 3, 4 & 6: Unscheduled jewelry & furs (HO-65) $2500 increased limit - $33; $4000 increased limit - $60.

- Forms 2, 3 & 8: Fixed deductible credits; $500 - 9%; $1000 - 17%.
- Forms 4 & 6: Fixed deductible credits; $500 - 10%; $1000 - 23%.
- Eff. 12/12/91

28. **American States Preferred Insurance Company**

- Form 3: Basic premium deviation varies by protection class. Variable credits.
- Form 3: Amount of insurance deviation: All amounts of insurance 13.0% credit.
- Form 3: Surcharges for townhouses & rowhouses are waived.
- Form 3: Homeowners XL Credit: When eligibility & coverage requirements are met. Variable credits.
- Form 3: Deductible credits/charges $500 - 12%; $1000 - 24%.
- The one family premiums for all Section I & Section II coverages shall apply regardless of number of families.
- Form 4: Amount of insurance deviation; $15000 - $30000 & above. Credit varies 2% - 22%, except for a few specific counties which receive 5% less.
- Form 6: Amount of insurance deviation; $20000 - $30000 & above. Credit varies 8% - 25%, except for a few specific counties which receive 5% less.
- Forms 4 & 6: Deductible credits/charges; $500 - 17%; $1000 - 30%.
- Alarm systems: Premium credits vary.
- Jewelry & Furs: Forms 3, 4 & 6; $2500 limit $33; $5000 limit - $60. Form 3 w/XL coverage $5000 included in base premium. To reduce to $2500 limit subtract $35. $1000 limit subtract $56.
- Form 3: Replacement Cost (HO-290) Coverage C is increased to 70% of Coverage A at no extra charge; Charge of 9% (7% in Beach area) is added to basic premium.
- Forms 4 & 6: Replacement Cost (HO-290); Charge of 30% is added to basic premium.
- All Forms: Include Personal Injury HO-82 at no charge.
- Form 3: Replacement or Repair Cost Protection Coverage A dwelling HO-500; No charge.
- Form 6: Coverage A increased limits; Basic coverage rate per $1000 increase $2.70.
- Form 3: New Home Credit; Current yr. - 15%; one yr. preceding current yr. - 12%; 2nd, 3rd & 4th yrs. -10%; 5th & 6th yrs. - 6%; 7th, 8th & 9th yrs. - 4%.
- Form 3: New dwelling under construction; 20% when certain requirements are met.
- Renewal credit for consecutive yrs. with American States Group; 3-5 yrs. - 5%; 6 or more yrs. - 10%.
- Eff. 10/30/97

29. **Amerisure Insurance Company**

- All Forms: Minimum additional charge of $30 for $100 deductible is waived.
- Mature Homeowners Credit Factor .95 insured age 55 or older & dwelling is primary.
- Multi Policy Credit: Forms 2, 3 & 6: 15% multi-policy credit when personal auto coverage in force in Amerisure Group.
- New Home Credit Factors: Current year -.80; 1 yr.- 8l; 2 yrs. -.82; 3 yrs -.84; 4 yrs. -.86; 5 yrs. -.88; 6 yrs. -.90; 7 yrs. -.93; 8 yrs. -.96; 9 yrs. - .99.
- Form 3: Deviation by Territory: 0% - 18% credit based on territory, protection class & construction.
- Form 1, 2 & 3: Amount of Insurance Deviation; Coverage A amount $60000+-$199000 credit varies 0.46% - 9.77%.
- Form 6: Relativity .85.
- Eff. 10/1/94

30. **Amerisure Mutual Insurance Company**

- All Forms: Minimum additional charge of $30 for $100 deductible is waived.
- Multi-Policy Credit: Forms 2, 3 & 6 - 15% multi-policy credit to all homeowners rates & premiums when automobile policy is written with Amerisure Group.
- Form 6: Relativity is .85.
- Eff. 10/1/94

31. **AMICA Mutual Insurance Company**

- Waive the additional premium for Coverage C, Personal Property at 75% of Coverage A.
- Form HO 00 04 rate deviation by policy amount.
- Protective Devices, Apply 2% credit for three or more smoke detectors in all territories for protection classes 1-7.
- Additional Amounts of Insurance-1.00 All territories except 5, 6, 42 and 43. 1.02 for territories 5, 6, 42, and 43.
- Personal Property-Increased Limit, $1.60 for all forms. Also waive the charge up to 75% of Coverage A without HO 04 90 (Personal Property Replacement Cost) See Deviation Component Number 5.
- Refrigerated Property. The $10.00 charge for this coverage is waived. See Deviation Component Number 6.
- Premium Payment Option. (1) Eliminated the charge for the first installment. (2) Eliminated charge for each installment for members of the AMICA group that pay through payroll deduction.
- Multi-Line Discount, Rule A.10. Optional Rating Characteristics. Various discounts in all territories except 5, 6, 42 and 43. See Deviation Component Number 8.
- Preferred Risk Deviation, Rule A.10. Optional Rating Characteristics. Maximum Factor of $1.00 and a Minimum Factor of 0.50. See Deviation Component Number 9 and Rating Example Computation.
- Eff.8-1-08 PC114228 North Carolina Department of Insurance

32. **Armed Forces Insurance Exchange**
- Protective Device Credits: Factors vary. Maximum credit waived.
- Fixed dollar amount deductible factors credit varies.
- Wind or Hail deductibles credit varies.
- New Home Credit; All Forms, except 4 & 6: New - 20%; 2% less credit each additional yr.
- Earthquake: Ordinance or Law increased amount of insurance (Does not include basic, only increased amount).
- Sinkhole Collapse Coverage: All Forms except HO-6; Increased amount of coverage (Does not include basic, only increased amount)
- Base premium deviation based on insurance amt. credit varies all forms except HO 4 and HO 6.
- Minimum policy premium waived.
- Protective Devices.
- Personal Property Increased Limits charge per $1000; Forms 1, 2 & 3 - $.50. Form 3w/15 - $.75.
- Home Day Care Coverage E: Reduce base premium by 50%.; Coverage F; Premiums reduced by 50%.
- Other exposures - medical payments to others increase limits credit varies.
- Installment Payment Charge waived
- Hurricane Deductible Factors credit varies.
- Wind or Hail Exclusion Credit.
- Eff 3-5-07 PC097153 North Carolina Department of Insurance

33. **Arrowwood Indemnity Company**
- Additional Amounts of Insurance: Forms HO 00 02 HO 00 03 $8 per policy.
- Deductible Credits: Credit varies by form & deductible amount.
- Personal Property (Coverage C) Replacement Cost Coverage: Forms 2 & 3 - Coverage A amount under $100000 - 11% surcharge; $100000 & over - 8% surcharge: Forms 4 & 6 - 40% surcharge.
- Preferred Customer Renewal Credit: 5% credit: Certain criteria must be met.
- Homeowners Enhancement Program: 1.25 factor applies to base premium.
- Installment Payment Plan: Policies billed by agent through account current payroll deduction program are not subject to installment fees.
- Deviation by Forms: Forms 2, 3, & 3w/15- 10%: Form 6- 20%.
- Eff. 5-15-04 PC069340 North Carolina Department of Insurance

34. **Associated Indemnity Corporation**
- Forms 2, 3 & 3w/15: New Home Credits; 20% current yr. & one yr. preceding current yr.; 2% less each added yr. Credit applies to company base premium.
- Protective Device Credits: All territories; 1% - 15%; Credit applies to company base premium.
- Forms 1, 2, 3, 3w/15 & deductible credits; $500-10%;$1000-20%;$2500-30%. Credit applies to company base premium.
- HO-3w/15 Key Premium: Multiply HO-3 key premium by factor of 1.08.
- Discount of Replacement Cost on Contents: Surcharge of 10% to HO-3 company base premium.
- Form 4 & 6: Deductible credits all territories; Credits for Coverage C $10000 & above, $500-10%,$1000-20%, $2500-30%. Credit applies to company base premium.
- Eff. 6/1/93

35. **Association Insurance Company**
- Deviation by Coverage A limit $100000 & above - 30% credit.
- Forms 1, 2 &3: RC Coverage HO-290; Personal property incr. limits charge $1 per $1000; Waive 5% surcharge.
- New Home Credit: Cov A amount $100000 & above; Age of dwelling 0-5 yrs - 15%, 6-10 yrs - 10%, 11-15 yrs - 5%.
- 44% deviation off N.C. Rate Bureau Rates if Cov A amount is $100000 or above for all SAS Institute Inc. Employees.
- Eff. 1/1/96

36. **Assurance Company of America**
- All Forms, except 4 & 6: Age of dwelling credit; New-20%; 1yr.-18%; 2yrs.-16%; 3yrs-14%; 4yrs-13%; 5yrs.-12%; 6yrs-10%; 7yrs.-8%; 8yrs.-6%; 9yrs.-4%. 10yrs.-2%.
- Forms 4 & 6: Replacement Cost on Contents; Factor 1.35.
- Forms 2 & 3: Charge $1 per $1000 for increase in Coverage C limit.
- Form 4: 15% deviation.
- Form 6: 20% deviation.
- Base Premium Discount: All Forms, except 4 & 6; Factor varies .95 -1.25.
- Forms 2, 3 & 3w/15: Deviation by territories: Variable credits.
- All Forms: Fixed dollar amount deductibles factors: $500-.85; $1000-.75; $2500-.70.
- Account Credit: 10% credit when insured has home & auto coverage with Zurich Insurance Cos. when criteria is met.
- Protective Device Credit: Factor varies. Maximum credit of $75 is waived.
- Eff. 7/1/98
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37. **Automobile Insurance Company of Hartford**
- Protective Devices credit varies.
- Deductible Credits - credit varies by coverage limit, form and deductible amount.
- Personal Property - Increased Limit Coverage C.
- Refrigerated Personal Property.
- Account Credit.
- Safety Seminar Credit certain criteria apply.
- Home buyer Credit.
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff 9-21-08 PC118026 North Carolina Department of Insurance

38. **Auto Owners Insurance Company**
- Territory Description.Form HO 00 06 – rate deviation.
- Deductibles – Waiver of Minimum charges.
- Protective Device Credit.
- Protective Device Credit – alarm systems.
- Mature Homeowner Discount for insureds between the ages of 55 and 64.
- Townhouse or rowhouse charge - Charge the same rate for all protection classes, creating a deviation for pc9,9e,9s &10.
- Credit card, fund transfer card, forgery and counterfeit money - Premiums vary for increased limits.
- Form 6: Units Regularly Rented to Others.
- Form HO-6 coverage A Dwelling increased Limits and special coverage.
- Loss Assessment.
- Building Additions and Alterations at Other Residences – all forms.
- Other Insured Location Occupied by insured.
- Section II, Liability-Residence Employees waived.
- Business Pursuites – no charge.
- Personal Injury coverage – no charge.
- Permitted Incidental Occupancies – Residence Premises.
- Special Personal Property Coverage.
- Multi-Policy Discount: credit applies to primary, secondary & seasonal residence when auto & HO policy written with an Auto-Owners Insurance Group Company.
- Seasonal Discount - Forms 3 & 6 - certain criteria 5% discount.
- Section II liability watercraft - certain criteria - rates vary.
- Life/Homeowners Multi-Policy Discount
- Insurance Score Credit.
- Eff. 8/30/05 PC084265 North Carolina Department of Insurance

39. **Balboa Insurance Company**
- Age of Dwelling Credit: 0 - 9 yrs. of age: Credit varies 2% - 20%.
- Deductible Factors Deviation: Credit varies.
- Protective Device Credits: Credit varies 2% - 13%: Credits cannot be combined.
- Personal Property Replacement Cost: $20 minimum premium is deleted
- Eff. 4-29-03 PC060721 North Carolina Department of Insurance

40. **Bankers Standard Insurance Company**
- New Construction Credit: New - 20%; 1 yr. old - 18%; 2% less credit each added yr.
- Forms 1, 2, 3, 4 & 6: Fixed dollar deductible credits; Credit varies 15% - 40%.
- Forms 4 & 6: Fixed dollar deductible credits; $500 - 11%; $1000 - 25%; $2500 - 40%.
- Rate for increase in Coverage C; $2 per $1000.
- Forms 1, 2 & 3: Replacement cost coverage HO 0490; Charge shall be 7.5% of adjusted base premium. Coverage C increased to 70% of A at no premium charge.
- Protective Device Credits: All zones & all protection classes; Credit varies 2% - 15%.
- Eff. 9/199

41. **Camden Fire Insurance Association, The**
- All Forms, except 4 & 6: New Home Credit; New -20%;1 yr. old - 18%; 2 yrs. old - 16%; 3 yrs. old -14%; 4 yrs. old -12%; 5 yrs. old - 10%; 6 yrs. old -10%; 7 yrs. old - 8%; 8 yrs. old - 7%; 9 yrs. old - 6%;10 yrs.-6%; 11 yrs.-4%;12 yrs-4%;13 yrs.-2%;14 yrs.-2%.
- All Forms, except 4: Account credit: 10% applies to homeowner premium when named insured insures personal automobiles in any of the General Accident Companies.
- All Forms: Protective devices: Credit varies 2% - 15%.
- All Forms: Fixed Dollar Amount Deductible Factors; $500 - .90; $1000 - .77.
- Forms 1, 2, 3 & 3w/15: Personal Property Increased Limits; $1 per $1000 of insurance.

- Forms 1, 2 & 3: Personal Property Replacement Cost coverage; Waives charge to increase Coverage C limit 50% to 70% of Coverage A limit. Premium for replacement cost coverage developed by applying factor of 1.05 to base premium including any premium adjustment for Coverage C in excess of 70% of Coverage A.
- All Forms, except 4 & 6: Deviation by policy size; Coverage A Amounts. Credit varies.
- Uniform base rate deviation – all forms except HO 04 and HO 06 10% credit applied when written in the Camden Fire Insurance Association.
- Eff.8/15/02 PC054137 North Carolina Department of Insurance

42. **Central Mutual Insurance Company**
OWNERS DEVIATION
- Deviation by territory and protection class.
- Deviation by form HE-7 and HE-7 with HE-20.
- Deviation by amount of insurance and insurance score.
- Deviation by customer loyalty and deductible.
- Deviation by payment timelines, loss history and replacement cost contents.
- Deviation by accompanying schedule or boat and age of dwelling.
- Deviation by homebuyers and gated community.
- Deviation for residences herd in trust, package deviation and installment charges.

Condos Deviation
- Deviation by territory, protection class and amount of insurance.
- Deviation by insurance score, customer loyalty and deductible.
- Deviation by payment timelines and loss history.
- Deviation by accompanying schedule or boat, residence held in trusts and increased coverage A.
- Deviation for package and installment charges.

TENANTS DEVIATION
- Deviation by territory, protection class, and amount of insurance.
- Deviation by insurance score, customer loyalty and deductibles.
- Deviation by payment timelines and loss history.
- Deviation by accompanying schedule or boat, residence held in trusts and package.
- Deviation for installment charges
- Eff 9-1-08 PC116483 North Carolina Department of Insurance

43. **The Charter Oak Fire Insurance Company**
- Base Rate Deviation: Credit varies depending on territory.
- Coverage A Relativities forms HO 02 and HO 03.
- Coverage A Relativities form HE-7.
- Protective Device Deviation: Credits vary.
- Deductible Credits all forms: Credit varies by amount of deductible.
- Personal Property - Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property.
- Account Credit.
- Loss Free Customer Credit.
- Safety Seminar Credit
- Home Buyer Credit
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff 9-21-08 PC118024 North Carolina Department of Insurance

44. **Cincinnati Indemnity Company**
- New home credit Forms 2, 3 & 3w/32 36; New – 9 years, credit varies.
- Installment Payment Plan: Delete the $3 charge for each installment.
- Homeowners Enhancement Deviation.
- Eff 4/104 PC065697 North Carolina Department of Insurance

45. **The Cincinnati Insurance Company**
- New Home Credits, credit varies.
- Base Rate Deviations By Territories Credit varies based on territory.
- Installment Payment Plan:
- Homeowners Enhancement Deviation.
- Watercraft Liability deviation.
- Eff 9-1-07 PC102905 North Carolina Department of Insurance

46. **Commercial Guaranty Casualty Insurance Company**
- Forms 1, 2, 3 & 3 w/l5: Amount of insurance credit; $40000 - 2%; $45000 - 4%; $50000 - 6%; $55000 - 8%; $60000 - 11%;

$65,000 - 14%; $70000 - 17%; $75000 & over 20%.
- Forms 1, 2, 3 & 3 w/15: New Home Credit; 0-1 yr. - 15%; 2-3 yrs. - 10%; 4 & 5 yrs. - 5%.
- All Forms: Eliminate 5% surcharge for personal property replacement cost (HO 290) endorsement.
- All Forms: Reduced key premiums for protection classes 7 & 8.
- Eff. 03/5/02

47. **Consolidated American Insurance Company**
- All Forms: 10% downward deviation.
- Forms 1, 2 & 3: New home credit; 16% current calendar yr.; 2% less credit for each yr. preceding current calendar yr.
- Flat Deductible Credits: $500 - 9%; $1000 - 17%; $2500 - 25%. All Forms, except forms 4 & 6.
- All Forms: Protective Device Credits; Various combinations ranging 2% - 15%.
- Forms 2, 3, 3W/15 & 6: Account credit; 10% if insured has both his personal auto policy & homeowners policy with any of the Seibels-Bruce Companies.
- Forms 2, 3, 3w/15 & 6: Amount of insurance credit; $10000 - $110000 - credit varies 0% - 27%.
- All Forms, except 4: 5% Senior Citizens Credit when required criteria is met.
- All Forms, except 4: Credits for consecutive yrs. with Seibels Bruce Insurance Companies 3-5 yrs.-5%;6 or more yrs- 10%.
- Personal Injury Coverage: No charge.
- Forms 3 & 3w/15: Coverage C increased limits charge per $1000 - $1 in lieu of $2.
- Guaranteed replacement or repair cost for dwelling HO-500: No charge.
- Forms 3 & 3w/15: Windstorm & Hail exclusion in Territory 04; $75 credit.
- Per Prop Replacement: All Forms; Increase Coverage C limits 50% to 70% of Coverage A at no additional charge.
- Eff. 8/1/92

48. **Continental Indemnity Company**
- Form 3: Age of Dwelling Discount: 0 - 9 yrs. of age: Credit varies 2% - 20%.
- Account Credit Program: .85 factor applies when both the homeowner & auto policy is written through CNIC.
- Deductible Credit/Charges Deviation: Credit varies by deductible amount.
- Form 6: .80 factor applied to HO-4 base premium.
- Protective Device Deviation: Credit varies 1% - 15%.
- Forms 3, 4 & 6: Eliminate minimum premium for Replacement Cost Coverage.
- Form 3: Additional Limits of Liability for Coverages A, B, C & D: 6% applies to base premium when certain criteria is met.
- Form 3: Personal Property Replacement Cost will be 5% of base premium, no minimum additional premium & no charge to increase Coverage C when certain criteria is met.
- Form 3: Personal Injury charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Water Back-Up of Sewers or Drains, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Credit Card, Fund Transfer Card, Forgery & Counterfeit Money, to increase coverage charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Special Computer Coverage, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Cov C Increased Special Limits of Liability, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Fire Department Service charge will be increased to $1000 when certain coverages & increased limits options are selected.
- Form 3: Increasing Coverage D to 30% of Coverage A, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Coverage A Relativities Deviation: Credit varies 3.8% - 6.5%.
- Form 3: Ordinance or Law-Increased Amount of Coverage will be 4% of the base premium when certain coverages & increased limits options are selected.
- Form 3: Refrigerated Property Cov, charge will be deleted when certain coverages & increased limits options are selected
- Eff. 1/101 PC038500 North Carolina Department of Insurance

49. **Continental Insurance Company**
- Amount of Insurance Deviation forms HO-2, HO-3, and HO-8.
- Amount of Insurance Deviation forms HO-4
- Amount of Insurance Deviation forms HO-6
- Earthquake Rate Deviations.
- Companion Policy Discount: applies when named insured has an auto policy with any Encompass Ins Co.
- Gated Community Discount. 10% credit when criteria are met.
- New Home Discount: 1 year – 18%, 1-5 yrs. -15%; 6-10 yrs. - 10%.
- Deductible Credits Deviation – based on Coverage A Limit.
- Additional Limits Deviation Coverage F: Deviation.
- Business Pursuits Rate Deviation. Credits vary .14% - .33%.
- Incidental Farm Rate Deviation. Residence Premises - 48%; Other Residence - 65%.
- Superior Construction Discount: 15% credit applies to masonry base premium or apartment unit.

- Protective Device Credits: Credit varies 1% - 9%.
- Automatic Sprinkler System Deviation: Credit of 7% or 13% applies.
- Preferred Rate Deviation 5% conditions vary.
- Special Personal Property Coverage HO 00 06 only – deviation 4.3%
- Eff. 8/15/02 PC052786 North Carolina Department of Insurance

50. **Economy Premier Assurance Company**

- HO 00 05: Base Rate & Policy Amount Relativities by Territory Deviation: Credit varies.
- HO 00 6: Base premium deviation.
- HO 00 04: Base rate deviation by territory: Credit varies
- HO 00 04 and HO 00 06 Policy Amount Relativities by Territory Deviation.
- Homeowners HE 00 07: Contract provided at no additional charge.
- Homeowners Form HE-00 07 with HE 32-20: Base premium deviation.
- Homeowners Form HE 00 07 with HE 32 21: Base premium deviation.
- Homeowners Pak II Package Credit.
- Pak II Renewal Credit.
- New Home Discount.
- Personal Injury Protection Liability Deviation.
- Personal Property Replacement Cost Coverage: Provided at no additional charge.
- Deductible credits.
- Protective Devices Credit and Home Safety Coverage.
- Business Pursuits Deviation.
- Water Craft Deviation: Credits vary by length & horsepower.
- Home Day Care Deviation: Premium charge will be rated at Bureau rates for Permitted Incidental Occupancies.
- Personal Property Increased Limits: $1 per $1000 of insurance.
- Premium Payment Plan Deviation.
- Earthquake Coverage Premium without an additional charge for Ordinance or Law Coverage.
- Eff. 4-1-05 PC082064 North Carolina Department of Insurance

51. **Electric Insurance Company**

- Base rate deviation HO 00 02 and HO 00 03 by territory: Credit varies.
- Base Rate Deviation HO 00 04 and HO 00 06 by territory. Credit varies.
- Personal Property Replacement Cost form HO 00 04and HO 00 06 (Coverage C) is automatically increased to 70% of Coverage A. HO-04 and HO-6 1.25 RC Coverage also applies to articles or classes of property separately described and specifically insured in this policy.
- Protective Device Credits: Credits vary.
- Deductible Factors Forms HO-4 & HO-6 Credit varies
- Personal Property – Unscheduled Jewelry, Watches and Furs.
- Personal Property Silverware, Goldware and Pewterware.
- Personal Property – Firearms
- New Home Credits – HO 00 02 and HO 00 03.
- Eff.5-1-07 PC103151 North Carolina Department of Insurance

52. **EMCASCO Insurance Company**

- Personal Property (Coverage C) Replacement Coverage
- Deductible Credits
- Additional Amounts of Insurance
- Base Rate Deviation on Forms HO 00 02 and HO 00 03
- Combination Policy Discount
- Renovated Dwelling Components
- 15% Deviation applicable to Optional Section I and II rates
- Electronic Funds Transfer
- Insurance Scoring
- Eff. 3-15-07 PC097670 North Carolina Department of Insurance

53. **Employers Mutual Casualty Company**

- Optional Higher Flat deductible credits all forms,
- Additional Amounts of Insurance forms HO 00 02 and HO 00 03.
- Combination Premium Credit: 15% when homeowners & auto policies are written in one of the EMC Companies.
- Renovated Dwelling Components: Variable credits when criteria is met.
- Electronic Fund Transfer transaction fee is waived when the electronic funds transfer options is selected.
- Insurance Scoring.
- Eff. 3-15-07 PC097669 North Carolina Department of Insurance

54. **Encompass Indemnity Company**

- Forms 2, 3, and 8 Base Rate Deviations by Territory, Credit varies by territory
- Form 4 Base Rate Deviation by Territory, Credit varies by territory
- Form 6 Base Rate Deviation by Territory, Credit varies by territory
- Earthquake Coverage - Base rate deviation according to Table, Zone, and Construction.
- Gated Community Discount: A 10% credit will be applied to the premises/property for a residence located in a gated community meeting certain criteria.
- New Home Discount: A residence 10 years of age or less is eligible for a discount, credit varies by age.
- Deductible Credits Discount: Credit varies by coverage limit and deductible amount.
- Additional Limits Deviation, Coverage F
- Business Pursuits Rate Deviation: credit varies.
- Incidental Farming Personal Liability Deviation: credit varies.
- Superior Construction Discount: The premium for a dwelling or apartment unit in a building of superior construction is computed by multiplying the masonry base premium or apartment unit by .85.
- Various Credits for Protective Devices: credit varies by type of alarm.
- Credits for Automatic Sprinkler Systems: credit varies by location/area of sprinkler system.
- Special Personal Property Coverage HO 6 only: endorsement HO 32 35 factor 1.34.
- Companion Policy Discount: 10% discount applies to the residence premium if the named insured is also a named insured on an Auto Policy with any of the Encompass Insurance Companies.
- Preferred Rate Deviation: Preferred rates are available at a 5% reduction from standard rates if the amount of insurance under Coverage A is equal to at least 90% of the Replacement Cost of the Dwelling and the automatic adjustment of limits endorsed is attached.
- Effective 12/11/06 PC097453 North Carolina Department of Insurance

55. **Erie Insurance Exchange**

- Base Rate Deviations Key Premium deviations: Variable credits based on zones.
- Amount of Insurance Deviation All Forms except HO 00 04 & HO 00 06; key factors by amount of insurance.
- Multi-Policy Discount: if the Policyholder also has an automobile policy with The ERIE Insurance Exchange or ERIE Insurance Company.
- New Home Discount: Credits vary 2% - 18% for new to 9 yrs. of age.
- Optional Deductible Factors - all forms, deviation varies.
- Protective Device Credit Deviation: Credit varies 1% -7%, with a maximum credit of $75.
- Increased Special Limits of Liability HO 04 65 (all forms except HE-7) Credit varies.
- Personal Property Replacement Cost: HO 00 02 & HO 00 03 includes the increase in Coverage C to 70% of Coverage A at no additional charge. Varies by rating zone. HO 00 04 & HO 00 06 - no dev. HE-7 - no deviation.
- Townhouse or rowhouse charge - waived.
- Units Rented to Others Form HO 00 06 HO 1733 Charge 25% of base premium.
- Outboard Motors & Watercraft : Outboard, inboard & inboard-outboard less than 50 horsepower-deviation 100%.
- Building Addition & Alterations Increased Coverage C limit - : Form 00 04 HO 0451 - $4 per $1000 increased limits.
- Specified Additional Amount of Insurance for Coverage A only(HO 32 20): $1 charge.
- Rented Personal Property: HO 32 21 No charge.
- Business Pursuits: No charge.
- Waterbed Liability HO 04 00 HO 00 06 No charge.
- Refrigerated Property Coverage: Charge waived.
- Personal Property Increased Limits; HE 7 - $2 per $1000.
- Premium payment plan service charge – installment payments.
- Tiered Rating
- Other Members of a Named Insured's Household.
- Advance Quote Discount – New business.
- Eff. 3-1-08 PC111964 North Carolina Department of Insurance

56. **Fairmont Premier Insurance Company**

- All Forms: Age of Dwelling Credit; 0-3 yrs. old - 21%; 4-6 - 14%; 7-9 - 7%.
- Forms 1, 2 & 3: 38.0%.
- Form 6: 17.5%.
- Eff. 5/1/92

57. **Farmers Insurance Exchange Farmers Underwriters Association**

- Form Factor Deviations: Forms 3w/15 & 4.
- Territory Relativity Factor deviation.
- Amount of Insurance Deviations: Forms, HO 00 04 and HO 00 06.
- Rule 403. Personal Property –Coverage C Replacement Cost Coverage.
- Rule 404 Protective Devices.
- Deductible Rule 406 credits.

- Loss Assessment Coverage Deviation.
- Rule 515 personal property.
- Other Insured Location Occupied by Insured.
- Additional Residence Rented to Others.
- Permitted Incidental Occupancies - Residence Premises & Other Residences: Deviation applies to Residence Premises.
- Business Pursuits Deviation for $200,000 limit.
- Optional Rating Characteristics Age 50 Plus Discount.
- Optional Rating Characteristics Auto/Homeowners Discount: All Forms: Factor of .90: Certain criteria apply.
- Affinity Banking Discounts HO 00 03 and HO 00 06 only. Certain qualifications apply. Credit varies.
- Oridinance or Law-Increased Amount of coverage.
- Eff 5-16-08 PC112928 North Carolina Department of Insurance

58. **Federal Insurance Company**

- Elimination of maximum credit for protective devices.
- Optional Higher Deductibles
- Hurricane Deductible
- Additional Amount of Insurance deviation. Forms 2 & 3
- All Forms: 5% Gated Community Credit when criteria is met.
- Effective 12/1/05 PC085699 North Carolina Department of Insurance

59. **Federated Mutual Insurance Company**

- Forms 1, 2, 3 & 3w/l5: New Home Credit: 14% dwellings 0-1 yr. old; 2% less credit each added yr.; applies to $250 deductible basic premium & premium for amended Coverage C limit.
- Forms 1, 2, 3 & 3w/l5: Fixed dollar amount deductibles; $100 +10%; $500 -10%; $1000 -20%; $2500 -30%.
- Forms 4 & 6: Fixed dollar amount deductibles; $100 +10%; $500-15%; $1000-30%; $2500-40%.
- Forms 1, 2, 3 & 3w/15: Deviation by policy amount varies 0%-25%.
- Form 4: 10%.
- Form 6: 25%.
- Forms 3 & 3w/l5: Special Additional Credit Rule: 10% when eligibility & mandatory coverage requirements are met.
- Multiple Policy Discount: 5% applied to HO Policy when private passenger auto policy & personal umbrella policy is written by this Company.
- Installment Pay Plan: $5 maximum charge per account for all policies.
- Eff. 11-15-94

60. **Fidelity & Guaranty Insurance Company**

- Waive additional premium of $5 or less.
- Deviation of HO-3 Base Rates by territory & policy amount: Credits vary.
- Forms 4 & 6: Personal Property Replacement Coverage: Reduced premium charge.
- Special Package Discount: 5% credit to total residential premium when underwriting criteria is met.
- Form 6: Relativity factor .750 in lieu of .855.
- Employees Discount: 20%.
- Forms 2 & 3: Additional amount of insurance: HO 3211 $5 premium charge.
- Deductible Credits.
- Increase in Coverage C: Reduced rate per $1000.
- Multi-Policy Discount: 10% credit when private passenger auto policy is also purchased with USF&G.
- All Forms, except 4, 6 & 8: New Home Discount; 1 yr.-20%; 2% less credit each added yr. to 9th yr.
- Eff. 4-15-00 PC030961 North Carolina Department of Insurance

61. **Fidelity National Property and Casualty Insurance Company**

- Base rate deviation by territory.
- Amount of Insurance deviation by territory – HO-3.
- Amount of Insurance deviation by territory – HO-4.
- Amount of Insurance deviation by territory – HO-6.
- Protection Class deviation – HO-3, HO-4, HO-6.
- HO-3 Tounhouse/Rowhouse deviation.
- Deductible credits deviation – HO-3.
- Hurricane deductible deviation – HO-3.
- Windstorm or Hail deductible deviation – HO-3.
- Deductible Credits deviation – HO-4 and HO-6.
- Number of families deviation.
- Replacement Cost on Contents – HO-4 and HO-6.
- Homeowners Renewal Discount.
- Automatic Sprinkler Discount.
- Ordinance or Law Coverage.

- Fidelity National Financial Employee discount.
- Home/Auto Discount.
- Newly Acquired Home Discount.
- Coverage A Increased Limits HO-6.
- Eff 9-14-05 PC085587 North Carolina Department of Insurance
- (name changed from First Community Insurance Company 12-12-03)

62. **Fidelity & Guaranty Insurance Underwriters**
- Deviation of HO-3 Base Rates by territory & policy amount: Credits vary.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Factor 1.35.
- Waive additional premium of $5 or less.
- Special Package Discount: 5% credit applied to total residential insurance premium when underwriting criteria is met.
- Form 6: Form Relativity of .800 in lieu of .855.
- Employees Discount: 20%.
- Forms 2 & 3: Additional amount of insurance: H0 3211 - $5 premium charge.
- Deductible Credits.
- Increase in Coverage C: Reduced rate per $1000.
- Multi-Policy Discount: 10% credit when private passenger auto policy is also purchased with USF&G.
- All Forms, except 4 6 & 8: New Home Discount; 1 yr.-20%, 2% less credit each added yr. to 9th year.
- Forms 2, 3 & 3w/15: Protection Class Deviation.
- Eff. 4-15-00 PC030953 North Carolina Department of Insurance

63. **Firemans Fund Insurance Company**
- Protective Device Credits: All territories: Credit varies 1% - 15%.
- Portfolio Credit: 5% applies to all Homeowners policies when Personal Catastrophe Coverage and Inland Marine Coverage is written with Fireman's Fund.
- Eff. 12-01-03 PC065121 North Carolina Department of Insurance

64. **Firemen's Insurance Company of Washington D.C.**
- Deluxe Program: Form 3: 5% deviation off base premiums.
- All Forms: Protective Device Credit: Credit varies 2% - 13%.
- All Forms, except 4 & 6: Age of Home Discount: Credit varies 4% - 20% for age of dwelling 0 - 25 yrs. with greatest credit for newest homes.
- All Forms, except 4 & 6: Senior Citizen Discount; Factor of .92 of base premium age 50-54 yrs. Factor .95 age 55 yrs. & older.
- All Forms, except 4 & 6: Renovation Discount 0-15 yrs. factors of .85-.95 applies when underwriting guidelines are met. Credit applies to base premium.
- Renewal Discount: Factor .95 applies to base premium when criteria is met.
- Form 3: Loss Free Credit; 1yr. - 5%; Renewal with 2 yrs. loss free - 10%. Credit applies to base premium.
- All Forms, except 4 & 6: Optional deductible credits applies to base premium. Coverage A limit under $200,000 - $500 ded. - .87; $1000 - .76; $2500 - .73. $20000-$400,000 - $500 ded - .89; $1000 - .80; $2500 - .77. Over $400,000 - $500 - .92; $1000 - 86; $2500 - .83.
- Eff. 10-1-97

65. **Garrison Property and Casualty Insurance Company**
- New Home Discount
- Personal Property – Additional Coverage –Jewelry and Furs
- Personal Property –Increase Limit
- Base Premium Computation HO 00 06 by territory/county
- Base Premium computation HO 00 03 by territory/county
- Sinkhole Collapse coverage
- Insallment Payment Plan, no charge
- Protective Device
- Deductibles (Form HO 00 03)
- Ordinance or Law-All Forms and Ordinance or Law increased amount of coverage-HO 00 06
- Coverage A Dwelling Basic and Increased Limits and Special coverage – HO 00 06
- Refrigerated Personal Property
- Other structures
- Windstorm or Hail Exclusion – Territories 05, 06, 42, and 43
- Tier Discount form HO 00 03 and HO 00 06
- Protection Construction Factors
- Eff 9-1-07 PC104509 North Carolina Department of Insurance

66. **General Insurance Company of America**
- Base Key Premiums all forms by Territory Deviation.

- Deductible Debit/Credits Deviation.
- Renewal Credit all forms: 3-5 yrs. - 5%; 6 yrs.+ - 9%.
- Account Credit all forms: 5% credit for total policy premium when insured has a Safeco auto policy also.
- Condominium Unit Owners Coverage A Increased Limits & Special Coverage Deviation.
- Business Pursuits (HO 24 71) all forms: the charge is deleted.
- Credit Card Forgery & Counterfeit Money Coverages (HO 04 53): Delete $1 charge for $1000 limit.
- Personal Injury (HO 24 82): $10 charge per policy.
- Landlord's Furnishing (HO 32 21): $10 premium per policy to increase coverage to total $5000 with burglary coverage added.
- Ordinance or Law Cov (HO 04 77) Deviation for Quality Plus Form, Quality Crest Form & Condominium Form.
- Medical Payments: Other exposures - Higher limits all forms: Additional charge for higher limits of medical payments will be waived.
- Additional Residence Rented to Other (HO 24 70): Limit of Liability $100,000 - $1,000,000: Premium charge varies.
- Outboard Motors & Water Craft: Reduced premiums based on limits, length and horsepower.
- Personal Liability - Residence Premises Deviation: Increased Limits: Coverage E base $300,000: Coverage F no charge.
- Special Personal Property Coverage HO-OO 15 & HO-17 31: Quality Plus Form & Condominium Form- Increase basic premium 8%. Quality Crest Form automatically included.
- Installment Payment Charge: $2 each installment.
- Eff. 8-15-02 PC052887 North Carolina Department of Insurance

67. **Glens Falls Insurance Company**

- All forms, except 4 & 6: Amount of Insurance Deviation; Variable credits.
- Form 4: Amount of Insurance Deviation: Variable credits.
- Form 6: Amount of Insurance Deviation: Variable credits.
- Earthquake Rate Deviation.
- Forms 2, 3, 3w/15 & 8: Personal Property Replacement Cost; Eliminate 5% surcharge.
- Deductible Credit Deviation.
- New Home Discount: 0 - 5 yrs. - 15%; 6 - 10 yrs. - 10%.
- Gated Community Discount.
- Guaranteed Replacement Cost coverage of building & structures at principal residence - $3.
- Form 6: $1000 increase is .9 times the applicable premium under each additional $1000 column in the basic premium chart for Coverage C.
- Preferred Rate Deviation: Plan A rates deviation of 20%.
- Additional Limits Deviation Coverage F: Medical Payments Deviation.
- Other Insureds Location: Variable credits.
- Permitted Incidental Occupancy Medical Payments Rate Deviation.
- Additional Residence Rented to Others Rate Deviation.
- Business Pursuits Rate Deviation.
- Permitted Incidental Occupancy Rate Deviation.
- Incidental Farm Rate Deviation
- Eff. 11-1-96

68. **Globe Indemnity Company**

- Additional Amounts of Insurance: Forms HO 00 02 HO 00 03 $8 per policy.
- Deductible Credits: Credit varies by form & deductible amount.
- Personal Property (Coverage C) Replacement Cost Coverage: Forms 2 & 3 - Coverage A amount under $100000 - 11% surcharge; $100000 & over - 8% surcharge: Forms 4 & 6 - 40% surcharge.
- Homeowners Enhancement Program: 1.25 factor applies to base premium.
- Installment Payment Plan: Policies billed by agent through account current payroll deduction program are not subject to installment fees.
- Effective 5-15-04 PC071713 North Carolina Department of Insurance

69. **Government Employees Insurance Company**

- Forms 1, 2, 3 & 3 w/15: New Home Discount: 10% for dwellings 5 yrs. old or less.
- Homeowners Theft Deterrent Premium Credit Program: Forms 1, 2, 3 & 3 w/15 - 7%; Forms 4 & 6 - 20%.
- Forms 1, 2 & 3: Amount of Insurance Credit; Classes 1-9 - $10,000-$200,000 & over. Credit varies 4%-22%.
- Form 6: 10%.
- All Forms: Protective Devices: Variable credits.
- Forms 2, 3, 4 & 6: Retired Discount Credit; 20% when specified criteria are met.
- All Forms: Dual Policy Discount: 10% when specified criteria are met.
- Forms 4 & 6: Key factor +.074 for each additional $1000 of coverage.
- Installment Payment Plan: Waive the charge of $3 first installment if first payment received with application.
- Form 4 & 6: Waterbed Liability Endorsement: No premium charge.
- Eff. 3-1-95

70. **Grain Dealers Mutual Insurance Company**

- 10% credit when insured has both personal auto & homeowners policy written by Grain Dealers Mutual Ins. Company.
- Forms 2 & 3: New Home Credit: New - 1yr. of age - 25%: 1-2yrs. of age - 20%: 3 ys. of age - 15%: 4 yrs. of age - 10%: 5 yrs. of age -5%.
- Forms 2, 3 & 3w/15: 20% to base rates applies to Coverage A amount of more than $125,000.
- Continuous Policyholder Discount Program: 0-2 yrs.-0%credit: 3-5 yrs.-5%credit: 6-8 yrs.-10% credit: 9+ yrs.-15% credit.
- 10% deviation on base rates for Alamance & Caswell Counties in Territory 35.
- Personal Property Increased Limits Rate Deviation.
- Form 3:10% Mature Home Credit: Certain criteria must be met.
- Eff. 1-1-02 PC042992 North Carolina Department of Insurance

71. **Granite State Insurance Company**

- Forms 1, 2, 3, 4, 3w/15 & 6: 20% deviation.
- Replacement or Repair Cost protection Coverage A premium $1.
- Age of Dwelling Deviation: 0 - 20 yrs. old - 10%.
- Forms 1, 2, 3, 3w/15, 4 & 6: 20%.
- Eff. 7-1-87

72. **Graphic Arts Mutual Insurance Company**

- Replacement Cost on Contents; Increase Coverage C to 70% of Coverage A for no additional charge. 5% surcharge is to be added to the total base premium.
- Mass Merchandising Plan.
- -5% W.I.S.E./Affinity program discount,
- For Forms HO 02, HO 03, HO 05 and HO 08, factor of .95 for risks located in terrs 5, 6, 41, 42, 43, 45 and 46.
- For Forms HO 00 02, HO 03, HO 05 and HO 08, factor of .85 for risks located in territories 36, 44 and 60
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .90 for risks located in territories 38 and 39
- For Form HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .80 for risks located in territory 34.
- For Form HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .82 for risks located in territory 57
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .84 for risks located in territory 53
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, a rating factor of .85 for risks located in territory 32
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .92 for risks in territory 47
- For Forms HO 00 04 and HO 00 06, factor of .85 for risks in territories 36, 44, 57 and 60
- For Forms HO 00 04 and HO 00 06, factor of .90 for risks located in territories 38 and 39
- For Forms HO 00 04 and HO 00 06, factor of .85 for risk located in terrs 5, 6, 32, 34, 41, 42, 43, 45, 46, 47 and 53
- Personal Lines Account Credit
- Homeowners Extension Package
- Protection Class deviation/
- Eff. 8-1-07 PC103506 North Carolina Department of Insurance

73. **Hanover American Insurance Company**

- Age of Dwelling Credit: All Forms, except 4 & 6: Credit varies for Dwellings 1-7 yrs. of age.
- Mature Homeowners Credit: All forms: 5% credit applies when certain criteria are met.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits: All forms, except 4 & 6.
- Personal Property Replacement Cost on Coverage C: All forms, except 4 & 6: Minimum premium of $20.
- 7% Account Credit: All forms.
- Loss of Use-Increased Limits: All forms: Additional charge $4 per $1000 increase.
- Condominium Unit Owners-Coverage A Dwelling: Basic & Increased Limits: $3 per $1000 increase: 1st $5000 increase no charge.
- Reduced Watercraft Liability Rates: All forms.
- Personal Property , Increased Limits-$1 per $1000 increase: All forms, except 4 & 6.
- Special Personal Property: Reduced Charge for Form 3w/15.
- Electronic Funds Transfer Plan Discount: All forms.
- Group Modification Plan Discount: All forms: Credit varies 0%-13.5%.
- Direct Bill Policies: All forms: $1 per installment.
- Cap on total credits/discounts of 35%.
- Territorial Deviation: All forms except HO 00 04 and HO 00 06:
- Eff.1-1-08 PC110169 North Carolina Department of Insurance

74. **Hanover Insurance Company**

- Year of Construction – Newly Constructed Dwellings.
- Mature Homeowners Credit: All forms: 5% credit applies when certain criteria are met.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.

- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits: All forms, except 4 & 6.
- Personal Property Replacement Cost on Coverage C: All forms, except 4 & 6: Minimum premium of $20.
- Personal Property Replacement Cost on Coverage C: Forms 4 & 6: Minimum premium of $25.
- 10% Account Credit: All forms.
- Loss of Use-Increased Limits: All forms: Additional charge $4 per $1000 increase.
- Condominium Unit Owners-Coverage A Dwelling: Basic & Increased Limits: $3 per $1000 increase: 1st $5000 increase no charge.
- Reduced Watercraft Liability Rates: All forms.
- Personal Property Increased Limits-$1 per $1000 increase: All forms, except 4 & 6.
- Special Personal Property: all forms except HO 00 02, HO 00 04 and HO 00 06.
- Electronic Funds Transfer Plan Discount: All forms.
- Group Modification Plan Discount: All forms: Credit varies 0%-5%.
- Direct Bill Policies: All forms: $1 per installment.
- Cap on credits/discounts
- Relativity curve deviation
- Eff. 7-15-07 PC102802 North Carolina Department of Insurance

75. **Harbor Specialty Insurance Company**

Preferred:
- Homes 25 yrs. of age or less insured for $50,000 or more.
- Form 3: Base Rate Deviation by territories; Credit varies 20.2% - 24.3%.
- Form 4: Credits off Key Premiums; 2% Alamance County.
- Form 6: Base Rate Deviation by territories; Credit varies 19.4% - 22%.
- Form 3: Replacement Cost Protection (HO-500): Charge $1 in lieu of $5 when requirements are met.
- Form 3: Protective Devices Credit; Class 1-9, credit varies 2%-15%.
- Form 3: New Home Credit; 0-1 yr. old - 21%; 1% less credit each added yr. thru 8th yr.; 9 yrs. - 12%; 10 yrs. - 10%; 11 yrs. - 8%; 12 yrs. - 6%; 13 yrs. - 4%; 14 & 15 yrs. - 3%. Credit applicable to annual premium.
- Form 3: Personal Property Increased Limits; $.50 per $1000 of insurance.
- Form 3: Deductible Credits; $500 ded. - 10%; $1000 - 20%.
- Forms 3, 4 & 6: 20% deviation for policies written as part of Personal Protection Package Policy.
- Forms 4 & 6: Deductible Credits; $500 ded. - 10%; $1000 ded. - 23%.

Standard:
- Form HO-3 only - Homes 25 years of age or older and/or insured for less than $50,000.
- Form HO 3 Credit off Key Premiums; 13.4% Alamance County; 9.4% territory 34; 8.6% territories 30 & 31; 11.4% territories 4, 32, 33, 36, 37, 38, 39, 40, 41, Lincoln & Rockingham County; 11.4% for remainder of Alamance County & remainder of territories. Form 3: Coverage C increased limit charge $.50 per $1000 of insurance.
- Form 3: Deductible Credits; $500 - 10%; $1000 - 20%.
- Form 3: Protective Credit; Same as for preferred.
- Form 3: New Home Credit; Same as for Preferred.
- Form 3: 20% deviation applies to HO program when written as part of Personal Protector Package Policy.
- Eff. 3-1-94

76. **Harford Mutual Insurance Company**
- Forms 1, 2 & 3: New Home Discount; 10% - dwellings 15 yrs. old or less.
- Forms 1, 2, 3 & 8: Fixed dollar amount deductible factors; $500 - .90; $1000 - .83; $2500 - .75. $100 deductible amount - minimum $30 - maximum $60.
- Forms 4 & 6: Fixed dollar amount ded. factors; $500 .90; $1000 .77; $2500 .63. $100 deductible amount min. $30, max. $60.
- All Forms: Protective devices factors for all territories & all protection classes - factors varies .98 to .85.
- Eff. 5-1-92

77. **Harleysville-Atlantic Insurance Company**
- Forms 1, 2, 3 & 8: Base rate credits; Coverage A limit $48,000 & under $95,000 & over; Credit varies 0.0% -27.5%.
- All Forms: 13%; Optional coverage rates Section I & II.
- Forms 1, 2, 3 & 8: New Home Discount factor; 1 yr. old or less .80; Discount factor increased by .01 thru 11th yr. - discount factor increased by .02 - 12th thru 15th yr.
- Eff. 5-1-92

78. **Harleysville Mutual Insurance Company**
- Group Mass Marketing Discount: 10% to voluntary policyholders that are members of specific group type organizations.
- Preferred Customer Discount: All territories except 05, 06, 41, 42, 43, 81, and 86 when certain criteria are met.
- StarPak ProgramDiscount.
- Companion discount – Credit for homeowners and private passenger auto policy issued to cover the same policyholder.
- Newly Purchased Home Credit HO 02, HO 03 and HE 7.

- Mature Homeowner Discount HO 03 and HE 7 only 55 years of age or older.
- Life Insurance Policy Discount Homeowner and Life policy
- Coverage A Key Factors discount ($180,000 and higher) All territories except 05, 06, 42, 43, 81 and 86.
- Eff. 9/12/06 PC 096822 North Carolina Department of Insurance

79. **Harleysville Preferred Insurance Company**

- Group Mass Marketing Discount: 10% to voluntary policyholders that are members of specific group type organizations.
- Preferred customer discount – all terr except 05, 06, 41, 42, 43, 81 and 86. The percentage discount is determined by the combination of insurance score rating and characteristics met.
- HE-7 Enhancement Discount: credit varies.
- StarPak Program Discount
- Companion discount – Credit for homeowners and private passenger auto policy issued to cover the same policyholder.
- Newly Purchased Home Credit Forms HO 02, HO 03, and HE 7,
- Mature Homeowner Discount HO 03 and HE 7 only 55 years of age or older.
- Policy Discount (life insurance/annuity policy)
- Coverage A Key Factors discount ($180,000 and higher) All territories except 05, 06, 41, 42, 43, 45
- HO 00 04 or HO 00 06, Base Premium for Territories except 5, 6, 41, 42, 43, 45.
- Perosnal Property Increased Limit.
- Eff 9-18-07 PC107291 North Carolina Department of Insurance

80. **Hartford Accident and Indemnity Company**

- Age of Dwelling Credit for all territories except 5, 6, 41, 42 and 43.
- Account Credit for all territories.
- Retiree Credit named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: if complex meets the protection requirements.
- Product Factor – Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key Factor for Premier, CCRL and Elite.
- Effective 6-3-08 PC115017 North Carolina Department of Insurance

81. **Hartford Casualty Insurance Company**

- Age of Dwelling Credit for all territories except 5, 6, 41, 42, and 43.
- Account Credit for all territories.
- Retiree Credit, named insured is age 50 or older.
- Limited Access Credit-Forms HO 00 04 and HO 00 06 is protected 24 hours a day.
- Product Factor- Forms HO 00 04 and HO 00 06.
- Retirement community/Limited Access community Credit.
- Key Factor for Premier, CCRL and Elite.
- Eff. 6-3-08 PC115023 North Carolina Department of Insurance

82. **Hartford Fire Insurance Company**

- Age of Dwelling Credit for all territories except 5, 6, 41, 42 and 43.
- Account Credit deviation for all territories.
- Retirees Credit, named insured is age 50 and older.
- Limited Access Credit-Forms HO 00 04 and HO 00 06 is protected 24 hours a day.
- Product Factor (Merit, Elite, CCRL, Premier), - Forms HO 00 04 and HO 00 06.
- Retirement community/Limited Access Community Credit.
- Key Factor for Premier, CCRL and Elite.
- Eff. 6-3-08 PC115018 North Carolina Department of Insurance

83. **Hartford Insurance Company of Midwest**

- Age of Dwelling credit for all territories except 5, 6, 41, 42, and 43.
- Account Credit all territories.
- Retirees Credit:named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: is protected 24 hours a day.
- Product Factor – (Merit, CCRL, Premier), Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key factors for Premier, CCRL and Elite.
- Effective 6-3-08 PC115024 North Carolina Department of Insurance

84. **Hartford Underwriters Insurance Company**

- Age of Dwelling Credit: 0-1 yr. of age - 15%; 1% less credit each added yr.
- Account Credit Factor: .95 if insured has personal auto policy with same company based on territories.
- Mature Retiree Credit Factor; .95 when required criteria are met.

- Limited Access Credit if complex meets protection requirements Forms 4 & 6: 10%.
- Product Factor – HO 00 04 and HO 00 06.
- Key Factors – coverage A.
- Eff. 10-3-07 PC105143 North Carolina Department of Insurance

85. **Homesite Insurance Company**

- Preferred Risk Group 1 Discount 10% when certain criteria are met.
- Preferred Risk Group 2 Discount 10% when certain criteria are met.
- Eff 3/31/03 PC057282 North Carolina Department of Insurance

86. **Horace Mann Insurance Company**

- Coverage amount & territory deviations:Form 7 Masters Program Variable credit.
- Protective Device Credits: Classes 1-9: Credits vary from 1%-15%.
- Forms 1, 2, & 3: 2% credit if insured 100% to value & Inflation Guard Endorsement attached.
- New Home Credit Forms 2 & 3 & Master Program:; 0 or 1 yr. - 20%; 2% less credit each added yr. to 10th yr.
- Territorial Base Rate Deviation: 8% Credit.Forms 4 & 6:
- Installment Payment Plan: Forms ML-3, 4, 6 & Master Program: Waive initial $3 installment fee.
- Deductible Credits Forms ML 2& 3 and masters: Variable credits.
- Auto/Home discount all forms credit varies.
- Deductible Credits for forms ML-4 and 6 credit varies.
- Replacement Cost on contents - 15% charge for policies with $500 or greater deductible. $10 minimum premium.
- Masters Program - $60,000 Minimum coverage A, includes inflation protection coverage at no additional charge; includes Replacement Value-Personal Property; included the following percentages of Coverage A: 10% coverage B, 70% coverage C, and 20% coverage D.
- Federal Flood Insurance Program: 2% credit applies to HO and MH policies if the insured has a federal flood insurance policy placed with us through our flood insurance placement program.
- Downward deviation on earthquake.
- Silverware, Goldware,& Peterware coverage will be $3.00 per $500 of insurance.
- Refrigerated Food Spoilage coverage will be $5.00 per policy.
- Tenant's Improvements Increased Limit - $4 per $1000 of insurance.
- Coverage A Increased Limit - $3 per $1000 of insurance.
- Additional Residence Premises - Rented to Others (Liability Coverage) - Premium varies.
- Private Structures - Rented to Others (Liability Coverage) - Premium varies.
- Form 7-Masters Program: Credit Tier Deviation.
- Eff. 5-1-04 PC070010 North Carolina Department of Insurance

87. **Horace Mann Property & Casualty Insurance Company**

- Amount of Insurance Deviation Form 3 & Masters Program by territory: Credit varies.
- Protective Device Credits for Protection Classes 1-9: Credits vary 1% - 15%.
- 2% credit for form 3 if all coverage amounts insured 100% to value with Inflation Guard Endorsement attached.
- Newly Constructed Residences Credit: Age of Home 0 - 10 yrs.: Credits vary 3%-16.5%.
- Protection Class credits for Form 3 and Masters Program.
- Installment Pay Plan.
- Deductible Factors for Form ML-3 and Masters Program.
- Multiline Discount.
- Masters Program: $125000 minimum Coverage A, includes replacement value - personal property & inflation protection coverage at no additional charge.
- Federal Flood Insurance Program: 2% credit if flood insurance policy is placed through us.
- Earthquake Deviation.
- Silverware, Goldware & Pewterware coverage will be $3 per $500 of insurance.
- Refrigerated Food Spoilage coverage will be $5 per policy.
- Additional Residence Premises - Rented to Others (Liability Coverage): Rates vary per coverage amount
- Private Structures - Rented to Others (Liability Coverage)
- Credit Tier Diviation.
- Eff 8-1-05 PC082794 North Carolina Department of Insurance

88. **IDS Property casualty Insurance Company**

- Form 3 – Amount of Insurance
- Form 4 – Amount of Insurance
- Form 6 – Amount of Insurance
- Protective Device Credits
- Deductible Credits
- Home and Auto Discount
- Replacement Cost on Contents Discount

- Condo Coverage A increased limits
- Utilities Rating Plan
- Coverage C Increased Limits
- Installment Pay Plan
- Refrigerated Personal Property
- Townhouse/Rowhouse
- Costco Discount
- Base Rates (Form 3) by territories
- Base Rates (Form 6) by territories
- Eff 5-1-07 PC102017 North Carolina Department of Insurance

89. **Indemnity Insurance Company of North America**
- New Construction Credit: New - 20%; 2% less credit for each yr. to 9th yr.
- All Forms: Fixed Dollar Deductible: Credit varies 15% - 40%.
- Personal Property Increased Limit: $2 premium charge per $1000 of coverage.
- Forms 2 & 3: Replacement Cost Coverage Personal Property: HO 0490; Factor 10.5% includes increased Coverage C to 70% of Coverage A at no additional premium charge.
- Protective Device Credits: All zones & protection classes: Credit varies 2% - 15%.
- Rated Deviation: Homeowners - 11%; Tenants - 10%; Condominiums - 15%.
- Eff. 9-1-99

90. **Indiana Lumbermens Mutual Insurance Company**
- Forms 1, 2, 3 & 3 w/l5: 15% 0-10 yrs. old; 10% 11-15 yrs. old; 0% 16 yrs. & over.
- Eff. 9/1/85

91. **Insura Property & Casualty Insurance Company**
- Form 3: Deductible credits; $500 - 15%; $1000 - 25%; $2500 - 38%.
- All Forms: Personal property increased limits $2 per $1000.
- Protective Device Credits; Credit varies 2% - 15%.
- Personal Injury (HO-82) included at no charge.
- Personal Property Replacement Cost Coverage; Eliminate 5% surcharge.
- New Home Credit: Current calendar yr. - 20%; 1 yr. preceding current calendar yr. - 18%; each added yr. 2% less credit until 10+ yrs. - 0%.
- Multi-Policy Credit: 10% applies to total HO policy prem. when auto policy is written in the Anthem Casualty Ins. Group.
- Amount of insurance deviation based on territory, protection class & amount of Coverage A: $70,000-$200,000 credits varies 8.6% - 21.9%; Each additional $10,000 credit varies 15% - 30%.
- Forms 2 & 3: Amount of Insurance Deviation; 3% charge of basic premium.
- Base premium deviation by territory.
- Eff. 6-1-99

92. **Insurance Company of North America**
- Forms 1, 2 & 3: Fixed dollar deductible credits; $500-11%; $1000-21%; $2500-34%.
- Form 4: Fixed dollar deductible credits; $500-11%; $1000-25%; $2500-40%.
- Forms 1, 2 & 3: Rate for increase in Coverage C; $1 per $1000.
- Forms 1, 2 & 3: Personal Property Replacement Cost coverage HO 290; Charge shall be 4% of adjusted base premium. Coverage C must be increased to 70% of A & $1 per $1000 charge made.
- Protective Device Credits: All zones & all protection classes: Credits vary from 1%-15%.
- Eff. 5/1/92

93. **Insurance Company of the State of Pennsylvania**
- Form 6: 35%.
- Form 4: 20%.
- Forms 2 & 3: Deductible Credits; $250 - 15%; $500 - 25%; $1000 - 35%.
- Forms 2, 3, 3w/15 & 6: Age of Dwelling Discount; 0-5 yrs. - 15%; 6-10 yrs. - 10%; 11-20 yrs. - 5%.
- Forms 1, 2, 3, 3 w/15 & 8: 28%.
- Home Buyers Discount: 10% first 3 yrs. ownership; 5% second 3 yrs.
- Forms 1, 2, 3 & 3 w/15: Delete 5% surcharge for replacement cost of contents.
- Eff. 6/15/88

94. **Integon General Insurance Corporation**
- Delete the surcharge for $100 deductible.
- Form 6: 10% deviation.
- Deviation by amount of insurance: Coverage A amount $50,000 - $250,000 & above based on territory; Credit varies - 0% - .340%.

- Deductible Credits: Form 3; Terr. 32, 33, 34-41- $250 ded., $500 ded., $1000 ded. & $2500 ded.: Credits varies .05%- .41%.
- Long-Term Customer Discount: 5-9 yrs. with Co.- 5%; 10 yrs. or longer with company -10%.
- Eff. 5-1-92

95. **Integon Indemnity Corporation**

- Delete surcharge for $100 deductible.
- Form 6: 15% deviation.
- Replacement Cost Coverage C: Delete surcharge for replacement cost on contents.
- Deviation by Amount of Insurance: Cov. A amount $50,000 - $250,000 & above & based on territory. Variable credit.
- Deductible Credits Form 3; Terr. 32, 33, 34-41 - $250 ded; $500 ded. $1000 & $2500 ded. Credits vary .05%-41%.
- Long Term Customer Discount: 5-9 yrs. renewal with company - 5%; 10 yrs. or longer with Company - 10%.
- Eff. 5/1/92

96. **Liberty Mutual Fire Insurance Company**

- Mass Merchandising Program – 5% deviation when certain criteria is met
- Deductible Credits Deductible Amount and percentage of credit/surcharge vary.
- Amount of Insurance Forms HO 1,2, & 3 Deviation by policy amount and territory.
- Amount of Insurance HO 4 & 6 Deviation by policy amount and territory.
- Installment Payment Plan all forms - $3 each installment except first installment
- Coverage A Dwelling Limit for form HO 6
- Watercraft Deviation by limits of liability
- New Home Credits HO 2 & 3 Credits vary.
- Protective Devices Credits Credits vary .
- Hurricane deductible credits; credit varies by deductible amount.
- Eff. 5-10-04 PC070198 North Carolina Department of Insurance

97. **Liberty Mutual Mid-Atlantic Insurance Company**

- Forms 2,3,4, & 6 35% deviation.
- Froms 2 & 3 Dwellings 0-10 years – 10%.
- Eff 11-1-86

98. **Lititz Mutual Insurance Company**

- New Home Credit.
- Discount when Guaranteed Repair or Replacement Cost Protection (Coverage A) and Personal Property Replacement Cost Protection (Coverage C) are used together.
- Protection class 9 discount
- Optional Higher Deductibles Deviation.
- Base Rate Deviation by Territory: Credit varies.
- Ordinance or Law – increased Limits.
- Eff 12-1-07 PC109555 North Carolina Department of Insurance

99. **LM Property and Casualty Insurance Company**

- New Home Credit: Age of Home 0 - 7 yrs. of age: Credit varies 0%-20%.
- Deductible credits
- Personal Property Replacement Cost: - HO-3 Apply 4% surcharge to adjusted base premium.
- Enhanced Dwelling Limit (EDL) – Form HO-3 $1.00 per policy.
- Protective Device Credits: Variable Credits 2%-15%.
- Forms 3, 3w/15, Premier & 6: 5% Mature Homeowners Credit.
- Personal Property – Increased Limit Form HO-3: $1.00 per $1,000 increase of insurance
- Mature Homeowner Credit – Forms HO-3 and HO-6 5% credit. A premium credit applies if any named insured is age 55 or older as of the effective date of the policy.
- Companion for Life Discount all forms 10% credit.
- Secured Community Credit: Credit applies if primary residence is located in a fully secured or partially secured community. Fully secured - 10%: Partially secured -5%.
- Electronic Funds Transfer Fee: No charge.
- Increased Limits Jewelry, Watches & Furs: $14 per $1000 of Coverage.
- Personal Property Replacement Cost: Form HO4 and HO 6 Minimum charge of $20.
- Silverware, Goldware, & Pewterware: $2.50 per $500.
- Deviation for 3 & 4 Family Liability Rates.
- Deviation by Liability Coverage.
- Outboard Motors & Water Craft Deviation for Coverage E, Increased Limits: Certain criteria apply.
- Outboard Motors & Water Craft Deviation for Coverage F, Increased Limits: Certain criteria apply.
- Business Property - Increased Limits Deviation: $10 per $2500.
- Eff. 3-14-03 PC058007 North Carolina Department of Insurance

100. **Lumbermens Mutual Casualty Company**

- Premium Credits for Protective Devices: Certain criteria apply.
- Mature Homeowners Credit: 5% credit applies to base premium if insured is 55 yrs. of age & is home during the day.
- Personal Property (Coverage C) Replacement Cost Coverage Deviation.
- $100 Deductible: Waive minimum premium.
- $250 Theft Deductible Factors: Certain criteria apply.
- All Forms: Optional Higher Deductibles deviation.
- Form 3: Special Personal Property Coverage: Apply a factor of 1.10 to base premium.
- Form HO 6: Special Personal Property Coverage: Apply a factor of 1.20 to base premium.
- Form 4: Building Addition & Alterations Increased Limit deviation.
- Form HO 6: Coverage A Dwelling Basic & Increased Limits Special Coverage Deviation.
- Ordinance or Law Increased Amount of Insurance: Form 4 & 6.
- Deferred Premium Payment Plan Option.
- New Home Discount: 0 - 6+ yrs. of age: Credit varies 0% - 18%.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2-25-02 PC047939 North Carolina Department of Insurance

101. **Maryland Casualty Company**

- All Forms, except 4 & 6: Age of Dwelling Credit; New-20%; 1 yr.-18%; 2 yrs.-16%; 3 yrs.-14%; 4 yrs.-13%; 5 yrs.-12%; 6 yrs.-10%; 7 yrs.-8%; 8 yrs.-6%; 9 yrs.-4%; 10 yrs.-2%.
- Forms 4 & 6: Replacement Cost on Contents: Factor 1.35.
- Protector Series Program: Reduce homeowners premium by 5%, if insured has auto policy with Maryland Casualty Group.
- Forms 2 & 3: Charge $1 per $1000 for increase in Coverage C limit.
- All Forms: Deductible Credits: $500 - 15%; $1000 - 20%; $2500 - 30%.
- Deviation by Territory: Form 2, 3, 3w/15; Credit varies 0% - 14%.
- Base Premium Deviation: All Forms, except 4 & 6; Credit varies.
- Account Credit: 10% credit when insured has home & auto coverage with Zurich Insurance Companies when criteria is met.
- Protective Device Credit: Factors vary. Maximum credit of $75 is waived.
- Eff. 7-1-98

102. **Massachusetts Bay Insurance Company**

- Year of Construction – Newly Constructed Dwellings.
- Mature Homeowners Credit: All forms: 5% credit applies when certain criteria are met.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits: All forms, except 4 & 6.
- Personal Property Replacement Cost on Coverage C: All forms, except 4 & 6: Minimum premium of $20.
- Personal Property Replacement Cost on Coverage C: Forms 4 & 6: Minimum premium of $25.
- Account Credit: All forms.
- Loss of Use-Increased Limits: All forms: Additional charge $4 per $1000 increase.
- Condominium Unit Owners-Coverage A Dwelling: Basic & Increased Limits: $3 per $1000 increase: 1st $5000 increase no charge.
- Watercraft Liability Rates: All forms.
- Personal Property , Increased Limits-$1 per $1000 increase: All forms, except 4 & 6.
- Special Personal Property: Reduced Charge for Form 3w/15.
- Electronic Funds Transfer Plan Discount: All forms.
- Group Modification Plan Discount: All forms: Credit varies 0%-5%.
- Direct Bill Policies: All forms: $1 per installment.
- Cap on total credits/discounts of 35%.
- Territorial Deviation: All forms, except 4 & 6: Credit varies
- Eff 1-1-08 PC110168 North Carolina Department of Insurance

103. **Medmarc Casualty Insurance Company**

- New Home Credit: 0-1 yr.-20%; 2 or 3 yrs.-18%; 4 yrs.-15%; 5 yrs.-12%; 6 yrs.-10%; 7 yrs.-9%; 8 yrs.-6%; 9 yrs.-3%; 10 yrs.-2%.
- Smoke Detectors Discount: 2.0%.
- Eff. 7/15/90

104. **Merastar Insurance Company**

- New Home Credit; HO 00 03 Homes completed & occupied during current calendar yr. credit varies.
- Safe and Sound Discount: protective device credit certain criteria.
- Auto Home Discount All Forms - credit to the base homeowner premium if insured's automobile is insured with this Company.
- Waiver of installment charge when certain requirements are met.

- Increased Special Limits of Liability: Jewelry, watches & furs; Additional premium $10 for each $1000 increase.
- Merastar Maximum Discount: Factor .97 applies to base premium when certain criteria is met.
- Deductible credits;Forms 3 & 5: $500 - $1000
- Deductible credits;Forms 4 & 6: $500 - $1000
- Protective Device Credits; 2% - 15%.
- Boat Liability Rate Deviation: All Forms: credit based on length & horsepower.
- Base rate deviation Forms 3 & 8: based on territory: Credit varies.
- Base rate deviation Forms 4 & 6: based on territory.
- Account Discount All Forms Discount if the named insured is a member of an employer sponsored account or qualifying affinity group.
- Eff. 8-1-05 PC084763 North Carolina Department of Insurance

105.**Metropolitan Direct Property & Casualty Insurance Company**

- Deductible Deviation.
- Additional Limits of Liability
- Personal Property Replacement Cost Loss Settlement.
- Year of Construction – Newly Constructed Dwellings.
- Protective Devices
- Mature Homeowners Discount.
- Windstorm or Hail Exclusion Credit.
- Multi-Policy Discount.
- Mass Merchandising Account Deviation
- Claim Free Discount.
- Increased Ordinance or Law Coverage
- Earthquake Coverage
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Eff. 5/1/07 PC103863 North Carolina Department of Insurance

106.**Metropolitan Property & Casualty Insurance Company**

Standard Program

- Deductible Deviation.
- Additional Limits of Liability.
- Personal Property Replacement Cost Loss Settlement.
- Year of construction – Newly Constructed Dwellings.
- Protective Devices.
- Mature Homeowners Discount.
- Windstorm or Hail Exclusion Credit.
- Multi-Policy Discount.
- Mass Merchandising Account Deviation:
- Smaller employer groups when criteria is met.
- Claim Free Discount: 5% discount when criteria are met.
- Increase Ordinance or Law coverage.
- Earthquake Coverage.
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.

Conversion Program

- Windstorm or Hail Percentage Deductible Relativities.
- Additional Limit of Liability.
- Replacement Cost on Contents: 10% surcharge. Cov C amount increased to 70% of Cov A at no additional cost.
- New Home Discount – Year of Construction..
- Premium Credits for Alarm Systems: Credits vary 1% - 15%. Credit applies to base premium.
- Mature Homeowners Discount: credit applies if a person is age 55 or older & retired. If married one spouse must be age 55 or older & neither employed full time. Not available with Form HO-4 & in specified territories.
- Windstorm or Hail Exclusion Credit: Variable credits based on protection class, construction & territory.
- Multi-Policy Discount: applies to total homeowner premium when homeowner & auto policies issued with Metropolitan. Not with ho 4 or in terr 5, 6, 34, 41, 41, 42, 43.
- Claim Free Discount: 5% discount when criteria are met.
- Increased Ordinance or Law Coverage.
- Earthquake Coverage.
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Eff 5-1-07 PC103777 North Carolina Department of Insurance

107. **Montgomery Mutual Insurance Company**
- Forms 3, HE-7, HE-7w/20 & HE-7w/21: Pers Prop Increased Limits: .50 per $1000 of insurance for Coverage C.
- Deductible Amount Deviation: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies
- 10% Account Credit when auto policy is written for the same insured through Montgomery Mutual Insurance Co.
- Forms 3, HE-7, HE-7w/20 & HE-7w/21: New Home Credit: New - 6 yrs. of age: Credit varies 0% - 20%.
- Base Rate Deviation by Territory: Forms 3, HE-7, HE-7w/20 & HE-7w/21 Credit varies 0% -7.1%
- Form 4: Base Rate Deviation by Territory: Credit varies 0% - 14.8%.
- Form 6: Base Rate Deviation by Territory: Credit varies 9.3% - 32%.
- Protective Device Credits: Credits vary 2% - 15%.
- Base Rate Deviation on HE-7 - 1.15, HE-7w/20 - 1.20 & HE-7w/21 - 1.25.
- Replacement or Repair Cost Protection(HO 3211): $5 per policy when criteria is met.
- All Forms: 10% Account Credit.
- Water Craft Liability Deviation - 70%.
- Form 3: Amount of Coverage A Relativity Curve Deviation: Credit varies 0.6% - 7.4%.
- Eff. 8-15-02 PC052789 North Carolina Department of Insurance

108. **National General Insurance Company**
- All Forms: Protection Device Credits: Variable credits from 2% to 15%.
- All Forms, except 4 & 6: Deductible/factors; $100-1.10 - no minimum or maximum charge; $500-.90; $1000-.80.
- Forms 4 & 6: Deductible/factors; $100/$250 theft - 1.05. No minimum or maximum charge; $500-.90; $1000-.77.
- Form 3: New/Renovated Home Discount; Variable credits based on age of dwelling & type of renovation.
- Forms 4 & 6: Thrifty Fifty Discount; 10% credit if insured meets criteria.
- Forms 1, 2 & 3: $5 Photo Credit New Business.
- Form 4: Building additions & alterations increased limits $5 per $1000 of insurance.
- Form 6: Coverage A Dwelling; Basic & Increased Limits, $5000 Coverage A is provided at no additional charge. Charge $5 per $1,000 for increased limit up to total of $15,000.
- Forms 4 & 6: Loss of Use; Increased limits $3 per $1000 of additional insurance.
- Form 3: Base rate deviation; Rating factor of .80 applies.
- Form 6: Base rate deviation; Rating factor of .80 applies.
- Installment Payment Plan: Two payment plan - $2 per installment.
- Eff. 6-1-99

109. **National Specialty Insurance Company**
- Forms 2 & 3: Base deviations vary by amounts of insurance - $55,000 - $120,000 & over; Territory 34 Cumberland County -0% -22.1%; Territories 32, 33, 35 & 41 - 0% to -35.1% deviations vary by amount of insurance. $50,000 -$120,000 & over; all other territories 0% - 35.1%. Deviation vary by amounts of insurance $50,000 - $120,000 & over.
- Forms 4 & 6: 10% credit applies to optional coverages that are applicable exclusively to Forms 4 & 6.
- All Forms, except 4 & 6: 20% credit applies to optional coverages.
- Forms 2, 3 & Homeowners Plus: Fixed dollar amount deductible credits; $500-10%; $1000 - 17%.
- Forms 4 & 6: Fixed dollar amount deductible; $500 - 10%; $1000 - 23%.
- Homeowners Plus Package: Form 3 Credit for amount of insurance $50,000-$69,000 - 10%; $70,000 - 110,000 - 11%; $120,000 - $170,000 - 12%; $180,000 - $200,000 - 13%, each additional $10,000 - 0% when special requirement are met.
- Forms 4 & 6: 10%.
- Forms 2, 3 & Homeowners Plus: New home credit - 25% current yr.; 2.5% less credit each added yr.
- Premium credit for alarm systems HO 216: 2-15%.
- All Forms: Manned Security Discount: 10% additional when property is residential area with limited entry & exit points manned by employed uniformed security guards.
- All Forms: 55 & Retired Discount: 10% if one insured is 55 or older & both insured & spouse, if any, are neither gainfully employed or seeking gainful employment. Residence must be principal residence of applicant.
- Earthquake Coverage: Superior construction will be rated same as frame construction.
- Form HO-6: Coverage A increased limits; $3 for each additional $1000.
- Form HO-6: Units regularly rented to others HO-33; Charge 25% of base premium.
- Eff. 5/1/92 *Name changed from State National Specialty Company effective 3/16/04*

110. **National Surety Corporation**
- Protective Device Credits: All forms & all territories: 1% - 15% credit applies to company base premium.
- Portfolio Credit: 5% credit applies to all homeowners policies when Personal Catastrophe Coverage and Personal Inland Marine Coverage is written with Company.
- Eff 12-01-03 PC065123 North Carolina Department of Insurance

111. **National Union Fire Insurance Company of Pittsburgh**
- Territorial Base Rate Deviation.
- Amount of Insurance Relatives Deviation.

- Maximum Credit for Protective Devices waived.
- Higher Deductible Credit: Credit varies by amount of insurance and deductible amount.
- Increased Coverage C Limit Deviation: A factor of 1.25 applies per$1000 of insurance. Territories 5, 6, 42 & 43 excluded.
- Renovated House Credit: Credit varies .82 - .97 for houses renovated 1 yr. to 6 yrs.
- Gated Community Credit: 5% applies when criteria is met.
- Loss Free/ Persistency Credit: 5% or 10% credit applies when criteria is met.
- Eff. 10-13-00 PC037427 North Carolina Department of Insurance

112.**Nationwide Mutual Fire Insurance Company**
- Nationwide Territory Deviation/Territory Deviation Forms HO 02, HO 03 & HO 05: Deviation by amount of insurance & territory.
- Home & Car Discount: Credit varies.
- Amount of Insurance deviation: Credit varies by territory and amount of Insurance.
- Personal Property Replacement Cost Deviation.
- Deductible Deviations.
- Protective Device Deviations by territory: Credit varies.
- Safe Home Rating Plan Deviation.
- Age of Home Component Deviation.
- Age of Construction Deviation.
- Eff. 8-3-08 PC112944 North Carolina Department of Insurance

113.**Nationwide Mutual Insurance Company**
- Nationwide Territory Definitions and Territory Deviations Forms HO 02, HO 03, HO 04, HO 05, and HO 06.
- Home and Car Deviation Forms HO 02, HO 03, HO 05, and HO 06
- Deductible Deviations.
- Protective Device Deviation.
- Safe Home Rating Program – Form HO-2, HO-3, HO-5.
- Age of oldest Insured.
- Personal Status Deviation.
- Age of construction deviation.
- Amount of Insurance – Forms HO 02, HO 03, and HO 05.
- Age of Home Component Deviation.
- New Purchase Deviation.
- Eff. 8-3-08 PC112937 North Carolina Department of Insurance

114.**Netherlands Insurance Company**

Preferred Homeowners
- Personal Property Increased Limits;. Forms 3, HE-7, HE-7w/20 & HE7w/21 $.50 per $1000 of insurance
- Deductible amounts deviation Credit: Forms 3, 4, 6, HE-7, HE-7w/20 & HE-7w/21 :Credit varies
- New Home Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies.
- Protective Device Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies
- Base Rate Deviation by Territory Forms 3, HE-7, HE-7w/20 & HE7-21:: Credit varies.
- Form 4: 3% Key Premium Deviation by Territory.
- Form 6: Key Premium Deviation: Credit varies 29.3%-31.6%.
- Forms 3, HE-7, HE-7w/20 & HE-7w/21: HO-3211- Replacement or Repair Cost Protection: Premium charge $5.
- Forms 3, 4, 6, HE-7, HE-7w/20 & HE-7w/21: 15% deviation for policies written as part of Personal Protector Package Policy.
- Water Craft Deviation of 70%.
- Base Rate Deviation on HE-7, HE-7w/20 & HE-7w/21: HE-7 factor - 1.15; HE-7w/20 factor - 1.20; HE7w/21 - 1.25.
- Amount of Coverage A Relativity: Deviation varies .6% - 7.4%.

Standard Homeowners
- Personal Property Increased Limits Forms 3, HE-7, HE-7w/20 & HE-7w/21: ; $.50 per $1000 of insurance.
- Deductible Credits; Forms 3, HE-7, HE-7w/20 & HE-7w/21: credit varies.
- New Home Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: 0 -12 yrs. of age: Credit varies 0% - 25%.
- Protective Device Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies 2% - 15%.
- Base rate deviation by territory: Forms 3, HE-7, HE-7w/20 & HE-7w/21 Credit varies
- Base Rate Deviation HO 6 by territory: Deviation varies.
- Base Rate Deviation on HE-7, HE-7w/20 & HE-7w/21: credit varies
- Replacement or Repair Cost Protection: Forms 3, HE-7, HE-7w/20 & HE-7w/21: HO-3211 Premium charge $5.
- Deviation will apply to HO 3 standard, HE 7 standard HE7/w20 standard, HE 7/ w21 standard for monoline homeowners premiums when they ar written as part fot the Personal Protector Package Policy.
- Water Craft Deviation of 70%.
- Amount of Coverage A Relativity curve: Deviation varies .6% - 7.4%.
- Eff 10-15-02 PC053999 North Carolina Department of Insurance

115.**New Hampshire Insurance Company**
- Forms 1, 2, 3, 3w/15 4 & 6: Age of dwelling credit; 0-20 yrs. - 10%.
- Replacement or Repair Cost prot. Coverage A (HO-500): $1 per policy.
- Eff. 7/1/87

116.**New South Insurance Company**
- Deviation by Amount of Insurance: Coverage A amount: $50000 - $250,000 & above based on territory; Credit varies 0% - .380%.
- Long-term Customer Discount: 5-9 yrs. with Co. on HO policy - 5%; 10 yrs. or longer with Co. on HO policy - 10%.
- Deductible Credits: Territories 32, 33, 34 - 41; $250 ded., $500 ded. $1000 ded. & $2500 ded.; Credits vary .05% - 41%.
- Form 6: 15%.
- Delete surcharge for $100 deductible.
- Replacement Cost- Coverage C: Delete surcharge for replacement cost on contents.
- Eff. 5/1/92

117.**NGM Insurance Company**
- Age of Dwelling Deviation: Forms 2 & 3: 0 - 5 yrs. of age: Credit varies 0% - 18%.
- Preferred Homeowners or Revitalized Home Credit when underwriting guidelines are met: Credit varies. Forms 2 & 3:
- Deductible credits/charges, factor varies by ded amount. Forms 2, 3, 4, 6 & 8.
- Form 6: HO-4 base premium by factor .80 to develop base premium HO-6.
- All Forms: Protective Device Credit: Credit varies 1.1% to 2.3%. There is a maximum allowable credit of 15%.
- Forms 2, 3, 4 & 6: Replacement Cost on Contents: Minimum additional premium of $20 does not apply.
- Forms 2 & 3: Personal Injury (HO-3282); Charge will be deleted when selection of additional coverages are met.
- Forms 2 & 3: Water Back-up of Sewers or Drains (HO 0484): Charge will be deleted if selection of additional coverages is met.
- Forms 2 & 3: Credit Card, Fund Transfer Card, Forgery, & Counterfeit Money (HO 0453): Charge will be deleted when selection of additional coverages is met.
- Forms 2 & 3: Charge for Special Computer Coverage (HO 3237) will be deleted when selection of additional coverages are met.
- Forms 2 & 3: Coverage C Special Limits of Liability: 2% charge of the base premium when certain criteria are met.
- Forms 2 & 3: Fire Department Service Charge: the policy limit of $500 for fire department service charge will be increased to $1000 with selection of certain additional coverages and increased limits.
- Forms 2 & 3: Charge to increase Coverage D to 30% of Coverage A will be deleted when selection of additional coverages are met.
- Installment Payment Plan: Multi-policies - $3 charge first policy: $1 charge for each additional personal lines policy appearing on monthly statement. No service charge if paid via EFT.
- Forms 2 & 3: Additional Limits of Liability for Coverage A (HO 3220): 6% of base premium when selection of certain coverages is met.
- Forms 2 & 3: Personal Property Replacement Cost: along with HO 0490 5% of base premium when selection of certain coverages.
- Forms 2 & 3: Ordinance or Law (HO-0477): 15% additional of Coverage A will be 4% of base premium for all insureds when selection of certain coverages is met
- Forms 2 & 3: Refrigerated Property Coverage (HO0498) charge will be deleted when selection of additional coverages are met
- Insurance Score Discount factor varies by Insurance Score.
- Eff. 10-21-05 PC084159 North Carolina Department of Insurance

118.**North Carolina Farm Bureau Mutual Insurance Company**
- Deviation by Territory & Program.
- Deviation on Forms HO 00 04 and HO 00 06.
- -10% Deviation on Form HO 00 08.
- Dedictible Credits.
- Value Plus Homeowners; Credit varies when criteria is met.
- Water Craft: Deviations varies by speed, length & horsepower of Water Craft.
- Age of dwelling credit; Territories 5 & 6 excluded; 2% credit until 8 or more yrs., then no credit
- Deviation by Amount of Insurance vary based on rate structure, protection class, deductible, & territory. Forms 2 & 3: Credits vary
- .Deviation on Personal Property Coverage Forms HO 00 02 and HO 00 03 w/o HO 00 15.
- Personal Property Coverage C Replacement Cost.
- Carolina Partner Plus Discount varies by Coverage A amount of insurance when criteria is met. Credit varies.
- Deviation for Additional Residence Rented to Others & Other Structures Rented to Others - Residence Premises.
- Forms 2, 3, 4, 6 & 8: Deductible credits/charges.
- Deviations by selected country.
- Additional 5% deviation applies to property in specified counties.

- Eff. 5-1-07 PC101567 North Carolina Department of Insurance

119. **North River Insurance Company**
- Forms 1, 2, 3 & 3 w/15: Age of dwelling credit; 0 - 1 yr. - 20%; 2% less credit each added yr.
- Preferred plan deviation for owners forms: Varying credits based on amount of insurance & territory.
- Forms 1, 2, 3 & 3 w/15: Replacement cost contents for preferred owners forms to $1 per $1000 of increased Coverage C.
- All Forms: Replacement cost on contents; Deletion of $20 minimum additional premium.
- Forms 1, 2, 3 & 3 w/15: Higher deductible credits factors; $500 - .89; $1000 - .80; $2500 - .67.
- Forms 4 & 6: Higher deductible credits factors; $500 - .83; $1000 - .67; $2500 - .54.
- Premises Alarm System: Expand table of credits for protection classes 1 - 7 to include class 8.
- Form 6: 20%.
- Eff. 3-1-90

120. **Northern Assurance Company of America**
- All Forms, except 4 & 6: New Home Credit: 0-1 yr. old - 20%; 2% less credit each yr. to 10th yr.
- Forms 2 & 3: Personal Property Replacement Cost; Charge to increase Coverage C to 70% of Coverage A; $1 per $1000.
- Guaranteed Replacement Cost (HO-3211): $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- Inflation Guard Endorsement: 6% - at no charge.
- Forms 1, 2 & 3: Fixed dollar amount deductible credits; $500 - 15%; $1000 - 21%; $2500 - 38%..
- Homeowners Enhancement Program Factors: HE - 7 - 1.15%; HE - 7w/15 - 1.20 & HE - 7w/21 - 1.25.
- Deviation by Coverage A amount of insurance. All Forms, except 4 & 6: Credit varies.
- Windstorm or Hail Deductible.
- Eff. 8-15-02 PC053955 North Carolina Department of Insurance

121. **Northern Insurance Company of New York**
- Forms 1, 2, 3 & 3w/l5: Age of dwelling credit; 0 - 2 yrs. - 25%; 3 yrs. - 23%; 4 yrs. - 21%; 5 yrs. - 18%; 6 yrs. - 15%; 7 yrs. - 12%; 8 - 12 yrs. - 11%; 13 - 15 yrs. - 5%.
- Forms 1, 2, 3 & 3 w/15: Replacement or repair cost protection HO-500; Reduce premium $5 to $1.
- Forms 4 & 6: Replacement Cost on Contents; Factor 1.35.
- Forms 1, 2 & 3: Charge $1 per $1000 for increase in Coverage C limits.
- Eff. 2/15/92

122. **Northwestern National Casualty**
- Forms 2, 3, 3w/15, & 6: Company deviation based on territory & Coverage A amount; Credit varies.
- Forms 2, 3 & 3w/15: New Home Discount: New to age 20 yrs. Credit varies 2% - 27%.
- All Forms, except 4 & 5: Deductible Credit/Charges.
- Personal Property Increased Limits for Coverage C. Forms 2 & 3 - $.50: Form 3w/15 - $2.
- Protection Construction Relativity Deviation.
- Protection Devices Credits: Maximum Credit removed.
- Outboard Motors & Water Craft: Liability rates amended by boat length.
- Form 6: Dwelling Basic and Increased Limits and Special Coverage. $5000 Coverage A limit named perils basis: No premium charge.
- Personal Property Replacement Cost Coverage: All forms, except 4 & 6 - factor 1.05; Form 4 & 6 - factor 1.35. Minimum premium deleted.
- Ordinance or Law Coverage deviation.
- Three or Four Family Dwellings: Coverage B & C deviation.
- Installment Payment Plan: Initial installment charge waived.
- 5% Account Credit when named insured has an auto policy with the Highlands Insurance Group Companies.
- Eff. 6-1-99

123. **Ohio Casualty Insurance Company**
- Water Craft Liability Rates: below NCRB for powerboats; below NCRB for sailboats.
- Employees Discount: to qualifying employees insured in the Ohio Casualty Group.
- Eff.12-1-05 PC082799 North Carolina Department of Insurance

124. **OneBeacon Insurance Company**
- Replacement on contents endorsement.
- Protective Devices Credit.
- Personal Property Increased Limits.
- Account Credit when the named insured insures personal auto in any of the General Accident Copanies.
- Fixed Dollar Amount Deductible.
- New Home Credits.

- Eff 4-15-96

125. **OneBeacon Midwest Insurance Company**
- All Forms, except 4 & 6: New Home Discount; 0-1 yr. old -20%; 2% less credit each added yr. to 10th yr.
- Forms 2 & 3: Personal Property Replacement Cost; Charge to increase Coverage C to 70% of Coverage A; $1 per $1000.
- Replacement or Repair Cost Protection Coverage A (HO-3211): $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- All Forms, except 4 & 6: Provide Inflation Guard endorsement coverage at 6% amount of annual increase at no charge.
- All Forms, except 4 & 6: Fixed Dollar Amount deductibles: $500-15%; $1000-21%; $2500-38%.
- 5% discount for insured age 49 or older.
- Deviation to Enhancement Forms HE-7; HE-7w/20 & HE-7w/21: Credits vary.
- Deviation by amount of Coverage A: $250000 - $500000. Variable credits.
- Windstorm or Hail Deductibles
- Eff. 8-15-02 PC053952 North Carolina Department of Insurance

126. **OneBeacon America Insurance Company**
- Forms 1, 2, 3: Fixed dollar amount deductibles; $500-15%; $1000-21%; $2500-38%.
- Forms 4 & 6: $500-10%; $1000-23%; $2500-37%.
- All Forms, except 4 & 6: New home discount; 0-1 yr. old - 20%; 2% less credit each added yr. to 10th yr.
- Forms 1, 2, 3 & 3w/15: Repair or replacement cost Coverage A; HO3211 - $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- Forms 2 & 3: Personal Property Replacement Cost; Charge to increase Coverage C to 70% of Coverage A; $1 per $1000.
- All Forms, except 4 & 6: Provide Inflation Guard Endorsement at 6% amount of annual increase at no charge.
- Form 6: Units regularly rented to others; Delete $15 charge.
- Form 6: 11.1% credit.
- Form 6: Coverage A Dwelling Basic and Increased Coverage A limit $3,000 cov A at no addit charge.
- 5% discount for insured age 49 or older.
- Homeowners Enhancement Factors: HE-7 - 1.15; HE -7w/15 - 1.20 & HE-7w/21 - 1.25.
- All Forms, except 4 & 6: Deviation by Coverage A amount of insurance: Credit varies.
- Windstorm or Hail Deductibles.
- Eff. 8-15-02 PC053954 North Carolina Department of Insurance

127. **Owners Insurance Company**
- Territory Description.
- Form 6 rate deviation
- Deductibles - Waiver of Minimum Charges.
- Protective Device Credit.
- Protective Device-Alarm Systems.
- Mature Homeowners Discount.
- Townhouse or Row House discount factors.
- Credit Card, Fund Transfer Card, Forgery and Counterfeit Money.
- Form HO-6 Units Regularly Rented To Others.
- Form HO-6 Coverage A Dwelling Increased Limits and Special Coverage.
- Building Additions and Alterations At Other Residences-All Forms.
- Loss Assessment.
- Other Insured Location Occupied By Insured - Section II.
- Section II, Liability-Residence Employees waived.
- Business Pursuits - no charge.
- Personal Injury coverage-no charge.
- Permitted Incidental Occupancies - Residence Premises.
- Special Personal Property Coverage.
- Multi-Policy Discount
- Seasonal Discount-Forms HO 00 03 and HO 00 06.
- Section II, Liability Watercraft.
- Life-Homeowners Multi Policy Discount.
- Eff 8/30/05 PC084266 North Carolina Department of Insurance

128. **Pacific Employers Insurance Company**
- Forms 1, 2 & 3: Fixed dollar deductible credits; $500-11%; $1000-21%; $2500-34%.
- Form 4: Fixed dollar deductible credits; $500-11%; $1000-25%; $2500-40%.
- Rate for increase in Coverage C: $1 per $1000.
- Forms 1, 2 & 3: Replacement Cost Coverage HO-290; Charge shall be 4% of adjusted base premium. Coverage C must also be increased to 70% of Coverage A at $1 per $1000.
- Protection Device Credits: All zones & all protection classes; Credits vary 2%-15%.

- New Home Discount: Credit varies 2% -20% based on age of dwelling. Credit applies to base premium.
- Base Rate Deviation: Homeowners -25%; Tenants -15%; Condominiums -20%.
- Eff. 2-24-98

129.**Pacific Indemnity Company**

- Forms 4 & 6: 10% credit.
- 5% credit for HO-2, HO-3, HO-5 and HE-7 in territories 32, 36, 38, 39, 53 and 57.
- Elimination of maximum credit for protective devices.
- Optional Higher Deductibles
- Hurricane Deductible
- Additional Amount of Insurance deviation. Forms 2, 3 & 5.
- All Forms: 5% Gated Community Credit when criteria is met.
- Eff5-1-07 PC102232 North Carolina Department of Insurance

130.**Peerless Insurance Company**

- Deductible Credits: Forms 3, HE-7, HE-7w/20 & HE-7w/21 - credits vary.
- Protective devices.
- Base Premium Computation (HO 00 06).
- Homeowners Enhancement Program (HE-7, HE-7 w/20, and HE-7 w/21).
- Homeowners Enhancement Program - Specified Additional Amount of Insurance for Coverage A – Dwelling HO 32 20.
- Personal Protector Multi-Policy.
- Base Premium Computation – All forms except HO 00 04 and HO 00 06.
- Installment Payment plan - $2 charge for each installment for Electronic Fund Transfer.
- Price Point Deviation.
- Effective 5-1-07 PC101861 North Carolina Department of Insurance

131.**Pennsylvania General Insurance Company**

- All Forms, except 4 & 6: New home credit; Current yr. - 20%; 1 yr. old -18%; 2 yrs. old -16%; 3 yrs. old - 14%; 4 yrs. old - 12%; 5 yrs. old - 10%; 6 yrs. old - 10%; 7 yrs. old - 8%; 8 yrs. old - 7%; 9 yrs. old - 6%; 10yrs.-6%; 11yrs-4%;12yrs-4%;13yrs-2%; 14yrs-2% .
- All Forms: Fixed dollar amount deductible factors; $500 - .90; $1000 - .77.
- Forms 1, 2, 3 & 3w/15: Personal property increased limits; $1 per $1000 of insurance.
- All Forms, except 4: Account Credit: 10% discount when named insured insures his/her personal auto in any of General Accident Companies.
- Forms 1, 2 & 3: Personal Property Replacement Cost Coverage; Waive charge to increase Coverage C limit from 50% to 70% of Coverage A limit. Premium for Replacement Cost Coverage developed by applying factor of 1.05 to base premium including any premium adjustment for Coverage C in excess of 70% of Coverage A.
- All Forms: Protective Device Credit: Credit Varies 2% - 15%.
- All Forms, except 4 & 6: 8.8% base rate deviation.
- Eff. 4-15-96

132.**Pennsylvania Lumbermens Mutual Insurance Company**

- Forms 1, 2 & 3: 10% dwellings 5 yrs. old or less; 5% dwellings 6-10 yrs. old.
- All Forms: 10%.
- Eff. 10/1/85

133.**Pennsylvania National Mutual Casualty Insurance Company**

- New Home Discount: Forms 2, 3 & 3/wHO3236: New to 15 yrs. of age: Credit varies 1%-20%.
- Deviation by Deductibles - various credits.
- Personal Property Increased Limits: Forms 2 & 3 - $1 per $1000 of insurance: Form 3w/HO3236 - $3 per $1000 of insurance.
- Preferred Program Deviation: Forms 3 & 3w/HO3236: Based on territory & public protection class: Variable credits when criteria is met.
- Account Credit Program: Forms 2, 3, 3w/HO3236, 4, 6 & 6w/HO3235: Credit factor .90 applies when certain requirements are met.
- Deviation for Water Craft (HO 24 75): Credits vary 9%-46% based on type, horsepower & length of Water Craft.
- Protective Device Credits: Applies to insureds that meet eligibility criteria. Credit varies.
- Amount of Insurance: Credit varies.
- Deviation on Ordinance or Law Coverage: Forms 2 & 3.
- Preferred Advantage Program Deviation: Forms 3 & 3/wHO3236: Certain criteria apply.
- No charge for increasing Coverage A up to $5,000 on a form HO 00 06 policy.
- Credit Card, Fund Transfer Card, Forgery and Counterfeit Money Deviation.
- Loss Assessment.
- Personal Property - Increased Special Limits of Liability.
- Personal Property – Refrigerated personal Property.

- Water Back Up and Sump Discharge or Overflow.
- Personal Injury.
- Eff 11-1-07 PC106822 North Carolina Department of Insurance

134. **Pharmacists Mutual Insurance Company**
- -25% base rate deviation.
- Waiver of premium is amended to $5.
- Installment Payment Plan: Charge varies based on installment plan.
- Personal Package Discount: Credit varies when criteria is met.
- Automatic Adjustments of Limits: Annual 4% increase at no charge.
- Effective 5-1-07 PC102682 North Carolina Department of Insurance

135. **Phoenix Insurance Company**
- Base Rate Deviation Dwellings.
- Base Rate Deviation Condos Credit varies based on territory.
- Coverage A Relativities Deviation: forms HO 2, HO 3 and HE 7.
- Protective Device Deviation: Credit.
- Deductible Credits: Varies by amount of Coverage.
- Personal Property Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property: charge waived.
- Account Credit.
- Loss Free customer Credit
- Multi-Line Insurance & Financial Services Institution Employees Credit.
- Safety Seminar Credit Certain criteria apply.
- Royal SunAlliance Employee Program Credit.
- Coverage C Relativities – Form HO-6, credit varies.
- Home Buyer Credit.
- HE-7 Factor Deviation.
- Installment Payments.
- Eff 9-21-08 PC118029 North Carolina Department of Insurance

136. **Platte River Insurance Company**
- Age of Dwelling
- Account Credit Program: 15% discount when insured has coverage for both auto & HO policies through UIC.
- Preferred Homeowners Credit: 0% - 23% Credit by territory, pPC, construction type: Other criteria apply.
- Revitalized Home Credit for dwellings 25 yrs. or older if certain criteria is met.
- Deductible Credits: Forms 3, 4, & 6.
- Base Premium Discount for Form 6: A factor of .80 applies.
- Protective Device Credits: All Forms: Credit varies 1% - 15%.
- Replacement Cost on Contents: Forms 3, 4, & 6: Minimum premium does not apply.
- Additional Limits of Liability for Coverages A, B, C, & D: Form 3: 6% credit when certain options are selected.
- Pers Prop Replacement Cost: Form 3: 5% of base prem with min prem waived when certain options are selected.
- Personal Injury: Form 3: Charge waived if certain coverages and options are selected.
- Water Back-Up of Sewers or Drains: Form 3: Charge waived if certain coverages and options are selected.
- Credit Card, Fund Transfer Card, Forgery & Counterfeit: Form 3: Charge waived if certain coverages and options are selected.
- Special Computer Coverages: Form 3: Charge waived if certain coverages and options are selected.
- Coverage C Increased Special Limits of Liability: Form 3: Charge waived if certain coverages and options are selected.
- Fire Department Service Charge: Form 3: Increased to $1000 in lieu of $500 if certain coverages and options are selected.
- Form 3: Coverage D Increased to 30% of Coverage A will be deleted if certain coverages & increased limits options are selected.
- Form 3: Coverage A Relativities Deviation.
- Form 3: Ordinance or Law will be 4% of base premium if certain coverages & increased limits options are selected.
- Form 3: The charge for Refrigerated Property Coverage will be deleted if certain coverages & increased limits options are selected.
- Eff.10-1-99

137. **Providence Washington Insurance Company**
- Forms 2 & 3: Deviation by territory, Coverage A amount & protection class: Credit varies.
- All Forms, except 4 & 6: New Home Credit: 1 to 20 yrs. old: Credit varies 1% to 20%.
- All Forms, except 4 & 6: Deductible credits: $500 - 10%; $1000 - 17%; $2500 - 25%.
- Protective Devices for all protection classes & territories: Credits vary 1%-15%.
- Forms 2, 3 & 6: 15% Multiple Policy Credit when Providence Washington writes auto & homeowner.
- Waiver of Premium: $5 or less.

- Personal Property Replacement Cost: Minimum charge not applicable.
- Eff. 4/18/00 PC033008 North Carolina Department of Insurance

138. **Republic Insurance Company**
- All Forms: Personal Property Replacement Cost Coverage; Minimum additional premium for coverage is deleted.
- All Forms: Protective Devices; Maximum credit allowed is deleted.
- All Forms, except 4 & 6: Fixed dollar amount deductible credits: $500-9%; $1000-17%; $2500-25%.
- Eff. 4-1-95

139. **Response Worldwide Insurance Company**
- Protective Devices Discount: 3% for deadbolt locks on all main doors & fire extinguishers in house.
- Forms 1, 2, 3 & 3w/15: Deductible Credits; $500 - 12%; $1000 - 24%; $2500 - 36%.
- Forms 4 & 6: Deductible Credits; $500 - 17%; $1000 - 30%; $2500 - 37%.
- Replacement or Repair Cost Protection (HO-500); Waive $5 charge.
- Forms 4 & 6: 10% deviation.
- Forms 4 & 6: Personal Property (Coverage C) Replacement Cost: 1.30 factor applies.
- Eff. 1-15-95

140. **Safeco Insurance Company of America**
- Deductible Debit/Credits. Credit varies.
- Renewal Credit: all forms Certain criteria apply.
- Account Credit: all forms Certain criteria apply.
- Credit Card, fund transfer card, forgery and counterfeit money coverage (HO 04 53): charge for $1,000 is deleted.
- Medical Payments/Other Exposures/Higher Limits Deviation: all forms.
- Other Insured Locations Occupied by Insured: 2 family house will be charged as a 1 family house
- Outboard Motor & Watercraft Liability Deviation.
- Special Personal Property Coverage – Coverage C (HO32 35)
- Market Tier Relativities
- Employee Discount Plan
- Base Rate Deviations
- HE 00 007 w/HE-21.
- Eff.3-8-07 PC099325 North Carolina Department of Insurance

141. **Safeco Insurance Company of Indiana**
- Form 3: Preferred Business; 25% off Bureau rates when eligibility guidelines are met.
- Form 3: Standard Business; 5% off Bureau rates when eligibility guidelines are met.
- Form 6: 17% off Bureau rates when eligibility guidelines are met.
- Form 3: Preferred Business; Guaranteed Replacement Cost Coverage A charged waived.
- Form 3: New Home Credit; During calendar yr. - 10%; 1% additional credit each added yr. to 9th yr
- Eff. 2-15-95

142. **Safeguard Insurance Company**
- Additional Amounts of Insurance: Forms HO 00 02 HO 00 03 $8 per policy.
- Protective Devices: Credits vary 2%-15%.
- Deductible Credits: Credit varies by form & deductible amount.
- Personal Property (Coverage C) Replacement Cost Coverage: Forms 2 & 3 - Coverage A amount under $100000 - 11% surcharge; $100000 & over - 8% surcharge: Forms 4 & 6 - 40% surcharge.
- Preferred Customer Renewal Credit: 5% credit: Certain criteria must be met.
- Discount for Eligible Employees: 20% credit to total homeowners policy premium.
- Homeowners Enhancement Program: 1.25 factor applies to base premium.
- Companion Policy Credit: 8% if auto coverage is afforded in any member Company of Royal & SunAlliance Insurance.
- Installment Payment Plan waived for employees.
- Installment Payment Plan: Policies billed by agent through account current payroll deduction program are not subject to installment fees.
- Electronic Funds Transfer Deviation: $1 charge per transfer.
- Coverage A Discount by Amount of Insurance & Territory: Preferred Program: Credit varies 0% - 15%.
- Coverage A Discount by Amount of Insurance & Territory: Super Preferred Program: Credit varies 0% - 17%.
- Preferred Program Deviation by Forms Off Standard Rates - credit varies by territory.
- Super Preferred Program Deviation by Forms Off Standard Rates – Credit varies by territory.
- 10% Group Mass Marketing Discount: Certain criteria apply.
- Company Deviation of 9%.
- New Home Discount/Age of Dwelling Credit: New to 10 yrs. old - 2% to 20% credit.
- Eff. 08-15-03 PC071716 North Carolina Department of Insurance

143. **St. Paul Fire & Marine Insurance Company**
- Forms 1, 2, 3 & 3 w/15: New Home Discount: Yr. of construction; 0-1 yr. of age - 15%; 2-3 yrs. - 13%; 4-5 yrs. - 11%; 6-7 yrs. - 9%; 8-9 yrs. - 7%; 10-11 yrs. - 5%; 12-15 yrs. - 3%.
- Forms 1, 2, 3 & 3 w/15: Personal Property Replacement Cost; No charge for Cov C increase from 50% to 70%.
- Forms 4 & 6: 30% surcharge to basic premium (after higher deductible credit) & for attaching HO-50.
- All Forms: Minimum premium $15 per policy.
- Eff. 9/23/92

144. **St. Paul Guardian Insurance Company**
- Operation Identification Credit: 5% rate credit on Basic Homeowners Insurance Premium.
- New Home Discount: 0-1 yr.-18%; 2-3 yrs -15%; 4-5 yrs.-10%; 6-7 yrs -8%; 8-9 yrs -7%; 10-11 yrs.-5%; 12-15 yrs.-3%.
- Personal Injury Protection (Form HO-82) provided at no additional charge.
- Forms 3, 3 w/15, 4, 6, HE-7 & HE-7w/HE20: Deductible credits: $500 - 11%; $1000 - 23%; $2500 - 37%.
- Form 6: 14.5% off St. Paul Guardian HO-4 rates.
- Form 3: Deviation on policy amount Relativities by territory; Variable credits.
- Form 4: Deviation on base rates by territory; Variable credits.
- Forms 4 & 6: Deviation on policy amount Relativities by territory; Variable credits.
- Form 3: Replacement or repair cost Coverage A (HO-500) provided at no charge.
- Protective Devices Credit & Home Safety Coverage Credits.
- Business Pursuits Section II coverage: All classifications will be rated same as rate shown for clerical employees.
- Water Craft: Same charge applies for lengths over 15 - 26 feet & over151 horsepower as to lengths up to 15 feet & below 151 horsepower.
- Home Day Care: Rated at Bureau rates for Permitted Incidental Occupancies (HO-42).
- Forms 3, 3w/15, 4 & 6: Pers prop replacement cost (HO-290) coverage is provided at no additional charge.
- Homeowners PAK II Credit: Forms 3, 4, 6 & HE-7; 10% when insured qualifies for PAK II Program for terr 32 - 43.
- Base premiums for HE-7 policies: No additional charge.
- Base premium for HE-7w/HE-20 policies: +2.0% above St. Paul Guardian HO-3 rates.
- Base premium for HE-7w/HE-21 policies: +4.0% above St. Paul Guardian HO-3 rates.
- Renewal Credit: Premium credit when insured or spouse has maintained consecutive yrs. of both auto & homeowners coverage with the St. Paul, 3-5 yrs. Credit varies 3%-5%.
- Forms 3 & 3w/15: Personal property increase limits; $1 per $1000 of insurance.
- Installment Payment Plan: $2 charge each installment unless Electronic Funds Transfer billing option is selected, then no charge.
- Employee Discount: 20% new business: 15% renewals.
- Eff. 3-1-00

145. **St. Paul Mercury Insurance Company**
- Operation Identification Credit: 5%.
- New Home Discount: 0-1 yr. - 15%; 2-3 yrs. - 13%; 4-5 yrs. - 11%; 6-7yrs. -9%; 8-9 yrs. -7%; 10-11 yrs. -5%; 12-15 yrs. -3%.
- Personal Injury Protection (HO-82) provided at no additional charge.
- Personal Property Replacement Cost (HO-290) coverage is provided at no additional charge.
- Forms 3, 3 w/15, 4 & 6: Deductible credits; $500 - 11%; $1000 - 23%; $2500 - 37%.
- HO-6: 15% on Companies HO-4 rates.
- HO-3: Deviation on base rates by territory; Credit varies 15.5% - 37.2%.
- Form 4: Deviation on base rates by territory; Credit varies 16.0% - 29.6%.
- Forms 4 & 6: Deviation on policy amount Relativities by territory; Credit varies 0.1% - 3.1%.
- Form 3: Replacement or repair cost Coverage A (HO-500) provided at no charge.
- Protective Devices Credit & Home Safety Coverage Credits.
- Business Pursuits Section II Coverage: All classifications will be rated same as rate shown for clerical employees.
- Water Craft: Same charge apply for lengths over 15-26 ft. & over 151 horsepower as to lengths up to 15 ft. & below 151 horsepower.
- Home Day Care: Rated at Bureau rates for Permitted Incidental Occupancies (HO-42).
- Installment Payment Plan: $2 charges each installment.
- Eff. 3-1-95

146. **Seaton Insurance Company**
- Form 3: Credits vary by protection class, & Coverage A dwelling amounts; Coverage A amount under $40000 - $1000000 & & over. Credit varies 0% - 19% based on territory.
- Form 3: Personal Property Replacement Cost; Delete 5% surcharge.
- Form 6: 19% to be applied to base rate of 10% off Form HO-4.
- Form 3: Fixed Dollar Amount Deductibles Credits; $500-9%; $1000-17%; $2500-25%.
- Forms 4 & 6: $500-10%; $1000-23%; $2500-37%.
- Form 3: New Home Credit; Current yr. - 20%; 2% less credit each added year.
- Personal Property Coverage C increased limits: Form 3; $1; Form 3w/15 - $2.

- Protection Device Credit: 5% in all territories & protection classes for an installed smoke detector, fire extinguisher & dead bolt locks.
- Reduced rates for Outboard Motors & Water Craft liability.
- Forms 3, 4 & 6: Personal Injury Coverage; HO-82 included at no charge.
- Form 3: Deviation of territorial relativities varies 0.0% - 15.8%.
- Form 4: 5% credit off base rates.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Surcharge reduced from 1.40 to 1.30.
- Eff. 6-13-94

147.**Select Insurance Company**
- Forms 1, 2, 3 & 3 w/15: 15%.
- Eff. 2/8/86

148.**Selective Insurance Company of South Carolina**
- Forms 4 & 6: 25%.
- Forms 1, 2, 3 & 3w/15: Replacement Cost on Personal Property; Delete 5% surcharge.
- Forms 4 & 6: Replacement Cost Personal Property; Annual add'l prem. shall be $1 per $1000 of ins. applied to Coverage C.
- Protective Devices Credit: Factors vary .85 to .98.
- All Forms, except 4 & 6: Fixed dollar amount deductible factors; $500 - .85; $1000 - .80; $2500 - .70.
- Amount of Insurance Deviation: $60000 - $l40000: Credit varies 0%-25%.
- Age of Dwelling Credits: New 20%; 1 yr. old 18%; 2% less credit each added yr. through 9th yr.
- Eff. 5/1/92

149.**Selective Insurance Company of the Southeast**
- Credit for protective devices: Factors vary .85 to .98.
- Forms 1, 2, 3, & 3 w/15: Replacement cost on personal property; Delete 5% surcharge.
- Forms 4 & 6: Charge an annual additional premium of $1 per $1000 of insurance applied to Coverage C. Minimum limit of Coverage is $12000.
- All Forms, except HO 4 & HO 6: Fixed dollar amount deductible factors; $500 - .85; $1000 - .80; $2500 - .70.
- Amount of Insurance Deviation: $20000 - $75000; Credits vary 3.0% - 10.0%.
- Eff. 5-1-92

150.**Sentry Insurance A Mutual Company**
- All Forms, except 4 & 6: Fixed dollar amount ded; Factors for Cov A limits: $500 ded. - .91; $1000 ded. - .79; $2500 ded. - .62.
- Eff. 11-1-96

151.**Service Insurance Company**
- Year of Construction Deviation by territory: Credit varies 3% - 30%.
- Deviation for Masonry Construction by protection class: Credit varies.
- Form 3: 10% Base Deviation by territory.
- Claim Free Credit: 5% applied to base premium:Not available in terr 5,6,42,43. Certain criteria apply.
- Mature Homeowner Credit: 5% credit by territory: Certain criteria apply.
- Gated Community Credit: 5% credit by territory: Certain criteria apply.
- Form 3: Increased Limit of Personal Property: $1 per 1000.
- Windstorm or Hail Deductible Deviation: Credit varies.
- Key Premium Factors Deviation.
- 2% Protective Device Credit for auto smoke detectors, fire extinguishers & deadbolt locks on all exterior doors.
- Maximum Allowable Credit – The maximum allowable credit for newly constructed dwellings, gated community, and claim free combined, is limited to 30%.
- Auto Companion Credit: 4% credit when criteria are met.
- Deductible Credit Discounts.
- Percent Windstorm or Hail Deductibles Deviation.
- HO-6 Base Class Premium; Credit varies based on territories.
- HO-6 Protection-Construction factor deviation.
- HO-6 Key Premium Factor Deviation.
- Eff. 6-1-03 PC061674 North Carolina Department of Insurance

152.**South Carolina Insurance Company**
- All Forms: 10% credit off base premium.
- Forms 1, 2 & 3: New Home Credit; I6% current calendar yr. - 2% less credit for each yr. preceding current calendar yr.
- Flat Deductible Credits: All forms, except 4 & 6; $500-9%; $1000-17%; $2500-25%.
- All Forms: Protective Device Credits: Special Fire & Theft Package - 5% credit.
- All Forms: Account credit: 10% applies to HO policy when personal auto coverage or flood coverage is written on primary

residence with any of the Seibels Bruce Companies.
- All Forms, except Form 4: 5% Senior Citizens Credit when required criteria are met.
- All Forms: Credits vary based upon renewal criteria.
- Forms 4 & 6: 10% deviation.
- All Forms: Deviation by policy amount of insurance; $10000 - $86000 & above: Credit varies 0% - 26.4%.
- Guaranteed Replacement Cost: Endorsement HO-500; Building replacement or repair cost protection; $1 charge.
- Forms 3 & 3w/15: 10% deviation.
- Form 3: Deviation by policy amount of insurance; $10000 - $111000 & above: Credit varies 0% - 27.0%.
- All Forms: Personal Property Replacement Cost including an increase in contents to 70% of Coverage A provided for no charge.
- Forms 3 & 3w/15: Increase in Coverage C; $1 per $1000.
- Guaranteed Replacement Cost HO-500: Coverage A provided for no charge.
- Forms 3 & 3w/15: Windstorm or Hail Exclusion; Beach territory only; $75 premium credit.
- Personal Injury Coverage provided for no charge.
- Eff. 6/1/99

153. **Southern Guaranty Insurance Company**
- Form 3 & HE-7: Deviation by Territorial Relativities.
- Form 4: Deviation by Territorial Relativities.
- Form 6: Deviation by Territorial Relativities.
- Form 3 & HE-7: Amount of Insurance Deviation.
- Form 3 & HE-7: New Home Credit; 1 yr. - 18%; 2% less credit each added yr. to 9th yr.
- All Forms, except 4 & 6: Deductible Credits; $500-.91; $1000-.83; $2500-.75. Forms 4 & 6: $500-.90; $1000-.77; $2500-.63.
- Forms 4 & 6: Personal Property (Coverage C) Replacement Cost Coverage; Factor 1.30 from 1.40.
- Reduced charge for Personal Property Increased Limits: Form 3 - $1; Form 3w/15 - $2.
- Reduced rates for Outboard & Water Craft Liability.
- Forms 3, 4 & 6: Personal Injury Coverage at no charge.
- Form 3 & HE-7: Exceptional Homeowner: 10% credit when criteria are met.
- Protective Devices Credit: Credit varies.
- Multi-Policy Credit: 5% credit applies when insured has personal auto & homeowners with Southern Guaranty Insurance Company.
- Eff. 1-1-01 PC038720 North Carolina Department of Insurance

154. **Southern Insurance Company of Virgina**
- Territory Deviation; for form HO 00 03 Credit varies.
- Optional Deductible Credits: Change in credit for increasing the deductibles based on Coverage A limit.
- Protective Device Credits Combined – credit varies.
- Additional Amounts of Insurance – form HO 02 and HO 03 - HO 32 11 Factor of 1.02
- Personal Property Replacement Cost HO 03 use factor of 1.02.
- Persoanl Property Replacement Cost HO 04 and HO 06 use factor of 1.35.
- Age of dwelling credit – 20% for homes completed in current calendar year, decreasing 2% each preceding year.
- Outboard Motors and Watercraft reduced rates.
- HE-7 Program – 10% discount for HO 03 written with HE-7 w/20 or HE-7 w/21.
- Eff 12-1-03 PC 065261 PC065262

155. **Southern Pilot Insurance Company**
- Deviation by Territorial Relativities (HO-3 and HE-7).
- Deviation by Territorial Relativities (HO-4)
- Deviation by Territorial Relativities (HO-6).
- Amount of Insurance Deviation (HO-3 and HE-7).
- New Home Credits
- Deductible Credits.
- Reduced Surcharge for Personal Property (Coverage C) Replacement Cost Coverage.
- Reduced Charge for Personal Property Increased Limits.
- Reduced Rates for Outboard Motors and Watercraft Liability.
- Personal Injury Coverage At No Charge.
- Deviation for Exceptional Homeowner (HO-3 and HE-7).
- Protective Devices Credit.
- Deviation for Multi-Policy Credit.
- HE-7 Level of Enhancement Factor.
- Eff. 08-01-05 PC083567 Filing Detail

156. **Standard Fire Insurance Company**
- Base Rate Deviation Dwelling.

- Coverage A Relativities forms HO 2, HO 3.
- Coverage A Relativities form HE 7.
- Protective Device Deviation
- Deductible Credits all forms varies by deductible amount and coverage Limit.
- Personal Property - Increased Limit Coverage C:
- Personal Property - Refrigerated Personal Property.
- Account Credit
- Loss Free Customer Credit
- Inflation Guard: Premium charge waived.
- Safety Seminar Credit: Certain criteria apply
- Home Buyer Credit
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff. 9-21-08 PC118027 North Carolina Department of Insurance

157. **State Automobile Mutual Insurance Company**

- Deductible Credits
- Auto/Home Discount
- Credits for Protective Devices
- Age of Dwelling Credit
- Replacement Cost of contents for forms HO 00 03 and HO 00 05
- Additional Limits of Liability HO 32 11
- Increased Coverage C
- Form HO 00 05
- Protection Class 9 Rates
- Prime of Life Discount, Age 55 and older
- Windstorm or Hail Deductibles
- Townhouse /rowhouse
- Three or Four Family Dwellings
- Residence Held in Trust
- Base Premiums
- Windstorm or Hail Exclusion Credits
- Ordinance or Law Coverage
- Eff 5-29-07 PC103347 North Carolina Department of Insurance

158. **State Auto Property & Casualty Insurance Company**

- Deductibles credits.
- Auto/Home deviation
- Credits for Protective Devices.
- Age of Dwelling Deviation: New - 9 yrs.: Credit varies
- Replacement Cost Coverage HO 3 and HO 5 if provided Coverage C is increased to 70% of Coverage A at no additional charge. No charge for RC contents under Home Defender Program.
- Additional Limits of Liability – Guaranteed Replacement Cost on Dwelling.
- Coverage C Increase: HO 3 $1 per $1000: Form HO 5 $2 per $1000.
- Form HO 5: Optional at +10% charge.
- Protection Class 9 Rates: Discount for homes within 5 miles of a responding Fire Department & within 1000 feet of fire hydrant.
- Prime of Life Discount: Homeowners All Forms, except HO 4: Age 55 & over -10%: Coverage C is at least $20,000.
- Windstorm or Hail Deductible. Variable Credits.
- Townhouse/rowhouse
- Three or four family dwellings
- Residence held in trust.
- Ordinance or Law Coverage.
- Eff. 5-29-08 PC114663 North Carolina Department of Insurance

159. **State Capital Insurance Company**

- Fixed dollar amount deductibles, all forms credits vary.
- Deductible factors forms 4 and 6 credits vary.
- Personal Property Increase Limits – Forms 2, 3, HE-7 & HE-7 with HE-20 factor is .50 per $1000, HO 3 w/15 is $2 per $1000.
- Company deviation based on territory & coverage A amount, credit varies.
- New Home Discount – Credit varies by year constructed.
- Protective device credits, all forms, credit varies by territory and protection class.
- Outboard motors & Water Craft- Liability rates amended by boat length.
- Protection/Construction Relativity Deviation.

- Windstorm or Hail Deductible Deviation – credit varies.
- Dwelling Basic and Increased Limits and Special Coverage Form 6 Limit $5000.
- Personal Property Replacement Cost Coverage: all forms
- Ordiance or Law Coverage deviation by factors.
- Three or four family residence: Coverage B&C deviation.
- Installment Payment Plan charge waived.
- Account Credit 5% when named insured has auto policy with the Highlands Ins Group.
- Eff 6-1-99

160.**State Farm Fire & Casualty**
- Deviation by Amount of Insurance and Territory: Variable credits.
- Deviation by Amount of Insurance HO 00 04.
- Deviation by Amount of Insurance HO 00 06.
- Three and Four Family
- Townhouse/Rowhouse – The charges for Townhouses/Rowhouses in buildings with more than 2 units per fire division do not apply.
- Wind/Hail Deductible Credits – Credit varies per territory.
- Residence Premises-Basic and Increased Limits.
- Other insured Location Occupied by Insured.
- Additional residence rented to Others.
- Jewelry and Furs.
- Replacement Cost on contents forms HO 00 04 or HO 00 06.
- Ordinance or Law Coverage.
- Rental condominiums, HO 00 06.
- Coverage A Increased limits & Special Coverage Form 6; Basic coverage rate per $1000 increase $3.70; Special coverage additional premium waived.
- Homeowners 36 Discount: Consecutive yrs. insured with State Farm credit varies.
- Installment Payment Plan: $2 charge. if monthly installment made by electronic funds transfer and a monthly bill notice is requested or $1 per month if no printed notice is requested.
- Refrigerated Personal Property, No Charge.
- Home-Auto Discount for all territories, except 5 & 6. Policyholders that have a Form 3,4 or 6 policy and a voluntary State Farm auto policy will receive a 2% credit that applies to the Homeowners Program premium.
- Hurricane Percentage Deductibles: Applies to the $250 Deductible basic premium
- All peril deductibles – HO 00 04.
- All peril deductibles – HO 00 06
- All peril deductibles – HO 00 03.
- Customer Rating Index.
- Eff.10-1-07 PC102542 North Carolina Department of Insurance

161.**Stonington Insurance Company**
- Mature Retirees Credit: 10% when required criteria are met.
- All Forms: 10% base rate deviation for protection class 1-9 & 9s for territories 32-40.
- New Roof Credit: 5% off base premium when eligibility met; Not applicable with new home credit.
- Form 3: 10% credit Preferred Homeowners Program when criteria are met.
- Loss Free Renewal Credit: Applied to renewal date of policy that has been free of losses: 1 yr. - 3%; 2 yrs. - 6%; 3+ more yrs. - 9%.
- Multi-Policy Credit: 10% applies to new business only when applicant has auto with agency representing Nobel & their homeowners coverage is placed with Nobel. 5% credit applies second yr.
- Eff. 6-1-99

162.**Teachers Insurance Company**
- Amount of insurance deviation based on Coverage A amount & territory: Form ML-3 & Masters Program: Variable credits.
- Protection Device Credits: Classes 1-9: Credits vary 1% - 15%.
- 2% credit on Form 3 if insured 100% to value with Inflation Guard Endorsement attached.
- New Home Credit: 0 - 10 yrs. of age: Form 3 & Masters Program:Credit varies 2% - 10%.
- Territorial Deviations for tenant and Condominium Base Rates 8%.
- Waive $3.00 installment fee on each installment except the initial down payment for Forms 3, 4, 6 and Masters Program.
- Deductible Credits for Form 3 and Masters Program: Ded credit varies.
- Auto/Home Client Discount: Form 3 & Master Program: Variable credit when criteria are met.
- Deductible Credits: Form ML 4 & 6.
- Master Program: Additional coverages included at no additional premium charge.
- 2% credit if insured has a Federal Flood Insurance policy placed with Co. or the flood insurance replacement program.
- Downward deviation on earthquake.
- Downward deviation for silverware, goldware & pewterware.

- Downward deviation for refrigerated food spoilage. $5 per policy.
- Downward deviation for tenant's improvement - Increased Limits.
- Coverage A Options - Form 6 - $3 per $1000 of insurance.
- Additional Resdience Premises - Rented to Others.
- Private Structures rented to Others.
- Coverage Amount Deviations for Forms 4 & 6: Deviations vary.
- Masters Program: Deviation by Credit Rating Tier
- Eff. 8/1/05 PC082795 Filing Detail

163. **Travelers Casualty & Surety Company**
- Base Rate Deviation for Dwellings.
- Base Rate Deviation Condos: Credit varies.
- Coverage A Relativities forms HO 2 and HO 3.
- Coverage A Relativities form HE 7.
- Protective Device Deviation: Credits vary.
- Deductible Credits: Varies by amount of deductible.
- Personal Property - Increased Limit Coverage C:
- Personal Property - Refrigerated Personal Property.
- Account Credit.
- Loss Free Customer Credit
- Installment Payment Plan.
- Safety Seminar Credit: Certain criteria apply.
- Coverage C Relativity Curve – HO-6 Credit varies.
- Home Buyer credit.
- HE-7 Factor Deviation.
- Protective Devices.
- Eff 9-21-08 PC118028 North Carolina Department of Insurance

164. **Travelers Indemnity Company**
- Protective Device Deviation: Credit varies.
- Deductible Credits all forms: Varies by amount of deductible.
- Personal Property - Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property.
- Account Credit.
- Safety Seminar Credit: Certain criteria apply.
- Home Buyer Credit
- HE-7 Factor Deviation.
- Installment Payments.
- Eff 9-21-08 PC118025 North Carolina Department of Insurance

165. **Travelers Indemnity Company of America**
- Base Rate Deviation Dwellings.
- Base Rate Deviation Condos.
- Coverage A Relativities forms HO 2, HO 3.
- Coverage A Relativities form HE 7.
- Protection Device Deviation: Credit varies
- Deductible Credits: Varies by amount of deductible and coverage amount.
- Personal Property - Increased Limit Coverage C:
- Personal Property - Refrigerated Personal Property.
- Account Credit.
- Loss Free Customer Credit
- Multi-Line Insurance & Financial Services Institution Employees Credit
- Final Premium Adjustment factor.
- Safety Seminar Credit.
- Royal SunAlliance Employee Program Credit
- Coverage C Relativity Curve – HO-6 Credit Varies.
- Home Buyer credit.
- HE-7 Factor Deviation.
- Installment Payments.
- Eff 9-21-08 PC118030 North Carolina Department of Insurance

166. **Travelers Indemnity Company of Connecticut**
- Forms 3 & 3w/15: Base rate deviation based on protection class, amount of insurance & territory; Variable credit factors.
- Form 3: 12% optional coverage credit.

- Forms 3 & 3w15: Deductible credits; $500-16%; $1000-26%; $2500-32%.
- Protective Device Credits: Variable credits.
- Increased Limits Coverage C: Reduce charge to $2 per $1000.
- New Home Credit: New - 20%; 1 yr. old - 19%; 2 yrs. 18%; 3 yrs. - 16%; 4 yrs. - 15% - 14%; 6 yrs. - 12%; 7 yrs. - 11%; 8 yrs. - 10%; 9 yrs. - 8%; 10 yrs. - 7%; 11 yrs. - 6%; 12 yrs. - 4%; 13 yrs. - 3%; 14 yrs. - 2%; 15 yrs. - 1%.
- Replacement or Repair Cost Protection: Reduce charge to $1 per policy.
- Account Discount: 10% when insured has both auto & homeowners policy.
- Forms 3 & 3w/15: Loss Free Credit; 3+ yrs. loss free - 3% credit.
- Rate Credit for Multi-Line Insurance & Financial Services Institution Employees Credit: 20% credit.
- Eff. 11-1-96

167. **Travelers Property Casualty Company of America**

- Base Rate Deviation: Credit varies based on territory.
- New Home Credit: 0 - 15 yrs. old: Credit varies 2% - 20%.
- Protective Device Deviation: Credit varies 1% - 15%.
- Forms 2, 3 & 3w15, 4 & 6: 10% Account Credit.
- Forms 2, 3 & 3w15: Personal Property - Increased Limit Coverage C: $1 per $1000.
- Form 3w/15: 10% Additional premium charge.
- Forms 2, 3, 3/w15, 4 & 6: Loss Free Credit: 5+ yrs. loss free - 5% credit.
- Deductible Credits: Varies by amount of deductible & territory.
- Form 3: Homeowners Extra Credit: 15% when criteria are met.
- Refrigerated Personal Property. $10 charge waived.
- Forms 3 & 6: Association Credit Program: 10% credit applies when certain criteria are met.
- Forms 2 & 3: Inflation Guard premium charge waived.
- Eff. 5-21-00 PC032643 North Carolina Department of Insurance

168. **Travelers Personal Security Insurance Company**

- Base rate deviation is for dwelling only. Credit varies.
- Coverage A Relativities based on Coverage A amount & territory forms HO 2 and HO 3.
- Protective Device Deviation: Credit varies
- Deductible Credits all forms: Varies by amount of deductible.
- Personal Property - Increased Limit Coverage C.
- Refrigerated Personal Property.
- Account Credit.
- Loss Free Customer Credit.
- Multi-Line Insurance and Financial Services Institution Employees Credit
- Final Premium Adjustment factor.
- Safety Seminar Credit: Certain criteria apply.
- Royal SunAlliance Employee Program Credit.
- Home Buyer Credit.
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff 6-9-08 PC115294 North Carolina Department of Insurance

169. **Twin City Fire Insurance Company**

- Age of Dwelling Credit for all territories except 5, 6, 41, 42, and 43.
- Account Credit for all territories.
- Retiree Credit, named insured is age 50 or older.
- Limited Access Credit-Forms HO 00 04 and HO 00 06 is protected 24 hours a day.
- Product Factor- Forms HO 00 04 and HO 00 06.
- Retirement community/Limited Access community Credit.
- Key Factor for Premier, CCRL and Elite.
- Eff. 6-3-08 PC115025 North Carolina Department of Insurance

170. **Unigard Indemnity Company & Unigard Insurance Company**

- Form 3: Credits vary by protection class & Coverage A dwelling amounts; $40000 & under to $1000000 & over. Credit varies based on territory.
- Form 3: Personal Property Replacement Cost; Delete 5% surcharge.
- Form 6: 16% to be applied to base rate of 10% off Form 4.
- Form 3: Fixed dollar amount deductibles credits; $500-9%; $1000-17%; $2500-25%.
- Forms 4 & 6: $500-l0%; $1000-23%; $2500-37%.
- Form 3: New Home Credit; Current yr. - 20%; 2% less credit each added yr.
- Personal Property Coverage C Increased Limits: Form 3 - $1; Form 3w/15 - $2.
- Protection Device Credit: 5% in all territories & protection classes for an installed smoke detector, fire extinguisher & dead

bolt locks.

- Reduced rates for Outboard Motors & Water Craft liability.
- Forms 3, 4 & 6: Personal Injury Coverage; HO-82 included at no charge.
- Form 3: Deviation of territorial Relativities: Credit varies 5.0% - 20.0%.
- Form 4: Credit off base rates by territory; Credit varies 3.5% - 10.0%.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Surcharge reduced from 1.40 to 1.30.
- Forms 4 & 6: Deviation varies by protection class & territory.
- Eff. 10-3-94

171.**Union Insurance Company**

- Protective Device Credit: Credit varies 2% - 15%.
- All Forms: Account Credit: 10% when auto coverage is written with Union Ins. Co.
- Form 3: New Home/Dwelling Under Construction Discount: Discount based on yr. completed & occupied. Credit varies.
- 3% - 20%.
- Mature Homeowner Credit: 5% if insured is 55 yrs. & an adult is usually home during the day.
- All Forms, except 4 & 6: Replacement cost on contents. $10 charge plus $2 per $1000 when increasing Coverage C from 50% to 70% of Coverage A.
- Increased Deductible Credits: Forms 3, HE-7, 4 & 6; $500-19%; $1000-21%.
- Form 3: Coverage A Factor Deviation by amount & territory.
- Eff. 7-1-01

172.**United Services Automobile Association**

- Year of Construction – Newly constructed Dwellings.
- Personal Property-Additional Coverage Jewelry and Furs
- Personal Property – Increased Limit
- Base premium Computation HO 00 06 by territory/county
- Deviation by Territory/County – Form HO 00 03
- Sinkhole collapse Coverage
- Installment Payment Plan, no charge
- Protective Device
- Deductibles (Form HO 00 03)
- Ordinance or Law-all Forms and Rule 513. Ordinance or Law Increased Amount of Coverage – HO 00 06
- Coverage A Dwelling Basic and Increased Limits and Special Coverage- HO 00 06.
- Refrigerated Personal Property
- Other Structures
- Windstorm or Hail Exclusion – Territories 05, 06, 42, and 43 (form HO 00 03)
- Tier Discount, Form HO 00 03 and HO 00 06.
- Base Premium computation, Protection/construction factors.
- Eff:9-1-07 PC104506 North Carolina Department of Insurance

173.**United States Fidelity & Guaranty Company**

- Waive any additional premium of $5 or less.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; 1.35 factor.
- Increase in Coverage C limits: Forms 1, 2 & 3 - $1.50 per $1000; Form 3w15 - $2.50 per $1000.
- Form 6: Form Relativity Factor .800 in lieu of .855.
- Employee Group Discount: 15%.
- Forms 2 & 3: Additional Amount of Insurance. Premium charge $5. HO 03211.
- Special Package Discount. 5% when criteria is met.
- Forms 2, 3, 3w/15 & 8: Deductible Credits.
- Multi-Policy Discount: 10% credit when both Residential & P P Auto policies purchased through USF&G Insurance.
- New Home Discount: 1 yr.-20%; 2% less credit to 9th yr.
- Deviation of HO-3 base rates by territory & policy amount: Credits vary.
- Eff. 4-15-00 PC030952 North Carolina Department of Insurance

174.**United States Fire Insurance Company**

- Forms 2, 3, & 3 w/15: New Home Credit; 0-1 yr. old - 20%; 2% less credit each added yr.
- Forms 1, 2, 3 & 3 w/15: Higher deductible credit factors; $500-.89; $1000-.80; $2500-.67.
- Forms 4 & 6: Higher deductible credit factors; $500 - .83; $1000 - .67; $2500 - .54
- Premises Alarm System: Expand table of credits for protection class 1-7 to include class 8.
- All Forms: Replacement Cost on Contents: Deletion of $20 minimum additional premium.
- Eff. 3/1/90

175. **Unitrin Auto and Home Insurance Company**
- Territorial Deviations, Rule A10.A., Pricing Levels A thru S Only, All Forms
- Price Level Deviation, Rule A10.A, HO 00 03, HO 00 05.
- Price Level Deviation HO 00 04.
- Price Level Deviation HO 00 06.
- Mature Homeowners Credit, Rule A10.B, Pricing Levels A thru S.
- Consumer Loyalty Credit, Rule A10.A, HO 00 03, HO 00 04, HO 00 05, HO 00 06, and HE 00 07
- Personal Property (Coverage C) Replacement Cost Coverage, HO 00 03, HO 00 05, Price Levels A thru S
- Optional Higher Deductibles, Rule A10.A (Rule 406) All Forms except HO 00 04 and HO 00 06, Price Levels A thru S.
- New Home Discount, Rule A10.C, HO 00 03, HO 00 05 or HE 00 07, Pricing Levels A thru S.
- Credit Card, Fund Transfer Card Forgery and Counterfeit Money, Rule A10.A (Rule 504.), Package Plus Only.
- Outboard Motors and Watercraft, Rule A10.A (Rule 612), Package Plus.
- Personal Injury, Rule A10.A, (Rule 610.), Package Plus.
- Blanket Property Limit Rule, Rule A10.A, Package Plus, One or Two family residences.
- Special Personal Property Coverage-HO 00 06, Rule A10.A (Rule 304.).
- Refrigerated Property, Rule A10A., (Rule 515.), Package Plus
- Ordinance or Law Coverage-HO 00 03-Package Plus, Rule A10A. (Rule 303.) and HO 00 05
- Network Discount
- HE 00 07 Policy Factors, Rule A10.A, Pricing Levels A thru S
- Deferred Premium Payment Plans, Rule A10.A (Rule 22), Electronic Funds Transfer (EFT), no charge for installments
- Personal Property, Rule A10.A (Rule 515), Pricing Levels A thru Z, Package Plus
- Amount of Insurance Factor, HO 00 03
- Protective Devices, Rule A10.C (Rule 404.)
- Price Level Deviation HO 00 07.
- Coastal Wind Credit.
- Eff 7-1-08 PC116493 North Carolina Department of Insurance

176. **USAA CASUALTY INSURANCE COMPANY**
- Year of Construction-Newly Constructed Dwelling
- Personal Property-Additional Coverage - Jewelry and Furs
- Personal Property - Increased Limit
- Base Premium Computation (FORM HO 00 06) by Territory/County
- Base Premium Computation HO 00 03 by territory/county
- Sinkhole collapse Coverage
- Installment Payment Plan, no charge
- Protective Device
- Deductibles (Form HO 00 03)
- Ordinance or Law Coverages
- Coverage A Dwelling Basic and Increased Limits and Special Coverage- HO 00 06.
- Refrigerated Personal Property
- Other Structures
- Windstorm or Hail Exclusion – Territories 05, 06, 42, and 43
- Tier Discount form HO 00 03 and HO 00 06.
- Protection Construction Factors.
- Eff: 9-1-07 PC104507 North Carolina Department of Insurance

177. **USAA General Indemnity Company**
- New Home Discount
- Personal Property-additional Coverage Jewelry and Furs
- Personal Property – Increased Limit
- Base premium Computation HO 00 06 by territory/county
- Base Premium Computation HO 00 03 by territory/county
- Sinkhole collapse Coverage
- Installment Payment Plan, no charge
- Protective Device
- Deductibles (Form HO 00 03)
- Ordinance or Law-all Forms and Rule 513. Ordinance or Law Increased Amount of coverage – HO 00 06
- Coverage A Dwelling Basic and Increased Limits and Special Coverage- HO 00 06.
- Refrigerated Personal Property
- Other Structures
- Windstorm or Hail Exclusion – Territories 05, 06, 42, and 43
- Tier Discount, form HO 00 03 and HO 00 06.
- Protection Construction Factors.

- Eff. 9-1-07 PC104508 North Carolina Department of Insurance

178. **Utica Mutual Insurance Company**

- Replacement Cost Contents: Increase Coverage C to 70% of Coverage A for no additional charge. 5% surcharge is to be added to total base premium.
- Mass Merchandising Plan: 15% deviation for members of Utica National Insurance Group.
- Service for Employees (W.I.S.E.) program or is a member of a company approved affinity group
- HO Extension Package: Certain criteria apply.
- Personal Lines Account Credit.
- Territorial/Company deviation.
- Protection Class deviation.
- Eff. 8-1-07 PC103505 North Carolina Department of Insurance

179. **Vesta Insurance Corporation**

- Inflation Guard Coverage: Premier, Deluxe, Renters & Condos; No charge.
- Loss Assessment Coverage for Earthquake: Premier, Renters & Condos; 5% deductible applies to insured's share of each assessment. Deductible amount not less than $250 in any one assessment. $1 per $1000.
- Credit card, fund transfer card, forgery & counterfeit money coverage Premier, Deluxe & Renters; Reduced charge.
- Premium Credits for Protective Device: Premier, Deluxe, Renters & Condos: Credit varies 2%-15%.
- Increased Special Limits of Liability Premier, Deluxe, Renters & Condos: Reduced charge for certain class of property.
- Deductible Credits: Credits vary from 15% - 40%.
- Senior Citizen Discount Premier, Deluxe, Renters & Condos: 5% if at least one of the named insured is 55 yrs. or older & is not employed outside the home.
- Supporting Business Discount Premier, Deluxe, Renters & Condos: 2%.
- Base Rate Deviation by Territory; Premier & Deluxe; Variable credits.
- Coverage Amount Reactivities Deviations: Premier & Deluxe; Credits vary based on Coverage A amount.
- Loss Free Credit: Premier, Deluxe, Renters & Condos; 3 yrs. - 5%.
- Personal Property: Coverage C limit may be increased at a rate of $2 per $1000.
- Age of Home Credit: Premier & Deluxe; Credits vary 0%-20%.
- Eff. 6-1-99

180. **Vigilant Insurance Company.**

- Discount on base premium for forms HO 00 04 and HO 00 06.
- Base rate discount by territory with exceptions for forms HO 00 02 and HO 00 03, HO 00 05 and HE 00 07.
- Protective Devices maximum creit is deleted
- Optional Higher Deductibles for forms HO 00 04 and HO 00 06.
- 5% Hurricane deductible
- Additional Amounts of Insurance discount
- Gated Community credit when criteria is met.
- Valuable Articles Credit
- Eff. 5-1-07 PC102230 North Carolina Department of Insurance

181. **West American Insurance Company**

- Water Craft Liability Rates: below NCRB for powerboats; below NCRB for sailboats.
- FamPak Credit to all Private Passenger Auto insureds that also have Homeowners policy with the Ohio Casualty Group.
- Employee Discount: to qualifying employees insured in the West American Insurance
- Eff.12-1-05 PC082801 Filing Detail

182. **Westchester Fire Insurance Company**

- Forms 1, 2, 3 & 3 w/15: Age of dwelling credit 0-1 yr. 20%; 2% less credit each added yr.
- Forms 1, 2, 3 & 3 w/15: Higher deductible credit factors; $500 - .89; $1000 - .80; $2500 - .67.
- Forms 4 & 6: Higher deductible credit factors; $500 - .83; $1000 - .67; $2500 - .54.
- Premises Alarm System: Expand table of credits for protection class 1-7 to include class 8.
- All Forms: Replacement Cost on Contents: Deletion of $20 minimum additional premium.
- Eff. 3/1/90

183. **XL Insurance America, Inc.**

- All Forms: Personal Property Replacement Cost Coverage; Minimum additional premium for coverage is deleted.
- All Forms: Protective Devices: Maximum credit allowed is deleted.
- Forms 1, 2 & 3: Replacement Cost on Contents: Charge $1 per $1000 for additional increase of Coverage C to 70% of Coverage A. Additional premium for this coverage will not apply.
- Deductibles: Deletion of minimum charges.
- Forms 1, 2, 3 & 8: Fixed dollar amount deductible factors; $500 - .91; $1000 - .83; $2500 - .75.

- Forms 4 & 6: Fixed dollar amount deductible factors; $500 - .90; $1000 .77; $2500 - .63.
- Eff. 4-1-95

HOMEOWNERS

1. **ACE American Insurance Company**
- New Construction Credit: New home - 10 yrs. Credit varies 20% - 0%.
- Forms 1, 2, 3, 4 & 6: Fixed Dollar Deductible: Credit varies 15% - 40%.
- Personal Property Increased Limit: $2 per $1,000 of additional coverage.
- Form 2 & 3: Replacement cost on contents - HO 0490: Factor of 11.5% applies to end of the base premium & includes increased limits to 70% of Coverage A dwelling amount.
- Protective Device Credits: All zones & all protection classes: Credit varies 2% - 15%.
- Rate Deviation: Homeowners - 21%; Tenants - 15%; Condominiums - 20%
- Eff. 9/1/92

2. **ACE Fire Underwriters Insurance Company**
- New Construction Credit: New 20%; 1 yr. old - 18%; 2% less credit each added yr.
- Forms 1, 2 & 3: Fixed dollar deductible credits; $500 - 11%; $1,000 - 21%; $2,500 - 34%.
- Form 4: Fixed dollar deductible credits; $500 - 11%; $1,000 - 25%; $2,500 - 40%.
- Forms 1, 2 & 3: Rate for increase in Coverage C: $1 per $1,000.
- Forms 1, 2 & 3: Replacement Cost Coverage HO-290; Charge shall be 4% of adjusted base premium. Coverage C must also be increased to 70% of A at $1 per $1,000.
- Protective Device Credits: All zones & all protection classes; Credit varies 1% - 15%.
- Eff. 5/1/92

3. **AIU Insurance Company**
- All Forms: 10%.
- Eff. 2/1/86

4. **AMCO Insurance Company**
- Territory Deviation, Forms HO 00 02, HO 00 03, and HO 00 05 and HO 00 04 and HO 00 06 excludes wind or hail or does not exclude wind or hail.
- Multiple Policy Deviation, Forms HO 00 02, HO 00 03 and HO 00 05, HO 00 04, HO 00 06.
- Deductible Deviations, Forms HO 00 02, HO 00 03 and HO 00 05.
- Safe Home Rating Plan Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Age of Oldest Insured Deviation, Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05 and HO 00 06.
- Year of Construction-Age of Construction Deviation Forms HO 00 02, HO 00 03 and HO 00 05.
- Amount of Insurance, All Territories Forms HO 00 02, HO 00 03 and HO 00 05.
- Home Renovation Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Roof Rating Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Home Purchase Deviation, Forms HO 00 02, HO 00 03, HO 00 05, and HO 00 06.
- Gated Community Deviation, Forms HO 00 02, HO 00 03, and HO 00 05.
- Flex Check Payment Option-Installment Payment Plan Deviation, Forms HO 00 02, HO 0003, HO 00 04, HO 00 05 and HO 00 06.
- Eff 12-28-08 PC120584 North Carolina Department of Insurance

5. **AMEX Assurance Company**
- Various downward deviation based on amount of insurance Form 3.
- Various downward deviation based on amount of insurance Form 4.
- Various downward deviation based on amount of insurance Form 6.
- Protective Device Credits: Credit varies 2% - 15%.
- Home & Auto Credit: Credit varies by form 2% or 5%.
- Replacement Cost on Contents Deviation: Form 3 - 5% of base premium: Forms 4 & 6 - 30% of base premium.
- Coverage A Increased Limits downward deviation form HO 06..
- Utilities rating (New Home Discount) Form 3: Downward deviation : Credit varies 2% - 25% based on age of dwelling.
- Form 3: Downward deviation Coverage C Increased Limits.
- Downward deviation for installment pay plan by electronic funds transfer or payroll deduction.
- No additional charge for Refrigerated Personal Property.

- No charge for townhouse or row house.
- Costco Discount: 2% applies to policies for member insureds of Costco.
- HO 3, 4 & 6 base rates vary by territory.
- Eff. 8-1-05 PC083887 North Carolina Department of Insurance

6. **AXA Re Property & Casualty Insurance Company**

- Discount on Installment Payment Plan: $1 - $2 charge.
- Three or Four Family Dwelling Discount.
- Townhouse or Rowhouse Discount.
- Waterbed Liability waived.
- Base Premium Deviation.
- Forms 2, 3, 4, 6 or 8: Deviation by Amount of Insurance.
- New Home Discount: 0-9 yrs. of age: Credit varies 2%-9%.
- Protective Devices Discount: Credit varies 1%-7%.
- Multi Policy Discount: 5% of the base premium.
- Personal Property Increased Limits Discount: $2 rate per $1000.
- Personal Property Replacement Cost Coverage Discount.
- Form 4: Building Additions & Alterations Increased Limits Deviation.
- Personal Property Increased Limits of Liability: Charge varies by additional amount of insurance.
- Rented Personal Property: No charge.
- Form 6: Coverage A - Dwelling Basic & Increased Limits Deviation.
- Forms 3 & 3 Plus: Inflation Guard Discount.
- Watercraft Discount: Up to 50 HP, no charge.
- Business Pursuits Discount.
- Form 3 Plus: Personal Injury Liability: No charge.
- Eff.10/18/00 PC035279 North Carolina Department of Insurance

7. **Affirmative Insurance Company**

- 15% base deviation for Premier Homeowners Program.
- 3% base deviation for Deluxe Homeowners Program.
- 15% base deviation for Premier Tenant Program.
- 10% base deviation for Deluxe Tenant Program.
- 20% base deviation for Premier Condominium Program.
- 15% base deviation for Deluxe Condominium Program.
- Forms 2 & 3: Deductible credits; $500-15%; $1000-25%; $2500-38%.
- Forms 4 & 6: Deductible credits; $500-15%; $1000-25%; $2500-40%.
- All Forms, except 4 & 6: New Home Credit: New 20%; 2% less credit each additional yr. to 9th yr.
- All Forms: Protective Device Credits: Credits vary 2%-15%.
- Forms 2 & 3: Replacement Cost on Contents; Surcharge of 7.5%. Coverage increased to 70% of Coverage A at no premium charge.
- All forms, except 4 & 6; Personal Property Increased Limit $2 charge per $1000 of coverage.
- Eff 02-15-02 PC046217 North Carolina Department of Insurance

8. **AGRI General Insurance Company**

- Amount of Insurance Deviation: Credits vary 1%-15% by policy amount, territory & county.
- New Home Credit: 20% 1st yr.; 2% less credit each added yr. to 9th yr. Does not apply to Form 8, remodeled or restored homes.
- All Forms, except 4 & 6: Deductible Factors: $250 ded.-1.00; $500 ded.-0.91; $1000 ded.-0.79; $2500 ded.-0.62.
- Protective Device Credit: Premium credit for all protection classifications & territories; Credit varies 1%-15%.
- Eff. 1/1/97

9. **Alfa Alliance Insurance Corporation (Virginia Mutual Insurance Company)**

- Amount of Premium Credit - Claims Free Forms HO 0002, HO 0003, HO 0005 and HO 0008.
- Amount of Premium Credit - Claims Free for forms HO 0004 and HO 0006.
- Row and Townhouses - discount.
- Account Discount –discount if there is also an in force auto policy covering the same named insured written with

Virginia Mutual Ins Co.

- Insurance Score Discount –discount applied if a minimum insurance score of 725.
- Newly Constructed Residences (not applicable to Forms 4 and 6) credit varies for a residence constructed and first occupied in one of the last ten calendar years.
- Amount of insurance relativities – Coverage A forms HO 00 02 HO 00 03 HO 00 05 and HO 00 08.
- Installment Payment Plan-Electronic Funds Transfer.
- Effective 5-1-09 AFAL-126074643 North Carolina Department of Insurance

10. **Alliance Mutual Insurance Company**

- Flat Deductibles.
- Higher Windstorm or Hail Deductibles – Flat deductible.
- Protective Devices.
- Eff 7-1-06 PC094461 North Carolina Department of Insurance

11. **Allstate Indemnity Company**

- Tier-Claim Rating Deviation – determined by the number of chargeable claims, credits vary.
- Claims Free Discount.
- New/renovated Home Discount – credit varies.
- Home and Auto Discount Deviation –credit varies.
- The Good Hands People Discount Deviation.
- Zone Deviation.
- Territorial Definitions.
- Eff 5-2-09 ALSX-126082562 North Carolina Department of Insurance

12. **Allstate Insurance Company**

- Deductible factors Forms 2, 3 ; Forms 4 & 6: Deductible factors credits vary.
- Personal Property Replacement Cost Deviation subject to certain requirements.
- Protective devise discount.: discount varies.
- Year of construction-New/Renovated Home discount.
- Age 55 & Retired Discount Factor. Credit varies when certain criteria met.
- Home and auto discount deviation when certain criteria is met.
- Good hands people discount all forms.
- Waterbed Liability Deviation HO4 and HO6.
- Installment payment plan – Allstate Easy Payment Plan.
- Three or four family dwelling rating structure: does not differentiate between 3 or 4 family dwellings in a town or row house structure.
- Zone (Territory) Deviation.

Deluxe Plus

- Deductibles
- Protective Devices.
- Year of Construction – Newly Constructed Dwellings.
- Age 55 and Retired Discount.
- Home and Auto Discount.
- The Good Hands People discount.
- Zone (Territory) Deviation.
- Eff 5-2-09 ALSX-126082575 North Carolina Department of Insurance

13. **AmComp Assurance Corporation**

- Forms 2 & 3: Deductible credits; $500-9%; $1000-17%.
- Forms 2 & 3: Premium credits for alarm systems vary 2% - 15%.
- Age 55 & Retired Discount: 10% credit applies when required criteria is met.
- Forms 2 & 3: New Home Credit; 14%; Homes completed & occupied current calendar yr.; 2% less credit each added yr.
- Eff. 12/1/91

14. **American Automobile Insurance Company**
- Protective Device Credits: All forms & all territories: 1% - 15% credit applies to company base premium.
- Portfolio Credit: 5% credit applies to all homeowners policies when Personal Catastrophe Coverage and Personal Inland Marine Coverage is written with Company.
- Deviations by territories and forms: Credit varies.
- Eff. 12/01/03 PC065125 Filing Detail

15. **American Bankers Insurance Company of Florida**
- Select Tier Broad Form, Base Rate.
- Choice Tier Broad Form, Base Rate.
- Elite Tier Broad Form, Base Rate.
- Select Tier Comprehensive form Base Rate.
- Choice Tier Comprehensive form Base Rate.
- Elite Tier Comprehensive form Base Rate.
- Senior Discount Territory 2 and Territory 3.
- Claim Free Credit, Territory 2 and Territory 3.
- Eff. 11-1-09 ASPX-126241885 North Carolina Department of Insurance

16. **American Centennial Insurance Company**
- Forms 1, 2, 3, 3 w/15 & 6: 25%.
- Eff. 9/1/85

17. **American Economy Insurance Company**
- All Forms: Personal Injury (HO-82) included at no charge.
- All Forms, except 4 & 6: New home credit or renovated home credit for homes meeting required criteria; 0-1 yr. - 15%; 2 yrs. - 12%; 3, 4 or 5 yrs. - 10%; 6 or 7 yrs. - 6%; 8-10 yrs. - 4%.
- Forms 2 & 3: Replacement Cost (HO-290) Coverage C is increased to 70% of Coverage A at no extra charge. Charge of 9% (7% in Beach Area) is added to basic premium.
- Forms 4 & 6: Replacement Cost (HO-290); Charge of 30% is added to basic premium.
- Form 3: Replacement or Repair Cost Coverage A (HO-500); No charge.
- Forms 4 & 6: $100 deductible; Minimum additional charge of $10 in lieu of $30.
- Forms 2 & 3: Fixed deductible; $500 ded. - 9%; $1000 ded. - 17%.
- Forms 4 & 6: Fixed deductible credits; $500 - 10%; $1000 - 23%.
- Form 3: XL Coverage rate deviation when eligibility requirements are met.
- One family premium for all Section I & II coverages will apply regardless of number of families.
- Form 2 & 3: Dwelling under construction credit of 20% applies during first yr. when certain requirements are met.
- Form 6: Coverage A increased limits rate; $2.70 per $1000.
- Renewal credit for consecutive yrs. insured with American States Group; 3-5 yrs. - 5%; 6 or more yrs. - 10%.
- Protective Devices: Credit factors vary .98 to .85.
- Forms 3, 4 & 6: Unscheduled jewelry & furs - (HO-65); $2500 increased limit - $33; $5000 increased limit - $60.
- Form 3: XL Coverage Program; $5000 limit included in basic premium. To reduce to $1000 limit, subtract $56. To reduce to $2500 subtract $35.
- Eff. 11/17/97

18. **American Fire & Casualty Company**
- Water Craft Liability Rates: below NCRB for powerboats; below NCRB for sailboats.
- Employees Discount: to qualifying employees insured in the Ohio Casualty Group.
- Eff. 12-1-05 PC082802 North Carolina Department of Insurance

19. **American Home Assurance Company**
- HO-3 Premier Base Class Premium Deviation by territory: 5% credit.
- HO-4 & HO-6 Base Class Premium Deviation by territory: Credit varies 3%-12%.
- Protection Device Credit for HO-3, HO-4, HO-6, & HO-3 Premier: Credit varies: Max. credit allowed is $75.
- Optional Deductibles: All forms.
- HO-6 Coverage A Dwelling Increased Limits: Premium charge per $1000 is $2.
- 55 or Older & Retired Discount: Apply a factor of .9 to base premium when criteria is met.

- Multi Product Discount: Apply a factor of .9 to base premium when named insured has an auto policy with an American International Company.
- HO-4 & HO-6 Personal Property Replacement Cost Coverage Deviation.
- Age of Dwelling Discount: New Homes – 10 yrs. Credit varies
- Eff. 11/19/01 PC045494 North Carolina Department of Insurance

20. **American Insurance Company**

- Forms 2, 3 & 3w/15: New Home Credit; 20% current yr. & one yr. preceding current yr. of construction; 2% less credit each added yr.
- Protective Devices Credit: All territories 1% - 15%. Credit applies to company base premium.
- All Forms: Deductible credits: $500 -10%; $1000 -20%; $2500 -30%. Credit applies to company base premium.
- HO-3 w/15: Multiply HO-3 key premium by factor of 1.08 to obtain key premium for HO-3 w/15.
- Form 4 & 6: Deductible Credits for Coverage C limit. $10000 & above $500 -10%, $1000 - 20%, $2500 - 30%. Credit applies to company base premium.
- Discount of Replacement Cost on Contents: Apply surcharge of 10% to HO-3 company base premium for replacement cost on contents.
- Eff. 6/1/93

21. **American Manufacturers Mutual Insurance Company**

- Additional Amounts of Insurance (KIP only) deviation.
- All Forms: Optional Higher Deductibles deviation.
- Personal Property Replacement Cost: Increase Coverage C at $1 per $1000. Add $10 surcharge.
- Mature Homeowners Credit: 5% applies when named insured is 55 yrs. of age & an adult is home during the day.
- New Home Credit Discount: 0 - 15+ yrs. of age: Credit varies 0% - 20%.
- Premium Credits for Protective Devices.
- All Forms, except 3w/15: $100 deductible: Waive minimum premium.
- Form 3: Base rate deviation based on protection class & territory. Credit varies 0%-22%.
- All Forms except 3w/15: $250 theft deductible/ $100 deductible all other perils: Waive minimum premium.
- Form 4: Base Rate Deviation -7%.
- Form 6: Base Rate Deviation - 12%.
- Higher limits for credit cards, fund transfer card, forgery & counterfeit money coverage (KIP only). Outboard Motors & Water Craft (KIP only): Coverage up to & including 50 HP is included at no additional charge.
- Personal Injury (KIP only): Coverage included at no additional charge.
- Seasonal or Secondary Dwelling Discount (KIP only): 5% discount to base premium.
- Blanket Property Limit (KIP only): Replacement cost contents coverage included at no additional charge.
- Form 3: Special Personal Property Coverage: Factor 1.10 applies to base premium.
- Form 6: Special Personal Property Coverage: Factor 1.20 applies to base premium.
- Form 4: Building Additions & Alterations Increase: KIP & Monoline: Each addl. $1000 rate $10000 Form 4 premium x .08.
- Form 6: Coverage A Dwelling Basic and Increased Limits Special Coverage: Each additional $10000 develop premium $10000 Form 6 premium x .08 or enter total Coverage A limit on Declaration page.
- Form 4 & 6: Ordinance or Law Increased Amount of Insurance Refrigerated Property with KIP policy.
- Form 3: KIP only: Ordinance or Law Coverage: Include 12.5% at no additional charge. Windstorm and Hail Deductibles for Form 3: Blanket Limits deviation (KIP only).
- HE-7W/HE-40 deviation by territory for KIP only: Territory 40 - 1.20, Remainder of State 1.25.
- HE-7W/HE-40 & HE-20 deviation by territory for KIP only: Territory 40 - 1.25, Remainder of State 1.30.
- HE-7W/HE-40 & HE-21 deviation by territory for KIP only: Territory 40 - 1.30, Remainder of State 1.35.
- Deferred Premium Payment Plan: $1 charge for electronic funds transfer.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2/25/02 PC047937 Filing Detail

22. **American Modern Home Insurance Company**

- Form 3: Deductible Credits; $500 Ded. - 10%; $1000 - 22%; $2500 - 28%.
- Form 3: New Home Credit; Current yr. - 26%; 1st. yr. - 24%; 3% less each yr. to 7th yr.
- Form 3: Multi-policy credit; 5% credit when auto policy written in addition to homeowners policy.
- Protective Device Credits: Credit varies 1% - 10%.

- Amount of Insurance Deviation: Coverage A amount $10000 - $200000: Credit varies by territory.
- Eliminate charge to increase personal property limits.
- For rates above $200000, a factor of .007 applies for each additional $1000 of premium
- Eff. 6/1/99

23. **American Motorists Insurance Company**

- All Forms: Optional Higher Deductibles deviation.
- Personal Property Replacement Cost.
- New Home Credit Discount: 0 - 10+ yrs. of age: Credit varies 0% - 20%.
- Premium Credits for Protective Devices.
- All Forms, except 3w/15: $100 deductible: Waive minimum premium.
- Form 4: Base Rate Deviation 5%.
- Form 6: Base Rate Deviation - 10%.
- Higher limits for credit cards, fund transfer card, forgery & counterfeit money coverage (KIP only).
- Outboard Motors & Water Craft (KIP only): Coverage up to & including 50 HP is included at no additional charge.
- Personal Injury (KIP only): Coverage included at no additional charge.
- Seasonal or Secondary Dwelling Discount (KIP only): 5% discount to base premium.
- Blanket Property Limit (KIP only): Replacement cost contents coverage included at no additional charge.
- Form 3: Special Personal Property Coverage: Factor 1.10 applies to base premium.
- Form 6: Special Personal Property Coverage: Factor 1.20 applies to base premium.
- Form 4: Building Additions & Alterations Increase: KIP & Monoline: Each addl. $1000 rate $10000 Form 4 prem x .08.
- Form 6: Coverage A Dwelling Basic and Increased Limits Special Coverage: Each additional $10000 develop premium $10,000 Form 6 premium x .08 or enter total Coverage A limit on Declaration page.
- Form 4 & 6: Ordinance or Law Increased Amount of Insurance.
- Refrigerated Property: Coverage included at no additional charge with KIP policy.
- Form 3: KIP only: Ordinance or Law Coverage: Include 12.5% at no additional charge. Windstorm and Hail Deductibles for Form 3: Blanket Limits deviation (KIP only).
- HE-7W/HE-40 deviation by territory for KIP only: Territory 40 - 1.20, Remainder of State 1.25.
- HE-7W/HE-40 & HE-20 deviation by territory for KIP only: Territory 40 - 1.25, Remainder of State 1.30.
- HE-7W/HE-40 & HE-21 deviation by territory for KIP only: Territory 40 - 1.30, Remainder of State 1.35.
- Deferred Premium Payment Plan: $1 charge for electronic funds transfer.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2/25/02 PC047938 North Carolina Department of Insurance

24. **American Professionals Insurance Company**

- Form 2, 3 & 3w/15: Company deviation based on amount of insurance, construction & territory: Credit varies.
- Form 6: Territorial deviation.
- Forms 2, 3, 3w/15: New Home Discount based on age of home. Deviation varies 0% - 14%.
- Forms 1, 2, 3 & 3w/15: Fixed dollar amount deductible credit factors; $500 - .85; $1000 - .79; $2500 - .62.
- Forms 1, 2, & 3: Increase in Coverage C; $1 per $1000.
- Protective Devices: All forms: Maximum credit for protective device eliminated. All protection class & all territories. Credit varies 2% - 15%. There is no limit on credit.
- Outboard Motors & Water Craft: Liability rates amended by boat length.
- Form 4 & 6: Fixed dollar amount deductible. Credit factor $500 - .85; $1000 - .77; $2500 - .63.
- All Forms, except 4 & 6: Windstorm or Hail Percentage/Factor Deductible deviation.
- Form 6: Coverage A Dwelling Basic & Increased Limits and Special Coverage.
- All Forms, except 4 & 6: Personal Property Replacement (Coverage C) Cost Coverage. 1.05 factor applies to base premium. Form 4 & 6: 1.35 factor: Minimum additional premium deleted.
- Ordinance or Law Coverage deviation factors.
- Three or Four Family Residence Coverage B & C deviation.
- Installment Payment Plan. Initial installment charge waived.
- 5% account credit when named insured has an auto policy with the Highlands Insurance Group Companies.
- Eff. 6/1/99

25. **American Reliable Insurance Company**
- Loss Free Renewal Credit: Credit applies to any policy that has been loss free for the previous 12 months under an existing American Reliable Insurance Company policy.
- Mature Retiree Credit: If certain criteria are met, a credit of -10% of the Base Premium will be applied.
- New Roof Credit: If the roof has been professionally installed within five years of the inception or renewal date, the premium shall be reduced by 5%. Not to be combined with the Age of Dwelling Credit
- Eff 11/6/02 PC055868 Filing Detail

26. **American States Insurance Company**
- All Forms: Include Personal Injury HO-82 at no charge.
- All Forms, except 4 & 6: New home credit or renovated home credit for homes meeting required criteria; 0-1yr. - 15%; 2 yrs. - 12%; 3, 4 or 5 yrs. - 10%; 6 or 7 yrs. - 6%; 8, 9 or 10 yrs. - 4%.
- Form 2 & 3: Replacement cost (HO-290) Coverage C is increased to 70% of Coverage A at no extra charge: Charge of 9% (7% in Beach Area) is added to basic premium.
- Forms 4 & 6: Replacement cost (HO-290); Charge of 30% is added to basic premium.
- Replacement or Repair Cost Protection Coverage A (HO-500): $1.
- Forms 4 & 6: $100 deductible; Minimum additional charge $10 in lieu of $30.
- One family premiums for all Section I & II coverages will apply regardless of number of families.
- Forms 2 & 3: Dwelling under construction credit of 20% applies during first yr. if certain requirements are met.
- Form 6: Coverage A increased limits; Basic coverage rate per $1000 increase $2.70.
- Renewal credit for consecutive years insured with American States Group: 3-5 yrs. - 5%; 6 or more yrs. - 10%.
- Protective Devices: Credit factors vary .98 to .85.
- Forms 2, 3, 4 & 6: Unscheduled jewelry & furs (HO-65) $2500 increased limit - $33; $4000 increased limit - $60.
- Forms 2, 3 & 8: Fixed deductible credits; $500 - 9%; $1000 - 17%.
- Forms 4 & 6: Fixed deductible credits; $500 - 10%; $1000 - 23%.
- Eff. 12/12/91

27. **American States Preferred Insurance Company**
- Form 3: Basic premium deviation varies by protection class. Variable credits.
- Form 3: Amount of insurance deviation: All amounts of insurance 13.0% credit.
- Form 3: Surcharges for townhouses & rowhouses are waived.
- Form 3: Homeowners XL Credit: When eligibility & coverage requirements are met. Variable credits.
- Form 3: Deductible credits/charges $500 - 12%; $1000 - 24%.
- The one family premiums for all Section I & Section II coverages shall apply regardless of number of families.
- Form 4: Amount of insurance deviation; $15000 - $30000 & above. Credit varies 2% - 22%, except for a few specific counties which receive 5% less.
- Form 6: Amount of insurance deviation; $20000 - $30000 & above. Credit varies 8% - 25%, except for a few specific counties which receive 5% less.
- Forms 4 & 6: Deductible credits/charges; $500 - 17%; $1000 - 30%.
- Alarm systems: Premium credits vary.
- Jewelry & Furs: Forms 3, 4 & 6; $2500 limit $33; $5000 limit - $60. Form 3 w/XL coverage $5000 included in base premium. To reduce to $2500 limit subtract $35. $1000 limit subtract $56.
- Form 3: Replacement Cost (HO-290) Coverage C is increased to 70% of Coverage A at no extra charge; Charge of 9% (7% in Beach area) is added to basic premium.
- Forms 4 & 6: Replacement Cost (HO-290); Charge of 30% is added to basic premium.
- All Forms: Include Personal Injury HO-82 at no charge.
- Form 3: Replacement or Repair Cost Protection Coverage A dwelling HO-500; No charge.
- Form 6: Coverage A increased limits; Basic coverage rate per $1000 increase $2.70.
- Form 3: New Home Credit; Current yr. - 15%; one yr. preceding current yr. - 12%; 2nd, 3rd & 4th yrs. -10%; 5th & 6th yrs. - 6%; 7th, 8th & 9th yrs. - 4%.
- Form 3: New dwelling under construction; 20% when certain requirements are met.
- Renewal credit for consecutive yrs. with American States Group; 3-5 yrs. - 5%; 6 or more yrs. - 10%.
- Eff. 10/30/97

28. **AMICA Mutual Insurance Company**
- Waive the additional premium for Coverage C, Personal Property at 75% of Coverage A.

- Form HO 00 04 rate deviation by policy amount.
- Protective Devices, Apply 2% credit for three or more smoke detectors in all territories for protection classes 1-7.
- Additional Amounts of Insurance-1.00 All territories except 5, 6, 42 and 43. 1.02 for territories 5, 6, 42, and 43.
- Personal Property-Increased Limit, $1.60 for all forms. Also waive the charge up to 75% of Coverage A without HO 04 90 (Personal Property Replacement Cost) See Deviation Component Number 5.
- Refrigerated Property. The $10.00 charge for this coverage is waived. See Deviation Component Number 6.
- Premium Payment Option. (1) Eliminated the charge for the first installment. (2) Eliminated charge for each installment for members of the AMICA group that pay through payroll deduction.
- Multi-Line Discount, Rule A.10. Optional Rating Characteristics. Various discounts in all territories except 5, 6, 42 and 43. See Deviation Component Number 8.
- Preferred Risk Deviation, Rule A.10. Optional Rating Characteristics. Maximum Factor of $1.00 and a Minimum Factor of 0.50. See Deviation Component Number 9 and Rating Example Computation.
- Eff.8-1-08 PC114228 North Carolina Department of Insurance

29. **Amerisure Insurance Company**

- All Forms: Minimum additional charge of $30 for $100 deductible is waived.
- Mature Homeowners Credit Factor .95 insured age 55 or older & dwelling is primary.
- Multi Policy Credit: Forms 2, 3 & 6: 15% multi-policy credit when personal auto coverage in force in Amerisure Group.
- New Home Credit Factors: Current year -.80; 1 yr.- 8l; 2 yrs. -.82; 3 yrs -.84; 4 yrs. -.86; 5 yrs. -.88; 6 yrs. -.90; 7 yrs. -.93; 8 yrs. -.96; 9 yrs. - .99.
- Form 3: Deviation by Territory: 0% - 18% credit based on territory, protection class & construction.
- Form 1, 2 & 3: Amount of Insurance Deviation; Coverage A amount $60000+-$199000 credit varies 0.46% - 9.77%.
- Form 6: Relativity .85.
- Eff. 10/1/94

30. **Amerisure Mutual Insurance Company**

- All Forms: Minimum additional charge of $30 for $100 deductible is waived.
- Multi-Policy Credit: Forms 2, 3 & 6 - 15% multi-policy credit to all homeowners rates & premiums when automobile policy is written with Amerisure Group.
- Form 6: Relativity is .85.
- Eff. 10/1/94

31. **Armed Forces Insurance Exchange**

- Protective Device Credits: Factors vary. Maximum credit waived.
- Fixed dollar amount deductible factors credit varies.
- Wind or Hail deductibles credit varies.
- New Home Credit; All Forms, except 4 & 6: New - 20%; 2% less credit each additional yr.
- Earthquake: Ordinance or Law increased amount of insurance (Does not include basic, only increased amount).
- Sinkhole Collapse Coverage: All Forms except HO-6; Increased amount of coverage (Does not include basic, only increased amount)
- Base premium deviation based on insurance amt. credit varies all forms except HO 4 and HO 6.
- Minimum policy premium waived.
- Protective Devices.
- Personal Property Increased Limits charge per $1000; Forms 1, 2 & 3 - $.50. Form 3w/15 - $.75.
- Home Day Care Coverage E: Reduce base premium by 50%.; Coverage F; Premiums reduced by 50%.
- Other exposures - medical payments to others increase limits credit varies.
- Installment Payment Charge waived
- Hurricane Deductible Factors credit varies.
- Wind or Hail Exclusion Credit.
- Eff 3-5-07 PC097153 North Carolina Department of Insurance

32. **Arrowwood Indemnity Company**

- Additional Amounts of Insurance: Forms HO 00 02 HO 00 03 $8 per policy.

- Deductible Credits: Credit varies by form & deductible amount.
- Personal Property (Coverage C) Replacement Cost Coverage: Forms 2 & 3 - Coverage A amount under $100000 - 11% surcharge; $100000 & over - 8% surcharge: Forms 4 & 6 - 40% surcharge.
- Preferred Customer Renewal Credit: 5% credit: Certain criteria must be met.
- Homeowners Enhancement Program: 1.25 factor applies to base premium.
- Installment Payment Plan: Policies billed by agent through account current payroll deduction program are not subject to installment fees.
- Deviation by Forms: Forms 2, 3, & 3w/15- 10%: Form 6- 20%.
- Eff. 5-15-04 PC069340 North Carolina Department of Insurance

33. **Associated Indemnity Corporation**

- Forms 2, 3 & 3w/15: New Home Credits; 20% current yr. & one yr. preceding current yr.; 2% less each added yr. Credit applies to company base premium.
- Protective Device Credits: All territories; 1% - 15%; Credit applies to company base premium.
- Forms 1, 2, 3, 3w/15 & deductible credits; $500-10%;$1000-20%;$2500-30%. Credit applies to company base premium.
- HO-3w/15 Key Premium: Multiply HO-3 key premium by factor of 1.08.
- Discount of Replacement Cost on Contents: Surcharge of 10% to HO-3 company base premium.
- Form 4 & 6: Deductible credits all territories; Credits for Coverage C $10000 & above, $500-10%,$1000-20%, $2500-30%. Credit applies to company base premium.
- Eff. 6/1/93

34. **Association Insurance Company**

- Deviation by Coverage A limit $100000 & above - 30% credit.
- Forms 1, 2 &3: RC Coverage HO-290; Personal property incr. limits charge $1 per $1000; Waive 5% surcharge.
- New Home Credit: Cov A amount $100000 & above; Age of dwelling 0-5 yrs - 15%, 6-10 yrs - 10%, 11-15 yrs - 5%.
- 44% deviation off N.C. Rate Bureau Rates if Cov A amount is $100000 or above for all SAS Institute Inc. Employees.
- Eff. 1/1/96

35. **Assurance Company of America**

- All Forms, except 4 & 6: Age of dwelling credit; New-20%; 1yr.-18%; 2yrs.-16%; 3yrs-14%; 4yrs-13%; 5yrs.-12%; 6yrs-10%; 7yrs.-8%; 8yrs.-6%; 9yrs.-4%. 10yrs.-2%.
- Forms 4 & 6: Replacement Cost on Contents; Factor 1.35.
- Forms 2 & 3: Charge $1 per $1000 for increase in Coverage C limit.
- Form 4: 15% deviation.
- Form 6: 20% deviation.
- Base Premium Discount: All Forms, except 4 & 6; Factor varies .95 -1.25.
- Forms 2, 3 & 3w/15: Deviation by territories: Variable credits.
- All Forms: Fixed dollar amount deductibles factors: $500-.85; $1000-.75; $2500-.70.
- Account Credit: 10% credit when insured has home & auto coverage with Zurich Insurance Cos. when criteria is met.
- Protective Device Credit: Factor varies. Maximum credit of $75 is waived.
- Eff. 7/1/98

36. **Automobile Insurance Company of Hartford**

- Protective Devices credit varies.
- Deductible Credits - credit varies by coverage limit, form and deductible amount.
- Personal Property - Increased Limit Coverage C.
- Refrigerated Personal Property.
- Account Credit.
- Safety Seminar Credit certain criteria apply.
- Home buyer Credit.
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff 9-21-08 PC118026 North Carolina Department of Insurance

37. **Auto Owners Insurance Company**
- Territory Description.
- Form HO 00 06 – rate deviation.
- Deductibles – Waiver of Minimum charges.
- Protective Device Credit.
- Protective Device Credit – alarm systems.
- Mature Homeowner Discount for insureds between the ages of 55 and 64.
- Townhouse or row house deviation.
- Credit card, fund transfer card, forgery and counterfeit money.
- Units Regularly Rented to Others.
- Form HO-6 coverage A Dwelling increased Limits and special coverage.
- Personal Injury coverage-no charge.
- Building Additions and Alterations at Other Residences – all forms.
- Other Insured Location Occupied by insured.
- Section II, Liability-Residence Employees waived.
- Business Pursuites – no charge.
- Personal Injury coverage – no charge.
- Permitted Incidental Occupancies – Residence Premises.
- Special Personal Property Coverage.
- Multi-Policy Discount.
- Seasonal Discount - Forms 3 & 6.
- Section II liability watercraft - certain criteria - rates vary.
- Life/Homeowners Multi-Policy Discount
- Insurance Score Credit.
- Home/Umbrella Multi-Policy discount.
- Paid in Full discount.
- Personal Property Increased Limits.
- Eff. 5-1-09 AOIC-126013242 North Carolina Department of Insurance

38. **Balboa Insurance Company**
- Age of Dwelling Credit: 0 - 9 yrs. of age: Credit varies.
- Deductible Factors Deviation: Credit varies.
- Protective Device Credits: Credit varies.
- Brick or Masonry Construction.
- Eff. 5-1-09 BALB-126027963 North Carolina Department of Insurance

39. **Bankers Standard Insurance Company**
- Deviation forms HO 00 02, HO 00 03, HO 00 04, HO 00 06, HO 00 05 and HE-7 and certain territories.
- Key Factors Coverage A over $750,000.
- Protective Devices maximum credit allowed is deleted.
- Optional Higher Deductibles forms HO 00 04 and HO 00 06.
- Hurricane Percentage Deductible.
- Additional Amounts of Insurance.
- Gated Community Credit.
- Valuable Articles Credit-Multi Policy.
- Eff. 12-1-09 WESA-126279658 North Carolina Department of Insurance

40. **Camden Fire Insurance Association, The**
- All Forms, except 4 & 6: New Home Credit; New -20%;1 yr. old - 18%; 2 yrs. old - 16%; 3 yrs. old -14%; 4 yrs. old -12%; 5 yrs. old - 10%; 6 yrs. old -10%; 7 yrs. old - 8%; 8 yrs. old - 7%; 9 yrs. old - 6%;10 yrs.-6%; 11 yrs.-4%;12 yrs-4%;13 yrs.-2%;14 yrs.-2%.
- All Forms, except 4: Account credit: 10% applies to homeowner premium when named insured insures personal automobiles in any of the General Accident Companies.
- All Forms: Protective devices: Credit varies 2% - 15%.
- All Forms: Fixed Dollar Amount Deductible Factors; $500 - .90; $1000 - .77.

- Forms 1, 2, 3 & 3w/15: Personal Property Increased Limits; $1 per $1000 of insurance.
- Forms 1, 2 & 3: Personal Property Replacement Cost coverage; Waives charge to increase Coverage C limit 50% to 70% of Coverage A limit. Premium for replacement cost coverage developed by applying factor of 1.05 to base premium including any premium adjustment for Coverage C in excess of 70% of Coverage A.
- All Forms, except 4 & 6: Deviation by policy size; Coverage A Amounts. Credit varies.
- Uniform base rate deviation – all forms except HO 04 and HO 06 10% credit applied when written in the Camden Fire Insurance Association.
- Eff.8/15/02 PC054137 North Carolina Department of Insurance

41. **Central Mutual Insurance Company**

Owners Program

- Deviation by territory and protection class.
- Homeowners Enhancement Program – Deviation by form HE-7 and HE-7 with HE-20.
- Deviation by amount of insurance and insurance score.
- Insurance Score Deviation.
- Customer loyalty deviation.
- Company Deductible Credits B. Optional Deductibles.
- Payment timelines deviation.
- Loss history deviation.
- Personal Property Replacement Cost.
- Accompanying schedule or boat deviation.
- Age of dwelling.
- Homebuyers deviation.
- Gated community deviation.
- Residence held in trust deviation.
- Package deviation.
- Installment Payment with Electronic Transfer.

Condo Program

- Deviation by territory, protection class.
- Deviation by amount of insurance.
- Deviation by insurance score.
- Customer loyalty deviation.
- Deductible Optional Higher Deductibles.
- Payment timelines deviation.
- Loss history Deviation.
- Accompanying schedule or boat deviation.
- Form HO 00 06 Coverage A Dwelling Basic and Increased Limits and Special Coverage.
- Residence held in trust.
- Package Deviation.
- Installment Payment Plan.

Tenants Program

- Deviation by territory, protection class.
- Amount of insurance deviation.
- Insurance score deviation.
- Customer loyalty deviation.
- Deductibles B. Optional Higher Deductibles.
- Payment timelines deviation
- Loss history deviation.
- Accompanying schedule or boat deviation.
- Package Deviation.
- Installment Payment Plan with Electronic Transfer.
- Eff 10-1-09 CEMC-126186497 North Carolina Department of Insurance

42. **The Charter Oak Fire Insurance Company**

- Base Rate Deviation: Credit varies depending on territory.
- Coverage A Relativities forms HO 02 and HO 03.

- Coverage A Relativities form HE-7.
- Protective Device Deviation: Credits vary.
- Deductible Credits all forms: Credit varies by amount of deductible.
- Personal Property - Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property.
- Account Credit.
- Loss Free Customer Credit.
- Safety Seminar Credit
- Home Buyer Credit
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff 9-21-08 PC118024 North Carolina Department of Insurance

43. **Cincinnati Indemnity Company**

- New home credit Forms 2, 3 & 3w/32 36; New – 9 years, credit varies.
- Installment Payment Plan: Delete the $3 charge for each installment.
- Homeowners Enhancement Deviation.
- Eff 4/104 PC065697 North Carolina Department of Insurance

44. **The Cincinnati Insurance Company**

- Year of construction-Newly Constructed Dwellings Age of Dwelling Credits.
- Base Rate Deviations by Territory.
- Installment Payment Plan.
- Homeowners Enhancement Deviation.
- Watercraft Liability deviation.
- Preferred Risk credit.
- Superior Risk Credit – Forms HO 00 03 and HE 00 07 only.
- Insurance Score Factor – All Forms.
- Package Credit-Multi Policy credit – All Forms.
- Automatic Water Shut-Off System Credit.
- Mature Homeowners Discount – All Forms.
- Secured Community Credit.
- Eff 5-1-09 CNNB-126057039 North Carolina Department of Insurance

45. **Continental Indemnity Company**

- Form 3: Age of Dwelling Discount: 0 - 9 yrs. of age: Credit varies 2% - 20%.
- Account Credit Program: .85 factor applies when both the homeowner & auto policy is written through CNIC.
- Deductible Credit/Charges Deviation: Credit varies by deductible amount.
- Form 6: .80 factor applied to HO-4 base premium.
- Protective Device Deviation: Credit varies 1% - 15%.
- Forms 3, 4 & 6: Eliminate minimum premium for Replacement Cost Coverage.
- Form 3: Additional Limits of Liability for Coverages A, B, C & D: 6% applies to base premium when certain criteria is met.
- Form 3: Personal Property Replacement Cost will be 5% of base premium, no minimum additional premium & no charge to increase Coverage C when certain criteria is met.
- Form 3: Personal Injury charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Water Back-Up of Sewers or Drains, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Credit Card, Fund Transfer Card, Forgery & Counterfeit Money, to increase coverage charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Special Computer Coverage, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Cov C Increased Special Limits of Liability, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Fire Department Service charge will be increased to $1000 when certain coverages & increased limits options are selected.

- Form 3: Increasing Coverage D to 30% of Coverage A, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Coverage A Relativities Deviation: Credit varies 3.8% - 6.5%.
- Form 3: Ordinance or Law-Increased Amount of Coverage will be 4% of the base premium when certain coverages & increased limits options are selected.
- Form 3: Refrigerated Property Cov, charge will be deleted when certain coverages & increased limits options are selected
- Eff. 1/101 PC038500 North Carolina Department of Insurance

46. **Continental Insurance Company**

- Amount of Insurance Deviation forms HO-2, HO-3, and HO-8.
- Amount of Insurance Deviation forms HO-4
- Amount of Insurance Deviation forms HO-6
- Earthquake Rate Deviations.
- Companion Policy Discount: applies when named insured has an auto policy with any Encompass Ins Co.
- Gated Community Discount. 10% credit when criteria are met.
- New Home Discount: 1 year – 18%, 1-5 yrs. -15%; 6-10 yrs. - 10%.
- Deductible Credits Deviation – based on Coverage A Limit.
- Additional Limits Deviation Coverage F: Deviation.
- Business Pursuits Rate Deviation. Credits vary .14% - .33%.
- Incidental Farm Rate Deviation. Residence Premises - 48%; Other Residence - 65%.
- Superior Construction Discount: 15% credit applies to masonry base premium or apartment unit.
- Protective Device Credits: Credit varies 1% - 9%.
- Automatic Sprinkler System Deviation: Credit of 7% or 13% applies.
- Preferred Rate Deviation 5% conditions vary.
- Special Personal Property Coverage HO 00 06 only – deviation 4.3%
- Eff. 8/15/02 PC052786 North Carolina Department of Insurance

47. **Economy Premier Assurance Company**

- PAK II Program – HE 00 07 Base Rates and Policy Amount.
- PAK II Program – HO 00 06 Base Rates by Territory.
- PAK II Program – HO 00 04 Base Rates by Territory.
- PAK II Program – HO 00 04 and HO 00 06 Policy Amount Relativities by Territory.
- Homeowners Enhancement Program HE 00 07 with HE 32 20.
- Homeowners Enhancement Program HE 00 07 with HE 32 21.
- PAK II Package Credit Multi Policy.
- Renewal Credit.
- Year of Construction.
- Personal Injury Protection Liability Deviation.
- Deductible credits.
- Protective Devices Credit and Home Safety Coverage.
- Business Pursuits Deviation.
- Outboard motors and watercraft.
- Home day care.
- Personal Property Increased Limits.
- Earthquake Coverage-Ordinance or Law Coverage.
- Residence Premises Basic and Increased Limits Coverage F- Medical Payments.
- Other Exposures-Medical Payments to Others Increased Limits.
- Other Structures – On Premises Structures Specific Structures – Increase Limits.
- Eff. 5-5-09 METX-12636516 North Carolina Department of Insurance

48. **Electric Insurance Company**

- Base rate deviation HO 00 02 and HO 00 03 by territory: Credit varies.
- Base Rate Deviation HO 00 04 and HO 00 06 by territory. Credit varies.
- Personal Property Replacement Cost form HO 00 04and HO 00 06 (Coverage C) is automatically increased to

70% of Coverage A. HO-04 and HO-6 1.25 RC Coverage also applies to articles or classes of property separately described and specifically insured in this policy.

- Protective Device Credits: Credits vary.
- Deductible Factors Forms HO-4 & HO-6 Credit varies
- Personal Property – Unscheduled Jewelry, Watches and Furs.
- Personal Property Silverware, Goldware and Pewterware.
- Personal Property – Firearms
- New Home Credits – HO 00 02 and HO 00 03.
- Multi-Policy Discount.
- Group Marketing discount.
- Payroll Deduct Discount.
- Eff.6-1-09 ELEC-126096428 North Carolina Department of Insurance

49. **EMCASCO Insurance Company**

- Personal Property (Coverage C) Replacement Coverage
- Deductible Credits
- Additional Amounts of Insurance
- Base Rate Deviation on Forms HO 00 02 and HO 00 03
- Combination Policy Discount
- Renovated Dwelling Components
- 15% Deviation applicable to Optional Section I and II rates
- Electronic Funds Transfer
- Insurance Scoring
- Eff. 3-15-07 PC097670 North Carolina Department of Insurance

50. **Employers Mutual Casualty Company**

- Optional Higher Flat deductible credits all forms,
- Additional Amounts of Insurance forms HO 00 02 and HO 00 03.
- Combination Premium Credit: 15% when homeowners & auto policies are written in one of the EMC Companies.
- Renovated Dwelling Components: Variable credits when criteria is met.
- Electronic Fund Transfer transaction fee is waived when the electronic funds transfer options is selected.
- Insurance Scoring.
- Eff. 3-15-07 PC097669 North Carolina Department of Insurance

51. **Encompass Indemnity Company**

- Forms 2, 3, and 8 Base Rate Deviations by Territory, Credit varies by territory
- Form 4 Base Rate Deviation by Territory, Credit varies by territory
- Form 6 Base Rate Deviation by Territory, Credit varies by territory
- Earthquake Coverage - Base rate deviation according to Table, Zone, and Construction.
- Gated Community Discount: A 10% credit will be applied to the premises/property for a residence located in a gated community meeting certain criteria.
- New Home Discount: A residence 10 years of age or less is eligible for a discount, credit varies by age.
- Deductible Credits Discount: Credit varies by coverage limit and deductible amount.
- Additional Limits Deviation, Coverage F
- Business Pursuits Rate Deviation: credit varies.
- Incidental Farming Personal Liability Deviation: credit varies.
- Superior Construction Discount: The premium for a dwelling or apartment unit in a building of superior construction is computed by multiplying the masonry base premium or apartment unit by .85.
- Various Credits for Protective Devices: credit varies by type of alarm.
- Credits for Automatic Sprinkler Systems: credit varies by location/area of sprinkler system.
- Special Personal Property Coverage HO 6 only: endorsement HO 32 35 factor 1.34.
- Companion Policy Discount: 10% discount applies to the residence premium if the named insured is also a named insured on an Auto Policy with any of the Encompass Insurance Companies.
- Preferred Rate Deviation: Preferred rates are available at a 5% reduction from standard rates if the amount of insurance under Coverage A is equal to at least 90% of the Replacement Cost of the Dwelling and the automatic adjustment of limits endorsed is attached.

- Effective 12/11/06 PC097453 North Carolina Department of Insurance

52. **Erie Insurance Exchange**

- Base Rate Deviations.
- Amount of Insurance Deviation HO 00 02, HO 00 03 and HO 00 08.
- Multi-Policy Discount.
- New Home Discount.
- Optional Deductible Factors - all forms, deviation varies.
- Protective Device Credit Deviation.
- Increased Special Limits of Liability HO 04 65 (all forms except HE-7) Credit varies.
- Personal Property Replacement Cost.
- Townhouse or rowhouse charge - waived.
- Units Rented to Others Form HO 00 06 HO 1733.
- Outboard Motors & Watercraft.
- Building Addition & Alterations Increased Coverage C limit - Form HO 00 04 (HO 0451).
- Specified Additional Amount of Insurance for Coverage A only(HO 32 20).
- Rented Personal Property: HO 32 21 No charge.
- Business Pursuits: No charge.
- Waterbed Liability HO 04 00 HO 00 06 No charge.
- Refrigerated Property Coverage: Charge waived.
- Personal Property Increased Limits; HE 7.
- Premium payment plan service charge – installment payments.
- Tiered Rating
- Other Members of a Named Insured's Household.
- Advance Quote Discount – New business.
- Claims Experience Rating Program.
- Eff. 9-1-09 ERPP-126190862 North Carolina Department of Insurance

53. **Fairmont Premier Insurance Company**

- All Forms: Age of Dwelling Credit; 0-3 yrs. old - 21%; 4-6 - 14%; 7-9 - 7%.
- Forms 1, 2 & 3: 38.0%.
- Form 6: 17.5%.
- Eff. 5/1/92

54. **Farmers Insurance Exchange Farmers Underwriters Association**

- Form Factor Deviations: Forms 3w/15 & 4.
- Territory Relativity Factor deviation.
- Amount of Insurance Deviations: Forms, HO 00 04 and HO 00 06.
- Rule 403. Personal Property –Coverage C Replacement Cost Coverage.
- Rule 404 Protective Devices.
- Deductible Rule 406 credits.
- Loss Assessment Coverage Deviation.
- Rule 515 personal property.
- Other Insured Location Occupied by Insured.
- Additional Residence Rented to Others.
- Permitted Incidental Occupancies - Residence Premises & Other Residences: Deviation applies to Residence Premises.
- Business Pursuits Deviation for $200,000 limit.
- Optional Rating Characteristics Age 50 Plus Discount.
- Optional Rating Characteristics Auto/Homeowners Discount: All Forms: Factor of .90: Certain criteria apply.
- Affinity Banking Discounts HO 00 03 and HO 00 06 only. Certain qualifications apply. Credit varies.
- Oridinance or Law-Increased Amount of coverage.
- Eff 5-16-08 PC112928 North Carolina Department of Insurance

55. **Federal Insurance Company**

- Elimination of maximum credit for protective devices.

- Optional Higher Deductibles
- Hurricane Deductible
- Additional Amount of Insurance deviation. Forms 2 & 3
- All Forms: 5% Gated Community Credit when criteria is met.
- Effective 12/1/05 PC085699 North Carolina Department of Insurance

56. **Federated Mutual Insurance Company**

- Forms 1, 2, 3 & 3w/I5: New Home Credit: 14% dwellings 0-1 yr. old; 2% less credit each added yr.; applies to $250 deductible basic premium & premium for amended Coverage C limit.
- Forms 1, 2, 3 & 3w/I5: Fixed dollar amount deductibles; $100 +10%; $500 -10%; $1000 -20%; $2500 -30%.
- Forms 4 & 6: Fixed dollar amount deductibles; $100 +10%; $500-15%; $1000-30%; $2500-40%.
- Forms 1, 2, 3 & 3w/15: Deviation by policy amount varies 0%-25%.
- Form 4: 10%.
- Form 6: 25%.
- Forms 3 & 3w/I5: Special Additional Credit Rule: 10% when eligibility & mandatory coverage requirements are met.
- Multiple Policy Discount: 5% applied to HO Policy when private passenger auto policy & personal umbrella policy is written by this Company.
- Installment Pay Plan: $5 maximum charge per account for all policies.
- Eff. 11-15-94

57. **Fidelity & Guaranty Insurance Company**

- Waive additional premium of $5 or less.
- Deviation of HO-3 Base Rates by territory & policy amount: Credits vary.
- Forms 4 & 6: Personal Property Replacement Coverage: Reduced premium charge.
- Special Package Discount: 5% credit to total residential premium when underwriting criteria is met.
- Form 6: Relativity factor .750 in lieu of .855.
- Employees Discount: 20%.
- Forms 2 & 3: Additional amount of insurance: HO 3211 $5 premium charge.
- Deductible Credits.
- Increase in Coverage C: Reduced rate per $1000.
- Multi-Policy Discount: 10% credit when private passenger auto policy is also purchased with USF&G.
- All Forms, except 4, 6 & 8: New Home Discount; 1 yr.-20%; 2% less credit each added yr. to 9th yr.
- Eff. 4-15-00 PC030961 North Carolina Department of Insurance

58. **Fidelity & Guaranty Insurance Underwriters**

- Deviation of HO-3 Base Rates by territory & policy amount: Credits vary.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Factor 1.35.
- Waive additional premium of $5 or less.
- Special Package Discount: 5% credit applied to total residential insurance premium when underwriting criteria is met.
- Form 6: Form Relativity of .800 in lieu of .855.
- Employees Discount: 20%.
- Forms 2 & 3: Additional amount of insurance: H0 3211 - $5 premium charge.
- Deductible Credits.
- Increase in Coverage C: Reduced rate per $1000.
- Multi-Policy Discount: 10% credit when private passenger auto policy is also purchased with USF&G.
- All Forms, except 4 6 & 8: New Home Discount; 1 yr.-20%, 2% less credit each added yr. to 9th year.
- Forms 2, 3 & 3w/15: Protection Class Deviation.
- Eff. 4-15-00 PC030953 North Carolina Department of Insurance

59. **Fidelity National Property and Casualty Insurance Company**

- Base rate deviation by territory.
- Amount of Insurance deviation by territory – HO-3.
- Amount of Insurance deviation by territory – HO-4.
- Amount of Insurance deviation by territory – HO-6.
- Protection Class deviation – HO-3, HO-4, HO-6.

- HO-3 Tounhouse/Rowhouse deviation.
- Deductible credits deviation – HO-3.
- Hurricane deductible deviation – HO-3.
- Windstorm or Hail deductible deviation – HO-3.
- Deductible Credits deviation – HO-4 and HO-6.
- Number of families deviation.
- Replacement Cost on Contents – HO-4 and HO-6.
- Homeowners Renewal Discount.
- Automatic Sprinkler Discount.
- Ordinance or Law Coverage.
- Fidelity National Financial Employee discount.
- Home/Auto Discount.
- Newly Acquired Home Discount.
- Coverage A Increased Limits HO-6.
- Eff 9-14-05 PC085587 North Carolina Department of Insurance
- (name changed from First Community Insurance Company 12-12-03)

60. **Firemans Fund Insurance Company**

- Protective Device Credits: All territories: Credit varies 1% - 15%.
- Portfolio Credit: 5% applies to all Homeowners policies when Personal Catastrophe Coverage and Inland Marine Coverage is written with Fireman's Fund.
- Eff. 12-01-03 PC065121 North Carolina Department of Insurance

61. **Firemen's Insurance Company of Washington D.C.**

- Deluxe Program: Form 3: 5% deviation off base premiums.
- All Forms: Protective Device Credit: Credit varies 2% - 13%.
- All Forms, except 4 & 6: Age of Home Discount: Credit varies 4% - 20% for age of dwelling 0 - 25 yrs. with greatest credit for newest homes.
- All Forms, except 4 & 6: Senior Citizen Discount; Factor of .92 of base premium age 50-54 yrs. Factor .95 age 55 yrs. & older.
- All Forms, except 4 & 6: Renovation Discount 0-15 yrs. factors of .85-.95 applies when underwriting guidelines are met. Credit applies to base premium.
- Renewal Discount: Factor .95 applies to base premium when criteria is met.
- Form 3: Loss Free Credit; 1yr. - 5%; Renewal with 2 yrs. loss free - 10%. Credit applies to base premium.
- All Forms, except 4 & 6: Optional deductible credits applies to base premium. Coverage A limit under $200,000 - $500 ded. - .87; $1000 - .76; $2500 - .73. $20000-$400,000 - $500 ded - .89; $1000 - .80; $2500 - .77. Over $400,000 - $500 - .92; $1000 - 86; $2500 - .83.
- Eff. 10-1-97

62. **Garrison Property and Casualty Insurance Company**

- New Home Discount
- Personal Property – Additional Coverage –Jewelry and Furs
- Personal Property –Increase Limit
- Base Premium Computation HO 00 06 by territory/county
- Base Premium computation HO 00 03 by territory/county
- Sinkhole Collapse coverage
- Insallment Payment Plan, no charge
- Protective Device
- Deductibles (Form HO 00 03)
- Ordinance or Law-All Forms and Ordinance or Law increased amount of coverage-HO 00 06
- Coverage A Dwelling Basic and Increased Limits and Special coverage – HO 00 06
- Refrigerated Personal Property
- Other structures

- Windstorm or Hail Exclusion – Territories 05, 06, 42, and 43
- Tier Discount form HO 00 03 and HO 00 06
- Protection Construction Factors
- Eff 9-1-07 PC104509 North Carolina Department of Insurance

63. **General Insurance Company of America**

- Base Key Premiums all forms by Territory Deviation.
- Deductible Debit/Credits Deviation.
- Renewal Credit all forms: 3-5 yrs. - 5%; 6 yrs.+ - 9%.
- Account Credit all forms: 5% credit for total policy premium when insured has a Safeco auto policy also.
- Condominium Unit Owners Coverage A Increased Limits & Special Coverage Deviation.
- Business Pursuits (HO 24 71) all forms: the charge is deleted.
- Credit Card Forgery & Counterfeit Money Coverages (HO 04 53): Delete $1 charge for $1000 limit.
- Personal Injury (HO 24 82): $10 charge per policy.
- Landlord's Furnishing (HO 32 21): $10 premium per policy to increase coverage to total $5000 with burglary coverage added.
- Ordinance or Law Cov (HO 04 77) Deviation for Quality Plus Form, Quality Crest Form & Condominium Form.
- Medical Payments: Other exposures - Higher limits all forms: Additional charge for higher limits of medical payments will be waived.
- Additional Residence Rented to Other (HO 24 70): Limit of Liability $100,000 - $1,000,000: Premium charge varies.
- Outboard Motors & Water Craft: Reduced premiums based on limits, length and horsepower.
- Personal Liability - Residence Premises Deviation: Increased Limits: Coverage E base $300,000: Coverage F no charge.
- Special Personal Property Coverage HO-OO 15 & HO-17 31: Quality Plus Form & Condominium Form- Increase basic premium 8%. Quality Crest Form automatically included.
- Installment Payment Charge: $2 each installment.
- Eff. 8-15-02 PC052887 North Carolina Department of Insurance

64. **Government Employees Insurance Company**

- Forms 1, 2, 3 & 3 w/15: New Home Discount: 10% for dwellings 5 yrs. old or less.
- Homeowners Theft Deterrent Premium Credit Program: Forms 1, 2, 3 & 3 w/15 - 7%; Forms 4 & 6 - 20%.
- Forms 1, 2 & 3: Amount of Insurance Credit; Classes 1-9 - $10,000-$200,000 & over. Credit varies 4%-22%.
- Form 6: 10%.
- All Forms: Protective Devices: Variable credits.
- Forms 2, 3, 4 & 6: Retired Discount Credit; 20% when specified criteria are met.
- All Forms: Dual Policy Discount: 10% when specified criteria are met.
- Forms 4 & 6: Key factor +.074 for each additional $1000 of coverage.
- Installment Payment Plan: Waive the charge of $3 first installment if first payment received with application.
- Form 4 & 6: Waterbed Liability Endorsement: No premium charge.
- Eff. 3-1-95

65. **Grain Dealers Mutual Insurance Company**

- 10% credit when insured has both personal auto & homeowners policy written by Grain Dealers Mutual Ins. Company.
- Forms 2 & 3: New Home Credit: New - 1yr. of age - 25%: 1-2yrs. of age - 20%: 3 ys. of age - 15%: 4 yrs. of age - 10%: 5 yrs. of age -5%.
- Forms 2, 3 & 3w/15: 20% to base rates applies to Coverage A amount of more than $125,000.
- Continuous Policyholder Discount Program: 0-2 yrs.-0%credit: 3-5 yrs.-5%credit: 6-8 yrs.-10% credit: 9+ yrs.-15% credit.
- 10% deviation on base rates for Alamance & Caswell Counties in Territory 35.
- Personal Property Increased Limits Rate Deviation.
- Form 3:10% Mature Home Credit: Certain criteria must be met.
- Eff. 1-1-02 PC042992 North Carolina Department of Insurance

66. **Granite State Insurance Company**
- Forms 1, 2, 3, 4, 3w/15 & 6: 20% deviation.
- Replacement or Repair Cost protection Coverage A premium $1.
- Age of Dwelling Deviation: 0 - 20 yrs. old - 10%.
- Forms 1, 2, 3, 3w/15, 4 & 6: 20%.
- Eff. 7-1-87

67. **Graphic Arts Mutual Insurance Company**
- Replacement Cost on Contents; Increase Coverage C to 70% of Coverage A for no additional charge. 5% surcharge is to be added to the total base premium.
- Mass Merchandising Plan.
- -5% W.I.S.E./Affinity program discount,
- For Forms HO 02, HO 03, HO 05 and HO 08, factor of .95 for risks located in terrs 5, 6, 41, 42, 43, 45 and 46.
- For Forms HO 00 02, HO 03, HO 05 and HO 08, factor of .85 for risks located in territories 36, 44 and 60
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .90 for risks located in territories 38 and 39
- For Form HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .80 for risks located in territory 34.
- For Form HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .82 for risks located in territory 57
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .84 for risks located in territory 53
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, a rating factor of .85 for risks located in territory 32
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .92 for risks in territory 47
- For Forms HO 00 04 and HO 00 06, factor of .85 for risks in territories 36, 44, 57 and 60
- For Forms HO 00 04 and HO 00 06, factor of .90 for risks located in territories 38 and 39
- For Forms HO 00 04 and HO 00 06, factor of .85 for risk located in terrs 5, 6, 32, 34, 41, 42, 43, 45, 46, 47 and 53
- Personal Lines Account Credit
- Homeowners Extension Package
- Protection Class deviation/
- Eff. 8-1-07 PC103506 North Carolina Department of Insurance

68. **Hanover American Insurance Company**
- Mature Homeowners Credit: All forms: 5% credit applies when certain criteria are met.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits: All forms, except 4 & 6.
- Personal Property Replacement Cost: forms 4 & 6.
- Personal Property Replacement Cost on Coverage C: All forms, except 4 & 6
- Account Credit: All forms.
- Loss of Use-Increased Limits: All forms: Additional charge $4 per $1000 increase.
- Condominium Unit Owners-Coverage A Dwelling: Basic & Increased Limits: $3 per $1000 increase: 1st $5000 increase no charge.
- Reduced Watercraft Liability Rates: All forms.
- Personal Property , Increased Limits-$1 per $1000 increase: All forms, except 4 & 6.
- Special Personal Property: Reduced Charge for Form 3w/15.
- Electronic Funds Transfer Plan Discount: All forms.
- Group Modification Plan Discount: All forms: Credit varies 0%-13.5%.
- Direct Bill Policies: All forms: $1 per installment.
- Cap on total credits/discounts of 35%.
- Territorial Deviation: All forms except HO 00 04 and HO 00 06:
- Relativity Curve Deviation Forms HO 00 03.
- Relativity Curve Deviation Forms HO 00 04 and HO 00 06.
- Eff. 9-1-09 HNVR-126246611 North Carolina Department of Insurance

69. **Hanover Insurance Company**
- Mature Homeowners Credit: All forms: 5% credit applies when certain criteria are met.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits: All forms, except 4 & 6.

- Personal Property Replacement Cost on Coverage C: All forms, except 4 & 6: Minimum premium of $20.
- Personal Property Replacement Cost on Coverage C: Forms 4 & 6: Minimum premium of $25.
- Account Credit: All forms.
- Loss of Use-Increased Limits: All forms: Additional charge $4 per $1000 increase.
- Condominium Unit Owners-Coverage A Dwelling: Basic & Increased Limits: $3 per $1000 increase: 1st $5000 increase no charge.
- Watercraft Liability Rates: All forms.
- Personal Property Increased Limits-$1 per $1000 increase: All forms, except 4 & 6.
- Special Personal Property: all forms except HO 00 02, HO 00 04 and HO 00 06.
- Electronic Funds Transfer Plan Discount: All forms.
- Group Modification Plan Discount: All forms: Credit varies 0%-5%.
- Direct Bill Policies: All forms: $1 per installment.
- Cap on credits/discounts
- Relativity curve deviation HO 00 03.
- Relativity Curve deviation forms HO 00 04 and HO 00 06.
- Eff. 9-1-09 HNVR-126246317 North Carolina Department of Insurance

70. **Harbor Specialty Insurance Company**

Preferred:

- Homes 25 yrs. of age or less insured for $50,000 or more.
- Form 3: Base Rate Deviation by territories; Credit varies 20.2% - 24.3%.
- Form 4: Credits off Key Premiums; 2% Alamance County.
- Form 6: Base Rate Deviation by territories; Credit varies 19.4% - 22%.
- Form 3: Replacement Cost Protection (HO-500): Charge $1 in lieu of $5 when requirements are met.
- Form 3: Protective Devices Credit; Class 1-9, credit varies 2%-15%.
- Form 3: New Home Credit; 0-1 yr. old - 21%; 1% less credit each added yr. thru 8th yr.; 9 yrs. - 12%; 10 yrs. - 10%; 11 yrs. - 8%; 12 yrs. - 6%; 13 yrs. - 4%; 14 & 15 yrs. - 3%. Credit applicable to annual premium.
- Form 3: Personal Property Increased Limits; $.50 per $1000 of insurance.
- Form 3: Deductible Credits; $500 ded. - 10%; $1000 - 20%.
- Forms 3, 4 & 6: 20% deviation for policies written as part of Personal Protection Package Policy.
- Forms 4 & 6: Deductible Credits; $500 ded. - 10%; $1000 ded. -

23%. Standard:

- Form HO-3 only - Homes 25 years of age or older and/or insured for less than $50,000.
- Form HO 3 Credit off Key Premiums; 13.4% Alamance County; 9.4% territory 34; 8.6% territories 30 & 31; 11.4% territories 4, 32, 33, 36, 37, 38, 39, 40, 41, Lincoln & Rockingham County; 11.4% for remainder of Alamance County & remainder of territories. Form 3: Coverage C increased limit charge $.50 per $1000 of insurance.
- Form 3: Deductible Credits; $500 - 10%; $1000 - 20%.
- Form 3: Protective Credit; Same as for preferred.
- Form 3: New Home Credit; Same as for Preferred.
- Form 3: 20% deviation applies to HO program when written as part of Personal Protector Package Policy.
- Eff. 3-1-94

71. **Harford Mutual Insurance Company**

- Forms 1, 2 & 3: New Home Discount; 10% - dwellings 15 yrs. old or less.
- Forms 1, 2, 3 & 8: Fixed dollar amount deductible factors; $500 - .90; $1000 - .83; $2500 - .75. $100 deductible amount - minimum $30 - maximum $60.
- Forms 4 & 6: Fixed dollar amount ded. factors; $500 .90; $1000 .77; $2500 .63. $100 deductible amount min. $30, max. $60.
- All Forms: Protective devices factors for all territories & all protection classes - factors varies .98 to .85.
- Eff. 5-1-92

72. **Harleysville-Atlantic Insurance Company**

- Forms 1, 2, 3 & 8: Base rate credits; Coverage A limit $48,000 & under $95,000 & over; Credit varies 0.0% - 27.5%.
- All Forms: 13%; Optional coverage rates Section I & II.
- Forms 1, 2, 3 & 8: New Home Discount factor; 1 yr. old or less .80; Discount factor increased by .01 thru 11th yr. -

discount factor increased by .02 - 12th thru 15th yr.
- Eff. 5-1-92

73. **Harleysville Mutual Insurance Company**
- Group Mass Marketing Discount: to voluntary policyholders that are members of specific group type organizations.
- Preferred Customer Discount: All territories except 05, 06, 41, 42, 43, 81, and 86 when certain criteria are met.
- Deviations by certain territories.
- StarPak ProgramDiscount.
- Companion discount – Credit for homeowners and private passenger auto policy issued to cover the same policyholder.
- Newly Purchased Home Credit HO 02, HO 03 and HE 7.
- Mature Homeowner Discount HO 03 and HE 7 only 55 years of age or older.
- Life Insurance Policy Discount Homeowner and Life policy
- Coverage A Key Factors discount All territories except 07, 08, 48, 49, 81, 86 and 90.
- HO 00 04 and HO 00 06
- Personal Property Increased Limit.
- Other Members of a Named Insured's Household
- Electronic Funds Transfer (EFT)
- Territory Definitions Harleysville/NCRB
- Eff. 5-20-09 HRLV-126097759 North Carolina Department of Insurance

74. **Harleysville Preferred Insurance Company**
- Group Mass Marketing Discount: 10% to voluntary policyholders that are members of specific group type organizations.
- Preferred customer discount – all terr except 07, 08, 41, 48, 49, 81 and 86. The percentage discount is determined by the combination of insurance score rating and characteristics met.
- HE-7 Enhancement Deviations by certain Territories.
- StarPak Program Discount
- Companion discount – Credit for homeowners and private passenger auto policy issued to cover the same policyholder.
- Newly Purchased Home Credit Forms HO 02, HO 03, HO 05, and HE 7,
- Mature Homeowner Discount HO 03, HO 05 and HE 7 only 55 years of age or older.
- Policy Discount (life insurance/annuity policy)
- Coverage A Key Factors discount All territories except 07, 08, 41, 48, 49, 81, 86 and 90.
- HO 00 04 or HO 00 06, Base Premium for Territories except 07, 08, 41, 48, 49, 81, 86 and 90.
- Perosnal Property Increased Limit.
- Other Members of a Named Insured's Household.
- Electronic Funds Transfer (EFT).
- Territory Definitions Harleysville/NCRB
- Eff 5-20-09 HRLV-126097801 North Carolina Department of Insurance

75. **Hartford Accident and Indemnity Company**
- Age of Dwelling Credit for all territories except 5, 6, 41, 42 and 43.
- Account Credit for all territories.
- Retiree Credit named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: if complex meets the protection requirements.
- Product Factor – Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key Factor for Premier, CCRL and Elite.
- Effective 5-1-09 HART-126027391 North Carolina Department of Insurance

76. **Hartford Casualty Insurance Company**
- Age of Dwelling Credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit for all territories.
- Retiree Credit, named insured is age 50 or older.
- Limited Access Credit-Forms HO 00 04 and HO 00 06 is protected 24 hours a day.

- Product Factor- Forms HO 00 04 and HO 00 06.
- Retirement community/Limited Access community Credit.
- Key Factor for Premier, CCRL and Elite.
- Eff. 5-1-09 HART-126027414 North Carolina Department of Insurance

77. **Hartford Fire Insurance Company**

- Age of Dwelling Credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit deviation for all territories.
- Retirees Credit, named insured is age 50 and older.
- Limited Access Credit-Forms HO 00 04 and HO 00 06 is protected 24 hours a day.
- Product Factor (Merit, Elite, CCRL, Premier), - Forms HO 00 04 and HO 00 06.
- Retirement community/Limited Access Community Credit.
- Key Factor for Premier, CCRL and Elite.
- Eff. 5-1-09 HART-126027440 North Carolina Department of Insurance

78. **Hartford Insurance Company of Midwest**

- Age of Dwelling credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit all territories.
- Retirees Credit: named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: is protected 24 hours a day.
- Product Factor – (Merit, CCRL, Premier), Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key factors for Premier, CCRL and Elite.
- Effective 5-1-09 HART-126027450 North Carolina Department of Insurance

79. **Hartford Underwriters Insurance Company**

- Age of Dwelling credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit all territories.
- Retirees Credit: named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: is protected 24 hours a day.
- Product Factor – (Merit, CCRL, Premier), Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key factors for Premier, CCRL and Elite.
- Age of Dwelling Credit: 0-1 yr. of age - 15%; 1% less credit each added yr.
- Eff. 5-1-09 HART-126028774 North Carolina Department of Insurance

80. **Homesite Insurance Company**

- Preferred Risk Group 1 Discount 10% when certain criteria are met.
- Preferred Risk Group 2 Discount 10% when certain criteria are met.
- Eff 6-1-09 HMSS-126064634 North Carolina Department of Insurance

81. **Horace Mann Insurance Company**

- Form HO 00 07 Masters Program – Amount of Insurance by Territory and Amount of Insurance Relativities.
- Protective Device Credits: Classes 1-9: Credits vary from 1%-15%.
- Automatic Adjustment of Limits, 2% credit on Forms ML-2 and 3 if insured 100% to value with Inflation Guard Endorsement attached.
- Newly Constructed Residences.
- Deviation for Tenant & Condominium Base Rates Territorial, HO 00 04 and HO 00 06.
- Installment Payment Plan: Forms ML-3, 4, 6 & Master Program: Waive initial $3 installment fee.
- Deductible Factors Forms HO 02 and HO 03.
- Auto/Home discount all forms credit varies.
- Deductible Credits for forms HO-4 and 6 credit varies.
- Replacement Cost on contents - 15% charge for policies with $500 or greater deductible. $10 minimum premium.
- Masters Program - $60,000 Minimum coverage A, includes inflation protection coverage at no additional charge; includes Replacement Value-Personal Property; included the following percentages of Coverage A: 10% coverage B, 70% coverage C, and 20% coverage D.

- Federal Flood Insurance Program: 2% credit applies to HO and MH policies if the insured has a federal flood insurance policy placed with us through our flood insurance placement program.
- Downward deviation on earthquake.
- Silverware, Gold ware & Pewter ware coverage.
- Refrigerated Food Spoilage coverage will be $5.00 per policy.
- Tenant's Improvements Increased Limit - $4 per $1000 of insurance.
- Coverage A Increased Limit - $3 per $1000 of insurance.
- Additional Residence Premises - Rented to Others (Liability Coverage) - Premium varies.
- Private Structures - Rented to Others (Liability Coverage) - Premium varies.
- Credit Rating Tier/Insurance Score Range HO 00 07
- Home Buyer Loyalty Program.
- Eff. 5-1-09 HRMN-12600509 North Carolina Department of Insurance

82. **Horace Mann Property & Casualty Insurance Company**

- Form HO 03 Amount of insurance by territory and amount of insurance relativities.
- Form HO 07 (Maters Program) Amount of insurance by territory and amount of insurance relativities.
- Form HO 07 (Maters Program) Amount of insurance by territory and amount of insurance relativities.
- Form HO 07 (Maters Program) Amount of insurance by territory and amount of insurance relativities.
- Protection Device Credits: Classes 1-9: Credits vary 1% - 15%.
- Automatic Adjustment of Limits 2% credit on Forms HO-2 and 3 if insured 100% to value with Inflation Guard Endorsement attached.
- Newly constructed residence.
- Protection Class for Form HO 03..
- Waive $3.00 installment fee on each installment except the initial down payment.
- Deductible Credits for Form 3 and Masters Program: Ded credit varies.
- Multi-Line Deviation for all forms.
- Master Program: $60,000 Minimum coverage A, inflation protection and replacement value-personal property at no additional charge.
- Federal Flood Insurance program discount.
- Earthquake Program Deviation.
- Silverware, goldware & pewterware deviation
- Refrigerated food spoilage deviation.
- Additional Residence Premises - Rented to Others.
- Private Structures rented to Others.
- Masters Program: Deviation by Credit Rating Tier
- Home Buyer Loyalty Program one time credit for the initial policy term.
- Eff 5-1-09 HRMN-126009888 North Carolina Department of Insurance

83. **IDS Property casualty Insurance Company**

- Form HO 00 03 – Amount of Insurance.
- Form HO 00 04 – Amount of Insurance.
- Form HO 00 06 – Amount of Insurance.
- Protective Device Credits
- Deductible Credits Forms HO 00 03, HO 00 04 HO 00 06.
- Home and Auto Discount.
- Replacement Cost on Contents Discount Forms HO 00 03, HO 00 04 HO 00 06.
- Condo Coverage A increased limits.
- Utilities Rating Plan.
- Coverage C Increased Limits.
- Installment Pay Plan.
- Refrigerated Personal Property
- Townhouse/Rowhouse
- Costco Discount
- Base Rates (Form HO 00 03) by territories
- Base Rates (Form HO 00 06) by territories
- Eff 8-14-09 PRCA-126151220 North Carolina Department of Insurance

84. **Indemnity Insurance Company of North America**
- New Construction Credit: New - 20%; 2% less credit for each yr. to 9th yr.
- All Forms: Fixed Dollar Deductible: Credit varies 15% - 40%.
- Personal Property Increased Limit: $2 premium charge per $1000 of coverage.
- Forms 2 & 3: Replacement Cost Coverage Personal Property: HO 0490; Factor 10.5% includes increased Coverage C to 70% of Coverage A at no additional premium charge.
- Protective Device Credits: All zones & protection classes: Credit varies 2% - 15%.
- Rated Deviation: Homeowners - 11%; Tenants - 10%; Condominiums - 15%.
- Eff. 9-1-99

85. **Indiana Lumbermens Mutual Insurance Company**
- Forms 1, 2, 3 & 3 w/l5: 15% 0-10 yrs. old; 10% 11-15 yrs. old; 0% 16 yrs. & over.
- Eff. 9/1/85

86. **Insura Property & Casualty Insurance Company**
- Form 3: Deductible credits; $500 - 15%; $1000 - 25%; $2500 - 38%.
- All Forms: Personal property increased limits $2 per $1000.
- Protective Device Credits; Credit varies 2% - 15%.
- Personal Injury (HO-82) included at no charge.
- Personal Property Replacement Cost Coverage; Eliminate 5% surcharge.
- New Home Credit: Current calendar yr. - 20%; 1 yr. preceding current calendar yr. - 18%; each added yr. 2% less credit until 10+ yrs. - 0%.
- Multi-Policy Credit: 10% applies to total HO policy prem. when auto policy is written in the Anthem Casualty Ins. Group.
- Amount of insurance deviation based on territory, protection class & amount of Coverage A: $70,000-$200,000 credits varies 8.6% - 21.9%; Each additional $10,000 credit varies 15% - 30%.
- Forms 2 & 3: Amount of Insurance Deviation; 3% charge of basic premium.
- Base premium deviation by territory.
- Eff. 6-1-99

87. **Insurance Company of North America**
- Forms 1, 2 & 3: Fixed dollar deductible credits; $500-11%; $1000-21%; $2500-34%.
- Form 4: Fixed dollar deductible credits; $500-11%; $1000-25%; $2500-40%.
- Forms 1, 2 & 3: Rate for increase in Coverage C; $1 per $1000.
- Forms 1, 2 & 3: Personal Property Replacement Cost coverage HO 290; Charge shall be 4% of adjusted base premium. Coverage C must be increased to 70% of A & $1 per $1000 charge made.
- Protective Device Credits: All zones & all protection classes: Credits vary from 1%-15%.
- Eff. 5/1/92

88. **Insurance Company of the State of Pennsylvania**
- Form 6: 35%.
- Form 4: 20%.
- Forms 2 & 3: Deductible Credits; $250 - 15%; $500 - 25%; $1000 - 35%.
- Forms 2, 3, 3w/15 & 6: Age of Dwelling Discount; 0-5 yrs. - 15%; 6-10 yrs. - 10%; 11-20 yrs. - 5%.
- Forms 1, 2, 3, 3 w/15 & 8: 28%.
- Home Buyers Discount: 10% first 3 yrs. ownership; 5% second 3 yrs.
- Forms 1, 2, 3 & 3 w/15: Delete 5% surcharge for replacement cost of contents.
- Eff. 6/15/88

89. **Integon General Insurance Corporation**
- Delete the surcharge for $100 deductible.
- Form 6: 10% deviation.
- Deviation by amount of insurance: Coverage A amount $50,000 - $250,000 & above based on territory; Credit varies - 0% - .340%.
- Deductible Credits: Form 3; Terr. 32, 33, 34-41- $250 ded., $500 ded., $1000 ded. & $2500 ded.: Credits varies .05%- .41%.

- Long-Term Customer Discount: 5-9 yrs. with Co.- 5%; 10 yrs. or longer with company -10%.
- Eff. 5-1-92

90. **Integon Indemnity Corporation**

- Delete surcharge for $100 deductible.
- Form 6: 15% deviation.
- Replacement Cost Coverage C: Delete surcharge for replacement cost on contents.
- Deviation by Amount of Insurance: Cov. A amount $50,000 - $250,000 & above & based on territory. Variable credit.
- Deductible Credits Form 3; Terr. 32, 33, 34-41 - $250 ded; $500 ded. $1000 & $2500 ded. Credits vary .05%-41%.
- Long Term Customer Discount: 5-9 yrs. renewal with company - 5%; 10 yrs. or longer with Company - 10%.
- Eff. 5/1/92

91. **Liberty Mutual Fire Insurance Company**

- Mass Merchandising Program – 5% deviation when certain criteria is met
- Deductible Credits Deductible Amount and percentage of credit/surcharge vary.
- Amount of Insurance Forms HO 2, & 3.
- Amount of Insurance HO 4 & 6.
- Installment Payment Plan all forms.
- Coverage A Dwelling Limit for form HO 6.
- Watercraft Deviation by limits of liability
- Hurricane deductible credits; credit varies by deductible amount.
- Eff. 12-17-08 LBPM-125911522 North Carolina Department of Insurance

92. **Liberty Mutual Mid-Atlantic Insurance Company**

- Forms 2,3,4, & 6 35% deviation.
- Froms 2 & 3 Dwellings 0-10 years – 10%.
- Eff 11-1-86

93. **Lititz Mutual Insurance Company**

- New Home Credit.
- Discount when Guaranteed Repair or Replacement Cost Protection (Coverage A) and Personal Property Replacement Cost Protection (Coverage C) are used together.
- Protection class 9 discount
- Optional Higher Deductibles Deviation.
- Base Rate Deviation by Territory: Credit varies.
- Ordinance or Law – increased Limits.
- Eff 5-1-09 PC124818 North Carolina Department of Insurance

94. **LM Property and Casualty Insurance Company**

- New Home Credit: Age of Home 0 - 7 yrs. of age: Credit varies 0%-20%.
- Deductible credits
- Personal Property Replacement Cost: - HO-3 Apply 4% surcharge to adjusted base premium.
- Enhanced Dwelling Limit (EDL) – Form HO-3 $1.00 per policy.
- Protective Device Credits: Variable Credits 2%-15%.
- Forms 3, 3w/15, Premier & 6: 5% Mature Homeowners Credit.
- Personal Property – Increased Limit Form HO-3: $1.00 per $1,000 increase of insurance
- Mature Homeowner Credit – Forms HO-3 and HO-6 5% credit. A premium credit applies if any named insured is age 55 or older as of the effective date of the policy.
- Companion for Life Discount all forms 10% credit.
- Secured Community Credit: Credit applies if primary residence is located in a fully secured or partially secured community. Fully secured - 10%: Partially secured -5%.
- Electronic Funds Transfer Fee: No charge.
- Increased Limits Jewelry, Watches & Furs: $14 per $1000 of Coverage.
- Personal Property Replacement Cost: Form HO4 and HO 6 Minimum charge of $20.
- Silverware, Goldware, & Pewterware: $2.50 per $500.

- Deviation for 3 & 4 Family Liability Rates.
- Deviation by Liability Coverage.
- Outboard Motors & Water Craft Deviation for Coverage E, Increased Limits: Certain criteria apply.
- Outboard Motors & Water Craft Deviation for Coverage F, Increased Limits: Certain criteria apply.
- Business Property - Increased Limits Deviation: $10 per $2500.
- Eff. 3-14-03 PC058007 North Carolina Department of Insurance

95. **Lumbermens Mutual Casualty Company**

- Premium Credits for Protective Devices: Certain criteria apply.
- Mature Homeowners Credit: 5% credit applies to base premium if insured is 55 yrs. of age & is home during the day.
- Personal Property (Coverage C) Replacement Cost Coverage Deviation.
- $100 Deductible: Waive minimum premium.
- $250 Theft Deductible Factors: Certain criteria apply.
- All Forms: Optional Higher Deductibles deviation.
- Form 3: Special Personal Property Coverage: Apply a factor of 1.10 to base premium.
- Form HO 6: Special Personal Property Coverage: Apply a factor of 1.20 to base premium.
- Form 4: Building Addition & Alterations Increased Limit deviation.
- Form HO 6: Coverage A Dwelling Basic & Increased Limits Special Coverage Deviation.
- Ordinance or Law Increased Amount of Insurance: Form 4 & 6.
- Deferred Premium Payment Plan Option.
- New Home Discount: 0 - 6+ yrs. of age: Credit varies 0% - 18%.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2-25-02 PC047939 North Carolina Department of Insurance

96. **Maryland Casualty Company**

- All Forms, except 4 & 6: Age of Dwelling Credit; New-20%; 1 yr.-18%; 2 yrs.-16%; 3 yrs.-14%; 4 yrs.-13%; 5 yrs.-12%; 6 yrs.-10%; 7 yrs.-8%; 8 yrs.-6%; 9 yrs.-4%; 10 yrs.-2%.
- Forms 4 & 6: Replacement Cost on Contents: Factor 1.35.
- Protector Series Program: Reduce homeowners premium by 5%, if insured has auto policy with Maryland Casualty Group.
- Forms 2 & 3: Charge $1 per $1000 for increase in Coverage C limit.
- All Forms: Deductible Credits: $500 - 15%; $1000 - 20%; $2500 - 30%.
- Deviation by Territory: Form 2, 3, 3w/15; Credit varies 0% - 14%.
- Base Premium Deviation: All Forms, except 4 & 6; Credit varies.
- Account Credit: 10% credit when insured has home & auto coverage with Zurich Insurance Companies when criteria is met.
- Protective Device Credit: Factors vary. Maximum credit of $75 is waived.
- Eff. 7-1-98

97. **Massachusetts Bay Insurance Company**

- Mature Homeowners Credit: All forms: credit applies when certain criteria are met.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits: All forms, except 4 & 6.
- Personal Property Replacement Cost: All forms, except 4 & 6: Minimum premium of $20.
- Personal Property Replacement Cost on Coverage C: Forms 4 & 6: Minimum premium of $25.
- Account Credit: All forms.
- Loss of Use-Increased Limits: All forms: Additional charge $4 per $1000 increase.
- Condominium Unit Owners-Coverage A Dwelling: Basic & Increased Limits: $3 per $1000 increase: 1st $5000 increase no charge.
- Watercraft Liability Rates: All forms.
- Personal Property , Increased Limits-$1 per $1000 increase: All forms, except 4 & 6.
- Special Personal Property: Reduced Charge for Form 3w/15.
- Electronic Funds Transfer Plan Discount: All forms.
- Group Modification Plan Discount: All forms: Credit varies 0%-5%.

- Direct Bill Policies: All forms: $1 per installment.
- Cap on total credits/discounts of 35%.
- Territorial Deviation: All forms, except 4 & 6: Credit varies
- Relativity Curve Deviation Forms HO 00 03.
- Relativity Curve Deviation Forms HO 00 04 and HO 00 06.
- Eff 9-1-09 HNVR-126246588 North Carolina Department of Insurance

98. **Max America Insurance Company**

- Forms 1, 2, 3 & 3 w/I5: Amount of insurance credit.
- Forms 1, 2, 3 & 3 w/15: New Home Credit.
- All Forms: Eliminate 5% surcharge for personal property replacement cost (HO 290) endorsement.
- All Forms: Reduced key premiums for protection classes 7 & 8.
- Eff. 03/5/02

99. **Medmarc Casualty Insurance Company**

- New Home Credit: 0-1 yr.-20%; 2 or 3 yrs.-18%; 4 yrs.-15%; 5 yrs.-12%; 6 yrs.-10%; 7 yrs.-9%; 8 yrs.-6%; 9 yrs.-3%; 10 yrs.- 2%.
- Smoke Detectors Discount: 2.0%.
- Eff. 7/15/90

100. **Merastar Insurance Company**

- New Home Credit; HO 00 03 Homes completed & occupied during current calendar yr. credit varies.
- Safe and Sound Discount: protective device credit certain criteria.
- Auto Home Discount All Forms - credit to the base homeowner premium if insured's automobile is insured with this Company.
- Waiver of installment charge when certain requirements are met.
- Increased Special Limits of Liability: Jewelry, watches & furs; Additional premium $10 for each $1000 increase.
- Merastar Maximum Discount: Factor .97 applies to base premium when certain criteria is met.
- Deductible credits;Forms 3 & 5: $500 - $1000
- Deductible credits;Forms 4 & 6: $500 - $1000
- Protective Device Credits; 2% - 15%.
- Boat Liability Rate Deviation: All Forms: credit based on length & horsepower.
- Base rate deviation Forms 3 & 8: based on territory: Credit varies.
- Base rate deviation Forms 4 & 6: based on territory.
- Account Discount All Forms Discount if the named insured is a member of an employer sponsored account or qualifying affinity group.
- Eff. 8-1-05 PC084763 North Carolina Department of Insurance

101. **Metropolitan Direct Property & Casualty Insurance Company**

- Deductible Deviation.
- Additional Limits of Liability
- Personal Property Replacement Cost Loss Settlement.
- Year of Construction – Newly Constructed Dwellings.
- Protective Devices
- Mature Homeowners Discount.
- Windstorm or Hail Exclusion Credit.
- Multi-Policy Discount.
- Mass Merchandising Account Deviation
- Met ReWards Claim Free Discount.
- Increased Ordinance or Law Coverage
- Earthquake Coverage
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Eff. 5-1-09 METX-126128757 North Carolina Department of Insurance

102. **Metropolitan Property & Casualty Insurance Company**

Standard Program

- Deductible Deviation.
- Additional Limits of Liability.
- Personal Property Replacement Cost Loss Settlement.
- Year of construction – Newly Constructed Dwellings.
- Protective Devices.
- Mature Homeowners Discount.
- Windstorm or Hail Exclusion Credit.
- Multi-Policy Discount.
- Mass Merchandising Account Deviation:
- Smaller employer groups when criteria is met.
- Claim Free Discount: 5% discount when criteria are met.
- Increase Ordinance or Law coverage.
- Earthquake Coverage.
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Platinum Coverage Package – Form HO 00 05.
- Waterbed Liability.
- Coverage A Dwelling Special Coverage HO 00 06.

Conversion Program

- Deductible Deviation.
- Windstorm or Hail Percentage Deductible Relativities.
- Additional Limit of Liability Coverage A.
- Replacement Cost on Contents: 10% surcharge. Cov C amount increased to 70% of Cov A at no additional cost.
- Year of Construction New Home Discount – Year of Construction..
- Protective Devices Premium Credits for Alarm Systems: Credit applies to base premium.
- Mature Homeowners Discount.
- Windstorm or Hail Exclusion Credit: Variable credits based on protection class, construction & territory.
- Multi-Policy Discount.
- Met Rewards Claim Free Discount when criteria are met.
- Increased Ordinance or Law Coverage.
- Earthquake Coverage.
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Platinum Coverage Package – Form HO 00 05.
- Waterbed Liability.
- Coverage A Dwelling Special Coverage HO 00 06.
- Eff 5-1-09 METX-126128758 North Carolina Department of Insurance

103. **Montgomery Mutual Insurance Company**

- Forms 3, HE-7, HE-7w/20 & HE-7w/21: Pers Prop Increased Limits: .50 per $1000 of insurance for Coverage C.
- Deductible Amount Deviation: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies
- 10% Account Credit when auto policy is written for the same insured through Montgomery Mutual Insurance Co.
- Forms 3, HE-7, HE-7w/20 & HE-7w/21: New Home Credit: New - 6 yrs. of age: Credit varies 0% - 20%.
- Base Rate Deviation by Territory: Forms 3, HE-7, HE-7w/20 & HE-7w/21 Credit varies 0% -7.1%
- Form 4: Base Rate Deviation by Territory: Credit varies 0% - 14.8%.
- Form 6: Base Rate Deviation by Territory: Credit varies 9.3% - 32%.
- Protective Device Credits: Credits vary 2% - 15%.
- Base Rate Deviation on HE-7 - 1.15, HE-7w/20 - 1.20 & HE-7w/21 - 1.25.
- Replacement or Repair Cost Protection(HO 3211): $5 per policy when criteria is met.
- All Forms: 10% Account Credit.
- Water Craft Liability Deviation - 70%.
- Form 3: Amount of Coverage A Relativity Curve Deviation: Credit varies 0.6% - 7.4%.
- Eff. 8-15-02 PC052789 North Carolina Department of Insurance

104. **NGM Insurance Company**

- Age of Dwelling Deviation: Forms HO 00 02, HO 00 03 and HO 00 05.
- Combined Personal Protection Program.
- Preferred Homeowners or Revitalized Home Credit when underwriting guidelines are met.
- Deductible credits/charges, factor varies by ded amount.
- Protective device credits.
- Replacement Cost on Contents.
- Specified Additional Amount of Insurance Coverage A Dwelling.
- Personal Property Replacement Cost.
- Personal Injury.
- Water Back-up of Sewers or Drains.
- Credit Card, Fund Transfer Card, Forgery, & Counterfeit Money.
- Special Computer Coverage.
- Coverage C Special Limits of Liability.
- Fire Department Service Charge.
- Charge to increase Coverage D to 30% of Coverage A.
- Installment Payment Plan Deviation.
- Coverage A relativities for Preferred and Revitalized.
- Ordinance or Law Deviation.
- Refrigerated Property Coverage.
- Insurance Score Discount factor varies by Insurance Score.
- Eff. 11-16-09 NGMC-126238715 North Carolina Department of Insurance

105. **National General Insurance Company**

- All Forms: Protection Device Credits: Variable credits from 2% to 15%.
- All Forms, except 4 & 6: Deductible/factors; $100-1.10 - no minimum or maximum charge; $500-.90; $1000-.80.
- Forms 4 & 6: Deductible/factors; $100/$250 theft - 1.05. No minimum or maximum charge; $500-.90; $1000-.77.
- Form 3: New/Renovated Home Discount; Variable credits based on age of dwelling & type of renovation.
- Forms 4 & 6: Thrifty Fifty Discount; 10% credit if insured meets criteria.
- Forms 1, 2 & 3: $5 Photo Credit New Business.
- Form 4: Building additions & alterations increased limits $5 per $1000 of insurance.
- Form 6: Coverage A Dwelling; Basic & Increased Limits, $5000 Coverage A is provided at no additional charge. Charge $5 per $1,000 for increased limit up to total of $15,000.
- Forms 4 & 6: Loss of Use; Increased limits $3 per $1000 of additional insurance.
- Form 3: Base rate deviation; Rating factor of .80 applies.
- Form 6: Base rate deviation; Rating factor of .80 applies.
- Installment Payment Plan: Two payment plan - $2 per installment.
- Eff. 6-1-99

106. **National Specialty Insurance Company**

- Forms 2 & 3: Base deviations vary by amounts of insurance - $55,000 - $120,000 & over; Territory 34 Cumberland County -0% -22.1%; Territories 32, 33, 35 & 41 - 0% to -35.1% deviations vary by amount of insurance. $50,000 -$120,000 & over; all other territories 0% - 35.1%. Deviation vary by amounts of insurance $50,000 - $120,000 & over.
- Forms 4 & 6: 10% credit applies to optional coverages that are applicable exclusively to Forms 4 & 6.
- All Forms, except 4 & 6: 20% credit applies to optional coverages.
- Forms 2, 3 & Homeowners Plus: Fixed dollar amount deductible credits; $500-10%; $1000 - 17%.
- Forms 4 & 6: Fixed dollar amount deductible; $500 - 10%; $1000 - 23%.
- Homeowners Plus Package: Form 3 Credit for amount of insurance $50,000-$69,000 - 10%; $70,000 - 110,000 - 11%; $120,000 - $170,000 - 12%; $180,000 - $200,000 - 13%, each additional $10,000 - 0% when special requirement are met.
- Forms 4 & 6: 10%.
- Forms 2, 3 & Homeowners Plus: New home credit - 25% current yr.; 2.5% less credit each added yr.
- Premium credit for alarm systems HO 216: 2-15%.
- All Forms: Manned Security Discount: 10% additional when property is residential area with limited entry & exit points manned by employed uniformed security guards.

- All Forms: 55 & Retired Discount: 10% if one insured is 55 or older & both insured & spouse, if any, are neither gainfully employed or seeking gainful employment. Residence must be principal residence of applicant.
- Earthquake Coverage: Superior construction will be rated same as frame construction.
- Form HO-6: Coverage A increased limits; $3 for each additional $1000.
- Form HO-6: Units regularly rented to others HO-33; Charge 25% of base premium.
- Eff. 5/1/92 *Name changed from State National Specialty Company effective 3/16/04*

107. **National Surety Corporation**

- Protective Device Credits: All forms & all territories: 1% - 15% credit applies to company base premium.
- Portfolio Credit: 5% credit applies to all homeowners policies when Personal Catastrophe Coverage and Personal Inland Marine Coverage is written with Company.
- Eff 12-01-03 PC065123 North Carolina Department of Insurance

108. **National Union Fire Insurance Company of Pittsburgh**

- Territorial Base Rate Deviation.
- Amount of Insurance Relatives Deviation.
- Maximum Credit for Protective Devices waived.
- Higher Deductible Credit: Credit varies by amount of insurance and deductible amount.
- Increased Coverage C Limit Deviation: A factor of 1.25 applies per$1000 of insurance. Territories 5, 6, 42 & 43 excluded.
- Renovated House Credit: Credit varies .82 - .97 for houses renovated 1 yr. to 6 yrs.
- Gated Community Credit: 5% applies when criteria is met.
- Loss Free/ Persistency Credit: 5% or 10% credit applies when criteria is met.
- Eff. 10-13-00 PC037427 North Carolina Department of Insurance

109. **Nationwide Mutual Fire Insurance Company**

- Nationwide Territory Deviation/Territory Deviation Forms HO 02, HO 03 & HO 05: Deviation by amount of insurance & territory.
- Home & Car Discount: Credit varies.
- Amount of Insurance deviation: Credit varies by territory and amount of Insurance.
- Personal Property Replacement Cost Deviation.
- Deductible Deviations.
- Protective Device Deviations by territory: Credit varies.
- Safe Home Rating Plan Deviation.
- Age of Home Component Deviation.
- Age of Construction Deviation.
- Nationwide Associate.
- Eff. 8-31-09 PC125189 North Carolina Department of Insurance

110. **Nationwide Mutual Insurance Company**

- Nationwide Territory Definitions and Territory Deviations Forms HO 02, HO 03, HO 04, HO 05, and HO 06.
- Home and Car Deviation Forms HO 02, HO 03, HO 05, and HO 06
- Deductible Deviations.
- Protective Device Deviation.
- Safe Home Rating Program – Form HO-2, HO-3, HO-5.
- Age of oldest Insured.
- Personal Status Deviation.
- Age of construction deviation.
- Amount of Insurance – Forms HO 02, HO 03, and HO 05.
- Age of Home Component Deviation.
- New Purchase Deviation.
- Nationwide Associate Deviation.
- Eff. 8-31-09 PC125190 North Carolina Department of Insurance

111. **Netherlands Insurance Company**

Preferred Homeowners

- Personal Property Increased Limits;. Forms 3, HE-7, HE-7w/20 & HE7w/21 $.50 per $1000 of insurance
- Deductible amounts deviation Credit: Forms 3, 4, 6, HE-7, HE-7w/20 & HE-7w/21 :Credit varies
- New Home Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies.
- Protective Device Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies
- Base Rate Deviation by Territory Forms 3, HE-7, HE-7w/20 & HE7-21:: Credit varies.
- Form 4: 3% Key Premium Deviation by Territory.
- Form 6: Key Premium Deviation: Credit varies 29.3%-31.6%.
- Forms 3, HE-7, HE-7w/20 & HE-7w/21: HO-3211- Replacement or Repair Cost Protection: Premium charge $5.
- Forms 3, 4, 6, HE-7, HE-7w/20 & HE-7w/21: 15% deviation for policies written as part of Personal Protector Package Policy.
- Water Craft Deviation of 70%.
- Base Rate Deviation on HE-7, HE-7w/20 & HE-7w/21: HE-7 factor - 1.15; HE-7w/20 factor - 1.20; HE7w/21 - 1.25.
- Amount of Coverage A Relativity: Deviation varies .6% - 7.4%.

Standard Homeowners

- Personal Property Increased Limits Forms 3, HE-7, HE-7w/20 & HE-7w/21: ; $.50 per $1000 of insurance.
- Deductible Credits; Forms 3, HE-7, HE-7w/20 & HE-7w/21: credit varies.
- New Home Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: 0 -12 yrs. of age: Credit varies 0% - 25%.
- Protective Device Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies 2% - 15%.
- Base rate deviation by territory: Forms 3, HE-7, HE-7w/20 & HE-7w/21 Credit varies
- Base Rate Deviation HO 6 by territory: Deviation varies.
- Base Rate Deviation on HE-7, HE-7w/20 & HE-7w/21: credit varies
- Replacement or Repair Cost Protection: Forms 3, HE-7, HE-7w/20 & HE-7w/21: HO-3211 Premium charge $5.
- Deviation will apply to HO 3 standard, HE 7 standard HE7/w20 standard, HE 7/ w21 standard for monoline homeowners premiums when they ar written as part fot the Personal Protector Package Policy.
- Water Craft Deviation of 70%.
- Amount of Coverage A Relativity curve: Deviation varies .6% - 7.4%.
- Eff 10-15-02 PC053999 North Carolina Department of Insurance

112. **New Hampshire Insurance Company**

- Forms 1, 2, 3, 3w/15 4 & 6: Age of dwelling credit; 0-20 yrs. - 10%.
- Replacement or Repair Cost prot. Coverage A (HO-500): $1 per policy.
- Eff. 7/1/87

113. **New South Insurance Company**

- Deviation by Amount of Insurance: Coverage A amount: $50000 - $250,000 & above based on territory; Credit varies 0% - .380%.
- Long-term Customer Discount: 5-9 yrs. with Co. on HO policy - 5%; 10 yrs. or longer with Co. on HO policy - 10%.
- Deductible Credits: Territories 32, 33, 34 - 41; $250 ded., $500 ded. $1000 ded. & $2500 ded.; Credits vary .05% - 41%.
- Form 6: 15%.
- Delete surcharge for $100 deductible.
- Replacement Cost- Coverage C: Delete surcharge for replacement cost on contents.
- Eff. 5/1/92
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114. **North Carolina Farm Bureau Mutual Insurance Company**

- Deviation by Territory & Program.
- Deviation on Forms HO 00 04 and HO 00 06.
- -10% Deviation on Form HO 00 08.
- Deductible Credits.
- Value Plus Homeowners; Credit varies when criteria is met.
- Water Craft: Deviations varies by speed, length & horsepower of Water Craft.
- Age of dwelling credit; Territories 5 & 6 excluded; 2% credit until 8 or more yrs., then no credit
- Deviation by Amount of Insurance vary based on rate structure, protection class, deductible, & territory. Forms 2 & 3: Credits vary

- .Deviation on Personal Property Coverage Forms HO 00 02 and HO 00 03 w/o HO 00 15.
- Personal Property Coverage C Replacement Cost.
- Carolina Partner Plus Discount varies by Coverage A amount of insurance when criteria is met. Credit varies.
- Deviation for Additional Residence Rented to Others & Other Structures Rented to Others - Residence Premises.
- Forms 2, 3, 4, 6 & 8: Deductible credits/charges.
- Deviations by selected country.
- Additional 5% deviation applies to property in specified counties.
- Eff. 5-1-07 PC101567 North Carolina Department of Insurance

115. **North River Insurance Company**

- Forms 1, 2, 3 & 3 w/15: Age of dwelling credit; 0 - 1 yr. - 20%; 2% less credit each added yr.
- Preferred plan deviation for owners forms: Varying credits based on amount of insurance & territory.
- Forms 1, 2, 3 & 3 w/15: Replacement cost contents for preferred owners forms to $1 per $1000 of increased Coverage C.
- All Forms: Replacement cost on contents; Deletion of $20 minimum additional premium.
- Forms 1, 2, 3 & 3 w/15: Higher deductible credits factors; $500 - .89; $1000 - .80; $2500 - .67.
- Forms 4 & 6: Higher deductible credits factors; $500 - .83; $1000 - .67; $2500 - .54.
- Premises Alarm System: Expand table of credits for protection classes 1 - 7 to include class 8.
- Form 6: 20%.
- Eff. 3-1-90

116. **Northern Assurance Company of America**

- All Forms, except 4 & 6: New Home Credit: 0-1 yr. old - 20%; 2% less credit each yr. to 10th yr.
- Forms 2 & 3: Personal Property Replacement Cost; Charge to increase Coverage C to 70% of Coverage A; $1 per $1000.
- Guaranteed Replacement Cost (HO-3211): $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- Inflation Guard Endorsement: 6% - at no charge.
- Forms 1, 2 & 3: Fixed dollar amount deductible credits; $500 - 15%; $1000 - 21%; $2500 - 38%..
- Homeowners Enhancement Program Factors: HE - 7 - 1.15%; HE - 7w/15 - 1.20 & HE - 7w/21 - 1.25.
- Deviation by Coverage A amount of insurance. All Forms, except 4 & 6: Credit varies.
- Windstorm or Hail Deductible.
- Eff. 8-15-02 PC053955 North Carolina Department of Insurance

117. **Northern Insurance Company of New York**

- Forms 1, 2, 3 & 3w/l5: Age of dwelling credit.
- Forms 1, 2, 3 & 3 w/15: Replacement or repair cost protection HO-500.
- Forms 4 & 6: Replacement Cost on Contents.
- Forms 1, 2 & 3: Charge $1 per $1000 for increase in Coverage C limits.
- Eff. 2/15/92

118. **Ohio Casualty Insurance Company**

- Water Craft Liability Rates: below NCRB for powerboats; below NCRB for sailboats.
- Employees Discount: to qualifying employees insured in the Ohio Casualty Group.
- Eff.12-1-05 PC082799 North Carolina Department of Insurance

119. **OneBeacon America Insurance Company**

- Forms 1, 2, 3: Fixed dollar amount deductibles; $500-15%; $1000-21%; $2500-38%.
- Forms 4 & 6: $500-10%; $1000-23%; $2500-37%.
- All Forms, except 4 & 6: New home discount; 0-1 yr. old - 20%; 2% less credit each added yr. to 10th yr.
- Forms 1, 2, 3 & 3w/15: Repair or replacement cost Coverage A; HO3211 - $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- Forms 2 & 3: Personal Property Replacement Cost; Charge to increase Coverage C to 70% of Coverage A; $1 per $1000.
- All Forms, except 4 & 6: Provide Inflation Guard Endorsement at 6% amount of annual increase at no charge.
- Form 6: Units regularly rented to others; Delete $15 charge.

- Form 6: 11.1% credit.
- Form 6: Coverage A Dwelling Basic and Increased Coverage A limit $3,000 cov A at no addit charge.
- 5% discount for insured age 49 or older.
- Homeowners Enhancement Factors: HE-7 - 1.15; HE -7w/15 - 1.20 & HE-7w/21 - 1.25.
- All Forms, except 4 & 6: Deviation by Coverage A amount of insurance: Credit varies.
- Windstorm or Hail Deductibles.
- Eff. 8-15-02 PC053954 North Carolina Department of Insurance

120. **OneBeacon Insurance Company**

- Replacement on contents endorsement.
- Protective Devices Credit.
- Personal Property Increased Limits.
- Account Credit when the named insured insures personal auto in any of the General Accident Copanies.
- Fixed Dollar Amount Deductible.
- New Home Credits.
- Eff 4-15-96

121. **OneBeacon Midwest Insurance Company**

- All Forms, except 4 & 6: New Home Discount; 0-1 yr. old -20%; 2% less credit each added yr. to 10th yr.
- Forms 2 & 3: Personal Property Replacement Cost; Charge to increase Coverage C to 70% of Coverage A; $1 per $1000.
- Replacement or Repair Cost Protection Coverage A (HO-3211): $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- All Forms, except 4 & 6: Provide Inflation Guard endorsement coverage at 6% amount of annual increase at no charge.
- All Forms, except 4 & 6: Fixed Dollar Amount deductibles: $500-15%; $1000-21%; $2500-38%.
- 5% discount for insured age 49 or older.
- Deviation to Enhancement Forms HE-7; HE-7w/20 & HE-7w/21: Credits vary.
- Deviation by amount of Coverage A: $250000 - $500000. Variable credits.
- Windstorm or Hail Deductibles
- Eff. 8-15-02 PC053952 North Carolina Department of Insurance

122. **Owners Insurance Company**

- Territory Description.
- Form 6 rate deviation
- Deductibles - Waiver of Minimum Charges.
- Protective Device Credit.
- Protective Device-Alarm Systems.
- Mature Homeowners Discount.
- Townhouse or Row House discount factors.
- Credit Card, Fund Transfer Card, Forgery and Counterfeit Money.
- Form HO-6 Units Regularly Rented To Others.
- Form HO-6 Coverage A Dwelling Increased Limits and Special Coverage.
- Building Additions and Alterations At Other Residences-All Forms.
- Loss Assessment.
- Other Insured Location Occupied By Insured - Section II.
- Section II, Liability-Residence Employees waived.
- Business Pursuits - no charge.
- Personal Injury coverage-no charge.
- Permitted Incidental Occupancies - Residence Premises.
- Special Personal Property Coverage.
- Multi-Policy Discount
- Seasonal Discount-Forms HO 00 03 and HO 00 06.
- Section II, Liability Watercraft.
- Life-Homeowners Multi Policy Discount.
- Insurance Score Credit.

- Home/Umbrella Multi-Policy discount.
- Paid in full discount.
- Personal Property Increased limits.
- Eff 5-1-09 AOIC-126013268 North Carolina Department of Insurance

123. **Pacific Employers Insurance Company**

- Forms 1, 2 & 3: Fixed dollar deductible credits; $500-11%; $1000-21%; $2500-34%.
- Form 4: Fixed dollar deductible credits; $500-11%; $1000-25%; $2500-40%.
- Rate for increase in Coverage C: $1 per $1000.
- Forms 1, 2 & 3: Replacement Cost Coverage HO-290; Charge shall be 4% of adjusted base premium. Coverage C must also be increased to 70% of Coverage A at $1 per $1000.
- Protection Device Credits: All zones & all protection classes; Credits vary 2%-15%.
- New Home Discount: Credit varies 2% -20% based on age of dwelling. Credit applies to base premium.
- Base Rate Deviation: Homeowners -25%; Tenants -15%; Condominiums -20%.
- Eff. 2-24-98

124. **Pacific Indemnity Company**

- Base Premium Computation - Forms 4 & 6.
- Base Premium Computation by territory and forms HO-2, HO-3, HO-5 and HO 00 07.
- Protective Devices - Elimination of maximum credit.
- Optional Higher Deductibles
- Hurricane Percentage Deductible.
- Additional Amount of Insurance deviation. Forms HO 00 02, HO 00 03 & HO 00 05.
- Gated Community Credit when criteria is met.
- Eff 5-1-09 CHUB-126020796 North Carolina Department of Insurance

125. **Peerless Insurance Company**

- Deductible Credits: Forms 3, HE-7, HE-7w/20 & HE-7w/21 - credits vary.
- Protective devices.
- Base Premium Computation (HO 00 06).
- Homeowners Enhancement Program - Specified Additional Amount of Insurance for Coverage A – Dwelling HO 32 20.
- Homeowners Enhancement Program (HE-7, HE-7 w/20, and HE-7 w/21)
- Personal Protector Multi-Policy.
- Base Premium Computation – All forms except HO 00 04 and HO 00 06.
- Installment Payment plan - charge for each installment for Electronic Fund Transfer.
- Price Point Deviation.
- Deductibles, Flat dollar windstorm or hail deductibles non – coastal territories.
- Deductibles, Flat dollar windstorm or hail deductibles coastal territories.
- Deductibles, Percentage windstorm or hail deductibles non – coastal territories.
- Deductibles, Percentage windstorm or hail deductibles coastal territories.
- New Home buyer credits.
- Eff. 5-1-09 LBRM-126009694 North Carolina Department of Insurance

126. **Pennsylvania General Insurance Company**

- All Forms, except 4 & 6: New home credit; Current yr. - 20%; 1 yr. old -18%; 2 yrs. old -16%; 3 yrs. old - 14%; 4 yrs. old - 12%; 5 yrs. old - 10%; 6 yrs. old - 10%; 7 yrs. old - 8%; 8 yrs. old - 7%; 9 yrs. old - 6%; 10yrs.-6%; 11yrs-4%;12yrs-4%;13yrs-2%; 14yrs-2% .
- All Forms: Fixed dollar amount deductible factors; $500 - .90; $1000 - .77.
- Forms 1, 2, 3 & 3w/15: Personal property increased limits; $1 per $1000 of insurance.
- All Forms, except 4: Account Credit: 10% discount when named insured insures his/her personal auto in any of General Accident Companies.
- Forms 1, 2 & 3: Personal Property Replacement Cost Coverage; Waive charge to increase Coverage C limit from 50% to 70% of Coverage A limit. Premium for Replacement Cost Coverage developed by applying factor of 1.05 to base premium including any premium adjustment for Coverage C in excess of 70% of Coverage A.
- All Forms: Protective Device Credit: Credit Varies 2% - 15%.

- All Forms, except 4 & 6: 8.8% base rate deviation.
- Eff. 4-15-96

127. **Pennsylvania Lumbermens Mutual Insurance Company**

- Forms 1, 2 & 3: 10% dwellings 5 yrs. old or less; 5% dwellings 6-10 yrs. old.
- All Forms: 10%.
- Eff. 10/1/85

128. **Pennsylvania National Mutual Casualty Insurance Company**

- New Home Discount: Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 07.
- Deductibles – Optional Higher Deductibles.
- Personal Property A Increased Limits.
- Preferred Program territory & public protection class.
- Account Credit Program: Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05, HO 00 06 & HO 00 06 with HO 32 35 and HE 00 07.
- Deviation for Water Craft outboard motors and watercraft.
- Protective Device Credits: Applies to insureds that meet eligibility criteria. Credit varies.
- Additional Amount of Insurance HO 00 02 & HO 00 03.
- Deviation on Ordinance or Law Coverage.
- Preferred Advantage Program Deviation: Forms HO 03, HO 05, and HE 07 Territory and Protection Class.
- Form HO 06 Coverage A Dwelling Basic and Increase Limits and Special Coverage.
- Credit Card, Fund Transfer Card, Forgery and Counterfeit Money Deviation.
- Loss Assessment coverage Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05 and HO 00 06.
- Personal Property - Increased Special Limits of Liability.
- Personal Property – Refrigerated personal Property.
- Water Back Up and Sump Discharge or Overflow.
- Personal Injury Increased Special Limits of Liability
- Installment Charges-Recurring Payments automatically deducted.
- Eff 5-1-09 PNPR-126053846 North Carolina Department of Insurance

129. **Pharmacists Mutual Insurance Company**

- -25% base rate deviation.
- Waiver of premium is amended to $5.
- Installment Payment Plan: Charge varies based on installment plan.
- Personal Package Discount: Credit varies when criteria is met.
- Automatic Adjustments of Limits: Annual 4% increase at no charge.
- Effective 5-1-07 PC102682 North Carolina Department of Insurance

130. **Phoenix Insurance Company**

- Base Rate Deviation Dwellings.
- Base Rate Deviation Condos Credit varies based on territory.
- Coverage A Relativities Deviation: forms HO 2, HO 3 and HE 7.
- Protective Device Deviation: Credit.
- Deductible Credits: Varies by amount of Coverage.
- Personal Property Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property: charge waived.
- Account Credit.
- Loss Free customer Credit
- Multi-Line Insurance & Financial Services Institution Employees Credit.
- Safety Seminar Credit Certain criteria apply.
- Royal SunAlliance Employee Program Credit.
- Coverage C Relativities – Form HO-6, credit varies.
- Home Buyer Credit.
- HE-7 Factor Deviation.
- Installment Payments.
- Eff 9-21-08 PC118029 North Carolina Department of Insurance

131. **Platte River Insurance Company**
- Age of Dwelling
- Account Credit Program: 15% discount when insured has coverage for both auto & HO policies through UIC.
- Preferred Homeowners Credit: 0% - 23% Credit by territory, pPC, construction type: Other criteria apply.
- Revitalized Home Credit for dwellings 25 yrs. or older if certain criteria is met.
- Deductible Credits: Forms 3, 4, & 6.
- Base Premium Discount for Form 6: A factor of .80 applies.
- Protective Device Credits: All Forms: Credit varies 1% - 15%.
- Replacement Cost on Contents: Forms 3, 4, & 6: Minimum premium does not apply.
- Additional Limits of Liability for Coverages A, B, C, & D: Form 3: 6% credit when certain options are selected.
- Pers Prop Replacement Cost: Form 3: 5% of base prem with min prem waived when certain options are selected.
- Personal Injury: Form 3: Charge waived if certain coverages and options are selected.
- Water Back-Up of Sewers or Drains: Form 3: Charge waived if certain coverages and options are selected.
- Credit Card, Fund Transfer Card, Forgery & Counterfeit: Form 3: Charge waived if certain coverages and options are selected.
- Special Computer Coverages: Form 3: Charge waived if certain coverages and options are selected.
- Coverage C Increased Special Limits of Liability: Form 3: Charge waived if certain coverages and options are selected.
- Fire Department Service Charge: Form 3: Increased to $1000 in lieu of $500 if certain coverages and options are selected.
- Form 3: Coverage D Increased to 30% of Coverage A will be deleted if certain coverages & increased limits options are selected.
- Form 3: Coverage A Relativities Deviation.
- Form 3: Ordinance or Law will be 4% of base premium if certain coverages & increased limits options are selected.
- Form 3: The charge for Refrigerated Property Coverage will be deleted if certain coverages & increased limits options are selected.
- Eff.10-1-99

132. **Providence Washington Insurance Company**
- Forms 2 & 3: Deviation by territory, Coverage A amount & protection class: Credit varies.
- All Forms, except 4 & 6: New Home Credit: 1 to 20 yrs. old: Credit varies 1% to 20%.
- All Forms, except 4 & 6: Deductible credits: $500 - 10%; $1000 - 17%; $2500 - 25%.
- Protective Devices for all protection classes & territories: Credits vary 1%-15%.
- Forms 2, 3 & 6: 15% Multiple Policy Credit when Providence Washington writes auto & homeowner.
- Waiver of Premium: $5 or less.
- Personal Property Replacement Cost: Minimum charge not applicable.
- Eff. 4/18/00 PC033008 North Carolina Department of Insurance

133. **Republic-Franklin Insurance Company**
- Protection Classification credit
- Edge Program Tiered, all forms except HO 00 04 and HO 00 06.
- Personal Property
- Mass Merchandising Plan
- Affinity Group-Wise Program
- Personal Lines Account Credit
- Package Additional Coverages
- Flexible Hose Credit.
- High Efficiency Gas Furnace Credit Rule.
- Eff 7-1-09 PC121538 North Carolina Department of Insurance

134. **Response Worldwide Insurance Company**
- Protective Devices Discount: 3% for deadbolt locks on all main doors & fire extinguishers in house.
- Forms 1, 2, 3 & 3w/15: Deductible Credits; $500 - 12%; $1000 - 24%; $2500 - 36%.
- Forms 4 & 6: Deductible Credits; $500 - 17%; $1000 - 30%; $2500 - 37%.
- Replacement or Repair Cost Protection (HO-500); Waive $5 charge.

- Forms 4 & 6: 10% deviation.
- Forms 4 & 6: Personal Property (Coverage C) Replacement Cost: 1.30 factor applies.
- Eff. 1-15-95

135. **Safeco Insurance Company of America**
- Deductible Optional Deductibles and Wind or Hail Deductibles.
- Renewal Credit: all forms Certain criteria apply.
- Account Credit: all forms Certain criteria apply.
- Credit Card, fund transfer card, forgery and counterfeit money coverage (HO 04 53): charge for $1,000 is deleted.
- Medical Payments/Other Exposures/Higher Limits Deviation: all forms.
- Other Insured Locations Occupied by Insured: 2 family house will be charged as a 1 family house
- Outboard Motor & Watercraft Liability Deviation.
- Special Personal Property Coverage – Coverage C (HO32 35)
- Market Tier Relativities – Credit Scoring.
- Employee Discount Plan.
- Base Rate Deviations by Territory.
- HE 00 007 w/HE-21 Factor Deviation.
- Eff.5-1-09 LBRM-126040012 North Carolina Department of Insurance

136. **Safeco Insurance Company of Indiana**
- Form 3: Preferred Business; 25% off Bureau rates when eligibility guidelines are met.
- Form 3: Standard Business; 5% off Bureau rates when eligibility guidelines are met.
- Form 6: 17% off Bureau rates when eligibility guidelines are met.
- Form 3: Preferred Business; Guaranteed Replacement Cost Coverage A charged waived.
- Form 3: New Home Credit; During calendar yr. - 10%; 1% additional credit each added yr. to 9th yr
- Eff. 2-15-95

137. **Seaton Insurance Company**
- Form 3: Credits vary by protection class, & Coverage A dwelling amounts; Coverage A amount under $40000 - $1000000 & & over. Credit varies 0% - 19% based on territory.
- Form 3: Personal Property Replacement Cost; Delete 5% surcharge.
- Form 6: 19% to be applied to base rate of 10% off Form HO-4.
- Form 3: Fixed Dollar Amount Deductibles Credits; $500-9%; $1000-17%; $2500-25%.
- Forms 4 & 6: $500-10%; $1000-23%; $2500-37%.
- Form 3: New Home Credit; Current yr. - 20%; 2% less credit each added year.
- Personal Property Coverage C increased limits: Form 3; $1; Form 3w/15 - $2.
- Protection Device Credit: 5% in all territories & protection classes for an installed smoke detector, fire extinguisher & dead bolt locks.
- Reduced rates for Outboard Motors & Water Craft liability.
- Forms 3, 4 & 6: Personal Injury Coverage; HO-82 included at no charge.
- Form 3: Deviation of territorial relativities varies 0.0% - 15.8%.
- Form 4: 5% credit off base rates.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Surcharge reduced from 1.40 to 1.30.
- Eff. 6-13-94

138. **Select Insurance Company**
- Forms 1, 2, 3 & 3 w/15: 15%.
- Eff. 2/8/86

139. **Selective Insurance Company of South Carolina**
- Forms 4 & 6: 25%.
- Forms 1, 2, 3 & 3w/15: Replacement Cost on Personal Property; Delete 5% surcharge.
- Forms 4 & 6: RC Personal Property; shall be $1 per $1000 of ins. applied to Coverage C.
- Protective Devices Credit: Factors vary .85 to .98.
- All Forms, except 4 & 6: Fixed dollar amount deductible factors.
- Amount of Insurance Deviation: $60000 - $l40000: Credit varies 0%-25%.

- Age of Dwelling Credits: New 20%; 1 yr. old 18%; 2% less credit each added yr. through 9th yr.
- Eff. 5/1/92

140. **Selective Insurance Company of the Southeast**

- Credit for protective devices: Factors vary .85 to .98.
- Forms 1, 2, 3, & 3 w/15: Replacement cost on personal property; Delete 5% surcharge.
- Forms 4 & 6: Charge an annual additional premium of $1 per $1000 of insurance applied to Coverage C. Minimum limit of Coverage is $12000.
- All Forms, except HO 4 & HO 6: Fixed dollar amt ded factors; $500 - .85; $1000 - .80; $2500 - .70.
- Amount of Insurance Deviation: $20000 - $75000; Credits vary 3.0% - 10.0%.
- Eff. 5-1-2

141. **Sentry Insurance A Mutual Company**

- All Forms, except 4 & 6: Fixed dollar amt ded; Factors for Cov A limits: $500 ded. - .91; $1000 ded. - .79; $2500 ded. - .62.
- Eff. 11-1-96

142. **Service Insurance Company**

- Year of Construction Deviation by territory: Credit varies 3% - 30%.
- Deviation for Masonry Construction by protection class: Credit varies.
- Form 3: 10% Base Deviation by territory.
- Claim Free Credit: 5% applied to base premium:Not available in terr 5,6,42,43. Certain criteria apply.
- Mature Homeowner Credit: 5% credit by territory: Certain criteria apply.
- Gated Community Credit: 5% credit by territory: Certain criteria apply.
- Form 3: Increased Limit of Personal Property: $1 per 1000.
- Windstorm or Hail Deductible Deviation: Credit varies.
- Key Premium Factors Deviation.
- 2% Protective Device Credit for auto smoke detectors, fire extinguishers & deadbolt locks on all exterior doors.
- Maximum Allowable Credit – The maximum allowable credit for newly constructed dwellings, gated community, and claim free combined, is limited to 30%.
- Auto Companion Credit: 4% credit when criteria are met.
- Deductible Credit Discounts.
- Percent Windstorm or Hail Deductibles Deviation.
- HO-6 Base Class Premium; Credit varies based on territories.
- HO-6 Protection-Construction factor deviation.
- HO-6 Key Premium Factor Deviation.
- Eff. 6-1-03 PC061674 North Carolina Department of Insurance

143. **Southern Guaranty Insurance Company**

- Form 3 & HE-7: Deviation by Territorial Relativities.
- Form 4: Deviation by Territorial Relativities.
- Form 6: Deviation by Territorial Relativities.
- Form 3 & HE-7: Amount of Insurance Deviation.
- Form 3 & HE-7: New Home Credit; 1 yr. - 18%; 2% less credit each added yr. to 9th yr.
- All Forms, except 4 & 6: Deductible Credits; $500-.91; $1000-.83; $2500-.75. Forms 4 & 6: $500-.90; $1000-.77; $2500-.63.
- Forms 4 & 6: Personal Property (Coverage C) Replacement Cost Coverage; Factor 1.30 from 1.40.
- Reduced charge for Personal Property Increased Limits: Form 3 - $1; Form 3w/15 - $2.
- Reduced rates for Outboard & Water Craft Liability.
- Forms 3, 4 & 6: Personal Injury Coverage at no charge.
- Form 3 & HE-7: Exceptional Homeowner: 10% credit when criteria are met.
- Protective Devices Credit: Credit varies.
- Multi-Policy Credit: 5% credit applies when insured has personal auto & homeowners with Southern Guaranty Insurance Company.
- Eff. 1-1-01 PC038720 North Carolina Department of Insurance

144. **<u>Southern Insurance Company of Virgina</u>**

PREFERRED

- Territory Deviation; for form HO 00 02, HO 00 03, and HO 00 05 Credit varies.
- Optional Deductible Credits: Change in credit for increasing the deductibles based on Coverage A limit.
- Protective Device Credits Combined – credit varies.
- Additional Amounts of Insurance – form HO 03 and HO 05.
- Personal Property Replacement Cost HO 00 02, HO 00 03 and HO 00 05.
- Southern Homeowners Account Credit Plan.
- Credits for newer homes.
- Outboard Motors and Watercraft reduced rates.
- HE-00 07 Program – 10% credit for policies written with HE 00 07, HE 00 07 with HE 32 20 or HE 00 07 with HE 32 21.
- Automatic Payment Plan.
- Multi-Protector Plus-Coverage C Increase Special Limits of Liability.
- Multi-Protector Plus – Business Property.
- Multi-Protector Plus-Personal Injury Coverage
- Multi-Protector-Water Backup
- Multi-Protector Plus-Refrigerated Property
- Multi-Protector Deluxe-Coverage C Increase Special Limits of Liability
- Multi-Protector Deluxe-Business Property
- Multi-Protector Deluxe Personal Injury Coverage
- Multi-Protector Deluxe Water Backup
- Multi-Protector Deluxe Refrigerated Property
- Multi-Protector Deluxe Loss Assessment Coverage
- Multi-Protector Elite Coverage C Increased Special Limits of Liability
- Multi-Protector Elite Business Property
- Multi-Protector Elite-Personal Property Replacement Cost Coverage
- Multi-Protector Elite Personal Injury Coverage
- Multi-Protector Elite Water Backup
- Multi-Protector Elite Refrigerated Property
- Multi-Protector Elite Loss Assessment Coverage
- Multi-Protector Elite Increased Ordinance or Law Coverage
- Multi-Protector Elite Increased Section II Limits of Liability

STANDARD

- Territory Deviation for HO 00 02, HO 00 03, and HO 00 05.
- Optional Deductible Credits: Change in credit for increasing the deductibles based on Coverage A limit.
- Protective Device Credits Combined – credit varies.
- Additional Amounts of Insurance – form HO 03 and HO 05.
- Personal Property Replacement Cost HO 00 02, HO 00 03 and HO 00 05.
- Personal Property Replacement Cost Coverage HO 00 04 and HO 00 06.
- Credits for newer homes.
- Outboard Motors and Watercraft reduced rates.
- HE-00 07 Program – 10% credit for policies written with HE 00 07, HE 00 07 with HE 32 20 or HE 00 07 with HE 32 21.
- Southern Homeowners Account Credit Plan.
- Automatic Payment Plan.
- Multi-Protector Plus-Coverage C Increase Special Limits of Liability.
- Multi-Protector Plus – Business Property.
- Multi-Protector Plus-Personal Injury Coverage.
- Multi-Protector-Water Backup.
- Multi-Protector Plus-Refrigerated Property.
- Multi-Protector Deluxe-Coverage C Increase Special Limits of Liability.
- Multi-Protector Deluxe-Business Property.
- Multi-Protector Deluxe Personal Injury Coverage.
- Multi-Protector Deluxe Water Backup.

- Multi-Protector Deluxe Refrigerated Property.
- Multi-Protector Deluxe Loss Assessment Coverage.
- Eff 1-1-09 DNGL-125861191 North Carolina Department of Insurance

145. **Southern Pilot Insurance Company**

- Deviation by Territorial Relativities (HO-3 and HE-7).
- Deviation by Territorial Relativities (HO-4)
- Deviation by Territorial Relativities (HO-6).
- Amount of Insurance Deviation (HO-3 and HE-7).
- New Home Credits
- Deductible Credits.
- Reduced Surcharge for Personal Property (Coverage C) Replacement Cost Coverage.
- Reduced Charge for Personal Property Increased Limits.
- Reduced Rates for Outboard Motors and Watercraft Liability.
- Personal Injury Coverage At No Charge.
- Deviation for Exceptional Homeowner (HO-3 and HE-7).
- Protective Devices Credit.
- Deviation for Multi-Policy Credit.
- HE-7 Level of Enhancement Factor.
- Eff. 08-01-05 PC083567 Filing Detail

146. **SPARTA Insurance Holdings**

- New Home Credit All Forms, except 4 & 6:; 0-1 yr. old - 20%; 2% less credit each added yr. to 10th yr.
- Personal Property Replacement Forms 2 & 3: Cost; Charge to increase Cov C to 70% of Cov A; $1 per $1000.
- Additional Limit of Liability for Coverage A. HO 3211. $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- Inflation Guard Endorsement (HO-243) at 6% - at no charge.
- Fixed dollar amount deductible credits Forms 2 & 3:;- $500-15%; $1000-21%; $2500-38%.
- Fixed dollar amount deductible credits Forms 4 & 6:; $500-10%; $1000-23%; $2500-37%.
- Increased Coverage A limits HO-6 $3000 coverage A at no additional charge. Coverage A limit may be increased.
- Form 6: 6.4% deviation.
- 5% discount for insured age 49 or older.
- Form HE-7; HE7w/20 & HE7w/21: Reduced Factors.
- Deviation by amount of insurance for Coverage A $250,000 - $500,000. Variable credit.
- Windstorm or Hail Deductible credit varies by amount of deductible
- Eff. 8/15/02 PC053953 North Carolina Department of Insurance

147. **St. Paul Fire & Marine Insurance Company**

- Forms 1, 2, 3 & 3 w/15: New Home Discount: Yr. of construction; 0-1 yr. of age - 15%; 2-3 yrs. - 13%; 4-5 yrs. - 11%; 6-7 yrs. - 9%; 8-9 yrs. - 7%; 10-11 yrs. - 5%; 12-15 yrs. - 3%.
- Forms 1, 2, 3 & 3 w/15: Personal Property Replacement Cost; No charge for Cov C increase from 50% to 70%.
- Forms 4 & 6: 30% surcharge to basic premium (after higher deductible credit) & for attaching HO-50.
- All Forms: Minimum premium $15 per policy.
- Eff. 9/23/92

148. **St. Paul Guardian Insurance Company**

- Operation Identification Credit: 5% rate credit on Basic Homeowners Insurance Premium.
- New Home Discount: 0-1 yr.-18%; 2-3 yrs -15%; 4-5 yrs.-10%; 6-7 yrs -8%; 8-9 yrs -7%; 10-11 yrs.-5%; 12-15 yrs.-3%.
- Personal Injury Protection (Form HO-82) provided at no additional charge.
- Forms 3, 3 w/15, 4, 6, HE-7 & HE-7w/HE20: Deductible credits: $500 - 11%; $1000 - 23%; $2500 - 37%.
- Form 6: 14.5% off St. Paul Guardian HO-4 rates.
- Form 3: Deviation on policy amount Relativities by territory; Variable credits.
- Form 4: Deviation on base rates by territory; Variable credits.
- Forms 4 & 6: Deviation on policy amount Relativities by territory; Variable credits.
- Form 3: Replacement or repair cost Coverage A (HO-500) provided at no charge.

- Protective Devices Credit & Home Safety Coverage Credits.
- Business Pursuits Section II coverage: All classifications will be rated same as rate shown for clerical employees.
- Water Craft: Same charge applies for lengths over 15 - 26 feet & over151 horsepower as to lengths up to 15 feet & below 151 horsepower.
- Home Day Care: Rated at Bureau rates for Permitted Incidental Occupancies (HO-42).
- Forms 3, 3w/15, 4 & 6: Pers prop replacement cost (HO-290) coverage is provided at no additional charge.
- Homeowners PAK II Credit: Forms 3, 4, 6 & HE-7; 10% when insured qualifies for PAK II Program for terr 32 - 43.
- Base premiums for HE-7 policies: No additional charge.
- Base premium for HE-7w/HE-20 policies: +2.0% above St. Paul Guardian HO-3 rates.
- Base premium for HE-7w/HE-21 policies: +4.0% above St. Paul Guardian HO-3 rates.
- Renewal Credit: Premium credit when insured or spouse has maintained consecutive yrs. of both auto & homeowners coverage with the St. Paul, 3-5 yrs. Credit varies 3%-5%.
- Forms 3 & 3w/15: Personal property increase limits; $1 per $1000 of insurance.
- Installment Payment Plan: $2 charge each installment unless Electronic Funds Transfer billing option is selected, then no charge.
- Employee Discount: 20% new business: 15% renewals.
- Eff. 3-1-00

149. **St. Paul Mercury Insurance Company**

- Operation Identification Credit: 5%.
- New Home Discount: 0-1 yr. - 15%; 2-3 yrs. - 13%; 4-5 yrs. - 11%; 6-7yrs. -9%; 8-9 yrs. -7%; 10-11 yrs. -5%; 12-15 yrs. -3%.
- Personal Injury Protection (HO-82) provided at no additional charge.
- Personal Property Replacement Cost (HO-290) coverage is provided at no additional charge.
- Forms 3, 3 w/15, 4 & 6: Deductible credits; $500 - 11%; $1000 - 23%; $2500 - 37%.
- HO-6: 15% on Companies HO-4 rates.
- HO-3: Deviation on base rates by territory; Credit varies 15.5% - 37.2%.
- Form 4: Deviation on base rates by territory; Credit varies 16.0% - 29.6%.
- Forms 4 & 6: Deviation on policy amount Relativities by territory; Credit varies 0.1% - 3.1%.
- Form 3: Replacement or repair cost Coverage A (HO-500) provided at no charge.
- Protective Devices Credit & Home Safety Coverage Credits.
- Business Pursuits Section II Coverage: All classifications will be rated same as rate shown for clerical employees.
- Water Craft: Same charge apply for lengths over 15-26 ft. & over 151 horsepower as to lengths up to 15 ft. & below 151 horsepower.
- Home Day Care: Rated at Bureau rates for Permitted Incidental Occupancies (HO-42).
- Installment Payment Plan: $2 charges each installment.
- Eff. 3-1-95

150. **Standard Fire Insurance Company**

- Base Rate Deviation Dwelling.
- Coverage A Relativities forms HO 2, HO 3.
- Coverage A Relativities form HE 7.
- Protective Device Deviation
- Deductible Credits all forms varies by deductible amount and coverage Limit.
- Personal Property - Increased Limit Coverage C:
- Personal Property - Refrigerated Personal Property.
- Account Credit
- Loss Free Customer Credit
- Inflation Guard: Premium charge waived.
- Safety Seminar Credit: Certain criteria apply
- Home Buyer Credit
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff. 9-21-08 PC118027 North Carolina Department of Insurance

151. **Starr Indemnity & Casualty Company**

- All Forms: Personal Prop Replacement Cost; Minimum additional premium for coverage is deleted.
- All Forms: Protective Devices; Maximum credit allowed is deleted.
- All Forms, except 4 & 6: Fixed dollar amount deductible credits.
- Eff. 4-1-95

152. **State Automobile Mutual Insurance Company**

- Auto/Home Discount
- Credits for Protective Devices
- Age of Dwelling Credit
- Replacement Cost of contents for forms HO 00 03 and HO 00 05
- Additional Limits of Liability HO 32 11
- Increased Coverage C
- Form HO 00 05
- Protection Class 9 Rates
- Prime of Life Discount, Age 55 and older
- Townhouse /rowhouse
- Three or Four Family Dwellings
- Residence Held in Trust
- Base Premiums
- Ordinance or Law Coverage.
- Form HE 00 07 with HE 32 21.
- Boating Course Credit.
- Watercraft Membership Credit.
- Eff 9-21-09 STAT-126222813 North Carolina Department of Insurance

153. **State Auto Property & Casualty Insurance Company**

- Auto/Home deviation
- Credits for Protective Devices.
- Age of Dwelling Deviation: New - 9 yrs.: Credit varies
- Replacement Cost Coverage on contents HO 00 03 and HO 00 05.
- Additional Limits of Liability – Guaranteed Replacement Cost on Dwelling.
- Coverage C Increase: HO 3 $1 per $1000: Form HO 5 $2 per $1000.
- Form HO 00 05: Optional at +10% charge.
- Protection Class 9 Rates: Discount for homes within 5 miles of a responding Fire Department & within 1000 feet of fire hydrant.
- Prime of Life Discount: Minimum Coverage C Limit $20,000.
- Townhouse/rowhouse
- Three or four family dwellings
- Residence held in trust.
- Ordinance or Law Coverage.
- Boating Course Credit.
- Watercraft Membership Credit.
- Eff. 9-21-09 STAT-126222698 North Carolina Department of Insurance

154. **State Farm Fire & Casualty**

- Deviation by Amount of Insurance and Territory: Variable credits.
- Deviation by Amount of Insurance HO 00 04.
- Deviation by Amount of Insurance HO 00 06.
- Three and Four Family
- Townhouse/Rowhouse – The charges for Townhouses/Rowhouses in buildings with more than 2 units per fire division do not apply.
- Wind/Hail Deductible Credits – Credit varies per territory.
- Residence Premises-Basic and Increased Limits.
- Other insured Location Occupied by Insured.
- Additional residence rented to Others.

- Jewelry and Furs.
- Replacement Cost on contents forms HO 00 04 or HO 00 06.
- Ordinance or Law Coverage.
- Rental condominiums, HO 00 06.
- Coverage A Increased limits & Special Coverage Form HO 00 06.
- Homeowners 36 Discount: Consecutive yrs. insured with State Farm credit varies.
- Installment Payment Plan.
- Refrigerated Personal Property, No Charge.
- Home-Auto Discount for all territories, except 5 & 6.
- Hurricane Percentage Deductibles: Applies to the $250 Deductible basic premium
- All peril deductibles – HO 00 04.
- All peril deductibles – HO 00 06
- All peril deductibles – HO 00 03.
- Customer Rating Index.
- Eff.5-1-09 SFMA-126011946 North Carolina Department of Insurance

155. **Stonington Insurance Company**
- Mature Retirees Credit: 10% when required criteria are met.
- All Forms: 10% base rate deviation for protection class 1-9 & 9s for territories 32-40.
- New Roof Credit: 5% off base premium when eligibility met; Not applicable with new home credit.
- Form 3: 10% credit Preferred Homeowners Program when criteria are met.
- Loss Free Renewal Credit: Applied to renewal date of policy that has been free of losses: 1 yr. - 3%; 2 yrs. - 6%; 3+ more yrs. - 9%.
- Multi-Policy Credit: 10% applies to new business only when applicant has auto with agency representing Nobel & their homeowners coverage is placed with Nobel. 5% credit applies second yr.
- Eff. 6-1-99

156. **Teachers Insurance Company**
- Maters Program Form HO 00 07 Amount of insurance by territory and amount of insurance relativities.
- Protection Device Credits: Classes 1-9: Credits vary 1% - 15%.
- Automatic Adjustment of Limits 2% credit on Forms HO-2 and 3 if insured 100% to value with Inflation Guard Endorsement attached.
- Newly constructed residence.
- Territorial Deviations for tenant and Condominium Base Rates.
- Waive $3.00 installment fee on each installment except the initial down payment.
- Deductible Credits for Form 3 and Masters Program: Ded credit varies.
- Multi-Line Deviation for all forms.
- Deductible Credits: Form HO 4 & 6.
- Replacement Value Personal Property HO 00 04 and HO 00 06.
- Master Program: $60,000 Minimum coverage A, inflation protection and replacement value-personal property at no additional charge.
- Federal Flood Insurance program discount.
- Earthquake Program Deviation.
- Silverware, goldware & pewterware deviation
- Refrigerated food spoilage deviation.
- Tenant's improvement - Increased Limits.
- Coverage A Options - Form 6.
- Additional Residence Premises - Rented to Others.
- Private Structures rented to Others.
- Coverage Amount Deviations for Forms 4 & 6: Deviations vary.
- Masters Program: Deviation by Credit Rating Tier
- Home Buyer Loyalty Program one time credit for the initial policy term.
- Eff. 5-1-09 HRMN-126009995 North Carolina Department of Insurance

157. **Travelers Casualty & Surety Company**
- Base Rate Deviation for Dwellings.

- Base Rate Deviation Condos: Credit varies.
- Coverage A Relativities forms HO 2 and HO 3.
- Coverage A Relativities form HE 7.
- Protective Device Deviation: Credits vary.
- Deductible Credits: Varies by amount of deductible.
- Personal Property - Increased Limit Coverage C:
- Personal Property - Refrigerated Personal Property.
- Account Credit.
- Loss Free Customer Credit
- Installment Payment Plan.
- Safety Seminar Credit: Certain criteria apply.
- Coverage C Relativity Curve – HO-6 Credit varies.
- Home Buyer credit.
- HE-7 Factor Deviation.
- Protective Devices.
- Eff 9-21-08 PC118028 North Carolina Department of Insurance

158. **Travelers Indemnity Company**

- Protective Device Deviation: Credit varies.
- Deductible Credits all forms: Varies by amount of deductible.
- Personal Property - Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property.
- Account Credit.
- Safety Seminar Credit: Certain criteria apply.
- Home Buyer Credit
- HE-7 Factor Deviation.
- Installment Payments.
- Eff 9-21-08 PC118025 North Carolina Department of Insurance

159. **Travelers Indemnity Company of America**

- Base Rate Deviation Dwellings.
- Base Rate Deviation Condos.
- Coverage A Relativities forms HO 2, HO 3.
- Coverage A Relativities form HE 7.
- Protection Device Deviation: Credit varies
- Deductible Credits: Varies by amount of deductible and coverage amount.
- Personal Property - Increased Limit Coverage C:
- Personal Property - Refrigerated Personal Property.
- Account Credit.
- Loss Free Customer Credit
- Multi-Line Insurance & Financial Services Institution Employees Credit
- Final Premium Adjustment factor.
- Safety Seminar Credit.
- Royal SunAlliance Employee Program Credit
- Coverage C Relativity Curve – HO-6 Credit Varies.
- Home Buyer credit.
- HE-7 Factor Deviation.
- Installment Payments.
- Eff 9-21-08 PC118030 North Carolina Department of Insurance

160. **Travelers Indemnity Company of Connecticut**

- Forms 3 & 3w/15: Base rate deviation based on protection class, amount of insurance & territory; Variable credit factors.
- Form 3: 12% optional coverage credit.
- Forms 3 & 3w15: Deductible credits; $500-16%; $1000-26%; $2500-32%.
- Protective Device Credits: Variable credits.

- Increased Limits Coverage C: Reduce charge to $2 per $1000.
- New Home Credit: New - 20%; 1 yr. old - 19%; 2 yrs. 18%; 3 yrs. - 16%; 4 yrs. - 15% - 14%; 6 yrs. - 12%; 7 yrs. - 11%; 8 yrs. - 10%; 9 yrs. - 8%; 10 yrs. - 7%; 11 yrs. - 6%; 12 yrs. - 4%; 13 yrs. - 3%; 14 yrs. - 2%; 15 yrs. - 1%.
- Replacement or Repair Cost Protection: Reduce charge to $1 per policy.
- Account Discount: 10% when insured has both auto & homeowners policy.
- Forms 3 & 3w/15: Loss Free Credit; 3+ yrs. loss free - 3% credit.
- Rate Credit for Multi-Line Insurance & Financial Services Institution Employees Credit: 20% credit.
- Eff. 11-1-96

161. **Travelers Personal Security Insurance Company**

- Base rate deviation is for dwelling only. Credit varies.
- Coverage A Relativities based on Coverage A amount & territory forms HO 2 and HO 3.
- Protective Device Deviation: Credit varies
- Deductible Credits all forms: Varies by amount of deductible.
- Personal Property - Increased Limit Coverage C.
- Refrigerated Personal Property.
- Account Credit.
- Loss Free Customer Credit.
- Multi-Line Insurance and Financial Services Institution Employees Credit
- Final Premium Adjustment factor.
- Safety Seminar Credit: Certain criteria apply.
- Royal SunAlliance Employee Program Credit.
- Home Buyer Credit.
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff 6-9-08 PC115294 North Carolina Department of Insurance

162. **Travelers Property Casualty Company of America**

- Base Rate Deviation: Credit varies based on territory.
- New Home Credit: 0 - 15 yrs. old: Credit varies 2% - 20%.
- Protective Device Deviation: Credit varies 1% - 15%.
- Forms 2, 3 & 3w15, 4 & 6: 10% Account Credit.
- Forms 2, 3 & 3w15: Personal Property - Increased Limit Coverage C: $1 per $1000.
- Form 3w/15: 10% Additional premium charge.
- Forms 2, 3, 3/w15, 4 & 6: Loss Free Credit: 5+ yrs. loss free - 5% credit.
- Deductible Credits: Varies by amount of deductible & territory.
- Form 3: Homeowners Extra Credit: 15% when criteria are met.
- Refrigerated Personal Property. $10 charge waived.
- Forms 3 & 6: Association Credit Program: 10% credit applies when certain criteria are met.
- Forms 2 & 3: Inflation Guard premium charge waived.
- Eff. 5-21-00 PC032643 North Carolina Department of Insurance

163. **Twin City Fire Insurance Company**

- Age of Dwelling Credit for all territories except7, 8, 41, 48, 49, 52.
- Account Credit for all territories.
- Retiree Credit, named insured is age 50 or older.
- Limited Access Credit-Forms HO 00 04 and HO 00 06 is protected 24 hours a day.
- Eff. 5-1-09 HART-126027462 North Carolina Department of Insurance

164. **USAA CASUALTY INSURANCE COMPANY**

- Year of Construction-Newly Constructed Dwelling
- Personal Property-Additional Coverage - Jewelry and Furs
- Personal Property - Increased Limit
- Base Premium Computation (FORM HO 00 06) by Territory/County
- Base Premium Computation HO 00 03 by territory/county
- Sinkhole collapse Coverage

- Installment Payment Plan, no charge
- Protective Device
- Deductibles (Form HO 00 03)
- Ordinance or Law Coverages
- Coverage A Dwelling Basic and Increased Limits and Special Coverage- HO 00 06.
- Refrigerated Personal Property
- Other Structures
- Windstorm or Hail Exclusion – Territories 05, 06, 42, and 43
- Tier Discount form HO 00 03 and HO 00 06.
- Protection Construction Factors.
- Eff: 9-1-07 PC104507 North Carolina Department of Insurance

165. **USAA General Indemnity Company**

- New Home Discount
- Personal Property-additional Coverage Jewelry and Furs
- Personal Property – Increased Limit
- Base premium Computation HO 00 06 by territory/county
- Base Premium Computation HO 00 03 by territory/county
- Sinkhole collapse Coverage
- Installment Payment Plan, no charge
- Protective Device
- Deductibles (Form HO 00 03)
- Ordinance or Law-all Forms and Rule 513. Ordinance or Law Increased Amount of coverage – HO 00 06
- Coverage A Dwelling Basic and Increased Limits and Special Coverage- HO 00 06.
- Refrigerated Personal Property
- Other Structures
- Windstorm or Hail Exclusion – Territories 05, 06, 42, and 43
- Tier Discount, form HO 00 03 and HO 00 06.
- Protection Construction Factors.
- Eff. 9-1-07 PC104508 North Carolina Department of Insurance

166. **Unigard Indemnity Company & Unigard Insurance Company**

- Form 3: Credits vary by protection class & Coverage A dwelling amounts; $40000 & under to $1000000 & over. Credit varies based on territory.
- Form 3: Personal Property Replacement Cost; Delete 5% surcharge.
- Form 6: 16% to be applied to base rate of 10% off Form 4.
- Form 3: Fixed dollar amount deductibles credits; $500-9%; $1000-17%; $2500-25%.
- Forms 4 & 6: $500-l0%; $1000-23%; $2500-37%.
- Form 3: New Home Credit; Current yr. - 20%; 2% less credit each added yr.
- Personal Property Coverage C Increased Limits: Form 3 - $1; Form 3w/15 - $2.
- Protection Device Credit: 5% in all territories & protection classes for an installed smoke detector, fire extinguisher & dead bolt locks.
- Reduced rates for Outboard Motors & Water Craft liability.
- Forms 3, 4 & 6: Personal Injury Coverage; HO-82 included at no charge.
- Form 3: Deviation of territorial Relativities: Credit varies 5.0% - 20.0%.
- Form 4: Credit off base rates by territory; Credit varies 3.5% - 10.0%.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Surcharge reduced from 1.40 to 1.30.
- Forms 4 & 6: Deviation varies by protection class & territory.
- Eff. 10-3-94

167. **Union Insurance Company**

- Protective Device Credit: Credit varies 2% - 15%.
- All Forms: Account Credit: 10% when auto coverage is written with Union Ins. Co.
- Form 3: New Home/Dwelling Under Construction Discount: Discount based on yr. completed & occupied. Credit varies.
- 3% - 20%.

- Mature Homeowner Credit: 5% if insured is 55 yrs. & an adult is usually home during the day.
- All Forms, except 4 & 6: Replacement cost on contents. $10 charge plus $2 per $1000 when increasing Coverage C from 50% to 70% of Coverage A.
- Increased Deductible Credits: Forms 3, HE-7, 4 & 6; $500-19%; $1000-21%.
- Form 3: Coverage A Factor Deviation by amount & territory.
- Eff. 7-1-01

168. **United Services Automobile Association**

- Year of Construction – Newly constructed Dwellings.
- Personal Property-Additional Coverage Jewelry and Furs
- Personal Property – Increased Limit
- Base premium Computation HO 00 06 by territory/county
- Deviation by Territory/County – Form HO 00 03
- Sinkhole collapse Coverage
- Installment Payment Plan, no charge
- Protective Device
- Deductibles (Form HO 00 03)
- Ordinance or Law-all Forms and Rule 513. Ordinance or Law Increased Amount of Coverage – HO 00 06
- Coverage A Dwelling Basic and Increased Limits and Special Coverage- HO 00 06.
- Refrigerated Personal Property
- Other Structures
- Windstorm or Hail Exclusion – Territories 05, 06, 42, and 43 (form HO 00 03)
- Tier Discount, Form HO 00 03 and HO 00 06.
- Base Premium computation, Protection/construction factors.
- Eff:9-1-07 PC104506 North Carolina Department of Insurance

169. **United States Fidelity & Guaranty Company**

- Waive any additional premium of $5 or less.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; 1.35 factor.
- Increase in Coverage C limits: Forms 1, 2 & 3 - $1.50 per $1000; Form 3w15 - $2.50 per $1000.
- Form 6: Form Relativity Factor .800 in lieu of .855.
- Employee Group Discount: 15%.
- Forms 2 & 3: Additional Amount of Insurance. Premium charge $5. HO 03211.
- Special Package Discount. 5% when criteria is met.
- Forms 2, 3, 3w/15 & 8: Deductible Credits.
- Multi-Policy Discount: 10% credit when both Residential & P P Auto policies purchased through USF&G Insurance.
- New Home Discount: 1 yr.-20%; 2% less credit to 9th yr.
- Deviation of HO-3 base rates by territory & policy amount: Credits vary.
- Eff. 4-15-00 PC030952 North Carolina Department of Insurance

170. **United States Fire Insurance Company**

- Forms 2, 3, & 3 w/15: New Home Credit; 0-1 yr. old - 20%; 2% less credit each added yr.
- Forms 1, 2, 3 & 3 w/15: Higher deductible credit factors; $500-.89; $1000-.80; $2500-.67.
- Forms 4 & 6: Higher deductible credit factors; $500 - .83; $1000 - .67; $2500 - .54
- Premises Alarm System: Expand table of credits for protection class 1-7 to include class 8.
- All Forms: Replacement Cost on Contents: Deletion of $20 minimum additional premium.
- Eff. 3/1/90

171. **Unitrin Auto and Home Insurance Company**

- Territorial Deviations, Pricing Levels A thru S Only, All Forms
- Price Level Deviation, Rule A10.A, HO 00 03, HO 00 05.
- Price Level Deviation HE 00 07.
- Price Level Deviation HO 00 06.
- Mature Homeowners Credit, Rule A10.B, Pricing Levels A thru S.

- Consumer Loyalty Credit, Rule A10.A, HO 00 03, HO 00 04, HO 00 05, HO 00 06, and HE 00 07
- Personal Property (Coverage C) RC Coverage, HO 00 03, HO 00 05, Price Levels A thru S
- New Home Discount, Rule A10.C, HO 00 03, HO 00 05 or HE 00 07, Pricing Levels A thru S.
- Credit Card, Fund Transfer Card Forgery and Counterfeit Money, Package Plus Only.
- Outboard Motors and Watercraft, Rule A10.A (Rule 612), Package Plus.
- Personal Injury, Rule A10.A, (Rule 610.), Package Plus.
- Blanket Property Limit Rule, Rule A10.A, Package Plus, One or Two family residences.
- Special Personal Property Coverage-HO 00 06, Rule A10.A (Rule 304.).
- Refrigerated Property, Rule A10A., (Rule 515.), Package Plus
- Ordinance or Law Coverage-HO 00 03-Package Plus, and HO 00 05
- Network Discount
- HE 00 07 Policy Factors.
- Deferred Premium Payment Plans, Electronic Funds Transfer (EFT), no charge for installments
- Personal Property, Rule A10.A (Rule 515), Pricing Levels A thru Z, Package Plus
- Amount of Insurance Factor, HO 00 03
- Protective Devices, Rule A10.C (Rule 404.)
- Price Level Deviations HO 00 03 and HO 00 05.
- Price Level Deviations HE 00 07.
- Price Level Deviations HE 00 06.
- Eff 9-1-09 Kemp-126182435 North Carolina Department of Insurance

172. **Unitrin Safeguard Insurance Company**

- Territorial Deviations, Price Levels A thru S only.
- Price Level Deviation, HO 00 03, HO 00 05.
- Price Level Deviation HE 00 07.
- Mature Homeowners Credit, Pricing Levels A thru S only.
- Consumer Loyalty Credit, HO 00 03, HO 00 04, HO 00 05, HO 00 06, and HE 00 07
- Personal Property (Coverage C) Package Plus, HO 00 03, HO 00 05, Price Levels A thru S.
- Optional Higher Deductibles, All Forms except HO 00 04 and HO 00 06, Price Levels A thru S.
- Wind or Hail deductibles, Price Levels A thru S and T thru Z only , all forms except HO 04 and HO 06.
- Wind or Hail Deductibles, Price Levels A thru S only, Package Plus.
- New Home Discount, HO 00 03, HO 00 05 or HE 00 07, Pricing Levels A thru S.
- Credit Card, Fund Transfer Card Forgery and Counterfeit Money, Package Plus Only.
- Outboard Motors and Watercraft, Package Plus.
- Personal Injury, Package Plus.
- Blanket Property Limit Rule, Package Plus Only.
- Special Personal Property Coverage-HO 00 06, Rule A10.A (Rule 304.).
- Refrigerated Property, Rule A10A., (Rule 515.), Package Plus
- Ordinance or Law Coverage-HO 00 03-Package Plus, and HO 00 05
- Network Discount
- HE 00 07 Policy Factors.
- Deferred Premium Payment Plans, Electronic Funds Transfer (EFT) no charge for installments.
- Personal Property, Pricing Levels A thru Z, Package Plus
- Amount of Insurance Factor, HO 00 03.
- Specified Additional Amount of Insurance for Coverage A.
- Protective Devices, Rule A10.C (Rule 404.)
- Price Level Deviations HO 00 03 and HO 00 05 Package Policy.
- Price Level Deviations HO 00 07 Package Policy.
- Price Level Deviations HO 00 04 Package Policy.
- Price Level Deviations HO 00 06 Package Policy.
- Eff 9-1-09 KEMP-126182440 North Carolina Department of Insurance

173. **Utica Mutual Insurance Company**

- Replacement Cost Contents: Increase Coverage C to 70% of Coverage A for no additional charge. 5% surcharge is to be added to total base premium.
- Mass Merchandising Plan: 15% deviation for members of Utica National Insurance Group.

- Service for Employees (W.I.S.E.) program or is a member of a company approved affinity group
- HO Extension Package: Certain criteria apply.
- Personal Lines Account Credit.
- Territorial/Company deviation.
- Protection Class deviation.
- Eff. 8-1-07 PC103505 North Carolina Department of Insurance

174. **Valiant Insurance Company**

- Personal Property Replacement Cost
- Deductible Credits.
- Personal Property Increased Limits.
- Age of dwelling discount.
- Account Credit.
- Deviation by territory.
- Base Premium discount.
- Protective Device Credit.
- Eff 7-1-98

175. **Vesta Insurance Corporation**

- Inflation Guard Coverage: Premier, Deluxe, Renters & Condos; No charge.
- Loss Assessment Coverage for Earthquake: Premier, Renters & Condos; 5% deductible applies to insured's share of each assessment. Deductible amount not less than $250 in any one assessment. $1 per $1000.
- Credit card, fund transfer card, forgery & counterfeit money coverage Premier, Deluxe & Renters; Reduced charge.
- Premium Credits for Protective Device: Premier, Deluxe, Renters & Condos: Credit varies 2%-15%.
- Increased Special Limits of Liability Premier, Deluxe, Renters & Condos: Reduced charge for certain class of property.
- Deductible Credits: Credits vary from 15% - 40%.
- Senior Citizen Discount Premier, Deluxe, Renters & Condos: 5% if at least one of the named insured is 55 yrs. or older & is not employed outside the home.
- Supporting Business Discount Premier, Deluxe, Renters & Condos: 2%.
- Base Rate Deviation by Territory; Premier & Deluxe; Variable credits.
- Coverage Amount Reactivities Deviations: Premier & Deluxe; Credits vary based on Coverage A amount.
- Loss Free Credit: Premier, Deluxe, Renters & Condos; 3 yrs. - 5%.
- Personal Property: Coverage C limit may be increased at a rate of $2 per $1000.
- Age of Home Credit: Premier & Deluxe; Credits vary 0%-20%.
- Eff. 6-1-99

176. **Vigilant Insurance Company.**

- Discount on base premium for forms HO 00 04 and HO 00 06.
- Base rate discount by territory with exceptions for forms HO 00 02 and HO 00 03, HO 00 05 and HE 00 07.
- Protective Devices maximum credit is deleted
- Optional Higher Deductibles for forms HO 00 04 and HO 00 06.
- 5% Hurricane deductible
- Additional Amounts of Insurance discount
- Gated Community credit when criteria is met.
- Multi-line credit.
- Eff. 5-1-09 CHUB-126047877 North Carolina Department of Insurance

177. **West American Insurance Company**

- Water Craft Liability Rates: below NCRB for powerboats; below NCRB for sailboats.
- FamPak Credit to all Private Passenger Auto insureds that also have Homeowners policy with the Ohio Casualty Group.
- Employee Discount: to qualifying employees insured in the West American Insurance
- Eff.12-1-05 PC082801 Filing Detail

178. **Westchester Fire Insurance Company**

- Forms 1, 2, 3 & 3 w/15: Age of dwelling credit 0-1 yr. 20%; 2% less credit each added yr.
- Forms 1, 2, 3 & 3 w/15: Higher deductible credit factors; $500 - .89; $1000 - .80; $2500 - .67.
- Forms 4 & 6: Higher deductible credit factors; $500 - .83; $1000 - .67; $2500 - .54.
- Premises Alarm System: Expand table of credits for protection class 1-7 to include class 8.
- All Forms: Replacement Cost on Contents: Deletion of $20 minimum additional premium.
- Eff. 3/1/90

179. **XL Insurance America, Inc.**

- All Forms: Personal Property Replacement Cost Coverage; Minimum additional premium for coverage is deleted.
- All Forms: Protective Devices: Maximum credit allowed is deleted.
- Forms 1, 2 & 3: Replacement Cost on Contents: Charge $1 per $1000 for additional increase of Coverage C to 70% of Coverage A. Additional premium for this coverage will not apply.
- Deductibles: Deletion of minimum charges.
- Forms 1, 2, 3 & 8: Fixed dollar amount deductible factors; $500 - .91; $1000 - .83; $2500 - .75.
- Forms 4 & 6: Fixed dollar amount deductible factors; $500 - .90; $1000 .77; $2500 - .63.
- Eff. 4-1-95

HOMEOWNERS

1. **ACE American Insurance Company**
- New Construction Credit: New home - 10 yrs. Credit varies 20% - 0%.
- Forms 1, 2, 3, 4 & 6: Fixed Dollar Deductible: Credit varies 15% - 40%.
- Personal Property Increased Limit: $2 per $1,000 of additional coverage.
- Form 2 & 3: Replacement cost on contents - HO 0490: Factor of 11.5% applies to end of the base premium & includes increased limits to 70% of Coverage A dwelling amount.
- Protective Device Credits: All zones & all protection classes: Credit varies 2% - 15%.
- Rate Deviation: Homeowners - 21%; Tenants - 15%; Condominiums - 20%
- Eff. 9-1-92

2. **ACE Fire Underwriters Insurance Company**
- New Construction Credit: New 20%; 1 yr. old - 18%; 2% less credit each added yr.
- Forms 1, 2 & 3: Fixed dollar deductible credits; $500 - 11%; $1,000 - 21%; $2,500 - 34%.
- Form 4: Fixed dollar deductible credits; $500 - 11%; $1,000 - 25%; $2,500 - 40%.
- Forms 1, 2 & 3: Rate for increase in Coverage C: $1 per $1,000.
- Forms 1, 2 & 3: Replacement Cost Coverage HO-290; Charge shall be 4% of adjusted base premium. Coverage C must also be increased to 70% of A at $1 per $1,000.
- Protective Device Credits: All zones & all protection classes; Credit varies 1% - 15%.
- Eff. 5-1-92

3. **AIU Insurance Company**
- All Forms: 10%.
- Eff. 2-1-86

4. **AMCO Insurance Company**
- Territory Deviation, Forms HO 00 02, HO 00 03, and HO 00 05 and HO 00 04 and HO 00 06 excludes wind or hail or does not exclude wind or hail.
- Multiple Policy Deviation, Forms HO 00 02, HO 00 03 and HO 00 05, HO 00 04, HO 00 06.
- Deductible Deviations, Forms HO 00 02, HO 00 03 and HO 00 05.
- Safe Home Rating Plan Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Age of Oldest Insured Deviation, Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05 and HO 00 06.
- Year of Construction-Age of Construction Deviation Forms HO 00 02, HO 00 03 and HO 00 05.
- Amount of Insurance, All Territories Forms HO 00 02, HO 00 03 and HO 00 05.
- Home Renovation Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Roof Rating Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Home Purchase Deviation, Forms HO 00 02, HO 00 03, HO 00 05, and HO 00 06.
- Gated Community Deviation, Forms HO 00 02, HO 00 03, and HO 00 05.
- Flex Check Payment Option-Installment Payment Plan Deviation, Forms HO 00 02, HO 0003, HO 00 04, HO 00 05 and HO 00 06.
- Personal Status Deviation.
- Associate Discount Deviation.
- Eff 3-29-10 NCPC-126462509 North Carolina Department of Insurance

5. **AMEX Assurance Company**
- Various downward deviation based on amount of insurance Form 3.
- Various downward deviation based on amount of insurance Form 4.
- Various downward deviation based on amount of insurance Form 6.
- Protective Device Credits: Credit varies 2% - 15%.
- Home & Auto Credit: Credit varies by form 2% or 5%.
- Replacement Cost on Contents Deviation: Form 3 - 5% of base premium: Forms 4 & 6 - 30% of base premium.
- Coverage A Increased Limits downward deviation form HO 06..
- Utilities rating (New Home Discount) Form 3: Downward deviation : Credit varies 2% - 25% based on age of dwelling.
- Form 3: Downward deviation Coverage C Increased Limits.
- Downward deviation for installment pay plan by electronic funds transfer or payroll deduction.
- No additional charge for Refrigerated Personal Property.

- No charge for townhouse or row house.
- Costco Discount: 2% applies to policies for member insureds of Costco.
- HO 3, 4 & 6 base rates vary by territory.
- Eff. 8-1-05 PC083887 North Carolina Department of Insurance

6. **AXA Re Property & Casualty Insurance Company**

- Discount on Installment Payment Plan: $1 - $2 charge.
- Three or Four Family Dwelling Discount.
- Townhouse or Rowhouse Discount.
- Waterbed Liability waived.
- Base Premium Deviation.
- Forms 2, 3, 4, 6 or 8: Deviation by Amount of Insurance.
- New Home Discount: 0-9 yrs. of age: Credit varies 2%-9%.
- Protective Devices Discount: Credit varies 1%-7%.
- Multi Policy Discount: 5% of the base premium.
- Personal Property Increased Limits Discount: $2 rate per $1000.
- Personal Property Replacement Cost Coverage Discount.
- Form 4: Building Additions & Alterations Increased Limits Deviation.
- Personal Property Increased Limits of Liability: Charge varies by additional amount of insurance.
- Rented Personal Property: No charge.
- Form 6: Coverage A - Dwelling Basic & Increased Limits Deviation.
- Forms 3 & 3 Plus: Inflation Guard Discount.
- Watercraft Discount: Up to 50 HP, no charge.
- Business Pursuits Discount.
- Form 3 Plus: Personal Injury Liability: No charge.
- Eff.10-18-00 PC035279 North Carolina Department of Insurance

7. **Affirmative Insurance Company**

- 15% base deviation for Premier Homeowners Program.
- 3% base deviation for Deluxe Homeowners Program.
- 15% base deviation for Premier Tenant Program.
- 10% base deviation for Deluxe Tenant Program.
- 20% base deviation for Premier Condominium Program.
- 15% base deviation for Deluxe Condominium Program.
- Forms 2 & 3: Deductible credits; $500-15%; $1000-25%; $2500-38%.
- Forms 4 & 6: Deductible credits; $500-15%; $1000-25%; $2500-40%.
- All Forms, except 4 & 6: New Home Credit: New 20%; 2% less credit each additional yr. to 9th yr.
- All Forms: Protective Device Credits: Credits vary 2%-15%.
- Forms 2 & 3: Replacement Cost on Contents; Surcharge of 7.5%. Coverage increased to 70% of Coverage A at no premium charge.
- All forms, except 4 & 6; Personal Property Increased Limit $2 charge per $1000 of coverage.
- Eff 02-15-02 PC046217 North Carolina Department of Insurance

8. **AGRI General Insurance Company**

- Amount of Insurance Deviation: Credits vary 1%-15% by policy amount, territory & county.
- New Home Credit: 20% 1st yr.; 2% less credit each added yr. to 9th yr. Does not apply to Form 8, remodeled or restored homes.
- All Forms, except 4 & 6: Deductible Factors: $250 ded.-1.00; $500 ded.-0.91; $1000 ded.-0.79; $2500 ded.-0.62.
- Protective Device Credit: Premium credit for all protection classifications & territories; Credit varies 1%-15%.
- Eff. 1-1-97

9. **Alfa Alliance Insurance Corporation (Virginia Mutual Insurance Company)**

- Amount of Premium Credit - Claims Free Forms HO 0002, HO 0003, HO 0005 and HO 0008.
- Amount of Premium Credit - Claims Free for forms HO 0004 and HO 0006.
- Row and Townhouses - discount.
- Account Discount –discount if there is also an in force auto policy covering the same named insured written with Virginia Mutual Ins Co.

- Insurance Score Discount –discount applied if a minimum insurance score of 725.
- Newly Constructed Residences (not applicable to Forms 4 and 6) credit varies for a residence constructed and first occupied in one of the last ten calendar years.
- Amount of insurance relativities – Coverage A forms HO 00 02 HO 00 03 HO 00 05 and HO 00 08.
- Installment Payment Plan-Electronic Funds Transfer.
- Effective 5-1-09 AFAL-126074643 North Carolina Department of Insurance

10. **Alliance Mutual Insurance Company**
- Flat Deductibles.
- Higher Windstorm or Hail Deductibles – Flat deductible.
- Protective Devices.
- Eff 7-1-06 PC094461 North Carolina Department of Insurance

11. **Allstate Indemnity Company**
- Tier-Claim Rating Deviation – determined by the number of chargeable claims, credits vary.
- Claims Free Discount.
- New/renovated Home Discount – credit varies.
- Home and Auto Discount Deviation –credit varies.
- The Good Hands People Discount Deviation.
- Zone Deviation.
- Territorial Definitions.
- Eff 5-2-09 ALSX-126082562 North Carolina Department of Insurance

12. **Allstate Insurance Company**
- Deductible factors Forms 2, 3 ; Forms 4 & 6: Deductible factors credits vary.
- Personal Property Replacement Cost Deviation subject to certain requirements.
- Protective devise discount.: discount varies.
- Year of construction-New/Renovated Home discount.
- Age 55 & Retired Discount Factor. Credit varies when certain criteria met.
- Home and auto discount deviation when certain criteria is met.
- Good hands people discount all forms.
- Waterbed Liability Deviation HO4 and HO6.
- Installment payment plan – Allstate Easy Payment Plan.
- Three or four family dwelling rating structure: does not differentiate between 3 or 4 family dwellings in a town or row house structure.
- Zone (Territory) Deviation.

Deluxe Plus
- Deductibles
- Protective Devices.
- Year of Construction – Newly Constructed Dwellings.
- Age 55 and Retired Discount.
- Home and Auto Discount.
- The Good Hands People discount.
- Zone (Territory) Deviation.
- Eff 5-2-09 ALSX-126082575 North Carolina Department of Insurance

13. **AmComp Assurance Corporation**
- Forms 2 & 3: Deductible credits; $500-9%; $1000-17%.
- Forms 2 & 3: Premium credits for alarm systems vary 2% - 15%.
- Age 55 & Retired Discount: 10% credit applies when required criteria is met.
- Forms 2 & 3: New Home Credit; 14%; Homes completed & occupied current calendar yr.; 2% less credit each added yr.
- Eff. 12-1-91

14. **American Automobile Insurance Company**
- Protective Device Credits: All forms & all territories: 1% - 15% credit applies to company base premium.
- Portfolio Credit: 5% credit applies to all homeowners policies when Personal Catastrophe Coverage and Personal Inland Marine Coverage is written with Company.

- Deviations by territories and forms: Credit varies.
- Eff. 12-1-03 PC065125 Filing Detail

15. **American Bankers Insurance Company of Florida**
- Select Tier Broad Form, Base Rate.
- Choice Tier Broad Form, Base Rate.
- Elite Tier Broad Form, Base Rate.
- Select Tier Comprehensive form Base Rate.
- Choice Tier Comprehensive form Base Rate.
- Elite Tier Comprehensive form Base Rate.
- Senior Discount Territory 2 and Territory 3.
- Claim Free Credit, Territory 2 and Territory 3.
- Eff. 11-1-09 ASPX-126241885 North Carolina Department of Insurance

16. **American Centennial Insurance Company**
- Forms 1, 2, 3, 3 w/15 & 6: 25%.
- Eff. 9-1-85

17. **American Economy Insurance Company**
- All Forms: Personal Injury (HO-82) included at no charge.
- All Forms, except 4 & 6: New home credit or renovated home credit for homes meeting required criteria; 0-1 yr. - 15%; 2 yrs. - 12%; 3, 4 or 5 yrs. - 10%; 6 or 7 yrs. - 6%; 8-10 yrs. - 4%.
- Forms 2 & 3: Replacement Cost (HO-290) Coverage C is increased to 70% of Coverage A at no extra charge. Charge of 9% (7% in Beach Area) is added to basic premium.
- Forms 4 & 6: Replacement Cost (HO-290); Charge of 30% is added to basic premium.
- Form 3: Replacement or Repair Cost Coverage A (HO-500); No charge.
- Forms 4 & 6: $100 deductible; Minimum additional charge of $10 in lieu of $30.
- Forms 2 & 3: Fixed deductible; $500 ded. - 9%; $1000 ded. - 17%.
- Forms 4 & 6: Fixed deductible credits; $500 - 10%; $1000 - 23%.
- Form 3: XL Coverage rate deviation when eligibility requirements are met.
- One family premium for all Section I & II coverages will apply regardless of number of families.
- Form 2 & 3: Dwelling under construction credit of 20% applies during first yr. when certain requirements are met.
- Form 6: Coverage A increased limits rate; $2.70 per $1000.
- Renewal credit for consecutive yrs. insured with American States Group; 3-5 yrs. - 5%; 6 or more yrs. - 10%.
- Protective Devices: Credit factors vary .98 to .85.
- Forms 3, 4 & 6: Unscheduled jewelry & furs - (HO-65); $2500 increased limit - $33; $5000 increased limit - $60.
- Form 3: XL Coverage Program; $5000 limit included in basic premium. To reduce to $1000 limit, subtract $56. To reduce to $2500 subtract $35.
- Eff. 11-17-97

18. **American Fire & Casualty Company**
- Water Craft Liability Rates: below NCRB for powerboats; below NCRB for sailboats.
- Employees Discount: to qualifying employees insured in the Ohio Casualty Group.
- Eff. 12-1-05 PC082802 North Carolina Department of Insurance

19. **American Home Assurance Company**
- Base Premium by Territory Form HO 00 03.
- Key factor Deviation.
- Protective Devices.
- Eff. 6-1-10 APCG-126564265 North Carolina Department of Insurance

20. **American Insurance Company**
- Forms 2, 3 & 3w/15: New Home Credit; 20% current yr. & one yr. preceding current yr. of construction; 2% less credit each added yr.
- Protective Devices Credit: All territories 1% - 15%. Credit applies to company base premium.
- All Forms: Deductible credits: $500 -10%; $1000 -20%; $2500 -30%. Credit applies to company base premium.
- HO-3 w/15: Multiply HO-3 key premium by factor of 1.08 to obtain key premium for HO-3 w/15.
- Form 4 & 6: Deductible Credits for Coverage C limit. $10000 & above $500 -10%, $1000 - 20%, $2500 - 30%.

Credit applies to company base premium.
- Discount of Replacement Cost on Contents: Apply surcharge of 10% to HO-3 company base premium for replacement cost on contents.
- Eff. 6-1-93

21. **American Manufacturers Mutual Insurance Company**
- Additional Amounts of Insurance (KIP only) deviation.
- All Forms: Optional Higher Deductibles deviation.
- Personal Property Replacement Cost: Increase Coverage C at $1 per $1000. Add $10 surcharge.
- Mature Homeowners Credit: 5% applies when named insured is 55 yrs. of age & an adult is home during the day.
- New Home Credit Discount: 0 - 15+ yrs. of age: Credit varies 0% - 20%.
- Premium Credits for Protective Devices.
- All Forms, except 3w/15: $100 deductible: Waive minimum premium.
- Form 3: Base rate deviation based on protection class & territory. Credit varies 0%-22%.
- All Forms except 3w/15: $250 theft deductible/ $100 deductible all other perils: Waive minimum premium.
- Form 4: Base Rate Deviation -7%.
- Form 6: Base Rate Deviation - 12%.
- Higher limits for credit cards, fund transfer card, forgery & counterfeit money coverage (KIP only). Outboard Motors & Water Craft (KIP only): Coverage up to & including 50 HP is included at no additional charge.
- Personal Injury (KIP only): Coverage included at no additional charge.
- Seasonal or Secondary Dwelling Discount (KIP only): 5% discount to base premium.
- Blanket Property Limit (KIP only): Replacement cost contents coverage included at no additional charge.
- Form 3: Special Personal Property Coverage: Factor 1.10 applies to base premium.
- Form 6: Special Personal Property Coverage: Factor 1.20 applies to base premium.
- Form 4: Building Additions & Alterations Increase: KIP & Monoline: Each addl. $1000 rate $10000 Form 4 premium x .08.
- Form 6: Coverage A Dwelling Basic and Increased Limits Special Coverage.
- Form 4 & 6: Ordinance or Law Increased Amount of Insurance Refrigerated Property with KIP policy.
- Form 3: KIP only: Ord or Law: Include 12.5% at no additional charge. Wind and Hail Deds for Form 3: Blkt Limits dev (KIP only).
- HE-7W/HE-40 deviation by territory for KIP only: Territory 40 - 1.20, Remainder of State 1.25.
- HE-7W/HE-40 & HE-20 deviation by territory for KIP only: Territory 40 - 1.25, Remainder of State 1.30.
- HE-7W/HE-40 & HE-21 deviation by territory for KIP only: Territory 40 - 1.30, Remainder of State 1.35.
- Deferred Premium Payment Plan: $1 charge for electronic funds transfer.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2-25-02 PC047937 Filing Detail

22. **American Modern Home Insurance Company**
- Form 3: Deductible Credits; $500 Ded. - 10%; $1000 - 22%; $2500 - 28%.
- Form 3: New Home Credit; Current yr. - 26%; 1st. yr. - 24%; 3% less each yr. to 7th yr.
- Form 3: Multi-policy credit; 5% credit when auto policy written in addition to homeowners policy.
- Protective Device Credits: Credit varies 1% - 10%.
- Amount of Insurance Deviation: Coverage A amount $10000 - $200000: Credit varies by territory.
- Eliminate charge to increase personal property limits.
- For rates above $200000, a factor of .007 applies for each additional $1000 of premium
- Eff. 6-1-99

23. **American Motorists Insurance Company**
- All Forms: Optional Higher Deductibles deviation.
- Personal Property Replacement Cost.
- New Home Credit Discount: 0 - 10+ yrs. of age: Credit varies 0% - 20%.
- Premium Credits for Protective Devices.
- All Forms, except 3w/15: $100 deductible: Waive minimum premium.
- Form 4: Base Rate Deviation 5%.
- Form 6: Base Rate Deviation - 10%.
- Higher limits for credit cards, fund transfer card, forgery & counterfeit money coverage (KIP only).
- Outboard Motors & Water Craft (KIP only): Coverage up to & including 50 HP is included at no additional charge.
- Personal Injury (KIP only): Coverage included at no additional charge.

- Seasonal or Secondary Dwelling Discount (KIP only): 5% discount to base premium.
- Blanket Property Limit (KIP only): Replacement cost contents coverage included at no additional charge.
- Form 3: Special Personal Property Coverage: Factor 1.10 applies to base premium.
- Form 6: Special Personal Property Coverage: Factor 1.20 applies to base premium.
- Form 4: Building Additions & Alterations Increase: KIP & Monoline: Each addl. $1000 rate $10000 Form 4 prem x .08.
- Form 6: Coverage A Dwelling Basic and Increased Limits Special Coverage.
- Form 4 & 6: Ordinance or Law Increased Amount of Insurance.
- Refrigerated Property: Coverage included at no additional charge with KIP policy.
- Form 3: KIP only: Ordinance or Law Coverage: Include 12.5% at no additional charge. Windstorm and Hail Deductibles for Form 3: Blanket Limits deviation (KIP only).
- HE-7W/HE-40 deviation by territory for KIP only: Territory 40 - 1.20, Remainder of State 1.25.
- HE-7W/HE-40 & HE-20 deviation by territory for KIP only: Territory 40 - 1.25, Remainder of State 1.30.
- HE-7W/HE-40 & HE-21 deviation by territory for KIP only: Territory 40 - 1.30, Remainder of State 1.35.
- Deferred Premium Payment Plan: $1 charge for electronic funds transfer.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2-25-02 PC047938 North Carolina Department of Insurance

24. **American Professionals Insurance Company**
- Form 2, 3 & 3w/15: Company deviation based on amount of insurance, construction & territory: Credit varies.
- Form 6: Territorial deviation.
- Forms 2, 3, 3w/15: New Home Discount based on age of home. Deviation varies 0% - 14%.
- Forms 1, 2, 3 & 3w/15: Fixed dollar amount deductible credit factors; $500 - .85; $1000 - .79; $2500 - .62.
- Forms 1, 2, & 3: Increase in Coverage C; $1 per $1000.
- Protective Devices: All forms: Maxcredit for protective device eliminated. All protection class & all territories. There is no limit on credit.
- Outboard Motors & Water Craft: Liability rates amended by boat length.
- Form 4 & 6: Fixed dollar amount deductible. Credit factor $500 - .85; $1000 - .77; $2500 - .63.
- All Forms, except 4 & 6: Windstorm or Hail Percentage/Factor Deductible deviation.
- Form 6: Coverage A Dwelling Basic & Increased Limits and Special Coverage.
- All Forms, except 4 & 6: Personal Property Replacement (Coverage C) Cost Coverage. 1.05 factor applies to base premium. Form 4 & 6: 1.35 factor: Minimum additional premium deleted.
- Ordinance or Law Coverage deviation factors.
- Three or Four Family Residence Coverage B & C deviation.
- Installment Payment Plan. Initial installment charge waived.
- 5% account credit when named insured has an auto policy with the Highlands Insurance Group Companies.
- Eff. 6-1-99

25. **American Reliable Insurance Company**
- Loss Free Renewal Credit: Credit applies to any policy that has been loss free for the previous 12 months under an existing American Reliable Insurance Company policy.
- Mature Retiree Credit: If certain criteria are met, a credit of -10% of the Base Premium will be applied.
- New Roof Credit: If the roof has been professionally installed within five years of the inception or renewal date, the premium shall be reduced by 5%. Not to be combined with the Age of Dwelling Credit
- Eff 11-6-02 PC055868 Filing Detail

26. **American States Insurance Company**
- All Forms: Include Personal Injury HO-82 at no charge.
- All Forms, except 4 & 6: New home credit or renovated home credit for homes meeting required criteria.
- Form 2 & 3: Replacement cost Coverage C is increased to 70% of Coverage A at no extra charge: Charge of 9% (7% in Beach Area) is added to basic premium.
- Forms 4 & 6: Replacement cost (HO-290); Charge of 30% is added to basic premium.
- Replacement or Repair Cost Protection Coverage A (HO-500): $1.
- Forms 4 & 6: $100 deductible; Minimum additional charge $10 in lieu of $30.
- One family premiums for all Section I & II coverages will apply regardless of number of families.
- Forms 2 & 3: Dwelling under construction credit of 20% applies during first yr. if certain requirements are met.
- Form 6: Coverage A increased limits; Basic coverage rate per $1000 increase $2.70.
- Renewal credit for consecutive years insured with American States Group: 3-5 yrs. - 5%; 6 or more yrs. - 10%.

- Protective Devices: Credit factors vary .98 to .85.
- Forms 2, 3, 4 & 6: Unscheduled jewelry & furs (HO-65) $2500 increased limit - $33; $4000 increased limit - $60.
- Forms 2, 3 & 8: Fixed deductible credits; $500 - 9%; $1000 - 17%.
- Forms 4 & 6: Fixed deductible credits; $500 - 10%; $1000 - 23%.
- Eff. 12-1-/91

27. **American States Preferred Insurance Company**

- Form 3: Basic premium deviation varies by protection class. Variable credits.
- Form 3: Amount of insurance deviation: All amounts of insurance 13.0% credit.
- Form 3: Surcharges for townhouses & rowhouses are waived.
- Form 3: Homeowners XL Credit: When eligibility & coverage requirements are met. Variable credits.
- Form 3: Deductible credits/charges $500 - 12%; $1000 - 24%.
- The one family premiums for all Section I & Section II coverages shall apply regardless of number of families.
- Form 4: Amount of insurance deviation; $15000 - $30000 & above. Credit varies 2% - 22%, except for a few specific counties which receive 5% less.
- Form 6: Amount of insurance deviation; $20000 - $30000 & above. Credit varies 8% - 25%, except for a few specific counties which receive 5% less.
- Forms 4 & 6: Deductible credits/charges; $500 - 17%; $1000 - 30%.
- Alarm systems: Premium credits vary.
- Jewelry & Furs: Forms 3, 4 & 6; $2500 limit $33; $5000 limit - $60. Form 3 w/XL coverage $5000 included in base premium. To reduce to $2500 limit subtract $35. $1000 limit subtract $56.
- Form 3: Replacement Cost (HO-290) Coverage C is increased to 70% of Coverage A at no extra charge; Charge of 9% (7% in Beach area) is added to basic premium.
- Forms 4 & 6: Replacement Cost (HO-290); Charge of 30% is added to basic premium.
- All Forms: Include Personal Injury HO-82 at no charge.
- Form 3: Replacement or Repair Cost Protection Coverage A dwelling HO-500; No charge.
- Form 6: Coverage A increased limits; Basic coverage rate per $1000 increase $2.70.
- Form 3: New Home Credit; Current yr. - 15%; one yr. preceding current yr. - 12%; 2nd, 3rd & 4th yrs. -10%; 5th & 6th yrs. - 6%; 7th, 8th & 9th yrs. - 4%.
- Form 3: New dwelling under construction; 20% when certain requirements are met.
- Renewal credit for consecutive yrs. with American States Group; 3-5 yrs. - 5%; 6 or more yrs. - 10%.
- Eff. 10-30-97

28. **American Strategic Insurance Corporation**

- Territory Zone Deviation
- Protection Class Construction – Forms HO 00 03 and HO 00 05.
- Protection Class Construction – Form HO 00 04.
- Key Factors – Forms HO 00 03 and HO 00 05.
- Key Factors – Form HO 00 04.
- Age of Home.
- Tier Forms HO 00 03 and HO 00 04.
- Companion Policy – All Forms.
- “E Policy” – All Forms.
- New Purchase – HO 00 03.
- Senior Retiree – Forms HO 00 03 and HO 00 05.
- Age of Insured – Form HO 00 04.
- Non Smoker – All Forms.
- Accredited Builder – Forms HO 00 03 and HO 00 05.
- Hip Rood Design – Forms HO 00 03 and HO 00 05.
- Personal Property Replacement Cost – All Forms.
- Protective Devices _ All Forms.
- Eff 7-4-10 AMSI-126644630 North Carolina Department of Insurance

29. **AMICA Mutual Insurance Company**

- Waive the additional premium for Coverage C, Personal Property at 75% of Coverage A.
- Form HO 00 04 rate deviation by policy amount.
- Protective Devices, Apply 2% credit for three or more smoke detectors in all territories for protection classes 1-7.
- Additional Amounts of Insurance-1.00 All territories except 5, 6, 42 and 43. 1.02 for territories 5, 6, 42, and 43.

- Personal Property-Increased Limit, $1.60 for all forms. Also waive the charge up to 75% of Coverage A without HO 04 90 (Personal Property Replacement Cost) See Deviation Component Number 5.
- Refrigerated Property. The $10.00 charge for this coverage is waived. See Deviation Component Number 6.
- Premium Payment Option. No charge for the first installment. No charge for each installment for members of AMICA group through payroll deduction.
- Multi-Line Discount, Optional Rating Characteristics. Various discounts in all territories except 5, 6, 42 and 43. See Deviation Component Number 8.
- Preferred Risk Deviation, Rule A.10. Optional Rating Characteristics. Maximum Factor of $1.00 and a Minimum Factor of 0.50. See Deviation Component Number 9 and Rating Example Computation.
- Eff.8-1-08 PC114228 North Carolina Department of Insurance

30. **Amerisure Insurance Company**
- All Forms: Minimum additional charge of $30 for $100 deductible is waived.
- Mature Homeowners Credit Factor .95 insured age 55 or older & dwelling is primary.
- Multi Policy Credit: Forms 2, 3 & 6: 15% multi-policy credit when personal auto coverage in force in Amerisure Group.
- New Home Credit Factors: Current year -.80; 1 yr.- 8l; 2 yrs. -.82; 3 yrs -.84; 4 yrs. -.86; 5 yrs. -.88; 6 yrs. -.90; 7 yrs. -.93; 8 yrs. -.96; 9 yrs. - .99.
- Form 3: Deviation by Territory: 0% - 18% credit based on territory, protection class & construction.
- Form 1, 2 & 3: Amount of Insurance Deviation; Coverage A amount $60000+-$199000 credit varies 0.46% - 9.77%.
- Form 6: Relativity .85.
- Eff. 10-1-94

31. **Amerisure Mutual Insurance Company**
- All Forms: Minimum additional charge of $30 for $100 deductible is waived.
- Multi-Policy Credit: Forms 2, 3 & 6 - 15% multi-policy credit to homeowners rates when automobile policy is written with Amerisure Group.
- Form 6: Relativity is .85.
- Eff. 10-194

32. **Armed Forces Insurance Exchange**
- Protective Device Credits.
- Fixed dollar amount deductible factors credit varies.
- New Home Credit; All Forms, except HO 00 04 & HO 00 06.
- Earthquake: Ordinance or Law increased amount of insurance (Does not include basic, only increased amount).
- Sinkhole Collapse Coverage: All Forms except HO 00 04 and HO 00 06. (Does not include basic, only increased amount)
- Base premium Computation.
- Installment Payment Charge waived
- Wind or Hail Exclusion – Territories 07, 08, 48, 49, and 52.
- Minimum policy premium waived.
- Protective Devices-Maximum Credit not applicable.
- Personal Property Increased Limits charge per $1000.
- Eff 5-24-10 ARMD-126556975 North Carolina Department of Insurance

33. **Arrowwood Indemnity Company**
- Additional Amounts of Insurance: Forms HO 00 02 HO 00 03 $8 per policy.
- Deductible Credits: Credit varies by form & deductible amount.
- Personal Property (Coverage C) Replacement Cost Coverage: Forms 2 & 3 - Coverage A amount under $100000 - 11% surcharge; $100000 & over - 8% surcharge: Forms 4 & 6 - 40% surcharge.
- Preferred Customer Renewal Credit: 5% credit: Certain criteria must be met.
- Homeowners Enhancement Program: 1.25 factor applies to base premium.
- Installment Payment Plan: Policies billed by agent through account current payroll deduction program are not subject to installment fees.
- Deviation by Forms: Forms 2, 3, & 3w/15- 10%: Form 6- 20%.
- Eff. 5-15-04 PC069340 North Carolina Department of Insurance

34. **Associated Indemnity Corporation**
- Forms 2, 3 & 3w/15: New Home Credits; 20% current yr. & one yr. preceding current yr.; 2% less each added yr. Credit applies base premium.
- Protective Device Credits: All territories; 1% - 15%; Credit applies to company base premium.
- Forms 1, 2, 3, 3w/15 & deductible credits; $500-10%;$1000-20%;$2500-30%. Credit applies to company base premium.
- HO-3w/15 Key Premium: Multiply HO-3 key premium by factor of 1.08.
- Discount of Replacement Cost on Contents: Surcharge of 10% to HO-3 company base premium.
- Form 4 & 6: Ded credits all territories; Credits for Coverage C $10000 & above, $500-10%,$1000-20%, $2500-30%. Credit applies to base premium.
- Eff. 6-1-93

35. **Association Insurance Company**
- Deviation by Coverage A limit $100000 & above - 30% credit.
- Forms 1, 2 &3: RC Coverage HO-290; Personal property incr. limits charge $1 per $1000; Waive 5% surcharge.
- New Home Credit: Cov A amount $100000 & above; Age of dwelling 0-5 yrs - 15%, 6-10 yrs - 10%, 11-15 yrs - 5%.
- 44% deviation off N.C. Rate Bureau Rates if Cov A amount is $100000 or above for all SAS Institute Inc. Employees.
- Eff. 1-1-96

36. **Assurance Company of America**
- All Forms, except 4 & 6: Age of dwelling credit; New-20%; 1yr.-18%; 2yrs.-16%; 3yrs-14%; 4yrs-13%; 5yrs.-12%; 6yrs-10%; 7yrs.-8%; 8yrs.-6%; 9yrs.-4%. 10yrs.-2%.
- Forms 4 & 6: Replacement Cost on Contents; Factor 1.35.
- Forms 2 & 3: Charge $1 per $1000 for increase in Coverage C limit.
- Form 4: 15% deviation.
- Form 6: 20% deviation.
- Base Premium Discount: All Forms, except 4 & 6; Factor varies .95 -1.25.
- Forms 2, 3 & 3w/15: Deviation by territories: Variable credits.
- All Forms: Fixed dollar amount deductibles factors: $500-.85; $1000-.75; $2500-.70.
- Account Credit: 10% credit when insured has home & auto coverage with Zurich Insurance Cos. when criteria is met.
- Protective Device Credit: Factor varies. Maximum credit of $75 is waived.
- Eff. 7-1-98

37. **Automobile Insurance Company of Hartford, Connecticut**
- Deductible Credits Homeowners written in conjunction with Private Passenger Auto Policy.
- Protective Devices.
- Refrigerated Personal Property.
- Account Credit.
- Installment Payment Plan.
- Eff 6-20-10 TRVA-126641605 North Carolina Department of Insurance

38. **Auto-Owners Insurance Company**
- Territory Description.
- Form HO 00 06 – rate deviation.
- Deductibles – Waiver of Minimum charges.
- Protective Device Credit.
- Protective Device Credit – alarm systems.
- Mature Homeowner Discount for insureds between the ages of 55 and 64.
- Townhouse or row house deviation.
- Credit card, fund transfer card, forgery and counterfeit money.
- Units Regularly Rented to Others.
- Form HO-6 coverage A Dwelling increased Limits and special coverage.
- Personal Injury coverage-no charge.
- Building Additions and Alterations at Other Residences – all forms.
- Other Insured Location Occupied by insured.

- Section II, Liability-Residence Employees waived.
- Business Pursuits – no charge.
- Personal Injury coverage – no charge.
- Permitted Incidental Occupancies – Residence Premises.
- Special Personal Property Coverage.
- Multi-Policy Discount.
- Seasonal Discount - Forms 3 & 6.
- Section II liability watercraft - certain criteria - rates vary.
- Life/Homeowners Multi-Policy Discount
- Insurance Score Credit.
- Home/Umbrella Multi-Policy discount.
- Paid in Full discount.
- Personal Property Increased Limits.
- Eff. 5-1-09 AOIC-126013242 North Carolina Department of Insurance

39. **Balboa Insurance Company**

- Age of Dwelling Credit: 0 - 9 yrs. of age: Credit varies.
- Deductible Factors Deviation: Credit varies.
- Protective Device Credits: Credit varies.
- Brick or Masonry Construction.
- Eff. 5-1-09 BALB-126027963 North Carolina Department of Insurance

40. **Bankers Standard Insurance Company**

- Deviation forms HO 00 02, HO 00 03, HO 00 04, HO 00 06, HO 00 05 and HE-7 and certain territories.
- Key Factors Coverage A over $750,000.
- Protective Devices maximum credit allowed is deleted.
- Optional Higher Deductibles forms HO 00 04 and HO 00 06.
- Hurricane Percentage Deductible.
- Additional Amounts of Insurance.
- Gated Community Credit.
- Valuable Articles Credit-Multi Policy.
- Eff. 12-1-09 WESA-126279658 North Carolina Department of Insurance

41. **Camden Fire Insurance Association, The**

- All Forms, except 4 & 6: New Home Credit.
- All Forms, except 4: Account credit applies to homeowner premium when personal automobiles in any of the General Accident Companies.
- All Forms: Protective devices: Credit varies 2% - 15%.
- All Forms: Fixed Dollar Amount Deductible Factors; $500 - .90; $1000 - .77.
- Forms 1, 2, 3 & 3w/15: Personal Property Increased Limits; $1 per $1000 of insurance.
- Forms 1, 2 & 3: Personal Property Replacement Cost coverage; Waive charge to increase Coverage C limit 70% of Coverage A limit. Premium for replacement cost coverage developed by applying factor of 1.05 to base premium including any premium adjustment for Coverage C in excess of 70% of Coverage A.
- All Forms, except 4 & 6: Deviation by policy size; Coverage A Amounts. Credit varies.
- Uniform base rate deviation – all forms except HO 04 and HO 06 10% credit applied when written in the Camden Fire Insurance Association.
- Eff.8-15-02 PC054137 North Carolina Department of Insurance

42. **Central Mutual Insurance Company**

Owners Program

- Deviation by territory and protection class.
- Homeowners Enhancement Program – Deviation by form HE-7 and HE-7 with HE-20.
- Deviation by amount of insurance and insurance score.
- Insurance Score Deviation.
- Customer loyalty deviation.
- Company Deductible Credits B. Optional Deductibles.
- Payment timelines deviation.
- Loss history deviation.

- Personal Property Replacement Cost.
- Accompanying schedule or boat deviation.
- Age of dwelling.
- Home buyer deviation.
- Gated community deviation.
- Non-Packaged Risk deviation.
- Residence held in trust deviation.
- Package deviation.
- Installment Payment with Electronic Transfer.

Condo Program

- Deviation by territory, protection class.
- Deviation by amount of insurance.
- Deviation by insurance score.
- Customer loyalty deviation.
- Deductible Optional Higher Deductibles.
- Payment timelines deviation.
- Loss history Deviation.
- Accompanying schedule or boat deviation.
- Form HO 00 06 Coverage A Dwelling Basic and Increased Limits and Special Coverage.
- Residence held in trust.
- Package Deviation.
- Installment Payment Plan.

Tenants Program

- Deviation by territory, protection class.
- Amount of insurance deviation.
- Insurance score deviation.
- Customer loyalty deviation.
- Deductibles B. Optional Higher Deductibles.
- Payment timelines deviation
- Loss history deviation.
- Accompanying schedule or boat deviation.
- Package Deviation.
- Installment Payment Plan with Electronic Transfer.
- Eff 10-1-10 CEMC-126681413 North Carolina Department of Insurance

43. **The Charter Oak Fire Insurance Company**

- Base Rate Deviation Dwelling.
- Coverage A Relativities forms HO 00 02 and HO 00 03.
- Coverage A Relativities form HE-7.
- Deductible Credits HO 00 02, HO 00 03 and HE 00 07 Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Protective Devices.
- Personal Property - Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free Customer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Home Buyer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff 6-20-10 TRVA-126641614 North Carolina Department of Insurance

44. **Cincinnati Indemnity Company**

- New home credit Forms 2, 3 & 3w/32 36; New – 9 years, credit varies.
- Installment Payment Plan: Delete the $3 charge for each installment.
- Homeowners Enhancement Deviation.
- Eff 4-1-04 PC065697 North Carolina Department of Insurance

45. **The Cincinnati Insurance Company**
- Year of construction-Newly Constructed Dwellings Age of Dwelling Credits.
- Base Rate Deviations by Territory.
- Installment Payment Plan.
- Homeowners Enhancement Deviation.
- Watercraft Liability deviation.
- Preferred Risk credit.
- Superior Risk Credit – Forms HO 00 03 and HE 00 07 only.
- Insurance Score Factor – All Forms.
- Package Credit-Multi Policy credit – All Forms.
- Automatic Water Shut-Off System Credit.
- Mature Homeowners Discount – All Forms.
- Secured Community Credit.
- Eff 5-1-09 CNNB-126057039 North Carolina Department of Insurance

46. **Continental Indemnity Company**
- Form 3: Age of Dwelling Discount: 0 - 9 yrs. of age: Credit varies 2% - 20%.
- Account Credit Program: .85 factor applies when both the homeowner & auto policy is written through CNIC.
- Deductible Credit/Charges Deviation: Credit varies by deductible amount.
- Form 6: .80 factor applied to HO-4 base premium.
- Protective Device Deviation: Credit varies 1% - 15%.
- Forms 3, 4 & 6: Eliminate minimum premium for Replacement Cost Coverage.
- Form 3: Additional Limits of Liability for Coverages A, B, C & D: 6% applies to base premium when certain criteria is met.
- Form 3: Personal Property Replacement Cost will be 5% of base premium, no minimum additional premium & no charge to increase Coverage C when certain criteria is met.
- Form 3: Personal Injury charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Water Back-Up of Sewers or Drains, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Credit Card, Fund Transfer Card, Forgery & Counterfeit Money, to increase coverage charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Special Computer Coverage, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Cov C Increased Special Limits of Liability, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Fire Department Service charge will be increased to $1000 when certain coverages & increased limits options are selected.
- Form 3: Increasing Coverage D to 30% of Coverage A, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Coverage A Relativities Deviation: Credit varies 3.8% - 6.5%.
- Form 3: Ordinance or Law-Increased Amount of Coverage will be 4% of base premium when certain coverages & increased limits options are selected.
- Form 3: Refrigerated Property Cov, charge will be deleted when certain coverages & increased limits options are selected
- Eff. 1-1-01 PC038500 North Carolina Department of Insurance

47. **Continental Insurance Company**
- Amount of Insurance Deviation forms HO-2, HO-3, and HO-8.
- Amount of Insurance Deviation forms HO-4
- Amount of Insurance Deviation forms HO-6
- Earthquake Rate Deviations.
- Companion Policy Discount: applies when named insured has an auto policy with any Encompass Ins Co.
- Gated Community Discount. 10% credit when criteria are met.
- New Home Discount: 1 year – 18%, 1-5 yrs. -15%; 6-10 yrs. - 10%.
- Deductible Credits Deviation – based on Coverage A Limit.
- Additional Limits Deviation Coverage F: Deviation.
- Business Pursuits Rate Deviation. Credits vary .14% - .33%.
- Incidental Farm Rate Deviation. Residence Premises - 48%; Other Residence - 65%.

- Superior Construction Discount: 15% credit applies to masonry base premium or apartment unit.
- Protective Device Credits: Credit varies 1% - 9%.
- Automatic Sprinkler System Deviation: Credit of 7% or 13% applies.
- Preferred Rate Deviation 5% conditions vary.
- Special Personal Property Coverage HO 00 06 only – deviation 4.3%
- Eff. 8-15-02 PC052786 North Carolina Department of Insurance

48. **Economy Premier Assurance Company**
- PAK II Program – HE 00 07 Base Rates and Policy Amount.
- PAK II Program – HO 00 06 Base Rates by Territory.
- PAK II Program – HO 00 04 Base Rates by Territory.
- PAK II Program – HO 00 04 and HO 00 06 Policy Amount Relativities by Territory.
- Homeowners Enhancement Program HE 00 07 with HE 32 20.
- Homeowners Enhancement Program HE 00 07 with HE 32 21.
- PAK II Package Credit Multi Policy.
- Renewal Credit.
- Year of Construction.
- Personal Injury Protection Liability Deviation.
- Deductible credits.
- Protective Devices Credit and Home Safety Coverage.
- Business Pursuits Deviation.
- Outboard motors and watercraft.
- Home day care.
- Personal Property Increased Limits.
- Earthquake Coverage-Ordinance or Law Coverage.
- Residence Premises Basic and Increased Limits Coverage F- Medical Payments.
- Other Exposures-Medical Payments to Others Increased Limits.
- Other Structures – On Premises Structures Specific Structures – Increase Limits.
- Eff. 5-5-09 METX-12636516 North Carolina Department of Insurance

49. **Electric Insurance Company**
- Base rate deviation HO 00 02 and HO 00 03 by territory: Credit varies.
- Base Rate Deviation HO 00 04 and HO 00 06 by territory. Credit varies.
- Personal Property Replacement Cost form HO 00 04and HO 00 06 (Coverage C) is automatically increased to 70% of Coverage A. HO-04 and HO-6 1.25 RC Coverage also applies to articles or classes of property separately described and specifically insured in this policy.
- Protective Device Credits: Credits vary.
- Deductible Factors Forms HO-4 & HO-6 Credit varies
- Personal Property – Unscheduled Jewelry, Watches and Furs.
- Personal Property Silverware, Goldware and Pewterware.
- Personal Property – Firearms
- New Home Credits – HO 00 02 and HO 00 03.
- Multi-Policy Discount.
- Group Marketing discount.
- Payroll Deduct Discount.
- Eff.6-1-09 ELEC-126096428 North Carolina Department of Insurance

50. **EMCASCO Insurance Company**
- Personal Property (Coverage C) Replacement Coverage
- Deductible Credits
- Additional Amounts of Insurance
- Base Rate Deviation on Forms HO 00 02 and HO 00 03
- Combination Policy Discount
- Renovated Dwelling Components
- 15% Deviation applicable to Optional Section I and II rates
- Electronic Funds Transfer

- Insurance Scoring
- Eff. 3-15-07 PC097670 North Carolina Department of Insurance

51. **Employers Mutual Casualty Company**

- Optional Higher Flat deductible credits all forms,
- Additional Amounts of Insurance forms HO 00 02 and HO 00 03.
- Combination Premium Credit: 15% when homeowners & auto policies are written in one of the EMC Companies.
- Renovated Dwelling Components: Variable credits when criteria is met.
- Electronic Fund Transfer transaction fee is waived when the electronic funds transfer options is selected.
- Insurance Scoring.
- Eff. 3-15-07 PC097669 North Carolina Department of Insurance

52. **Encompass Indemnity Company**

- Forms 2, 3, and 8 Base Rate Deviations by Territory, Credit varies by territory
- Form 4 Base Rate Deviation by Territory, Credit varies by territory
- Form 6 Base Rate Deviation by Territory, Credit varies by territory
- Earthquake Coverage - Base rate deviation according to Table, Zone, and Construction.
- Gated Community Discount: A 10% credit will be applied for a residence located in a gated community meeting certain criteria.
- New Home Discount: A residence 10 years of age or less is eligible for a discount, credit varies by age.
- Deductible Credits Discount: Credit varies by coverage limit and deductible amount.
- Additional Limits Deviation, Coverage F
- Business Pursuits Rate Deviation: credit varies.
- Incidental Farming Personal Liability Deviation: credit varies.
- Superior Construction Discount: The premium for a dwelling or apartment unit in a building of superior construction is multiplied by masonry base premium or apartment unit by .85.
- Various Credits for Protective Devices: credit varies by type of alarm.
- Credits for Automatic Sprinkler Systems: credit varies by location/area of sprinkler system.
- Special Personal Property Coverage HO 6 only: endorsement HO 32 35 factor 1.34.
- Companion Policy Discount: 10% discount applies if named insured on an Auto Policy with any of the Encompass Insurance Companies.
- Preferred Rate Deviation: Preferred rates are available at a 5% reduction from standard rates if the amount of insurance under Coverage A is equal to at least 90% of the Replacement Cost of the Dwelling and the automatic adjustment of limits endorsed is attached.
- Effective 12-11-06 PC097453 North Carolina Department of Insurance

53. **Erie Insurance Exchange**

- Base Rate Deviations.
- Amount of Insurance Deviation all forms except HO 00 04 & HO 00 06.
- Multi-Policy Discount.
- New Home Discount.
- Optional Deductible Factors - all forms, deviation varies.
- Protective Device Credit Deviation.
- Increased Special Limits of Liability HO 04 64 (all forms except HE-7) Credit varies.
- Personal Property Replacement Cost.
- Townhouse or rowhouse charge - waived.
- Units Rented to Others Form HO 00 06 HO 1733.
- Outboard Motors & Watercraft.
- Building Addition & Alterations Increased Coverage C limit - Form HO 00 04 (HO 0451).
- Specified Additional Amount of Insurance for Coverage A only (HO 32 20).
- Rented Personal Property: HO 32 21 No charge.
- Business Pursuits: No charge.
- Waterbed Liability HO 04 00 HO 00 06 No charge.
- Refrigerated Property Coverage: Charge waived.
- Personal Property Increased Limits; HE 7.
- Premium payment plan service charge – installment payments.
- Tiered Rating

- Other Members of a Named Insured's Household.
- Advance Quote Discount – New business.
- Claims Experience Rating Program.
- Eff. 5-15-10 ERPP-126503060 North Carolina Department of Insurance

54. **Fairmont Premier Insurance Company**

- All Forms: Age of Dwelling Credit; 0-3 yrs. old - 21%; 4-6 - 14%; 7-9 - 7%.
- Forms 1, 2 & 3: 38.0%.
- Form 6: 17.5%.
- Eff. 5-1-92

55. **Farmers Insurance Exchange Farmers Underwriters Association**

- Form Factor Deviations: Forms 3w/15 & 4.
- Territory Relativity Factor deviation.
- Amount of Insurance Deviations: Forms, HO 00 04 and HO 00 06.
- Rule 403. Personal Property –Coverage C Replacement Cost Coverage.
- Rule 404 Protective Devices.
- Deductible Rule 406 credits.
- Loss Assessment Coverage Deviation.
- Rule 515 personal property.
- Other Insured Location Occupied by Insured.
- Additional Residence Rented to Others.
- Permitted Incidental Occupancies - Residence Premises & Other Residences: Deviation applies to Residence Premises.
- Business Pursuits Deviation for $200,000 limit.
- Optional Rating Characteristics Age 50 Plus Discount.
- Optional Rating Characteristics Auto/Homeowners Discount: All Forms: Factor of .90: Certain criteria apply.
- Affinity Banking Discounts HO 00 03 and HO 00 06 only. Certain qualifications apply. Credit varies.
- Oridinance or Law-Increased Amount of coverage.
- Eff 5-16-08 PC112928 North Carolina Department of Insurance

56. **Federal Insurance Company**

- Elimination of maximum credit for protective devices.
- Optional Higher Deductibles
- Hurricane Deductible
- Additional Amount of Insurance deviation. Forms 2 & 3.
- Water Back-Up and Sump Discharge or Overflow Forms HO 00 02, HO 00 03, HO 00 05, HO 00 04, HO 00 06 and HE 00 07.
- Gated Community Credit when criteria is met.
- Effective 6-1-10 CHUB-126562494 North Carolina Department of Insurance

57. **Federated Mutual Insurance Company**

- Forms 1, 2, 3 & 3w/I5: New Home Credit: 14% dwellings 0-1 yr. old; 2% less credit each added yr.; applies to $250 deductible basic premium & premium for amended Coverage C limit.
- Forms 1, 2, 3 & 3w/I5: Fixed dollar amount deductibles; $100 +10%; $500 -10%; $1000 -20%; $2500 -30%.
- Forms 4 & 6: Fixed dollar amount deductibles; $100 +10%; $500-15%; $1000-30%; $2500-40%.
- Forms 1, 2, 3 & 3w/15: Deviation by policy amount varies 0%-25%.
- Form 4: 10%.
- Form 6: 25%.
- Forms 3 & 3w/I5: Special Additional Credit Rule: 10% when eligibility & mandatory coverage requirements are met.
- Multiple Policy Discount: 5% applied to HO Policy when private passenger auto policy & personal umbrella policy is written by this Company.
- Installment Pay Plan: $5 maximum charge per account for all policies.
- Eff. 11-15-94

58. **Fidelity & Guaranty Insurance Company**

- Waive additional premium of $5 or less.
- Deviation of HO-3 Base Rates by territory & policy amount: Credits vary.

- Forms 4 & 6: Personal Property Replacement Coverage: Reduced premium charge.
- Special Package Discount: 5% credit to total residential premium when underwriting criteria is met.
- Form 6: Relativity factor .750 in lieu of .855.
- Employees Discount: 20%.
- Forms 2 & 3: Additional amount of insurance: HO 3211 $5 premium charge.
- Deductible Credits.
- Increase in Coverage C: Reduced rate per $1000.
- Multi-Policy Discount: 10% credit when private passenger auto policy is also purchased with USF&G.
- All Forms, except 4, 6 & 8: New Home Discount; 1 yr.-20%; 2% less credit each added yr. to 9th yr.
- Eff. 4-15-00 PC030961 North Carolina Department of Insurance

59. **Fidelity & Guaranty Insurance Underwriters**

- Deviation of HO-3 Base Rates by territory & policy amount: Credits vary.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Factor 1.35.
- Waive additional premium of $5 or less.
- Special Package Discount: 5% credit applied to total residential insurance premium when underwriting criteria is met.
- Form 6: Form Relativity of .800 in lieu of .855.
- Employees Discount: 20%.
- Forms 2 & 3: Additional amount of insurance: H0 3211 - $5 premium charge.
- Deductible Credits.
- Increase in Coverage C: Reduced rate per $1000.
- Multi-Policy Discount: 10% credit when private passenger auto policy is also purchased with USF&G.
- All Forms, except 4 6 & 8: New Home Discount; 1 yr.-20%, 2% less credit each added yr. to 9th year.
- Forms 2, 3 & 3w/15: Protection Class Deviation.
- Eff. 4-15-00 PC030953 North Carolina Department of Insurance

60. **Fidelity National Property and Casualty Insurance Company**

- Windstorm or Hail Exclusion Credit.
- Insurance Bureau Score Deviation.
- Eff 2-15-10 FDLY-126404458 North Carolina Department of Insurance

61. **Firemans Fund Insurance Company**

- Protective Device Credits: All territories: Credit varies 1% - 15%.
- Portfolio Credit: 5% applies to all HO policies when Personal Catastrophe Coverage and Inland Marine Coverage is written with Fireman's Fund.
- Eff. 12-01-03 PC065121 North Carolina Department of Insurance

62. **Firemen's Insurance Company of Washington D.C.**

- Deluxe Program: Form 3: 5% deviation off base premiums.
- All Forms: Protective Device Credit: Credit varies 2% - 13%.
- All Forms, except 4 & 6: Age of Home Discount: Credit varies 4% - 20% for age of dwelling 0 - 25 yrs. with greatest credit for newest homes.
- All Forms, except 4 & 6: Senior Citizen Discount; Factor of .92 of base premium age 50-54 yrs. Factor .95 age 55 yrs. & older.
- All Forms, except 4 & 6: Renovation Discount 0-15 yrs. factors apply when underwriting guidelines are met. Credit applies to base premium.
- Renewal Discount: Factor .95 applies to base premium when criteria is met.
- Form 3: Loss Free Credit; 1yr. - 5%; Renewal with 2 yrs. loss free - 10%. Credit applies to base premium.
- All Forms, except 4 & 6: Optional deductible credits applies to base premium. Coverage A limit under $200,000 - $500 ded. - .87; $1000 - .76; $2500 - .73. $20000-$400,000 - $500 ded - .89; $1000 - .80; $2500 - .77. Over $400,000 - $500 - .92; $1000 - 86; $2500 - .83.
- Eff. 10-1-97

63. **Garrison Property and Casualty Insurance Company**

- New Home Discount
- Personal Property – Additional Coverage –Jewelry and Furs

- Personal Property –Increase Limit
- Base Premium Computation HO 00 06 by territory/county
- Base Premium computation HO 00 03 by territory/county
- Sinkhole Collapse coverage
- Insallment Payment Plan, no charge
- Protective Device
- Deductibles (Form HO 00 03)
- Ordinance or Law-All Forms and Ordinance or Law increased amount of coverage-HO 00 06
- Coverage A Dwelling Basic and Increased Limits and Special coverage – HO 00 06
- Refrigerated Personal Property
- Other structures
- Windstorm or Hail Exclusion – Territories 05, 06, 42, and 43
- Tier Discount form HO 00 03 and HO 00 06
- Protection Construction Factors
- Eff 9-1-07 PC104509 North Carolina Department of Insurance

64. **General Insurance Company of America**

- Base Key Premiums all forms by Territory Deviation.
- Deductible Debit/Credits Deviation.
- Renewal Credit all forms: 3-5 yrs. - 5%; 6 yrs.+ - 9%.
- Account Credit all forms: 5% credit for total policy premium when insured has a Safeco auto policy also.
- Condominium Unit Owners Coverage A Increased Limits & Special Coverage Deviation.
- Business Pursuits (HO 24 71) all forms: the charge is deleted.
- Credit Card Forgery & Counterfeit Money Coverages (HO 04 53): Delete $1 charge for $1000 limit.
- Personal Injury (HO 24 82): $10 charge per policy.
- Landlord's Furnishing (HO 32 21): $10 premium per policy to increase coverage to total $5000 with burglary coverage added.
- Ordinance or Law Cov (HO 04 77) Deviation for Quality Plus Form, Quality Crest Form & Condominium Form.
- Medical Payments: Other exposures - Higher limits all forms: Additional charge for higher limits of medical payments will be waived.
- Additional Residence Rented to Other (HO 24 70): Limit of Liability $100,000 - $1,000,000: Premium charge varies.
- Outboard Motors & Water Craft: Reduced premiums based on limits, length and horsepower.
- Personal Liability - Residence Premises Deviation: Increased Limits: Coverage E base $300,000: Coverage F no charge.
- Special Personal Property Coverage HO-OO 15 & HO-17 31: Quality Plus Form & Condominium Form- Increase basic premium 8%. Quality Crest Form automatically included.
- Installment Payment Charge: $2 each installment.
- Eff. 8-15-02 PC052887 North Carolina Department of Insurance

65. **Government Employees Insurance Company**

- Forms 1, 2, 3 & 3 w/15: New Home Discount: 10% for dwellings 5 yrs. old or less.
- Homeowners Theft Deterrent Premium Credit Program: Forms 1, 2, 3 & 3 w/15 - 7%; Forms 4 & 6 - 20%.
- Forms 1, 2 & 3: Amount of Insurance Credit; Classes 1-9 - $10,000-$200,000 & over. Credit varies 4%-22%.
- Form 6: 10%.
- All Forms: Protective Devices: Variable credits.
- Forms 2, 3, 4 & 6: Retired Discount Credit; 20% when specified criteria are met.
- All Forms: Dual Policy Discount: 10% when specified criteria are met.
- Forms 4 & 6: Key factor +.074 for each additional $1000 of coverage.
- Installment Payment Plan: Waive the charge of $3 first installment if first payment received with application.
- Form 4 & 6: Waterbed Liability Endorsement: No premium charge.
- Eff. 3-1-95

66. **Grain Dealers Mutual Insurance Company**
- 10% credit when insured has both personal auto & homeowners policy written by Grain Dealers Mutual Ins. Company.
- Forms 2 & 3: New Home Credit: New - 1yr. of age - 25%: 1-2yrs. of age - 20%: 3 ys. of age - 15%: 4 yrs. of age - 10%: 5 yrs. of age -5%.
- Forms 2, 3 & 3w/15: 20% to base rates applies to Coverage A amount of more than $125,000.
- Continuous Policyholder Discount Program: 0-2 yrs.-0%credit: 3-5 yrs.-5%credit: 6-8 yrs.-10% credit: 9+ yrs.-15% credit.
- 10% deviation on base rates for Alamance & Caswell Counties in Territory 35.
- Personal Property Increased Limits Rate Deviation.
- Form 3:10% Mature Home Credit: Certain criteria must be met.
- Eff. 1-1-02 PC042992 North Carolina Department of Insurance

67. **Granite State Insurance Company**
- Forms 1, 2, 3, 4, 3w/15 & 6: 20% deviation.
- Replacement or Repair Cost protection Coverage A premium $1.
- Age of Dwelling Deviation: 0 - 20 yrs. old - 10%.
- Forms 1, 2, 3, 3w/15, 4 & 6: 20%.
- Eff. 7-1-87

68. **Graphic Arts Mutual Insurance Company**
- Replacement Cost on Contents; Increase Coverage C to 70% of Coverage A for no additional charge. 5% surcharge is to be added to the total base premium.
- Mass Merchandising Plan.
- -5% W.I.S.E./Affinity program discount,
- For Forms HO 02, HO 03, HO 05 and HO 08, factor of .95 for risks located in terrs 5, 6, 41, 42, 43, 45 and 46.
- For Forms HO 00 02, HO 03, HO 05 and HO 08, factor of .85 for risks located in territories 36, 44 and 60
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .90 for risks located in territories 38 and 39
- For Form HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .80 for risks located in territory 34.
- For Form HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .82 for risks located in territory 57
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .84 for risks located in territory 53
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, a rating factor of .85 for risks located in territory 32
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .92 for risks in territory 47
- For Forms HO 00 04 and HO 00 06, factor of .85 for risks in territories 36, 44, 57 and 60
- For Forms HO 00 04 and HO 00 06, factor of .90 for risks located in territories 38 and 39
- For Forms HO 00 04 and HO 00 06, factor of .85 for risk located in terrs 5, 6, 32, 34, 41, 42, 43, 45, 46, 47 and 53
- Personal Lines Account Credit
- Homeowners Extension Package
- Protection Class deviation/
- Eff. 8-1-07 PC103506 North Carolina Department of Insurance

69. **Hanover American Insurance Company**
- Mature Homeowners Credit: All forms: 5% credit applies when certain criteria are met.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits: All forms, except 4 & 6.
- Personal Property Replacement Cost: forms 4 & 6.
- Personal Property Replacement Cost on Coverage C: All forms, except 4 & 6
- Account Credit: All forms.
- Loss of Use-Increased Limits: All forms: Additional charge $4 per $1000 increase.
- Condominium Unit Owners-Coverage A Dwelling: Basic & Increased Limits: $3 per $1000 increase: 1st $5000 increase no charge.
- Reduced Watercraft Liability Rates: All forms.
- Personal Property , Increased Limits-$1 per $1000 increase: All forms, except 4 & 6.
- Special Personal Property: Reduced Charge for Form 3w/15.
- Electronic Funds Transfer Plan Discount: All forms.
- Group Modification Plan Discount: All forms: Credit varies 0%-13.5%.
- Direct Bill Policies: All forms: $1 per installment.

- Cap on total credits/discounts of 35%.
- Territorial Deviation: All forms except HO 00 04 and HO 00 06:
- Relativity Curve Deviation Forms HO 00 03.
- Relativity Curve Deviation Forms HO 00 04 and HO 00 06.
- Eff. 9-1-09 HNVR-126246611 North Carolina Department of Insurance

70. **Hanover Insurance Company**

- Mature Homeowners Credit: All forms: 5% credit applies when certain criteria are met.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits: All forms, except 4 & 6.
- Personal Property Replacement Cost on Coverage C: All forms, except 4 & 6: Minimum premium of $20.
- Personal Property Replacement Cost on Coverage C: Forms 4 & 6: Minimum premium of $25.
- Account Credit: All forms.
- Loss of Use-Increased Limits: All forms: Additional charge $4 per $1000 increase.
- Condominium Unit Owners-Coverage A Dwelling: Basic & Increased Limits: $3 per $1000 increase: 1st $5000 increase no charge.
- Watercraft Liability Rates: All forms.
- Personal Property Increased Limits-$1 per $1000 increase: All forms, except 4 & 6.
- Special Personal Property: all forms except HO 00 02, HO 00 04 and HO 00 06.
- Electronic Funds Transfer Plan Discount: All forms.
- Group Modification Plan Discount: All forms: Credit varies 0%-5%.
- Direct Bill Policies: All forms: $1 per installment.
- Cap on credits/discounts
- Relativity curve deviation HO 00 03.
- Relativity Curve deviation forms HO 00 04 and HO 00 06.
- Eff. 9-1-09 HNVR-126246317 North Carolina Department of Insurance

71. **Harbor Specialty Insurance Company**

Preferred:

- Homes 25 yrs. of age or less insured for $50,000 or more.
- Form 3: Base Rate Deviation by territories; Credit varies 20.2% - 24.3%.
- Form 4: Credits off Key Premiums; 2% Alamance County.
- Form 6: Base Rate Deviation by territories; Credit varies 19.4% - 22%.
- Form 3: Replacement Cost Protection (HO-500): Charge $1 in lieu of $5 when requirements are met.
- Form 3: Protective Devices Credit; Class 1-9, credit varies 2%-15%.
- Form 3: New Home Credit; 0-1 yr. old - 21%; 1% less credit each added yr. thru 8th yr.; 9 yrs. - 12%; 10 yrs. - 10%; 11 yrs. - 8%; 12 yrs. - 6%; 13 yrs. - 4%; 14 & 15 yrs. - 3%. Credit applicable to annual premium.
- Form 3: Personal Property Increased Limits; $.50 per $1000 of insurance.
- Form 3: Deductible Credits; $500 ded. - 10%; $1000 - 20%.
- Forms 3, 4 & 6: 20% deviation for policies written as part of Personal Protection Package Policy.
- Forms 4 & 6: Deductible Credits; $500 ded. - 10%; $1000 ded. - 23%.

Standard:

- Form HO-3 only - Homes 25 years of age or older and/or insured for less than $50,000.
- Form HO 3 Credit off Key Premiums; 13.4% Alamance County; 9.4% territory 34; 8.6% territories 30 & 31; 11.4% territories 4, 32, 33, 36, 37, 38, 39, 40, 41, Lincoln & Rockingham County; 11.4% for remainder of Alamance County & remainder of territories. Form 3: Coverage C increased limit charge $.50 per $1000 of insurance.
- Form 3: Deductible Credits; $500 - 10%; $1000 - 20%.
- Form 3: Protective Credit; Same as for preferred.
- Form 3: New Home Credit; Same as for Preferred.
- Form 3: 20% deviation applies to HO program when written as part of Personal Protector Package Policy.
- Eff. 3-1-94

72. **Harford Mutual Insurance Company**

- Forms 1, 2 & 3: New Home Discount; 10% - dwellings 15 yrs. old or less.
- Forms 1, 2, 3 & 8: Fixed dollar amount deductible factors; $500 - .90; $1000 - .83; $2500 - .75. $100 deductible amount - minimum $30 - maximum $60.
- Forms 4 & 6: Fixed dollar amount ded. factors; $500 .90; $1000 .77; $2500 .63. $100 deductible amount min. $30,

max. $60.
- All Forms: Protective devices factors for all territories & all protection classes - factors varies .98 to .85.
- Eff. 5-1-92

73. **Harleysville-Atlantic Insurance Company**
- Forms 1, 2, 3 & 8: Base rate credits; Coverage A limit $48,000 & under $95,000 & over; Credit varies 0.0% - 27.5%.
- All Forms: 13%; Optional coverage rates Section I & II.
- Forms 1, 2, 3 & 8: New Home Discount factor; 1 yr. old or less .80; Discount factor increased by .01 thru 11th yr. - discount factor increased by .02 - 12th thru 15th yr.
- Eff. 5-1-92

74. **Harleysville Mutual Insurance Company**
- Group Mass Marketing Discount: to voluntary policyholders that are members of specific group type organizations.
- Preferred Customer Discount: All territories except 05, 06, 41, 42, 43, 81, and 86 when certain criteria are met.
- Deviations by certain territories.
- StarPak ProgramDiscount.
- Companion discount – Credit for homeowners and private passenger auto policy issued to cover the same policyholder.
- Newly Purchased Home Credit HO 02, HO 03 and HE 7.
- Mature Homeowner Discount HO 03 and HE 7 only 55 years of age or older.
- Life Insurance Policy Discount Homeowner and Life policy
- Coverage A Key Factors discount All territories except 07, 08, 48, 49, 81, 86 and 90.
- HO 00 04 and HO 00 06
- Personal Property Increased Limit.
- Other Members of a Named Insured's Household
- Electronic Funds Transfer (EFT)
- Territory Definitions Harleysville/NCRB
- Eff. 5-20-09 HRLV-126097759 North Carolina Department of Insurance

75. **Harleysville Preferred Insurance Company**
- Group Mass Marketing Discount: 10% to voluntary policyholders that are members of specific group type organizations.
- Preferred customer discount – all terr except 07, 08, 41, 48, 49, 81 and 86. The percentage discount is determined by the combination of insurance score rating and characteristics met.
- HE-7 Enhancement Deviations by certain Territories.
- StarPak Program Discount
- Companion discount – Credit for homeowners and private passenger auto policy issued to cover the same policyholder.
- Newly Purchased Home Credit Forms HO 02, HO 03, HO 05, and HE 7,
- Mature Homeowner Discount HO 03, HO 05 and HE 7 only 55 years of age or older.
- Policy Discount (life insurance/annuity policy)
- Coverage A Key Factors discount All territories except 07, 08, 41, 48, 49, 81, 86 and 90.
- HO 00 04 or HO 00 06, Base Premium for Territories except 07, 08, 41, 48, 49, 81, 86 and 90.
- Perosnal Property Increased Limit.
- Other Members of a Named Insured's Household.
- Electronic Funds Transfer (EFT).
- Territory Definitions Harleysville/NCRB
- Eff 5-20-09 HRLV-126097801 North Carolina Department of Insurance

76. **Hartford Accident and Indemnity Company**
- Age of Dwelling Credit for all territories except 5, 6, 41, 42 and 43.
- Account Credit for all territories.
- Retiree Credit named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: if complex meets the protection requirements.
- Product Factor – Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key Factor for Premier, CCRL and Elite.

- Effective 11-7-09 HART-126309727 North Carolina Department of Insurance

77. **Hartford Casualty Insurance Company**
- Age of Dwelling Credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit for all territories.
- Retiree Credit, named insured is age 50 or older.
- Limited Access Credit-Forms HO 00 04 and HO 00 06 is protected 24 hours a day.
- Product Factor- Forms HO 00 04 and HO 00 06.
- Retirement community/Limited Access community Credit.
- Key Factor for Premier, CCRL and Elite.
- Eff. 11-7-09 HART-126309676 North Carolina Department of Insurance

78. **Hartford Fire Insurance Company**
- Age of Dwelling Credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit deviation for all territories.
- Retirees Credit, named insured is age 50 and older.
- Limited Access Credit-Forms HO 00 04 and HO 00 06 is protected 24 hours a day.
- Product Factor (Merit, Elite, CCRL, Premier), - Forms HO 00 04 and HO 00 06.
- Retirement community/Limited Access Community Credit.
- Key Factor for Premier, CCRL and Elite.
- Eff. 11-7-09 HART-126309668 North Carolina Department of Insurance

79. **Hartford Insurance Company of Midwest**
- Age of Dwelling credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit all territories.
- Retirees Credit: named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: is protected 24 hours a day.
- Product Factor – (Merit, CCRL, Premier), Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key factors for Premier, CCRL and Elite.
- Effective 11-7-09 HART-126309678 North Carolina Department of Insurance

80. **Hartford Underwriters Insurance Company**
- Age of Dwelling credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit all territories.
- Retirees Credit: named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: is protected 24 hours a day.
- Product Factor – (Merit, CCRL, Premier), Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key factors for Premier, CCRL and Elite.
- Age of Dwelling Credit: 0-1 yr. of age - 15%; 1% less credit each added yr.
- Eff. 5-1-09 HART-126028774 North Carolina Department of Insurance

81. **Homesite Insurance Company**
- Preferred Risk Group 1 Discount 10% when certain criteria are met.
- Preferred Risk Group 2 Discount 10% when certain criteria are met.
- Eff 6-1-09 HMSS-126064634 North Carolina Department of Insurance

82. **Horace Mann Insurance Company**
- Form HO 00 07 – Amount of Insurance by Territory and Amount of Insurance Relativities.
- Protective Device Credits: Classes 1-9.
- New Home Credits.
- Territorial Base Rates for Tenant & Condominium, HO 00 04 and HO 00 06.
- Installment Payment Plan Waive initial $3 installment fee.
- Deductible Factors Form HO 00 03.
- Auto/Home discount all forms credit varies.
- Deductible Factors for forms HO 00 04 and HO 00 06.

- Replacement Cost on contents - HO 00 04 and HO 00 06.
- Masters Program.
- Earthquake deviation.
- Silverware, Gold ware & Pewter ware coverage.
- Refrigerated Food Spoilage.
- Tenant's Improvements Increased Limit.
- Coverage A Increased Limit for form HO 00 06.
- Additional Residence Premises - Rented to Others.
- Private Structures - Rented to Others (Liability Coverage).
- Credit Rating Tier/Insurance Score.
- Home Buyer Loyalty Program.
- Eff. 5-1-10 HRMN-126487994 North Carolina Department of Insurance

83. **Horace Mann Property & Casualty Insurance Company**
- Form HO 00 07 – Amount of Insurance by Territory and Amount of Insurance Relativities.
- Protective Device Credits: Classes 1-9.
- New Home Credits.
- Territorial Base Rates for Tenant & Condominium, HO 00 04 and HO 00 06.
- Installment Payment Plan Waive initial $3 installment fee.
- Deductible Factors Form HO 00 03.
- Auto/Home discount all forms credit varies.
- Deductible Factors for forms HO 00 04 and HO 00 06.
- Replacement Cost on contents - HO 00 04 and HO 00 06.
- Masters Program.
- Earthquake deviation.
- Silverware, Gold ware & Pewter ware coverage.
- Refrigerated Food Spoilage.
- Additional Residence Premises - Rented to Others.
- Private Structures - Rented to Others (Liability Coverage).
- Credit Rating Tier/Insurance Score.
- Home Buyer Loyalty Program.
- Eff 5-1-10 HRMN-126488918 North Carolina Department of Insurance

84. **IDS Property casualty Insurance Company**
- Form HO 00 03 – Amount of Insurance.
- Form HO 00 04 – Amount of Insurance.
- Form HO 00 06 – Amount of Insurance.
- Protective Device Credits
- Deductible Credits Forms HO 00 03, HO 00 04 HO 00 06.
- Home and Auto Discount.
- Replacement Cost on Contents Discount Forms HO 00 03, HO 00 04 HO 00 06.
- Condo Coverage A increased limits.
- Utilities Rating Plan.
- Coverage C Increased Limits.
- Installment Pay Plan.
- Refrigerated Personal Property
- Townhouse/Rowhouse
- Costco Discount
- Base Rates (Form HO 00 03) by territories
- Base Rates (Form HO 00 06) by territories
- Eff 8-14-09 PRCA-126151220 North Carolina Department of Insurance

85. **Indemnity Insurance Company of North America**
- New Construction Credit: New - 20%; 2% less credit for each yr. to 9th yr.
- All Forms: Fixed Dollar Deductible: Credit varies 15% - 40%.
- Personal Property Increased Limit: $2 premium charge per $1000 of coverage.
- Forms 2 & 3: Replacement Cost Coverage Personal Property: HO 0490; Factor 10.5% includes increased

Coverage C to 70% of Coverage A at no additional premium charge.
- Protective Device Credits: All zones & protection classes: Credit varies 2% - 15%.
- Rated Deviation: Homeowners - 11%; Tenants - 10%; Condominiums - 15%.
- Eff. 9-1-99

86. **Indiana Lumbermens Mutual Insurance Company**
- Forms 1, 2, 3 & 3 w/l5: 15% 0-10 yrs. old; 10% 11-15 yrs. old; 0% 16 yrs. & over.
- Eff. 9-1-85

87. **Insura Property & Casualty Insurance Company**
- Form 3: Deductible credits; $500 - 15%; $1000 - 25%; $2500 - 38%.
- All Forms: Personal property increased limits $2 per $1000.
- Protective Device Credits; Credit varies 2% - 15%.
- Personal Injury (HO-82) included at no charge.
- Personal Property Replacement Cost Coverage; Eliminate 5% surcharge.
- New Home Credit: Current calendar yr. - 20%; 1 yr. preceding current calendar yr. - 18%; each added yr. 2% less credit until 10+ yrs. - 0%.
- Multi-Policy Credit: 10% applies to total HO policy prem. when auto policy is written in the Anthem Casualty Ins. Group.
- Amount of insurance deviation based on territory, protection class & amount of Coverage A: $70,000-$200,000 credits varies 8.6% - 21.9%; Each additional $10,000 credit varies 15% - 30%.
- Forms 2 & 3: Amount of Insurance Deviation; 3% charge of basic premium.
- Base premium deviation by territory.
- Eff. 6-1-99

88. **Insurance Company of North America**
- Forms 1, 2 & 3: Fixed dollar deductible credits; $500-11%; $1000-21%; $2500-34%.
- Form 4: Fixed dollar deductible credits; $500-11%; $1000-25%; $2500-40%.
- Forms 1, 2 & 3: Rate for increase in Coverage C; $1 per $1000.
- Forms 1, 2 & 3: Personal Property Replacement Cost coverage HO 290; Charge shall be 4% of adjusted base premium. Coverage C must be increased to 70% of A & $1 per $1000 charge made.
- Protective Device Credits: All zones & all protection classes: Credits vary from 1%-15%.
- Eff. 5-1-92

89. **Insurance Company of the State of Pennsylvania**
- Form 6: 35%.
- Form 4: 20%.
- Forms 2 & 3: Deductible Credits; $250 - 15%; $500 - 25%; $1000 - 35%.
- Forms 2, 3, 3w/15 & 6: Age of Dwelling Discount; 0-5 yrs. - 15%; 6-10 yrs. - 10%; 11-20 yrs. - 5%.
- Forms 1, 2, 3, 3 w/15 & 8: 28%.
- Home Buyers Discount: 10% first 3 yrs. ownership; 5% second 3 yrs.
- Forms 1, 2, 3 & 3 w/15: Delete 5% surcharge for replacement cost of contents.
- Eff. 6-15-88

90. **Integon General Insurance Corporation**
- Delete the surcharge for $100 deductible.
- Form 6: 10% deviation.
- Deviation by amount of insurance: Coverage A amount $50,000 - $250,000 & above based on territory; Credit varies - 0% - .340%.
- Deductible Credits: Form 3; Terr. 32, 33, 34-41- $250 ded., $500 ded., $1000 ded. & $2500 ded.: Credits varies .05%- .41%.
- Long-Term Customer Discount: 5-9 yrs. with Co.- 5%; 10 yrs. or longer with company -10%.
- Eff. 5-1-92

91. **Integon Indemnity Corporation**
- Delete surcharge for $100 deductible.
- Form 6: 15% deviation.
- Replacement Cost Coverage C: Delete surcharge for replacement cost on contents.

- Deviation by Amount of Insurance: Cov. A amount $50,000 - $250,000 & above & based on territory. Variable credit.
- Deductible Credits Form 3; Terr. 32, 33, 34-41 - $250 ded; $500 ded. $1000 & $2500 ded. Credits vary .05%-41%.
- Long Term Customer Discount: 5-9 yrs. renewal with company - 5%; 10 yrs. or longer with Company - 10%.
- Eff. 5-1-92

92. **Liberty Mutual Fire Insurance Company**
- Mass Merchandising Program – 5% deviation when certain criteria is met
- Installment Payment Plan all forms.
- Coverage A Dwelling Limit for form HO 6.
- Watercraft Deviation by limits of liability
- Multi-Policy Discounts.
- Property Tiering Program.
- Eff. 10-19-09 LBPM-126228851 North Carolina Department of Insurance

93. **Liberty Mutual Mid-Atlantic Insurance Company**
- Forms 2,3,4, & 6 35% deviation.
- Froms 2 & 3 Dwellings 0-10 years – 10%.
- Eff 11-1-86

94. **Lititz Mutual Insurance Company**
- New Home Credit.
- Discount when Guaranteed Repair or Replacement Cost Protection (Coverage A) and Personal Property Replacement Cost Protection (Coverage C) are used together.
- Protection class 9 discount
- Optional Higher Deductibles Deviation.
- Base Rate Deviation by Territory: Credit varies.
- Ordinance or Law – increased Limits.
- Eff 5-1-09 PC124818 North Carolina Department of Insurance

95. **LM Property and Casualty Insurance Company**
- New Home Credit: Age of Home 0 - 7 yrs. of age: Credit varies 0%-20%.
- Deductible credits
- Personal Property Replacement Cost: - HO-3 Apply 4% surcharge to adjusted base premium.
- Enhanced Dwelling Limit (EDL) – Form HO-3 $1.00 per policy.
- Protective Device Credits: Variable Credits 2%-15%.
- Forms 3, 3w/15, Premier & 6: 5% Mature Homeowners Credit.
- Personal Property – Increased Limit Form HO-3: $1.00 per $1,000 increase of insurance
- Mature Homeowner Credit – Forms HO-3 and HO-6 5% credit. A premium credit applies if any named insured is age 55 or older as of the effective date of the policy.
- Companion for Life Discount all forms 10% credit.
- Secured Community Credit: Credit applies if primary residence is located in a fully secured or partially secured community. Fully secured - 10%: Partially secured -5%.
- Electronic Funds Transfer Fee: No charge.
- Increased Limits Jewelry, Watches & Furs: $14 per $1000 of Coverage.
- Personal Property Replacement Cost: Form HO4 and HO 6 Minimum charge of $20.
- Silverware, Goldware, & Pewterware: $2.50 per $500.
- Deviation for 3 & 4 Family Liability Rates.
- Deviation by Liability Coverage.
- Outboard Motors & Water Craft Deviation for Coverage E, Increased Limits: Certain criteria apply.
- Outboard Motors & Water Craft Deviation for Coverage F, Increased Limits: Certain criteria apply.
- Business Property - Increased Limits Deviation: $10 per $2500.
- Eff. 3-14-03 PC058007 North Carolina Department of Insurance

96. **Lumbermens Mutual Casualty Company**
- Premium Credits for Protective Devices: Certain criteria apply.
- Mature Homeowners Credit: 5% credit applies to base premium if insured is 55 yrs. of age & is home during the day.

- Personal Property (Coverage C) Replacement Cost Coverage Deviation.
- $100 Deductible: Waive minimum premium.
- $250 Theft Deductible Factors: Certain criteria apply.
- All Forms: Optional Higher Deductibles deviation.
- Form 3: Special Personal Property Coverage: Apply a factor of 1.10 to base premium.
- Form HO 6: Special Personal Property Coverage: Apply a factor of 1.20 to base premium.
- Form 4: Building Addition & Alterations Increased Limit deviation.
- Form HO 6: Coverage A Dwelling Basic & Increased Limits Special Coverage Deviation.
- Ordinance or Law Increased Amount of Insurance: Form 4 & 6.
- Deferred Premium Payment Plan Option.
- New Home Discount: 0 - 6+ yrs. of age: Credit varies 0% - 18%.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2-25-02 PC047939 North Carolina Department of Insurance

97. **Maryland Casualty Company**

- All Forms, except 4 & 6: Age of Dwelling Credit; New-20%; 1 yr.-18%; 2 yrs.-16%; 3 yrs.-14%; 4 yrs.-13%; 5 yrs.-12%; 6 yrs.-10%; 7 yrs.-8%; 8 yrs.-6%; 9 yrs.-4%; 10 yrs.-2%.
- Forms 4 & 6: Replacement Cost on Contents: Factor 1.35.
- Protector Series Program: Reduce homeowners premium by 5%, if insured has auto policy with Maryland Casualty Group.
- Forms 2 & 3: Charge $1 per $1000 for increase in Coverage C limit.
- All Forms: Deductible Credits: $500 - 15%; $1000 - 20%; $2500 - 30%.
- Deviation by Territory: Form 2, 3, 3w/15; Credit varies 0% - 14%.
- Base Premium Deviation: All Forms, except 4 & 6; Credit varies.
- Account Credit: 10% credit when insured has home & auto coverage with Zurich Insurance Companies when criteria is met.
- Protective Device Credit: Factors vary. Maximum credit of $75 is waived.
- Eff. 7-1-98

98. **Massachusetts Bay Insurance Company**

- Mature Homeowners Credit: All forms: credit applies when certain criteria are met.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits: All forms, except 4 & 6.
- Personal Property Replacement Cost: All forms, except 4 & 6: Minimum premium of $20.
- Personal Property Replacement Cost on Coverage C: Forms 4 & 6: Minimum premium of $25.
- Account Credit: All forms.
- Loss of Use-Increased Limits: All forms: Additional charge $4 per $1000 increase.
- Condominium Unit Owners-Coverage A Dwelling: Basic & Increased Limits: $3 per $1000 increase: 1st $5000 increase no charge.
- Watercraft Liability Rates: All forms.
- Personal Property , Increased Limits-$1 per $1000 increase: All forms, except 4 & 6.
- Special Personal Property: Reduced Charge for Form 3w/15.
- Electronic Funds Transfer Plan Discount: All forms.
- Group Modification Plan Discount: All forms: Credit varies 0%-5%.
- Direct Bill Policies: All forms: $1 per installment.
- Cap on total credits/discounts of 35%.
- Territorial Deviation: All forms, except 4 & 6: Credit varies
- Relativity Curve Deviation Forms HO 00 03.
- Relativity Curve Deviation Forms HO 00 04 and HO 00 06.
- Eff 9-1-09 HNVR-126246588 North Carolina Department of Insurance

99. **Max America Insurance Company**

- Forms 1, 2, 3 & 3 w/l5: Amount of insurance credit.
- Forms 1, 2, 3 & 3 w/15: New Home Credit.
- All Forms: Eliminate 5% surcharge for personal property replacement cost (HO 290) endorsement.
- All Forms: Reduced key premiums for protection classes 7 & 8.
- Eff. 03-5-02

100. **Medmarc Casualty Insurance Company**

- New Home Credit: 0-1 yr.-20%; 2 or 3 yrs.-18%; 4 yrs.-15%; 5 yrs.-12%; 6 yrs.-10%; 7 yrs.-9%; 8 yrs.-6%; 9 yrs.-3%; 10 yrs.- 2%.
- Smoke Detectors Discount: 2.0%.
- Eff. 7-15-90

101. **Merastar Insurance Company**

- New Home Credit; HO 00 03 Homes completed & occupied during current calendar yr. credit varies.
- Safe and Sound Discount: protective device credit certain criteria.
- Auto Home Discount All Forms - credit to the base homeowner premium if insured's automobile is insured with this Company.
- Waiver of installment charge when certain requirements are met.
- Increased Special Limits of Liability: Jewelry, watches & furs; Additional premium $10 for each $1000 increase.
- Merastar Maximum Discount: Factor .97 applies to base premium when certain criteria is met.
- Deductible credits;Forms 3 & 5: $500 - $1000
- Deductible credits;Forms 4 & 6: $500 - $1000
- Protective Device Credits; 2% - 15%.
- Boat Liability Rate Deviation: All Forms: credit based on length & horsepower.
- Base rate deviation Forms 3 & 8: based on territory: Credit varies.
- Base rate deviation Forms 4 & 6: based on territory.
- Account Discount All Forms Discount if the named insured is a member of an employer sponsored account or qualifying affinity group.
- Eff. 8-1-05 PC084763 North Carolina Department of Insurance

102. **Metropolitan Direct Property & Casualty Insurance Company**

- Deductible Deviation.
- Additional Limits of Liability
- Personal Property Replacement Cost Loss Settlement.
- Year of Construction – Newly Constructed Dwellings.
- Protective Devices
- Mature Homeowners Discount.
- Windstorm or Hail Exclusion Credit.
- Multi-Policy Discount.
- Mass Merchandising Account Deviation
- Met ReWards Claim Free Discount.
- Increased Ordinance or Law Coverage
- Earthquake Coverage
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Eff. 5-1-09 METX-126128757 North Carolina Department of Insurance

103. **Metropolitan Property & Casualty Insurance Company**

Standard Program

- Deductible Deviation.
- Additional Limits of Liability.
- Personal Property Replacement Cost Loss Settlement.
- Year of construction – Newly Constructed Dwellings.
- Protective Devices.
- Mature Homeowners Discount.
- Windstorm or Hail Exclusion Credit.
- Multi-Policy Discount.
- Mass Merchandising Account Deviation:
- Smaller employer groups when criteria is met.
- Claim Free Discount: 5% discount when criteria are met.
- Increase Ordinance or Law coverage.
- Earthquake Coverage.
- Other Structures – On Premises Specific Structures – Increased Limits.

- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Platinum Coverage Package – Form HO 00 05.
- Waterbed Liability.
- Coverage A Dwelling Special Coverage HO 00 06.

Conversion Program

- Deductible Deviation.
- Windstorm or Hail Percentage Deductible Relativities.
- Additional Limit of Liability Coverage A.
- Replacement Cost on Contents: 10% surcharge. Cov C amount increased to 70% of Cov A at no additional cost.
- Year of Construction New Home Discount – Year of Construction..
- Protective Devices Premium Credits for Alarm Systems: Credit applies to base premium.
- Mature Homeowners Discount.
- Windstorm or Hail Exclusion Credit: Variable credits based on protection class, construction & territory.
- Multi-Policy Discount.
- Met Rewards Claim Free Discount when criteria are met.
- Increased Ordinance or Law Coverage.
- Earthquake Coverage.
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Platinum Coverage Package – Form HO 00 05.
- Waterbed Liability.
- Coverage A Dwelling Special Coverage HO 00 06.
- Eff 5-1-09 METX-126128758 North Carolina Department of Insurance

104. **Montgomery Mutual Insurance Company**

- Forms 3, HE-7, HE-7w/20 & HE-7w/21: Pers Prop Increased Limits: .50 per $1000 of insurance for Coverage C.
- Deductible Amount Deviation: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies
- 10% Account Credit when auto policy is written for the same insured through Montgomery Mutual Insurance Co.
- Forms 3, HE-7, HE-7w/20 & HE-7w/21: New Home Credit: New - 6 yrs. of age: Credit varies 0% - 20%.
- Base Rate Deviation by Territory: Forms 3, HE-7, HE-7w/20 & HE-7w/21 Credit varies 0% -7.1%
- Form 4: Base Rate Deviation by Territory: Credit varies 0% - 14.8%.
- Form 6: Base Rate Deviation by Territory: Credit varies 9.3% - 32%.
- Protective Device Credits: Credits vary 2% - 15%.
- Base Rate Deviation on HE-7 - 1.15, HE-7w/20 - 1.20 & HE-7w/21 - 1.25.
- Replacement or Repair Cost Protection(HO 3211): $5 per policy when criteria is met.
- All Forms: 10% Account Credit.
- Water Craft Liability Deviation - 70%.
- Form 3: Amount of Coverage A Relativity Curve Deviation: Credit varies 0.6% - 7.4%.
- Eff. 8-15-02 PC052789 North Carolina Department of Insurance

105. **NGM Insurance Company**

- Age of Dwelling Deviation: Forms HO 00 02, HO 00 03 and HO 00 05.
- Combined Personal Protection Program.
- Preferred Homeowners or Revitalized Home Credit when underwriting guidelines are met.
- Deductible credits/charges, factor varies by ded amount.
- Protective device credits.
- Replacement Cost on Contents.
- Specified Additional Amount of Insurance Coverage A Dwelling.
- Personal Property Replacement Cost.
- Personal Injury.
- Water Back-up of Sewers or Drains.
- Credit Card, Fund Transfer Card, Forgery, & Counterfeit Money.
- Special Computer Coverage.
- Coverage C Special Limits of Liability.
- Fire Department Service Charge.
- Charge to increase Coverage D to 30% of Coverage A.
- Installment Payment Plan Deviation.

- Coverage A relativities for Preferred and Revitalized.
- Ordinance or Law Deviation.
- Refrigerated Property Coverage.
- Insurance Score Discount factor varies by Insurance Score.
- Eff. 11-16-09 NGMC-126238715 North Carolina Department of Insurance

106. **National General Insurance Company**

- All Forms: Protection Device Credits: Variable credits from 2% to 15%.
- All Forms, except 4 & 6: Deductible/factors; $100-1.10 - no minimum or maximum charge; $500-.90; $1000-.80.
- Forms 4 & 6: Deductible/factors; $100/$250 theft - 1.05. No minimum or maximum charge; $500-.90; $1000-.77.
- Form 3: New/Renovated Home Discount; Variable credits based on age of dwelling & type of renovation.
- Forms 4 & 6: Thrifty Fifty Discount; 10% credit if insured meets criteria.
- Forms 1, 2 & 3: $5 Photo Credit New Business.
- Form 4: Building additions & alterations increased limits $5 per $1000 of insurance.
- Form 6: Coverage A Dwelling; Basic & Increased Limits, $5000 Coverage A is provided at no additional charge. Charge $5 per $1,000 for increased limit up to total of $15,000.
- Forms 4 & 6: Loss of Use; Increased limits $3 per $1000 of additional insurance.
- Form 3: Base rate deviation; Rating factor of .80 applies.
- Form 6: Base rate deviation; Rating factor of .80 applies.
- Installment Payment Plan: Two payment plan - $2 per installment.
- Eff. 6-1-99

107. **National Specialty Insurance Company**

- Forms 2 & 3: Base deviations vary by amounts of insurance - $55,000 - $120,000 & over; Territory 34 Cumberland County -0% -22.1%; Territories 32, 33, 35 & 41 - 0% to -35.1% deviations vary by amount of insurance. $50,000 -$120,000 & over; all other territories 0% - 35.1%. Deviation vary by amounts of insurance $50,000 - $120,000 & over.
- Forms 4 & 6: 10% credit applies to optional coverages that are applicable exclusively to Forms 4 & 6.
- All Forms, except 4 & 6: 20% credit applies to optional coverages.
- Forms 2, 3 & Homeowners Plus: Fixed dollar amount deductible credits; $500-10%; $1000 - 17%.
- Forms 4 & 6: Fixed dollar amount deductible; $500 - 10%; $1000 - 23%.
- Homeowners Plus Package: Form 3 Credit for amount of insurance $50,000-$69,000 - 10%; $70,000 - 110,000 - 11%; $120,000 - $170,000 - 12%; $180,000 - $200,000 - 13%, each additional $10,000 - 0% when special requirement are met.
- Forms 4 & 6: 10%.
- Forms 2, 3 & Homeowners Plus: New home credit - 25% current yr.; 2.5% less credit each added yr.
- Premium credit for alarm systems HO 216: 2-15%.
- All Forms: Manned Security Discount: 10% additional when property is residential area with limited entry & exit points manned by employed uniformed security guards.
- All Forms: 55 & Retired Discount: 10% if one insured is 55 or older & both insured & spouse, if any, are neither gainfully employed or seeking gainful employment. Residence must be principal residence of applicant.
- Earthquake Coverage: Superior construction will be rated same as frame construction.
- Form HO-6: Coverage A increased limits; $3 for each additional $1000.
- Form HO-6: Units regularly rented to others HO-33; Charge 25% of base premium.
- Eff. 5-1-92 *Name changed from State National Specialty Company effective 3/16/04*

108. **National Surety Corporation**

- Protective Device Credits: All forms & all territories: 1% - 15% credit applies to company base premium.
- Portfolio Credit: 5% credit applies to all homeowners policies when Personal Catastrophe Coverage and Personal Inland Marine Coverage is written with Company.
- Eff 12-01-03 PC065123 North Carolina Department of Insurance

109. **National Union Fire Insurance Company of Pittsburgh**

- Territorial Base Rate Deviation.
- Amount of Insurance Relatives Deviation.
- Maximum Credit for Protective Devices waived.
- Higher Deductible Credit: Credit varies by amount of insurance and deductible amount.
- Increased Coverage C Limit Deviation: A factor of 1.25 applies per$1000 of insurance. Territories 5, 6, 42 & 43

excluded.

- Renovated House Credit: Credit varies .82 - .97 for houses renovated 1 yr. to 6 yrs.
- Gated Community Credit: 5% applies when criteria is met.
- Loss Free/ Persistency Credit: 5% or 10% credit applies when criteria is met.
- Eff. 10-13-00 PC037427 North Carolina Department of Insurance

110. **Nationwide Mutual Fire Insurance Company**

- Nationwide Territory Deviation/Territory Deviation Forms HO 02, HO 03 & HO 05: Deviation by amount of insurance & territory.
- Home & Car Discount: Credit varies.
- Deductible Deviations.
- Protective Device Deviations by territory: Credit varies.
- Safe Home Rating Plan Deviation.
- Age of Oldest Insured Deviation.
- Personal Status Deviation.
- Age of Construction Deviation.
- Amount of Insurance deviation: Credit varies by territory and amount of Insurance.
- Age of Home Component Deviation.
- Home Purchase Deviation.
- Nationwide Associate.
- Eff. 8-31-09 PC-125189 North Carolina Department of Insurance

111. **Nationwide Mutual Insurance Company**

- Nationwide Territory Definitions and Territory Deviations Forms HO 02, HO 03, HO 04, HO 05, and HO 06.
- Home and Car Deviation Forms HO 02, HO 03, HO 05, and HO 06
- Deductible Deviations.
- Protective Device Deviation.
- Safe Home Rating Program – Form HO-2, HO-3, HO-5.
- Age of oldest Insured.
- Personal Status Deviation.
- Age of construction deviation.
- Amount of Insurance – Forms HO 02, HO 03, and HO 05.
- Age of Home Component Deviation.
- New Purchase Deviation.
- Nationwide Associate Deviation.
- Eff. 12-20-09 NCPC-126270255 North Carolina Department of Insurance

112. **Netherlands Insurance Company**

Preferred Homeowners

- Personal Property Increased Limits;. Forms 3, HE-7, HE-7w/20 & HE7w/21 $.50 per $1000 of insurance
- Deductible amounts deviation Credit: Forms 3, 4, 6, HE-7, HE-7w/20 & HE-7w/21 :Credit varies
- New Home Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies.
- Protective Device Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies
- Base Rate Deviation by Territory Forms 3, HE-7, HE-7w/20 & HE7-21:: Credit varies.
- Form 4: 3% Key Premium Deviation by Territory.
- Form 6: Key Premium Deviation: Credit varies 29.3%-31.6%.
- Forms 3, HE-7, HE-7w/20 & HE-7w/21: HO-3211- Replacement or Repair Cost Protection: Premium charge $5.
- Forms 3, 4, 6, HE-7, HE-7w/20 & HE-7w/21: 15% deviation for policies written as part of Personal Protector Package Policy.
- Water Craft Deviation of 70%.
- Base Rate Deviation on HE-7, HE-7w/20 & HE-7w/21: HE-7 factor - 1.15; HE-7w/20 factor - 1.20; HE7w/21 - 1.25.
- Amount of Coverage A Relativity: Deviation varies .6% - 7.4%.

Standard Homeowners

- Personal Property Increased Limits Forms 3, HE-7, HE-7w/20 & HE-7w/21: ; $.50 per $1000 of insurance.
- Deductible Credits; Forms 3, HE-7, HE-7w/20 & HE-7w/21: credit varies.
- New Home Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: 0 -12 yrs. of age: Credit varies 0% - 25%.
- Protective Device Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies 2% - 15%.
- Base rate deviation by territory: Forms 3, HE-7, HE-7w/20 & HE-7w/21 Credit varies

- Base Rate Deviation HO 6 by territory: Deviation varies.
- Base Rate Deviation on HE-7, HE-7w/20 & HE-7w/21: credit varies
- Replacement or Repair Cost Protection: Forms 3, HE-7, HE-7w/20 & HE-7w/21: HO-3211 Premium charge $5.
- Deviation will apply to HO 3 standard, HE 7 standard HE7/w20 standard, HE 7/ w21 standard for monoline homeowners premiums when they ar written as part fot the Personal Protector Package Policy.
- Water Craft Deviation of 70%.
- Amount of Coverage A Relativity curve: Deviation varies .6% - 7.4%.
- Eff 10-15-02 PC053999 North Carolina Department of Insurance

113. **New Hampshire Insurance Company**
- Forms 1, 2, 3, 3w/15 4 & 6: Age of dwelling credit; 0-20 yrs. - 10%.
- Replacement or Repair Cost prot. Coverage A (HO-500): $1 per policy.
- Eff. 7/1/87

114. **New South Insurance Company**
- Deviation by Amount of Insurance: Coverage A amount: $50000 - $250,000 & above based on territory; Credit varies 0% - .380%.
- Long-term Customer Discount: 5-9 yrs. with Co. on HO policy - 5%; 10 yrs. or longer with Co. on HO policy - 10%.
- Deductible Credits: Territories 32, 33, 34 - 41; $250 ded., $500 ded. $1000 ded. & $2500 ded.; Credits vary .05% - 41%.
- Form 6: 15%.
- Delete surcharge for $100 deductible.
- Replacement Cost- Coverage C: Delete surcharge for replacement cost on contents.
- Eff. 5-1-92

115. **North Carolina Farm Bureau Mutual Insurance Company**
- Deviation by Territory, Program and multi-policy..
- Deviation on Forms HO 00 04 and HO 00 06.
- Deviation on Form HO 00 08.
- Deductible Credits.
- Value Plus Homeowners Credit.
- Outboard Motors and Water Craft.
- New Home Deviation, Forms HO 00 02 and HO 00 03.
- Deviation on Personal Property Coverage.
- Personal Property Replacement Cost.
- Carolina Partner Plus Discount.
- Additional Residence Rented to Others & Other Structures Rented to Others - Residence Premises.
- Deviation Forms HO 00 02 and HO 00 03.
- Deviations Forms HO 00 02 and HO 00 03 with Windstorm or Hail Coverage.
- Enhancement Deviation.
- Eff. 6-1-10 NCFB-126514919 North Carolina Department of Insurance

116. **North River Insurance Company**
- Forms 1, 2, 3 & 3 w/15: Age of dwelling credit; 0 - 1 yr. - 20%; 2% less credit each added yr.
- Preferred plan deviation for owners forms: Varying credits based on amount of insurance & territory.
- Forms 1, 2, 3 & 3 w/15: Replacement cost contents for preferred owners forms to $1 per $1000 of increased Coverage C.
- All Forms: Replacement cost on contents; Deletion of $20 minimum additional premium.
- Forms 1, 2, 3 & 3 w/15: Higher deductible credits factors; $500 - .89; $1000 - .80; $2500 - .67.
- Forms 4 & 6: Higher deductible credits factors; $500 - .83; $1000 - .67; $2500 - .54.
- Premises Alarm System: Expand table of credits for protection classes 1 - 7 to include class 8.
- Form 6: 20%.
- Eff. 3-1-90

117. **Northern Assurance Company of America**
- All Forms, except 4 & 6: New Home Credit: 0-1 yr. old - 20%; 2% less credit each yr. to 10th yr.
- Forms 2 & 3: Personal Property Replacement Cost; Charge to increase Coverage C to 70% of Coverage A; $1 per $1000.

- Guaranteed Replacement Cost (HO-3211): $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- Inflation Guard Endorsement: 6% - at no charge.
- Forms 1, 2 & 3: Fixed dollar amount deductible credits; $500 - 15%; $1000 - 21%; $2500 - 38%..
- Homeowners Enhancement Program Factors: HE - 7 - 1.15%; HE - 7w/15 - 1.20 & HE - 7w/21 - 1.25.
- Deviation by Coverage A amount of insurance. All Forms, except 4 & 6: Credit varies.
- Windstorm or Hail Deductible.
- Eff. 8-15-02 PC053955 North Carolina Department of Insurance

118. **Northern Insurance Company of New York**
- Forms 1, 2, 3 & 3w/l5: Age of dwelling credit.
- Forms 1, 2, 3 & 3 w/15: Replacement or repair cost protection HO-500.
- Forms 4 & 6: Replacement Cost on Contents.
- Forms 1, 2 & 3: Charge $1 per $1000 for increase in Coverage C limits.
- Eff. 2-15-92

119. **Ohio Casualty Insurance Company**
- Water Craft Liability Rates: below NCRB for powerboats; below NCRB for sailboats.
- Employees Discount: to qualifying employees insured in the Ohio Casualty Group.
- Eff.12-1-05 PC082799 North Carolina Department of Insurance

120. **OneBeacon America Insurance Company**
- Forms 1, 2, 3: Fixed dollar amount deductibles; $500-15%; $1000-21%; $2500-38%.
- Forms 4 & 6: $500-10%; $1000-23%; $2500-37%.
- All Forms, except 4 & 6: New home discount; 0-1 yr. old - 20%; 2% less credit each added yr. to 10th yr.
- Forms 1, 2, 3 & 3w/15: Repair or replacement cost Coverage A; HO3211 - $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- Forms 2 & 3: Personal Property Replacement Cost; Charge to increase Coverage C to 70% of Coverage A; $1 per $1000.
- All Forms, except 4 & 6: Provide Inflation Guard Endorsement at 6% amount of annual increase at no charge.
- Form 6: Units regularly rented to others; Delete $15 charge.
- Form 6: 11.1% credit.
- Form 6: Coverage A Dwelling Basic and Increased Coverage A limit $3,000 cov A at no addit charge.
- 5% discount for insured age 49 or older.
- Homeowners Enhancement Factors: HE-7 - 1.15; HE -7w/15 - 1.20 & HE-7w/21 - 1.25.
- All Forms, except 4 & 6: Deviation by Coverage A amount of insurance: Credit varies.
- Windstorm or Hail Deductibles.
- Eff. 8-15-02 PC053954 North Carolina Department of Insurance

121. **OneBeacon Insurance Company**
- Replacement on contents endorsement.
- Protective Devices Credit.
- Personal Property Increased Limits.
- Account Credit when the named insured insures personal auto in any of the General Accident Copanies.
- Fixed Dollar Amount Deductible.
- New Home Credits.
- Eff 4-15-96

122. **OneBeacon Midwest Insurance Company**
- All Forms, except 4 & 6: New Home Discount; 0-1 yr. old -20%; 2% less credit each added yr. to 10th yr.
- Forms 2 & 3: Personal Property Replacement Cost; Charge to increase Coverage C to 70% of Coverage A; $1 per $1000.
- Replacement or Repair Cost Protection Coverage A (HO-3211): $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- All Forms, except 4 & 6: Provide Inflation Guard endorsement coverage at 6% amount of annual increase at no charge.
- All Forms, except 4 & 6: Fixed Dollar Amount deductibles: $500-15%; $1000-21%; $2500-38%.
- 5% discount for insured age 49 or older.

- Deviation to Enhancement Forms HE-7; HE-7w/20 & HE-7w/21: Credits vary.
- Deviation by amount of Coverage A: $250000 - $500000. Variable credits.
- Windstorm or Hail Deductibles
- Eff. 8-15-02 PC053952 North Carolina Department of Insurance

123. **Owners Insurance Company**

- Territory Description.
- Form 6 rate deviation
- Deductibles - Waiver of Minimum Charges.
- Protective Device Credit.
- Protective Device-Alarm Systems.
- Mature Homeowners Discount.
- Townhouse or Row House discount factors.
- Credit Card, Fund Transfer Card, Forgery and Counterfeit Money.
- Form HO-6 Units Regularly Rented To Others.
- Form HO-6 Coverage A Dwelling Increased Limits and Special Coverage.
- Building Additions and Alterations At Other Residences-All Forms.
- Loss Assessment.
- Other Insured Location Occupied By Insured - Section II.
- Section II, Liability-Residence Employees waived.
- Business Pursuits - no charge.
- Personal Injury coverage-no charge.
- Permitted Incidental Occupancies - Residence Premises.
- Special Personal Property Coverage.
- Multi-Policy Discount
- Seasonal Discount-Forms HO 00 03 and HO 00 06.
- Section II, Liability Watercraft.
- Life-Homeowners Multi Policy Discount.
- Insurance Score Credit.
- Home/Umbrella Multi-Policy discount.
- Paid in full discount.
- Personal Property Increased limits.
- Eff 5-1-09 AOIC-126013268 North Carolina Department of Insurance

124. **Pacific Employers Insurance Company**

- Forms 1, 2 & 3: Fixed dollar deductible credits; $500-11%; $1000-21%; $2500-34%.
- Form 4: Fixed dollar deductible credits; $500-11%; $1000-25%; $2500-40%.
- Rate for increase in Coverage C: $1 per $1000.
- Forms 1, 2 & 3: Replacement Cost Coverage HO-290; Charge shall be 4% of adjusted base premium. Coverage C must also be increased to 70% of Coverage A at $1 per $1000.
- Protection Device Credits: All zones & all protection classes; Credits vary 2%-15%.
- New Home Discount: Credit varies 2% -20% based on age of dwelling. Credit applies to base premium.
- Base Rate Deviation: Homeowners -25%; Tenants -15%; Condominiums -20%.
- Eff. 2-24-98

125. **Pacific Indemnity Company**

- Base Premium Computation - Forms 4 & 6.
- Base Premium Computation by territory and forms HO-2, HO-3, HO-5 and HO 00 07.
- Protective Devices - Elimination of maximum credit.
- Optional Higher Deductibles
- Hurricane Percentage Deductible.
- Additional Amount of Insurance deviation. Forms HO 00 02, HO 00 03 & HO 00 05.
- Water Back-Up and Sump Discharge or Overflow Forms HO 00 02, HO 00 03, HO 00 05, HO 00 04, HO 00 06 and HE 00 07.
- Gated Community Credit when criteria is met.
- Eff 6-1-10 CHUB-126562602 North Carolina Department of Insurance

126. **Peerless Insurance Company**

- Deductible Credits.
- Protective devices.
- Base Premium Computation (HO 00 06).
- Homeowners Enhancement Program - Specified Additional Amount of Insurance for Coverage A – Dwelling HO 32 20.
- Homeowners Enhancement Program (HE-7, HE-7 w/20, and HE-7 w/21)
- Personal Protector Multi-Policy.
- Base Premium Computation – All forms except HO 00 04 and HO 00 06.
- Installment Payment plan – no charge for each installment for Electronic Fund Transfer.
- Price Point Deviation.
- Deductibles, Flat dollar windstorm or hail deductibles non – coastal territories.
- Deductibles, Flat dollar windstorm or hail deductibles coastal territories.
- Deductibles, Percentage windstorm or hail deductibles non – coastal territories.
- Deductibles, Percentage windstorm or hail deductibles coastal territories.
- New Home buyer credits.
- Personal Property – Increased limits.
- Eff. 6-15-10 LBRM-126574497 North Carolina Department of Insurance

127. **Pennsylvania General Insurance Company**

- All Forms, except 4 & 6: New home credit; Current yr. - 20%; 1 yr. old -18%; 2 yrs. old -16%; 3 yrs. old - 14%; 4 yrs. old - 12%; 5 yrs. old - 10%; 6 yrs. old - 10%; 7 yrs. old - 8%; 8 yrs. old - 7%; 9 yrs. old - 6%; 10yrs.-6%; 11yrs-4%;12yrs-4%;13yrs-2%; 14yrs-2% .
- All Forms: Fixed dollar amount deductible factors; $500 - .90; $1000 - .77.
- Forms 1, 2, 3 & 3w/15: Personal property increased limits; $1 per $1000 of insurance.
- All Forms, except 4: Account Credit: 10% discount when named insured insures his/her personal auto in any of General Accident Companies.
- Forms 1, 2 & 3: Personal Property Replacement Cost Coverage; Waive charge to increase Coverage C limit from 50% to 70% of Coverage A limit. Premium for Replacement Cost Coverage developed by applying factor of 1.05 to base premium including any premium adjustment for Coverage C in excess of 70% of Coverage A.
- All Forms: Protective Device Credit: Credit Varies 2% - 15%.
- All Forms, except 4 & 6: 8.8% base rate deviation.
- Eff. 4-15-96

128. **Pennsylvania Lumbermens Mutual Insurance Company**

- Forms 1, 2 & 3: 10% dwellings 5 yrs. old or less; 5% dwellings 6-10 yrs. old.
- All Forms: 10%.
- Eff. 10-1-85

129. **Pennsylvania National Mutual Casualty Insurance Company**

- New Home Discount: Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 07.
- Deductibles – Optional Higher Deductibles.
- Personal Property A Increased Limits.
- Preferred Program territory & public protection class.
- Account Credit Program: Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05, HO 00 06 & HO 00 06 with HO 32 35 and HE 00 07.
- Deviation for Water Craft outboard motors and watercraft.
- Protective Device Credits: Applies to insureds that meet eligibility criteria. Credit varies.
- Additional Amount of Insurance HO 00 02 & HO 00 03.
- Deviation on Ordinance or Law Coverage.
- Preferred Advantage Program Deviation: Forms HO 03, HO 05, and HE 07 Territory and Protection Class.
- Form HO 06 Coverage A Dwelling Basic and Increase Limits and Special Coverage.
- Credit Card, Fund Transfer Card, Forgery and Counterfeit Money Deviation.
- Loss Assessment coverage Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05 and HO 00 06.
- Personal Property - Increased Special Limits of Liability.
- Personal Property – Refrigerated personal Property.
- Water Back Up and Sump Discharge or Overflow.
- Personal Injury Increased Special Limits of Liability

- Installment Charges-Recurring Payments automatically deducted.
- Eff 10-15-10 PNPR-126697052 North Carolina Department of Insurance

130. **Pharmacists Mutual Insurance Company**
- -25% base rate deviation.
- Waiver of premium is amended to $5.
- Installment Payment Plan: Charge varies based on installment plan.
- Personal Package Discount: Credit varies when criteria is met.
- Automatic Adjustments of Limits: Annual 4% increase at no charge.
- Effective 5-1-07 PC102682 North Carolina Department of Insurance

131. **Phoenix Insurance Company**
- Base Rate Deviation Dwellings Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Base Rate Deviation.
- Coverage A Relativities Deviation: forms HO 00 02 and HO 00 03.
- Coverage A Relativities Deviation: forms HO 00 07.
- Deductible Credits HO 00 02, HO 00 03 and HO 00 07 Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Protective Devices.
- Personal Property Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property: charge waived.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free customer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Multi-Line Insurance & Financial Services Institution Employees Credit.
- Royal SunAlliance Employee Program.
- Home Buyer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy..
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff 6-20-10 TRVA-126641622 North Carolina Department of Insurance

132. **Platte River Insurance Company**
- Age of Dwelling
- Account Credit Program: 15% discount when insured has coverage for both auto & HO policies through UIC.
- Preferred Homeowners Credit: 0% - 23% Credit by territory, pPC, construction type: Other criteria apply.
- Revitalized Home Credit for dwellings 25 yrs. or older if certain criteria is met.
- Deductible Credits: Forms 3, 4, & 6.
- Base Premium Discount for Form 6: A factor of .80 applies.
- Protective Device Credits: All Forms: Credit varies 1% - 15%.
- Replacement Cost on Contents: Forms 3, 4, & 6: Minimum premium does not apply.
- Additional Limits of Liability for Coverages A, B, C, & D: Form 3: 6% credit when certain options are selected.
- Pers Prop Replacement Cost: Form 3: 5% of base prem with min prem waived when certain options are selected.
- Personal Injury: Form 3: Charge waived if certain coverages and options are selected.
- Water Back-Up of Sewers or Drains: Form 3: Charge waived if certain coverages and options are selected.
- Credit Card, Fund Transfer Card, Forgery & Counterfeit: Form 3: Charge waived if certain coverages and options are selected.
- Special Computer Coverages: Form 3: Charge waived if certain coverages and options are selected.
- Coverage C Increased Special Limits of Liability: Form 3: Charge waived if certain coverages and options are selected.
- Fire Department Service Charge: Form 3: Increased to $1000 in lieu of $500 if certain coverages and options are selected.
- Form 3: Coverage D Increased to 30% of Coverage A will be deleted if certain coverages & increased limits options are selected.
- Form 3: Coverage A Relativities Deviation.
- Form 3: Ordinance or Law will be 4% of base premium if certain coverages & increased limits options are selected.
- Form 3: The charge for Refrigerated Property Coverage will be deleted if certain coverages & increased limits

options are selected.
- Eff.10-1-99

133. **Privilege Underwriters Reciprocal Exchange**
- Years Renovated
- Territory Deviation
- Coverage A Deviation
- Superior Construction Credits
- Generator Credit
- Financial Responsibility Factor
- Seasonal/Secondary Home
- Occupancy Deviation
- Multi Policy Credit (Personal Automobile)
- Multi Policy Credit (Personal Excess Liability)
- Multi Policy Credit (Jewelry & Art)
- Protective Devices
- Loss Free Credits
- Eff 9-3-10 PRIV-126726823 North Carolina Department of Insurance

134. **Providence Washington Insurance Company**
- Forms 2 & 3: Deviation by territory, Coverage A amount & protection class: Credit varies.
- All Forms, except 4 & 6: New Home Credit: 1 to 20 yrs. old: Credit varies 1% to 20%.
- All Forms, except 4 & 6: Deductible credits: $500 - 10%; $1000 - 17%; $2500 - 25%.
- Protective Devices for all protection classes & territories: Credits vary 1%-15%.
- Forms 2, 3 & 6: 15% Multiple Policy Credit when Providence Washington writes auto & homeowner.
- Waiver of Premium: $5 or less.
- Personal Property Replacement Cost: Minimum charge not applicable.
- Eff. 4-18-00 PC033008 North Carolina Department of Insurance

135. **Republic-Franklin Insurance Company**
- Protection Classification credit
- Edge Program Tiered, all forms except HO 00 04 and HO 00 06.
- Personal Property
- Mass Merchandising Plan
- Affinity Group-Wise Program
- Personal Lines Account Credit
- Package Additional Coverages
- Flexible Hose Credit.
- High Efficiency Gas Furnace Credit Rule.
- Eff 7-1-09 PC121538 North Carolina Department of Insurance

136. **Response Worldwide Insurance Company**
- Protective Devices Discount: 3% for deadbolt locks on all main doors & fire extinguishers in house.
- Forms 1, 2, 3 & 3w/15: Deductible Credits; $500 - 12%; $1000 - 24%; $2500 - 36%.
- Forms 4 & 6: Deductible Credits; $500 - 17%; $1000 - 30%; $2500 - 37%.
- Replacement or Repair Cost Protection (HO-500); Waive $5 charge.
- Forms 4 & 6: 10% deviation.
- Forms 4 & 6: Personal Property (Coverage C) Replacement Cost: 1.30 factor applies.
- Eff. 1-15-95

137. **Safeco Insurance Company of America**
- Deductible Optional Deductibles and Wind or Hail Deductibles.
- Renewal Credit: all forms Certain criteria apply.
- Account Credit: all forms Certain criteria apply.
- Credit Card, fund transfer card, forgery and counterfeit money coverage (HO 04 53): charge for $1,000 is deleted.
- Medical Payments/Other Exposures/Higher Limits Deviation: all forms.
- Other Insured Locations Occupied by Insured: 2 family house will be charged as a 1 family house

- Outboard Motor & Watercraft Liability Deviation.
- Special Personal Property Coverage – Coverage C (HO32 35)
- Market Tier Relativities – Credit Scoring.
- Employee Discount Plan.
- Base Rate Deviations by Territory.
- HE 00 007 w/HE-21 Factor Deviation.
- Eff.5-1-09 LBRM-126040012 North Carolina Department of Insurance

138. **Safeco Insurance Company of Indiana**
- Form 3: Preferred Business; 25% off Bureau rates when eligibility guidelines are met.
- Form 3: Standard Business; 5% off Bureau rates when eligibility guidelines are met.
- Form 6: 17% off Bureau rates when eligibility guidelines are met.
- Form 3: Preferred Business; Guaranteed Replacement Cost Coverage A charged waived.
- Form 3: New Home Credit; During calendar yr. - 10%; 1% additional credit each added yr. to 9th yr
- Eff. 2-15-95

139. **Seaton Insurance Company**
- Form 3: Credits vary by protection class, & Coverage A dwelling amounts; Coverage A amount under $40000 - $1000000 & & over. Credit varies 0% - 19% based on territory.
- Form 3: Personal Property Replacement Cost; Delete 5% surcharge.
- Form 6: 19% to be applied to base rate of 10% off Form HO-4.
- Form 3: Fixed Dollar Amount Deductibles Credits; $500-9%; $1000-17%; $2500-25%.
- Forms 4 & 6: $500-10%; $1000-23%; $2500-37%.
- Form 3: New Home Credit; Current yr. - 20%; 2% less credit each added year.
- Personal Property Coverage C increased limits: Form 3; $1; Form 3w/15 - $2.
- Protection Device Credit: 5% in all territories & protection classes for an installed smoke detector, fire extinguisher & dead bolt locks.
- Reduced rates for Outboard Motors & Water Craft liability.
- Forms 3, 4 & 6: Personal Injury Coverage; HO-82 included at no charge.
- Form 3: Deviation of territorial relativities varies 0.0% - 15.8%.
- Form 4: 5% credit off base rates.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Surcharge reduced from 1.40 to 1.30.
- Eff. 6-13-94

140. **Select Insurance Company**
- Forms 1, 2, 3 & 3 w/15: 15%.
- Eff. 2/8/86

141. **Selective Insurance Company of South Carolina**
- Forms 4 & 6: 25%.
- Forms 1, 2, 3 & 3w/15: Replacement Cost on Personal Property; Delete 5% surcharge.
- Forms 4 & 6: RC Personal Property; shall be $1 per $1000 of ins. applied to Coverage C.
- Protective Devices Credit: Factors vary .85 to .98.
- All Forms, except 4 & 6: Fixed dollar amount deductible factors.
- Amount of Insurance Deviation: $60000 - $l40000: Credit varies 0%-25%.
- Age of Dwelling Credits: New 20%; 1 yr. old 18%; 2% less credit each added yr. through 9th yr.
- Eff. 5/1/92

142. **Selective Insurance Company of the Southeast**
- Credit for protective devices: Factors vary .85 to .98.
- Forms 1, 2, 3, & 3 w/15: Replacement cost on personal property; Delete 5% surcharge.
- Forms 4 & 6: Charge an annual additional premium of $1 per $1000 of insurance applied to Coverage C. Minimum limit of Coverage is $12000.
- All Forms, except HO 4 & HO 6: Fixed dollar amt ded factors; $500 - .85; $1000 - .80; $2500 - .70.
- Amount of Insurance Deviation: $20000 - $75000; Credits vary 3.0% - 10.0%.
- Eff. 5-1-2

143. **Sentry Insurance A Mutual Company**

- All Forms, except 4 & 6: Fixed dollar amt ded; Factors for Cov A limits: $500 ded. - .91; $1000 ded. - .79; $2500 ded. - .62.
- Eff. 11-1-96

144. **Service Insurance Company**

- Year of Construction Deviation by territory: Credit varies 3% - 30%.
- Deviation for Masonry Construction by protection class: Credit varies.
- Form 3: 10% Base Deviation by territory.
- Claim Free Credit: 5% applied to base premium:Not available in terr 5,6,42,43. Certain criteria apply.
- Mature Homeowner Credit: 5% credit by territory: Certain criteria apply.
- Gated Community Credit: 5% credit by territory: Certain criteria apply.
- Form 3: Increased Limit of Personal Property: $1 per 1000.
- Windstorm or Hail Deductible Deviation: Credit varies.
- Key Premium Factors Deviation.
- 2% Protective Device Credit for auto smoke detectors, fire extinguishers & deadbolt locks on all exterior doors.
- Maximum Allowable Credit – The max allowable credit for newly constructed dwellings, gated community, and claim free combined, is limited to 30%.
- Auto Companion Credit: 4% credit when criteria are met.
- Deductible Credit Discounts.
- Percent Windstorm or Hail Deductibles Deviation.
- HO-6 Base Class Premium; Credit varies based on territories.
- HO-6 Protection-Construction factor deviation.
- HO-6 Key Premium Factor Deviation.
- Eff. 6-1-03 PC061674 North Carolina Department of Insurance

145. **Southern Guaranty Insurance Company**

- Form 3 & HE-7: Deviation by Territorial Relativities.
- Form 4: Deviation by Territorial Relativities.
- Form 6: Deviation by Territorial Relativities.
- Form 3 & HE-7: Amount of Insurance Deviation.
- Form 3 & HE-7: New Home Credit; 1 yr. - 18%; 2% less credit each added yr. to 9th yr.
- All Forms, except 4 & 6: Deductible Credits; $500-.91; $1000-.83; $2500-.75. Forms 4 & 6: $500-.90; $1000-.77; $2500-.63.
- Forms 4 & 6: Personal Property (Coverage C) Replacement Cost Coverage; Factor 1.30 from 1.40.
- Reduced charge for Personal Property Increased Limits: Form 3 - $1; Form 3w/15 - $2.
- Reduced rates for Outboard & Water Craft Liability.
- Forms 3, 4 & 6: Personal Injury Coverage at no charge.
- Form 3 & HE-7: Exceptional Homeowner: 10% credit when criteria are met.
- Protective Devices Credit: Credit varies.
- Multi-Policy Credit: 5% credit applies when insured has personal auto & homeowners with Southern Guaranty Insurance Company.
- Eff. 1-1-01 PC038720 North Carolina Department of Insurance

146. **Southern Insurance Company of Virgina**

PREFERRED

- Territory Deviation; for form HO 00 02, HO 00 03, and HO 00 05 Credit varies.
- Optional Deductible Credits: Change in credit for increasing the deductibles based on Coverage A limit.
- Protective Device Credits Combined – credit varies.
- Additional Amounts of Insurance – form HO 03 and HO 05.
- Personal Property Replacement Cost HO 00 02, HO 00 03 and HO 00 05.
- Southern Homeowners Account Credit Plan.
- Credits for newer homes.
- Outboard Motors and Watercraft reduced rates.
- HE-00 07 Program – 10% credit for policies written with HE 00 07, HE 00 07 with HE 32 20 or HE 00 07 with HE 32 21.
- Automatic Payment Plan.
- Multi-Protector Plus-Coverage C Increase Special Limits of Liability.

- Multi-Protector Plus – Business Property.
- Multi-Protector Plus-Personal Injury Coverage
- Multi-Protector-Water Backup
- Multi-Protector Plus-Refrigerated Property
- Multi-Protector Deluxe-Coverage C Increase Special Limits of Liability
- Multi-Protector Deluxe-Business Property
- Multi-Protector Deluxe Personal Injury Coverage
- Multi-Protector Deluxe Water Backup
- Multi-Protector Deluxe Refrigerated Property
- Multi-Protector Deluxe Loss Assessment Coverage
- Multi-Protector Elite Coverage C Increased Special Limits of Liability
- Multi-Protector Elite Business Property
- Multi-Protector Elite-Personal Property Replacement Cost Coverage
- Multi-Protector Elite Personal Injury Coverage
- Multi-Protector Elite Water Backup
- Multi-Protector Elite Refrigerated Property
- Multi-Protector Elite Loss Assessment Coverage
- Multi-Protector Elite Increased Ordinance or Law Coverage
- Multi-Protector Elite Increased Section II Limits of Liability

STANDARD

- Territory Deviation for HO 00 02, HO 00 03, and HO 00 05.
- Optional Deductible Credits: Change in credit for increasing the deductibles based on Coverage A limit.
- Protective Device Credits Combined – credit varies.
- Additional Amounts of Insurance – form HO 03 and HO 05.
- Personal Property Replacement Cost HO 00 02, HO 00 03 and HO 00 05.
- Personal Property Replacement Cost Coverage HO 00 04 and HO 00 06.
- Credits for newer homes.
- Outboard Motors and Watercraft reduced rates.
- HE-00 07 Program – 10% credit for policies written with HE 00 07, HE 00 07 with HE 32 20 or HE 00 07 with HE 32 21.
- Southern Homeowners Account Credit Plan.
- Automatic Payment Plan.
- Multi-Protector Plus-Coverage C Increase Special Limits of Liability.
- Multi-Protector Plus – Business Property.
- Multi-Protector Plus-Personal Injury Coverage.
- Multi-Protector-Water Backup.
- Multi-Protector Plus-Refrigerated Property.
- Multi-Protector Deluxe-Coverage C Increase Special Limits of Liability.
- Multi-Protector Deluxe-Business Property.
- Multi-Protector Deluxe Personal Injury Coverage.
- Multi-Protector Deluxe Water Backup.
- Multi-Protector Deluxe Refrigerated Property.
- Multi-Protector Deluxe Loss Assessment Coverage.
- Eff 1-1-09 DNGL-125861191 North Carolina Department of Insurance

147. **Southern Pilot Insurance Company**

- Deviation by Territorial Relativities (HO-3 and HE-7).
- Deviation by Territorial Relativities (HO-4)
- Deviation by Territorial Relativities (HO-6).
- Amount of Insurance Deviation (HO-3 and HE-7).
- New Home Credits
- Deductible Credits.
- Reduced Surcharge for Personal Property (Coverage C) Replacement Cost Coverage.
- Reduced Charge for Personal Property Increased Limits.
- Reduced Rates for Outboard Motors and Watercraft Liability.
- Personal Injury Coverage At No Charge.
- Deviation for Exceptional Homeowner (HO-3 and HE-7).

- Protective Devices Credit.
- Deviation for Multi-Policy Credit.
- HE-7 Level of Enhancement Factor.
- Eff. 08-01-05 PC083567 Filing Detail

148. **SPARTA Insurance Holdings**

- New Home Credit All Forms, except 4 & 6:; 0-1 yr. old - 20%; 2% less credit each added yr. to 10th yr.
- Personal Property Replacement Forms 2 & 3: Cost; Charge to increase Cov C to 70% of Cov A; $1 per $1000.
- Additional Limit of Liability for Coverage A. HO 3211. $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- Inflation Guard Endorsement (HO-243) at 6% - at no charge.
- Fixed dollar amount deductible credits Forms 2 & 3:;- $500-15%; $1000-21%; $2500-38%.
- Fixed dollar amount deductible credits Forms 4 & 6:; $500-10%; $1000-23%; $2500-37%.
- Increased Coverage A limits HO-6 $3000 coverage A at no additional charge. Coverage A limit may be increased.
- Form 6: 6.4% deviation.
- 5% discount for insured age 49 or older.
- Form HE-7; HE7w/20 & HE7w/21: Reduced Factors.
- Deviation by amount of insurance for Coverage A $250,000 - $500,000. Variable credit.
- Windstorm or Hail Deductible credit varies by amount of deductible
- Eff. 8/15/02 PC053953 North Carolina Department of Insurance

149. **St. Paul Fire & Marine Insurance Company**

- Forms 1, 2, 3 & 3 w/15: New Home Discount: Yr. of construction; 0-1 yr. of age - 15%; 2-3 yrs. - 13%; 4-5 yrs. - 11%; 6-7 yrs. - 9%; 8-9 yrs. - 7%; 10-11 yrs. - 5%; 12-15 yrs. - 3%.
- Forms 1, 2, 3 & 3 w/15: Personal Property Replacement Cost; No charge for Cov C increase from 50% to 70%.
- Forms 4 & 6: 30% surcharge to basic premium (after higher deductible credit) & for attaching HO-50.
- All Forms: Minimum premium $15 per policy.
- Eff. 9-23-92

150. **St. Paul Guardian Insurance Company**

- Operation Identification Credit: 5% rate credit on Basic Homeowners Insurance Premium.
- New Home Discount: 0-1 yr.-18%; 2-3 yrs -15%; 4-5 yrs.-10%; 6-7 yrs -8%; 8-9 yrs -7%; 10-11 yrs.-5%; 12-15 yrs.-3%.
- Personal Injury Protection (Form HO-82) provided at no additional charge.
- Forms 3, 3 w/15, 4, 6, HE-7 & HE-7w/HE20: Deductible credits: $500 - 11%; $1000 - 23%; $2500 - 37%.
- Form 6: 14.5% off St. Paul Guardian HO-4 rates.
- Form 3: Deviation on policy amount Relativities by territory; Variable credits.
- Form 4: Deviation on base rates by territory; Variable credits.
- Forms 4 & 6: Deviation on policy amount Relativities by territory; Variable credits.
- Form 3: Replacement or repair cost Coverage A (HO-500) provided at no charge.
- Protective Devices Credit & Home Safety Coverage Credits.
- Business Pursuits Section II coverage: All classifications will be rated same as rate shown for clerical employees.
- Water Craft: Same charge applies for lengths over 15 - 26 feet & over151 horsepower as to lengths up to 15 feet & below 151 horsepower.
- Home Day Care: Rated at Bureau rates for Permitted Incidental Occupancies (HO-42).
- Forms 3, 3w/15, 4 & 6: Pers prop replacement cost (HO-290) coverage is provided at no additional charge.
- Homeowners PAK II Credit: Forms 3, 4, 6 & HE-7; 10% when insured qualifies for PAK II Program for terr 32 - 43.
- Base premiums for HE-7 policies: No additional charge.
- Base premium for HE-7w/HE-20 policies: +2.0% above St. Paul Guardian HO-3 rates.
- Base premium for HE-7w/HE-21 policies: +4.0% above St. Paul Guardian HO-3 rates.
- Renewal Credit: credit when insured maintaines consecutive yrs. of both auto & homeowners coverage with the St. Paul, 3-5 yrs. Credit varies 3%-5%.
- Forms 3 & 3w/15: Personal property increase limits; $1 per $1000 of insurance.
- Installment Payment Plan: $2 charge each installment unless Electronic Funds Transfer billing option is selected, then no charge.
- Employee Discount: 20% new business: 15% renewals.
- Eff. 3-1-00

151. **St. Paul Mercury Insurance Company**
- Operation Identification Credit: 5%.
- New Home Discount: 0-1 yr. - 15%; 2-3 yrs. - 13%; 4-5 yrs. - 11%; 6-7yrs. -9%; 8-9 yrs. -7%; 10-11 yrs. -5%; 12-15 yrs. -3%.
- Personal Injury Protection (HO-82) provided at no additional charge.
- Personal Property Replacement Cost (HO-290) coverage is provided at no additional charge.
- Forms 3, 3 w/15, 4 & 6: Deductible credits; $500 - 11%; $1000 - 23%; $2500 - 37%.
- HO-6: 15% on Companies HO-4 rates.
- HO-3: Deviation on base rates by territory; Credit varies 15.5% - 37.2%.
- Form 4: Deviation on base rates by territory; Credit varies 16.0% - 29.6%.
- Forms 4 & 6: Deviation on policy amount Relativities by territory; Credit varies 0.1% - 3.1%.
- Form 3: Replacement or repair cost Coverage A (HO-500) provided at no charge.
- Protective Devices Credit & Home Safety Coverage Credits.
- Business Pursuits Section II Coverage: All classifications will be rated same as rate shown for clerical employees.
- Water Craft: Same charge apply for lengths over 15-26 ft. & over 151 horsepower as to lengths up to 15 ft. & below 151 horsepower.
- Home Day Care: Rated at Bureau rates for Permitted Incidental Occupancies (HO-42).
- Installment Payment Plan: $2 charges each installment.
- Eff. 3-1-95

152. **Standard Fire Insurance Company**
- Base Rate Deviation Dwelling, Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Coverage A Relativities forms HO 00 02 and HO 00 03.
- Coverage A Relativities form HE 00 07.
- Deductible Credits HO 00 02, HO 00 03 and HE 00 07 Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Protection Devices.
- Personal Property - Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free Customer Credit Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Home Buyer Credit Homeowners policy written in conjunction with Private Passenger Automobile policy.
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff. 6-20-10 TRVA-126641632 North Carolina Department of Insurance

153. **Starr Indemnity & Casualty Company**
- All Forms: Personal Prop Replacement Cost; Minimum additional premium for coverage is deleted.
- All Forms: Protective Devices; Maximum credit allowed is deleted.
- All Forms, except 4 & 6: Fixed dollar amount deductible credits.
- Eff. 4-1-95

154. **State Automobile Mutual Insurance Company**
- Auto/Home Discount
- Credits for Protective Devices
- Age of Dwelling Credit
- Replacement Cost of contents for forms HO 00 03 and HO 00 05
- Additional Limits of Liability HO 32 11
- Increased Coverage C
- Form HO 00 05
- Protection Class 9 Rates
- Prime of Life Discount, Age 55 and older
- Townhouse /rowhouse
- Three or Four Family Dwellings
- Residence Held in Trust
- Base Premiums
- Ordinance or Law Coverage.

- Form HE 00 07 with HE 32 21.
- Boating Course Credit.
- Watercraft Membership Credit.
- Eff 9-21-09 STAT-126222813 North Carolina Department of Insurance

155. **State Auto Property & Casualty Insurance Company**

- Auto/Home deviation
- Credits for Protective Devices.
- Age of Dwelling Deviation: New - 9 yrs.: Credit varies
- Replacement Cost Coverage on contents HO 00 03 and HO 00 05.
- Additional Limits of Liability – Guaranteed Replacement Cost on Dwelling.
- Coverage C Increase: HO 3 $1 per $1000: Form HO 5 $2 per $1000.
- Form HO 00 05: Optional at +10% charge.
- Protection Class 9 Rates: Discount for homes within 5 miles of a responding Fire Department & within 1000 feet of fire hydrant.
- Prime of Life Discount: Minimum Coverage C Limit $20,000.
- Townhouse/rowhouse
- Three or four family dwellings
- Residence held in trust.
- Ordinance or Law Coverage.
- Boating Course Credit.
- Watercraft Membership Credit.
- Eff. 9-21-09 STAT-126222698 North Carolina Department of Insurance

156. **State Farm Fire & Casualty**

- Deviation by Amount of Insurance HO 00 03.
- Deviation by Amount of Insurance HO 00 04.
- Deviation by Amount of Insurance HO 00 06.
- Base Premium Computation Three and Four Family
- Townhouse/Rowhouse – Form HO 00 03.
- Wind/Hail Deductible Credits – Form HO 00 03.
- Residence Premises-Basic and Increased Limits.
- Other insured Location Occupied by Insured.
- Additional residence rented to Others.
- Jewelry and Furs.
- Replacement Cost on contents forms HO 00 04 or HO 00 06.
- Ordinance or Law Coverage.
- Rental condominiums, HO 00 06.
- Coverage A Increased limits & Special Coverage Form HO 00 06.
- Homeowners 36 Discount: Consecutive yrs. insured with State Farm credit varies.
- Installment Payment Plan.
- Refrigerated Personal Property, No Charge.
- Home-Auto Discount for all territories, except 5 & 6.
- Named Storm Percentage deductibles HO 00 03, HO 00 04, HO 00 06.
- All peril deductibles – HO 00 04.
- All peril deductibles – HO 00 06
- All peril deductibles – HO 00 03.
- Customer Rating Index.
- Eff.10-15-10 SFMA-126692190 North Carolina Department of Insurance

157. **Stonington Insurance Company**

- Mature Retirees Credit: 10% when required criteria are met.
- All Forms: 10% base rate deviation for protection class 1-9 & 9s for territories 32-40.
- New Roof Credit: 5% off base premium when eligibility met; Not applicable with new home credit.
- Form 3: 10% credit Preferred Homeowners Program when criteria are met.
- Loss Free Renewal Credit: Applied to renewal date of policy that has been free of losses: 1 yr. - 3%; 2 yrs. - 6%; 3+ more yrs. - 9%.

- Multi-Policy Credit: 10% applies to new business only when applicant has auto with agency representing Nobel & their homeowners coverage is placed with Nobel. 5% credit applies second yr.
- Eff. 6-1-99

158. **Teachers Insurance Company**

- Maters Program Form HO 00 07 Amount of insurance by territory and amount of insurance relativities.
- Protection Device Credits: Classes 1-9: Credits vary 1% - 15%.
- Automatic Adjustment of Limits 2% credit on Forms HO-2 and 3 if insured 100% to value with Inflation Guard Endorsement attached.
- Newly constructed residence.
- Territorial Deviations for tenant and Condominium Base Rates.
- Waive $3.00 installment fee on each installment except the initial down payment.
- Deductible Credits for Form 3 and Masters Program: Ded credit varies.
- Multi-Line Deviation for all forms.
- Deductible Credits: Form HO 4 & 6.
- Replacement Value Personal Property HO 00 04 and HO 00 06.
- Master Program: $60,000 Minimum coverage A, inflation protection and replacement value-personal property at no additional charge.
- Federal Flood Insurance program discount.
- Earthquake Program Deviation.
- Silverware, goldware & pewterware deviation
- Refrigerated food spoilage deviation.
- Tenant’s improvement - Increased Limits.
- Coverage A Options - Form 6.
- Additional Residence Premises - Rented to Others.
- Private Structures rented to Others.
- Coverage Amount Deviations for Forms 4 & 6: Deviations vary.
- Masters Program: Deviation by Credit Rating Tier
- Home Buyer Loyalty Program one time credit for the initial policy term.
- Eff. 5-1-09 HRMN-126009995 North Carolina Department of Insurance

159. **Travelers Casualty & Surety Company**

- Base Rate Deviation Homeowners Policy written in conjunction with Private Passenger Auto Policy.
- Base Rate Deviation Dwelling, HO 00 06.
- Coverage A Relativities forms HO 00 02 and HO 00 03.
- Coverage A Relativities form HE-7.
- Deductible Credits HO 00 02, HO 00 03 and HE 00 07 Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Protective Devices.
- Personal Property - Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free Customer Credit Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Coverage C Relativities – Form HO 00 06.
- Home Buyer Credit Homeowners policy written in conjunction with Private Passenger Automobile policy.
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff 6-20-10 TRAV-126641677 North Carolina Department of Insurance

160. **Travelers Indemnity Company**

- Deductible Credits.
- Protective Devices.
- Personal Property - Increased Limit Coverage C.
- Account Credit.
- Installment Payment Plan.
- Eff 6-20-10 TRVA-126641648 North Carolina Department of Insurance

161. **Travelers Indemnity Company of America**

- Base Rate Deviation Dwellings Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Base Rate Deviation Dwelling, HO 00 06.
- Coverage A Relativities Deviation: forms HO 00 02 and HO 00 03.
- Coverage A Relativities Deviation: forms HE 00 07.
- Deductible Credits HO 00 02, HO 00 03 and HE 00 07 Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Protective Devices.
- Personal Property Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property: charge waived.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free customer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Multi-Line Insurance & Financial Services Institution Employees Credit.
- Final Premium Adjustment Factor.
- Royal SunAlliance Employee Program
- Coverage C Relativities – Form HO 00 06, credit varies.
- Home Buyer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy..
- HE-7 Factor Deviation.
- Installment Payment plan.
- Eff 6-20-10 TRAV-126641663 North Carolina Department of Insurance

162. **Travelers Indemnity Company of Connecticut**

- Forms 3 & 3w/15: Base rate deviation based on protection class, amount of insurance & territory; Variable credit factors.
- Form 3: 12% optional coverage credit.
- Forms 3 & 3w15: Deductible credits; $500-16%; $1000-26%; $2500-32%.
- Protective Device Credits: Variable credits.
- Increased Limits Coverage C: Reduce charge to $2 per $1000.
- New Home Credit: New - 20%; 1 yr. old - 19%; 2 yrs. 18%; 3 yrs. - 16%; 4 yrs. - 15% - 14%; 6 yrs. - 12%; 7 yrs. - 11%; 8 yrs. - 10%; 9 yrs. - 8%; 10 yrs. - 7%; 11 yrs. - 6%; 12 yrs. - 4%; 13 yrs. - 3%; 14 yrs. - 2%; 15 yrs. - 1%.
- Replacement or Repair Cost Protection: Reduce charge to $1 per policy.
- Account Discount: 10% when insured has both auto & homeowners policy.
- Forms 3 & 3w/15: Loss Free Credit; 3+ yrs. loss free - 3% credit.
- Rate Credit for Multi-Line Insurance & Financial Services Institution Employees Credit: 20% credit.
- Eff. 11-1-96

163. **Travelers Personal Security Insurance Company**

- Base Rate Deviation Dwellings Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Coverage A Relativities Deviation: forms HO 00 02 and HO 00 03.
- Coverage A Relativities Deviation: forms HE 00 07.
- Deductible Credits HO 00 02, HO 00 03 and HE 00 07 Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Protective Devices.
- Personal Property Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free customer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Multi-Line Insurance & Financial Services Institution Employees Credit.
- Final Premium Adjustment Factor.
- Royal SunAlliance Employee Program
- Coverage C Relativities – Form HO 00 06, credit varies.
- Home Buyer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- HE-7 Factor Deviation.
- Installment Payment Plan.

- Eff 6-20-10 TRAV-126641697 North Carolina Department of Insurance

164. **Travelers Property Casualty Company of America**

- Base Rate Deviation: Credit varies based on territory.
- New Home Credit: 0 - 15 yrs. old: Credit varies 2% - 20%.
- Protective Device Deviation: Credit varies 1% - 15%.
- Forms 2, 3 & 3w15, 4 & 6: 10% Account Credit.
- Forms 2, 3 & 3w15: Personal Property - Increased Limit Coverage C: $1 per $1000.
- Form 3w/15: 10% Additional premium charge.
- Forms 2, 3, 3/w15, 4 & 6: Loss Free Credit: 5+ yrs. loss free - 5% credit.
- Deductible Credits: Varies by amount of deductible & territory.
- Form 3: Homeowners Extra Credit: 15% when criteria are met.
- Refrigerated Personal Property. $10 charge waived.
- Forms 3 & 6: Association Credit Program: 10% credit applies when certain criteria are met.
- Forms 2 & 3: Inflation Guard premium charge waived.
- Eff. 5-21-00 PC032643 North Carolina Department of Insurance

165. **Twin City Fire Insurance Company**

- Account Credit for all territories.
- Retiree Credit, named insured is age 50 or older.
- Limited Access Credit-Forms HO 00 04 and HO 00 06 is protected 24 hours a day.
- Eff. 11-7-09 HART-126309684 North Carolina Department of Insurance

166. **USAA CASUALTY INSURANCE COMPANY**

- Year of Construction-Newly Constructed Dwelling
- Personal Property-Additional Coverage - Jewelry and Furs
- Personal Property - Increased Limit
- Base Premium Computation (FORM HO 00 06) by Territory/County
- Base Premium Computation HO 00 03 by territory/county
- Sinkhole collapse Coverage
- Installment Payment Plan, no charge
- Protective Device
- Deductibles (Form HO 00 03)
- Ordinance or Law Coverages
- Coverage A Dwelling Basic and Increased Limits and Special Coverage- HO 00 06.
- Refrigerated Personal Property
- Other Structures
- Windstorm or Hail Exclusion – Territories 05, 06, 42, and 43
- Tier Discount form HO 00 03 and HO 00 06.
- Protection Construction Factors.
- Eff: 9-1-07 PC104507 North Carolina Department of Insurance

167. **USAA General Indemnity Company**

- New Home Discount
- Personal Property-additional Coverage Jewelry and Furs
- Personal Property – Increased Limit
- Base premium Computation HO 00 06 by territory/county
- Base Premium Computation HO 00 03 by territory/county
- Sinkhole collapse Coverage
- Installment Payment Plan, no charge
- Protective Device
- Deductibles (Form HO 00 03)
- Ordinance or Law-all Forms and Rule 513. Ordinance or Law Increased Amount of coverage – HO 00 06
- Coverage A Dwelling Basic and Increased Limits and Special Coverage- HO 00 06.
- Refrigerated Personal Property
- Other Structures
- Windstorm or Hail Exclusion – Territories 05, 06, 42, and 43

- Tier Discount, form HO 00 03 and HO 00 06.
- Protection Construction Factors.
- Eff. 9-1-07 PC104508 North Carolina Department of Insurance

168. **Unigard Indemnity Company & Unigard Insurance Company**
- Form 3: Credits vary by protection class & Coverage A dwelling amounts; $40000 & under to $1000000 & over. Credit varies based on territory.
- Form 3: Personal Property Replacement Cost; Delete 5% surcharge.
- Form 6: 16% to be applied to base rate of 10% off Form 4.
- Form 3: Fixed dollar amount deductibles credits; $500-9%; $1000-17%; $2500-25%.
- Forms 4 & 6: $500-l0%; $1000-23%; $2500-37%.
- Form 3: New Home Credit; Current yr. - 20%; 2% less credit each added yr.
- Personal Property Coverage C Increased Limits: Form 3 - $1; Form 3w/15 - $2.
- Protection Device Credit: 5% in all territories & protection classes for an installed smoke detector, fire extinguisher & dead bolt locks.
- Reduced rates for Outboard Motors & Water Craft liability.
- Forms 3, 4 & 6: Personal Injury Coverage; HO-82 included at no charge.
- Form 3: Deviation of territorial Relativities: Credit varies 5.0% - 20.0%.
- Form 4: Credit off base rates by territory; Credit varies 3.5% - 10.0%.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Surcharge reduced from 1.40 to 1.30.
- Forms 4 & 6: Deviation varies by protection class & territory.
- Eff. 10-3-94

169. **Union Insurance Company**
- Protective Device Credit: Credit varies 2% - 15%.
- All Forms: Account Credit: 10% when auto coverage is written with Union Ins. Co.
- Form 3: New Home/Dwelling Under Construction Discount: Discount based on yr. completed & occupied. Credit varies.
- 3% - 20%.
- Mature Homeowner Credit: 5% if insured is 55 yrs. & an adult is usually home during the day.
- All Forms, except 4 & 6: Replacement cost on contents. $10 charge plus $2 per $1000 when increasing Coverage C from 50% to 70% of Coverage A.
- Increased Deductible Credits: Forms 3, HE-7, 4 & 6; $500-19%; $1000-21%.
- Form 3: Coverage A Factor Deviation by amount & territory.
- Eff. 7-1-01

170. **United Services Automobile Association**
- Year of Construction – Newly constructed Dwellings.
- Personal Property-Additional Coverage Jewelry and Furs
- Personal Property – Increased Limit
- Base premium Computation HO 00 06 by territory/county
- Deviation by Territory/County – Form HO 00 03
- Sinkhole collapse Coverage
- Installment Payment Plan, no charge
- Protective Device
- Deductibles (Form HO 00 03)
- Ordinance or Law-all Forms and Rule 513. Ordinance or Law Increased Amount of Coverage – HO 00 06
- Coverage A Dwelling Basic and Increased Limits and Special Coverage- HO 00 06.
- Refrigerated Personal Property
- Other Structures
- Windstorm or Hail Exclusion – Territories 05, 06, 42, and 43 (form HO 00 03)
- Tier Discount, Form HO 00 03 and HO 00 06.
- Base Premium computation, Protection/construction factors.
- Eff:9-1-07 PC104506 North Carolina Department of Insurance

171. **United States Fidelity & Guaranty Company**
- Waive any additional premium of $5 or less.

- Forms 4 & 6: Personal Property Replacement Cost Coverage; 1.35 factor.
- Increase in Coverage C limits: Forms 1, 2 & 3 - $1.50 per $1000; Form 3w15 - $2.50 per $1000.
- Form 6: Form Relativity Factor .800 in lieu of .855.
- Employee Group Discount: 15%.
- Forms 2 & 3: Additional Amount of Insurance. Premium charge $5. HO 03211.
- Special Package Discount. 5% when criteria is met.
- Forms 2, 3, 3w/15 & 8: Deductible Credits.
- Multi-Policy Discount: 10% credit when both Residential & P P Auto policies purchased through USF&G Insurance.
- New Home Discount: 1 yr.-20%; 2% less credit to 9th yr.
- Deviation of HO-3 base rates by territory & policy amount: Credits vary.
- Eff. 4-15-00 PC030952 North Carolina Department of Insurance

172. **United States Fire Insurance Company**
- Forms 2, 3, & 3 w/15: New Home Credit; 0-1 yr. old - 20%; 2% less credit each added yr.
- Forms 1, 2, 3 & 3 w/15: Higher deductible credit factors; $500-.89; $1000-.80; $2500-.67.
- Forms 4 & 6: Higher deductible credit factors; $500 - .83; $1000 - .67; $2500 - .54
- Premises Alarm System: Expand table of credits for protection class 1-7 to include class 8.
- All Forms: Replacement Cost on Contents: Deletion of $20 minimum additional premium.
- Eff. 3/1/90

173. **Unitrin Auto and Home Insurance Company**
- Territorial Deviations, Pricing Levels A thru S Only, All Forms
- Price Level Deviation, Rule A10.A, HO 00 03, HO 00 05.
- Price Level Deviation HE 00 07.
- Price Level Deviation HO 00 06.
- Mature Homeowners Credit, Rule A10.B, Pricing Levels A thru S.
- Consumer Loyalty Credit, Rule A10.A, HO 00 03, HO 00 04, HO 00 05, HO 00 06, and HE 00 07
- Personal Property (Coverage C) RC Coverage, HO 00 03, HO 00 05, Price Levels A thru S
- New Home Discount, Rule A10.C, HO 00 03, HO 00 05 or HE 00 07, Pricing Levels A thru S.
- Credit Card, Fund Transfer Card Forgery and Counterfeit Money, Package Plus Only.
- Outboard Motors and Watercraft, Rule A10.A (Rule 612), Package Plus.
- Personal Injury, Rule A10.A, (Rule 610.), Package Plus.
- Blanket Property Limit Rule, Rule A10.A, Package Plus, One or Two family residences.
- Special Personal Property Coverage-HO 00 06, Rule A10.A (Rule 304.).
- Refrigerated Property, Rule A10A., (Rule 515.), Package Plus
- Ordinance or Law Coverage-HO 00 03-Package Plus, and HO 00 05
- Network Discount
- HE 00 07 Policy Factors.
- Deferred Premium Payment Plans, Electronic Funds Transfer (EFT), no charge for installments
- Personal Property, Rule A10.A (Rule 515), Pricing Levels A thru Z, Package Plus
- Amount of Insurance Factor, HO 00 03
- Protective Devices, Rule A10.C (Rule 404.)
- Price Level Deviations HO 00 03 and HO 00 05.
- Price Level Deviations HE 00 07.
- Price Level Deviations HE 00 06.
- Eff 9-1-09 Kemp-126182435 North Carolina Department of Insurance

174. **Unitrin Safeguard Insurance Company**
- Territorial Deviations, Price Levels A thru S only.
- Price Level Deviation, HO 00 03, HO 00 05.
- Price Level Deviation HE 00 07.
- Mature Homeowners Credit, Pricing Levels A thru S only.
- Consumer Loyalty Credit, HO 00 03, HO 00 04, HO 00 05, HO 00 06, and HE 00 07
- Personal Property (Coverage C) Package Plus, HO 00 03, HO 00 05, Price Levels A thru S.
- Optional Higher Deductibles, All Forms except HO 00 04 and HO 00 06, Price Levels A thru S.
- Wind or Hail deductibles, Price Levels A thru S and T thru Z only , all forms except HO 04 and HO 06.

- Wind or Hail Deductibles, Price Levels A thru S only, Package Plus.
- New Home Discount, HO 00 03, HO 00 05 or HE 00 07, Pricing Levels A thru S.
- Credit Card, Fund Transfer Card Forgery and Counterfeit Money, Package Plus Only.
- Outboard Motors and Watercraft, Package Plus.
- Personal Injury, Package Plus.
- Blanket Property Limit Rule, Package Plus Only.
- Special Personal Property Coverage-HO 00 06, Rule A10.A (Rule 304.).
- Refrigerated Property, Rule A10A., (Rule 515.), Package Plus
- Ordinance or Law Coverage-HO 00 03-Package Plus, and HO 00 05
- Network Discount
- HE 00 07 Policy Factors.
- Deferred Premium Payment Plans, Electronic Funds Transfer (EFT) no charge for installments.
- Personal Property, Pricing Levels A thru Z, Package Plus
- Amount of Insurance Factor, HO 00 03.
- Specified Additional Amount of Insurance for Coverage A.
- Protective Devices, Rule A10.C (Rule 404.)
- Price Level Deviations HO 00 03 and HO 00 05 Package Policy.
- Price Level Deviations HO 00 07 Package Policy.
- Price Level Deviations HO 00 04 Package Policy.
- Price Level Deviations HO 00 06 Package Policy.
- Eff 9-1-09 KEMP-126182440 North Carolina Department of Insurance

175. **Universal North American Insurance Company**

- Age of Dwelling Deviation.
- Protective Device Credit.
- Loss Assessment.
- Personal Property Replacement Cost.
- Business Pursuits.
- Deductibles.
- Section II – Other Insured Location Occupied by Insured.
- Section II – Additional Residence Rented to Others.
- GEICO Credit.
- Costco Credit.
- Coverage D-Loss of Use.
- Eff 5-1-10 AGIA-126527693 North Carolina Department of Insurance

176. **Utica Mutual Insurance Company**

- Replacement Cost Contents: Increase Coverage C to 70% of Coverage A for no additional charge. 5% surcharge is to be added to total base premium.
- Mass Merchandising Plan: 15% deviation for members of Utica National Insurance Group.
- Service for Employees (W.I.S.E.) program or is a member of a company approved affinity group
- HO Extension Package: Certain criteria apply.
- Personal Lines Account Credit.
- Territorial/Company deviation.
- Protection Class deviation.
- Eff. 8-1-07 PC103505 North Carolina Department of Insurance

177. **Valiant Insurance Company**

- Personal Property Replacement Cost
- Deductible Credits.
- Personal Property Increased Limits.
- Age of dwelling discount.
- Account Credit.
- Deviation by territory.
- Base Premium discount.
- Protective Device Credit.
- Eff 7-1-98

178. **Vesta Insurance Corporation**

- Inflation Guard Coverage: Premier, Deluxe, Renters & Condos; No charge.
- Loss Assessment Coverage for Earthquake: Premier, Renters & Condos; 5% deductible applies to insured's share of each assessment. Deductible amount not less than $250 in any one assessment. $1 per $1000.
- Credit card, fund transfer card, forgery & counterfeit money coverage Premier, Deluxe & Renters; Reduced charge.
- Premium Credits for Protective Device: Premier, Deluxe, Renters & Condos: Credit varies 2%-15%.
- Increased Special Limits of Liability Premier, Deluxe, Renters & Condos: Reduced charge for certain class of property.
- Deductible Credits: Credits vary from 15% - 40%.
- Senior Citizen Discount Premier, Deluxe, Renters & Condos: 5% if at least one of the named insured is 55 yrs. or older & is not employed outside the home.
- Supporting Business Discount Premier, Deluxe, Renters & Condos: 2%.
- Base Rate Deviation by Territory; Premier & Deluxe; Variable credits.
- Coverage Amount Reactivities Deviations: Premier & Deluxe; Credits vary based on Coverage A amount.
- Loss Free Credit: Premier, Deluxe, Renters & Condos; 3 yrs. - 5%.
- Personal Property: Coverage C limit may be increased at a rate of $2 per $1000.
- Age of Home Credit: Premier & Deluxe; Credits vary 0%-20%.
- Eff. 6-1-99

179. **Vigilant Insurance Company.**

- Discount on base premium for forms HO 00 04 and HO 00 06.
- Base rate discount by territory with exceptions for forms HO 00 02 and HO 00 03, HO 00 05 and HE 00 07.
- Protective Devices maximum credit is deleted
- Optional Higher Deductibles for forms HO 00 04 and HO 00 06.
- 5% Hurricane deductible
- Additional Amounts of Insurance discount.
- Water Back-Up and Sump Discharge or Overflow Forms HO 00 02, HO 00 03, HO 00 05, HO 00 04, HO 00 06 and HE 00 07.
- Gated Community credit when criteria is met.
- Multi-line credit.
- Eff. 6-1-10 CHUB-126562689 North Carolina Department of Insurance

180. **West American Insurance Company**

- Water Craft Liability Rates: below NCRB for powerboats; below NCRB for sailboats.
- FamPak Credit to all Private Passenger Auto insureds that also have Homeowners policy with the Ohio Casualty Group.
- Employee Discount: to qualifying employees insured in the West American Insurance
- Eff.12-1-05 PC082801 Filing Detail

181. **Westchester Fire Insurance Company**

- Forms 1, 2, 3 & 3 w/15: Age of dwelling credit 0-1 yr. 20%; 2% less credit each added yr.
- Forms 1, 2, 3 & 3 w/15: Higher deductible credit factors; $500 - .89; $1000 - .80; $2500 - .67.
- Forms 4 & 6: Higher deductible credit factors; $500 - .83; $1000 - .67; $2500 - .54.
- Premises Alarm System: Expand table of credits for protection class 1-7 to include class 8.
- All Forms: Replacement Cost on Contents: Deletion of $20 minimum additional premium.
- Eff. 3/1/90

182. **XL Insurance America, Inc.**

- All Forms: Personal Property Replacement Cost Coverage; Minimum additional premium for coverage is deleted.
- All Forms: Protective Devices: Maximum credit allowed is deleted.
- Forms 1, 2 & 3: Replacement Cost on Contents: Charge $1 per $1000 for additional increase of Coverage C to 70% of Coverage A. Additional premium for this coverage will not apply.
- Deductibles: Deletion of minimum charges.
- Forms 1, 2, 3 & 8: Fixed dollar amount deductible factors; $500 - .91; $1000 - .83; $2500 - .75.
- Forms 4 & 6: Fixed dollar amount deductible factors; $500 - .90; $1000 .77; $2500 - .63.
- Eff. 4-1-95

HOMEOWNERS

1. **ACE American Insurance Company**

- New Construction Credit: New home - 10 yrs. Credit varies 20% - 0%.
- Forms 1, 2, 3, 4 & 6: Fixed Dollar Deductible: Credit varies 15% - 40%.
- Personal Property Increased Limit: $2 per $1,000 of additional coverage.
- Form 2 & 3: Replacement cost on contents - HO 0490: Factor of 11.5% applies to end of the base premium & includes increased limits to 70% of Coverage A dwelling amount.
- Protective Device Credits: All zones & all protection classes: Credit varies 2% - 15%.
- Rate Deviation: Homeowners - 21%; Tenants - 15%; Condominiums - 20%
- Eff. 9-1-92

2. **ACE Fire Underwriters Insurance Company**

- New Construction Credit: New 20%; 1 yr. old - 18%; 2% less credit each added yr.
- Forms 1, 2 & 3: Fixed dollar deductible credits; $500 - 11%; $1,000 - 21%; $2,500 - 34%.
- Form 4: Fixed dollar deductible credits; $500 - 11%; $1,000 - 25%; $2,500 - 40%.
- Forms 1, 2 & 3: Rate for increase in Coverage C: $1 per $1,000.
- Forms 1, 2 & 3: Replacement Cost Coverage HO-290; Charge shall be 4% of adjusted base premium. Coverage C must also be increased to 70% of A at $1 per $1,000.
- Protective Device Credits: All zones & all protection classes; Credit varies 1% - 15%.
- Eff. 5-1-92

3. **AIU Insurance Company**

- All Forms: 10%.
- Eff. 2-1-86

4. **AMCO Insurance Company**

- Territory Deviation, Forms HO 00 02, HO 00 03, and HO 00 05 and HO 00 04 and HO 00 06 excludes wind or hail or does not exclude wind or hail.
- Multiple Policy Deviation, Forms HO 00 02, HO 00 03 and HO 00 05, HO 00 04, HO 00 06.
- Deductible Deviations, Forms HO 00 02, HO 00 03 and HO 00 05.
- Safe Home Rating Plan Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Age of Oldest Insured Deviation, Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05 and HO 00 06.
- Year of Construction-Age of Construction Deviation Forms HO 00 02, HO 00 03 and HO 00 05.
- Amount of Insurance, All Territories Forms HO 00 02, HO 00 03 and HO 00 05.
- Home Renovation Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Roof Rating Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Home Purchase Deviation, Forms HO 00 02, HO 00 03, HO 00 05, and HO 00 06.
- Gated Community Deviation, Forms HO 00 02, HO 00 03, and HO 00 05.
- Flex Check Payment Option-Installment Payment Plan Deviation, Forms HO 00 02, HO 0003, HO 00 04, HO 00 05 and HO 00 06.
- Personal Status Deviation.
- Associate Discount Deviation.
- Eff 11-17-10 NWPC-126851262 North Carolina Department of Insurance

5. **AMEX Assurance Company**

- Various downward deviation based on amount of insurance Form 3.
- Various downward deviation based on amount of insurance Form 4.
- Various downward deviation based on amount of insurance Form 6.
- Protective Device Credits: Credit varies 2% - 15%.
- Home & Auto Credit: Credit varies by form 2% or 5%.
- Replacement Cost on Contents Deviation: Form 3 - 5% of base premium: Forms 4 & 6 - 30% of base premium.
- Coverage A Increased Limits downward deviation form HO 06..
- Utilities rating (New Home Discount) Form 3: Downward deviation : Credit varies 2% - 25% based on age of dwelling.
- Form 3: Downward deviation Coverage C Increased Limits.
- Downward deviation for installment pay plan by electronic funds transfer or payroll deduction.
- No additional charge for Refrigerated Personal Property.

- No charge for townhouse or row house.
- Costco Discount: 2% applies to policies for member insureds of Costco.
- HO 3, 4 & 6 base rates vary by territory.
- Eff. 8-1-05 PC083887 North Carolina Department of Insurance

6. **Affirmative Insurance Company**
- 15% base deviation for Premier Homeowners Program.
- 3% base deviation for Deluxe Homeowners Program.
- 15% base deviation for Premier Tenant Program.
- 10% base deviation for Deluxe Tenant Program.
- 20% base deviation for Premier Condominium Program.
- 15% base deviation for Deluxe Condominium Program.
- Forms 2 & 3: Deductible credits; $500-15%; $1000-25%; $2500-38%.
- Forms 4 & 6: Deductible credits; $500-15%; $1000-25%; $2500-40%.
- All Forms, except 4 & 6: New Home Credit: New 20%; 2% less credit each additional yr. to 9th yr.
- All Forms: Protective Device Credits: Credits vary 2%-15%.
- Forms 2 & 3: Replacement Cost on Contents; Surcharge of 7.5%. Coverage increased to 70% of Coverage A at no premium charge.
- All forms, except 4 & 6; Personal Property Increased Limit $2 charge per $1000 of coverage.
- Eff 02-15-02 PC046217 North Carolina Department of Insurance

7. **AGRI General Insurance Company**
- Amount of Insurance Deviation: Credits vary 1%-15% by policy amount, territory & county.
- New Home Credit: 20% 1st yr.; 2% less credit each added yr. to 9th yr. Does not apply to Form 8, remodeled or restored homes.
- All Forms, except 4 & 6: Deductible Factors: $250 ded.-1.00; $500 ded.-0.91; $1000 ded.-0.79; $2500 ded.-0.62.
- Protective Device Credit: Premium credit for all protection classifications & territories; Credit varies 1%-15%.
- Eff. 1-1-97

8. **Alfa Alliance Insurance Corporation (Virginia Mutual Insurance Company)**
- Premium Credit Factors - Claims Free Forms HO 0002, HO 0003, HO 0005 and HO 0008.
- Premium Credit Factors - Claims Free for forms HO 0004 and HO 0006.
- Row and Townhouses - discount.
- Account Discount.
- Insurance Score Discount.
- Newly Constructed Residences (not applicable to Forms 4 and 6).
- Amount of insurance relativities – Coverage A forms HO 00 02 HO 00 03 HO 00 05 and HO 00 08.
- Installment Payment Plan-Electronic Funds Transfer.
- Effective 5-1-11 AFAL-127042137 NCDOI

9. **Alliance Mutual Insurance Company**
- Flat Deductibles.
- Higher Windstorm or Hail Deductibles – Flat deductible.
- Protective Devices.
- Eff 7-1-06 PC094461 North Carolina Department of Insurance

10. **Allstate Indemnity Company**
- Tier-Claim Rating Deviation – determined by the number of chargeable claims, credits vary.
- Claims Free Discount.
- New/renovated Home Discount – credit varies.
- Home and Auto Discount Deviation –credit varies.
- The Good Hands People Discount Deviation.
- Zone Deviation.
- Territorial Definitions.
- Eff 5-2-09 ALSX-126082562 North Carolina Department of Insurance

11. **Allstate Insurance Company**
- Deductible factors Forms 2, 3 ; Forms 4 & 6: Deductible factors credits vary.
- Personal Property Replacement Cost Deviation subject to certain requirements.
- Protective devise discount.: discount varies.
- Year of construction-New/Renovated Home discount.
- Age 55 & Retired Discount Factor. Credit varies when certain criteria met.
- Home and auto discount deviation when certain criteria is met.
- Good hands people discount all forms.
- Waterbed Liability Deviation HO4 and HO6.
- Installment payment plan – Allstate Easy Payment Plan.
- Three or four family dwelling rating structure: does not differentiate between 3 or 4 family dwellings in a town or row house structure.
- Zone (Territory) Deviation.

Deluxe Plus
- Deductibles
- Protective Devices.
- Year of Construction – Newly Constructed Dwellings.
- Age 55 and Retired Discount.
- Home and Auto Discount.
- The Good Hands People discount.
- Zone (Territory) Deviation.
- Eff 5-2-09 ALSX-126082575 North Carolina Department of Insurance

12. **AmComp Assurance Corporation**
- Forms 2 & 3: Deductible credits; \$500-9%; \$1000-17%.
- Forms 2 & 3: Premium credits for alarm systems vary 2% - 15%.
- Age 55 & Retired Discount: 10% credit applies when required criteria is met.
- Forms 2 & 3: New Home Credit; 14%; Homes completed & occupied current calendar yr.; 2% less credit each added yr.
- Eff. 12-1-91

13. **American Automobile Insurance Company**
- Protective Device Credits: All forms & all territories: 1% - 15% credit applies to company base premium.
- Portfolio Credit: 5% credit applies to all homeowners policies when Personal Catastrophe Coverage and Personal Inland Marine Coverage is written with Company.
- Deviations by territories and forms: Credit varies.
- Eff. 12-1-03 PC065125 Filing Detail

14. **American Bankers Insurance Company of Florida**
- Select Tier Broad Form, Base Rate.
- Choice Tier Broad Form, Base Rate.
- Elite Tier Broad Form, Base Rate.
- Select Tier Comprehensive form Base Rate.
- Choice Tier Comprehensive form Base Rate.
- Elite Tier Comprehensive form Base Rate.
- Senior Discount Territory 2 and Territory 3.
- Claim Free Credit, Territory 2 and Territory 3.
- Eff. 1-1-11 ASPX-G126837901 North Carolina Department of Insurance

15. **American Centennial Insurance Company**
- Forms 1, 2, 3, 3 w/15 & 6: 25%.
- Eff. 9-1-85

16. **American Economy Insurance Company**
- All Forms: Personal Injury (HO-82) included at no charge.
- All Forms, except 4 & 6: New home credit or renovated home credit for homes meeting required criteria; 0-1 yr. - 15%; 2 yrs. - 12%; 3, 4 or 5 yrs. - 10%; 6 or 7 yrs. - 6%; 8-10 yrs. - 4%.
- Forms 2 & 3: Replacement Cost (HO-290) Coverage C is increased to 70% of Coverage A at no extra charge.

Charge of 9% (7% in Beach Area) is added to basic premium.
- Forms 4 & 6: Replacement Cost (HO-290); Charge of 30% is added to basic premium.
- Form 3: Replacement or Repair Cost Coverage A (HO-500); No charge.
- Forms 4 & 6: $100 deductible; Minimum additional charge of $10 in lieu of $30.
- Forms 2 & 3: Fixed deductible; $500 ded. - 9%; $1000 ded. - 17%.
- Forms 4 & 6: Fixed deductible credits; $500 - 10%; $1000 - 23%.
- Form 3: XL Coverage rate deviation when eligibility requirements are met.
- One family premium for all Section I & II coverages will apply regardless of number of families.
- Form 2 & 3: Dwelling under construction credit of 20% applies during first yr. when certain requirements are met.
- Form 6: Coverage A increased limits rate; $2.70 per $1000.
- Renewal credit for consecutive yrs. insured with American States Group; 3-5 yrs. - 5%; 6 or more yrs. - 10%.
- Protective Devices: Credit factors vary .98 to .85.
- Forms 3, 4 & 6: Unscheduled jewelry & furs - (HO-65); $2500 increased limit - $33; $5000 increased limit - $60.
- Form 3: XL Coverage Program; $5000 limit included in basic premium. To reduce to $1000 limit, subtract $56. To reduce to $2500 subtract $35.
- Eff. 11-17-97

17. **American Fire & Casualty Company**
- Water Craft Liability Rates: below NCRB for powerboats; below NCRB for sailboats.
- Employees Discount: to qualifying employees insured in the Ohio Casualty Group.
- Eff. 12-1-05 PC082802 North Carolina Department of Insurance

18. **American Home Assurance Company**
- Base Premium by Territory Form HO 00 03.
- Key factor Deviation.
- Protective Devices.
- Eff. 6-1-10 APCG-126564265 North Carolina Department of Insurance

19. **American Insurance Company**
- Forms 2, 3 & 3w/15: New Home Credit; 20% current yr. & one yr. preceding current yr. of construction; 2% less credit each added yr.
- Protective Devices Credit: All territories 1% - 15%. Credit applies to company base premium.
- All Forms: Deductible credits: $500 -10%; $1000 -20%; $2500 -30%. Credit applies to company base premium.
- HO-3 w/15: Multiply HO-3 key premium by factor of 1.08 to obtain key premium for HO-3 w/15.
- Form 4 & 6: Deductible Credits for Coverage C limit. $10000 & above $500 -10%, $1000 - 20%, $2500 - 30%. Credit applies to company base premium.
- Discount of Replacement Cost on Contents: Apply surcharge of 10% to HO-3 company base premium for replacement cost on contents.
- Eff. 6-1-93

20. **American Manufacturers Mutual Insurance Company**
- Additional Amounts of Insurance (KIP only) deviation.
- All Forms: Optional Higher Deductibles deviation.
- Personal Property Replacement Cost: Increase Coverage C at $1 per $1000. Add $10 surcharge.
- Mature Homeowners Credit: 5% applies when named insured is 55 yrs. of age & an adult is home during the day.
- New Home Credit Discount: 0 - 15+ yrs. of age: Credit varies 0% - 20%.
- Premium Credits for Protective Devices.
- All Forms, except 3w/15: $100 deductible: Waive minimum premium.
- Form 3: Base rate deviation based on protection class & territory. Credit varies 0%-22%.
- All Forms except 3w/15: $250 theft deductible/ $100 deductible all other perils: Waive minimum premium.
- Form 4: Base Rate Deviation -7%.
- Form 6: Base Rate Deviation - 12%.
- Higher limits for credit cards, fund transfer card, forgery & counterfeit money coverage (KIP only). Outboard Motors & Water Craft (KIP only): Coverage up to & including 50 HP is included at no additional charge.
- Personal Injury (KIP only): Coverage included at no additional charge.
- Seasonal or Secondary Dwelling Discount (KIP only): 5% discount to base premium.
- Blanket Property Limit (KIP only): Replacement cost contents coverage included at no additional charge.
- Form 3: Special Personal Property Coverage: Factor 1.10 applies to base premium.

- Form 6: Special Personal Property Coverage: Factor 1.20 applies to base premium.
- Form 4: Building Additions & Alterations Increase: KIP & Monoline: Each addl. $1000 rate $10000 Form 4 premium x .08.
- Form 6: Coverage A Dwelling Basic and Increased Limits Special Coverage.
- Form 4 & 6: Ordinance or Law Increased Amount of Insurance Refrigerated Property with KIP policy.
- Form 3: KIP only: Ord or Law: Include 12.5% at no additional charge. Wind and Hail Deds for Form 3: Blkt Limits dev (KIP only).
- HE-7W/HE-40 deviation by territory for KIP only: Territory 40 - 1.20, Remainder of State 1.25.
- HE-7W/HE-40 & HE-20 deviation by territory for KIP only: Territory 40 - 1.25, Remainder of State 1.30.
- HE-7W/HE-40 & HE-21 deviation by territory for KIP only: Territory 40 - 1.30, Remainder of State 1.35.
- Deferred Premium Payment Plan: $1 charge for electronic funds transfer.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2-25-02 PC047937 Filing Detail

21. **American Modern Home Insurance Company**

- Form 3: Deductible Credits; $500 Ded. - 10%; $1000 - 22%; $2500 - 28%.
- Form 3: New Home Credit; Current yr. - 26%; 1st. yr. - 24%; 3% less each yr. to 7th yr.
- Form 3: Multi-policy credit; 5% credit when auto policy written in addition to homeowners policy.
- Protective Device Credits: Credit varies 1% - 10%.
- Amount of Insurance Deviation: Coverage A amount $10000 - $200000: Credit varies by territory.
- Eliminate charge to increase personal property limits.
- For rates above $200000, a factor of .007 applies for each additional $1000 of premium
- Eff. 6-1-99

22. **American Motorists Insurance Company**

- All Forms: Optional Higher Deductibles deviation.
- Personal Property Replacement Cost.
- New Home Credit Discount: 0 - 10+ yrs. of age: Credit varies 0% - 20%.
- Premium Credits for Protective Devices.
- All Forms, except 3w/15: $100 deductible: Waive minimum premium.
- Form 4: Base Rate Deviation 5%.
- Form 6: Base Rate Deviation - 10%.
- Higher limits for credit cards, fund transfer card, forgery & counterfeit money coverage (KIP only).
- Outboard Motors & Water Craft (KIP only): Coverage up to & including 50 HP is included at no additional charge.
- Personal Injury (KIP only): Coverage included at no additional charge.
- Seasonal or Secondary Dwelling Discount (KIP only): 5% discount to base premium.
- Blanket Property Limit (KIP only): Replacement cost contents coverage included at no additional charge.
- Form 3: Special Personal Property Coverage: Factor 1.10 applies to base premium.
- Form 6: Special Personal Property Coverage: Factor 1.20 applies to base premium.
- Form 4: Building Additions & Alterations Increase: KIP & Monoline: Each addl. $1000 rate $10000 Form 4 prem x .08.
- Form 6: Coverage A Dwelling Basic and Increased Limits Special Coverage.
- Form 4 & 6: Ordinance or Law Increased Amount of Insurance.
- Refrigerated Property: Coverage included at no additional charge with KIP policy.
- Form 3: KIP only: Ordinance or Law Coverage: Include 12.5% at no additional charge. Windstorm and Hail Deductibles for Form 3: Blanket Limits deviation (KIP only).
- HE-7W/HE-40 deviation by territory for KIP only: Territory 40 - 1.20, Remainder of State 1.25.
- HE-7W/HE-40 & HE-20 deviation by territory for KIP only: Territory 40 - 1.25, Remainder of State 1.30.
- HE-7W/HE-40 & HE-21 deviation by territory for KIP only: Territory 40 - 1.30, Remainder of State 1.35.
- Deferred Premium Payment Plan: $1 charge for electronic funds transfer.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2-25-02 PC047938 North Carolina Department of Insurance

23. **American Professionals Insurance Company**

- Form 2, 3 & 3w/15: Company deviation based on amount of insurance, construction & territory: Credit varies.
- Form 6: Territorial deviation.
- Forms 2, 3, 3w/15: New Home Discount based on age of home. Deviation varies 0% - 14%.
- Forms 1, 2, 3 & 3w/15: Fixed dollar amount deductible credit factors; $500 - .85; $1000 - .79; $2500 - .62.

- Forms 1, 2, & 3: Increase in Coverage C; $1 per $1000.
- Protective Devices: All forms: Maxcredit for protective device eliminated. All protection class & all territories. There is no limit on credit.
- Outboard Motors & Water Craft: Liability rates amended by boat length.
- Form 4 & 6: Fixed dollar amount deductible. Credit factor $500 - .85; $1000 - .77; $2500 - .63.
- All Forms, except 4 & 6: Windstorm or Hail Percentage/Factor Deductible deviation.
- Form 6: Coverage A Dwelling Basic & Increased Limits and Special Coverage.
- All Forms, except 4 & 6: Personal Property Replacement (Coverage C) Cost Coverage. 1.05 factor applies to base premium. Form 4 & 6: 1.35 factor: Minimum additional premium deleted.
- Ordinance or Law Coverage deviation factors.
- Three or Four Family Residence Coverage B & C deviation.
- Installment Payment Plan. Initial installment charge waived.
- 5% account credit when named insured has an auto policy with the Highlands Insurance Group Companies.
- Eff. 6-1-99

24. **American Reliable Insurance Company**

- One or both named insureds 55 or older.
- Protective devices.
- Optional Higher deductible.
- Eff 9-1-10 ASPX-G126715106 North Carolina Department of Insurance

25. **American States Insurance Company**

- All Forms: Include Personal Injury HO-82 at no charge.
- All Forms, except 4 & 6: New home credit or renovated home credit for homes meeting required criteria.
- Form 2 & 3: Replacement cost Coverage C is increased to 70% of Coverage A at no extra charge: Charge of 9% (7% in Beach Area) is added to basic premium.
- Forms 4 & 6: Replacement cost (HO-290); Charge of 30% is added to basic premium.
- Replacement or Repair Cost Protection Coverage A (HO-500): $1.
- Forms 4 & 6: $100 deductible; Minimum additional charge $10 in lieu of $30.
- One family premiums for all Section I & II coverages will apply regardless of number of families.
- Forms 2 & 3: Dwelling under construction credit of 20% applies during first yr. if certain requirements are met.
- Form 6: Coverage A increased limits; Basic coverage rate per $1000 increase $2.70.
- Renewal credit for consecutive years insured with American States Group: 3-5 yrs. - 5%; 6 or more yrs. - 10%.
- Protective Devices: Credit factors vary .98 to .85.
- Forms 2, 3, 4 & 6: Unscheduled jewelry & furs (HO-65) $2500 increased limit - $33; $4000 increased limit - $60.
- Forms 2, 3 & 8: Fixed deductible credits; $500 - 9%; $1000 - 17%.
- Forms 4 & 6: Fixed deductible credits; $500 - 10%; $1000 - 23%.
- Eff. 12-1-/91

26. **American States Preferred Insurance Company**

- Form 3: Basic premium deviation varies by protection class. Variable credits.
- Form 3: Amount of insurance deviation: All amounts of insurance 13.0% credit.
- Form 3: Surcharges for townhouses & rowhouses are waived.
- Form 3: Homeowners XL Credit: When eligibility & coverage requirements are met. Variable credits.
- Form 3: Deductible credits/charges $500 - 12%; $1000 - 24%.
- The one family premiums for all Section I & Section II coverages shall apply regardless of number of families.
- Form 4: Amount of insurance deviation; $15000 - $30000 & above. Credit varies 2% - 22%, except for a few specific counties which receive 5% less.
- Form 6: Amount of insurance deviation; $20000 - $30000 & above. Credit varies 8% - 25%, except for a few specific counties which receive 5% less.
- Forms 4 & 6: Deductible credits/charges; $500 - 17%; $1000 - 30%.
- Alarm systems: Premium credits vary.
- Jewelry & Furs: Forms 3, 4 & 6; $2500 limit $33; $5000 limit - $60. Form 3 w/XL coverage $5000 included in base premium. To reduce to $2500 limit subtract $35. $1000 limit subtract $56.
- Form 3: Replacement Cost (HO-290) Coverage C is increased to 70% of Coverage A at no extra charge; Charge of 9% (7% in Beach area) is added to basic premium.
- Forms 4 & 6: Replacement Cost (HO-290); Charge of 30% is added to basic premium.
- All Forms: Include Personal Injury HO-82 at no charge.

- Form 3: Replacement or Repair Cost Protection Coverage A dwelling HO-500; No charge.
- Form 6: Coverage A increased limits; Basic coverage rate per $1000 increase $2.70.
- Form 3: New Home Credit; Current yr. - 15%; one yr. preceding current yr. - 12%; 2nd, 3rd & 4th yrs. -10%; 5th & 6th yrs. - 6%; 7th, 8th & 9th yrs. - 4%.
- Form 3: New dwelling under construction; 20% when certain requirements are met.
- Renewal credit for consecutive yrs. with American States Group; 3-5 yrs. - 5%; 6 or more yrs. - 10%.
- Eff. 10-30-97

27. **American Strategic Insurance Corporation**

- Territory Zone Deviation
- Protection Class Construction – Forms HO 00 03 and HO 00 05.
- Protection Class Construction – Form HO 00 04.
- Key Factors – Forms HO 00 03 and HO 00 05.
- Key Factors – Form HO 00 04.
- Age of Home.
- Tier Forms HO 00 03 and HO 00 04.
- Companion Policy – All Forms.
- "E Policy" – All Forms.
- New Purchase – HO 00 03.
- Senior Retiree – Forms HO 00 03 and HO 00 05.
- Age of Insured – Form HO 00 04.
- Non Smoker – All Forms.
- Accredited Builder – Forms HO 00 03 and HO 00 05.
- Hip Rood Design – Forms HO 00 03 and HO 00 05.
- Personal Property Replacement Cost – All Forms.
- Protective Devices _ All Forms.
- Eff 7-4-10 AMSI-126644630 North Carolina Department of Insurance

28. **AMICA Mutual Insurance Company**

- Waive the additional premium for Coverage C, Personal Property at 75% of Coverage A.
- Form HO 00 04 rate deviation by policy amount.
- Protective Devices, Apply 2% credit for three or more smoke detectors in all territories for protection classes 1-7.
- Additional Amounts of Insurance-1.00 All territories with exceptions.
- Personal Property-Increased Limit, $1.60 for all forms. Also waive the charge up to 75% of Coverage A without HO 04 90 (Personal Property Replacement Cost).
- Premium Payment Option.
- Multi-Line Discount, Optional Rating Characteristics. Various discounts in all territories with exceptions.
- Preferred Risk Deviation, Maximum Factor of $1.00 and a Minimum Factor of 0.50.
- Eff.2-1-11 AMMA-126794745 North Carolina Department of Insurance

29. **Amerisure Insurance Company**

- All Forms: Minimum additional charge of $30 for $100 deductible is waived.
- Mature Homeowners Credit Factor .95 insured age 55 or older & dwelling is primary.
- Multi Policy Credit: Forms 2, 3 & 6: 15% multi-policy credit when personal auto coverage in force in Amerisure Group.
- New Home Credit Factors: Current year -.80; 1 yr.- 8l; 2 yrs. -.82; 3 yrs -.84; 4 yrs. -.86; 5 yrs. -.88; 6 yrs. -.90; 7 yrs. -.93; 8 yrs. -.96; 9 yrs. - .99.
- Form 3: Deviation by Territory: 0% - 18% credit based on territory, protection class & construction.
- Form 1, 2 & 3: Amount of Insurance Deviation; Coverage A amount $60000+-$199000 credit varies 0.46% - 9.77%.
- Form 6: Relativity .85.
- Eff. 10-1-94

30. **Amerisure Mutual Insurance Company**

- All Forms: Minimum additional charge of $30 for $100 deductible is waived.
- Multi-Policy Credit: Forms 2, 3 & 6 - 15% multi-policy credit to homeowners rates when automobile policy is written with Amerisure Group.
- Form 6: Relativity is .85.

- Eff. 10-194

31. **Armed Forces Insurance Exchange**
- Protective Device Credits.
- Fixed dollar amount deductible factors credit varies.
- New Home Credit; All Forms, except HO 00 04 & HO 00 06.
- Earthquake: Ordinance or Law increased amount of insurance (Does not include basic, only increased amount).
- Sinkhole Collapse Coverage: All Forms except HO 00 04 and HO 00 06. (Does not include basic, only increased amount)
- Base premium Computation.
- Installment Payment Charge waived
- Wind or Hail Exclusion – Territories 07, 08, 48, 49, and 52.
- Minimum policy premium waived.
- Personal Property Increased Limits charge per $1000.
- Wind Mitigation Program.
- Eff 5-1-11 ARMD-126920134 NCDOI

32. **Arrowwood Indemnity Company**
- Additional Amounts of Insurance: Forms HO 00 02 HO 00 03 $8 per policy.
- Deductible Credits: Credit varies by form & deductible amount.
- Personal Property (Coverage C) Replacement Cost Coverage: Forms 2 & 3 - Coverage A amount under $100000 - 11% surcharge; $100000 & over - 8% surcharge: Forms 4 & 6 - 40% surcharge.
- Preferred Customer Renewal Credit: 5% credit: Certain criteria must be met.
- Homeowners Enhancement Program: 1.25 factor applies to base premium.
- Installment Payment Plan: Policies billed by agent through account current payroll deduction program are not subject to installment fees.
- Deviation by Forms: Forms 2, 3, & 3w/15- 10%: Form 6- 20%.
- Eff. 5-15-04 PC069340 North Carolina Department of Insurance

33. **Associated Indemnity Corporation**
- Forms 2, 3 & 3w/15: New Home Credits; 20% current yr. & one yr. preceding current yr.; 2% less each added yr. Credit applies base premium.
- Protective Device Credits: All territories; 1% - 15%; Credit applies to company base premium.
- Forms 1, 2, 3, 3w/15 & deductible credits; $500-10%;$1000-20%;$2500-30%. Credit applies to company base premium.
- HO-3w/15 Key Premium: Multiply HO-3 key premium by factor of 1.08.
- Discount of Replacement Cost on Contents: Surcharge of 10% to HO-3 company base premium.
- Form 4 & 6: Ded credits all territories; Credits for Coverage C $10000 & above, $500-10%,$1000-20%, $2500-30%. Credit applies to base premium.
- Eff. 6-1-93

34. **Association Insurance Company**
- Deviation by Coverage A limit $100000 & above - 30% credit.
- Forms 1, 2 &3: RC Coverage HO-290; Personal property incr. limits charge $1 per $1000; Waive 5% surcharge.
- New Home Credit: Cov A amount $100000 & above; Age of dwelling 0-5 yrs - 15%, 6-10 yrs - 10%, 11-15 yrs - 5%.
- 44% deviation off N.C. Rate Bureau Rates if Cov A amount is $100000 or above for all SAS Institute Inc. Employees.
- Eff. 1-1-96

35. **Assurance Company of America**
- All Forms, except 4 & 6: Age of dwelling credit; New-20%; 1yr.-18%; 2yrs.-16%; 3yrs-14%; 4yrs-13%; 5yrs.-12%; 6yrs-10%; 7yrs.-8%; 8yrs.-6%; 9yrs.-4%. 10yrs.-2%.
- Forms 4 & 6: Replacement Cost on Contents; Factor 1.35.
- Forms 2 & 3: Charge $1 per $1000 for increase in Coverage C limit.
- Form 4: 15% deviation.
- Form 6: 20% deviation.
- Base Premium Discount: All Forms, except 4 & 6; Factor varies .95 -1.25.

- Forms 2, 3 & 3w/15: Deviation by territories: Variable credits.
- All Forms: Fixed dollar amount deductibles factors: $500-.85; $1000-.75; $2500-.70.
- Account Credit: 10% credit when insured has home & auto coverage with Zurich Insurance Cos. when criteria is met.
- Protective Device Credit: Factor varies. Maximum credit of $75 is waived.
- Eff. 7-1-98

36. **Automobile Insurance Company of Hartford, Connecticut**
- Deductible Credits Homeowners written in conjunction with Private Passenger Auto Policy.
- Protective Devices.
- Refrigerated Personal Property.
- Account Credit.
- Installment Payment Plan.
- Eff 6-20-10 TRVA-126641605 North Carolina Department of Insurance

37. **Auto-Owners Insurance Company**
- Form HO 00 06 – rate deviation.
- Deductibles – Waiver of Minimum charges.
- Protective Device Credit.
- Protective Device Credit – alarm systems.
- Mature Homeowner Discount for insureds between the ages of 55 and 64.
- Townhouse or row house deviation.
- Credit card, fund transfer card, forgery and counterfeit money.
- Units Regularly Rented to Others.
- Form HO-6 coverage A Dwelling increased Limits and special coverage.
- Personal Injury coverage-no charge.
- Building Additions and Alterations at Other Residences – all forms.
- Other Insured Location Occupied by insured.
- Section II, Liability-Residence Employees waived.
- Business Pursuits – no charge.
- Personal Injury coverage – no charge.
- Permitted Incidental Occupancies – Residence Premises.
- Special Personal Property Coverage HO 00 05.
- Multi-Policy Discount.
- Seasonal Discount - Forms HO 00 03 & HO 00 06.
- Section II liability watercraft.
- Life/Homeowners Multi-Policy Discount
- Insurance Score Credit.
- Home/Umbrella Multi-Policy discount.
- Paid in Full discount.
- Personal Property Increased Limits.
- Eff. 8-1-10 AOIC-126630239 North Carolina Department of Insurance

38. **Balboa Insurance Company**
- Age of Dwelling Credit: 0 - 9 yrs. of age: Credit varies.
- Deductible Factors Deviation: Credit varies.
- Protective Device Credits: Credit varies.
- Brick or Masonry Construction.
- Eff. 5-1-09 BALB-126027963 North Carolina Department of Insurance

39. **Bankers Standard Insurance Company**
- Deviation forms HO 00 02, HO 00 03, HO 00 04, HO 00 06, HO 00 05 and HE-7 and certain territories.
- Key Factors Coverage A over $750,000.
- Protective Devices maximum credit allowed is deleted.
- Optional Higher Deductibles forms HO 00 04 and HO 00 06.
- Hurricane Percentage Deductible.
- Additional Amounts of Insurance.

- Gated Community Credit.
- Valuable Articles Credit-Multi Policy.
- Mass Merchandising Discount.
- Eff. 2-23-11 ACEH-126882478 North Carolina Department of Insurance

40. **Camden Fire Insurance Association, The**

- All Forms, except 4 & 6: New Home Credit.
- All Forms, except 4: Account credit applies to homeowner premium when personal automobiles in any of the General Accident Companies.
- All Forms: Protective devices: Credit varies 2% - 15%.
- All Forms: Fixed Dollar Amount Deductible Factors; $500 - .90; $1000 - .77.
- Forms 1, 2, 3 & 3w/15: Personal Property Increased Limits; $1 per $1000 of insurance.
- Forms 1, 2 & 3: Personal Property Replacement Cost coverage; Waive charge to increase Coverage C limit 70% of Coverage A limit. Premium for replacement cost coverage developed by applying factor of 1.05 to base premium including any premium adjustment for Coverage C in excess of 70% of Coverage A.
- All Forms, except 4 & 6: Deviation by policy size; Coverage A Amounts. Credit varies.
- Uniform base rate deviation – all forms except HO 04 and HO 06 10% credit applied when written in the Camden Fire Insurance Association.
- Eff.8-15-02 PC054137 North Carolina Department of Insurance

41. **Central Mutual Insurance Company**

Owners Program

- Deviation by territory and protection class.
- Homeowners Enhancement Program – Deviation by form HE-7 and HE-7 with HE-20.
- Deviation by amount of insurance and insurance score.
- Insurance Score Deviation.
- Customer loyalty deviation.
- Company Deductible Credits B. Optional Deductibles.
- Payment timelines deviation.
- Loss history deviation.
- Personal Property Replacement Cost.
- Accompanying schedule or boat deviation.
- Age of dwelling.
- Home buyer deviation.
- Gated community deviation.
- Non-Packaged Risk deviation.
- Residence held in trust deviation.
- Package deviation.
- Installment Payment with Electronic Transfer.
- Deviation for Waiver of Premium.
- **Condo Program**
- Deviation by territory, protection class.
- Deviation by amount of insurance.
- Deviation by insurance score.
- Customer loyalty deviation.
- Deductible Optional Higher Deductibles.
- Payment timelines deviation.
- Loss history Deviation.
- Accompanying schedule or boat deviation.
- Form HO 00 06 Coverage A Dwelling Basic and Increased Limits and Special Coverage.
- Residence held in trust.
- Package Deviation.
- Installment Payment Plan.
- Deviation for waiver of premium.

Tenants Program

- Deviation by territory, protection class.
- Amount of insurance deviation.
- Insurance score deviation.

- Customer loyalty deviation.
- Deductibles B. Optional Higher Deductibles.
- Payment timelines deviation
- Loss history deviation.
- Accompanying schedule or boat deviation.
- Package Deviation.
- Installment Payment Plan with Electronic Transfer.
- Deviation for waiver of premium.
- Eff 1-1-11 CEMC-126886326 North Carolina Department of Insurance

42. **The Charter Oak Fire Insurance Company**
- Base Rate Deviation Dwelling.
- Coverage A Relativities forms HO 00 02 and HO 00 03.
- Coverage A Relativities form HE-7.
- Deductible Credits HO 00 02, HO 00 03 and HE 00 07 Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Protective Devices.
- Personal Property - Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free Customer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Home Buyer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff 6-20-10 TRVA-126641614 North Carolina Department of Insurance

43. **Chartis Property Casualty Company**
- Base Premium by Territory Form HO 00 03.
- Key Factor Deviation.
- Protective Devices.
- Eff 1-1-11 APCG-126633095 North Carolina Department of Insurance

44. **Cincinnati Indemnity Company**
- New home credit Forms 2, 3 & 3w/32 36; New – 9 years, credit varies.
- Installment Payment Plan: Delete the $3 charge for each installment.
- Homeowners Enhancement Deviation.
- Eff 4-1-04 PC065697 North Carolina Department of Insurance

45. **The Cincinnati Insurance Company**
- Year of construction-Newly Constructed Dwellings Age of Dwelling Credits.
- Base Rate Deviations by Territory.
- Installment Payment Plan.
- Homeowners Enhancement Deviation.
- Watercraft Liability deviation.
- Preferred Risk credit.
- Superior Risk Credit – Forms HO 00 03 and HE 00 07 only.
- Insurance Score Factor – All Forms.
- Package Credit-Multi Policy credit – All Forms.
- Automatic Water Shut-Off System Credit.
- Mature Homeowners Discount – All Forms.
- Secured Community Credit.
- Eff 2-1-11 CNNB-126847059 North Carolina Department of Insurance

46. **Continental Indemnity Company**
- Form 3: Age of Dwelling Discount: 0 - 9 yrs. of age: Credit varies 2% - 20%.
- Account Credit Program: .85 factor applies when both the homeowner & auto policy is written through CNIC.
- Deductible Credit/Charges Deviation: Credit varies by deductible amount.

- Form 6: .80 factor applied to HO-4 base premium.
- Protective Device Deviation: Credit varies 1% - 15%.
- Forms 3, 4 & 6: Eliminate minimum premium for Replacement Cost Coverage.
- Form 3: Additional Limits of Liability for Coverages A, B, C & D: 6% applies to base premium when certain criteria is met.
- Form 3: Personal Property Replacement Cost will be 5% of base premium, no minimum additional premium & no charge to increase Coverage C when certain criteria is met.
- Form 3: Personal Injury charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Water Back-Up of Sewers or Drains, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Credit Card, Fund Transfer Card, Forgery & Counterfeit Money, to increase coverage charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Special Computer Coverage, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Cov C Increased Special Limits of Liability, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Fire Department Service charge will be increased to $1000 when certain coverages & increased limits options are selected.
- Form 3: Increasing Coverage D to 30% of Coverage A, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Coverage A Relativities Deviation: Credit varies 3.8% - 6.5%.
- Form 3: Ordinance or Law-Increased Amount of Coverage will be 4% of base premium when certain coverages & increased limits options are selected.
- Form 3: Refrigerated Property Cov, charge will be deleted when certain coverages & increased limits options are selected
- Eff. 1-1-01 PC038500 North Carolina Department of Insurance

47. **Continental Insurance Company**

- Amount of Insurance Deviation forms HO-2, HO-3, and HO-8.
- Amount of Insurance Deviation forms HO-4
- Amount of Insurance Deviation forms HO-6
- Earthquake Rate Deviations.
- Companion Policy Discount: applies when named insured has an auto policy with any Encompass Ins Co.
- Gated Community Discount. 10% credit when criteria are met.
- New Home Discount: 1 year – 18%, 1-5 yrs. -15%; 6-10 yrs. - 10%.
- Deductible Credits Deviation – based on Coverage A Limit.
- Additional Limits Deviation Coverage F: Deviation.
- Business Pursuits Rate Deviation. Credits vary .14% - .33%.
- Incidental Farm Rate Deviation. Residence Premises - 48%; Other Residence - 65%.
- Superior Construction Discount: 15% credit applies to masonry base premium or apartment unit.
- Protective Device Credits: Credit varies 1% - 9%.
- Automatic Sprinkler System Deviation: Credit of 7% or 13% applies.
- Preferred Rate Deviation 5% conditions vary.
- Special Personal Property Coverage HO 00 06 only – deviation 4.3%
- Eff. 8-15-02 PC052786 North Carolina Department of Insurance

48. **Economy Premier Assurance Company**

- PAK II Program – HE 00 07 Base Rates and Policy Amount.
- PAK II Program – HO 00 06 Base Rates by Territory.
- PAK II Program – HO 00 04 Base Rates by Territory.
- PAK II Program – HO 00 04 and HO 00 06 Policy Amount Relativities by Territory.
- Homeowners Enhancement Program HE 00 07 with HE 32 20.
- Homeowners Enhancement Program HE 00 07 with HE 32 21.
- PAK II Package Credit Multi Policy.
- Renewal Credit.
- Year of Construction.
- Personal Injury Protection Liability Deviation.

- Deductible credits.
- Protective Devices Credit and Home Safety Coverage.
- Business Pursuits Deviation.
- Outboard motors and watercraft.
- Home day care.
- Personal Property Increased Limits.
- Earthquake Coverage-Ordinance or Law Coverage.
- Residence Premises Basic and Increased Limits Coverage F- Medical Payments.
- Other Exposures-Medical Payments to Others Increased Limits.
- Other Structures – On Premises Structures Specific Structures – Increase Limits.
- Other Structures-On Premises Structures Specific Structures-Rented to Others.
- Eff. 12-30-10 METX-G126943014 North Carolina Department of Insurance

49. **Electric Insurance Company**
- Base rate deviation HO 00 02 and HO 00 03 by territory: Credit varies.
- Base Rate Deviation HO 00 04 and HO 00 06 by territory. Credit varies.
- Personal Property Replacement Cost form HO 00 04and HO 00 06 (Coverage C) is automatically increased to 70% of Coverage A. HO-04 and HO-6 1.25 RC Coverage also applies to articles or classes of property separately described and specifically insured in this policy.
- Protective Device Credits: Credits vary.
- Deductible Factors Forms HO-4 & HO-6 Credit varies
- Personal Property – Unscheduled Jewelry, Watches and Furs.
- Personal Property Silverware, Goldware and Pewterware.
- Personal Property – Firearms
- New Home Credits – HO 00 02 and HO 00 03.
- Multi-Policy Discount.
- Group Marketing discount.
- Payroll Deduct Discount.
- Eff.6-1-09 ELEC-126096428 North Carolina Department of Insurance

50. **EMCASCO Insurance Company**
- Personal Property (Coverage C) Replacement Coverage
- Deductible Credits
- Additional Amounts of Insurance
- Base Rate Deviation on Forms HO 00 02 and HO 00 03
- Combination Policy Discount
- Renovated Dwelling Components
- 15% Deviation applicable to Optional Section I and II rates
- Electronic Funds Transfer
- Insurance Scoring
- Eff. 3-15-07 PC097670 North Carolina Department of Insurance

51. **Employers Mutual Casualty Company**
- Optional Higher Flat deductible credits all forms,
- Additional Amounts of Insurance forms HO 00 02 and HO 00 03.
- Combination Premium Credit: 15% when homeowners & auto policies are written in one of the EMC Companies.
- Renovated Dwelling Components: Variable credits when criteria is met.
- Electronic Fund Transfer transaction fee is waived when the electronic funds transfer options is selected.
- Insurance Scoring.
- Eff. 3-15-07 PC097669 North Carolina Department of Insurance

52. **Encompass Indemnity Company**
- Forms 2, 3, and 8 Base Rate Deviations by Territory, Credit varies by territory
- Form 4 Base Rate Deviation by Territory, Credit varies by territory
- Form 6 Base Rate Deviation by Territory, Credit varies by territory
- Earthquake Coverage - Base rate deviation according to Table, Zone, and Construction.
- Gated Community Discount: A 10% credit will be applied for a residence located in a gated community meeting

certain criteria.
- New Home Discount: A residence 10 years of age or less is eligible for a discount, credit varies by age.
- Deductible Credits Discount: Credit varies by coverage limit and deductible amount.
- Additional Limits Deviation, Coverage F
- Business Pursuits Rate Deviation: credit varies.
- Incidental Farming Personal Liability Deviation: credit varies.
- Superior Construction Discount: The premium for a dwelling or apartment unit in a building of superior construction is multiplied by masonry base premium or apartment unit by .85.
- Various Credits for Protective Devices: credit varies by type of alarm.
- Credits for Automatic Sprinkler Systems: credit varies by location/area of sprinkler system.
- Special Personal Property Coverage HO 6 only: endorsement HO 32 35 factor 1.34.
- Companion Policy Discount: 10% discount applies if named insured on an Auto Policy with any of the Encompass Insurance Companies.
- Preferred Rate Deviation: Preferred rates are available at a 5% reduction from standard rates if the amount of insurance under Coverage A is equal to at least 90% of the Replacement Cost of the Dwelling and the automatic adjustment of limits endorsed is attached.
- Effective 12-11-06 PC097453 North Carolina Department of Insurance

53. **Erie Insurance Exchange**
- Base Rate Deviations.
- Amount of Insurance Deviation all forms except HO 00 04 & HO 00 06.
- Multi-Policy Discount.
- New Home Discount.
- Optional Deductible Factors - all forms, deviation varies.
- Protective Device Credit Deviation.
- Increased Special Limits of Liability HO 04 64 (all forms except HE-7) Credit varies.
- Personal Property Replacement Cost.
- Townhouse or rowhouse charge - waived.
- Outboard Motors & Watercraft.
- Building Addition & Alterations Increased Coverage C limit - Form HO 00 04 (HO 0451).
- Seasonal Dwelling Factors.
- Rented Personal Property: HO 32 21 No charge.
- Business Pursuits: No charge.
- Waterbed Liability HO 04 00 HO 00 06.
- Refrigerated Property Coverage.
- Personal Property Increased Limits; HE 7.
- Premium payment plan service charge – installment payments.
- Tiered Rating
- Other Members of a Named Insured's Household.
- Advance Quote Discount – New business.
- Claims Experience Rating Program.
- Age of Insured Discount.
- Eff. 2-1-11 ERPP-126898436 North Carolina Department of Insurance

54. **Fairmont Premier Insurance Company**
- All Forms: Age of Dwelling Credit; 0-3 yrs. old - 21%; 4-6 - 14%; 7-9 - 7%.
- Forms 1, 2 & 3: 38.0%.
- Form 6: 17.5%.
- Eff. 5-1-92

55. **Farmers Insurance Exchange Farmers Underwriters Association**
- Form Factor Deviations: Forms 3w/15 & 4.
- Territory Relativity Factor deviation.
- Amount of Insurance Deviations: Forms, HO 00 04 and HO 00 06.
- Rule 403. Personal Property –Coverage C Replacement Cost Coverage.
- Rule 404 Protective Devices.
- Deductible Rule 406 credits.

- Loss Assessment Coverage Deviation.
- Rule 515 personal property.
- Other Insured Location Occupied by Insured.
- Additional Residence Rented to Others.
- Permitted Incidental Occupancies - Residence Premises & Other Residences: Deviation applies to Residence Premises.
- Business Pursuits Deviation for $200,000 limit.
- Optional Rating Characteristics Age 50 Plus Discount.
- Optional Rating Characteristics Auto/Homeowners Discount: All Forms: Factor of .90: Certain criteria apply.
- Affinity Banking Discounts HO 00 03 and HO 00 06 only. Certain qualifications apply. Credit varies.
- Oridinance or Law-Increased Amount of coverage.
- Eff 5-16-08 PC112928 North Carolina Department of Insurance

56. **Federal Insurance Company**
- Maximum credit for protective devices.
- Optional Higher Deductibles.
- Named Storm Deductible.
- Additional Amount of Insurance deviation.
- Water Back-Up and Sump Discharge or Overflow Forms HO 00 03, HO 00 04, HO 00 05, HO 00 06 and HE 00 07.
- Gated Community Credit.
- Effective 12-1-10 CHUB-126729182 North Carolina Department of Insurance

57. **Federated Mutual Insurance Company**
- Forms 1, 2, 3 & 3w/I5: New Home Credit: 14% dwellings 0-1 yr. old; 2% less credit each added yr.; applies to $250 deductible basic premium & premium for amended Coverage C limit.
- Forms 1, 2, 3 & 3w/I5: Fixed dollar amount deductibles; $100 +10%; $500 -10%; $1000 -20%; $2500 -30%.
- Forms 4 & 6: Fixed dollar amount deductibles; $100 +10%; $500-15%; $1000-30%; $2500-40%.
- Forms 1, 2, 3 & 3w/15: Deviation by policy amount varies 0%-25%.
- Form 4: 10%.
- Form 6: 25%.
- Forms 3 & 3w/I5: Special Additional Credit Rule: 10% when eligibility & mandatory coverage requirements are met.
- Multiple Policy Discount: 5% applied to HO Policy when private passenger auto policy & personal umbrella policy is written by this Company.
- Installment Pay Plan: $5 maximum charge per account for all policies.
- Eff. 11-15-94

58. **Fidelity & Guaranty Insurance Company**
- Waive additional premium of $5 or less.
- Deviation of HO-3 Base Rates by territory & policy amount: Credits vary.
- Forms 4 & 6: Personal Property Replacement Coverage: Reduced premium charge.
- Special Package Discount: 5% credit to total residential premium when underwriting criteria is met.
- Form 6: Relativity factor .750 in lieu of .855.
- Employees Discount: 20%.
- Forms 2 & 3: Additional amount of insurance: HO 3211 $5 premium charge.
- Deductible Credits.
- Increase in Coverage C: Reduced rate per $1000.
- Multi-Policy Discount: 10% credit when private passenger auto policy is also purchased with USF&G.
- All Forms, except 4, 6 & 8: New Home Discount; 1 yr.-20%; 2% less credit each added yr. to 9th yr.
- Eff. 4-15-00 PC030961 North Carolina Department of Insurance

59. **Fidelity & Guaranty Insurance Underwriters**
- Deviation of HO-3 Base Rates by territory & policy amount: Credits vary.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Factor 1.35.
- Waive additional premium of $5 or less.
- Special Package Discount: 5% credit applied to total residential insurance premium when underwriting criteria is met.
- Form 6: Form Relativity of .800 in lieu of .855.

- Employees Discount: 20%.
- Forms 2 & 3: Additional amount of insurance: H0 3211 - $5 premium charge.
- Deductible Credits.
- Increase in Coverage C: Reduced rate per $1000.
- Multi-Policy Discount: 10% credit when private passenger auto policy is also purchased with USF&G.
- All Forms, except 4 6 & 8: New Home Discount; 1 yr.-20%, 2% less credit each added yr. to 9th year.
- Forms 2, 3 & 3w/15: Protection Class Deviation.
- Eff. 4-15-00 PC030953 North Carolina Department of Insurance

60. **Fidelity National Property and Casualty Insurance Company**
- Windstorm or Hail Exclusion Credit.
- Insurance Bureau Score Deviation.
- Eff 7-30-10 FDLY-126720295 North Carolina Department of Insurance

61. **Firemans Fund Insurance Company**
- Protective Device Credits: All territories: Credit varies 1% - 15%.
- Portfolio Credit: 5% applies to all HO policies when Personal Catastrophe Coverage and Inland Marine Coverage is written with Fireman's Fund.
- Eff. 12-01-03 PC065121 North Carolina Department of Insurance

62. **Firemen's Insurance Company of Washington D.C.**
- Deluxe Program: Form 3: 5% deviation off base premiums.
- All Forms: Protective Device Credit: Credit varies 2% - 13%.
- All Forms, except 4 & 6: Age of Home Discount: Credit varies 4% - 20% for age of dwelling 0 - 25 yrs. with greatest credit for newest homes.
- All Forms, except 4 & 6: Senior Citizen Discount; Factor of .92 of base premium age 50-54 yrs. Factor .95 age 55 yrs. & older.
- All Forms, except 4 & 6: Renovation Discount 0-15 yrs. factors apply when underwriting guidelines are met. Credit applies to base premium.
- Renewal Discount: Factor .95 applies to base premium when criteria is met.
- Form 3: Loss Free Credit; 1yr. - 5%; Renewal with 2 yrs. loss free - 10%. Credit applies to base premium.
- All Forms, except 4 & 6: Optional deductible credits applies to base premium. Coverage A limit under $200,000 - $500 ded. - .87; $1000 - .76; $2500 - .73. $20000-$400,000 - $500 ded - .89; $1000 - .80; $2500 - .77. Over $400,000 - $500 - .92; $1000 - 86; $2500 - .83.
- Eff. 10-1-97

63. **Garrison Property and Casualty Insurance Company**
- Tier Discount, HO 00 03.
- Tier Discount HO 00 06.
- Base Premium HO 00 03.
- Base Premium HO 00 06.
- Base Premium Protection Construction Factors.
- Deductibles.
- Windstorm or Hail Exclusion Credits.
- Ordinance or Law.
- Personal Property-Additional Coverage-Jewelry and Furs.
- Sinkhole Collapse Coverage.
- Coverage A Dwelling Basic and Increased Limits.
- Other Structures.
- Personal Property-Increased Limit.
- Earthquake Coverage.
- Protective Devices.
- Loss History.
- New Home Discount.
- Auto and Home Combination Discount.
- Refrigerated Personal Property.
- Installment Payment Plan.
- Eff 12-31-10 USAA-126769037 North Carolina Department of Insurance

64. **General Insurance Company of America**
- Base Key Premiums all forms by Territory Deviation.
- Deductible Debit/Credits Deviation.
- Renewal Credit all forms: 3-5 yrs. - 5%; 6 yrs.+ - 9%.
- Account Credit all forms: 5% credit for total policy premium when insured has a Safeco auto policy also.
- Condominium Unit Owners Coverage A Increased Limits & Special Coverage Deviation.
- Business Pursuits (HO 24 71) all forms: the charge is deleted.
- Credit Card Forgery & Counterfeit Money Coverages (HO 04 53): Delete $1 charge for $1000 limit.
- Personal Injury (HO 24 82): $10 charge per policy.
- Landlord's Furnishing (HO 32 21): $10 premium per policy to increase coverage to total $5000 with burglary coverage added.
- Ordinance or Law Cov (HO 04 77) Deviation for Quality Plus Form, Quality Crest Form & Condominium Form.
- Medical Payments: Other exposures - Higher limits all forms: Additional charge for higher limits of medical payments will be waived.
- Additional Residence Rented to Other (HO 24 70): Limit of Liability $100,000 - $1,000,000: Premium charge varies.
- Outboard Motors & Water Craft: Reduced premiums based on limits, length and horsepower.
- Personal Liability - Residence Premises Deviation: Increased Limits: Coverage E base $300,000: Coverage F no charge.
- Special Personal Property Coverage HO-OO 15 & HO-17 31: Quality Plus Form & Condominium Form- Increase basic premium 8%. Quality Crest Form automatically included.
- Installment Payment Charge: $2 each installment.
- Eff. 8-15-02 PC052887 North Carolina Department of Insurance

65. **Government Employees Insurance Company**
- Forms 1, 2, 3 & 3 w/15: New Home Discount: 10% for dwellings 5 yrs. old or less.
- Homeowners Theft Deterrent Premium Credit Program: Forms 1, 2, 3 & 3 w/15 - 7%; Forms 4 & 6 - 20%.
- Forms 1, 2 & 3: Amount of Insurance Credit; Classes 1-9 - $10,000-$200,000 & over. Credit varies 4%-22%.
- Form 6: 10%.
- All Forms: Protective Devices: Variable credits.
- Forms 2, 3, 4 & 6: Retired Discount Credit; 20% when specified criteria are met.
- All Forms: Dual Policy Discount: 10% when specified criteria are met.
- Forms 4 & 6: Key factor +.074 for each additional $1000 of coverage.
- Installment Payment Plan: Waive the charge of $3 first installment if first payment received with application.
- Form 4 & 6: Waterbed Liability Endorsement: No premium charge.
- Eff. 3-1-95

66. **Grain Dealers Mutual Insurance Company**
- Continuous policyholder discount.
- Account Credit.
- New Home Discount.
- Personal Property, over 70% of Coverage A.
- Insurance Score.
- Eff. 7-9-11 GRDL-127135517 NCDOI

67. **Granite State Insurance Company**
- Forms 1, 2, 3, 4, 3w/15 & 6: 20% deviation.
- Replacement or Repair Cost protection Coverage A premium $1.
- Age of Dwelling Deviation: 0 - 20 yrs. old - 10%.
- Forms 1, 2, 3, 3w/15, 4 & 6: 20%.
- Eff. 7-1-87

68. **Graphic Arts Mutual Insurance Company**
- Replacement Cost on Contents; Increase Coverage C to 70% of Coverage A for no additional charge. 5% surcharge is to be added to the total base premium.
- Mass Merchandising Plan.

- -5% W.I.S.E./Affinity program discount,
- For Forms HO 02, HO 03, HO 05 and HO 08, factor of .95 for risks located in terrs 5, 6, 41, 42, 43, 45 and 46.
- For Forms HO 00 02, HO 03, HO 05 and HO 08, factor of .85 for risks located in territories 36, 44 and 60
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .90 for risks located in territories 38 and 39
- For Form HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .80 for risks located in territory 34.
- For Form HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .82 for risks located in territory 57
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .84 for risks located in territory 53
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, a rating factor of .85 for risks located in territory 32
- For Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 08, factor of .92 for risks in territory 47
- For Forms HO 00 04 and HO 00 06, factor of .85 for risks in territories 36, 44, 57 and 60
- For Forms HO 00 04 and HO 00 06, factor of .90 for risks located in territories 38 and 39
- For Forms HO 00 04 and HO 00 06, factor of .85 for risk located in terrs 5, 6, 32, 34, 41, 42, 43, 45, 46, 47 and 53
- Personal Lines Account Credit
- Homeowners Extension Package
- Protection Class deviation/
- Eff. 8-1-07 PC103506 North Carolina Department of Insurance

69. **Hanover American Insurance Company**
- Mature Homeowners Credit.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits.
- Personal Property Replacement Cost for all forms except HO 00 04 and HO 00 06.
- Personal Property Replacement Cost for forms HO 00 04 and HO 00 06.
- Account Credit Discount.
- Loss of Use-Increased Limits – Reduced premium charge.
- Coverage A Dwelling: Basic & Increased Limits for form HO 00 06.
- Watercraft Liability Rates: All forms.
- Personal Property, Increased Limits All forms, except HO 00 04 and HO 00 06.
- Special Personal Property, all forms except HO 00 02, HO 00 04 and HO 00 06.
- Electronic Funds Transfer Plan Discount.
- Group Modification Plan Discount.
- Direct Bill Policies.
- Cap on total credits/discounts.
- Territorial Deviation.
- Relativity Curve Deviation Forms HO 00 03.
- Relativity Curve Deviation Forms HO 00 04 and HO 00 06.
- Eff. 12-1-10 HNVX-G126817916 North Carolina Department of Insurance

70. **Hanover Insurance Company**
- Mature Homeowners Credit.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits: All forms, except 4 & 6.
- Personal Property Replacement Cost on Coverage C: All forms, except 4 & 6.
- Personal Property Replacement Cost on Coverage C: Forms 4 & 6.
- Account Credit: All forms.
- Loss of Use-Increased Limits: All forms.
- Condominium Unit Owners-Coverage A Dwelling: Basic & Increased Limits.
- Watercraft Liability Rates: All forms.
- Personal Property Increased Limits.
- Special Personal Property.
- Electronic Funds Transfer Installment Payment Plan.
- Group Modification Plan Discount (Mass Merchandising Plan)
- Direct Bill Policies Installment payment plan.
- Cap on credits/discounts
- Relativity curve deviation HO 00 03.

- Relativity Curve deviation forms HO 00 04 and HO 00 06.
- Eff. 12-1-10 HNVX-G126817870 North Carolina Department of Insurance

71. **Harbor Specialty Insurance Company**

Preferred:
- Homes 25 yrs. of age or less insured for $50,000 or more.
- Form 3: Base Rate Deviation by territories; Credit varies 20.2% - 24.3%.
- Form 4: Credits off Key Premiums; 2% Alamance County.
- Form 6: Base Rate Deviation by territories; Credit varies 19.4% - 22%.
- Form 3: Replacement Cost Protection (HO-500): Charge $1 in lieu of $5 when requirements are met.
- Form 3: Protective Devices Credit; Class 1-9, credit varies 2%-15%.
- Form 3: New Home Credit; 0-1 yr. old - 21%; 1% less credit each added yr. thru 8th yr.; 9 yrs. - 12%; 10 yrs. - 10%; 11 yrs. - 8%; 12 yrs. - 6%; 13 yrs. - 4%; 14 & 15 yrs. - 3%. Credit applicable to annual premium.
- Form 3: Personal Property Increased Limits; $.50 per $1000 of insurance.
- Form 3: Deductible Credits; $500 ded. - 10%; $1000 - 20%.
- Forms 3, 4 & 6: 20% deviation for policies written as part of Personal Protection Package Policy.
- Forms 4 & 6: Deductible Credits; $500 ded. - 10%; $1000 ded. - 23%.

Standard:
- Form HO-3 only - Homes 25 years of age or older and/or insured for less than $50,000.
- Form HO 3 Credit off Key Premiums; 13.4% Alamance County; 9.4% territory 34; 8.6% territories 30 & 31; 11.4% territories 4, 32, 33, 36, 37, 38, 39, 40, 41, Lincoln & Rockingham County; 11.4% for remainder of Alamance County & remainder of territories. Form 3: Coverage C increased limit charge $.50 per $1000 of insurance.
- Form 3: Deductible Credits; $500 - 10%; $1000 - 20%.
- Form 3: Protective Credit; Same as for preferred.
- Form 3: New Home Credit; Same as for Preferred.
- Form 3: 20% deviation applies to HO program when written as part of Personal Protector Package Policy.
- Eff. 3-1-94

72. **Harford Mutual Insurance Company**
- Forms 1, 2 & 3: New Home Discount; 10% - dwellings 15 yrs. old or less.
- Forms 1, 2, 3 & 8: Fixed dollar amount deductible factors; $500 - .90; $1000 - .83; $2500 - .75. $100 deductible amount - minimum $30 - maximum $60.
- Forms 4 & 6: Fixed dollar amount ded. factors; $500 .90; $1000 .77; $2500 .63. $100 deductible amount min. $30, max. $60.
- All Forms: Protective devices factors for all territories & all protection classes - factors varies .98 to .85.
- Eff. 5-1-92

73. **Harleysville-Atlantic Insurance Company**
- Forms 1, 2, 3 & 8: Base rate credits; Coverage A limit $48,000 & under $95,000 & over; Credit varies 0.0% - 27.5%.
- All Forms: 13%; Optional coverage rates Section I & II.
- Forms 1, 2, 3 & 8: New Home Discount factor; 1 yr. old or less .80; Discount factor increased by .01 thru 11th yr. - discount factor increased by .02 - 12th thru 15th yr.
- Eff. 5-1-92

74. **Harleysville Mutual Insurance Company**
- Group Mass Marketing Discount: to voluntary policyholders that are members of specific group type organizations.
- Preferred Customer Discount: All territories except 05, 06, 41, 42, 43, 81, and 86 when certain criteria are met.
- Deviations by certain territories.
- StarPak ProgramDiscount.
- Companion discount – Credit for homeowners and private passenger auto policy issued to cover the same policyholder.
- Newly Purchased Home Credit HO 02, HO 03 and HE 7.
- Mature Homeowner Discount HO 03 and HE 7 only 55 years of age or older.
- Life Insurance Policy Discount Homeowner and Life policy
- Coverage A Key Factors discount All territories except 07, 08, 48, 49, 81, 86 and 90.
- HO 00 04 and HO 00 06
- Personal Property Increased Limit.

- Other Members of a Named Insured's Household
- Electronic Funds Transfer (EFT)
- Territory Definitions Harleysville/NCRB
- Eff. 5-20-09 HRLV-126097759 North Carolina Department of Insurance

75. **Harleysville Preferred Insurance Company**
- Group Mass Marketing Discount: 10% to voluntary policyholders that are members of specific group type organizations.
- Preferred customer discount – all terr except 07, 08, 41, 48, 49, 81 and 86. The percentage discount is determined by the combination of insurance score rating and characteristics met.
- HE-7 Enhancement Deviations by certain Territories.
- StarPak Program Discount
- Companion discount – Credit for homeowners and private passenger auto policy issued to cover the same policyholder.
- Newly Purchased Home Credit Forms HO 02, HO 03, HO 05, and HE 7,
- Mature Homeowner Discount HO 03, HO 05 and HE 7 only 55 years of age or older.
- Policy Discount (life insurance/annuity policy)
- Coverage A Key Factors discount All territories except 07, 08, 41, 48, 49, 81, 86 and 90.
- HO 00 04 or HO 00 06, Base Premium for Territories except 07, 08, 41, 48, 49, 81, 86 and 90.
- Perosnal Property Increased Limit.
- Other Members of a Named Insured's Household.
- Electronic Funds Transfer (EFT).
- Territory Definitions Harleysville/NCRB
- Eff 5-20-09 HRLV-126097801 North Carolina Department of Insurance

76. **Hartford Accident and Indemnity Company**
- Age of Dwelling Credit for all territories except 7, 8, 41, 48, 49, 52.
- Account Credit for all territories.
- Retiree Credit named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: if complex meets the protection requirements.
- Product Factor – Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key Factor for Premier, CCRL and Elite.
- Insurance Score.
- Prior Losses.
- Territory Deviation.
- Effective 12-11-10 HART-126607107 North Carolina Department of Insurance

77. **Hartford Casualty Insurance Company**
- Age of Dwelling Credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit for all territories.
- Retiree Credit, named insured is age 50 or older.
- Limited Access Credit-Forms HO 00 04 and HO 00 06 is protected 24 hours a day.
- Product Factor- Forms HO 00 04 and HO 00 06.
- Retirement community/Limited Access community Credit.
- Key Factor.
- Insurance Score.
- Prior Losses.
- Territory Deviation.
- Eff. 10-9-10 HART-126607319 North Carolina Department of Insurance

78. **Hartford Fire Insurance Company**
- Age of Dwelling Credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit deviation for all territories.
- Retirees Credit, named insured is age 50 and older.
- Limited Access Credit-Forms HO 00 04 and HO 00 06 is protected 24 hours a day.
- Product Factor (Merit, Elite, CCRL, Premier), - Forms HO 00 04 and HO 00 06.
- Retirement community/Limited Access Community Credit.

- Key Factor for Premier, CCRL and Elite.
- Insurance Score.
- Prior Losses.
- Territory Deviation Factor.
- Eff. 10-9-10 HART-126607350 North Carolina Department of Insurance

79. **Hartford Insurance Company of Midwest**

- Age of Dwelling credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit all territories.
- Retirees Credit: named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: is protected 24 hours a day.
- Product Factor – Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key factors.
- Insurance Score.
- Prior Losses.
- Territory Deviation Factor.
- Effective 10-9-10 HART-126607363 North Carolina Department of Insurance

80. **Hartford Underwriters Insurance Company**

- Age of Dwelling credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit all territories.
- Retirees Credit: named insured is age 50 and older.
- Limited Access Credit.
- Product Factor – except Forms HO 00 04 and HO 00 06.
- Key factors.
- Eff. 11-12-10 HART-126715209 North Carolina Department of Insurance

81. **Homesite Insurance Company**

- Preferred Risk Group 1 Discount 10% when certain criteria are met.
- Preferred Risk Group 2 Discount 10% when certain criteria are met.
- Eff 6-1-09 HMSS-126064634 North Carolina Department of Insurance

82. **Horace Mann Insurance Company**

- Form HO 00 07 – Amount of Insurance by Territory and Amount of Insurance Relativities.
- Protective Device Credits: Classes 1-9.
- New Home Credits.
- Territorial Base Rates for Tenant & Condominium, HO 00 04 and HO 00 06.
- Installment Payment Plan Waive initial $3 installment fee.
- Deductible Factors Form HO 00 03.
- Auto/Home discount all forms credit varies.
- Deductible Factors for forms HO 00 04 and HO 00 06.
- Replacement Cost on contents - HO 00 04 and HO 00 06.
- Masters Program.
- Earthquake deviation.
- Silverware, Gold ware & Pewter ware coverage.
- Refrigerated Food Spoilage.
- Tenant's Improvements Increased Limit.
- Coverage A Increased Limit for form HO 00 06.
- Additional Residence Premises - Rented to Others.
- Private Structures - Rented to Others (Liability Coverage).
- Credit Rating Tier/Insurance Score.
- Home Buyer Loyalty Program.
- Eff. 5-1-10 HRMN-126487994 North Carolina Department of Insurance

83. **Horace Mann Property & Casualty Insurance Company**

- Form HO 00 07 – Amount of Insurance by Territory and Amount of Insurance Relativities.

- Protective Device Credits: Classes 1-9.
- New Home Credits.
- Territorial Base Rates for Tenant & Condominium, HO 00 04 and HO 00 06.
- Installment Payment Plan Waive initial $3 installment fee.
- Deductible Factors Form HO 00 03.
- Auto/Home discount all forms credit varies.
- Deductible Factors for forms HO 00 04 and HO 00 06.
- Replacement Cost on contents - HO 00 04 and HO 00 06.
- Masters Program.
- Earthquake deviation.
- Silverware, Gold ware & Pewter ware coverage.
- Refrigerated Food Spoilage.
- Additional Residence Premises - Rented to Others.
- Private Structures - Rented to Others (Liability Coverage).
- Credit Rating Tier/Insurance Score.
- Home Buyer Loyalty Program.
- Eff 5-1-10 HRMN-126488918 North Carolina Department of Insurance

84. **IDS Property casualty Insurance Company**
- Form HO 00 03 – Amount of Insurance.
- Form HO 00 04 – Amount of Insurance.
- Form HO 00 06 – Amount of Insurance.
- Protective Device Credits
- Deductible Credits Forms HO 00 03, HO 00 04 HO 00 06.
- Home and Auto Discount.
- Replacement Cost on Contents Discount Forms HO 00 03, HO 00 04 HO 00 06.
- Condo Coverage A increased limits.
- Utilities Rating Plan.
- Coverage C Increased Limits.
- Installment Pay Plan.
- Refrigerated Personal Property
- Townhouse/Rowhouse
- Costco Discount
- Base Rates (Form HO 00 03) by territories
- Base Rates (Form HO 00 06) by territories
- Eff 8-14-09 PRCA-126151220 North Carolina Department of Insurance

85. **Indemnity Insurance Company of North America**
- New Construction Credit: New - 20%; 2% less credit for each yr. to 9th yr.
- All Forms: Fixed Dollar Deductible: Credit varies 15% - 40%.
- Personal Property Increased Limit: $2 premium charge per $1000 of coverage.
- Forms 2 & 3: Replacement Cost Coverage Personal Property: HO 0490; Factor 10.5% includes increased Coverage C to 70% of Coverage A at no additional premium charge.
- Protective Device Credits: All zones & protection classes: Credit varies 2% - 15%.
- Rated Deviation: Homeowners - 11%; Tenants - 10%; Condominiums - 15%.
- Eff. 9-1-99

86. **Indiana Lumbermens Mutual Insurance Company**
- Forms 1, 2, 3 & 3 w/l5: 15% 0-10 yrs. old; 10% 11-15 yrs. old; 0% 16 yrs. & over.
- Eff. 9-1-85

87. **Insura Property & Casualty Insurance Company**
- Form 3: Deductible credits; $500 - 15%; $1000 - 25%; $2500 - 38%.
- All Forms: Personal property increased limits $2 per $1000.
- Protective Device Credits; Credit varies 2% - 15%.
- Personal Injury (HO-82) included at no charge.
- Personal Property Replacement Cost Coverage; Eliminate 5% surcharge.

- New Home Credit: Current calendar yr. - 20%; 1 yr. preceding current calendar yr. - 18%; each added yr. 2% less credit until 10+ yrs. - 0%.
- Multi-Policy Credit: 10% applies to total HO policy prem. when auto policy is written in the Anthem Casualty Ins. Group.
- Amount of insurance deviation based on territory, protection class & amount of Coverage A: $70,000-$200,000 credits varies 8.6% - 21.9%; Each additional $10,000 credit varies 15% - 30%.
- Forms 2 & 3: Amount of Insurance Deviation; 3% charge of basic premium.
- Base premium deviation by territory.
- Eff. 6-1-99

88. **Insurance Company of North America**

- Forms 1, 2 & 3: Fixed dollar deductible credits; $500-11%; $1000-21%; $2500-34%.
- Form 4: Fixed dollar deductible credits; $500-11%; $1000-25%; $2500-40%.
- Forms 1, 2 & 3: Rate for increase in Coverage C; $1 per $1000.
- Forms 1, 2 & 3: Personal Property Replacement Cost coverage HO 290; Charge shall be 4% of adjusted base premium. Coverage C must be increased to 70% of A & $1 per $1000 charge made.
- Protective Device Credits: All zones & all protection classes: Credits vary from 1%-15%.
- Eff. 5-1-92

89. **Insurance Company of the State of Pennsylvania**

- Form 6: 35%.
- Form 4: 20%.
- Forms 2 & 3: Deductible Credits; $250 - 15%; $500 - 25%; $1000 - 35%.
- Forms 2, 3, 3w/15 & 6: Age of Dwelling Discount; 0-5 yrs. - 15%; 6-10 yrs. - 10%; 11-20 yrs. - 5%.
- Forms 1, 2, 3, 3 w/15 & 8: 28%.
- Home Buyers Discount: 10% first 3 yrs. ownership; 5% second 3 yrs.
- Forms 1, 2, 3 & 3 w/15: Delete 5% surcharge for replacement cost of contents.
- Eff. 6-15-88

90. **Integon General Insurance Corporation**

- Delete the surcharge for $100 deductible.
- Form 6: 10% deviation.
- Deviation by amount of insurance: Coverage A amount $50,000 - $250,000 & above based on territory; Credit varies - 0% - .340%.
- Deductible Credits: Form 3; Terr. 32, 33, 34-41- $250 ded., $500 ded., $1000 ded. & $2500 ded.: Credits varies .05%- .41%.
- Long-Term Customer Discount: 5-9 yrs. with Co.- 5%; 10 yrs. or longer with company -10%.
- Eff. 5-1-92

91. **Integon Indemnity Corporation**

- Delete surcharge for $100 deductible.
- Form 6: 15% deviation.
- Replacement Cost Coverage C: Delete surcharge for replacement cost on contents.
- Deviation by Amount of Insurance: Cov. A amount $50,000 - $250,000 & above & based on territory. Variable credit.
- Deductible Credits Form 3; Terr. 32, 33, 34-41 - $250 ded; $500 ded. $1000 & $2500 ded. Credits vary .05%-41%.
- Long Term Customer Discount: 5-9 yrs. renewal with company - 5%; 10 yrs. or longer with Company - 10%.
- Eff. 5-1-92

92. **Liberty Mutual Fire Insurance Company**

- Mass Merchandising Program – 5% deviation when certain criteria is met
- Installment Payment Plan all forms.
- Coverage A Dwelling Limit for form HO 00 06.
- Watercraft Deviation by limits of liability.
- Multi-Policy Discounts.
- Property Tiering Program.
- Condominium and Renters Tiering Program.
- Eff. 8-23-10 LBPM-126601313 North Carolina Department of Insurance

93. **Liberty Mutual Mid-Atlantic Insurance Company**
- Forms 2,3,4, & 6 35% deviation.
- Froms 2 & 3 Dwellings 0-10 years – 10%.
- Eff 11-1-86

94. **Lititz Mutual Insurance Company**
- New Home Credit.
- Discount when Guaranteed Repair or Replacement Cost Protection (Coverage A) and Personal Property Replacement Cost Protection (Coverage C) are used together.
- Protection class 9 discount
- Optional Higher Deductibles Deviation.
- Base Rate Deviation by Territory: Credit varies.
- Ordinance or Law – increased Limits.
- Eff 5-1-09 PC124818 North Carolina Department of Insurance

95. **LM Property and Casualty Insurance Company**
- New Home Credit: Age of Home 0 - 7 yrs. of age: Credit varies 0%-20%.
- Deductible credits
- Personal Property Replacement Cost: - HO-3 Apply 4% surcharge to adjusted base premium.
- Enhanced Dwelling Limit (EDL) – Form HO-3 $1.00 per policy.
- Protective Device Credits: Variable Credits 2%-15%.
- Forms 3, 3w/15, Premier & 6: 5% Mature Homeowners Credit.
- Personal Property – Increased Limit Form HO-3: $1.00 per $1,000 increase of insurance
- Mature Homeowner Credit – Forms HO-3 and HO-6 5% credit. A premium credit applies if any named insured is age 55 or older as of the effective date of the policy.
- Companion for Life Discount all forms 10% credit.
- Secured Community Credit: Credit applies if primary residence is located in a fully secured or partially secured community. Fully secured - 10%: Partially secured -5%.
- Electronic Funds Transfer Fee: No charge.
- Increased Limits Jewelry, Watches & Furs: $14 per $1000 of Coverage.
- Personal Property Replacement Cost: Form HO4 and HO 6 Minimum charge of $20.
- Silverware, Goldware, & Pewterware: $2.50 per $500.
- Deviation for 3 & 4 Family Liability Rates.
- Deviation by Liability Coverage.
- Outboard Motors & Water Craft Deviation for Coverage E, Increased Limits: Certain criteria apply.
- Outboard Motors & Water Craft Deviation for Coverage F, Increased Limits: Certain criteria apply.
- Business Property - Increased Limits Deviation: $10 per $2500.
- Eff. 3-14-03 PC058007 North Carolina Department of Insurance

96. **Lumbermens Mutual Casualty Company**
- Premium Credits for Protective Devices: Certain criteria apply.
- Mature Homeowners Credit: 5% credit applies to base premium if insured is 55 yrs. of age & is home during the day.
- Personal Property (Coverage C) Replacement Cost Coverage Deviation.
- $100 Deductible: Waive minimum premium.
- $250 Theft Deductible Factors: Certain criteria apply.
- All Forms: Optional Higher Deductibles deviation.
- Form 3: Special Personal Property Coverage: Apply a factor of 1.10 to base premium.
- Form HO 6: Special Personal Property Coverage: Apply a factor of 1.20 to base premium.
- Form 4: Building Addition & Alterations Increased Limit deviation.
- Form HO 6: Coverage A Dwelling Basic & Increased Limits Special Coverage Deviation.
- Ordinance or Law Increased Amount of Insurance: Form 4 & 6.
- Deferred Premium Payment Plan Option.
- New Home Discount: 0 - 6+ yrs. of age: Credit varies 0% - 18%.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2-25-02 PC047939 North Carolina Department of Insurance

97. **Maryland Casualty Company**
- All Forms, except 4 & 6: Age of Dwelling Credit; New-20%; 1 yr.-18%; 2 yrs.-16%; 3 yrs.-14%; 4 yrs.-13%; 5 yrs.-12%; 6 yrs.-10%; 7 yrs.-8%; 8 yrs.-6%; 9 yrs.-4%; 10 yrs.-2%.
- Forms 4 & 6: Replacement Cost on Contents: Factor 1.35.
- Protector Series Program: Reduce homeowners premium by 5%, if insured has auto policy with Maryland Casualty Group.
- Forms 2 & 3: Charge $1 per $1000 for increase in Coverage C limit.
- All Forms: Deductible Credits: $500 - 15%; $1000 - 20%; $2500 - 30%.
- Deviation by Territory: Form 2, 3, 3w/15; Credit varies 0% - 14%.
- Base Premium Deviation: All Forms, except 4 & 6; Credit varies.
- Account Credit: 10% credit when insured has home & auto coverage with Zurich Insurance Companies when criteria is met.
- Protective Device Credit: Factors vary. Maximum credit of $75 is waived.
- Eff. 7-1-98

98. **Massachusetts Bay Insurance Company**
- Mature Homeowners Credit.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits: All forms, except HO 00 04 and HO 00 06.
- Personal Property Replacement Cost.
- Personal Property Replacement Cost on Coverage C: Forms HO 00 04 and HO 00 06
- Account Credit: All forms.
- Loss of Use-Increased Limits.
- Condominium Unit Owners-Coverage A Dwelling: Basic & Increased Limits.
- Watercraft Liability Rates: All forms.
- Personal Property - Increased Limits.
- Special Personal Property.
- Electronic Funds Transfer Installment Payment Plan Discount.
- Group Modification Plan (Mass Merchandising Plan).
- Direct Bill Policies installment payment plan.
- Cap on total credits/discounts of 35%.
- Territorial Deviation: All forms, except HO 00 04 and HO 00 06.
- Relativity Curve Deviation Forms HO 00 03.
- Relativity Curve Deviation Forms HO 00 04 and HO 00 06.
- Eff 12-1-10 HNVX-G126817920 North Carolina Department of Insurance

99. **Max America Insurance Company**
- Forms 1, 2, 3 & 3 w/l5: Amount of insurance credit.
- Forms 1, 2, 3 & 3 w/15: New Home Credit.
- All Forms: Eliminate 5% surcharge for personal property replacement cost (HO 290) endorsement.
- All Forms: Reduced key premiums for protection classes 7 & 8.
- Eff. 03-5-02

100. **Medmarc Casualty Insurance Company**
- New Home Credit: 0-1 yr.-20%; 2 or 3 yrs.-18%; 4 yrs.-15%; 5 yrs.-12%; 6 yrs.-10%; 7 yrs.-9%; 8 yrs.-6%; 9 yrs.-3%; 10 yrs.- 2%.
- Smoke Detectors Discount: 2.0%.
- Eff. 7-15-90

101. **Merastar Insurance Company**
- New Home Credit.
- Safe and Sound Discount.
- Auto-Home Discount.
- Waiver of installment charge.
- Increased Special Limits of Liability.
- Merastar Maximum Credit.
- Deductible credits;Forms 3 & 5: $500 - $1000

- Deductible credits;Forms 4 & 6: $500 - $1000
- Protective Device Credits.
- Boat Liability Rate Deviation.
- Base rate deviation Forms 3 & 8: based on territory: Credit varies.
- Base rate deviation Forms 4 & 6: based on territory.
- Account Discount.
- Eff. 6-1-11 UNTR-126984235 NCDOI

102. **Meritplan Insurance Company**
- Affinity Discount.
- Electronic DFT and Online Processing Discount.
- Eff 11-5-10 BALB-126700430 North Carolina Department of Insurance

103. **Metropolitan Direct Property & Casualty Insurance Company**
- Deductible Deviation.
- Additional Limits of Liability
- Personal Property Replacement Cost Loss Settlement.
- Year of Construction – Newly Constructed Dwellings.
- Protective Devices
- Mature Homeowners Discount.
- Windstorm or Hail Exclusion Credit.
- Multi-Policy Discount.
- Mass Merchandising Account Deviation
- Met ReWards Claim Free Discount.
- Increased Ordinance or Law Coverage
- Earthquake Coverage
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Platinum Coverage Package.
- Eff. 12-15-10 METX-G126920516 North Carolina Department of Insurance

104. **Metropolitan Property & Casualty Insurance Company**

Standard Program
- Deductible Deviation.
- Additional Limits of Liability.
- Personal Property Replacement Cost Loss Settlement.
- Year of construction – Newly Constructed Dwellings.
- Protective Devices.
- Mature Homeowners Discount.
- Windstorm or Hail Exclusion Credit.
- Multi-Policy Discount.
- Mass Merchandising Account Deviation:
- Small Employer Group Program.
- Claim Free Discount.
- Increase Ordinance or Law coverage.
- Earthquake Coverage.
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Platinum Coverage Package – Form HO 00 05.
- Waterbed Liability.
- Coverage A Dwelling Special Coverage HO 00 06.

Conversion Program
- Deductible Deviation.
- Windstorm or Hail Percentage Deductible Relativities.
- Additional Limit of Liability Coverage A.
- Personal Property Replacement Cost.
- Year of Construction New Home Discount – Year of Construction..

- Protective Devices Premium Credits for Alarm Systems: Credit applies to base premium.
- Mature Homeowners Discount.
- Windstorm or Hail Exclusion Credit.
- Multi-Policy Discount.
- Met Rewards Claim Free Discount when criteria are met.
- Increased Ordinance or Law Coverage.
- Earthquake Coverage.
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Platinum Coverage Package – Form HO 00 05.
- Waterbed Liability.
- Coverage A Dwelling Special Coverage HO 00 06.
- Eff 12-30-10 METX-G126920323 North Carolina Department of Insurance

105. **Montgomery Mutual Insurance Company**

- Forms 3, HE-7, HE-7w/20 & HE-7w/21: Pers Prop Increased Limits: .50 per $1000 of insurance for Coverage C.
- Deductible Amount Deviation: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies
- 10% Account Credit when auto policy is written for the same insured through Montgomery Mutual Insurance Co.
- Forms 3, HE-7, HE-7w/20 & HE-7w/21: New Home Credit: New - 6 yrs. of age: Credit varies 0% - 20%.
- Base Rate Deviation by Territory: Forms 3, HE-7, HE-7w/20 & HE-7w/21 Credit varies 0% -7.1%
- Form 4: Base Rate Deviation by Territory: Credit varies 0% - 14.8%.
- Form 6: Base Rate Deviation by Territory: Credit varies 9.3% - 32%.
- Protective Device Credits: Credits vary 2% - 15%.
- Base Rate Deviation on HE-7 - 1.15, HE-7w/20 - 1.20 & HE-7w/21 - 1.25.
- Replacement or Repair Cost Protection(HO 3211): $5 per policy when criteria is met.
- All Forms: 10% Account Credit.
- Water Craft Liability Deviation - 70%.
- Form 3: Amount of Coverage A Relativity Curve Deviation: Credit varies 0.6% - 7.4%.
- Eff. 8-15-02 PC052789 North Carolina Department of Insurance

106. **Mosaic Insurance Company**

- Discount on Installment Payment Plan: $1 - $2 charge.
- Three or Four Family Dwelling Discount.
- Townhouse or Rowhouse Discount.
- Waterbed Liability waived.
- Base Premium Deviation.
- Forms 2, 3, 4, 6 or 8: Deviation by Amount of Insurance.
- New Home Discount: 0-9 yrs. of age: Credit varies 2%-9%.
- Protective Devices Discount: Credit varies 1%-7%.
- Multi Policy Discount: 5% of the base premium.
- Personal Property Increased Limits Discount: $2 rate per $1000.
- Personal Property Replacement Cost Coverage Discount.
- Form 4: Building Additions & Alterations Increased Limits Deviation.
- Personal Property Increased Limits of Liability: Charge varies by additional amount of insurance.
- Rented Personal Property: No charge.
- Form 6: Coverage A - Dwelling Basic & Increased Limits Deviation.
- Forms 3 & 3 Plus: Inflation Guard Discount.
- Watercraft Discount: Up to 50 HP, no charge.
- Business Pursuits Discount.
- Form 3 Plus: Personal Injury Liability: No charge.
- Eff.10-18-00 PC035279 North Carolina Department of Insurance

107. **NGM Insurance Company**

- Age of Dwelling Deviation: Forms HO 00 02, HO 00 03 and HO 00 05.
- Combined Personal Protection Program.
- Preferred Homeowners or Revitalized Home Credit when underwriting guidelines are met.
- Deductible credits/charges, factor varies by ded amount.
- Protective device credits.

- Replacement Cost on Contents.
- Specified Additional Amount of Insurance Coverage A Dwelling.
- Personal Property Replacement Cost.
- Personal Injury.
- Water Back-up of Sewers or Drains.
- Credit Card, Fund Transfer Card, Forgery, & Counterfeit Money.
- Special Computer Coverage.
- Coverage C Special Limits of Liability.
- Fire Department Service Charge.
- Charge to increase Coverage D to 30% of Coverage A.
- Installment Payment Plan Deviation.
- Coverage A relativities for Preferred and Revitalized.
- Ordinance or Law Deviation.
- Refrigerated Property Coverage.
- Insurance Score Discount factor varies by Insurance Score.
- Eff. 11-16-09 NGMC-126238715 North Carolina Department of Insurance

108. **National General Insurance Company**
- All Forms: Protection Device Credits: Variable credits from 2% to 15%.
- All Forms, except 4 & 6: Deductible/factors; $100-1.10 - no minimum or maximum charge; $500-.90; $1000-.80.
- Forms 4 & 6: Deductible/factors; $100/$250 theft - 1.05. No minimum or maximum charge; $500-.90; $1000-.77.
- Form 3: New/Renovated Home Discount; Variable credits based on age of dwelling & type of renovation.
- Forms 4 & 6: Thrifty Fifty Discount; 10% credit if insured meets criteria.
- Forms 1, 2 & 3: $5 Photo Credit New Business.
- Form 4: Building additions & alterations increased limits $5 per $1000 of insurance.
- Form 6: Coverage A Dwelling; Basic & Increased Limits, $5000 Coverage A is provided at no additional charge. Charge $5 per $1,000 for increased limit up to total of $15,000.
- Forms 4 & 6: Loss of Use; Increased limits $3 per $1000 of additional insurance.
- Form 3: Base rate deviation; Rating factor of .80 applies.
- Form 6: Base rate deviation; Rating factor of .80 applies.
- Installment Payment Plan: Two payment plan - $2 per installment.
- Eff. 6-1-99

109. **National Specialty Insurance Company**
- Forms 2 & 3: Base deviations vary by amounts of insurance - $55,000 - $120,000 & over; Territory 34 Cumberland County -0% -22.1%; Territories 32, 33, 35 & 41 - 0% to -35.1% deviations vary by amount of insurance. $50,000 -$120,000 & over; all other territories 0% - 35.1%. Deviation vary by amounts of insurance $50,000 - $120,000 & over.
- Forms 4 & 6: 10% credit applies to optional coverages that are applicable exclusively to Forms 4 & 6.
- All Forms, except 4 & 6: 20% credit applies to optional coverages.
- Forms 2, 3 & Homeowners Plus: Fixed dollar amount deductible credits; $500-10%; $1000 - 17%.
- Forms 4 & 6: Fixed dollar amount deductible; $500 - 10%; $1000 - 23%.
- Homeowners Plus Package: Form 3 Credit for amount of insurance $50,000-$69,000 - 10%; $70,000 - 110,000 - 11%; $120,000 - $170,000 - 12%; $180,000 - $200,000 - 13%, each additional $10,000 - 0% when special requirement are met.
- Forms 4 & 6: 10%.
- Forms 2, 3 & Homeowners Plus: New home credit - 25% current yr.; 2.5% less credit each added yr.
- Premium credit for alarm systems HO 216: 2-15%.
- All Forms: Manned Security Discount: 10% additional when property is residential area with limited entry & exit points manned by employed uniformed security guards.
- All Forms: 55 & Retired Discount: 10% if one insured is 55 or older & both insured & spouse, if any, are neither gainfully employed or seeking gainful employment. Residence must be principal residence of applicant.
- Earthquake Coverage: Superior construction will be rated same as frame construction.
- Form HO-6: Coverage A increased limits; $3 for each additional $1000.
- Form HO-6: Units regularly rented to others HO-33; Charge 25% of base premium.
- Eff. 5-1-92 *Name changed from State National Specialty Company effective 3/16/04*

110. **National Surety Corporation**

- Protective Device Credits: All forms & all territories: 1% - 15% credit applies to company base premium.
- Portfolio Credit: 5% credit applies to all homeowners policies when Personal Catastrophe Coverage and Personal Inland Marine Coverage is written with Company.
- Eff 12-01-03 PC065123 North Carolina Department of Insurance

111. **National Union Fire Insurance Company of Pittsburgh**

- Territorial Base Rate Deviation.
- Amount of Insurance Relatives Deviation.
- Maximum Credit for Protective Devices waived.
- Higher Deductible Credit: Credit varies by amount of insurance and deductible amount.
- Increased Coverage C Limit Deviation: A factor of 1.25 applies per$1000 of insurance. Territories 5, 6, 42 & 43 excluded.
- Renovated House Credit: Credit varies .82 - .97 for houses renovated 1 yr. to 6 yrs.
- Gated Community Credit: 5% applies when criteria is met.
- Loss Free/ Persistency Credit: 5% or 10% credit applies when criteria is met.
- Eff. 10-13-00 PC037427 North Carolina Department of Insurance

112. **Nationwide Mutual Fire Insurance Company**

- Nationwide Territory Deviation/Territory Deviation Forms HO 02, HO 03 & HO 05.
- Home & Car Deviation.
- Amount of Insurance Deviation.
- Personal Property Replacement Cost Deviation.
- Deductible Deviations.
- Protective Device Deviations by territory: Credit varies.
- Safe Home Rating Plan Deviation.
- Age of Home Component.
- Age of Construction Deviation.
- Nationwide Associate.
- Eff. 8-31-11 NWPC-127093289 NCDOI

113. **Nationwide Mutual Insurance Company**

- Nationwide Territory Definitions and Territory Deviations Forms HO 02, HO 03, HO 04, HO 05, and HO 06.
- Home and Car Deviation Forms HO 02, HO 03, HO 05, and HO 06
- Deductible Deviations.
- Protective Device Deviation.
- Safe Home Rating Program – Form HO 02, HO 03, HO 05 and HO 06.
- Age of oldest Insured.
- Personal Status Deviation.
- Age of construction deviation.
- Amount of Insurance – Forms HO 02, HO 03, and HO 05.
- Age of Home Component Deviation.
- Home Purchase Deviation.
- Nationwide Associate Deviation.
- Prior Insurance Deviation Forms HO 02, HO 03 and HO 05.
- Eff. 8-31-11 NWPC-127093218 NCDOI

114. **Netherlands Insurance Company**

Preferred Homeowners

- Personal Property Increased Limits;. Forms 3, HE-7, HE-7w/20 & HE7w/21 $.50 per $1000 of insurance
- Deductible amounts deviation Credit: Forms 3, 4, 6, HE-7, HE-7w/20 & HE-7w/21 :Credit varies
- New Home Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies.
- Protective Device Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies
- Base Rate Deviation by Territory Forms 3, HE-7, HE-7w/20 & HE7-21:: Credit varies.
- Form 4: 3% Key Premium Deviation by Territory.
- Form 6: Key Premium Deviation: Credit varies 29.3%-31.6%.
- Forms 3, HE-7, HE-7w/20 & HE-7w/21: HO-3211- Replacement or Repair Cost Protection: Premium charge $5.
- Forms 3, 4, 6, HE-7, HE-7w/20 & HE-7w/21: 15% deviation for policies written as part of Personal Protector

Package Policy.

- Water Craft Deviation of 70%.
- Base Rate Deviation on HE-7, HE-7w/20 & HE-7w/21: HE-7 factor - 1.15; HE-7w/20 factor - 1.20; HE7w/21 - 1.25.
- Amount of Coverage A Relativity: Deviation varies .6% - 7.4%.

Standard Homeowners

- Personal Property Increased Limits Forms 3, HE-7, HE-7w/20 & HE-7w/21: ; $.50 per $1000 of insurance.
- Deductible Credits; Forms 3, HE-7, HE-7w/20 & HE-7w/21: credit varies.
- New Home Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: 0 -12 yrs. of age: Credit varies 0% - 25%.
- Protective Device Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies 2% - 15%.
- Base rate deviation by territory: Forms 3, HE-7, HE-7w/20 & HE-7w/21 Credit varies
- Base Rate Deviation HO 6 by territory: Deviation varies.
- Base Rate Deviation on HE-7, HE-7w/20 & HE-7w/21: credit varies
- Replacement or Repair Cost Protection: Forms 3, HE-7, HE-7w/20 & HE-7w/21: HO-3211 Premium charge $5.
- Deviation will apply to HO 3 standard, HE 7 standard HE7/w20 standard, HE 7/ w21 standard for monoline homeowners premiums when they ar written as part fot the Personal Protector Package Policy.
- Water Craft Deviation of 70%.
- Amount of Coverage A Relativity curve: Deviation varies .6% - 7.4%.
- Eff 10-15-02 PC053999 North Carolina Department of Insurance

115. **New Hampshire Insurance Company**

- Forms 1, 2, 3, 3w/15 4 & 6: Age of dwelling credit; 0-20 yrs. - 10%.
- Replacement or Repair Cost prot. Coverage A (HO-500): $1 per policy.
- Eff. 7/1/87

116. **New South Insurance Company**

- Deviation by Amount of Insurance: Coverage A amount: $50000 - $250,000 & above based on territory; Credit varies 0% - .380%.
- Long-term Customer Discount: 5-9 yrs. with Co. on HO policy - 5%; 10 yrs. or longer with Co. on HO policy - 10%.
- Deductible Credits: Territories 32, 33, 34 - 41; $250 ded., $500 ded. $1000 ded. & $2500 ded.; Credits vary .05% - 41%.
- Form 6: 15%.
- Delete surcharge for $100 deductible.
- Replacement Cost- Coverage C: Delete surcharge for replacement cost on contents.
- Eff. 5-1-92

117. **North Carolina Farm Bureau Mutual Insurance Company**

- Deviation by Territory, Program and multi-policy..
- Deviation on Forms HO 00 04 and HO 00 06.
- Deviation on Form HO 00 08.
- Deductible Credits.
- Value Plus Homeowners Credit.
- Outboard Motors and Water Craft.
- New Home Deviation, Forms HO 00 02 and HO 00 03.
- Deviation on Personal Property Coverage.
- Personal Property Replacement Cost.
- Carolina Partner Plus Discount.
- Additional Residence Rented to Others & Other Structures Rented to Others - Residence Premises.
- Deviation Forms HO 00 02 and HO 00 03.
- Deviations Forms HO 00 02 and HO 00 03 with Windstorm or Hail Coverage.
- Enhancement Deviation.
- Eff. 6-1-10 NCFB-126514919 North Carolina Department of Insurance

118. **North River Insurance Company**

- Forms 1, 2, 3 & 3 w/15: Age of dwelling credit; 0 - 1 yr. - 20%; 2% less credit each added yr.
- Preferred plan deviation for owners forms: Varying credits based on amount of insurance & territory.
- Forms 1, 2, 3 & 3 w/15: Replacement cost contents for preferred owners forms to $1 per $1000 of increased Coverage C.
- All Forms: Replacement cost on contents; Deletion of $20 minimum additional premium.

- Forms 1, 2, 3 & 3 w/15: Higher deductible credits factors; $500 - .89; $1000 - .80; $2500 - .67.
- Forms 4 & 6: Higher deductible credits factors; $500 - .83; $1000 - .67; $2500 - .54.
- Premises Alarm System: Expand table of credits for protection classes 1 - 7 to include class 8.
- Form 6: 20%.
- Eff. 3-1-90

119. **Northern Assurance Company of America**
- All Forms, except 4 & 6: New Home Credit: 0-1 yr. old - 20%; 2% less credit each yr. to 10th yr.
- Forms 2 & 3: Personal Property Replacement Cost; Charge to increase Coverage C to 70% of Coverage A; $1 per $1000.
- Guaranteed Replacement Cost (HO-3211): $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- Inflation Guard Endorsement: 6% - at no charge.
- Forms 1, 2 & 3: Fixed dollar amount deductible credits; $500 - 15%; $1000 - 21%; $2500 - 38%..
- Homeowners Enhancement Program Factors: HE - 7 - 1.15%; HE - 7w/15 - 1.20 & HE - 7w/21 - 1.25.
- Deviation by Coverage A amount of insurance. All Forms, except 4 & 6: Credit varies.
- Windstorm or Hail Deductible.
- Eff. 8-15-02 PC053955 North Carolina Department of Insurance

120. **Northern Insurance Company of New York**
- Forms 1, 2, 3 & 3w/l5: Age of dwelling credit.
- Forms 1, 2, 3 & 3 w/15: Replacement or repair cost protection HO-500.
- Forms 4 & 6: Replacement Cost on Contents.
- Forms 1, 2 & 3: Charge $1 per $1000 for increase in Coverage C limits.
- Eff. 2-15-92

121. **Ohio Casualty Insurance Company**
- Water Craft Liability Rates: below NCRB for powerboats; below NCRB for sailboats.
- Employees Discount: to qualifying employees insured in the Ohio Casualty Group.
- Eff.12-1-05 PC082799 North Carolina Department of Insurance

122. **OneBeacon America Insurance Company**
- Forms 1, 2, 3: Fixed dollar amount deductibles; $500-15%; $1000-21%; $2500-38%.
- Forms 4 & 6: $500-10%; $1000-23%; $2500-37%.
- All Forms, except 4 & 6: New home discount; 0-1 yr. old - 20%; 2% less credit each added yr. to 10th yr.
- Forms 1, 2, 3 & 3w/15: Repair or replacement cost Coverage A; HO3211 - $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- Forms 2 & 3: Personal Property Replacement Cost; Charge to increase Coverage C to 70% of Coverage A; $1 per $1000.
- All Forms, except 4 & 6: Provide Inflation Guard Endorsement at 6% amount of annual increase at no charge.
- Form 6: Units regularly rented to others; Delete $15 charge.
- Form 6: 11.1% credit.
- Form 6: Coverage A Dwelling Basic and Increased Coverage A limit $3,000 cov A at no addit charge.
- 5% discount for insured age 49 or older.
- Homeowners Enhancement Factors: HE-7 - 1.15; HE -7w/15 - 1.20 & HE-7w/21 - 1.25.
- All Forms, except 4 & 6: Deviation by Coverage A amount of insurance: Credit varies.
- Windstorm or Hail Deductibles.
- Eff. 8-15-02 PC053954 North Carolina Department of Insurance

123. **OneBeacon Insurance Company**
- Replacement on contents endorsement.
- Protective Devices Credit.
- Personal Property Increased Limits.
- Account Credit when the named insured insures personal auto in any of the General Accident Copanies.
- Fixed Dollar Amount Deductible.
- New Home Credits.
- Eff 4-15-96

124. **OneBeacon Midwest Insurance Company**

- All Forms, except 4 & 6: New Home Discount; 0-1 yr. old -20%; 2% less credit each added yr. to 10th yr.
- Forms 2 & 3: Personal Property Replacement Cost; Charge to increase Coverage C to 70% of Coverage A; $1 per $1000.
- Replacement or Repair Cost Protection Coverage A (HO-3211): $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- All Forms, except 4 & 6: Provide Inflation Guard endorsement coverage at 6% amount of annual increase at no charge.
- All Forms, except 4 & 6: Fixed Dollar Amount deductibles: $500-15%; $1000-21%; $2500-38%.
- 5% discount for insured age 49 or older.
- Deviation to Enhancement Forms HE-7; HE-7w/20 & HE-7w/21: Credits vary.
- Deviation by amount of Coverage A: $250000 - $500000. Variable credits.
- Windstorm or Hail Deductibles
- Eff. 8-15-02 PC053952 North Carolina Department of Insurance

125. **Owners Insurance Company**

- HO 00 06 Form deviation.
- Deductibles - Waiver of Minimum Charges.
- Protective Device Credit.
- Protective Device-Alarm Systems.
- Mature Homeowners Discount.
- Townhouse or Row House discount factors.
- Credit Card, Fund Transfer Card, Forgery and Counterfeit Money.
- Units Regularly Rented To Others.
- Form HO 00 06 Coverage A Dwelling Increased Limits and Special Coverage.
- Personal Injury coverage-no charge.
- Building Additions and Alterations At Other Residences-All Forms.
- Other Insured Location Occupied By Insured - Section II.
- Section II, Liability-Residence Employees waived.
- Business Pursuits - no charge except Corporal Punishment for HO 00 03.
- Permitted Incidental Occupancies - Residence Premises.
- Special Personal Property Coverage HO 00 05 and HO 00 06 with HO 00 32 35.
- Multi-Policy Discount
- Seasonal Discount-Forms HO 00 03 and HO 00 06.
- Section II, Liability Watercraft.
- Life-Homeowners Multi Policy Discount.
- Insurance Score Credit.
- Home/Umbrella Multi-Policy discount.
- Paid in full discount.
- Personal Property Increased limits.
- Eff 8-1-10 AOIC-126630253 North Carolina Department of Insurance

126. **Pacific Employers Insurance Company**

- Forms 1, 2 & 3: Fixed dollar deductible credits; $500-11%; $1000-21%; $2500-34%.
- Form 4: Fixed dollar deductible credits; $500-11%; $1000-25%; $2500-40%.
- Rate for increase in Coverage C: $1 per $1000.
- Forms 1, 2 & 3: Replacement Cost Coverage HO-290; Charge shall be 4% of adjusted base premium. Coverage C must also be increased to 70% of Coverage A at $1 per $1000.
- Protection Device Credits: All zones & all protection classes; Credits vary 2%-15%.
- New Home Discount: Credit varies 2% -20% based on age of dwelling. Credit applies to base premium.
- Base Rate Deviation: Homeowners -25%; Tenants -15%; Condominiums -20%.
- Eff. 2-24-98

127. **Pacific Indemnity Company**

- Base Premium Computation - Forms HO 00 04 and HO 00 06.
- Base Premium Computation by territory and forms HO 00 02, HO 00 03, HO 00 05 and HE 00 07.
- Protective Devices – Maximum Credit of $75. is deleted.

- Deductibles - Optional Higher Deductibles.
- Deductibles – Named Storm Percentage Deductible.
- Additional Amount of Insurance deviation. Forms HO 00 02, HO 00 03 & HO 00 05.
- Water Back-Up and Sump Discharge or Overflow Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05, HO 00 06 and HE 00 07.
- Gated Community Credit.
- Eff 12-1-10 CHUB-126729196 North Carolina Department of Insurance

128. **Peerless Insurance Company**

- Protective devices.
- Base Premium Computation (HO 00 06).
- Homeowners Enhancement Program - Specified Additional Amount of Insurance for Coverage A – Dwelling HO 32 20.
- Homeowners Enhancement Program (HE-7, HE-7 w/20, and HE-7 w/21)
- Personal Protector Multi-Policy.
- Base Premium Computation – All forms except HO 00 04 and HO 00 06.
- Installment Payment plan – no charge for each installment for Electronic Fund Transfer.
- Price Point Deviation.
- New Home buyer credits.
- Personal Property – Increased limits.
- Eff. 7-15-11 LBRM-127165139 NCDOI

129. **Pennsylvania General Insurance Company**

- All Forms, except 4 & 6: New home credit; Current yr. - 20%; 1 yr. old -18%; 2 yrs. old -16%; 3 yrs. old - 14%; 4 yrs. old - 12%; 5 yrs. old - 10%; 6 yrs. old - 10%; 7 yrs. old - 8%; 8 yrs. old - 7%; 9 yrs. old - 6%; 10yrs.-6%; 11yrs-4%;12yrs-4%;13yrs-2%; 14yrs-2% .
- All Forms: Fixed dollar amount deductible factors; $500 - .90; $1000 - .77.
- Forms 1, 2, 3 & 3w/15: Personal property increased limits; $1 per $1000 of insurance.
- All Forms, except 4: Account Credit: 10% discount when named insured insures his/her personal auto in any of General Accident Companies.
- Forms 1, 2 & 3: Personal Property Replacement Cost Coverage; Waive charge to increase Coverage C limit from 50% to 70% of Coverage A limit. Premium for Replacement Cost Coverage developed by applying factor of 1.05 to base premium including any premium adjustment for Coverage C in excess of 70% of Coverage A.
- All Forms: Protective Device Credit: Credit Varies 2% - 15%.
- All Forms, except 4 & 6: 8.8% base rate deviation.
- Eff. 4-15-96

130. **Pennsylvania Lumbermens Mutual Insurance Company**

- Forms 1, 2 & 3: 10% dwellings 5 yrs. old or less; 5% dwellings 6-10 yrs. old.
- All Forms: 10%.
- Eff. 10-1-85

131. **Pennsylvania National Mutual Casualty Insurance Company**

- New Home Discount: Forms HO 00 02, HO 00 03, HO 00 05 and HO 00 07.
- Deductibles – Optional Higher Deductibles.
- Personal Property A Increased Limits.
- Preferred Program territory & public protection class.
- Account Credit Program: Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05, HO 00 06 & HO 00 06 with HO 32 35 and HE 00 07.
- Deviation for Water Craft outboard motors and watercraft.
- Protective Device Credits: Applies to insureds that meet eligibility criteria. Credit varies.
- Additional Amount of Insurance HO 00 02 & HO 00 03.
- Deviation on Ordinance or Law Coverage.
- Preferred Advantage Program Deviation: Forms HO 03, HO 05, and HE 07 Territory and Protection Class.
- Form HO 06 Coverage A Dwelling Basic and Increase Limits and Special Coverage.
- Credit Card, Fund Transfer Card, Forgery and Counterfeit Money Deviation.
- Loss Assessment coverage Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05 and HO 00 06.
- Personal Property - Increased Special Limits of Liability.

- Personal Property – Refrigerated personal Property.
- Water Back Up and Sump Discharge or Overflow.
- Personal Injury Increased Special Limits of Liability
- Installment Charges-Recurring Payments automatically deducted.
- Eff 10-15-10 PNPR-126697052 North Carolina Department of Insurance

132. **Pharmacists Mutual Insurance Company**

- -25% base rate deviation.
- Waiver of premium is amended to $5.
- Installment Payment Plan: Charge varies based on installment plan.
- Personal Package Discount: Credit varies when criteria is met.
- Automatic Adjustments of Limits: Annual 4% increase at no charge.
- Effective 5-1-07 PC102682 North Carolina Department of Insurance

133. **Phoenix Insurance Company**

- Base Rate Deviation Dwellings Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Base Rate Deviation.
- Coverage A Relativities Deviation: forms HO 00 02 and HO 00 03.
- Coverage A Relativities Deviation: forms HO 00 07.
- Deductible Credits HO 00 02, HO 00 03 and HO 00 07 Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Protective Devices.
- Personal Property Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property: charge waived.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free customer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Multi-Line Insurance & Financial Services Institution Employees Credit.
- Royal SunAlliance Employee Program.
- Home Buyer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy..
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff 6-20-10 TRVA-126641622 North Carolina Department of Insurance

134. **Platte River Insurance Company**

- Age of Dwelling
- Account Credit Program: 15% discount when insured has coverage for both auto & HO policies through UIC.
- Preferred Homeowners Credit: 0% - 23% Credit by territory, pPC, construction type: Other criteria apply.
- Revitalized Home Credit for dwellings 25 yrs. or older if certain criteria is met.
- Deductible Credits: Forms 3, 4, & 6.
- Base Premium Discount for Form 6: A factor of .80 applies.
- Protective Device Credits: All Forms: Credit varies 1% - 15%.
- Replacement Cost on Contents: Forms 3, 4, & 6: Minimum premium does not apply.
- Additional Limits of Liability for Coverages A, B, C, & D: Form 3: 6% credit when certain options are selected.
- Pers Prop Replacement Cost: Form 3: 5% of base prem with min prem waived when certain options are selected.
- Personal Injury: Form 3: Charge waived if certain coverages and options are selected.
- Water Back-Up of Sewers or Drains: Form 3: Charge waived if certain coverages and options are selected.
- Credit Card, Fund Transfer Card, Forgery & Counterfeit: Form 3: Charge waived if certain coverages and options are selected.
- Special Computer Coverages: Form 3: Charge waived if certain coverages and options are selected.
- Coverage C Increased Special Limits of Liability: Form 3: Charge waived if certain coverages and options are selected.
- Fire Department Service Charge: Form 3: Increased to $1000 in lieu of $500 if certain coverages and options are selected.
- Form 3: Coverage D Increased to 30% of Coverage A will be deleted if certain coverages & increased limits options are selected.
- Form 3: Coverage A Relativities Deviation.

- Form 3: Ordinance or Law will be 4% of base premium if certain coverages & increased limits options are selected.
- Form 3: The charge for Refrigerated Property Coverage will be deleted if certain coverages & increased limits options are selected.
- Eff.10-1-99

135. **Privilege Underwriters Reciprocal Exchange**

- Years Renovated
- Territory Deviation
- Coverage A Deviation
- Superior Construction Credits
- Generator Credit
- Financial Responsibility Factor
- Seasonal/Secondary Home
- Occupancy Deviation
- Multi Policy Credit (Personal Automobile)
- Multi Policy Credit (Personal Excess Liability)
- Multi Policy Credit (Jewelry & Art)
- Protective Devices
- Loss Free Credits
- Eff 9-3-10 PRIV-126726823 North Carolina Department of Insurance

136. **Providence Washington Insurance Company**

- Forms 2 & 3: Deviation by territory, Coverage A amount & protection class: Credit varies.
- All Forms, except 4 & 6: New Home Credit: 1 to 20 yrs. old: Credit varies 1% to 20%.
- All Forms, except 4 & 6: Deductible credits: $500 - 10%; $1000 - 17%; $2500 - 25%.
- Protective Devices for all protection classes & territories: Credits vary 1%-15%.
- Forms 2, 3 & 6: 15% Multiple Policy Credit when Providence Washington writes auto & homeowner.
- Waiver of Premium: $5 or less.
- Personal Property Replacement Cost: Minimum charge not applicable.
- Eff. 4-18-00 PC033008 North Carolina Department of Insurance

137. **Republic-Franklin Insurance Company**

Edge Program

- Protection Classification credit.
- Edge Program Tiered.
- Personal Property.
- Mass Merchandising Plan.
- Affinity Group-Wise Program.
- Personal Lines Account Credit.
- Package Additional Coverages.
- Flexible Hose Credit.
- High Efficiency Gas Furnace Credit Rule.

Essentials Program

- Protection Classification credit.
- Personal Property.
- Personal Lines Account Credit.
- Homeowners Extension Package.
- Flexible Hose Credit.
- High Efficiency Gas Furnace Credit Rule.
- Tiered Rating.
- Eff 7-1-10 UTCX-G126613011 North Carolina Department of Insurance

138. **Response Worldwide Insurance Company**

- Protective Devices Discount: 3% for deadbolt locks on all main doors & fire extinguishers in house.
- Forms 1, 2, 3 & 3w/15: Deductible Credits; $500 - 12%; $1000 - 24%; $2500 - 36%.

- Forms 4 & 6: Deductible Credits; $500 - 17%; $1000 - 30%; $2500 - 37%.
- Replacement or Repair Cost Protection (HO-500); Waive $5 charge.
- Forms 4 & 6: 10% deviation.
- Forms 4 & 6: Personal Property (Coverage C) Replacement Cost: 1.30 factor applies.
- Eff. 1-15-95

139. **Safeco Insurance Company of America**
- Deductible Debit/Credits.
- Account Credit: all forms certain criteria apply.
- Credit Card, fund transfer card, forgery and counterfeit money coverage.
- Medical Payments/Other Exposures/Higher Limits Deviation: all forms.
- Other Insured Locations Occupied by Insured.
- Outboard Motor & Watercraft Liability Deviation.
- Special Personal Property Coverage – Coverage C (HO32 35)
- Market Tier Relativities.
- Employee Discount Plan.
- Company Territory Definitions.
- Base Rate Deviations.
- HE 00 007 w/HE-21 Factor Deviation.
- Eff. 9-1-11 LBRM-127243234 NCDOI

140. **Safeco Insurance Company of Indiana**
- Form 3: Preferred Business; 25% off Bureau rates when eligibility guidelines are met.
- Form 3: Standard Business; 5% off Bureau rates when eligibility guidelines are met.
- Form 6: 17% off Bureau rates when eligibility guidelines are met.
- Form 3: Preferred Business; Guaranteed Replacement Cost Coverage A charged waived.
- Form 3: New Home Credit; During calendar yr. - 10%; 1% additional credit each added yr. to 9th yr
- Eff. 2-15-95

141. **Seaton Insurance Company**
- Form 3: Credits vary by protection class, & Coverage A dwelling amounts; Coverage A amount under $40000 - $1000000 & & over. Credit varies 0% - 19% based on territory.
- Form 3: Personal Property Replacement Cost; Delete 5% surcharge.
- Form 6: 19% to be applied to base rate of 10% off Form HO-4.
- Form 3: Fixed Dollar Amount Deductibles Credits; $500-9%; $1000-17%; $2500-25%.
- Forms 4 & 6: $500-10%; $1000-23%; $2500-37%.
- Form 3: New Home Credit; Current yr. - 20%; 2% less credit each added year.
- Personal Property Coverage C increased limits: Form 3; $1; Form 3w/15 - $2.
- Protection Device Credit: 5% in all territories & protection classes for an installed smoke detector, fire extinguisher & dead bolt locks.
- Reduced rates for Outboard Motors & Water Craft liability.
- Forms 3, 4 & 6: Personal Injury Coverage; HO-82 included at no charge.
- Form 3: Deviation of territorial relativities varies 0.0% - 15.8%.
- Form 4: 5% credit off base rates.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Surcharge reduced from 1.40 to 1.30.
- Eff. 6-13-94

142. **Select Insurance Company**
- Forms 1, 2, 3 & 3 w/15: 15%.
- Eff. 2/8/86

143. **Selective Insurance Company of South Carolina**
- Forms 4 & 6: 25%.
- Forms 1, 2, 3 & 3w/15: Replacement Cost on Personal Property; Delete 5% surcharge.
- Forms 4 & 6: RC Personal Property; shall be $1 per $1000 of ins. applied to Coverage C.
- Protective Devices Credit: Factors vary .85 to .98.
- All Forms, except 4 & 6: Fixed dollar amount deductible factors.
- Amount of Insurance Deviation: $60000 - $l40000: Credit varies 0%-25%.

- Age of Dwelling Credits: New 20%; 1 yr. old 18%; 2% less credit each added yr. through 9th yr.
- Eff. 5/1/92

144. **Selective Insurance Company of the Southeast**

- Credit for protective devices: Factors vary .85 to .98.
- Forms 1, 2, 3, & 3 w/15: Replacement cost on personal property; Delete 5% surcharge.
- Forms 4 & 6: Charge an annual additional premium of $1 per $1000 of insurance applied to Coverage C. Minimum limit of Coverage is $12000.
- All Forms, except HO 4 & HO 6: Fixed dollar amt ded factors; $500 - .85; $1000 - .80; $2500 - .70.
- Amount of Insurance Deviation: $20000 - $75000; Credits vary 3.0% - 10.0%.
- Eff. 5-1-2

145. **Sentry Insurance A Mutual Company**

- All Forms, except 4 & 6: Fixed dollar amt ded; Factors for Cov A limits: $500 ded. - .91; $1000 ded. - .79; $2500 ded. - .62.
- Eff. 11-1-96

146. **Service Insurance Company**

- Year of Construction Deviation by territory: Credit varies 3% - 30%.
- Deviation for Masonry Construction by protection class: Credit varies.
- Form 3: 10% Base Deviation by territory.
- Claim Free Credit: 5% applied to base premium:Not available in terr 5,6,42,43. Certain criteria apply.
- Mature Homeowner Credit: 5% credit by territory: Certain criteria apply.
- Gated Community Credit: 5% credit by territory: Certain criteria apply.
- Form 3: Increased Limit of Personal Property: $1 per 1000.
- Windstorm or Hail Deductible Deviation: Credit varies.
- Key Premium Factors Deviation.
- 2% Protective Device Credit for auto smoke detectors, fire extinguishers & deadbolt locks on all exterior doors.
- Maximum Allowable Credit – The max allowable credit for newly constructed dwellings, gated community, and claim free combined, is limited to 30%.
- Auto Companion Credit: 4% credit when criteria are met.
- Deductible Credit Discounts.
- Percent Windstorm or Hail Deductibles Deviation.
- HO-6 Base Class Premium; Credit varies based on territories.
- HO-6 Protection-Construction factor deviation.
- HO-6 Key Premium Factor Deviation.
- Eff. 6-1-03 PC061674 North Carolina Department of Insurance

147. **Southern Guaranty Insurance Company**

- Form 3 & HE-7: Deviation by Territorial Relativities.
- Form 4: Deviation by Territorial Relativities.
- Form 6: Deviation by Territorial Relativities.
- Form 3 & HE-7: Amount of Insurance Deviation.
- Form 3 & HE-7: New Home Credit; 1 yr. - 18%; 2% less credit each added yr. to 9th yr.
- All Forms, except 4 & 6: Deductible Credits; $500-.91; $1000-.83; $2500-.75. Forms 4 & 6: $500-.90; $1000-.77; $2500-.63.
- Forms 4 & 6: Personal Property (Coverage C) Replacement Cost Coverage; Factor 1.30 from 1.40.
- Reduced charge for Personal Property Increased Limits: Form 3 - $1; Form 3w/15 - $2.
- Reduced rates for Outboard & Water Craft Liability.
- Forms 3, 4 & 6: Personal Injury Coverage at no charge.
- Form 3 & HE-7: Exceptional Homeowner: 10% credit when criteria are met.
- Protective Devices Credit: Credit varies.
- Multi-Policy Credit: 5% credit applies when insured has personal auto & homeowners with Southern Guaranty Insurance Company.
- Eff. 1-1-01 PC038720 North Carolina Department of Insurance

148. **Southern Insurance Company of Virgina**

PREFERRED

- Territory Deviation; for form HO 00 02, HO 00 03, and HO 00 05 Credit varies.
- Optional Deductible Credits: Change in credit for increasing the deductibles based on Coverage A limit.
- Protective Device Credits Combined – credit varies.
- Additional Amounts of Insurance – form HO 03 and HO 05.
- Personal Property Replacement Cost HO 00 02, HO 00 03 and HO 00 05.
- Southern Homeowners Account Credit Plan.
- Credits for newer homes.
- Outboard Motors and Watercraft reduced rates.
- HE-00 07 Program – 10% credit for policies written with HE 00 07, HE 00 07 with HE 32 20 or HE 00 07 with HE 32 21.
- Automatic Payment Plan.
- Multi-Protector Plus-Coverage C Increase Special Limits of Liability.
- Multi-Protector Plus – Business Property.
- Multi-Protector Plus-Personal Injury Coverage
- Multi-Protector-Water Backup
- Multi-Protector Plus-Refrigerated Property
- Multi-Protector Deluxe-Coverage C Increase Special Limits of Liability
- Multi-Protector Deluxe-Business Property
- Multi-Protector Deluxe Personal Injury Coverage
- Multi-Protector Deluxe Water Backup
- Multi-Protector Deluxe Refrigerated Property
- Multi-Protector Deluxe Loss Assessment Coverage
- Multi-Protector Elite Coverage C Increased Special Limits of Liability
- Multi-Protector Elite Business Property
- Multi-Protector Elite-Personal Property Replacement Cost Coverage
- Multi-Protector Elite Personal Injury Coverage
- Multi-Protector Elite Water Backup
- Multi-Protector Elite Refrigerated Property
- Multi-Protector Elite Loss Assessment Coverage
- Multi-Protector Elite Increased Ordinance or Law Coverage
- Multi-Protector Elite Increased Section II Limits of Liability

STANDARD

- Territory Deviation for HO 00 02, HO 00 03, and HO 00 05.
- Optional Deductible Credits: Change in credit for increasing the deductibles based on Coverage A limit.
- Protective Device Credits Combined – credit varies.
- Additional Amounts of Insurance – form HO 03 and HO 05.
- Personal Property Replacement Cost HO 00 02, HO 00 03 and HO 00 05.
- Personal Property Replacement Cost Coverage HO 00 04 and HO 00 06.
- Credits for newer homes.
- Outboard Motors and Watercraft reduced rates.
- HE-00 07 Program – 10% credit for policies written with HE 00 07, HE 00 07 with HE 32 20 or HE 00 07 with HE 32 21.
- Southern Homeowners Account Credit Plan.
- Automatic Payment Plan.
- Multi-Protector Plus-Coverage C Increase Special Limits of Liability.
- Multi-Protector Plus – Business Property.
- Multi-Protector Plus-Personal Injury Coverage.
- Multi-Protector-Water Backup.
- Multi-Protector Plus-Refrigerated Property.
- Multi-Protector Deluxe-Coverage C Increase Special Limits of Liability.
- Multi-Protector Deluxe-Business Property.
- Multi-Protector Deluxe Personal Injury Coverage.
- Multi-Protector Deluxe Water Backup.
- Multi-Protector Deluxe Refrigerated Property.
- Multi-Protector Deluxe Loss Assessment Coverage.
- Eff 1-1-09 DNGL-125861191 North Carolina Department of Insurance

149. **Southern Pilot Insurance Company**

- Deviation by Territorial Relativities (HO-3 and HE-7).
- Deviation by Territorial Relativities (HO-4)
- Deviation by Territorial Relativities (HO-6).
- Amount of Insurance Deviation (HO-3 and HE-7).
- New Home Credits
- Deductible Credits.
- Reduced Surcharge for Personal Property (Coverage C) Replacement Cost Coverage.
- Reduced Charge for Personal Property Increased Limits.
- Reduced Rates for Outboard Motors and Watercraft Liability.
- Personal Injury Coverage At No Charge.
- Deviation for Exceptional Homeowner (HO-3 and HE-7).
- Protective Devices Credit.
- Deviation for Multi-Policy Credit.
- HE-7 Level of Enhancement Factor.
- Eff. 08-01-05 PC083567 Filing Detail

150. **SPARTA Insurance Holdings**

- New Home Credit All Forms, except 4 & 6:; 0-1 yr. old - 20%; 2% less credit each added yr. to 10th yr.
- Personal Property Replacement Forms 2 & 3: Cost; Charge to increase Cov C to 70% of Cov A; $1 per $1000.
- Additional Limit of Liability for Coverage A. HO 3211. $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- Inflation Guard Endorsement (HO-243) at 6% - at no charge.
- Fixed dollar amount deductible credits Forms 2 & 3:;- $500-15%; $1000-21%; $2500-38%.
- Fixed dollar amount deductible credits Forms 4 & 6:; $500-10%; $1000-23%; $2500-37%.
- Increased Coverage A limits HO-6 $3000 coverage A at no additional charge. Coverage A limit may be increased.
- Form 6: 6.4% deviation.
- 5% discount for insured age 49 or older.
- Form HE-7; HE7w/20 & HE7w/21: Reduced Factors.
- Deviation by amount of insurance for Coverage A $250,000 - $500,000. Variable credit.
- Windstorm or Hail Deductible credit varies by amount of deductible
- Eff. 8/15/02 PC053953 North Carolina Department of Insurance

151. **St. Paul Fire & Marine Insurance Company**

- Forms 1, 2, 3 & 3 w/15: New Home Discount: Yr. of construction; 0-1 yr. of age - 15%; 2-3 yrs. - 13%; 4-5 yrs. - 11%; 6-7 yrs. - 9%; 8-9 yrs. - 7%; 10-11 yrs. - 5%; 12-15 yrs. - 3%.
- Forms 1, 2, 3 & 3 w/15: Personal Property Replacement Cost; No charge for Cov C increase from 50% to 70%.
- Forms 4 & 6: 30% surcharge to basic premium (after higher deductible credit) & for attaching HO-50.
- All Forms: Minimum premium $15 per policy.
- Eff. 9-23-92

152. **St. Paul Guardian Insurance Company**

- Operation Identification Credit: 5% rate credit on Basic Homeowners Insurance Premium.
- New Home Discount: 0-1 yr.-18%; 2-3 yrs -15%; 4-5 yrs.-10%; 6-7 yrs -8%; 8-9 yrs -7%; 10-11 yrs.-5%; 12-15 yrs.-3%.
- Personal Injury Protection (Form HO-82) provided at no additional charge.
- Forms 3, 3 w/15, 4, 6, HE-7 & HE-7w/HE20: Deductible credits: $500 - 11%; $1000 - 23%; $2500 - 37%.
- Form 6: 14.5% off St. Paul Guardian HO-4 rates.
- Form 3: Deviation on policy amount Relativities by territory; Variable credits.
- Form 4: Deviation on base rates by territory; Variable credits.
- Forms 4 & 6: Deviation on policy amount Relativities by territory; Variable credits.
- Form 3: Replacement or repair cost Coverage A (HO-500) provided at no charge.
- Protective Devices Credit & Home Safety Coverage Credits.
- Business Pursuits Section II coverage: All classifications will be rated same as rate shown for clerical employees.
- Water Craft: Same charge applies for lengths over 15 - 26 feet & over151 horsepower as to lengths up to 15 feet & below 151 horsepower.
- Home Day Care: Rated at Bureau rates for Permitted Incidental Occupancies (HO-42).

- Forms 3, 3w/15, 4 & 6: Pers prop replacement cost (HO-290) coverage is provided at no additional charge.
- Homeowners PAK II Credit: Forms 3, 4, 6 & HE-7; 10% when insured qualifies for PAK II Program for terr 32 - 43.
- Base premiums for HE-7 policies: No additional charge.
- Base premium for HE-7w/HE-20 policies: +2.0% above St. Paul Guardian HO-3 rates.
- Base premium for HE-7w/HE-21 policies: +4.0% above St. Paul Guardian HO-3 rates.
- Renewal Credit: credit when insured maintaines consecutive yrs. of both auto & homeowners coverage with the St. Paul, 3-5 yrs. Credit varies 3%-5%.
- Forms 3 & 3w/15: Personal property increase limits; $1 per $1000 of insurance.
- Installment Payment Plan: $2 charge each installment unless Electronic Funds Transfer billing option is selected, then no charge.
- Employee Discount: 20% new business: 15% renewals.
- Eff. 3-1-00

153. **St. Paul Mercury Insurance Company**

- Operation Identification Credit: 5%.
- New Home Discount: 0-1 yr. - 15%; 2-3 yrs. - 13%; 4-5 yrs. - 11%; 6-7yrs. -9%; 8-9 yrs. -7%; 10-11 yrs. -5%; 12-15 yrs. -3%.
- Personal Injury Protection (HO-82) provided at no additional charge.
- Personal Property Replacement Cost (HO-290) coverage is provided at no additional charge.
- Forms 3, 3 w/15, 4 & 6: Deductible credits; $500 - 11%; $1000 - 23%; $2500 - 37%.
- HO-6: 15% on Companies HO-4 rates.
- HO-3: Deviation on base rates by territory; Credit varies 15.5% - 37.2%.
- Form 4: Deviation on base rates by territory; Credit varies 16.0% - 29.6%.
- Forms 4 & 6: Deviation on policy amount Relativities by territory; Credit varies 0.1% - 3.1%.
- Form 3: Replacement or repair cost Coverage A (HO-500) provided at no charge.
- Protective Devices Credit & Home Safety Coverage Credits.
- Business Pursuits Section II Coverage: All classifications will be rated same as rate shown for clerical employees.
- Water Craft: Same charge apply for lengths over 15-26 ft. & over 151 horsepower as to lengths up to 15 ft. & below 151 horsepower.
- Home Day Care: Rated at Bureau rates for Permitted Incidental Occupancies (HO-42).
- Installment Payment Plan: $2 charges each installment.
- Eff. 3-1-95

154. **Standard Fire Insurance Company**

- Base Rate Deviation Dwelling, Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Coverage A Relativities forms HO 00 02 and HO 00 03.
- Coverage A Relativities form HE 00 07.
- Deductible Credits HO 00 02, HO 00 03 and HE 00 07 Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Protection Devices.
- Personal Property - Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free Customer Credit Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Home Buyer Credit Homeowners policy written in conjunction with Private Passenger Automobile policy.
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff. 6-20-10 TRVA-126641632 North Carolina Department of Insurance

155. **Starr Indemnity & Casualty Company**

- All Forms: Personal Prop Replacement Cost; Minimum additional premium for coverage is deleted.
- All Forms: Protective Devices; Maximum credit allowed is deleted.
- All Forms, except 4 & 6: Fixed dollar amount deductible credits.
- Eff. 4-1-95

156. **State Automobile Mutual Insurance Company**

- Auto/Home Discount

- Credits for Protective Devices
- Age of Dwelling Credit
- Increased Coverage C.
- Form HO 00 05.
- Protection Class 9 Rates.
- Prime of Life Discount, Age 55 and older.
- Townhouse /rowhouse.
- Three or Four Family Dwellings.
- Residence Held in Trust.
- Base Premiums.
- Ordinance or Law Coverage.
- Form HE 00 07 with HE 32 21.
- Boating Course Credit.
- Watercraft Membership Credit.
- Eff 12-1-10 STAT-126854678 North Carolina department of Insurance

157. **State Auto Property & Casualty Insurance Company**

- Auto/Home Discount.
- Credits for Protective Devices
- Increased Coverage C.
- Form HO 00 05.
- Protection Class 9 Rates.
- Prime of Life Discount, Age 55 and older.
- Townhouse /rowhouse.
- Three or Four Family Dwellings.
- Residence Held in Trust.
- Ordinance or Law Coverage.
- Boating Course Credit.
- Watercraft Membership Credit.
- Eff. 6-1-10 STAT-126462177 North Carolina Department of Insurance

158. **State Farm Fire & Casualty**

- Deviation by Amount of Insurance HO 00 03.
- Deviation by Amount of Insurance HO 00 04.
- Deviation by Amount of Insurance HO 00 06.
- Base Premium Computation Three and Four Family.
- Townhouse/Rowhouse – Form HO 00 03.
- Wind/Hail Deductible Credits – Form HO 00 03.
- Residence Premises-Basic and Increased Limits.
- Other insured Location Occupied by Insured.
- Additional residence rented to Others.
- Jewelry and Furs.
- Replacement Cost on contents forms HO 00 04 or HO 00 06.
- Ordinance or Law Coverage.
- Rental condominiums, HO 00 06.
- Coverage A Increased limits & Special Coverage Form HO 00 06.
- Homeowners 36 Discount.
- Installment Payment Plan.
- Refrigerated Personal Property, No Charge.
- Home-Auto Discount.
- Named Storm Percentage deductibles HO 00 03, HO 00 04, HO 00 06.
- All peril deductibles – HO 00 04.
- All peril deductibles – HO 00 06
- All peril deductibles – HO 00 03.
- Customer Rating Index.
- Eff.7-1-11 SFMA-127096008 NCDOI

159. **Stonington Insurance Company**
- Mature Retirees Credit: 10% when required criteria are met.
- All Forms: 10% base rate deviation for protection class 1-9 & 9s for territories 32-40.
- New Roof Credit: 5% off base premium when eligibility met; Not applicable with new home credit.
- Form 3: 10% credit Preferred Homeowners Program when criteria are met.
- Loss Free Renewal Credit: Applied to renewal date of policy that has been free of losses: 1 yr. - 3%; 2 yrs. - 6%; 3+ more yrs. - 9%.
- Multi-Policy Credit: 10% applies to new business only when applicant has auto with agency representing Nobel & their homeowners coverage is placed with Nobel. 5% credit applies second yr.
- Eff. 6-1-99

160. **Teachers Insurance Company**
- Maters Program Form HO 00 07 Amount of insurance by territory and amount of insurance relativities.
- Protection Device Credits: Classes 1-9: Credits vary 1% - 15%.
- Automatic Adjustment of Limits 2% credit on Forms HO-2 and 3 if insured 100% to value with Inflation Guard Endorsement attached.
- Newly constructed residence.
- Territorial Deviations for tenant and Condominium Base Rates.
- Waive $3.00 installment fee on each installment except the initial down payment.
- Deductible Credits for Form 3 and Masters Program: Ded credit varies.
- Multi-Line Deviation for all forms.
- Deductible Credits: Form HO 4 & 6.
- Replacement Value Personal Property HO 00 04 and HO 00 06.
- Master Program: $60,000 Minimum coverage A, inflation protection and replacement value-personal property at no additional charge.
- Federal Flood Insurance program discount.
- Earthquake Program Deviation.
- Silverware, goldware & pewterware deviation
- Refrigerated food spoilage deviation.
- Tenant's improvement - Increased Limits.
- Coverage A Options - Form 6.
- Additional Residence Premises - Rented to Others.
- Private Structures rented to Others.
- Coverage Amount Deviations for Forms 4 & 6: Deviations vary.
- Masters Program: Deviation by Credit Rating Tier
- Home Buyer Loyalty Program one time credit for the initial policy term.
- Eff. 5-1-09 HRMN-126009995 North Carolina Department of Insurance

161. **Travelers Casualty & Surety Company**
- Base Rate Deviation Homeowners Policy written in conjunction with Private Passenger Auto Policy.
- Base Rate Deviation Dwelling, HO 00 06.
- Coverage A Relativities forms HO 00 02 and HO 00 03.
- Coverage A Relativities form HE-7.
- Deductible Credits HO 00 02, HO 00 03 and HE 00 07 Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Protective Devices.
- Personal Property - Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free Customer Credit Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Coverage C Relativities – Form HO 00 06.
- Home Buyer Credit Homeowners policy written in conjunction with Private Passenger Automobile policy.
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff 6-20-10 TRAV-126641677 North Carolina Department of Insurance

162. **Travelers Indemnity Company**
- Deductible Credits.

- Protective Devices.
- Personal Property - Increased Limit Coverage C.
- Account Credit.
- Installment Payment Plan.
- Eff 6-20-10 TRVA-126641648 North Carolina Department of Insurance

163. **Travelers Indemnity Company of America**

- Base Rate Deviation Dwellings Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Base Rate Deviation Dwelling, HO 00 06.
- Coverage A Relativities Deviation: forms HO 00 02 and HO 00 03.
- Coverage A Relativities Deviation: forms HE 00 07.
- Deductible Credits HO 00 02, HO 00 03 and HE 00 07 Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Protective Devices.
- Personal Property Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property: charge waived.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free customer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Multi-Line Insurance & Financial Services Institution Employees Credit.
- Final Premium Adjustment Factor.
- Royal SunAlliance Employee Program
- Coverage C Relativities – Form HO 00 06, credit varies.
- Home Buyer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy..
- HE-7 Factor Deviation.
- Installment Payment plan.
- Eff 6-20-10 TRAV-126641663 North Carolina Department of Insurance

164. **Travelers Indemnity Company of Connecticut**

- Forms 3 & 3w/15: Base rate deviation based on protection class, amount of insurance & territory; Variable credit factors.
- Form 3: 12% optional coverage credit.
- Forms 3 & 3w15: Deductible credits; $500-16%; $1000-26%; $2500-32%.
- Protective Device Credits: Variable credits.
- Increased Limits Coverage C: Reduce charge to $2 per $1000.
- New Home Credit: New - 20%; 1 yr. old - 19%; 2 yrs. 18%; 3 yrs. - 16%; 4 yrs. - 15% - 14%; 6 yrs. - 12%; 7 yrs. - 11%; 8 yrs. - 10%; 9 yrs. - 8%; 10 yrs. - 7%; 11 yrs. - 6%; 12 yrs. - 4%; 13 yrs. - 3%; 14 yrs. - 2%; 15 yrs. - 1%.
- Replacement or Repair Cost Protection: Reduce charge to $1 per policy.
- Account Discount: 10% when insured has both auto & homeowners policy.
- Forms 3 & 3w/15: Loss Free Credit; 3+ yrs. loss free - 3% credit.
- Rate Credit for Multi-Line Insurance & Financial Services Institution Employees Credit: 20% credit.
- Eff. 11-1-96

165. **Travelers Personal Security Insurance Company**

- Base Rate Deviation Dwellings Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Coverage A Relativities Deviation: forms HO 00 02 and HO 00 03.
- Coverage A Relativities Deviation: forms HE 00 07.
- Deductible Credits HO 00 02, HO 00 03 and HE 00 07 Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Protective Devices.
- Personal Property Increased Limit Coverage C.
- Personal Property - Refrigerated Personal Property.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free customer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Multi-Line Insurance & Financial Services Institution Employees Credit.

- Final Premium Adjustment Factor.
- Royal SunAlliance Employee Program
- Coverage C Relativities – Form HO 00 06, credit varies.
- Home Buyer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- HE-7 Factor Deviation.
- Installment Payment Plan.
- Eff 6-20-10 TRAV-126641697 North Carolina Department of Insurance

166. **Travelers Property Casualty Company of America**

- Base Rate Deviation: Credit varies based on territory.
- New Home Credit: 0 - 15 yrs. old: Credit varies 2% - 20%.
- Protective Device Deviation: Credit varies 1% - 15%.
- Forms 2, 3 & 3w15, 4 & 6: 10% Account Credit.
- Forms 2, 3 & 3w15: Personal Property - Increased Limit Coverage C: $1 per $1000.
- Form 3w/15: 10% Additional premium charge.
- Forms 2, 3, 3/w15, 4 & 6: Loss Free Credit: 5+ yrs. loss free - 5% credit.
- Deductible Credits: Varies by amount of deductible & territory.
- Form 3: Homeowners Extra Credit: 15% when criteria are met.
- Refrigerated Personal Property. $10 charge waived.
- Forms 3 & 6: Association Credit Program: 10% credit applies when certain criteria are met.
- Forms 2 & 3: Inflation Guard premium charge waived.
- Eff. 5-21-00 PC032643 North Carolina Department of Insurance

167. **Twin City Fire Insurance Company**

- Age of Dwelling Credit for all territories except 7, 8, 41, 48, 49, 52.
- Account Credit for all territories.
- Retiree Credit named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: if complex meets the protection requirements.
- Product Factor – Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key Factors.
- Insurance Score.
- Prior Losses.
- Territory Deviation.
- Eff. 10-09-10 HART-126607934 North Carolina Department of Insurance

168. **USAA CASUALTY INSURANCE COMPANY**

- Tier Discount, HO 00 03.
- Tier Discount HO 00 06.
- Base Premium HO 00 03.
- Base Premium HO 00 06.
- Base Premium Protection Construction Factors.
- Deductibles.
- Windstorm or Hail Exclusion Credits.
- Ordinance or Law.
- Personal Property-Additional Coverage-Jewelry and Furs.
- Sinkhole Collapse Coverage.
- Coverage A Dwelling Basic and Increased Limits.
- Other Structures.
- Personal Property-Increased Limit.
- Earthquake Coverage.
- Protective Devices.
- Loss History.
- New Home Discount.
- Auto and Home Combination Discount.
- Refrigerated Personal Property.
- Installment Payment Plan.

- Eff 12-31-10 USAA-126769231 North Carolina Department of Insurance

169. **USAA General Indemnity Company**

- Tier Discount, HO 00 03.
- Tier Discount HO 00 06.
- Base Premium HO 00 03.
- Base Premium HO 00 06.
- Base Premium Protection Construction Factors.
- Deductibles.
- Windstorm or Hail Exclusion Credits.
- Ordinance or Law.
- Personal Property-Additional Coverage-Jewelry and Furs.
- Sinkhole Collapse Coverage.
- Coverage A Dwelling Basic and Increased Limits.
- Other Structures.
- Personal Property-Increased Limit.
- Earthquake Coverage.
- Protective Devices.
- Loss History.
- New Home Discount.
- Auto and Home Combination Discount.
- Refrigerated Personal Property.
- Installment Payment Plan.
- Eff 12-31-10 USAA-126769204 North Carolina Department of Insurance

170. **Unigard Indemnity Company & Unigard Insurance Company**

- Form 3: Credits vary by protection class & Coverage A dwelling amounts; $40000 & under to $1000000 & over. Credit varies based on territory.
- Form 3: Personal Property Replacement Cost; Delete 5% surcharge.
- Form 6: 16% to be applied to base rate of 10% off Form 4.
- Form 3: Fixed dollar amount deductibles credits; $500-9%; $1000-17%; $2500-25%.
- Forms 4 & 6: $500-l0%; $1000-23%; $2500-37%.
- Form 3: New Home Credit; Current yr. - 20%; 2% less credit each added yr.
- Personal Property Coverage C Increased Limits: Form 3 - $1; Form 3w/15 - $2.
- Protection Device Credit: 5% in all territories & protection classes for an installed smoke detector, fire extinguisher & dead bolt locks.
- Reduced rates for Outboard Motors & Water Craft liability.
- Forms 3, 4 & 6: Personal Injury Coverage; HO-82 included at no charge.
- Form 3: Deviation of territorial Relativities: Credit varies 5.0% - 20.0%.
- Form 4: Credit off base rates by territory; Credit varies 3.5% - 10.0%.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Surcharge reduced from 1.40 to 1.30.
- Forms 4 & 6: Deviation varies by protection class & territory.
- Eff. 10-3-94

171. **Union Insurance Company**

- Protective Device Credit: Credit varies 2% - 15%.
- All Forms: Account Credit: 10% when auto coverage is written with Union Ins. Co.
- Form 3: New Home/Dwelling Under Construction Discount: Discount based on yr. completed & occupied. Credit varies.
- 3% - 20%.
- Mature Homeowner Credit: 5% if insured is 55 yrs. & an adult is usually home during the day.
- All Forms, except 4 & 6: Replacement cost on contents. $10 charge plus $2 per $1000 when increasing Coverage C from 50% to 70% of Coverage A.
- Increased Deductible Credits: Forms 3, HE-7, 4 & 6; $500-19%; $1000-21%.
- Form 3: Coverage A Factor Deviation by amount & territory.
- Eff. 7-1-01

172. **United Services Automobile Association**

- Tier Discount, HO 00 03.
- Tier Discount HO 00 06.
- Base Premium HO 00 03.
- Base Premium HO 00 06.
- Base Premium Protection Construction Factors.
- Deductibles.
- Windstorm or Hail Exclusion Credits.
- Ordinance or Law.
- Personal Property-Additional Coverage-Jewelry and Furs.
- Sinkhole Collapse Coverage.
- Coverage A Dwelling Basic and Increased Limits.
- Other Structures.
- Personal Property-Increased Limit.
- Earthquake Coverage.
- Protective Devices.
- Loss History.
- New Home Discount.
- Auto and Home Combination Discount.
- Refrigerated Personal Property.
- Installment Payment Plan.
- Eff 12-31-10 USAA-126768268 North Carolina Department of Insurance

173. **United States Fidelity & Guaranty Company**

- Waive any additional premium of $5 or less.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; 1.35 factor.
- Increase in Coverage C limits: Forms 1, 2 & 3 - $1.50 per $1000; Form 3w15 - $2.50 per $1000.
- Form 6: Form Relativity Factor .800 in lieu of .855.
- Employee Group Discount: 15%.
- Forms 2 & 3: Additional Amount of Insurance. Premium charge $5. HO 03211.
- Special Package Discount. 5% when criteria is met.
- Forms 2, 3, 3w/15 & 8: Deductible Credits.
- Multi-Policy Discount: 10% credit when both Residential & P P Auto policies purchased through USF&G Insurance.
- New Home Discount: 1 yr.-20%; 2% less credit to 9th yr.
- Deviation of HO-3 base rates by territory & policy amount: Credits vary.
- Eff. 4-15-00 PC030952 North Carolina Department of Insurance

174. **United States Fire Insurance Company**

- Forms 2, 3, & 3 w/15: New Home Credit; 0-1 yr. old - 20%; 2% less credit each added yr.
- Forms 1, 2, 3 & 3 w/15: Higher deductible credit factors; $500-.89; $1000-.80; $2500-.67.
- Forms 4 & 6: Higher deductible credit factors; $500 - .83; $1000 - .67; $2500 - .54
- Premises Alarm System: Expand table of credits for protection class 1-7 to include class 8.
- All Forms: Replacement Cost on Contents: Deletion of $20 minimum additional premium.
- Eff. 3/1/90

175. **Unitrin Auto and Home Insurance Company**

- Base rate by territory.
- Base rate by coverage Level.
- Package Deviation.
- Price Level Deviation.
- Dwelling/Contents Level.
- HE 00 07 Coverage Level.
- Age of Dwelling.
- Mature Homeowners Credit.
- Loss Record.
- Consumer Loyalty Credit.

- Personal Property (Coverage C) RC Coverage.
- Outboard Motors and Watercraft.
- Ordinance or Law Coverage.
- Network Discount.
- Installment Payment Plans, Electronic Funds Transfer (EFT).
- Protective Devices.
- All Other Protective Devices.
- Eff 9-15-10 Kemp-126709787 North Carolina Department of Insurance

176. **Unitrin Safeguard Insurance Company**
- Base rate by territory.
- Base rate by coverage Level.
- Package Deviation.
- Price Level Deviation.
- Dwelling/Contents Level.
- HE 00 07 – HE 32 22 Premium Credit.
- HE 00 07 Coverage Levels.
- Age of Dwelling.
- Mature Homeowners Credit.
- Loss Record.
- Consumer Loyalty Credit.
- Personal Property (Coverage C) RC Coverage.
- Outboard Motors and Watercraft.
- Ordinance or Law Coverage.
- Network Discount.
- Installment Payment Plans, Electronic Funds Transfer (EFT).
- Protective Devices.
- All Other Protective Devices.
- Territory Definitions.
- Insured's Loss Responsibility.
- Eff 9-15-10 KEMP-126709850 North Carolina Department of Insurance

177. **Universal North American Insurance Company**

Homeowners Choice Program
- Age of Dwelling Deviation.
- Protective Device Credit.
- Loss Assessment.
- Personal Property Replacement Cost.
- Business Pursuits.
- Deductibles Windstorm and Hail Deductible.
- Section II – Other Insured Location Occupied by Insured.
- Section II – Additional Residence Rented to Others.
- GEICO Credit.
- Costco Credit.
- Coverage D-Loss of Use.

Homeowners Advantage
- Age of Construction Factors.
- Maximum Discount.
- Loss Settlement Options.
- Earthquake Loss Assessment.
- Territory Factors.
- Affinity Discount.
- Claim Free Discount.
- Financial Responsibility Score.
- Claim Rating.
- Eff 3-1-11 UNAC-127010156 North Carolina Department of Insurance

178. **Utica Mutual Insurance Company**

- Replacement Cost Contents: Increase Coverage C to 70% of Coverage A for no additional charge. 5% surcharge is to be added to total base premium.
- Mass Merchandising Plan: 15% deviation for members of Utica National Insurance Group.
- Service for Employees (W.I.S.E.) program or is a member of a company approved affinity group
- HO Extension Package: Certain criteria apply.
- Personal Lines Account Credit.
- Territorial/Company deviation.
- Protection Class deviation.
- Eff. 8-1-07 PC103505 North Carolina Department of Insurance

179. **Valiant Insurance Company**

- Personal Property Replacement Cost
- Deductible Credits.
- Personal Property Increased Limits.
- Age of dwelling discount.
- Account Credit.
- Deviation by territory.
- Base Premium discount.
- Protective Device Credit.
- Eff 7-1-98

180. **Vesta Insurance Corporation**

- Inflation Guard Coverage: Premier, Deluxe, Renters & Condos; No charge.
- Loss Assessment Coverage for Earthquake: Premier, Renters & Condos; 5% deductible applies to insured's share of each assessment. Deductible amount not less than $250 in any one assessment. $1 per $1000.
- Credit card, fund transfer card, forgery & counterfeit money coverage Premier, Deluxe & Renters; Reduced charge.
- Premium Credits for Protective Device: Premier, Deluxe, Renters & Condos: Credit varies 2%-15%.
- Increased Special Limits of Liability Premier, Deluxe, Renters & Condos: Reduced charge for certain class of property.
- Deductible Credits: Credits vary from 15% - 40%.
- Senior Citizen Discount Premier, Deluxe, Renters & Condos: 5% if at least one of the named insured is 55 yrs. or older & is not employed outside the home.
- Supporting Business Discount Premier, Deluxe, Renters & Condos: 2%.
- Base Rate Deviation by Territory; Premier & Deluxe; Variable credits.
- Coverage Amount Reactivities Deviations: Premier & Deluxe; Credits vary based on Coverage A amount.
- Loss Free Credit: Premier, Deluxe, Renters & Condos; 3 yrs. - 5%.
- Personal Property: Coverage C limit may be increased at a rate of $2 per $1000.
- Age of Home Credit: Premier & Deluxe; Credits vary 0%-20%.
- Eff. 6-1-99

181. **Vigilant Insurance Company.**

- Base premium computation forms HO 00 04 and HO 00 06.
- Base premium computation HO 00 02 and HO 00 03, HO 00 05 and HE 00 07 – by territory.
- Protective Devices maximum credit is deleted
- Deductibles - Optional Higher Deductibles.
- Deductibles – Named Storm Percentage deductible.
- Additional Amounts of Insurance discount.
- Water Back-Up and Sump Discharge or Overflow Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05, HO 00 06 and HE 00 07.
- Gated Community credit.
- Valuable Articles Credit.
- Eff. 12-1-10 CHUB-126729239 North Carolina Department of Insurance

182. **West American Insurance Company**

- Water Craft Liability Rates: below NCRB for powerboats; below NCRB for sailboats.

- FamPak Credit to all Private Passenger Auto insureds that also have Homeowners policy with the Ohio Casualty Group.
- Employee Discount: to qualifying employees insured in the West American Insurance
- Eff.12-1-05 PC082801 Filing Detail

183. **Westchester Fire Insurance Company**

- Forms 1, 2, 3 & 3 w/15: Age of dwelling credit 0-1 yr. 20%; 2% less credit each added yr.
- Forms 1, 2, 3 & 3 w/15: Higher deductible credit factors; $500 - .89; $1000 - .80; $2500 - .67.
- Forms 4 & 6: Higher deductible credit factors; $500 - .83; $1000 - .67; $2500 - .54.
- Premises Alarm System: Expand table of credits for protection class 1-7 to include class 8.
- All Forms: Replacement Cost on Contents: Deletion of $20 minimum additional premium.
- Eff. 3/1/90

184. **XL Insurance America, Inc.**

- All Forms: Personal Property Replacement Cost Coverage; Minimum additional premium for coverage is deleted.
- All Forms: Protective Devices: Maximum credit allowed is deleted.
- Forms 1, 2 & 3: Replacement Cost on Contents: Charge $1 per $1000 for additional increase of Coverage C to 70% of Coverage A. Additional premium for this coverage will not apply.
- Deductibles: Deletion of minimum charges.
- Forms 1, 2, 3 & 8: Fixed dollar amount deductible factors; $500 - .91; $1000 - .83; $2500 - .75.
- Forms 4 & 6: Fixed dollar amount deductible factors; $500 - .90; $1000 .77; $2500 - .63.
- Eff. 4-1-95

HOMEOWNERS

1. **ACE American Insurance Company**
- New Construction Credit: New home - 10 yrs. Credit varies 20% - 0%.
- Forms 1, 2, 3, 4 & 6: Fixed Dollar Deductible: Credit varies 15% - 40%.
- Personal Property Increased Limit: $2 per $1,000 of additional coverage.
- Form 2 & 3: Replacement cost on contents - HO 0490: Factor of 11.5% applies to end of the base premium & includes increased limits to 70% of Coverage A dwelling amount.
- Protective Device Credits: All zones & all protection classes: Credit varies 2% - 15%.
- Rate Deviation: Homeowners - 21%; Tenants - 15%; Condominiums - 20%
- Eff. 9-1-92

2. **ACE Fire Underwriters Insurance Company**
- New Construction Credit: New 20%; 1 yr. old - 18%; 2% less credit each added yr.
- Forms 1, 2 & 3: Fixed dollar deductible credits; $500 - 11%; $1,000 - 21%; $2,500 - 34%.
- Form 4: Fixed dollar deductible credits; $500 - 11%; $1,000 - 25%; $2,500 - 40%.
- Forms 1, 2 & 3: Rate for increase in Coverage C: $1 per $1,000.
- Forms 1, 2 & 3: Replacement Cost Coverage HO-290; Charge shall be 4% of adjusted base premium. Coverage C must also be increased to 70% of A at $1 per $1,000.
- Protective Device Credits: All zones & all protection classes; Credit varies 1% - 15%.
- Eff. 5-1-92

3. **AIU Insurance Company**
- All Forms: 10%.
- Eff. 2-1-86

4. **AMCO Insurance Company**
- Territory Deviation, Forms HO 00 02, HO 00 03, and HO 00 05 and HO 00 04 and HO 00 06 excludes wind or hail or does not exclude wind or hail.
- Multiple Policy Deviation, Forms HO 00 02, HO 00 03 and HO 00 05, HO 00 04, HO 00 06.
- Deductible Deviations, Forms HO 00 02, HO 00 03 and HO 00 05.
- Safe Home Rating Plan Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Age of Oldest Insured Deviation, Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05 and HO 00 06.
- Year of Construction-Age of Construction Deviation Forms HO 00 02, HO 00 03 and HO 00 05.
- Amount of Insurance, All Territories Forms HO 00 02, HO 00 03 and HO 00 05.
- Home Renovation Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Roof Rating Deviation, Forms HO 00 02, HO 00 03 and HO 00 05.
- Home Purchase Deviation, Forms HO 00 02, HO 00 03, HO 00 05, and HO 00 06.
- Gated Community Deviation, Forms HO 00 02, HO 00 03, and HO 00 05.
- Flex Check Payment Option-Installment Payment Plan Deviation, Forms HO 00 02, HO 0003, HO 00 04, HO 00 05 and HO 00 06.
- Personal Status Deviation.
- Associate Discount Deviation.
- Increased Special Limits of Liability.
- Intra-Agency/Terms with Prior Carrier Discount Deviation – Forms 2, 3, 5, 4 and 6.
- Eff 5-2-12 NWPC-127979907 NCDOI

5. **AMEX Assurance Company**
- Various downward deviation based on amount of insurance Form 3.
- Various downward deviation based on amount of insurance Form 4.
- Various downward deviation based on amount of insurance Form 6.
- Protective Device Credits: Credit varies 2% - 15%.
- Home & Auto Credit: Credit varies by form 2% or 5%.
- Replacement Cost on Contents Deviation: Form 3 - 5% of base premium: Forms 4 & 6 - 30% of base premium.
- Coverage A Increased Limits downward deviation form HO 06..
- Utilities rating (New Home Discount) Form 3: Downward deviation : Credit varies 2% - 25% based on age of dwelling.
- Form 3: Downward deviation Coverage C Increased Limits.

- Downward deviation for installment pay plan by electronic funds transfer or payroll deduction.
- No additional charge for Refrigerated Personal Property.
- No charge for townhouse or row house.
- Costco Discount: 2% applies to policies for member insureds of Costco.
- HO 3, 4 & 6 base rates vary by territory.
- Eff. 8-1-05 PC083887 North Carolina Department of Insurance

6. **Affirmative Insurance Company**

- 15% base deviation for Premier Homeowners Program.
- 3% base deviation for Deluxe Homeowners Program.
- 15% base deviation for Premier Tenant Program.
- 10% base deviation for Deluxe Tenant Program.
- 20% base deviation for Premier Condominium Program.
- 15% base deviation for Deluxe Condominium Program.
- Forms 2 & 3: Deductible credits; $500-15%; $1000-25%; $2500-38%.
- Forms 4 & 6: Deductible credits; $500-15%; $1000-25%; $2500-40%.
- All Forms, except 4 & 6: New Home Credit: New 20%; 2% less credit each additional yr. to 9th yr.
- All Forms: Protective Device Credits: Credits vary 2%-15%.
- Forms 2 & 3: Replacement Cost on Contents; Surcharge of 7.5%. Coverage increased to 70% of Coverage A at no premium charge.
- All forms, except 4 & 6; Personal Property Increased Limit $2 charge per $1000 of coverage.
- Eff 02-15-02 PC046217 North Carolina Department of Insurance

7. **AGRI General Insurance Company**

- Amount of Insurance Deviation: Credits vary 1%-15% by policy amount, territory & county.
- New Home Credit: 20% 1st yr.; 2% less credit each added yr. to 9th yr. Does not apply to Form 8, remodeled or restored homes.
- All Forms, except 4 & 6: Deductible Factors: $250 ded.-1.00; $500 ded.-0.91; $1000 ded.-0.79; $2500 ded.-0.62.
- Protective Device Credit: Premium credit for all protection classifications & territories; Credit varies 1%-15%.
- Eff. 1-1-97

8. **Alfa Alliance Insurance Corporation (Virginia Mutual Insurance Company)**

- Premium Credit Factors - Claims Free Forms HO 0002, HO 0003, HO 0005 and HO 0008.
- Premium Credit Factors - Claims Free for forms HO 0004 and HO 0006.
- Row and Townhouses - discount.
- Account Discount.
- Insurance Score Discount.
- Newly Constructed Residences (not applicable to Forms 4 and 6).
- Amount of insurance relativities – Coverage A forms HO 00 02 HO 00 03 HO 00 05 and HO 00 08.
- Installment Payment Plan-Electronic Funds Transfer.
- Effective 5-1-11 AFAL-127042137 NCDOI

9. **Alliance Mutual Insurance Company**

- Flat Deductibles.
- Higher Windstorm or Hail Deductibles – Flat deductible.
- Protective Devices.
- Eff 7-1-06 PC094461 North Carolina Department of Insurance

10. **Allstate Indemnity Company**

- Tier-Claim Rating Deviation.
- Claims Free Discount.
- New/renovated Home Discount.
- Home and Auto Discount Deviation.
- The Good Hands People Discount Deviation.
- Zone Deviation.
- Eff 5-8-12 ALSE-128047642 NCDOI

11. **Allstate Insurance Company**
- Deductible factors.
- Personal Property Replacement Cost Deviation.
- Protective devise discount.
- Year of construction-New/Renovated Home discount.
- Age 55 & Retired Discount Factor.
- Home and auto discount deviation.
- The Good Hands People discount.
- Waterbed Liability Deviation HO4 and HO6.
- Installment payment plan – Allstate Easy Payment Plan.
- Three or four family dwelling.
- Zone (Territory) Deviation.

Deluxe Plus
- Deductibles
- Protective Devices.
- Year of Construction – Newly Constructed Dwellings.
- Age 55 and Retired Discount.
- Home and Auto Discount.
- The Good Hands People discount.
- Zone (Territory) Deviation.
- Eff 6-19-12 ALSE-128410904 NCDOI

12. **AmComp Assurance Corporation**
- Forms 2 & 3: Deductible credits; $500-9%; $1000-17%.
- Forms 2 & 3: Premium credits for alarm systems vary 2% - 15%.
- Age 55 & Retired Discount: 10% credit applies when required criteria is met.
- Forms 2 & 3: New Home Credit; 14%; Homes completed & occupied current calendar yr.; 2% less credit each added yr.
- Eff. 12-1-91

13. **American Automobile Insurance Company**
- Protective Device Credits: All forms & all territories: 1% - 15% credit applies to company base premium.
- Portfolio Credit: 5% credit applies to all homeowners policies when Personal Catastrophe Coverage and Personal Inland Marine Coverage is written with Company.
- Deviations by territories and forms: Credit varies.
- Eff. 12-1-03 PC065125 Filing Detail

14. **American Bankers Insurance Company of Florida**
- Select Tier Broad Form, Base Rate.
- Choice Tier Broad Form, Base Rate.
- Elite Tier Broad Form, Base Rate.
- Select Tier Comprehensive form Base Rate.
- Choice Tier Comprehensive form Base Rate.
- Elite Tier Comprehensive form Base Rate.
- Senior Discount Territory 2 and Territory 3.
- Claim Free Credit, Territory 2 and Territory 3.
- Eff. 1-1-11 ASPX-G126837901 North Carolina Department of Insurance

15. **American Centennial Insurance Company**
- Forms 1, 2, 3, 3 w/15 & 6: 25%.
- Eff. 9-1-85

16. **American Economy Insurance Company**
- All Forms: Personal Injury (HO-82) included at no charge.
- All Forms, except 4 & 6: New home credit or renovated home credit for homes meeting required criteria; 0-1 yr. - 15%; 2 yrs. - 12%; 3, 4 or 5 yrs. - 10%; 6 or 7 yrs. - 6%; 8-10 yrs. - 4%.
- Forms 2 & 3: Replacement Cost (HO-290) Coverage C is increased to 70% of Coverage A at no extra charge.

Charge of 9% (7% in Beach Area) is added to basic premium.
- Forms 4 & 6: Replacement Cost (HO-290); Charge of 30% is added to basic premium.
- Form 3: Replacement or Repair Cost Coverage A (HO-500); No charge.
- Forms 4 & 6: $100 deductible; Minimum additional charge of $10 in lieu of $30.
- Forms 2 & 3: Fixed deductible; $500 ded. - 9%; $1000 ded. - 17%.
- Forms 4 & 6: Fixed deductible credits; $500 - 10%; $1000 - 23%.
- Form 3: XL Coverage rate deviation when eligibility requirements are met.
- One family premium for all Section I & II coverages will apply regardless of number of families.
- Form 2 & 3: Dwelling under construction credit of 20% applies during first yr. when certain requirements are met.
- Form 6: Coverage A increased limits rate; $2.70 per $1000.
- Renewal credit for consecutive yrs. insured with American States Group; 3-5 yrs. - 5%; 6 or more yrs. - 10%.
- Protective Devices: Credit factors vary .98 to .85.
- Forms 3, 4 & 6: Unscheduled jewelry & furs - (HO-65); $2500 increased limit - $33; $5000 increased limit - $60.
- Form 3: XL Coverage Program; $5000 limit included in basic premium. To reduce to $1000 limit, subtract $56. To reduce to $2500 subtract $35.
- Eff. 11-17-97

17. **American Home Assurance Company**
- Base Premium by Territory Form HO 00 03.
- Key factor Deviation.
- Protective Devices.
- Eff. 6-1-10 APCG-126564265 North Carolina Department of Insurance

18. **American Insurance Company**
- Forms 2, 3 & 3w/15: New Home Credit; 20% current yr. & one yr. preceding current yr. of construction; 2% less credit each added yr.
- Protective Devices Credit: All territories 1% - 15%. Credit applies to company base premium.
- All Forms: Deductible credits: $500 -10%; $1000 -20%; $2500 -30%. Credit applies to company base premium.
- HO-3 w/15: Multiply HO-3 key premium by factor of 1.08 to obtain key premium for HO-3 w/15.
- Form 4 & 6: Deductible Credits for Coverage C limit. $10000 & above $500 -10%, $1000 - 20%, $2500 - 30%. Credit applies to company base premium.
- Discount of Replacement Cost on Contents: Apply surcharge of 10% to HO-3 company base premium for replacement cost on contents.
- Eff. 6-1-93

19. **American Manufacturers Mutual Insurance Company**
- Additional Amounts of Insurance (KIP only) deviation.
- All Forms: Optional Higher Deductibles deviation.
- Personal Property Replacement Cost: Increase Coverage C at $1 per $1000. Add $10 surcharge.
- Mature Homeowners Credit: 5% applies when named insured is 55 yrs. of age & an adult is home during the day.
- New Home Credit Discount: 0 - 15+ yrs. of age: Credit varies 0% - 20%.
- Premium Credits for Protective Devices.
- All Forms, except 3w/15: $100 deductible: Waive minimum premium.
- Form 3: Base rate deviation based on protection class & territory. Credit varies 0%-22%.
- All Forms except 3w/15: $250 theft deductible/ $100 deductible all other perils: Waive minimum premium.
- Form 4: Base Rate Deviation -7%.
- Form 6: Base Rate Deviation - 12%.
- Higher limits for credit cards, fund transfer card, forgery & counterfeit money coverage (KIP only). Outboard Motors & Water Craft (KIP only): Coverage up to & including 50 HP is included at no additional charge.
- Personal Injury (KIP only): Coverage included at no additional charge.
- Seasonal or Secondary Dwelling Discount (KIP only): 5% discount to base premium.
- Blanket Property Limit (KIP only): Replacement cost contents coverage included at no additional charge.
- Form 3: Special Personal Property Coverage: Factor 1.10 applies to base premium.
- Form 6: Special Personal Property Coverage: Factor 1.20 applies to base premium.
- Form 4: Building Additions & Alterations Increase: KIP & Monoline: Each addl. $1000 rate $10000 Form 4 premium x .08.
- Form 6: Coverage A Dwelling Basic and Increased Limits Special Coverage.
- Form 4 & 6: Ordinance or Law Increased Amount of Insurance Refrigerated Property with KIP policy.

- Form 3: KIP only: Ord or Law: Include 12.5% at no additional charge. Wind and Hail Deds for Form 3: Blkt Limits dev (KIP only).
- HE-7W/HE-40 deviation by territory for KIP only: Territory 40 - 1.20, Remainder of State 1.25.
- HE-7W/HE-40 & HE-20 deviation by territory for KIP only: Territory 40 - 1.25, Remainder of State 1.30.
- HE-7W/HE-40 & HE-21 deviation by territory for KIP only: Territory 40 - 1.30, Remainder of State 1.35.
- Deferred Premium Payment Plan: $1 charge for electronic funds transfer.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2-25-02 PC047937 Filing Detail

20. **American Modern Home Insurance Company**
- Form 3: Deductible Credits; $500 Ded. - 10%; $1000 - 22%; $2500 - 28%.
- Form 3: New Home Credit; Current yr. - 26%; 1st. yr. - 24%; 3% less each yr. to 7th yr.
- Form 3: Multi-policy credit; 5% credit when auto policy written in addition to homeowners policy.
- Protective Device Credits: Credit varies 1% - 10%.
- Amount of Insurance Deviation: Coverage A amount $10000 - $200000: Credit varies by territory.
- Eliminate charge to increase personal property limits.
- For rates above $200000, a factor of .007 applies for each additional $1000 of premium
- Eff. 6-1-99

21. **American Motorists Insurance Company**
- All Forms: Optional Higher Deductibles deviation.
- Personal Property Replacement Cost.
- New Home Credit Discount: 0 - 10+ yrs. of age: Credit varies 0% - 20%.
- Premium Credits for Protective Devices.
- All Forms, except 3w/15: $100 deductible: Waive minimum premium.
- Form 4: Base Rate Deviation 5%.
- Form 6: Base Rate Deviation - 10%.
- Higher limits for credit cards, fund transfer card, forgery & counterfeit money coverage (KIP only).
- Outboard Motors & Water Craft (KIP only): Coverage up to & including 50 HP is included at no additional charge.
- Personal Injury (KIP only): Coverage included at no additional charge.
- Seasonal or Secondary Dwelling Discount (KIP only): 5% discount to base premium.
- Blanket Property Limit (KIP only): Replacement cost contents coverage included at no additional charge.
- Form 3: Special Personal Property Coverage: Factor 1.10 applies to base premium.
- Form 6: Special Personal Property Coverage: Factor 1.20 applies to base premium.
- Form 4: Building Additions & Alterations Increase: KIP & Monoline: Each addl. $1000 rate $10000 Form 4 prem x .08.
- Form 6: Coverage A Dwelling Basic and Increased Limits Special Coverage.
- Form 4 & 6: Ordinance or Law Increased Amount of Insurance.
- Refrigerated Property: Coverage included at no additional charge with KIP policy.
- Form 3: KIP only: Ordinance or Law Coverage: Include 12.5% at no additional charge. Windstorm and Hail Deductibles for Form 3: Blanket Limits deviation (KIP only).
- HE-7W/HE-40 deviation by territory for KIP only: Territory 40 - 1.20, Remainder of State 1.25.
- HE-7W/HE-40 & HE-20 deviation by territory for KIP only: Territory 40 - 1.25, Remainder of State 1.30.
- HE-7W/HE-40 & HE-21 deviation by territory for KIP only: Territory 40 - 1.30, Remainder of State 1.35.
- Deferred Premium Payment Plan: $1 charge for electronic funds transfer.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2-25-02 PC047938 North Carolina Department of Insurance

22. **American Professionals Insurance Company**
- Form 2, 3 & 3w/15: Company deviation based on amount of insurance, construction & territory: Credit varies.
- Form 6: Territorial deviation.
- Forms 2, 3, 3w/15: New Home Discount based on age of home. Deviation varies 0% - 14%.
- Forms 1, 2, 3 & 3w/15: Fixed dollar amount deductible credit factors; $500 - .85; $1000 - .79; $2500 - .62.
- Forms 1, 2, & 3: Increase in Coverage C; $1 per $1000.
- Protective Devices: All forms: Maxcredit for protective device eliminated. All protection class & all territories. There is no limit on credit.
- Outboard Motors & Water Craft: Liability rates amended by boat length.
- Form 4 & 6: Fixed dollar amount deductible. Credit factor $500 - .85; $1000 - .77; $2500 - .63.

- All Forms, except 4 & 6: Windstorm or Hail Percentage/Factor Deductible deviation.
- Form 6: Coverage A Dwelling Basic & Increased Limits and Special Coverage.
- All Forms, except 4 & 6: Personal Property Replacement (Coverage C) Cost Coverage. 1.05 factor applies to base premium. Form 4 & 6: 1.35 factor: Minimum additional premium deleted.
- Ordinance or Law Coverage deviation factors.
- Three or Four Family Residence Coverage B & C deviation.
- Installment Payment Plan. Initial installment charge waived.
- 5% account credit when named insured has an auto policy with the Highlands Insurance Group Companies.
- Eff. 6-1-99

23. **American Reliable Insurance Company**
- One or both named insureds 55 or older.
- Protective devices.
- Optional Higher deductible.
- Eff 11-1-11 ASPX-G127317492 NCDOI

24. **American States Insurance Company**
- All Forms: Include Personal Injury HO-82 at no charge.
- All Forms, except 4 & 6: New home credit or renovated home credit for homes meeting required criteria.
- Form 2 & 3: Replacement cost Coverage C is increased to 70% of Coverage A at no extra charge: Charge of 9% (7% in Beach Area) is added to basic premium.
- Forms 4 & 6: Replacement cost (HO-290); Charge of 30% is added to basic premium.
- Replacement or Repair Cost Protection Coverage A (HO-500): $1.
- Forms 4 & 6: $100 deductible; Minimum additional charge $10 in lieu of $30.
- One family premiums for all Section I & II coverages will apply regardless of number of families.
- Forms 2 & 3: Dwelling under construction credit of 20% applies during first yr. if certain requirements are met.
- Form 6: Coverage A increased limits; Basic coverage rate per $1000 increase $2.70.
- Renewal credit for consecutive years insured with American States Group: 3-5 yrs. - 5%; 6 or more yrs. - 10%.
- Protective Devices: Credit factors vary .98 to .85.
- Forms 2, 3, 4 & 6: Unscheduled jewelry & furs (HO-65) $2500 increased limit - $33; $4000 increased limit - $60.
- Forms 2, 3 & 8: Fixed deductible credits; $500 - 9%; $1000 - 17%.
- Forms 4 & 6: Fixed deductible credits; $500 - 10%; $1000 - 23%.
- Eff. 12-1-/91

25. **American States Preferred Insurance Company**
- Form 3: Basic premium deviation varies by protection class. Variable credits.
- Form 3: Amount of insurance deviation: All amounts of insurance 13.0% credit.
- Form 3: Surcharges for townhouses & rowhouses are waived.
- Form 3: Homeowners XL Credit: When eligibility & coverage requirements are met. Variable credits.
- Form 3: Deductible credits/charges $500 - 12%; $1000 - 24%.
- The one family premiums for all Section I & Section II coverages shall apply regardless of number of families.
- Form 4: Amount of insurance deviation; $15000 - $30000 & above. Credit varies 2% - 22%, except for a few specific counties which receive 5% less.
- Form 6: Amount of insurance deviation; $20000 - $30000 & above. Credit varies 8% - 25%, except for a few specific counties which receive 5% less.
- Forms 4 & 6: Deductible credits/charges; $500 - 17%; $1000 - 30%.
- Alarm systems: Premium credits vary.
- Jewelry & Furs: Forms 3, 4 & 6; $2500 limit $33; $5000 limit - $60. Form 3 w/XL coverage $5000 included in base premium. To reduce to $2500 limit subtract $35. $1000 limit subtract $56.
- Form 3: Replacement Cost (HO-290) Coverage C is increased to 70% of Coverage A at no extra charge; Charge of 9% (7% in Beach area) is added to basic premium.
- Forms 4 & 6: Replacement Cost (HO-290); Charge of 30% is added to basic premium.
- All Forms: Include Personal Injury HO-82 at no charge.
- Form 3: Replacement or Repair Cost Protection Coverage A dwelling HO-500; No charge.
- Form 6: Coverage A increased limits; Basic coverage rate per $1000 increase $2.70.
- Form 3: New Home Credit; Current yr. - 15%; one yr. preceding current yr. - 12%; 2nd, 3rd & 4th yrs. -10%; 5th & 6th yrs. - 6%; 7th, 8th & 9th yrs. - 4%.
- Form 3: New dwelling under construction; 20% when certain requirements are met.

- Renewal credit for consecutive yrs. with American States Group; 3-5 yrs. - 5%; 6 or more yrs. - 10%.
- Eff. 10-30-97

26. **American Strategic Insurance Corporation**
- Territory Zone Deviation
- Protection Class Construction – Forms HO 00 03 and HO 00 05.
- Protection Class Construction – Form HO 00 04.
- Key Factors – Forms HO 00 03 and HO 00 05.
- Key Factors – Form HO 00 04.
- Age of Home.
- Tier Forms HO 00 03 and HO 00 04.
- Companion Policy – All Forms.
- "E Policy" – All Forms.
- New Purchase – HO 00 03.
- Senior Retiree – Forms HO 00 03 and HO 00 05.
- Age of Insured – Form HO 00 04.
- Non Smoker – All Forms.
- Accredited Builder – Forms HO 00 03 and HO 00 05.
- Personal Property Replacement Cost – All Forms.
- Protective Devices - All Forms.
- Wind Mitigation Forms HO 00 03 and HO 00 05.
- Eff 7-15-12 AMSI-128519199 NCDOI

27. **AMICA Mutual Insurance Company**
- Waive the additional premium for Coverage C, Personal Property at 75% of Coverage A.
- Form HO 00 04 rate deviation by policy amount.
- Additional Amounts of Insurance-1.00 All territories with exceptions.
- Personal Property-Increased Limit, $1.60 for all forms. Also waive the charge up to 75% of Coverage A without HO 04 90 (Personal Property Replacement Cost).
- Premium Payment Option.
- Multi-Line Discount, Optional Rating Characteristics. Various discounts in all territories with exceptions.
- Preferred Risk Deviation, Maximum Factor of $1.00 and a Minimum Factor of 0.50.
- Eff.2-1-12 AMMA-127610586 NCDOI

28. **Amerisure Insurance Company**
- All Forms: Minimum additional charge of $30 for $100 deductible is waived.
- Mature Homeowners Credit Factor .95 insured age 55 or older & dwelling is primary.
- Multi Policy Credit: Forms 2, 3 & 6: 15% multi-policy credit when personal auto coverage in force in Amerisure Group.
- New Home Credit Factors: Current year -.80; 1 yr.- 8l; 2 yrs. -.82; 3 yrs -.84; 4 yrs. -.86; 5 yrs. -.88; 6 yrs. -.90; 7 yrs. -.93; 8 yrs. -.96; 9 yrs. - .99.
- Form 3: Deviation by Territory: 0% - 18% credit based on territory, protection class & construction.
- Form 1, 2 & 3: Amount of Insurance Deviation; Coverage A amount $60000+-$199000 credit varies 0.46% - 9.77%.
- Form 6: Relativity .85.
- Eff. 10-1-94

29. **Amerisure Mutual Insurance Company**
- All Forms: Minimum additional charge of $30 for $100 deductible is waived.
- Multi-Policy Credit: Forms 2, 3 & 6 - 15% multi-policy credit to homeowners rates when automobile policy is written with Amerisure Group.
- Form 6: Relativity is .85.
- Eff. 10-194

30. **Armed Forces Insurance Exchange**
- Protective Device Credits.
- Fixed dollar amount deductible factors credit varies.
- New Home Credit; All Forms, except HO 00 04 & HO 00 06.

- Sinkhole Collapse Coverage: All Forms except HO 00 04 and HO 00 06. (Does not include basic, only increased amount)
- Base Premium Deviation Based on Territory.
- Installment Payment Charge waived
- Minimum policy premium waived.
- Personal Property Increased Limits charge per $1000.
- Wind Mitigation Program.
- Eff 12-5-11 ARMD-127176102 NCDOI

31. **Arrowwood Indemnity Company**

- Additional Amounts of Insurance: Forms HO 00 02 HO 00 03 $8 per policy.
- Deductible Credits: Credit varies by form & deductible amount.
- Personal Property (Coverage C) Replacement Cost Coverage: Forms 2 & 3 - Coverage A amount under $100000 - 11% surcharge; $100000 & over - 8% surcharge: Forms 4 & 6 - 40% surcharge.
- Preferred Customer Renewal Credit: 5% credit: Certain criteria must be met.
- Homeowners Enhancement Program: 1.25 factor applies to base premium.
- Installment Payment Plan: Policies billed by agent through account current payroll deduction program are not subject to installment fees.
- Deviation by Forms: Forms 2, 3, & 3w/15- 10%: Form 6- 20%.
- Eff. 5-15-04 PC069340 North Carolina Department of Insurance

32. **Associated Indemnity Corporation**

- Forms 2, 3 & 3w/15: New Home Credits; 20% current yr. & one yr. preceding current yr.; 2% less each added yr. Credit applies base premium.
- Protective Device Credits: All territories; 1% - 15%; Credit applies to company base premium.
- Forms 1, 2, 3, 3w/15 & deductible credits; $500-10%;$1000-20%;$2500-30%. Credit applies to company base premium.
- HO-3w/15 Key Premium: Multiply HO-3 key premium by factor of 1.08.
- Discount of Replacement Cost on Contents: Surcharge of 10% to HO-3 company base premium.
- Form 4 & 6: Ded credits all territories; Credits for Coverage C $10000 & above, $500-10%,$1000-20%, $2500-30%. Credit applies to base premium.
- Eff. 6-1-93

33. **Association Insurance Company**

- Deviation by Coverage A limit $100000 & above - 30% credit.
- Forms 1, 2 &3: RC Coverage HO-290; Personal property incr. limits charge $1 per $1000; Waive 5% surcharge.
- New Home Credit: Cov A amount $100000 & above; Age of dwelling 0-5 yrs - 15%, 6-10 yrs - 10%, 11-15 yrs - 5%.
- 44% deviation off N.C. Rate Bureau Rates if Cov A amount is $100000 or above for all SAS Institute Inc. Employees.
- Eff. 1-1-96

34. **Assurance Company of America**

- All Forms, except 4 & 6: Age of dwelling credit; New-20%; 1yr.-18%; 2yrs.-16%; 3yrs-14%; 4yrs-13%; 5yrs.-12%; 6yrs-10%; 7yrs.-8%; 8yrs.-6%; 9yrs.-4%. 10yrs.-2%.
- Forms 4 & 6: Replacement Cost on Contents; Factor 1.35.
- Forms 2 & 3: Charge $1 per $1000 for increase in Coverage C limit.
- Form 4: 15% deviation.
- Form 6: 20% deviation.
- Base Premium Discount: All Forms, except 4 & 6; Factor varies .95 -1.25.
- Forms 2, 3 & 3w/15: Deviation by territories: Variable credits.
- All Forms: Fixed dollar amount deductibles factors: $500-.85; $1000-.75; $2500-.70.
- Account Credit: 10% credit when insured has home & auto coverage with Zurich Insurance Cos. when criteria is met.
- Protective Device Credit: Factor varies. Maximum credit of $75 is waived.
- Eff. 7-1-98

35. **Automobile Insurance Company of Hartford, Connecticut**
- Deductible Credits Homeowners written in conjunction with Private Passenger Auto Policy.
- Protective Devices.
- Account Credit.
- Installment Payment Plan.
- Eff 11-30-11 TRVA-127651839 NCDOI

36. **Auto-Owners Insurance Company**
- Form HO 00 06 – rate deviation.
- Deductibles – Waiver of Minimum charges.
- Protective Device Credit.
- Protective Device Credit – alarm systems.
- Mature Homeowner Discount for insureds between the ages of 55 and 64.
- Townhouse or row house deviation.
- Credit card, fund transfer card, forgery and counterfeit money.
- Form HO-6 coverage A Dwelling increased Limits and special coverage.
- Loss Assessment Coverage.
- Personal Injury coverage-no charge.
- Permitted Incidental Occupancies – Residence Premises.
- Special Personal Property Coverage HO 00 05.
- Multi-Policy Discount.
- Section II liability watercraft.
- Life/Homeowners Multi-Policy Discount
- Insurance Score Credit.
- Home/Umbrella Multi-Policy discount.
- Paid in Full discount.
- Personal Property Increased Limits.
- Claim Free Discount.
- Loss History Discount.
- All Forms except HO 00 04 and HO 00 06.
- Mortgage Free Discount.
- Protection Class Relativities.
- Age of Construction Discount.
- Base Class Premium.
- Windstorm or Hail Exclusion.
- Windstorm Mitigation.
- Changes or Cancellations.
- Incidental Farming.
- Theft Coverage.
- Home Day Care Coverage.
- Eff. 11-1-11 AOIC-127310435 NCDOI

37. **Balboa Insurance Company**
- Age of Dwelling Credit: 0 - 9 yrs. of age: Credit varies.
- Deductible Factors Deviation: Credit varies.
- Protective Device Credits: Credit varies.
- Brick or Masonry Construction.
- Eff. 5-1-09 BALB-126027963 North Carolina Department of Insurance

38. **Bankers Standard Insurance Company**
- Deviation forms HO 00 02, HO 00 03, HO 00 04, HO 00 06, HO 00 05 and HE-7 and certain territories.
- Key Factors Coverage A over $750,000.
- Protective Devices maximum credit allowed is deleted.
- Optional Higher Deductibles forms HO 00 04 and HO 00 06.
- Hurricane Percentage Deductible.
- Additional Amounts of Insurance.
- Gated Community Credit.

- Valuable Articles Credit-Multi Policy.
- Mass Merchandising Discount.
- Eff. 2-23-11 ACEH-126882478 North Carolina Department of Insurance

39. **Camden Fire Insurance Association, The**

- All Forms, except 4 & 6: New Home Credit.
- All Forms, except 4: Account credit applies to homeowner premium when personal automobiles in any of the General Accident Companies.
- All Forms: Protective devices: Credit varies 2% - 15%.
- All Forms: Fixed Dollar Amount Deductible Factors; $500 - .90; $1000 - .77.
- Forms 1, 2, 3 & 3w/15: Personal Property Increased Limits; $1 per $1000 of insurance.
- Forms 1, 2 & 3: Personal Property Replacement Cost coverage; Waive charge to increase Coverage C limit 70% of Coverage A limit. Premium for replacement cost coverage developed by applying factor of 1.05 to base premium including any premium adjustment for Coverage C in excess of 70% of Coverage A.
- All Forms, except 4 & 6: Deviation by policy size; Coverage A Amounts. Credit varies.
- Uniform base rate deviation – all forms except HO 04 and HO 06 10% credit applied when written in the Camden Fire Insurance Association.
- Eff.8-15-02 PC054137 North Carolina Department of Insurance

40. **Central Mutual Insurance Company**

Owners Program

- Deviation by territory and protection class.
- Homeowners Enhancement Program – Deviation by form HE-7 and HE-7 with HE-20.
- Deviation by amount of insurance and insurance score.
- Insurance Score Deviation.
- Customer loyalty deviation.
- Company Deductible Credits B. Optional Deductibles.
- Payment timelines deviation.
- Loss history deviation.
- Personal Property Replacement Cost.
- Accompanying schedule or boat deviation.
- Age of dwelling.
- Home buyer deviation.
- Gated community deviation.
- Non-Packaged Risk deviation.
- Wood Roof Factor.
- Residence held in trust deviation.
- Package deviation.
- Installment Payment with Electronic Transfer.
- Deviation for Waiver of Premium.
- Deviation by Group Rating.
- **Condo Program**
- Deviation by territory, protection class.
- Deviation by amount of insurance.
- Deviation by insurance score.
- Customer loyalty deviation.
- Deductible Optional Higher Deductibles.
- Payment timelines deviation.
- Loss history Deviation.
- Accompanying schedule or boat deviation.
- Form HO 00 06 Coverage A Dwelling Basic and Increased Limits and Special Coverage.
- Residence held in trust.
- Package Deviation.
- Installment Payment Plan.
- Deviation for waiver of premium.
- Deviation by Group Rating.

Tenants Program

- Deviation by territory, protection class.

- Amount of insurance deviation.
- Insurance score deviation.
- Customer loyalty deviation.
- Deductibles B. Optional Higher Deductibles.
- Payment timelines deviation
- Loss history deviation.
- Accompanying schedule or boat deviation.
- Package Deviation.
- Installment Payment Plan with Electronic Transfer.
- Deviation for waiver of premium.
- Deviation by Group Rating.
- Eff 5-1-12 CEMC-127974761 NCDOI

41. **The Charter Oak Fire Insurance Company**
- Deductible Credits HO 00 02, HO 00 03, HE 00 07 HO 00 04 and HO 00 06.
- Protective Devices.
- Personal Property - Increased Limit Coverage C.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free Customer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Home Buyer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Installment Payment Plan.
- Eff 6-1-12 TRVA-128193380 NCDOI

42. **Chartis Property Casualty Company**
- Base Premium by Territory Form HO 00 03.
- Key Factor Deviation.
- Protective Devices.
- Eff 1-1-11 APCG-126633095 North Carolina Department of Insurance

43. **Cincinnati Indemnity Company**
- New home credit Forms 2, 3 & 3w/32 36; New – 9 years, credit varies.
- Installment Payment Plan: Delete the $3 charge for each installment.
- Homeowners Enhancement Deviation.
- Eff 4-1-04 PC065697 North Carolina Department of Insurance

44. **The Cincinnati Insurance Company**
- Year of construction-Newly Constructed Dwellings Age of Dwelling Credits.
- Base Rate Deviations by Territory.
- Installment Payment Plan.
- Homeowners Enhancement Deviation.
- Watercraft Liability deviation.
- Preferred Risk credit.
- Superior Risk Credit – Forms HO 00 03 and HE 00 07 only.
- Insurance Score Factor – All Forms.
- Package Credit-Multi Policy credit – All Forms.
- Automatic Water Shut-Off System Credit.
- Mature Homeowners Discount – All Forms.
- Secured Community Credit.
- Territory Definitions.
- Earthquake Coverage.
- Eff 1-1-12 CNNB-127381734 NCDOI

45. **Continental Indemnity Company**
- Form 3: Age of Dwelling Discount: 0 - 9 yrs. of age: Credit varies 2% - 20%.
- Account Credit Program: .85 factor applies when both the homeowner & auto policy is written through CNIC.
- Deductible Credit/Charges Deviation: Credit varies by deductible amount.

- Form 6: .80 factor applied to HO-4 base premium.
- Protective Device Deviation: Credit varies 1% - 15%.
- Forms 3, 4 & 6: Eliminate minimum premium for Replacement Cost Coverage.
- Form 3: Additional Limits of Liability for Coverages A, B, C & D: 6% applies to base premium when certain criteria is met.
- Form 3: Personal Property Replacement Cost will be 5% of base premium, no minimum additional premium & no charge to increase Coverage C when certain criteria is met.
- Form 3: Personal Injury charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Water Back-Up of Sewers or Drains, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Credit Card, Fund Transfer Card, Forgery & Counterfeit Money, to increase coverage charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Special Computer Coverage, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Cov C Increased Special Limits of Liability, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Fire Department Service charge will be increased to $1000 when certain coverages & increased limits options are selected.
- Form 3: Increasing Coverage D to 30% of Coverage A, charge will be deleted when certain coverages & increased limits options are selected.
- Form 3: Coverage A Relativities Deviation: Credit varies 3.8% - 6.5%.
- Form 3: Ordinance or Law-Increased Amount of Coverage will be 4% of base premium when certain coverages & increased limits options are selected.
- Form 3: Refrigerated Property Cov, charge will be deleted when certain coverages & increased limits options are selected
- Eff. 1-1-01 PC038500 North Carolina Department of Insurance

46. **Continental Insurance Company**

- Amount of Insurance Deviation forms HO-2, HO-3, and HO-8.
- Amount of Insurance Deviation forms HO-4
- Amount of Insurance Deviation forms HO-6
- Earthquake Rate Deviations.
- Companion Policy Discount: applies when named insured has an auto policy with any Encompass Ins Co.
- Gated Community Discount. 10% credit when criteria are met.
- New Home Discount: 1 year – 18%, 1-5 yrs. -15%; 6-10 yrs. - 10%.
- Deductible Credits Deviation – based on Coverage A Limit.
- Additional Limits Deviation Coverage F: Deviation.
- Business Pursuits Rate Deviation. Credits vary .14% - .33%.
- Incidental Farm Rate Deviation. Residence Premises - 48%; Other Residence - 65%.
- Superior Construction Discount: 15% credit applies to masonry base premium or apartment unit.
- Protective Device Credits: Credit varies 1% - 9%.
- Automatic Sprinkler System Deviation: Credit of 7% or 13% applies.
- Preferred Rate Deviation 5% conditions vary.
- Special Personal Property Coverage HO 00 06 only – deviation 4.3%
- Eff. 8-15-02 PC052786 North Carolina Department of Insurance

47. **Economy Premier Assurance Company**

- PAK II Program – HE 00 07 Base Rates and Policy Amount.
- PAK II Program – HO 00 06 Base Rates by Territory.
- PAK II Program – HO 00 04 Base Rates by Territory.
- PAK II Program – HO 00 04 and HO 00 06 Policy Amount Relativities by Territory.
- Homeowners Enhancement Program HE 00 07 with HE 32 20.
- Homeowners Enhancement Program HE 00 07 with HE 32 21.
- PAK II Package Credit Multi Policy.
- Renewal Credit.
- Year of Construction.
- Personal Injury Protection Liability Deviation.

- Deductible credits.
- Protective Devices Credit and Home Safety Coverage.
- Business Pursuits Deviation.
- Outboard motors and watercraft.
- Home day care.
- Personal Property Increased Limits.
- Earthquake Coverage-Ordinance or Law Coverage.
- Residence Premises Basic and Increased Limits Coverage F- Medical Payments.
- Other Exposures-Medical Payments to Others Increased Limits.
- Other Structures – On Premises Structures Specific Structures – Increase Limits.
- Other Structures-On Premises Structures Specific Structures-Rented to Others.
- Eff. 8-31-11 METX-G127355098 NCDOI

48. **Electric Insurance Company**
- Protective Device Credits.
- Deductible Factors.
- Unscheduled Jewelry, Watches and Furs.
- Silverware, Goldware and Pewterware.
- Firearms.
- Group Marketing discount.
- Eff.12-02-11 ELEC-127376989 NCDOI

49. **EMCASCO Insurance Company**
- Personal Property (Coverage C) Replacement Coverage
- Deductible Credits
- Additional Amounts of Insurance
- Base Rate Deviation on Forms HO 00 02 and HO 00 03
- Combination Policy Discount
- Renovated Dwelling Components
- 15% Deviation applicable to Optional Section I and II rates
- Electronic Funds Transfer
- Insurance Scoring
- Eff. 3-15-07 PC097670 North Carolina Department of Insurance

50. **Employers Mutual Casualty Company**
- Optional Higher Flat deductible credits all forms,
- Additional Amounts of Insurance forms HO 00 02 and HO 00 03.
- Combination Premium Credit: 15% when homeowners & auto policies are written in one of the EMC Companies.
- Renovated Dwelling Components: Variable credits when criteria is met.
- Electronic Fund Transfer transaction fee is waived when the electronic funds transfer options is selected.
- Insurance Scoring.
- Eff. 3-15-07 PC097669 North Carolina Department of Insurance

51. **Encompass Indemnity Company**
- Forms 2, 3, and 8 Base Rate Deviations by Territory.
- Form 4 Base Rate Deviation by Territory.
- Form 6 Base Rate Deviation by Territory.
- Gated Community Discount.
- New Home Discount.
- Deductible Credits Discount.
- Additional Limits Deviation, Coverage F
- Business Pursuits Rate Deviation.
- Incidental Farming Personal Liability Deviation.
- Superior Construction Discount.
- Protective Devices.
- Automatic Sprinkler Systems.
- Special Personal Property Coverage HO 6 only.

- Companion Policy Discount.
- Preferred Rate Deviation.
- Windstorm or Hail.
- Effective 11-1-11 ALSE-127143088 NCDOI

52. **Erie Insurance Exchange**

- Base Rate Deviations.
- Amount of Insurance Deviation all forms except HO 00 04 & HO 00 06.
- Multi-Policy Discount.
- New Home Discount.
- Optional Deductible Factors - all forms, deviation varies.
- Protective Device Credit Deviation.
- Increased Special Limits of Liability HO 04 64 (all forms except HE-7) Credit varies.
- Personal Property Replacement Cost.
- Townhouse or rowhouse charge eliminated except HO 00 04 and HO 00 06.
- Earthquake Coverage.
- Outboard Motors & Watercraft.
- Building Addition & Alterations Increased Coverage C limit - Form HO 00 04 (HO 0451).
- Seasonal Dwelling Factors.
- Rented Personal Property: HO 32 21 No charge.
- Business Pursuits: No charge.
- Waterbed Liability HO 04 00 HO 00 06.
- Refrigerated Property Coverage.
- Personal Property Increased Limits; HE 7.
- Premium payment plan service charge – installment payments.
- Tiered Rating
- Other Members of a Named Insured's Household.
- Advance Quote Discount – New business.
- Claims Experience Rating Program.
- Age of Insured Discount.
- Windstorm or Hail Exclusion Credit.
- County Factors.
- Eff. 9-1-12 ERPP-128390763 NCDOI

53. **Fairmont Premier Insurance Company**

- All Forms: Age of Dwelling Credit; 0-3 yrs. old - 21%; 4-6 - 14%; 7-9 - 7%.
- Forms 1, 2 & 3: 38.0%.
- Form 6: 17.5%.
- Eff. 5-1-92

54. **Farmers Insurance Exchange Farmers Underwriters Association**

- Form Factor Deviations: Forms 3w/15 & 4.
- Territory Relativity Factor deviation.
- Amount of Insurance Deviations: Forms, HO 00 04 and HO 00 06.
- Rule 403. Personal Property –Coverage C Replacement Cost Coverage.
- Rule 404 Protective Devices.
- Deductible Rule 406 credits.
- Loss Assessment Coverage Deviation.
- Rule 515 personal property.
- Other Insured Location Occupied by Insured.
- Additional Residence Rented to Others.
- Permitted Incidental Occupancies - Residence Premises & Other Residences: Deviation applies to Residence Premises.
- Business Pursuits Deviation for $200,000 limit.
- Optional Rating Characteristics Age 50 Plus Discount.
- Optional Rating Characteristics Auto/Homeowners Discount: All Forms: Factor of .90: Certain criteria apply.
- Affinity Banking Discounts HO 00 03 and HO 00 06 only. Certain qualifications apply. Credit varies.

- Oridinance or Law-Increased Amount of coverage.
- Eff 5-16-08 PC112928 North Carolina Department of Insurance

55. **Federal Insurance Company**

- Maximum credit for protective devices.
- Optional Higher Deductibles.
- Named Storm Deductible.
- Additional Amount of Insurance deviation.
- Water Back-Up and Sump Discharge or Overflow.
- Gated Community Credit.
- Effective 6-4-12 CHUB-127972268 NCDOI

56. **Federated Mutual Insurance Company**

- Forms 1, 2, 3 & 3w/I5: New Home Credit: 14% dwellings 0-1 yr. old; 2% less credit each added yr.; applies to $250 deductible basic premium & premium for amended Coverage C limit.
- Forms 1, 2, 3 & 3w/I5: Fixed dollar amount deductibles; $100 +10%; $500 -10%; $1000 -20%; $2500 -30%.
- Forms 4 & 6: Fixed dollar amount deductibles; $100 +10%; $500-15%; $1000-30%; $2500-40%.
- Forms 1, 2, 3 & 3w/15: Deviation by policy amount varies 0%-25%.
- Form 4: 10%.
- Form 6: 25%.
- Forms 3 & 3w/I5: Special Additional Credit Rule: 10% when eligibility & mandatory coverage requirements are met.
- Multiple Policy Discount: 5% applied to HO Policy when private passenger auto policy & personal umbrella policy is written by this Company.
- Installment Pay Plan: $5 maximum charge per account for all policies.
- Eff. 11-15-94

57. **Fidelity & Guaranty Insurance Company**

- Waive additional premium of $5 or less.
- Deviation of HO-3 Base Rates by territory & policy amount: Credits vary.
- Forms 4 & 6: Personal Property Replacement Coverage: Reduced premium charge.
- Special Package Discount: 5% credit to total residential premium when underwriting criteria is met.
- Form 6: Relativity factor .750 in lieu of .855.
- Employees Discount: 20%.
- Forms 2 & 3: Additional amount of insurance: HO 3211 $5 premium charge.
- Deductible Credits.
- Increase in Coverage C: Reduced rate per $1000.
- Multi-Policy Discount: 10% credit when private passenger auto policy is also purchased with USF&G.
- All Forms, except 4, 6 & 8: New Home Discount; 1 yr.-20%; 2% less credit each added yr. to 9th yr.
- Eff. 4-15-00 PC030961 North Carolina Department of Insurance

58. **Fidelity & Guaranty Insurance Underwriters**

- Deviation of HO-3 Base Rates by territory & policy amount: Credits vary.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Factor 1.35.
- Waive additional premium of $5 or less.
- Special Package Discount: 5% credit applied to total residential insurance premium when underwriting criteria is met.
- Form 6: Form Relativity of .800 in lieu of .855.
- Employees Discount: 20%.
- Forms 2 & 3: Additional amount of insurance: H0 3211 - $5 premium charge.
- Deductible Credits.
- Increase in Coverage C: Reduced rate per $1000.
- Multi-Policy Discount: 10% credit when private passenger auto policy is also purchased with USF&G.
- All Forms, except 4 6 & 8: New Home Discount; 1 yr.-20%, 2% less credit each added yr. to 9th year.
- Forms 2, 3 & 3w/15: Protection Class Deviation.
- Eff. 4-15-00 PC030953 North Carolina Department of Insurance

59. **Fidelity National Property and Casualty Insurance Company**

- Windstorm or Hail Exclusion Credit.

- Insurance Bureau Score Deviation.
- Eff 7-30-10 FDLY-126720295 North Carolina Department of Insurance

60. **Firemans Fund Insurance Company**

- Protective Device Credits: All territories: Credit varies 1% - 15%.
- Portfolio Credit: 5% applies to all HO policies when Personal Catastrophe Coverage and Inland Marine Coverage is written with Fireman's Fund.
- Eff. 12-01-03 PC065121 North Carolina Department of Insurance

61. **Firemen's Insurance Company of Washington D.C.**

- Deluxe Program: Form 3: 5% deviation off base premiums.
- All Forms: Protective Device Credit: Credit varies 2% - 13%.
- All Forms, except 4 & 6: Age of Home Discount: Credit varies 4% - 20% for age of dwelling 0 - 25 yrs. with greatest credit for newest homes.
- All Forms, except 4 & 6: Senior Citizen Discount; Factor of .92 of base premium age 50-54 yrs. Factor .95 age 55 yrs. & older.
- All Forms, except 4 & 6: Renovation Discount 0-15 yrs. factors apply when underwriting guidelines are met. Credit applies to base premium.
- Renewal Discount: Factor .95 applies to base premium when criteria is met.
- Form 3: Loss Free Credit; 1yr. - 5%; Renewal with 2 yrs. loss free - 10%. Credit applies to base premium.
- All Forms, except 4 & 6: Optional deductible credits applies to base premium. Coverage A limit under $200,000 - $500 ded. - .87; $1000 - .76; $2500 - .73. $20000-$400,000 - $500 ded - .89; $1000 - .80; $2500 - .77. Over $400,000 - $500 - .92; $1000 - 86; $2500 - .83.
- Eff. 10-1-97

62. **First Community Insurance Company**

- Base Premium HO 00 03.
- Base Premium HO 00 04.
- Base Premium HO 00 06.
- Windstorm or Hail Exclusion HO 00 03.
- Age of Home.
- Book Transfer Discount.
- Multiple Policy Discount.
- Prior Insurance HO 0003 and HO 0006.
- Occupancy Factors HO 00 03 and HO 00 06.
- Claim Free Discount, All Forms.
- Experience Rating Factors.
- Mature Homeowners Discount All Forms.
- New Purchase Discount.
- Underwriting Tier.
- Hip Roof Discount.
- Preferred Builder Discount.
- Renovation Discount.
- Secured Community.
- Key Factor Table HO 00 03 Discount.
- Key Factor Table HO 00 04 Discount.
- Key Factor Table HO 00 06 Discount.
- Superior Construction-All Forms.
- Eff 1-1-12 BKIC-127785014 NCDOI

63. **Garrison Property and Casualty Insurance Company**

- Tier Discount, HO 00 03.
- Tier Discount HO 00 06.
- Base Premium HO 00 03.
- Base Premium HO 00 06.
- Base Premium Protection Construction Factors.
- Deductibles.
- Windstorm or Hail Exclusion Credits.

- Ordinance or Law.
- Personal Property-Additional Coverage-Jewelry and Furs.
- Sinkhole Collapse Coverage.
- Coverage A Dwelling Basic and Increased Limits.
- Personal Property-Increased Limit.
- Earthquake Coverage.
- Protective Devices.
- Loss History.
- Auto and Home Combination Discount.
- Refrigerated Personal Property.
- Installment Payment Plan.
- Eff 6-3-12 USAA-128094888 NCDOI

64. **General Insurance Company of America**
- Base Key Premiums all forms by Territory Deviation.
- Deductible Debit/Credits Deviation.
- Renewal Credit all forms: 3-5 yrs. - 5%; 6 yrs.+ - 9%.
- Account Credit all forms: 5% credit for total policy premium when insured has a Safeco auto policy also.
- Condominium Unit Owners Coverage A Increased Limits & Special Coverage Deviation.
- Business Pursuits (HO 24 71) all forms: the charge is deleted.
- Credit Card Forgery & Counterfeit Money Coverages (HO 04 53): Delete $1 charge for $1000 limit.
- Personal Injury (HO 24 82): $10 charge per policy.
- Landlord's Furnishing (HO 32 21): $10 premium per policy to increase coverage to total $5000 with burglary coverage added.
- Ordinance or Law Cov (HO 04 77) Deviation for Quality Plus Form, Quality Crest Form & Condominium Form.
- Medical Payments: Other exposures - Higher limits all forms: Additional charge for higher limits of medical payments will be waived.
- Additional Residence Rented to Other (HO 24 70): Limit of Liability $100,000 - $1,000,000: Premium charge varies.
- Outboard Motors & Water Craft: Reduced premiums based on limits, length and horsepower.
- Personal Liability - Residence Premises Deviation: Increased Limits: Coverage E base $300,000: Coverage F no charge.
- Special Personal Property Coverage HO-OO 15 & HO-17 31: Quality Plus Form & Condominium Form- Increase basic premium 8%. Quality Crest Form automatically included.
- Installment Payment Charge: $2 each installment.
- Eff. 8-15-02 PC052887 North Carolina Department of Insurance

65. **Government Employees Insurance Company**
- Forms 1, 2, 3 & 3 w/15: New Home Discount: 10% for dwellings 5 yrs. old or less.
- Homeowners Theft Deterrent Premium Credit Program: Forms 1, 2, 3 & 3 w/15 - 7%; Forms 4 & 6 - 20%.
- Forms 1, 2 & 3: Amount of Insurance Credit; Classes 1-9 - $10,000-$200,000 & over. Credit varies 4%-22%.
- Form 6: 10%.
- All Forms: Protective Devices: Variable credits.
- Forms 2, 3, 4 & 6: Retired Discount Credit; 20% when specified criteria are met.
- All Forms: Dual Policy Discount: 10% when specified criteria are met.
- Forms 4 & 6: Key factor +.074 for each additional $1000 of coverage.
- Installment Payment Plan: Waive the charge of $3 first installment if first payment received with application.
- Form 4 & 6: Waterbed Liability Endorsement: No premium charge.
- Eff. 3-1-95

66. **Grain Dealers Mutual Insurance Company**
- Continuous policyholder discount.
- Account Credit.
- New Home Discount.
- Personal Property, over 70% of Coverage A.
- Insurance Score.
- Eff. 7-9-12 NGMC-128284998 NCDOI

67. **Granite State Insurance Company**
- Forms 1, 2, 3, 4, 3w/15 & 6: 20% deviation.
- Replacement or Repair Cost protection Coverage A premium $1.
- Age of Dwelling Deviation: 0 - 20 yrs. old - 10%.
- Forms 1, 2, 3, 3w/15, 4 & 6: 20%.
- Eff. 7-1-87

68. **Graphic Arts Mutual Insurance Company**
- Personal Property Replacement Cost.
- Mass Merchandising Plan.
- -5% W.I.S.E./Affinity program discount,
- Deviation for Owners Forms for risks located in territories 7, 8, 41, 45, 46, 48, 49 and 52.
- Deviation for Owners Forms for risks located in territories 36, 44 and 60.
- Deviation for Owners Forms for risks located in territories 38 and 39.
- Deviation for Owners Forms risks located in territory 34.
- Deviation for Owners Forms for risks located in territory 57.
- Deviation for Owners Forms for risks located in territory 53.
- Deviation for Owners Forms 32.
- Deviation for Owners Forms in territory 47.
- Deviation for Non-Owners Forms for risks in territories 36, 44, 57 and 60.
- Deviation for Non-Owners Forms for risks located in territories 38 and 39.
- Deviation for Non-Owners Forms for risk located in territories 7, 8, 34, 41, 45, 46, 47, 48, 49, 52 and 53.
- Personal Lines Account Credit
- Homeowners Extension Package
- Protection Class deviation/Suburban Rating.
- Eff. 4-1-12 UTCX-G127958109 NCDOI

69. **Hanover American Insurance Company**
- Mature Homeowners Credit.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits.
- Personal Property Replacement Cost for all forms except HO 00 04 and HO 00 06.
- Personal Property Replacement Cost for forms HO 00 04 and HO 00 06.
- Account Credit Discount.
- Loss of Use-Increased Limits – Reduced premium charge.
- Condominium Unit Owners-Coverage A Dwelling – Basic and Increased Limits.
- Coverage A Dwelling: Basic & Increased Limits for form HO 00 06.
- Watercraft Liability Rates: All forms.
- Personal Property, Increased Limits All forms, except HO 00 04 and HO 00 06.
- Special Personal Property, all forms except HO 00 02, HO 00 04 and HO 00 06.
- Electronic Funds Transfer Plan Discount.
- Group Modification Plan Discount.
- Direct Bill Policies.
- Cap on total credits/discounts.
- Territorial Deviation.
- Relativity Curve Deviation Forms HO 00 03.
- Relativity Curve Deviation Forms HO 00 04 and HO 00 06.
- Eff. 2-1-12 HNVX-G127879116 NCDOI

70. **Hanover Insurance Company**
- Mature Homeowners Credit.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits: All forms, except 4 & 6.
- Personal Property Replacement Cost on Coverage C: All forms, except 4 & 6.

- Personal Property Replacement Cost on Coverage C: Forms 4 & 6.
- Account Credit: All forms.
- Loss of Use-Increased Limits: All forms.
- Condominium Unit Owners-Coverage A Dwelling: Basic & Increased Limits.
- Watercraft Liability Rates: All forms.
- Personal Property Increased Limits.
- Special Personal Property.
- Electronic Funds Transfer Installment Payment Plan.
- Group Modification Plan Discount (Mass Merchandising Plan)
- Direct Bill Policies Installment payment plan.
- Cap on credits/discounts
- Relativity curve deviation HO 00 03.
- Relativity Curve deviation forms HO 00 04 and HO 00 06.
- Eff. 2-1-12 HNVX-G127879210 NCDOI

71. **Harbor Specialty Insurance Company**

Preferred:
- Homes 25 yrs. of age or less insured for $50,000 or more.
- Form 3: Base Rate Deviation by territories; Credit varies 20.2% - 24.3%.
- Form 4: Credits off Key Premiums; 2% Alamance County.
- Form 6: Base Rate Deviation by territories; Credit varies 19.4% - 22%.
- Form 3: Replacement Cost Protection (HO-500): Charge $1 in lieu of $5 when requirements are met.
- Form 3: Protective Devices Credit; Class 1-9, credit varies 2%-15%.
- Form 3: New Home Credit; 0-1 yr. old - 21%; 1% less credit each added yr. thru 8th yr.; 9 yrs. - 12%; 10 yrs. - 10%; 11 yrs. - 8%; 12 yrs. - 6%; 13 yrs. - 4%; 14 & 15 yrs. - 3%. Credit applicable to annual premium.
- Form 3: Personal Property Increased Limits; $.50 per $1000 of insurance.
- Form 3: Deductible Credits; $500 ded. - 10%; $1000 - 20%.
- Forms 3, 4 & 6: 20% deviation for policies written as part of Personal Protection Package Policy.
- Forms 4 & 6: Deductible Credits; $500 ded. - 10%; $1000 ded. - 23%.

Standard:
- Form HO-3 only - Homes 25 years of age or older and/or insured for less than $50,000.
- Form HO 3 Credit off Key Premiums; 13.4% Alamance County; 9.4% territory 34; 8.6% territories 30 & 31; 11.4% territories 4, 32, 33, 36, 37, 38, 39, 40, 41, Lincoln & Rockingham County; 11.4% for remainder of Alamance County & remainder of territories. Form 3: Coverage C increased limit charge $.50 per $1000 of insurance.
- Form 3: Deductible Credits; $500 - 10%; $1000 - 20%.
- Form 3: Protective Credit; Same as for preferred.
- Form 3: New Home Credit; Same as for Preferred.
- Form 3: 20% deviation applies to HO program when written as part of Personal Protector Package Policy.
- Eff. 3-1-94

72. **Harford Mutual Insurance Company**
- Forms 1, 2 & 3: New Home Discount; 10% - dwellings 15 yrs. old or less.
- Forms 1, 2, 3 & 8: Fixed dollar amount deductible factors; $500 - .90; $1000 - .83; $2500 - .75. $100 deductible amount - minimum $30 - maximum $60.
- Forms 4 & 6: Fixed dollar amount ded. factors; $500 .90; $1000 .77; $2500 .63. $100 deductible amount min. $30, max. $60.
- All Forms: Protective devices factors for all territories & all protection classes - factors varies .98 to .85.
- Eff. 5-1-92

73. **Harleysville-Atlantic Insurance Company**
- Forms 1, 2, 3 & 8: Base rate credits; Coverage A limit $48,000 & under $95,000 & over; Credit varies 0.0% - 27.5%.
- All Forms: 13%; Optional coverage rates Section I & II.
- Forms 1, 2, 3 & 8: New Home Discount factor; 1 yr. old or less .80; Discount factor increased by .01 thru 11th yr. - discount factor increased by .02 - 12th thru 15th yr.
- Eff. 5-1-92

74. **Harleysville Mutual Insurance Company**
- Group Mass Marketing Discount.
- Preferred Customer Discount: All territories except 05, 06, 41, 42, 43, 81, and 86.
- Deviations by certain territories.
- StarPak Program Discount.
- Companion discount – Credit for homeowners and private passenger auto policy.
- Newly Purchased Home Credit HO 02, HO 03, HO 05 and HE 7.
- Mature Homeowner Discount (HO 03, HO 05 and HE 7 only) 55 years of age or older.
- Life Insurance Policy Discount (Homeowner and Life policy).
- Coverage A Key Factors discount All territories except 07, 08, 41, 48, 49, 81, 86 and 90.
- HO 00 04 and HO 00 06 Base Premium Computation.
- Personal Property Increased Limit charge.
- Other Members of a Named Insured's Household
- Electronic Funds Transfer (EFT)
- Territory Definitions Harleysville/NCRB
- Eff. 3-28-11 HRLV-127019076 NCDOI

75. **Harleysville Preferred Insurance Company**
- Group Mass Marketing Discount.
- Preferred customer discount – all territories except 07, 08, 41, 48, 49, 81 and 86.
- HE-7 Enhancement Deviations by certain Territories.
- StarPak Program Discount
- Companion Credit (homeowners and private passenger auto policy).
- Newly Purchased Home Credit Forms HO 02, HO 03, HO 05, and HE 7.
- Mature Homeowner Discount (HO 03, HO 05 and HE 7 only) 55 years of age or older.
- Life Insurance Policy Discount (life insurance/annuity policy).
- Coverage A Key Factors discount.
- HO 00 04 or HO 00 06, Base Premium deviation for certain Territories.
- Personal Property Increased Limit.
- Other Members of a Named Insured's Household.
- Electronic Funds Transfer (EFT).
- Eff 7-30-12 HRLV-128579077 NCDOI

76. **Hartford Accident and Indemnity Company**
- Age of Dwelling Credit for all territories except 7, 8, 41, 48, 49, 52.
- Account Credit for all territories.
- Retiree Credit named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: if complex meets the protection requirements.
- Product Factor – Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key Factor for Premier, CCRL and Elite.
- Insurance Score.
- Prior Losses.
- Territory Deviation.
- Effective 12-11-10 HART-126607107 North Carolina Department of Insurance

77. **Hartford Casualty Insurance Company**
- Age of Dwelling Credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit for all territories.
- Retiree Credit, named insured is age 50 or older.
- Limited Access Credit-Forms HO 00 04 and HO 00 06 is protected 24 hours a day.
- Product Factor- Forms HO 00 04 and HO 00 06.
- Retirement community/Limited Access community Credit.
- Key Factor.
- Insurance Score.
- Prior Losses.
- Territory Deviation.

- Eff. 10-9-10 HART-126607319 North Carolina Department of Insurance

78. **Hartford Fire Insurance Company**

- Age of Dwelling Credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit deviation for all territories.
- Retirees Credit, named insured is age 50 and older.
- Limited Access Credit-Forms HO 00 04 and HO 00 06 is protected 24 hours a day.
- Product Factor (Merit, Elite, CCRL, Premier), - Forms HO 00 04 and HO 00 06.
- Retirement community/Limited Access Community Credit.
- Key Factor for Premier, CCRL and Elite.
- Insurance Score.
- Prior Losses.
- Territory Deviation Factor.
- Eff. 10-9-10 HART-126607350 North Carolina Department of Insurance

79. **Hartford Insurance Company of Midwest**

- Age of Dwelling credit for all territories except 7, 8, 41, 48, 49 and 52.
- Account Credit all territories.
- Retirees Credit: named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: is protected 24 hours a day.
- Product Factor – Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key factors.
- Insurance Score.
- Prior Losses.
- Territory Deviation Factor.
- Effective 10-9-10 HART-126607363 North Carolina Department of Insurance

80. **Hartford Underwriters Insurance Company**

- Age of Dwelling credit.
- Account Credit all territories.
- Retirees Credit.
- Limited Access Credit.
- Key Factors deviation – except Forms HO 00 04 and HO 00 06.
- Eff. 12-8-11 HART-127316327 NCDOI

81. **Homesite Insurance Company**

- Preferred Risk Group 1 Discount 10% when certain criteria are met.
- Preferred Risk Group 2 Discount 10% when certain criteria are met.
- Eff 6-1-09 HMSS-126064634 North Carolina Department of Insurance

82. **Horace Mann Insurance Company**

- Installment Payment Plan.
- Master Program.
- Electronic Funds Transfer.
- Eff. 10-1-12 HRMN-128543039 NCDOI

83. **Horace Mann Property & Casualty Insurance Company**

- Form HO 00 07 – Amount of Insurance by Territory and Amount of Insurance Relativities.
- Protective Device Credits: Classes 1-9.
- Newly Constructed Residences Credits.
- Protection Class Credits.
- Installment Payment Plan Waive initial $3 installment fee.
- Multi-Line Deviation.
- Masters Program.
- Credit Rating Tier/Insurance Score.
- Home Buyer Loyalty Program.

- Electronic Funds Transfer.
- Optional Deductibles.
- Eff 5-1-12 HRMN-128121029 NCDOI

84. **IDS Property casualty Insurance Company**

- Form HO 00 03 – Amount of Insurance.
- Form HO 00 04 – Amount of Insurance.
- Form HO 00 06 – Amount of Insurance.
- Protective Device Credits
- Deductible Credits Forms HO 00 03, HO 00 04 HO 00 06.
- Home and Auto Discount.
- Replacement Cost on Contents Discount Forms HO 00 03, HO 00 04 HO 00 06.
- Condo Coverage A increased limits.
- Utilities Rating Plan.
- Coverage C Increased Limits.
- Installment Pay Plan.
- Refrigerated Personal Property
- Townhouse/Rowhouse
- Costco Discount
- Base Rates (Form HO 00 03) by territories
- Base Rates (Form HO 00 06) by territories
- Eff 8-14-09 PRCA-126151220 North Carolina Department of Insurance

85. **Indemnity Insurance Company of North America**

- New Construction Credit: New - 20%; 2% less credit for each yr. to 9th yr.
- All Forms: Fixed Dollar Deductible: Credit varies 15% - 40%.
- Personal Property Increased Limit: $2 premium charge per $1000 of coverage.
- Forms 2 & 3: Replacement Cost Coverage Personal Property: HO 0490; Factor 10.5% includes increased Coverage C to 70% of Coverage A at no additional premium charge.
- Protective Device Credits: All zones & protection classes: Credit varies 2% - 15%.
- Rated Deviation: Homeowners - 11%; Tenants - 10%; Condominiums - 15%.
- Eff. 9-1-99

86. **Indiana Lumbermens Mutual Insurance Company**

- Forms 1, 2, 3 & 3 w/I5: 15% 0-10 yrs. old; 10% 11-15 yrs. old; 0% 16 yrs. & over.
- Eff. 9-1-85

87. **Insura Property & Casualty Insurance Company**

- Form 3: Deductible credits; $500 - 15%; $1000 - 25%; $2500 - 38%.
- All Forms: Personal property increased limits $2 per $1000.
- Protective Device Credits; Credit varies 2% - 15%.
- Personal Injury (HO-82) included at no charge.
- Personal Property Replacement Cost Coverage; Eliminate 5% surcharge.
- New Home Credit: Current calendar yr. - 20%; 1 yr. preceding current calendar yr. - 18%; each added yr. 2% less credit until 10+ yrs. - 0%.
- Multi-Policy Credit: 10% applies to total HO policy prem. when auto policy is written in the Anthem Casualty Ins. Group.
- Amount of insurance deviation based on territory, protection class & amount of Coverage A: $70,000-$200,000 credits varies 8.6% - 21.9%; Each additional $10,000 credit varies 15% - 30%.
- Forms 2 & 3: Amount of Insurance Deviation; 3% charge of basic premium.
- Base premium deviation by territory.
- Eff. 6-1-99

88. **Insurance Company of North America**

- Forms 1, 2 & 3: Fixed dollar deductible credits; $500-11%; $1000-21%; $2500-34%.
- Form 4: Fixed dollar deductible credits; $500-11%; $1000-25%; $2500-40%.
- Forms 1, 2 & 3: Rate for increase in Coverage C; $1 per $1000.
- Forms 1, 2 & 3: Personal Property Replacement Cost coverage HO 290; Charge shall be 4% of adjusted base

premium. Coverage C must be increased to 70% of A & $1 per $1000 charge made.
- Protective Device Credits: All zones & all protection classes: Credits vary from 1%-15%.
- Eff. 5-1-92

89. **Insurance Company of the State of Pennsylvania**
- Form 6: 35%.
- Form 4: 20%.
- Forms 2 & 3: Deductible Credits; $250 - 15%; $500 - 25%; $1000 - 35%.
- Forms 2, 3, 3w/15 & 6: Age of Dwelling Discount; 0-5 yrs. - 15%; 6-10 yrs. - 10%; 11-20 yrs. - 5%.
- Forms 1, 2, 3, 3 w/15 & 8: 28%.
- Home Buyers Discount: 10% first 3 yrs. ownership; 5% second 3 yrs.
- Forms 1, 2, 3 & 3 w/15: Delete 5% surcharge for replacement cost of contents.
- Eff. 6-15-88

90. **Integon General Insurance Corporation**
- Delete the surcharge for $100 deductible.
- Form 6: 10% deviation.
- Deviation by amount of insurance: Coverage A amount $50,000 - $250,000 & above based on territory; Credit varies - 0% - .340%.
- Deductible Credits: Form 3; Terr. 32, 33, 34-41- $250 ded., $500 ded., $1000 ded. & $2500 ded.: Credits varies .05%- .41%.
- Long-Term Customer Discount: 5-9 yrs. with Co.- 5%; 10 yrs. or longer with company -10%.
- Eff. 5-1-92

91. **Integon Indemnity Corporation**
- Delete surcharge for $100 deductible.
- Form 6: 15% deviation.
- Replacement Cost Coverage C: Delete surcharge for replacement cost on contents.
- Deviation by Amount of Insurance: Cov. A amount $50,000 - $250,000 & above & based on territory. Variable credit.
- Deductible Credits Form 3; Terr. 32, 33, 34-41 - $250 ded; $500 ded. $1000 & $2500 ded. Credits vary .05%-41%.
- Long Term Customer Discount: 5-9 yrs. renewal with company - 5%; 10 yrs. or longer with Company - 10%.
- Eff. 5-1-92

92. **Integon National Insurance Company**
- Companion policy discount Form HO 00 04 with auto or recreation vehicle.
- Deviation of 6% Form HO 00 04.
- Eff 5-15-12 GMMX-128088782 NCDOI

93. **Liberty Mutual Fire Insurance Company**
- Mass Merchandising Program – 5% deviation when certain criteria is met
- Installment Payment Plan all forms.
- Coverage A Dwelling Limit for form HO 00 06.
- Watercraft Deviation by limits of liability.
- Multi-Policy Discounts.
- Property Tiering Program.
- Condominium and Renters Tiering Program.
- Eff. 8-23-10 LBPM-126601313 North Carolina Department of Insurance

94. **Liberty Mutual Mid-Atlantic Insurance Company**
- Forms 2,3,4, & 6 35% deviation.
- Froms 2 & 3 Dwellings 0-10 years – 10%.
- Eff 11-1-86

95. **Lititz Mutual Insurance Company**
- New Home Credit.
- Specified Additional Amount of Insurance.
- Optional Higher Deductibles Deviation.

- Base Premium.
- Eff 9-1-12 LITZ-128346980 NCDOI

96. **LM Property and Casualty Insurance Company**

- New Home Credit: Age of Home 0 - 7 yrs. of age: Credit varies 0%-20%.
- Deductible credits
- Personal Property Replacement Cost: - HO-3 Apply 4% surcharge to adjusted base premium.
- Enhanced Dwelling Limit (EDL) – Form HO-3 $1.00 per policy.
- Protective Device Credits: Variable Credits 2%-15%.
- Forms 3, 3w/15, Premier & 6: 5% Mature Homeowners Credit.
- Personal Property – Increased Limit Form HO-3: $1.00 per $1,000 increase of insurance
- Mature Homeowner Credit – Forms HO-3 and HO-6 5% credit. A premium credit applies if any named insured is age 55 or older as of the effective date of the policy.
- Companion for Life Discount all forms 10% credit.
- Secured Community Credit: Credit applies if primary residence is located in a fully secured or partially secured community. Fully secured - 10%: Partially secured -5%.
- Electronic Funds Transfer Fee: No charge.
- Increased Limits Jewelry, Watches & Furs: $14 per $1000 of Coverage.
- Personal Property Replacement Cost: Form HO4 and HO 6 Minimum charge of $20.
- Silverware, Goldware, & Pewterware: $2.50 per $500.
- Deviation for 3 & 4 Family Liability Rates.
- Deviation by Liability Coverage.
- Outboard Motors & Water Craft Deviation for Coverage E, Increased Limits: Certain criteria apply.
- Outboard Motors & Water Craft Deviation for Coverage F, Increased Limits: Certain criteria apply.
- Business Property - Increased Limits Deviation: $10 per $2500.
- Eff. 3-14-03 PC058007 North Carolina Department of Insurance

97. **Lumbermens Mutual Casualty Company**

- Premium Credits for Protective Devices: Certain criteria apply.
- Mature Homeowners Credit: 5% credit applies to base premium if insured is 55 yrs. of age & is home during the day.
- Personal Property (Coverage C) Replacement Cost Coverage Deviation.
- $100 Deductible: Waive minimum premium.
- $250 Theft Deductible Factors: Certain criteria apply.
- All Forms: Optional Higher Deductibles deviation.
- Form 3: Special Personal Property Coverage: Apply a factor of 1.10 to base premium.
- Form HO 6: Special Personal Property Coverage: Apply a factor of 1.20 to base premium.
- Form 4: Building Addition & Alterations Increased Limit deviation.
- Form HO 6: Coverage A Dwelling Basic & Increased Limits Special Coverage Deviation.
- Ordinance or Law Increased Amount of Insurance: Form 4 & 6.
- Deferred Premium Payment Plan Option.
- New Home Discount: 0 - 6+ yrs. of age: Credit varies 0% - 18%.
- 5% Kemper Network Discount: Certain criteria apply.
- Eff. 2-25-02 PC047939 North Carolina Department of Insurance

98. **Maryland Casualty Company**

- All Forms, except 4 & 6: Age of Dwelling Credit; New-20%; 1 yr.-18%; 2 yrs.-16%; 3 yrs.-14%; 4 yrs.-13%; 5 yrs.-12%; 6 yrs.-10%; 7 yrs.-8%; 8 yrs.-6%; 9 yrs.-4%; 10 yrs.-2%.
- Forms 4 & 6: Replacement Cost on Contents: Factor 1.35.
- Protector Series Program: Reduce homeowners premium by 5%, if insured has auto policy with Maryland Casualty Group.
- Forms 2 & 3: Charge $1 per $1000 for increase in Coverage C limit.
- All Forms: Deductible Credits: $500 - 15%; $1000 - 20%; $2500 - 30%.
- Deviation by Territory: Form 2, 3, 3w/15; Credit varies 0% - 14%.
- Base Premium Deviation: All Forms, except 4 & 6; Credit varies.
- Account Credit: 10% credit when insured has home & auto coverage with Zurich Insurance Companies when criteria is met.
- Protective Device Credit: Factors vary. Maximum credit of $75 is waived.

- Eff. 7-1-98

99. **Massachusetts Bay Insurance Company**

- Mature Homeowners Credit.
- Deductible Credits for all forms except HO 00 04 and HO 00 06.
- Deductible Credits for Forms HO 00 04 and HO 00 06.
- Windstorm & Hail Deductible Credits: All forms, except HO 00 04 and HO 00 06.
- Personal Property Replacement Cost.
- Personal Property Replacement Cost on Coverage C: Forms HO 00 04 and HO 00 06
- Account Credit: All forms.
- Loss of Use-Increased Limits.
- Condominium Unit Owners-Coverage A Dwelling: Basic & Increased Limits.
- Watercraft Liability Rates: All forms.
- Personal Property - Increased Limits.
- Special Personal Property.
- Electronic Funds Transfer Installment Payment Plan Discount.
- Group Modification Plan (Mass Merchandising Plan).
- Direct Bill Policies installment payment plan.
- Cap on total credits/discounts of 35%.
- Territorial Deviation: All forms, except HO 00 04 and HO 00 06.
- Relativity Curve Deviation Forms HO 00 03.
- Relativity Curve Deviation Forms HO 00 04 and HO 00 06.
- Eff 2-1-12 HNVX-G127879161 NCDOI

100. **Max America Insurance Company**

- Forms 1, 2, 3 & 3 w/l5: Amount of insurance credit.
- Forms 1, 2, 3 & 3 w/15: New Home Credit.
- All Forms: Eliminate 5% surcharge for personal property replacement cost (HO 290) endorsement.
- All Forms: Reduced key premiums for protection classes 7 & 8.
- Eff. 03-5-02

101. **Medmarc Casualty Insurance Company**

- New Home Credit: 0-1 yr.-20%; 2 or 3 yrs.-18%; 4 yrs.-15%; 5 yrs.-12%; 6 yrs.-10%; 7 yrs.-9%; 8 yrs.-6%; 9 yrs.-3%; 10 yrs.- 2%.
- Smoke Detectors Discount: 2.0%.
- Eff. 7-15-90

102. **The Members Insurance Company**

- Account Credit, Forms HO 00 03 and HE 00 07 By Territories, Tier.
- Unit Owner's Building Increase Limits and Special Coverage-Form HO 00 06.
- Form HE 00 07,Coverage A Amount.
- Base Premium Form HO 00 03, By Territory and Tier.
- Base Premium Form HO 00 06, By Territory, and Tier Bronze.
- Key Factors HO 00 03,Coverage A Amount.
- Tier Bronze, Key Factors HO 00 06, Coverage C Amount.
- Form HE 00 07 Factor Deviations, By Territory.
- Home Buyer Credit, Forms HO 00 02, HO 00 03 and HE 00 07.
- Loss Free Credit, Platinum, Gold, Silver, and Bronze.
- AAA Affinity Factors.
- Personal Property Deviation.
- Protective Devices Credits.
- Eff 11-15-11 NCPC-127362221 NCDOI

103. **Merastar Insurance Company**

- New Home Credit.
- Safe and Sound Discount.
- Auto-Home Discount.

- Waiver of installment charge.
- Increased Special Limits of Liability.
- Merastar Maximum Credit.
- Deductible credits;Forms 3 & 5: $500 - $1000
- Deductible credits;Forms 4 & 6: $500 - $1000
- Protective Device Credits.
- Boat Liability Rate Deviation.
- Base rate deviation Forms 3 & 8: based on territory: Credit varies.
- Base rate deviation Forms 4 & 6: based on territory.
- Account Discount.
- Eff. 6-1-11 UNTR-126984235 NCDOI

104. **Meritplan Insurance Company**
- Affinity Discount.
- Electronic DFT and Online Processing Discount.
- Eff 11-5-10 BALB-126700430 North Carolina Department of Insurance

105. **Metropolitan Direct Property & Casualty Insurance Company**
- Deductible Deviation.
- Additional Limits of Liability
- Personal Property Replacement Cost Loss Settlement.
- Year of Construction – Newly Constructed Dwellings.
- Protective Devices
- Mature Homeowners Discount.
- Multi-Policy Discount.
- Mass Merchandising Account Deviation
- Met ReWards Claim Free Discount.
- Increased Ordinance or Law Coverage
- Earthquake Coverage
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Platinum Coverage Package.
- Eff. 5-10-12 METX-G128212043 NCDOI

106. **Metropolitan Property & Casualty Insurance Company**

Standard Program
- Deductible Deviation.
- Additional Limits of Liability.
- Personal Property Replacement Cost Loss Settlement.
- Year of construction – Newly Constructed Dwellings.
- Protective Devices.
- Mature Homeowners Discount.
- Multi-Policy Discount.
- Mass Merchandising Account Deviation:
- Small Employer Group Program.
- Claim Free Discount.
- Increase Ordinance or Law coverage.
- Earthquake Coverage.
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Platinum Coverage Package – Form HO 00 05.
- Waterbed Liability.
- Coverage A Dwelling Special Coverage HO 00 06.
- Grand Protected Coverage Package.
- Water Back-Up and Sump Discharge or Overflow.

Conversion Program
- Deductible Deviation.

- Windstorm or Hail Percentage Deductible.
- Personal Property Replacement Cost.
- Year of Construction New Home Discount.
- Protective Devices Premium Credits for Alarm Systems: Credit applies to base premium.
- Mature Homeowners Discount.
- Multi-Policy Discount.
- Met Rewards Claim Free Discount when criteria are met.
- Increased Ordinance or Law Coverage.
- Earthquake Coverage.
- Other Structures – On Premises Specific Structures – Increased Limits.
- Other Structures – On-Premises Structures – structure on the Residence Rented to Others.
- Platinum Coverage Package – Form HO 00 05.
- Waterbed Liability.
- Coverage A Dwelling Special Coverage HO 00 06.
- Eff 5-10-12 METX-G128211819 NCDOI

107. **Montgomery Mutual Insurance Company**

- Forms 3, HE-7, HE-7w/20 & HE-7w/21: Pers Prop Increased Limits: .50 per $1000 of insurance for Coverage C.
- Deductible Amount Deviation: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies
- 10% Account Credit when auto policy is written for the same insured through Montgomery Mutual Insurance Co.
- Forms 3, HE-7, HE-7w/20 & HE-7w/21: New Home Credit: New - 6 yrs. of age: Credit varies 0% - 20%.
- Base Rate Deviation by Territory: Forms 3, HE-7, HE-7w/20 & HE-7w/21 Credit varies 0% -7.1%
- Form 4: Base Rate Deviation by Territory: Credit varies 0% - 14.8%.
- Form 6: Base Rate Deviation by Territory: Credit varies 9.3% - 32%.
- Protective Device Credits: Credits vary 2% - 15%.
- Base Rate Deviation on HE-7 - 1.15, HE-7w/20 - 1.20 & HE-7w/21 - 1.25.
- Replacement or Repair Cost Protection(HO 3211): $5 per policy when criteria is met.
- All Forms: 10% Account Credit.
- Water Craft Liability Deviation - 70%.
- Form 3: Amount of Coverage A Relativity Curve Deviation: Credit varies 0.6% - 7.4%.
- Eff. 8-15-02 PC052789 North Carolina Department of Insurance

108. **Mosaic Insurance Company**

- Discount on Installment Payment Plan: $1 - $2 charge.
- Three or Four Family Dwelling Discount.
- Townhouse or Rowhouse Discount.
- Waterbed Liability waived.
- Base Premium Deviation.
- Forms 2, 3, 4, 6 or 8: Deviation by Amount of Insurance.
- New Home Discount: 0-9 yrs. of age: Credit varies 2%-9%.
- Protective Devices Discount: Credit varies 1%-7%.
- Multi Policy Discount: 5% of the base premium.
- Personal Property Increased Limits Discount: $2 rate per $1000.
- Personal Property Replacement Cost Coverage Discount.
- Form 4: Building Additions & Alterations Increased Limits Deviation.
- Personal Property Increased Limits of Liability: Charge varies by additional amount of insurance.
- Rented Personal Property: No charge.
- Form 6: Coverage A - Dwelling Basic & Increased Limits Deviation.
- Forms 3 & 3 Plus: Inflation Guard Discount.
- Watercraft Discount: Up to 50 HP, no charge.
- Business Pursuits Discount.
- Form 3 Plus: Personal Injury Liability: No charge.
- Eff.10-18-00 PC035279 North Carolina Department of Insurance

109. **NGM Insurance Company**

- Age of Dwelling Deviation: Forms HO 00 02, HO 00 03 and HO 00 05.
- Combined Personal Protection Program.

- Deductible credits/charges, factor varies by ded amount.
- Protective device credits.
- Replacement Cost on Contents.
- Specified Additional Amount of Insurance Coverage A Dwelling.
- Personal Property Replacement Cost.
- Personal Injury.
- Water Back-up of Sewers or Drains.
- Credit Card, Fund Transfer Card, Forgery, & Counterfeit Money.
- Special Computer Coverage.
- Coverage C Special Limits of Liability.
- Fire Department Service Charge.
- Charge to increase Coverage D to 30% of Coverage A.
- Installment Payment Plan Deviation.
- Coverage A relativities for Preferred and Revitalized.
- Ordinance or Law Deviation – Increased Amount of Coverage.
- Refrigerated Property Coverage.
- Insurance Score Discount factor varies by Insurance Score.
- Eff. 12-4-11 NGMC-127788354 NCDOI

110. **National General Insurance Company**
- All Forms: Protection Device Credits: Variable credits from 2% to 15%.
- All Forms, except 4 & 6: Deductible/factors; $100-1.10 - no minimum or maximum charge; $500-.90; $1000-.80.
- Forms 4 & 6: Deductible/factors; $100/$250 theft - 1.05. No minimum or maximum charge; $500-.90; $1000-.77.
- Form 3: New/Renovated Home Discount; Variable credits based on age of dwelling & type of renovation.
- Forms 4 & 6: Thrifty Fifty Discount; 10% credit if insured meets criteria.
- Forms 1, 2 & 3: $5 Photo Credit New Business.
- Form 4: Building additions & alterations increased limits $5 per $1000 of insurance.
- Form 6: Coverage A Dwelling; Basic & Increased Limits, $5000 Coverage A is provided at no additional charge. Charge $5 per $1,000 for increased limit up to total of $15,000.
- Forms 4 & 6: Loss of Use; Increased limits $3 per $1000 of additional insurance.
- Form 3: Base rate deviation; Rating factor of .80 applies.
- Form 6: Base rate deviation; Rating factor of .80 applies.
- Installment Payment Plan: Two payment plan - $2 per installment.
- Eff. 6-1-99

111. **National Specialty Insurance Company**
- Forms 2 & 3: Base deviations vary by amounts of insurance - $55,000 - $120,000 & over; Territory 34 Cumberland County - 0% - 22.1%; Territories 32, 33, 35 & 41 - 0% to -35.1% deviations vary by amount of insurance. $50,000 -$120,000 & over; all other territories 0% - 35.1%. Deviation vary by amounts of insurance $50,000 - $120,000 & over.
- Forms 4 & 6: 10% credit applies to optional coverages that are applicable exclusively to Forms 4 & 6.
- All Forms, except 4 & 6: 20% credit applies to optional coverages.
- Forms 2, 3 & Homeowners Plus: Fixed dollar amount deductible credits; $500-10%; $1000 - 17%.
- Forms 4 & 6: Fixed dollar amount deductible; $500 - 10%; $1000 - 23%.
- Homeowners Plus Package: Form 3 Credit for amount of insurance $50,000-$69,000 - 10%; $70,000 - 110,000 - 11%; $120,000 - $170,000 - 12%; $180,000 - $200,000 - 13%, each additional $10,000 - 0% when special requirement are met.
- Forms 4 & 6: 10%.
- Forms 2, 3 & Homeowners Plus: New home credit - 25% current yr.; 2.5% less credit each added yr.
- Premium credit for alarm systems HO 216: 2-15%.
- All Forms: Manned Security Discount: 10% additional when property is residential area with limited entry & exit points manned by employed uniformed security guards.
- All Forms: 55 & Retired Discount: 10% if one insured is 55 or older & both insured & spouse, if any, are neither gainfully employed or seeking gainful employment. Residence must be principal residence of applicant.
- Earthquake Coverage: Superior construction will be rated same as frame construction.
- Form HO-6: Coverage A increased limits; $3 for each additional $1000.
- Form HO-6: Units regularly rented to others HO-33; Charge 25% of base premium.
- Eff. 5-1-92 *Name changed from State National Specialty Company effective 3/16/04*

112. **National Surety Corporation**

- Protective Device Credits: All forms & all territories: 1% - 15% credit applies to company base premium.
- Portfolio Credit: 5% credit applies to all homeowners policies when Personal Catastrophe Coverage and Personal Inland Marine Coverage is written with Company.
- Eff 12-01-03 PC065123 North Carolina Department of Insurance

113. **National Union Fire Insurance Company of Pittsburgh**

- Territorial Base Rate Deviation.
- Amount of Insurance Relatives Deviation.
- Maximum Credit for Protective Devices waived.
- Higher Deductible Credit.
- Increased Coverage C Limit Deviation.
- Renovated House Credit.
- Gated Community Credit.
- Loss Free/ Persistency Credit.
- Eff. 10-13-00 PC037427 North Carolina Department of Insurance

114. **Nationwide Mutual Fire Insurance Company**

- Nationwide Territory Deviation Forms HO 02, HO 03 & HO 05.
- Home & Car Deviation.
- Amount of Insurance Deviation.
- Personal Property Replacement Cost Deviation.
- Deductible Deviations.
- Protective Device Deviations by territory: Credit varies.
- Safe Home Rating Plan Deviation.
- Age of Home Component.
- Age of Construction Deviation.
- Nationwide Associate.
- Eff. 8-31-12 NWPC-128269916 NCDOI

115. **Nationwide Mutual Insurance Company**

- Nationwide Territory Definitions Forms HO 02, HO 03, HO 04, HO 05, and HO 06.
- Home and Car Deviation Forms HO 02, HO 03, HO 05, and HO 06.
- Deductible Deviations.
- Protective Device Deviation.
- Safe Home Rating Program – Form HO 02, HO 03, HO 05 and HO 06.
- Age of oldest Insured.
- Personal Status Deviation.
- Age of construction deviation.
- Amount of Insurance – Forms HO 02, HO 03, and HO 05.
- Age of Home Component Deviation.
- Home Purchase Deviation.
- Nationwide Associate Deviation.
- Prior Insurance Deviation Forms HO 02, HO 03 and HO 05.
- Eff. 8-31-12 NWPC-128269959 NCDOI

116. **Netherlands Insurance Company**

Preferred Homeowners

- Personal Property Increased Limits;. Forms 3, HE-7, HE-7w/20 & HE7w/21 $.50 per $1000 of insurance
- Deductible amounts deviation Credit: Forms 3, 4, 6, HE-7, HE-7w/20 & HE-7w/21 :Credit varies
- New Home Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies.
- Protective Device Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies
- Base Rate Deviation by Territory Forms 3, HE-7, HE-7w/20 & HE7-21:: Credit varies.
- Form 4: 3% Key Premium Deviation by Territory.
- Form 6: Key Premium Deviation: Credit varies 29.3%-31.6%.
- Forms 3, HE-7, HE-7w/20 & HE-7w/21: HO-3211- Replacement or Repair Cost Protection: Premium charge $5.
- Forms 3, 4, 6, HE-7, HE-7w/20 & HE-7w/21: 15% deviation for policies written as part of Personal Protector

Package Policy.
- Water Craft Deviation of 70%.
- Base Rate Deviation on HE-7, HE-7w/20 & HE-7w/21: HE-7 factor - 1.15; HE-7w/20 factor - 1.20; HE7w/21 - 1.25.
- Amount of Coverage A Relativity: Deviation varies .6% - 7.4%.

Standard Homeowners
- Personal Property Increased Limits Forms 3, HE-7, HE-7w/20 & HE-7w/21: ; $.50 per $1000 of insurance.
- Deductible Credits; Forms 3, HE-7, HE-7w/20 & HE-7w/21: credit varies.
- New Home Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: 0 -12 yrs. of age: Credit varies 0% - 25%.
- Protective Device Credit: Forms 3, HE-7, HE-7w/20 & HE-7w/21: Credit varies 2% - 15%.
- Base rate deviation by territory: Forms 3, HE-7, HE-7w/20 & HE-7w/21 Credit varies
- Base Rate Deviation HO 6 by territory: Deviation varies.
- Base Rate Deviation on HE-7, HE-7w/20 & HE-7w/21: credit varies
- Replacement or Repair Cost Protection: Forms 3, HE-7, HE-7w/20 & HE-7w/21: HO-3211 Premium charge $5.
- Deviation will apply to HO 3 standard, HE 7 standard HE7/w20 standard, HE 7/ w21 standard for monoline homeowners premiums when they ar written as part fot the Personal Protector Package Policy.
- Water Craft Deviation of 70%.
- Amount of Coverage A Relativity curve: Deviation varies .6% - 7.4%.
- Eff 10-15-02 PC053999 North Carolina Department of Insurance

117. **New Hampshire Insurance Company**
- Forms 1, 2, 3, 3w/15 4 & 6: Age of dwelling credit; 0-20 yrs. - 10%.
- Replacement or Repair Cost prot. Coverage A (HO-500): $1 per policy.
- Eff. 7/1/87

118. **New South Insurance Company**
- Deviation by Amount of Insurance: Coverage A amount: $50,000 - $250,000 & above based on territory.
- Long-term Customer Discount: 5-9 yrs. with Co. on HO policy - 5%; 10 yrs. or longer with Co. on HO policy - 10%.
- Deductible Credits.
- Form 6: 15%.
- Delete surcharge for $100 deductible.
- Replacement Cost- Coverage C: Delete surcharge for replacement cost on contents.
- Eff. 5-1-92

119. **North Carolina Farm Bureau Mutual Insurance Company**
- Personal Property (Coverage C) Replacement Cost.
- Deductible Credits.
- Deductibles – Windstorm or Hail Deductibles.
- Personal Property.
- Additional Residence Rented to Others.
- Other Structures Rented to Others - Residence Premises.
- Outboard Motors and Water Craft.
- New Home Deviation, Forms HO 00 02 and HO 00 03.
- Enhancement Deviation.
- Value-Plus Deviation.
- Carolina Partner Plus Discount.
- Company Deviations.
- Deviation Forms HO 00 02 and HO 00 03.
- Deviations by territories 07, 08, 48, 49, 52.
- Deviations Forms HO 00 04 and HO 00 06.
- Windstorm or Hail Exclusion Credits.
- Eff. 7-1-12 NCFB-128110532 NCDOI

120. **North River Insurance Company**
- Forms 1, 2, 3 & 3 w/15: Age of dwelling credit; 0 - 1 yr. - 20%; 2% less credit each added yr.
- Preferred plan deviation for owners forms: Varying credits based on amount of insurance & territory.
- Forms 1, 2, 3 & 3 w/15: Replacement cost contents for preferred owners forms to $1 per $1000 of increased Coverage C.
- All Forms: Replacement cost on contents; Deletion of $20 minimum additional premium.

- Forms 1, 2, 3 & 3 w/15: Higher deductible credits factors; $500 - .89; $1000 - .80; $2500 - .67.
- Forms 4 & 6: Higher deductible credits factors; $500 - .83; $1000 - .67; $2500 - .54.
- Premises Alarm System: Expand table of credits for protection classes 1 - 7 to include class 8.
- Form 6: 20%.
- Eff. 3-1-90

121. **Northern Assurance Company of America**

- New Home Credit.
- Personal Property Replacement Charge Reduced to $1 per $1,000.
- Additional Limits of Liability for Coverage A.
- Protective Devices Credits.
- No charge for Inflation Guard Endorsement.
- Fixed dollar amount deductibles.
- 5% discount for insured age 49 or older.
- Deviation to form HE-7.
- Deviation by Amount of Insurance for Coverage A between $250,000 and $500,000.
- Windstorm or Hail Deductibles.
- Eff. 8-15-02 PC053955 North Carolina Department of Insurance

122. **Northern Insurance Company of New York**

- Forms 1, 2, 3 & 3w/I5: Age of dwelling credit.
- Forms 1, 2, 3 & 3 w/15: Replacement or repair cost protection HO-500.
- Forms 4 & 6: Replacement Cost on Contents.
- Forms 1, 2 & 3: Charge $1 per $1000 for increase in Coverage C limits.
- Eff. 2-15-92

123. **OneBeacon America Insurance Company**

- New Home Discount.
- Personal Property Replacement Charge Reduced to $1 per $1,000.
- Additional Limits of Liability for Coverage A.
- Protective Devices Credits.
- No charge for Inflation Guard Endorsement.
- Fixed dollar amount deductibles.
- Deviation on HO 00 06 Coverage A Increased Limits.
- Deviation to Form HO 00 06 rates.
- 5% discount for insured age 49 or older.
- Deviation to form HE-7.
- Deviation by Amount of Insurance for Coverage A between $250,000 and $500,000.
- Windstorm or Hail Deductibles.
- Eff. 8-15-02 PC053954 North Carolina Department of Insurance

124. **OneBeacon Insurance Company**

- Replacement on contents endorsement.
- Protective Devices Credit.
- Personal Property Increased Limits.
- Account Credit when the named insured insures personal auto in any of the General Accident Copanies.
- Fixed Dollar Amount Deductible.
- New Home Credits.
- Eff 4-15-96

125. **OneBeacon Midwest Insurance Company**

- All Forms, except 4 & 6: New Home Discount; 0-1 yr. old -20%; 2% less credit each added yr. to 10th yr.
- Forms 2 & 3: Personal Property Replacement Cost; Charge to increase Coverage C to 70% of Coverage A; $1 per $1000.
- Replacement or Repair Cost Protection Coverage A (HO-3211): $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- All Forms, except 4 & 6: Provide Inflation Guard endorsement coverage at 6% amount of annual increase at no charge.

- All Forms, except 4 & 6: Fixed Dollar Amount deductibles: $500-15%; $1000-21%; $2500-38%.
- 5% discount for insured age 49 or older.
- Deviation to Enhancement Forms HE-7; HE-7w/20 & HE-7w/21: Credits vary.
- Deviation by amount of Coverage A: $250000 - $500000. Variable credits.
- Windstorm or Hail Deductibles
- Eff. 8-15-02 PC053952 North Carolina Department of Insurance

126. **Owners Insurance Company**
- HO 00 06 Form deviation.
- Deductibles - Waiver of Minimum Charges.
- Protective Device Credit.
- Protective Device-Alarm Systems.
- Mature Homeowners Discount.
- Townhouse or Row House discount factors.
- Credit Card, Fund Transfer Card, Forgery and Counterfeit Money.
- Form HO 00 06 Coverage A Dwelling Increased Limits and Special Coverage.
- Loss Assessment Coverage.
- Personal Injury coverage-no charge.
- Permitted Incidental Occupancies - Residence Premises.
- Special Personal Property Coverage HO 00 05.
- Multi-Policy Discount.
- Section II, Liability-watercraft.
- Life-Homeowners Multi Policy Discount.
- Insurance Score Credit.
- Home/Umbrella Multi-Policy discount.
- Paid in full discount.
- Personal Property Increased limits.
- Claim Free Discount.
- Loss History Rating.
- All forms except HO00 04 and HO 00 06.
- Mortgage Free Discount.
- Protection Class Relativities.
- Age of construction discount.
- Base Class Premium.
- Windstorm or Hail Exclusion.
- Windstorm Mitigation.
- Changes or Cancellations.
- Incidental Farming.
- Theft Coverage.
- Home Day Care Coverage.
- Company Deviation.
- .Eff 11-1-11 AOIC-127380990 NCDOI

127. **Pacific Employers Insurance Company**
- Forms 1, 2 & 3: Fixed dollar deductible credits; $500-11%; $1000-21%; $2500-34%.
- Form 4: Fixed dollar deductible credits; $500-11%; $1000-25%; $2500-40%.
- Rate for increase in Coverage C: $1 per $1000.
- Forms 1, 2 & 3: Replacement Cost Coverage Charge shall be 4% of adjusted base premium. Coverage C must also be increased to 70% of Coverage A at $1 per $1000.
- Protection Device Credits: All zones & all protection classes; Credits vary 2%-15%.
- New Home Discount: Credit varies 2% -20% based on age of dwelling. Credit applies to base premium.
- Base Rate Deviation: Homeowners -25%; Tenants -15%; Condominiums -20%.
- Eff. 2-24-98

128. **Pacific Indemnity Company**
- Base Premium Computation - Forms HO 00 04 and HO 00 06.
- Base Premium Computation by territory and forms HO 00 02, HO 00 03, HO 00 05 and HE 00 07.

- Protective Devices – Maximum Credit of $75. is deleted.
- Deductibles - Optional Higher Deductibles.
- Deductibles – Named Storm Percentage Deductible.
- Additional Amount of Insurance deviation. Forms HO 00 02, HO 00 03 & HO 00 05.
- Water Back-Up and Sump Discharge or Overflow.
- Gated Community Credit.
- Eff 6-4-12 CHUB-127974218 NCDOI

129. **Peerless Insurance Company**
- Protective devices.
- Base Premium Computation (HO 00 06).
- Installment Payment plan – no charge for each installment for Electronic Fund Transfer.
- Eff. 9-1-12 LBRM-128206895 NCDOI

130. **Pennsylvania General Insurance Company**
- All Forms, except 4 & 6: New home credit; Current yr. - 20%; 1 yr. old -18%; 2 yrs. old -16%; 3 yrs. old - 14%; 4 yrs. old - 12%; 5 yrs. old - 10%; 6 yrs. old - 10%; 7 yrs. old - 8%; 8 yrs. old - 7%; 9 yrs. old - 6%; 10yrs.-6%; 11yrs-4%;12yrs-4%;13yrs-2%; 14yrs-2% .
- All Forms: Fixed dollar amount deductible factors; $500 - .90; $1000 - .77.
- Forms 1, 2, 3 & 3w/15: Personal property increased limits; $1 per $1000 of insurance.
- All Forms, except 4: Account Credit: 10% discount when named insured insures his/her personal auto in any of General Accident Companies.
- Forms 1, 2 & 3: Personal Property Replacement Cost Coverage.
- All Forms: Protective Device Credit: Credit Varies 2% - 15%.
- All Forms, except 4 & 6: 8.8% base rate deviation.
- Eff. 4-15-96

131. **Pennsylvania Lumbermens Mutual Insurance Company**
- Forms 1, 2 & 3: 10% dwellings 5 yrs. old or less; 5% dwellings 6-10 yrs. old.
- All Forms: 10%.
- Eff. 10-1-85

132. **Pennsylvania National Mutual Casualty Insurance Company**
- New Home Discount: Forms HO 00 02, HO 00 03, HO 00 05 and HE 00 07.
- Deductibles – Optional Higher Deductibles.
- Personal Property A Increased Limits.
- Preferred Program territory & protection class.
- Account Credit Program.
- Outboard motors and watercraft Deviation.
- Protective Device Credits.
- Additional Amount of Insurance HO 00 02 & HO 00 03.
- Deviation on Ordinance or Law Coverage.
- Preferred Advantage Program Deviation.
- Form HO 06 Coverage A Dwelling Basic and Increase Limits and Special Coverage.
- Credit Card, Fund Transfer Card, Forgery and Counterfeit Money Deviation.
- Loss Assessment coverage Forms HO 00 02, HO 00 03, HO 00 04, HO 00 05 and HO 00 06.
- Personal Property - Increased Special Limits of Liability.
- Personal Property – Refrigerated personal Property.
- Water Back Up and Sump Discharge or Overflow.
- Personal Injury Increased Special Limits of Liability
- Installment Charges-Recurring Payments automatically deducted.
- Affinity Group Discount.
- Agency Transfer Transaction Factor.
- Eff 6-1-12 PNPR-127861758 NCDOI

133. **Pharmacists Mutual Insurance Company**
- -25% base rate deviation.
- Waiver of premium is amended to $5.

- Installment Payment Plan: Charge varies based on installment plan.
- Personal Package Discount: Credit varies when criteria is met.
- Automatic Adjustments of Limits: Annual 4% increase at no charge.
- Effective 5-1-07 PC102682 North Carolina Department of Insurance

134. **Phoenix Insurance Company**

- Deductible Credits HO 00 02, HO 00 03,HO 00 07, HO 00 04 and HO 00 06.
- Protective Devices.
- Personal Property Increased Limit Coverage C.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free customer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Multi-Line Insurance & Financial Services Institution Employees Credit.
- Royal SunAlliance Employee Program.
- Home Buyer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy..
- Installment Payment Plan.
- Eff 6-1-12 TRVA-128193494 NCDOI

135. **Platte River Insurance Company**

- Age of Dwelling
- Account Credit Program: 15% discount when insured has coverage for both auto & HO policies through UIC.
- Preferred Homeowners Credit: 0% - 23% Credit by territory, pPC, construction type: Other criteria apply.
- Revitalized Home Credit for dwellings 25 yrs. or older if certain criteria is met.
- Deductible Credits: Forms 3, 4, & 6.
- Base Premium Discount for Form 6: A factor of .80 applies.
- Protective Device Credits: All Forms: Credit varies 1% - 15%.
- Replacement Cost on Contents: Forms 3, 4, & 6: Minimum premium does not apply.
- Additional Limits of Liability for Coverages A, B, C, & D: Form 3: 6% credit when certain options are selected.
- Pers Prop Replacement Cost: Form 3: 5% of base prem with min prem waived when certain options are selected.
- Personal Injury: Form 3: Charge waived if certain coverages and options are selected.
- Water Back-Up of Sewers or Drains: Form 3: Charge waived if certain coverages and options are selected.
- Credit Card, Fund Transfer Card, Forgery & Counterfeit: Form 3: Charge waived if certain coverages and options are selected.
- Special Computer Coverages: Form 3: Charge waived if certain coverages and options are selected.
- Coverage C Increased Special Limits of Liability: Form 3: Charge waived if certain coverages and options are selected.
- Fire Department Service Charge: Form 3: Increased to $1000 in lieu of $500 if certain coverages and options are selected.
- Form 3: Coverage D Increased to 30% of Coverage A will be deleted if certain coverages & increased limits options are selected.
- Form 3: Coverage A Relativities Deviation.
- Form 3: Ordinance or Law will be 4% of base premium if certain coverages & increased limits options are selected.
- Form 3: The charge for Refrigerated Property Coverage will be deleted if certain coverages & increased limits options are selected.
- Eff.10-1-99

136. **Privilege Underwriters Reciprocal Exchange**

- Years Renovated
- Territory Deviation
- Coverage A Deviation
- Superior Construction Credits
- Generator Credit
- Financial Responsibility Factor
- Seasonal/Secondary Home
- Occupancy Deviation
- Multi Policy Credit (Personal Automobile)

- Multi Policy Credit (Personal Excess Liability)
- Multi Policy Credit (Jewelry & Art)
- Protective Devices
- Loss Free Credits
- Eff 9-3-10 PRIV-126726823 North Carolina Department of Insurance

137. **Providence Washington Insurance Company**
- Forms 2 & 3: Deviation by territory, Coverage A amount & protection class: Credit varies.
- All Forms, except 4 & 6: New Home Credit: 1 to 20 yrs. old: Credit varies 1% to 20%.
- All Forms, except 4 & 6: Deductible credits: $500 - 10%; $1000 - 17%; $2500 - 25%.
- Protective Devices for all protection classes & territories: Credits vary 1%-15%.
- Forms 2, 3 & 6: 15% Multiple Policy Credit when Providence Washington writes auto & homeowner.
- Waiver of Premium: $5 or less.
- Personal Property Replacement Cost: Minimum charge not applicable.
- Eff. 4-18-00 PC033008 North Carolina Department of Insurance

138. **QBE Insurance Corporation**
- Affinity Discount for Financial Institutions Partners Customers HO 00 04.
- Online processing discount HO 00 04.
- Eff 6-1-12 QBEC-127370538 NCDOI

139. **Republic-Franklin Insurance Company**

Edge Program
- Protection Classification credit.
- Edge Program Tiered.
- Personal Property.
- Mass Merchandising Plan.
- Affinity Group-Wise Program.
- Personal Lines Account Credit.
- Package Additional Coverages.
- Flexible Hose Credit.
- High Efficiency Gas Furnace Credit Rule.

Essentials Program
- Protection Classification credit.
- Personal Property.
- Personal Lines Account Credit.
- Homeowners Extension Package.
- Flexible Hose Credit.
- High Efficiency Gas Furnace Credit Rule.
- Edge Essential Program Tiered Rating.
- Eff 9-1-11 UTCX-G127313300 NCDOI

140. **Response Worldwide Insurance Company**
- Protective Devices Discount: 3% for deadbolt locks on all main doors & fire extinguishers in house.
- Forms 1, 2, 3 & 3w/15: Deductible Credits; $500 - 12%; $1000 - 24%; $2500 - 36%.
- Forms 4 & 6: Deductible Credits; $500 - 17%; $1000 - 30%; $2500 - 37%.
- Replacement or Repair Cost Protection (HO-500); Waive $5 charge.
- Forms 4 & 6: 10% deviation.
- Forms 4 & 6: Personal Property (Coverage C) Replacement Cost: 1.30 factor applies.
- Eff. 1-15-95

141. **Safeco Insurance Company of America**
- Deductible Debit/Credits.
- Account Credit: all forms certain criteria apply.
- Credit Card, fund transfer card, forgery and counterfeit money coverage.
- Medical Payments/Other Exposures/Higher Limits Deviation: all forms.
- Other Insured Locations Occupied by Insured.

- Special Personal Property Coverage – Coverage C (HO32 35)
- Market Tier Relativities.
- Employee Discount Plan.
- Company Territory Definitions.
- New Buyer discount.
- Age of Roof Discount.
- Eff. 8-23-12 LBRM-128454079 NCDOI

142. **Safeco Insurance Company of Indiana**
- Form 3: Preferred Business; 25% off Bureau rates when eligibility guidelines are met.
- Form 3: Standard Business; 5% off Bureau rates when eligibility guidelines are met.
- Form 6: 17% off Bureau rates when eligibility guidelines are met.
- Form 3: Preferred Business; Guaranteed Replacement Cost Coverage A charged waived.
- Form 3: New Home Credit; During calendar yr. - 10%; 1% additional credit each added yr. to 9th yr
- Eff. 2-15-95

143. **Seaton Insurance Company**
- Form 3: Credits vary by protection class, & Coverage A dwelling amounts; Coverage A amount under $40000 - $1000000 & & over. Credit varies 0% - 19% based on territory.
- Form 3: Personal Property Replacement Cost; Delete 5% surcharge.
- Form 6: 19% to be applied to base rate of 10% off Form HO-4.
- Form 3: Fixed Dollar Amount Deductibles Credits; $500-9%; $1000-17%; $2500-25%.
- Forms 4 & 6: $500-10%; $1000-23%; $2500-37%.
- Form 3: New Home Credit; Current yr. - 20%; 2% less credit each added year.
- Personal Property Coverage C increased limits: Form 3; $1; Form 3w/15 - $2.
- Protection Device Credit: 5% in all territories & protection classes for an installed smoke detector, fire extinguisher & dead bolt locks.
- Reduced rates for Outboard Motors & Water Craft liability.
- Forms 3, 4 & 6: Personal Injury Coverage; HO-82 included at no charge.
- Form 3: Deviation of territorial relativities varies 0.0% - 15.8%.
- Form 4: 5% credit off base rates.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Surcharge reduced from 1.40 to 1.30.
- Eff. 6-13-94

144. **Select Insurance Company**
- Forms 1, 2, 3 & 3 w/15: 15%.
- Eff. 2/8/86

145. **Selective Insurance Company of South Carolina**
- Forms 4 & 6: 25%.
- Forms 1, 2, 3 & 3w/15: Replacement Cost on Personal Property; Delete 5% surcharge.
- Forms 4 & 6: RC Personal Property; shall be $1 per $1000 of ins. applied to Coverage C.
- Protective Devices Credit: Factors vary .85 to .98.
- All Forms, except 4 & 6: Fixed dollar amount deductible factors.
- Amount of Insurance Deviation: $60000 - $l40000: Credit varies 0%-25%.
- Age of Dwelling Credits: New 20%; 1 yr. old 18%; 2% less credit each added yr. through 9th yr.
- Eff. 5/1/92

146. **Selective Insurance Company of the Southeast**
- Credit for protective devices: Factors vary .85 to .98.
- Forms 1, 2, 3, & 3 w/15: Replacement cost on personal property; Delete 5% surcharge.
- Forms 4 & 6: Charge an annual additional premium of $1 per $1000 of insurance applied to Coverage C. Minimum limit of Coverage is $12000.
- All Forms, except HO 4 & HO 6: Fixed dollar amt ded factors; $500 - .85; $1000 - .80; $2500 - .70.
- Amount of Insurance Deviation: $20000 - $75000; Credits vary 3.0% - 10.0%.
- Eff. 5-1-2

147. **Sentry Insurance A Mutual Company**
- All Forms, except 4 & 6: Fixed dollar amt ded; Factors for Cov A limits: $500 ded. - .91; $1000 ded. - .79; $2500 ded. - .62.
- Eff. 11-1-96

148. **Service Insurance Company**
- Year of Construction Deviation by territory: Credit varies 3% - 30%.
- Deviation for Masonry Construction by protection class: Credit varies.
- Form 3: 10% Base Deviation by territory.
- Claim Free Credit: 5% applied to base premium:Not available in terr 5,6,42,43. Certain criteria apply.
- Mature Homeowner Credit: 5% credit by territory: Certain criteria apply.
- Gated Community Credit: 5% credit by territory: Certain criteria apply.
- Form 3: Increased Limit of Personal Property: $1 per 1000.
- Windstorm or Hail Deductible Deviation: Credit varies.
- Key Premium Factors Deviation.
- 2% Protective Device Credit for auto smoke detectors, fire extinguishers & deadbolt locks on all exterior doors.
- Maximum Allowable Credit – The max allowable credit for newly constructed dwellings, gated community, and claim free combined, is limited to 30%.
- Auto Companion Credit: 4% credit when criteria are met.
- Deductible Credit Discounts.
- Percent Windstorm or Hail Deductibles Deviation.
- HO-6 Base Class Premium; Credit varies based on territories.
- HO-6 Protection-Construction factor deviation.
- HO-6 Key Premium Factor Deviation.
- Eff. 6-1-03 PC061674 North Carolina Department of Insurance

149. **Southern Guaranty Insurance Company**
- Form 3 & HE-7: Deviation by Territorial Relativities.
- Form 4: Deviation by Territorial Relativities.
- Form 6: Deviation by Territorial Relativities.
- Form 3 & HE-7: Amount of Insurance Deviation.
- Form 3 & HE-7: New Home Credit; 1 yr. - 18%; 2% less credit each added yr. to 9th yr.
- All Forms, except 4 & 6: Deductible Credits; $500-.91; $1000-.83; $2500-.75. Forms 4 & 6: $500-.90; $1000-.77; $2500-.63.
- Forms 4 & 6: Personal Property (Coverage C) Replacement Cost Coverage; Factor 1.30 from 1.40.
- Reduced charge for Personal Property Increased Limits: Form 3 - $1; Form 3w/15 - $2.
- Reduced rates for Outboard & Water Craft Liability.
- Forms 3, 4 & 6: Personal Injury Coverage at no charge.
- Form 3 & HE-7: Exceptional Homeowner: 10% credit when criteria are met.
- Protective Devices Credit: Credit varies.
- Multi-Policy Credit: 5% credit applies when insured has personal auto & homeowners with Southern Guaranty Insurance Company.
- Eff. 1-1-01 PC038720 North Carolina Department of Insurance

150. **Southern Insurance Company of Virgina**

PREFERRED
- Territory Deviation; for form HO 00 02, HO 00 03, and HO 00 05 Credit varies.
- Optional Deductible Credits: Change in credit for increasing the deductibles based on Coverage A limit.
- Protective Device Credits Combined – credit varies.
- Additional Amounts of Insurance – form HO 03 and HO 05.
- Personal Property Replacement Cost HO 00 02, HO 00 03 and HO 00 05.
- Southern Homeowners Account Credit Plan.
- Credits for newer homes.
- Outboard Motors and Watercraft reduced rates.
- HE-00 07 Program – 10% credit for policies written with HE 00 07, HE 00 07 with HE 32 20 or HE 00 07 with HE 32 21.
- Automatic Payment Plan.
- Multi-Protector Plus-Coverage C Increase Special Limits of Liability.

- Multi-Protector Plus – Business Property.
- Multi-Protector Plus-Personal Injury Coverage
- Multi-Protector-Water Backup
- Multi-Protector Plus-Refrigerated Property
- Multi-Protector Deluxe-Coverage C Increase Special Limits of Liability
- Multi-Protector Deluxe-Business Property
- Multi-Protector Deluxe Personal Injury Coverage
- Multi-Protector Deluxe Water Backup
- Multi-Protector Deluxe Refrigerated Property
- Multi-Protector Deluxe Loss Assessment Coverage
- Multi-Protector Elite Coverage C Increased Special Limits of Liability
- Multi-Protector Elite Business Property
- Multi-Protector Elite-Personal Property Replacement Cost Coverage
- Multi-Protector Elite Personal Injury Coverage
- Multi-Protector Elite Water Backup
- Multi-Protector Elite Refrigerated Property
- Multi-Protector Elite Loss Assessment Coverage
- Multi-Protector Elite Increased Ordinance or Law Coverage
- Multi-Protector Elite Increased Section II Limits of Liability

STANDARD

- Territory Deviation for HO 00 02, HO 00 03, and HO 00 05.
- Optional Deductible Credits: Change in credit for increasing the deductibles based on Coverage A limit.
- Protective Device Credits Combined – credit varies.
- Additional Amounts of Insurance – form HO 03 and HO 05.
- Personal Property Replacement Cost HO 00 02, HO 00 03 and HO 00 05.
- Personal Property Replacement Cost Coverage HO 00 04 and HO 00 06.
- Credits for newer homes.
- Outboard Motors and Watercraft reduced rates.
- HE-00 07 Program – 10% credit for policies written with HE 00 07, HE 00 07 with HE 32 20 or HE 00 07 with HE 32 21.
- Southern Homeowners Account Credit Plan.
- Automatic Payment Plan.
- Multi-Protector Plus-Coverage C Increase Special Limits of Liability.
- Multi-Protector Plus – Business Property.
- Multi-Protector Plus-Personal Injury Coverage.
- Multi-Protector-Water Backup.
- Multi-Protector Plus-Refrigerated Property.
- Multi-Protector Deluxe-Coverage C Increase Special Limits of Liability.
- Multi-Protector Deluxe-Business Property.
- Multi-Protector Deluxe Personal Injury Coverage.
- Multi-Protector Deluxe Water Backup.
- Multi-Protector Deluxe Refrigerated Property.
- Multi-Protector Deluxe Loss Assessment Coverage.
- Eff 1-1-09 DNGL-125861191 North Carolina Department of Insurance

151. **Southern Pilot Insurance Company**

- Deviation by Territorial Relativities (HO-3 and HE-7).
- Deviation by Territorial Relativities (HO-4)
- Deviation by Territorial Relativities (HO-6).
- Amount of Insurance Deviation (HO-3 and HE-7).
- New Home Credits
- Deductible Credits.
- Reduced Surcharge for Personal Property (Coverage C) Replacement Cost Coverage.
- Reduced Charge for Personal Property Increased Limits.
- Reduced Rates for Outboard Motors and Watercraft Liability.
- Personal Injury Coverage At No Charge.
- Deviation for Exceptional Homeowner (HO-3 and HE-7).

- Protective Devices Credit.
- Deviation for Multi-Policy Credit.
- HE-7 Level of Enhancement Factor.
- Eff. 08-01-05 PC083567 Filing Detail

152. **SPARTA Insurance Holdings**

- New Home Credit All Forms, except 4 & 6:; 0-1 yr. old - 20%; 2% less credit each added yr. to 10th yr.
- Personal Property Replacement Forms 2 & 3: Cost; Charge to increase Cov C to 70% of Cov A; $1 per $1000.
- Additional Limit of Liability for Coverage A. HO 3211. $5 premium charge.
- Protective Devices Credits: PPC 1-7 - 2%-15%; PPC 8-9 - 1%-15%: Maximum credit of 20% applies.
- Inflation Guard Endorsement (HO-243) at 6% - at no charge.
- Fixed dollar amount deductible credits Forms 2 & 3:;- $500-15%; $1000-21%; $2500-38%.
- Fixed dollar amount deductible credits Forms 4 & 6:; $500-10%; $1000-23%; $2500-37%.
- Increased Coverage A limits HO-6 $3000 coverage A at no additional charge. Coverage A limit may be increased.
- Form 6: 6.4% deviation.
- 5% discount for insured age 49 or older.
- Form HE-7; HE7w/20 & HE7w/21: Reduced Factors.
- Deviation by amount of insurance for Coverage A $250,000 - $500,000. Variable credit.
- Windstorm or Hail Deductible credit varies by amount of deductible
- Eff. 8/15/02 PC053953 North Carolina Department of Insurance

153. **St. Paul Fire & Marine Insurance Company**

- Forms 1, 2, 3 & 3 w/15: New Home Discount: Yr. of construction; 0-1 yr. of age - 15%; 2-3 yrs. - 13%; 4-5 yrs. - 11%; 6-7 yrs. - 9%; 8-9 yrs. - 7%; 10-11 yrs. - 5%; 12-15 yrs. - 3%.
- Forms 1, 2, 3 & 3 w/15: Personal Property Replacement Cost; No charge for Cov C increase from 50% to 70%.
- Forms 4 & 6: 30% surcharge to basic premium (after higher deductible credit) & for attaching HO-50.
- All Forms: Minimum premium $15 per policy.
- Eff. 9-23-92

154. **St. Paul Guardian Insurance Company**

- Operation Identification Credit: 5% rate credit on Basic Homeowners Insurance Premium.
- New Home Discount: 0-1 yr.-18%; 2-3 yrs -15%; 4-5 yrs.-10%; 6-7 yrs -8%; 8-9 yrs -7%; 10-11 yrs.-5%; 12-15 yrs.-3%.
- Personal Injury Protection (Form HO-82) provided at no additional charge.
- Forms 3, 3 w/15, 4, 6, HE-7 & HE-7w/HE20: Deductible credits: $500 - 11%; $1000 - 23%; $2500 - 37%.
- Form 6: 14.5% off St. Paul Guardian HO-4 rates.
- Form 3: Deviation on policy amount Relativities by territory; Variable credits.
- Form 4: Deviation on base rates by territory; Variable credits.
- Forms 4 & 6: Deviation on policy amount Relativities by territory; Variable credits.
- Form 3: Replacement or repair cost Coverage A (HO-500) provided at no charge.
- Protective Devices Credit & Home Safety Coverage Credits.
- Business Pursuits Section II coverage: All classifications will be rated same as rate shown for clerical employees.
- Water Craft: Same charge applies for lengths over 15 - 26 feet & over151 horsepower as to lengths up to 15 feet & below 151 horsepower.
- Home Day Care: Rated at Bureau rates for Permitted Incidental Occupancies (HO-42).
- Forms 3, 3w/15, 4 & 6: Pers prop replacement cost (HO-290) coverage is provided at no additional charge.
- Homeowners PAK II Credit: Forms 3, 4, 6 & HE-7; 10% when insured qualifies for PAK II Program for terr 32 - 43.
- Base premiums for HE-7 policies: No additional charge.
- Base premium for HE-7w/HE-20 policies: +2.0% above St. Paul Guardian HO-3 rates.
- Base premium for HE-7w/HE-21 policies: +4.0% above St. Paul Guardian HO-3 rates.
- Renewal Credit: credit when insured maintaines consecutive yrs. of both auto & homeowners coverage with the St. Paul, 3-5 yrs. Credit varies 3%-5%.
- Forms 3 & 3w/15: Personal property increase limits; $1 per $1000 of insurance.
- Installment Payment Plan: $2 charge each installment unless Electronic Funds Transfer billing option is selected, then no charge.
- Employee Discount: 20% new business: 15% renewals.
- Eff. 3-1-00

155. **St. Paul Mercury Insurance Company**

- Operation Identification Credit: 5%.
- New Home Discount: 0-1 yr. - 15%; 2-3 yrs. - 13%; 4-5 yrs. - 11%; 6-7yrs. -9%; 8-9 yrs. -7%; 10-11 yrs. -5%; 12-15 yrs. -3%.
- Personal Injury Protection (HO-82) provided at no additional charge.
- Personal Property Replacement Cost (HO-290) coverage is provided at no additional charge.
- Forms 3, 3 w/15, 4 & 6: Deductible credits; $500 - 11%; $1000 - 23%; $2500 - 37%.
- HO-6: 15% on Companies HO-4 rates.
- HO-3: Deviation on base rates by territory; Credit varies 15.5% - 37.2%.
- Form 4: Deviation on base rates by territory; Credit varies 16.0% - 29.6%.
- Forms 4 & 6: Deviation on policy amount Relativities by territory; Credit varies 0.1% - 3.1%.
- Form 3: Replacement or repair cost Coverage A (HO-500) provided at no charge.
- Protective Devices Credit & Home Safety Coverage Credits.
- Business Pursuits Section II Coverage: All classifications will be rated same as rate shown for clerical employees.
- Water Craft: Same charge apply for lengths over 15-26 ft. & over 151 horsepower as to lengths up to 15 ft. & below 151 horsepower.
- Home Day Care: Rated at Bureau rates for Permitted Incidental Occupancies (HO-42).
- Installment Payment Plan: $2 charges each installment.
- Eff. 3-1-95

156. **Standard Fire Insurance Company**

- Deductible Credits HO 00 02, HO 00 03 and HE 00 07 Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Protection Devices.
- Personal Property - Increased Limit Coverage C.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free Customer Credit Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Home Buyer Credit Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Installment Payment Plan.
- Eff. 6-1-12 TRVA-128193359 NCDOI

157. **Starr Indemnity & Casualty Company**

- All Forms: Personal Prop Replacement Cost; Minimum additional premium for coverage is deleted.
- All Forms: Protective Devices; Maximum credit allowed is deleted.
- All Forms, except 4 & 6: Fixed dollar amount deductible credits.
- Eff. 4-1-95

158. **State Automobile Mutual Insurance Company**

- Auto/Home Discount.
- Credits for Protective Devices
- Age of Dwelling Credit.
- Increased Coverage C.
- Protection Class 9 Rates.
- Prime of Life Discount, Age 55 and older.
- Townhouse /Row House.
- Three or Four Family Dwellings.
- Residence Held in Trust.
- Base Premium.
- Ordinance or Law Coverage.
- Boating Course Credit.
- Watercraft Membership Credit.
- Eff 7-26-12 STAT-128084088 NCDOI

159. **State Auto Property & Casualty Insurance Company**

- Credits for Protective Devices
- Increased Coverage C.
- Protection Class 9 Rates.
- Prime of Life Discount.

- Townhouse /Row House.
- Three or Four Family Dwellings.
- Residence Held in Trust.
- Ordinance or Law Coverage.
- Boating Course Credit.
- Watercraft Membership Credit.
- Eff. 7-26-12 STAT-128084075 NCDOI

160. **State Farm Fire & Casualty**

- Deviation by Amount of Insurance HO 00 03.
- Deviation by Amount of Insurance HO 00 04.
- Base Premium Computation Three and Four Family.
- Townhouse/Rowhouse – Form HO 00 03.
- Wind/Hail Deductible Credits – Form HO 00 03.
- Residence Premises-Basic and Increased Limits.
- Other insured Location Occupied by Insured.
- Additional residence rented to Others.
- Jewelry and Furs.
- Replacement Cost on contents forms HO 00 04 or HO 00 06.
- Ordinance or Law Coverage.
- Rental condominiums, HO 00 06.
- Coverage A Increased limits & Special Coverage Form HO 00 06.
- Homeowners 36 Discount.
- Installment Payment Plan.
- Refrigerated Personal Property, No Charge.
- Home-Auto Discount.
- Named Storm Percentage deductibles HO 00 03, HO 00 04, HO 00 06.
- All peril deductibles – HO 00 04.
- All peril deductibles – HO 00 06
- All peril deductibles – HO 00 03.
- Customer Rating Index.
- Eff. 3-1-12 SFMA-127735733 NCDOI

161. **Stonington Insurance Company**

- Mature Retirees Credit: 10% when required criteria are met.
- All Forms: 10% base rate deviation for protection class 1-9 & 9s for territories 32-40.
- New Roof Credit: 5% off base premium when eligibility met; Not applicable with new home credit.
- Form 3: 10% credit Preferred Homeowners Program when criteria are met.
- Loss Free Renewal Credit: Applied to renewal date of policy that has been free of losses: 1 yr. - 3%; 2 yrs. - 6%; 3+ more yrs. - 9%.
- Multi-Policy Credit: 10% applies to new business only when applicant has auto with agency representing Nobel & their homeowners coverage is placed with Nobel. 5% credit applies second yr.
- Eff. 6-1-99

162. **Teachers Insurance Company**

- Form HO 00 07 Amount of insurance.
- Protection Device Credits.
- Newly constructed residence.
- Tenant and Condominium Base Rates.
- Installment Pay Plan Waive $3.00 for initial payment.
- Multi-Line Discount,
- Replacement Value Personal Property HO 00 04 and HO 00 06.
- Masters Program.
- Tenant's improvement - Increased Limits.
- Coverage A increased limits - Form 6.
- Amount of Insurance Deviation for Tenant & Condos.
- Credit Rating Tier/Insurance Score.

- Home Buyer Loyalty Program.
- Electronic Funds Transfer.
- Optional Deductibles.
- Eff. 5-1-12 HRMN-128121367 NCDOI

163. **Travelers Casualty & Surety Company**
- Deductible Credits HO 00 02, HO 00 03, HE 00 07 HO 00 04 and HO 00 06.
- Protective Devices.
- Personal Property - Increased Limit Coverage C.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free Customer Credit Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Home Buyer Credit Homeowners policy written in conjunction with Private Passenger Automobile policy.
- Installment Payment Plan.
- Eff 6-1-12 TRVA-128193518 NCDOI

164. **Travelers Indemnity Company**
- Deductible Credits.
- Protective Devices.
- Account Credit.
- Installment Payment Plan.
- Eff 11-30-11 TRVA-127651848 NCDOI

165. **Travelers Indemnity Company of America**
- Deductible Credits HO 00 02, HO 00 03, HE 00 07, HO 00 04 and HO 00 06.
- Protective Devices.
- Personal Property Increased Limit Coverage C.
- Account Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Loss Free customer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Multi-Line Insurance & Financial Services Institution Employees Credit.
- Final Premium Adjustment Factor.
- Royal SunAlliance Employee Program
- Home Buyer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy..
- Installment Payment plan.
- Eff 6-1-12 TRVA-128193822 NCDOI

166. **Travelers Indemnity Company of Connecticut**
- Forms 3 & 3w/15: Base rate deviation based on protection class, amount of insurance & territory; Variable credit factors.
- Form 3: 12% optional coverage credit.
- Forms 3 & 3w15: Deductible credits; $500-16%; $1000-26%; $2500-32%.
- Protective Device Credits: Variable credits.
- Increased Limits Coverage C: Reduce charge to $2 per $1000.
- New Home Credit: New - 20%; 1 yr. old - 19%; 2 yrs. 18%; 3 yrs. - 16%; 4 yrs. - 15% - 14%; 6 yrs. - 12%; 7 yrs. - 11%; 8 yrs. - 10%; 9 yrs. - 8%; 10 yrs. - 7%; 11 yrs. - 6%; 12 yrs. - 4%; 13 yrs. - 3%; 14 yrs. - 2%; 15 yrs. - 1%.
- Replacement or Repair Cost Protection: Reduce charge to $1 per policy.
- Account Discount: 10% when insured has both auto & homeowners policy.
- Forms 3 & 3w/15: Loss Free Credit; 3+ yrs. loss free - 3% credit.
- Rate Credit for Multi-Line Insurance & Financial Services Institution Employees Credit: 20% credit.
- Eff. 11-1-96

167. **Travelers Personal Security Insurance Company**
- Deductible Credits HO 00 02, HO 00 03, HE 00 07 Homeowners Policy written in conjunction with Private Passenger Automobile Policy.
- Protective devices.
- Personal Property - Increased Limit Coverage C.
- Account Credit Homeowners Policy written in conjunction with Travelers Private Passenger Automobile Policy.
- Loss Free Customer Credit Homeowners Policy written in conjunction with Travelers Private Passenger

Automobile Policy.
- Multi-Line Insurance and Financial Services Institution Employee's Credit.
- Final Premium Adjustment Factor.
- Royal SunAlliance Employee Program Credit.
- Home Buyer Credit Homeowners policy written in conjunction with Travelers Private Passenger Automobile policy.
- Installment Payment Plan.
- Eff 6-1-12 TRVA-128193340 NCDOI

168. **Travelers Property Casualty Company of America**
- Base Rate Deviation: Credit varies based on territory.
- New Home Credit: 0 - 15 yrs. old: Credit varies 2% - 20%.
- Protective Device Deviation: Credit varies 1% - 15%.
- Forms 2, 3 & 3w15, 4 & 6: 10% Account Credit.
- Forms 2, 3 & 3w15: Personal Property - Increased Limit Coverage C: $1 per $1000.
- Form 3w/15: 10% Additional premium charge.
- Forms 2, 3, 3/w15, 4 & 6: Loss Free Credit: 5+ yrs. loss free - 5% credit.
- Deductible Credits: Varies by amount of deductible & territory.
- Form 3: Homeowners Extra Credit: 15% when criteria are met.
- Refrigerated Personal Property. $10 charge waived.
- Forms 3 & 6: Association Credit Program: 10% credit applies when certain criteria are met.
- Forms 2 & 3: Inflation Guard premium charge waived.
- Eff. 5-21-00 PC032643 North Carolina Department of Insurance

169. **Twin City Fire Insurance Company**
- Age of Dwelling Credit for all territories except 7, 8, 41, 48, 49, 52.
- Account Credit for all territories.
- Retiree Credit named insured is age 50 and older.
- Limited Access Credit Forms 4 & 6: if complex meets the protection requirements.
- Product Factor – Forms HO 00 04 and HO 00 06.
- Retirement Community/Limited Access Community Credit.
- Key Factors.
- Insurance Score.
- Prior Losses.
- Territory Deviation.
- Eff. 10-09-10 HART-126607934 North Carolina Department of Insurance

170. **USAA CASUALTY INSURANCE COMPANY**
- Tier Discount, HO 00 03.
- Tier Discount HO 00 06.
- Base Premium HO 00 03.
- Base Premium HO 00 06.
- Base Premium Protection Construction Factors.
- Deductibles.
- Windstorm or Hail Exclusion Credits.
- Ordinance or Law.
- Personal Property-Additional Coverage-Jewelry and Furs.
- Sinkhole Collapse Coverage.
- Coverage A Dwelling Basic and Increased Limits.
- Personal Property-Increased Limit.
- Earthquake Coverage.
- Protective Devices.
- Loss History.
- Auto and Home Combination Discount.
- Refrigerated Personal Property.
- Installment Payment Plan.
- Eff 6-3-12 USAA-128094844 NCDOI

171. **USAA General Indemnity Company**

- Tier Discount, HO 00 03.
- Tier Discount HO 00 06.
- Base Premium HO 00 03.
- Base Premium HO 00 06.
- Deductibles.
- Windstorm or Hail Exclusion Credits.
- Ordinance or Law.
- Personal Property-Additional Coverage-Jewelry and Furs.
- Sinkhole Collapse Coverage.
- Coverage A Dwelling Basic and Increased Limits.
- Earthquake Coverage.
- Protective Devices.
- Loss History.
- Auto and Home Combination Discount.
- Refrigerated Personal Property.
- Installment Payment Plan.
- Eff 6-3-12 USAA-128094845 NCDOI

172. **Unigard Indemnity Company & Unigard Insurance Company**

- Form 3: Credits vary by protection class & Coverage A dwelling amounts; $40000 & under to $1000000 & over. Credit varies based on territory.
- Form 3: Personal Property Replacement Cost; Delete 5% surcharge.
- Form 6: 16% to be applied to base rate of 10% off Form 4.
- Form 3: Fixed dollar amount deductibles credits; $500-9%; $1000-17%; $2500-25%.
- Forms 4 & 6: $500-l0%; $1000-23%; $2500-37%.
- Form 3: New Home Credit; Current yr. - 20%; 2% less credit each added yr.
- Personal Property Coverage C Increased Limits: Form 3 - $1; Form 3w/15 - $2.
- Protection Device Credit: 5% in all territories & protection classes for an installed smoke detector, fire extinguisher & dead bolt locks.
- Reduced rates for Outboard Motors & Water Craft liability.
- Forms 3, 4 & 6: Personal Injury Coverage; HO-82 included at no charge.
- Form 3: Deviation of territorial Relativities: Credit varies 5.0% - 20.0%.
- Form 4: Credit off base rates by territory; Credit varies 3.5% - 10.0%.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; Surcharge reduced from 1.40 to 1.30.
- Forms 4 & 6: Deviation varies by protection class & territory.
- Eff. 10-3-94

173. **Union Insurance Company**

- Protective Device Credit: Credit varies 2% - 15%.
- All Forms: Account Credit: 10% when auto coverage is written with Union Ins. Co.
- Form 3: New Home/Dwelling Under Construction Discount: Discount based on yr. completed & occupied. Credit varies.
- 3% - 20%.
- Mature Homeowner Credit: 5% if insured is 55 yrs. & an adult is usually home during the day.
- All Forms, except 4 & 6: Replacement cost on contents. $10 charge plus $2 per $1000 when increasing Coverage C from 50% to 70% of Coverage A.
- Increased Deductible Credits: Forms 3, HE-7, 4 & 6; $500-19%; $1000-21%.
- Form 3: Coverage A Factor Deviation by amount & territory.
- Eff. 7-1-01

174. **United Services Automobile Association**

- Tier Discount, HO 00 03.
- Tier Discount HO 00 06.
- Base Premium HO 00 03.
- Base Premium HO 00 06.
- Deductibles.

- Windstorm or Hail Exclusion Credits.
- Ordinance or Law.
- Personal Property-Additional Coverage-Jewelry and Furs.
- Sinkhole Collapse Coverage.
- Coverage A Dwelling Basic and Increased Limits.
- Earthquake Coverage.
- Protective Devices.
- Loss History.
- Auto and Home Combination Discount.
- Refrigerated Personal Property.
- Installment Payment Plan.
- Eff 6-3-12 USAA-128094840 NCDOI

175. **United States Fidelity & Guaranty Company**
- Waive any additional premium of $5 or less.
- Forms 4 & 6: Personal Property Replacement Cost Coverage; 1.35 factor.
- Increase in Coverage C limits: Forms 1, 2 & 3 - $1.50 per $1000; Form 3w15 - $2.50 per $1000.
- Form 6: Form Relativity Factor .800 in lieu of .855.
- Employee Group Discount: 15%.
- Forms 2 & 3: Additional Amount of Insurance. Premium charge $5. HO 03211.
- Special Package Discount. 5% when criteria is met.
- Forms 2, 3, 3w/15 & 8: Deductible Credits.
- Multi-Policy Discount: 10% credit when both Residential & P P Auto policies purchased through USF&G Insurance.
- New Home Discount: 1 yr.-20%; 2% less credit to 9th yr.
- Deviation of HO-3 base rates by territory & policy amount: Credits vary.
- Eff. 4-15-00 PC030952 North Carolina Department of Insurance

176. **United States Fire Insurance Company**
- Forms 2, 3, & 3 w/15: New Home Credit; 0-1 yr. old - 20%; 2% less credit each added yr.
- Forms 1, 2, 3 & 3 w/15: Higher deductible credit factors; $500-.89; $1000-.80; $2500-.67.
- Forms 4 & 6: Higher deductible credit factors; $500 - .83; $1000 - .67; $2500 - .54
- Premises Alarm System: Expand table of credits for protection class 1-7 to include class 8.
- All Forms: Replacement Cost on Contents: Deletion of $20 minimum additional premium.
- Eff. 3/1/90

177. **Unitrin Auto and Home Insurance Company**
- Base rate by territory.
- Base rate by coverage Level.
- Package Deviation.
- Price Level Deviation.
- HE 00 07 Coverage Level.
- Age of Dwelling.
- Mature Homeowners Credit.
- Credit Rating Variables.
- Loss Record.
- Consumer Loyalty Credit.
- Personal Property (Coverage C) RC Coverage.
- Outboard Motors and Watercraft.
- Ordinance or Law Coverage.
- Network Discount.
- Installment Payment Plans, Electronic Funds Transfer (EFT).
- Protective Devices.
- All Other Protective Devices.
- Eff 6-16-12 Kemp-128082523 NCDOI

178. **Unitrin Safeguard Insurance Company**
- Base rate by territory.
- Base rate by coverage Level.
- Package Deviation.
- Price Level Deviation.
- HE 00 07 Coverage Levels.
- Age of Dwelling.
- Mature Homeowners Credit.
- Credit Rating Variables.
- Loss Record.
- Consumer Loyalty Credit.
- Personal Property (Coverage C) RC Coverage.
- Outboard Motors and Watercraft.
- Ordinance or Law Coverage.
- Network Discount.
- Installment Payment Plans, Electronic Funds Transfer (EFT).
- Protective Devices.
- All Other Protective Devices.
- Territory Definitions.
- Eff 6-16-12 KEMP-128099458 NCDOI

179. **Universal North American Insurance Company**

Homeowners Choice Program
- Personal Property Replacement Cost.
- Loss of Use.
- GEICO Credit.
- Costco Credit.
- Claim History.
- Age of Dwelling.
- Insurance Score.
- Territory Deviation.
- Other than Primary Residence.

Homeowners Advantage
- Age of construction Factors.
- Maximum discount Rule.
- Loss Settlement Options.
- Territory Factors.
- Affinity Discount.
- Claim free discount.
- Financial Responsibility Score.
- Claim Rating.
- Eff 6-1-12 UNAC-128019138 NCDOI

180. **Utica Mutual Insurance Company**
- Personal Property Replacement Cost.
- Mass Merchandising Plan.
- (W.I.S.E.)/Affinity Group Program.
- HO Extension Package.
- Personal Lines Account Credit.
- Protection Class deviation Suburban Rating.
- Eff. 4-1-12 UTCX-G127958123 NCDOI

181. **Valiant Insurance Company**
- Personal Property Replacement Cost
- Deductible Credits.
- Personal Property Increased Limits.

- Age of dwelling discount.
- Account Credit.
- Deviation by territory.
- Base Premium discount.
- Protective Device Credit.
- Eff 7-1-98

182. **Vesta Insurance Corporation**
- Inflation Guard Coverage: Premier, Deluxe, Renters & Condos; No charge.
- Loss Assessment Coverage for Earthquake: Premier, Renters & Condos; 5% deductible applies to insured's share of each assessment. Deductible amount not less than $250 in any one assessment. $1 per $1000.
- Credit card, fund transfer card, forgery & counterfeit money coverage Premier, Deluxe & Renters; Reduced charge.
- Premium Credits for Protective Device: Premier, Deluxe, Renters & Condos: Credit varies 2%-15%.
- Increased Special Limits of Liability Premier, Deluxe, Renters & Condos: Reduced charge for certain class of property.
- Deductible Credits: Credits vary from 15% - 40%.
- Senior Citizen Discount Premier, Deluxe, Renters & Condos: 5% if at least one of the named insured is 55 yrs. or older & is not employed outside the home.
- Supporting Business Discount Premier, Deluxe, Renters & Condos: 2%.
- Base Rate Deviation by Territory; Premier & Deluxe; Variable credits.
- Coverage Amount Reactivities Deviations: Premier & Deluxe; Credits vary based on Coverage A amount.
- Loss Free Credit: Premier, Deluxe, Renters & Condos; 3 yrs. - 5%.
- Personal Property: Coverage C limit may be increased at a rate of $2 per $1000.
- Age of Home Credit: Premier & Deluxe; Credits vary 0%-20%.
- Eff. 6-1-99

183. **Vigilant Insurance Company.**
- Base premium computation forms HO 00 04 and HO 00 06.
- Base premium computation HO 00 02 and HO 00 03, HO 00 05 and HE 00 07 – by territory.
- Protective Devices maximum credit is deleted
- Deductibles - Optional Higher Deductibles.
- Deductibles – Named Storm Percentage deductible.
- Additional Amounts of Insurance discount.
- Water Back-Up and Sump Discharge or Overflow.
- Gated Community credit.
- Valuable Articles Credit.
- Eff. 6-4-12 CHUB-127974258 NCDOI

184. **Westchester Fire Insurance Company**
- Forms 1, 2, 3 & 3 w/15: Age of dwelling credit 0-1 yr. 20%; 2% less credit each added yr.
- Forms 1, 2, 3 & 3 w/15: Higher deductible credit factors; $500 - .89; $1000 - .80; $2500 - .67.
- Forms 4 & 6: Higher deductible credit factors; $500 - .83; $1000 - .67; $2500 - .54.
- Premises Alarm System: Expand table of credits for protection class 1-7 to include class 8.
- All Forms: Replacement Cost on Contents: Deletion of $20 minimum additional premium.
- Eff. 3/1/90

185. **XL Insurance America, Inc.**
- All Forms: Personal Property Replacement Cost Coverage; Minimum additional premium for coverage is deleted.
- All Forms: Protective Devices: Maximum credit allowed is deleted.
- Forms 1, 2 & 3: Replacement Cost on Contents: Charge $1 per $1000 for additional increase of Coverage C to 70% of Coverage A. Additional premium for this coverage will not apply.
- Deductibles: Deletion of minimum charges.
- Forms 1, 2, 3 & 8: Fixed dollar amount deductible factors; $500 - .91; $1000 - .83; $2500 - .75.
- Forms 4 & 6: Fixed dollar amount deductible factors; $500 - .90; $1000 .77; $2500 - .63.
- Eff. 4-1-95

NORTH CAROLINA
HOMEOWNERS INSURANCE

DEVIATIONS (a)

Year	(ii) Estimated Premium Written at Manual or Deviated Rates (b)	(iii) Estimated Percentage of Premium Written at Deviated or Manual Rates to Total Written Premiums (c)	(iv) Amount Of Deviations	(v) Average Deviation on Premium Written at Manual or Deviated Rates (d)	(vi) Average Deviation for all Companies (e)
2008	1,431,474,665	90.8%	321,062,452	-22.43%	-15.44%
2009	1,423,353,352	85.9%	336,542,961	-23.64%	-14.64%
2010	1,474,153,711	85.5%	293,298,813	-19.90%	-12.04%
2011	1,458,353,885	82.5%	277,400,974	-19.02%	-10.59%
2012	1,425,166,878	79.5%	251,823,763	-17.67%	-8.30%

Source: North Carolina Rate Bureau

Notes:

(a) "Deviations" and "deviated" in this response refer to downward deviations from manual rates. Also, the Beach and Fair Plans do not report the NCRB Special Call for Homeowners Expense Experience, and their data are therefore not included in this response.

(b) Estimated premium written at deviated rates is not available. This column reflects the premium written at manual or deviated rates of those companies reporting some premium at deviated rates.

(c) The estimated percentage of statewide premium written at deviated rates is not available. This column reflects item (ii) as a percentage of the total reported statewide written premium.

(d) This column reflects the amount of deviations as a percentage of premium written at deviated or manual rates of those companies reporting some premium at deviated rates.

(e) This column reflects the amount of deviations as a percentage of total reported statewide written premium.

Exhibit (1) (h) (i)

Companies Paying Homeowners Insurance Dividends

2008
Affiliated FM Insurance Company.
Amica Mutual Ins Co
Metropolitan Property & Casualty
United Services Automobile Assoc.

2009
Affiliated FM Insurance Company.
Amica Mutual Ins Co
Metropolitan Property & Casualty
United Services Automobile Assoc.

2010
Affiliated FM Insurance Company
Armed Forces Insurance Exchange
Metropolitan Property & Casualty Insurance Company
United Services Automobile Association

2011
Affiliated FM Insurance Company
Metropolitan Property & Casualty Insurance Company
United Services Automobile Association

2012
Affiliated FM Insurance Company
Metropolitan Property & Casualty Insurance Company
United Services Automobile Association

Dividends

Year	Written Premium of Companies w/Dividends	Percentage of Written Premiums of Companies w/Dividends to Total Written Premiums	Dividends	Percentage Dividends of Companies w/Dividends	Overall Percentage of Dividends
2008	79,838,844	4.68%	4,079,311	5.11%	0.24%
2009	87,223,204	4.87%	6,257,097	7.17%	0.35%
2010	79,173,111	4.23%	7,231,118	9.13%	0.39%
2011	85,287,729	4.40%	5,440,163	6.38%	0.28%
2012	93,178,022	4.72%	7,621,372	8.18%	0.39%

Source: Annual Statements, Statutory Page 14

NORTH CAROLINA
HOMEOWNERS INSURANCE

The data required by 11 NCAC 10.1105(1)(i)(i,ii) were not being collected or reported in the experience period. The response to 11 NCAC 10.1105(1), page E-4, provides incurred loss and loss adjustment expense information for property and liability losses. The response to 11 NCAC 10.1105(1)(l) provides non-hurricane incurred loss data by cause-of-loss. Additional information concerning loss development is provided in the response to 11 NCAC 10.1105(3). Additional information concerning loss adjustment expenses is provided in the response to 11 NCAC 10.1105(7). Additional information concerning loss trend is provided in Section D and in the pre-filed testimony of R. Curry and B. Donlan.

(iii) to (vi)

YEAR	APPLIED LOSS DEVELOPMENT FACTOR	LOSS ADJUSTMENT EXPENSE PERCENTAGE
2007	1.000	11.5%
2008	0.999	13.5%
2009	0.999	12.7%
2010	1.000	12.5%
2011	1.017	9.4%

YEAR	APPLIED LOSS TREND FACTOR OWNERS' FORMS	APPLIED LOSS TREND FACTOR TENANT FORM	APPLIED LOSS TREND FACTOR CONDO UNIT FORM
2007	1.236	1.099	1.165
2008	1.214	1.095	1.160
2009	1.197	1.088	1.154
2010	1.189	1.095	1.160
2011	1.171	1.086	1.151

YEAR	TRENDED INCURRED LOSSES AND LAE OWNERS' FORMS	TRENDED INCURRED LOSSES AND LAE TENANT FORM	TRENDED INCURRED LOSSES AND LAE CONDO UNIT FORM
2007	$1,277,034,573	$16,952,392	$11,062,547
2008	1,355,871,698	20,297,395	12,095,538
2009	1,468,731,885	24,395,659	14,905,303
2010	1,626,165,803	27,175,300	17,129,199
2011	1,531,540,222	32,592,997	18,279,553

(vii) This information is given in the response to 11 NCAC 10.1105(1), page E-5.

NORTH CAROLINA
HOMEOWNERS INSURANCE

See prefiled testimony of R. Curry, B. Donlan and D. LaLonde.

NORTH CAROLINA
HOMEOWNERS INSURANCE

CAUSE OF LOSS DATA

Non-hurricane loss experience by cause of loss is provided on the attached Exhibit (1)(l).

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	07	Fire, Lightning and Removal	2007	2,687,864	54	49,821	0.65	325.05
			2008	528,070	52	10,248	0.65	66.46
			2009	761,969	45	16,884	0.59	100.50
			2010	1,228,872	41	30,201	0.55	165.88
			2011	1,362,396	56	24,190	0.78	189.50
		Wind and Hail	2007	106,234	41	2,609	0.50	12.85
			2008	276,729	79	3,516	0.99	34.83
			2009	1,164,483	204	5,707	2.69	153.59
			2010	308,445	86	3,602	1.16	41.64
			2011	2,501,758	221	11,322	3.07	347.99
		Water Damage and Freezing	2007	814,920	106	7,660	1.28	98.55
			2008	798,655	85	9,396	1.07	100.51
			2009	1,180,720	113	10,431	1.49	155.73
			2010	1,237,861	94	13,231	1.27	167.09
			2011	679,827	84	8,063	1.17	94.56
		Theft	2007	26,046	14	1,834	0.17	3.15
			2008	67,647	25	2,665	0.31	8.51
			2009	10,062	13	766	0.17	1.33
			2010	81,836	46	1,790	0.62	11.05
			2011	55,379	19	2,925	0.26	7.70
		Other Physical Damage	2007	84,439	33	2,578	0.40	10.21
			2008	78,602	37	2,151	0.47	9.89
			2009	137,348	32	4,310	0.42	18.12
			2010	129,151	41	3,180	0.55	17.43
			2011	185,159	38	4,864	0.53	25.76
		Liability	2007	83,228	7	11,890	0.08	10.07
			2008	12,544	5	2,509	0.06	1.58
			2009	31,174	3	10,391	0.04	4.11
			2010	206,018	9	22,891	0.12	27.81
			2011	4,936	4	1,234	0.06	0.69
		Credit Card	2007	7,953	4	1,988	0.05	0.96
			2008	5,002	3	1,667	0.04	0.63
			2009	10,881	6	1,814	0.08	1.44
			2010	6,989	2	3,495	0.03	0.94
			2011	7,786	3	2,595	0.04	1.08
		Total	2007	3,810,684	259	14,712	3.13	460.83
			2008	1,767,249	285	6,197	3.59	222.40
			2009	3,296,637	416	7,918	5.49	434.80
			2010	3,199,172	317	10,086	4.28	431.83
			2011	4,797,241	426	11,272	5.93	667.28

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	08	Fire, Lightning and Removal	2007	1,967,212	56	35,337	0.50	175.39
			2008	1,232,451	47	26,001	0.46	119.52
			2009	1,040,384	39	26,953	0.41	108.33
			2010	1,295,615	79	16,452	0.77	125.93
			2011	1,714,351	48	35,805	0.46	162.85
		Wind and Hail	2007	215,291	58	3,718	0.52	19.19
			2008	827,141	174	4,741	1.69	80.22
			2009	131,945	50	2,622	0.52	13.74
			2010	1,180,678	198	5,970	1.92	114.76
			2011	176,920	55	3,218	0.52	16.81
		Water Damage and Freezing	2007	877,536	120	7,289	1.07	78.24
			2008	957,605	103	9,293	1.00	92.87
			2009	845,185	100	8,449	1.04	88.00
			2010	1,622,731	134	12,071	1.30	157.73
			2011	828,422	108	7,650	1.03	78.69
		Theft	2007	99,244	46	2,136	0.41	8.85
			2008	124,081	41	3,018	0.40	12.03
			2009	131,669	22	5,961	0.23	13.71
			2010	160,704	33	4,800	0.32	15.62
			2011	108,635	32	3,420	0.30	10.32
		Other Physical Damage	2007	166,543	37	4,544	0.33	14.85
			2008	186,967	32	5,756	0.31	18.13
			2009	203,622	27	7,589	0.28	21.20
			2010	239,747	44	5,492	0.43	23.30
			2011	198,921	35	5,608	0.33	18.90
		Liability	2007	341,352	12	28,446	0.11	30.43
			2008	29,432	6	4,905	0.06	2.85
			2009	11,133	7	1,590	0.07	1.16
			2010	18,419	4	4,605	0.04	1.79
			2011	146,307	14	10,450	0.13	13.90
		Credit Card	2007	10,381	8	1,298	0.07	0.93
			2008	3,996	4	999	0.04	0.39
			2009	999	1	999	0.01	0.10
			2010	6,048	3	2,016	0.03	0.59
			2011	5,006	5	1,001	0.05	0.48
		Total	2007	3,677,559	337	10,909	3.00	327.87
			2008	3,361,672	409	8,229	3.97	326.01
			2009	2,364,937	246	9,619	2.56	246.24
			2010	4,523,941	495	9,138	4.81	439.72
			2011	3,178,561	297	10,689	2.82	301.93

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	48	Fire, Lightning and Removal	2007	2,447,550	114	21,538	1.03	220.92
			2008	1,560,052	123	12,678	1.11	140.94
			2009	3,517,541	156	22,479	1.32	298.40
			2010	1,835,925	151	12,196	1.25	151.89
			2011	3,410,764	154	22,098	1.26	277.97
		Wind and Hail	2007	139,740	56	2,504	0.51	12.61
			2008	387,103	116	3,335	1.05	34.97
			2009	706,502	180	3,924	1.53	59.93
			2010	357,504	124	2,894	1.03	29.58
			2011	489,205	98	4,977	0.80	39.87
		Water Damage and Freezing	2007	783,102	99	7,910	0.89	70.68
			2008	819,035	119	6,906	1.08	74.00
			2009	1,099,866	155	7,104	1.31	93.30
			2010	1,182,173	132	8,931	1.09	97.80
			2011	1,372,634	143	9,603	1.17	111.87
		Theft	2007	91,463	41	2,207	0.37	8.26
			2008	103,951	40	2,583	0.36	9.39
			2009	204,285	50	4,061	0.42	17.33
			2010	174,387	64	2,733	0.53	14.43
			2011	163,719	54	3,028	0.44	13.34
		Other Physical Damage	2007	153,922	57	2,719	0.51	13.89
			2008	162,746	56	2,901	0.51	14.70
			2009	223,893	63	3,569	0.53	18.99
			2010	205,380	59	3,495	0.49	16.99
			2011	176,383	49	3,597	0.40	14.38
		Liability	2007	195,724	12	16,587	0.11	17.67
			2008	420,307	15	28,690	0.14	37.97
			2009	133,979	16	8,616	0.14	11.37
			2010	270,819	19	14,291	0.16	22.41
			2011	49,348	18	2,749	0.15	4.02
		Credit Card	2007	4,259	3	1,291	0.03	0.38
			2008	10,764	5	2,153	0.05	0.97
			2009	9,928	4	2,482	0.03	0.84
			2010	12,745	10	1,256	0.08	1.05
			2011	11,583	8	1,395	0.07	0.94
		Total	2007	3,815,761	382	9,999	3.45	344.41
			2008	3,463,958	474	7,312	4.28	312.95
			2009	5,895,994	624	9,449	5.29	500.17
			2010	4,038,932	558	7,237	4.62	334.14
			2011	5,673,636	525	10,808	4.28	462.39

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	49	Fire, Lightning and Removal	2007	6,141,075	522	11,754	1.09	127.90
			2008	11,554,499	539	21,452	1.14	245.18
			2009	7,246,880	575	12,599	1.18	148.69
			2010	7,431,445	599	12,400	1.22	151.91
			2011	8,076,724	549	14,710	1.10	162.03
		Wind and Hail	2007	752,786	272	2,773	0.57	15.68
			2008	2,088,596	616	3,388	1.31	44.32
			2009	2,386,985	721	3,310	1.48	48.98
			2010	3,083,107	971	3,176	1.98	63.02
			2011	5,524,467	722	7,653	1.45	110.83
		Water Damage and Freezing	2007	3,155,021	543	5,812	1.13	65.71
			2008	3,640,654	563	6,465	1.19	77.25
			2009	4,664,368	702	6,646	1.44	95.70
			2010	4,652,089	822	5,656	1.68	95.10
			2011	4,153,531	663	6,263	1.33	83.33
		Theft	2007	454,652	190	2,389	0.40	9.47
			2008	604,531	281	2,153	0.60	12.83
			2009	783,468	347	2,261	0.71	16.08
			2010	741,794	251	2,958	0.51	15.16
			2011	808,323	289	2,796	0.58	16.22
		Other Physical Damage	2007	515,047	213	2,422	0.44	10.73
			2008	653,724	234	2,799	0.50	13.87
			2009	581,150	248	2,347	0.51	11.92
			2010	834,295	345	2,419	0.71	17.05
			2011	1,256,720	321	3,918	0.64	25.21
		Liability	2007	425,336	43	9,910	0.09	8.86
			2008	712,318	49	14,460	0.10	15.12
			2009	572,982	50	11,412	0.10	11.76
			2010	554,304	77	7,238	0.16	11.33
			2011	226,146	88	2,582	0.18	4.54
		Credit Card	2007	30,207	28	1,067	0.06	0.63
			2008	38,515	21	1,834	0.04	0.82
			2009	19,222	21	915	0.04	0.39
			2010	32,639	24	1,379	0.05	0.67
			2011	40,860	28	1,443	0.06	0.82
		Total	2007	11,474,125	1,811	6,336	3.77	238.97
			2008	19,292,837	2,303	8,378	4.89	409.39
			2009	16,255,054	2,664	6,103	5.47	333.52
			2010	17,329,673	3,088	5,611	6.31	354.24
			2011	20,086,771	2,660	7,552	5.34	402.98

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	52A	Fire, Lightning and Removal	2007	11,364,062	676	16,817	0.85	142.51
			2008	7,593,624	680	11,169	0.86	95.70
			2009	12,308,230	614	20,059	0.75	150.16
			2010	19,574,021	666	29,374	0.83	243.01
			2011	18,537,602	655	28,305	0.78	221.96
		Wind and Hail	2007	316,765	131	2,420	0.16	3.97
			2008	2,067,773	622	3,324	0.78	26.06
			2009	1,049,538	283	3,706	0.35	12.80
			2010	2,960,806	724	4,088	0.90	36.76
			2011	1,238,884	290	4,277	0.35	14.83
		Water Damage and Freezing	2007	5,946,378	857	6,936	1.07	74.57
			2008	6,729,275	911	7,388	1.15	84.81
			2009	7,843,633	992	7,903	1.21	95.69
			2010	8,163,693	1,131	7,217	1.40	101.35
			2011	9,040,172	1,110	8,144	1.33	108.24
		Theft	2007	907,860	413	2,196	0.52	11.39
			2008	1,663,912	508	3,278	0.64	20.97
			2009	1,289,490	477	2,705	0.58	15.73
			2010	1,148,914	436	2,633	0.54	14.26
			2011	1,365,513	454	3,009	0.54	16.35
		Other Physical Damage	2007	989,572	270	3,671	0.34	12.41
			2008	889,711	290	3,066	0.37	11.21
			2009	1,309,304	321	4,075	0.39	15.97
			2010	1,593,009	376	4,236	0.47	19.78
			2011	1,572,672	278	5,647	0.33	18.83
		Liability	2007	920,425	72	12,818	0.09	11.54
			2008	848,148	97	8,758	0.12	10.69
			2009	708,860	80	8,822	0.10	8.65
			2010	1,029,351	91	11,361	0.11	12.78
			2011	886,804	88	10,075	0.11	10.62
		Credit Card	2007	53,340	35	1,513	0.04	0.67
			2008	41,290	36	1,147	0.05	0.52
			2009	52,718	33	1,598	0.04	0.64
			2010	62,484	41	1,519	0.05	0.78
			2011	48,496	32	1,498	0.04	0.58
		Total	2007	20,498,403	2,454	8,353	3.08	257.05
			2008	19,833,733	3,143	6,310	3.96	249.96
			2009	24,561,772	2,801	8,770	3.42	299.65
			2010	34,532,280	3,466	9,964	4.30	428.72
			2011	32,690,143	2,907	11,244	3.48	391.42

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	52B	Fire, Lightning and Removal	2007	4,422,727	331	13,370	0.98	131.24
			2008	3,537,617	322	11,002	0.95	104.35
			2009	4,777,510	319	14,995	0.90	134.90
			2010	4,783,270	312	15,351	0.90	137.26
			2011	7,061,936	349	20,227	0.95	191.92
		Wind and Hail	2007	388,548	147	2,640	0.44	11.53
			2008	1,024,701	320	3,205	0.94	30.23
			2009	718,367	207	3,474	0.58	20.29
			2010	1,877,827	556	3,378	1.60	53.88
			2011	13,398,071	728	18,409	1.98	364.11
		Water Damage and Freezing	2007	1,870,043	363	5,153	1.08	55.49
			2008	2,089,857	353	5,929	1.04	61.64
			2009	3,051,985	367	8,311	1.04	86.18
			2010	2,862,500	508	5,639	1.46	82.14
			2011	2,171,481	359	6,049	0.98	59.01
		Theft	2007	365,286	181	2,018	0.54	10.84
			2008	481,504	238	2,024	0.70	14.20
			2009	813,893	346	2,351	0.98	22.98
			2010	795,215	271	2,934	0.78	22.82
			2011	719,313	244	2,942	0.66	19.55
		Other Physical Damage	2007	462,635	131	3,545	0.39	13.73
			2008	443,408	167	2,663	0.49	13.08
			2009	544,526	140	3,886	0.40	15.38
			2010	613,765	170	3,613	0.49	17.61
			2011	836,809	169	4,962	0.46	22.74
		Liability	2007	261,119	28	9,172	0.08	7.75
			2008	228,054	24	9,404	0.07	6.73
			2009	667,692	39	17,173	0.11	18.85
			2010	777,645	65	11,988	0.19	22.31
			2011	486,365	35	13,720	0.10	13.22
		Credit Card	2007	19,867	17	1,160	0.05	0.59
			2008	18,845	17	1,109	0.05	0.56
			2009	18,362	16	1,148	0.05	0.52
			2010	22,127	14	1,574	0.04	0.64
			2011	17,078	16	1,067	0.04	0.46
		Total	2007	7,790,224	1,198	6,503	3.55	231.17
			2008	7,823,986	1,439	5,436	4.24	230.78
			2009	10,592,334	1,434	7,387	4.05	299.10
			2010	11,732,349	1,895	6,191	5.44	336.66
			2011	24,691,055	1,900	12,992	5.16	671.01

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	101	Fire, Lightning and Removal	2007	79,668,403	5,661	14,072	0.98	137.98
			2008	74,075,954	5,792	12,790	1.01	129.72
			2009	73,866,289	4,698	15,722	0.82	129.64
			2010	89,378,303	6,830	13,086	1.17	153.01
			2011	77,005,212	6,920	11,128	1.20	133.22
		Wind and Hail	2007	27,464,766	8,419	3,262	1.46	47.57
			2008	117,214,288	21,886	5,356	3.83	205.27
			2009	104,501,947	20,208	5,171	3.55	183.41
			2010	236,638,965	42,261	5,599	7.24	405.12
			2011	381,391,395	57,364	6,649	9.92	659.81
		Water Damage and Freezing	2007	41,533,780	8,195	5,068	1.42	71.93
			2008	53,670,585	9,305	5,768	1.63	93.99
			2009	67,734,727	11,305	5,992	1.98	118.88
			2010	77,080,649	12,120	6,360	2.07	131.96
			2011	69,989,897	10,986	6,371	1.90	121.08
		Theft	2007	17,494,506	7,260	2,410	1.26	30.30
			2008	21,621,764	8,004	2,701	1.40	37.86
			2009	18,419,065	7,513	2,452	1.32	32.33
			2010	18,969,759	7,386	2,568	1.26	32.48
			2011	17,904,009	6,821	2,625	1.18	30.97
		Other Physical Damage	2007	11,280,103	3,801	2,968	0.66	19.54
			2008	12,143,812	4,027	3,016	0.71	21.27
			2009	14,285,750	4,365	3,273	0.77	25.07
			2010	15,871,561	4,760	3,334	0.81	27.17
			2011	14,363,268	4,003	3,588	0.69	24.85
		Liability	2007	6,955,157	915	7,598	0.16	12.05
			2008	6,995,668	1,197	5,843	0.21	12.25
			2009	7,009,350	1,220	5,744	0.21	12.30
			2010	6,855,741	1,266	5,414	0.22	11.74
			2011	7,005,135	1,100	6,371	0.19	12.12
		Medical Payments	2007	500	1	500	0.00	0.00
			2009	66	0	275	0.00	0.00
			2010	84	1	84	0.00	0.00
		Credit Card	2007	349,629	288	1,213	0.05	0.61
			2008	346,935	270	1,287	0.05	0.61
			2009	422,127	321	1,316	0.06	0.74
			2010	358,397	289	1,240	0.05	0.61
			2011	350,956	263	1,335	0.05	0.61
		Total	2007	184,746,844	34,540	5,349	5.98	319.96
			2008	286,069,006	50,480	5,667	8.84	500.97
			2009	286,239,322	49,631	5,767	8.71	502.38
			2010	445,153,459	74,914	5,942	12.83	762.10
			2011	568,009,871	87,456	6,495	15.13	982.66

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	102	Fire, Lightning and Removal	2007	22,821,433	1,956	11,669	1.00	116.86
			2008	27,449,988	2,024	13,561	1.05	142.56
			2009	36,424,978	2,016	18,072	1.04	187.45
			2010	31,192,595	2,461	12,674	1.24	156.55
			2011	35,065,593	2,443	14,352	1.24	177.45
		Wind and Hail	2007	28,800,729	8,284	3,476	4.24	147.47
			2008	18,932,306	4,517	4,191	2.35	98.32
			2009	14,385,872	3,474	4,142	1.79	74.03
			2010	13,714,979	3,197	4,289	1.60	68.84
			2011	71,602,618	12,817	5,586	6.49	362.35
		Water Damage and Freezing	2007	14,042,190	2,304	6,095	1.18	71.90
			2008	19,231,061	2,690	7,150	1.40	99.88
			2009	28,475,068	4,130	6,895	2.13	146.54
			2010	30,042,860	3,690	8,141	1.85	150.78
			2011	20,662,338	2,896	7,134	1.47	104.56
		Theft	2007	3,109,388	1,354	2,297	0.69	15.92
			2008	3,458,914	1,429	2,420	0.74	17.96
			2009	4,364,257	1,621	2,693	0.83	22.46
			2010	3,817,649	1,564	2,441	0.78	19.16
			2011	5,373,408	1,775	3,027	0.90	27.19
		Other Physical Damage	2007	3,826,063	1,485	2,577	0.76	19.59
			2008	3,919,424	1,258	3,116	0.65	20.36
			2009	9,808,622	2,971	3,301	1.53	50.48
			2010	7,506,852	1,990	3,773	1.00	37.68
			2011	4,969,557	1,316	3,777	0.67	25.15
		Liability	2007	1,803,652	307	5,869	0.16	9.24
			2008	2,417,253	359	6,725	0.19	12.55
			2009	1,975,925	431	4,588	0.22	10.17
			2010	3,082,964	429	7,186	0.22	15.47
			2011	1,681,752	393	4,284	0.20	8.51
		Medical Payments	2009	101	0	266	0.00	0.00
		Credit Card	2007	164,226	130	1,261	0.07	0.84
			2008	167,764	136	1,231	0.07	0.87
			2009	155,053	119	1,299	0.06	0.80
			2010	153,038	112	1,372	0.06	0.77
			2011	153,862	109	1,416	0.06	0.78
		Total	2007	74,567,682	15,820	4,714	8.10	381.82
			2008	75,576,710	12,414	6,088	6.45	392.50
			2009	95,589,875	14,761	6,476	7.60	491.92
			2010	89,510,937	13,443	6,658	6.75	449.25
			2011	139,509,128	21,749	6,414	11.01	705.99

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	103	Fire, Lightning and Removal	2007	23,904,122	1,502	15,913	1.05	166.85
			2008	22,310,116	1,676	13,312	1.18	156.78
			2009	23,713,393	1,556	15,245	1.08	164.30
			2010	27,767,136	1,805	15,384	1.25	192.03
			2011	19,656,520	1,898	10,354	1.33	138.10
		Wind and Hail	2007	7,186,055	2,189	3,282	1.53	50.16
			2008	78,853,509	13,014	6,059	9.15	554.14
			2009	31,860,079	5,928	5,374	4.11	220.74
			2010	24,145,508	4,401	5,486	3.04	166.99
			2011	61,761,746	10,102	6,114	7.10	433.93
		Water Damage and Freezing	2007	8,491,790	1,755	4,838	1.22	59.27
			2008	12,331,140	2,056	5,997	1.44	86.66
			2009	15,327,215	2,452	6,251	1.70	106.20
			2010	17,224,296	2,416	7,128	1.67	119.12
			2011	14,318,700	2,174	6,587	1.53	100.60
		Theft	2007	3,150,823	1,384	2,276	0.97	21.99
			2008	3,504,763	1,498	2,339	1.05	24.63
			2009	3,401,527	1,387	2,453	0.96	23.57
			2010	3,779,535	1,437	2,631	0.99	26.14
			2011	4,801,504	1,655	2,902	1.16	33.74
		Other Physical Damage	2007	2,876,451	911	3,156	0.64	20.08
			2008	2,917,040	947	3,081	0.67	20.50
			2009	3,884,127	1,088	3,572	0.75	26.91
			2010	3,826,317	992	3,856	0.69	26.46
			2011	3,193,283	913	3,497	0.64	22.44
		Liability	2007	1,147,770	214	5,365	0.15	8.01
			2008	2,161,518	352	6,149	0.25	15.19
			2009	1,815,168	342	5,308	0.24	12.58
			2010	2,545,281	306	8,325	0.21	17.60
			2011	1,210,510	278	4,351	0.20	8.51
		Medical Payments	2007	262	0	0	0.00	0.00
			2009	37	0	266	0.00	0.00
		Credit Card	2007	113,594	87	1,310	0.06	0.79
			2008	117,952	85	1,382	0.06	0.83
			2009	123,466	90	1,378	0.06	0.86
			2010	109,823	93	1,182	0.06	0.76
			2011	117,829	90	1,302	0.06	0.83
		Total	2007	46,870,868	8,043	5,827	5.61	327.16
			2008	122,196,038	19,628	6,226	13.79	858.73
			2009	80,125,012	12,841	6,240	8.90	555.15
			2010	79,397,896	11,450	6,934	7.92	549.11
			2011	105,060,091	17,111	6,140	12.02	738.14

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	104	Fire, Lightning and Removal	2007	2,215,709	104	21,332	1.13	240.18
			2008	2,364,129	102	23,089	1.11	257.17
			2009	2,132,044	90	23,582	0.96	228.26
			2010	4,495,139	131	34,243	1.36	467.07
			2011	1,449,819	108	13,397	1.13	151.22
		Wind and Hail	2007	807,160	226	3,570	2.45	87.50
			2008	1,330,342	243	5,486	2.64	144.71
			2009	686,357	197	3,490	2.11	73.48
			2010	474,582	94	5,061	0.98	49.31
			2011	1,052,789	234	4,502	2.44	109.81
		Water Damage and Freezing	2007	812,630	114	7,103	1.24	88.09
			2008	1,109,230	136	8,140	1.48	120.66
			2009	1,908,380	313	6,101	3.35	204.31
			2010	1,984,509	240	8,276	2.49	206.20
			2011	1,425,508	156	9,136	1.63	148.68
		Theft	2007	176,941	29	6,093	0.31	19.18
			2008	113,483	44	2,584	0.48	12.35
			2009	119,101	34	3,514	0.36	12.75
			2010	242,684	46	5,254	0.48	25.22
			2011	137,441	45	3,027	0.47	14.34
		Other Physical Damage	2007	263,821	69	3,819	0.75	28.60
			2008	295,331	71	4,158	0.77	32.13
			2009	639,505	197	3,246	2.11	68.47
			2010	710,126	110	6,436	1.14	73.79
			2011	299,642	85	3,539	0.89	31.25
		Liability	2007	47,097	8	6,023	0.09	5.11
			2008	98,756	16	6,126	0.17	10.74
			2009	35,791	12	3,088	0.13	3.83
			2010	155,856	34	4,614	0.35	16.19
			2011	35,824	16	2,240	0.17	3.74
		Medical Payments	2009	5	0	243	0.00	0.00
		Credit Card	2007	7,663	6	1,373	0.07	0.83
			2008	9,231	9	1,009	0.10	1.00
			2009	13,969	8	1,779	0.09	1.50
			2010	7,267	9	828	0.09	0.76
			2011	18,919	16	1,211	0.17	1.97
		Total	2007	4,331,021	556	7,791	6.03	469.48
			2008	5,320,501	621	8,562	6.76	578.76
			2009	5,535,151	850	6,510	9.10	592.60
			2010	8,070,163	664	12,155	6.90	838.53
			2011	4,419,941	660	6,699	6.88	461.00

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	105	Fire, Lightning and Removal	2007	902,160	40	22,782	1.52	343.27
			2008	832,547	43	19,227	1.62	312.88
			2009	390,837	38	10,342	1.43	147.03
			2010	292,183	49	5,985	1.89	112.68
			2011	740,535	50	14,840	1.95	289.12
		Wind and Hail	2007	75,781	32	2,398	1.22	28.84
			2008	792,966	169	4,691	6.35	298.00
			2009	594,663	136	4,375	5.12	223.71
			2010	676,506	140	4,835	5.40	260.90
			2011	3,297,625	128	25,793	5.00	1,287.44
		Water Damage and Freezing	2007	111,557	31	3,592	1.18	42.45
			2008	90,554	25	3,560	0.94	34.03
			2009	109,438	31	3,543	1.17	41.17
			2010	138,585	55	2,538	2.12	53.45
			2011	89,283	31	2,879	1.21	34.86
		Theft	2007	24,877	11	2,190	0.42	9.47
			2008	51,066	23	2,203	0.86	19.19
			2009	49,891	22	2,319	0.83	18.77
			2010	109,068	14	7,774	0.54	42.06
			2011	85,386	25	3,465	0.98	33.34
		Other Physical Damage	2007	113,742	22	5,142	0.84	43.28
			2008	56,875	24	2,325	0.90	21.37
			2009	41,730	27	1,554	1.02	15.70
			2010	23,027	22	1,036	0.85	8.88
			2011	154,228	22	7,023	0.86	60.21
		Liability	2007	3,429	4	912	0.15	1.31
			2008	20,562	5	3,822	0.19	7.73
			2009	7,618	7	1,103	0.26	2.87
			2010	27,935	12	2,402	0.46	10.77
			2011	35,373	6	6,026	0.23	13.81
		Credit Card	2007	1,293	1	930	0.04	0.49
			2008	695	1	621	0.04	0.26
			2009	2,872	2	1,528	0.08	1.08
			2010	2,798	3	830	0.12	1.08
			2011	7,164	5	1,383	0.20	2.80
		Total	2007	1,232,840	141	8,750	5.37	469.09
			2008	1,845,265	292	6,321	10.97	693.46
			2009	1,197,050	262	4,573	9.86	450.33
			2010	1,270,102	295	4,311	11.38	489.83
			2011	4,409,594	266	16,552	10.39	1,721.57

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	106	Fire, Lightning and Removal	2007	4,777,906	277	17,235	1.28	220.73
			2008	8,382,965	415	20,212	1.96	395.98
			2009	4,222,564	287	14,696	1.38	202.76
			2010	6,989,670	355	19,714	1.73	339.96
			2011	4,452,051	321	13,881	1.58	219.31
		Wind and Hail	2007	549,334	218	2,525	1.01	25.38
			2008	2,079,211	651	3,194	3.08	98.21
			2009	2,853,384	446	6,393	2.14	137.01
			2010	1,083,901	261	4,157	1.27	52.72
			2011	17,207,219	1,812	9,498	8.93	847.62
		Water Damage and Freezing	2007	937,890	204	4,593	0.94	43.33
			2008	1,186,047	203	5,842	0.96	56.02
			2009	1,171,192	218	5,374	1.05	56.24
			2010	1,089,455	254	4,283	1.24	52.99
			2011	1,269,575	205	6,188	1.01	62.54
		Theft	2007	637,983	260	2,458	1.20	29.47
			2008	737,455	315	2,339	1.49	34.84
			2009	1,063,086	420	2,532	2.02	51.05
			2010	915,797	351	2,606	1.71	44.54
			2011	867,204	354	2,453	1.74	42.72
		Other Physical Damage	2007	363,345	117	3,118	0.54	16.79
			2008	359,493	156	2,307	0.74	16.98
			2009	245,153	99	2,485	0.48	11.77
			2010	473,125	115	4,131	0.56	23.01
			2011	475,246	123	3,858	0.61	23.41
		Liability	2007	217,752	23	9,593	0.11	10.06
			2008	75,352	32	2,320	0.15	3.56
			2009	187,644	33	5,654	0.16	9.01
			2010	312,864	36	8,659	0.18	15.22
			2011	190,001	28	6,681	0.14	9.36
		Medical Payments	2009	30	0	0	0.00	0.00
		Credit Card	2007	15,821	15	1,073	0.07	0.73
			2008	10,448	10	1,067	0.05	0.49
			2009	16,931	15	1,142	0.07	0.81
			2010	21,010	12	1,738	0.06	1.02
			2011	11,444	13	878	0.06	0.56
		Total	2007	7,500,032	1,113	6,741	5.14	346.49
			2008	12,830,971	1,782	7,200	8.42	606.09
			2009	9,759,984	1,518	6,429	7.29	468.66
			2010	10,885,821	1,384	7,867	6.73	529.46
			2011	24,472,739	2,856	8,569	14.07	1,205.52

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	107	Fire, Lightning and Removal	2007	6,472,260	240	26,951	0.64	171.81
			2008	10,824,457	283	38,246	0.77	296.38
			2009	4,614,679	237	19,451	0.64	123.66
			2010	5,410,466	324	16,674	0.82	137.11
			2011	7,809,624	333	23,442	0.84	198.15
		Wind and Hail	2007	1,584,451	364	4,349	0.97	42.06
			2008	1,915,150	496	3,865	1.36	52.44
			2009	1,041,642	300	3,475	0.80	27.91
			2010	1,032,759	268	3,850	0.68	26.17
			2011	1,993,552	383	5,207	0.97	50.58
		Water Damage and Freezing	2007	2,291,654	367	6,242	0.97	60.83
			2008	2,868,724	477	6,019	1.31	78.55
			2009	4,740,429	466	10,174	1.25	127.03
			2010	4,284,733	552	7,766	1.40	108.58
			2011	4,302,936	479	8,976	1.22	109.18
		Theft	2007	961,068	397	2,423	1.05	25.51
			2008	1,092,643	447	2,444	1.22	29.92
			2009	1,120,633	418	2,682	1.12	30.03
			2010	1,539,948	511	3,016	1.29	39.03
			2011	1,127,669	464	2,428	1.18	28.61
		Other Physical Damage	2007	666,711	172	3,885	0.46	17.70
			2008	987,525	199	4,961	0.54	27.04
			2009	708,321	195	3,626	0.52	18.98
			2010	691,065	227	3,050	0.58	17.51
			2011	800,113	232	3,455	0.59	20.30
		Liability	2007	357,356	54	6,670	0.14	9.49
			2008	523,810	61	8,625	0.17	14.34
			2009	636,406	46	13,710	0.12	17.05
			2010	132,296	40	3,337	0.10	3.35
			2011	595,890	52	11,381	0.13	15.12
		Credit Card	2007	14,661	11	1,395	0.03	0.39
			2008	13,694	12	1,122	0.03	0.38
			2009	27,822	23	1,214	0.06	0.75
			2010	10,478	12	911	0.03	0.27
			2011	17,130	16	1,055	0.04	0.44
		Total	2007	12,348,162	1,604	7,699	4.26	327.78
			2008	18,226,003	1,974	9,232	5.40	499.04
			2009	12,889,931	1,686	7,647	4.52	345.42
			2010	13,101,746	1,933	6,779	4.90	332.03
			2011	16,646,915	1,960	8,493	4.97	422.38

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	108	Fire, Lightning and Removal	2007	7,442,437	444	16,747	1.28	214.12
			2008	5,536,821	331	16,704	0.96	160.67
			2009	5,760,416	382	15,084	1.10	166.40
			2010	16,920,755	483	35,055	1.37	481.22
			2011	15,473,780	506	30,582	1.45	444.29
		Wind and Hail	2007	2,279,183	483	4,715	1.39	65.57
			2008	2,162,864	421	5,141	1.22	62.76
			2009	2,291,123	509	4,506	1.47	66.18
			2010	1,408,513	321	4,390	0.91	40.06
			2011	7,231,866	1,205	6,003	3.46	207.65
		Water Damage and Freezing	2007	2,585,170	407	6,345	1.17	74.38
			2008	4,216,385	456	9,253	1.32	122.35
			2009	7,380,218	723	10,214	2.09	213.19
			2010	8,505,840	749	11,350	2.13	241.90
			2011	5,882,741	566	10,385	1.63	168.91
		Theft	2007	326,441	153	2,134	0.44	9.39
			2008	616,183	186	3,319	0.54	17.88
			2009	716,055	271	2,640	0.78	20.68
			2010	772,128	237	3,255	0.67	21.96
			2011	872,787	225	3,885	0.65	25.06
		Other Physical Damage	2007	677,869	146	4,641	0.42	19.50
			2008	725,451	176	4,123	0.51	21.05
			2009	1,391,486	295	4,721	0.85	40.20
			2010	1,208,714	301	4,015	0.86	34.38
			2011	1,009,104	254	3,975	0.73	28.97
		Liability	2007	241,987	38	6,378	0.11	6.96
			2008	375,618	39	9,531	0.11	10.90
			2009	350,990	46	7,677	0.13	10.14
			2010	584,426	64	9,152	0.18	16.62
			2011	264,547	47	5,572	0.13	7.60
		Medical Payments	2009	18	0	258	0.00	0.00
		Credit Card	2007	23,675	17	1,392	0.05	0.68
			2008	43,086	25	1,747	0.07	1.25
			2009	26,328	23	1,158	0.07	0.76
			2010	25,450	22	1,153	0.06	0.72
			2011	25,849	15	1,783	0.04	0.74
		Total	2007	13,576,762	1,689	8,037	4.86	390.61
			2008	13,676,408	1,634	8,372	4.74	396.87
			2009	17,916,632	2,247	7,972	6.49	517.55
			2010	29,425,827	2,177	13,516	6.19	836.86
			2011	30,760,673	2,818	10,917	8.09	883.22

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	109	Fire, Lightning and Removal	2007	11,167,616	982	11,370	1.08	123.38
			2008	12,483,324	1,064	11,730	1.18	138.34
			2009	18,298,230	948	19,307	1.04	201.23
			2010	16,627,952	1,274	13,056	1.36	178.08
			2011	14,533,672	1,374	10,579	1.48	156.63
		Wind and Hail	2007	8,147,100	2,312	3,523	2.55	90.01
			2008	17,853,905	3,525	5,065	3.91	197.86
			2009	34,467,073	5,052	6,823	5.56	379.03
			2010	16,358,820	3,036	5,388	3.25	175.20
			2011	292,547,962	40,576	7,210	43.73	3,152.74
		Water Damage and Freezing	2007	5,890,518	1,180	4,991	1.30	65.08
			2008	7,701,787	1,413	5,450	1.57	85.35
			2009	11,478,493	1,798	6,384	1.98	126.23
			2010	10,190,287	1,692	6,023	1.81	109.14
			2011	9,817,310	1,611	6,094	1.74	105.80
		Theft	2007	1,995,420	829	2,407	0.92	22.05
			2008	2,523,931	958	2,634	1.06	27.97
			2009	2,382,507	933	2,553	1.03	26.20
			2010	2,447,507	887	2,761	0.95	26.21
			2011	2,542,784	891	2,854	0.96	27.40
		Other Physical Damage	2007	1,662,324	535	3,105	0.59	18.37
			2008	1,792,809	593	3,021	0.66	19.87
			2009	2,542,916	835	3,045	0.92	27.96
			2010	2,068,862	619	3,344	0.66	22.16
			2011	2,809,998	851	3,303	0.92	30.28
		Liability	2007	1,222,940	141	8,659	0.16	13.51
			2008	1,009,778	162	6,247	0.18	11.19
			2009	1,392,897	175	7,951	0.19	15.32
			2010	1,166,907	187	6,234	0.20	12.50
			2011	1,619,356	236	6,871	0.25	17.45
		Medical Payments	2009	25	0	282	0.00	0.00
		Credit Card	2007	57,665	40	1,437	0.04	0.64
			2008	46,296	44	1,051	0.05	0.51
			2009	66,612	52	1,276	0.06	0.73
			2010	73,163	54	1,359	0.06	0.78
			2011	85,858	62	1,387	0.07	0.93
		Total	2007	30,143,582	6,021	5,007	6.65	333.02
			2008	43,411,830	7,760	5,594	8.60	481.09
			2009	70,628,755	9,793	7,212	10.77	776.70
			2010	48,933,498	7,748	6,316	8.30	524.07
			2011	323,956,941	45,600	7,104	49.14	3,491.23

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	110	Fire, Lightning and Removal	2007	4,025,195	167	24,037	2.27	547.92
			2008	3,088,166	182	16,934	2.47	419.25
			2009	3,299,224	145	22,677	1.99	452.78
			2010	2,955,296	141	20,974	1.97	412.97
			2011	2,735,088	173	15,836	2.44	386.10
		Wind and Hail	2007	219,327	87	2,531	1.18	29.86
			2008	873,883	187	4,668	2.54	118.64
			2009	617,901	123	5,013	1.69	84.80
			2010	388,641	111	3,500	1.55	54.31
			2011	1,381,553	225	6,143	3.18	195.03
		Water Damage and Freezing	2007	349,741	62	5,647	0.84	47.61
			2008	198,692	55	3,624	0.75	26.98
			2009	255,456	74	3,475	1.02	35.06
			2010	406,137	72	5,653	1.01	56.75
			2011	462,686	50	9,311	0.71	65.32
		Theft	2007	172,627	78	2,212	1.06	23.50
			2008	218,421	79	2,779	1.07	29.65
			2009	352,421	104	3,378	1.43	48.37
			2010	305,731	97	3,163	1.36	42.72
			2011	285,423	100	2,843	1.41	40.29
		Other Physical Damage	2007	105,934	46	2,309	0.63	14.42
			2008	218,756	43	5,125	0.58	29.70
			2009	142,962	34	4,201	0.47	19.62
			2010	156,241	40	3,952	0.56	21.83
			2011	178,361	49	3,619	0.69	25.18
		Liability	2007	80,016	8	10,612	0.11	10.89
			2008	23,756	9	2,703	0.12	3.23
			2009	89,446	10	8,692	0.14	12.28
			2010	6,422	6	1,083	0.08	0.90
			2011	129,432	7	18,951	0.10	18.27
		Credit Card	2007	8,214	5	1,556	0.07	1.12
			2008	16,662	6	2,670	0.08	2.26
			2009	17,813	11	1,581	0.15	2.45
			2010	8,012	5	1,632	0.07	1.12
			2011	4,613	4	1,162	0.06	0.65
		Total	2007	4,961,054	453	10,956	6.17	675.32
			2008	4,638,335	561	8,272	7.62	629.70
			2009	4,775,222	502	9,509	6.89	655.34
			2010	4,226,481	471	8,977	6.58	590.60
			2011	5,177,156	608	8,518	8.58	730.84

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	111	Fire, Lightning and Removal	2007	13,911,299	979	14,205	1.05	149.54
			2008	19,202,164	1,384	13,876	1.47	203.45
			2009	14,697,909	1,142	12,870	1.22	156.51
			2010	19,605,803	1,182	16,590	1.26	209.81
			2011	19,157,840	1,343	14,265	1.45	206.40
		Wind and Hail	2007	1,811,914	762	2,376	0.82	19.48
			2008	11,537,418	2,950	3,911	3.13	122.24
			2009	6,277,145	1,467	4,278	1.56	66.84
			2010	4,795,705	1,360	3,528	1.46	51.32
			2011	86,974,450	6,214	13,996	6.69	937.02
		Water Damage and Freezing	2007	6,140,503	1,146	5,356	1.23	66.01
			2008	7,129,146	1,289	5,529	1.37	75.54
			2009	9,505,440	1,427	6,662	1.52	101.22
			2010	9,304,196	1,463	6,361	1.57	99.57
			2011	8,974,602	1,443	6,218	1.55	96.69
		Theft	2007	3,114,882	1,245	2,502	1.34	33.48
			2008	3,932,260	1,530	2,571	1.62	41.66
			2009	4,489,962	1,667	2,693	1.78	47.81
			2010	4,881,819	1,692	2,885	1.81	52.24
			2011	5,185,701	1,751	2,962	1.89	55.87
		Other Physical Damage	2007	1,884,115	639	2,947	0.69	20.25
			2008	2,379,888	822	2,896	0.87	25.22
			2009	2,134,041	740	2,883	0.79	22.73
			2010	2,020,475	782	2,585	0.84	21.62
			2011	3,363,750	1,106	3,042	1.19	36.24
		Liability	2007	786,784	123	6,392	0.13	8.46
			2008	1,192,179	167	7,151	0.18	12.63
			2009	891,269	179	4,980	0.19	9.49
			2010	1,701,890	162	10,499	0.17	18.21
			2011	657,800	118	5,575	0.13	7.09
		Medical Payments	2009	160	0	0	0.00	0.00
		Credit Card	2007	53,085	45	1,182	0.05	0.57
			2008	56,228	51	1,094	0.05	0.60
			2009	61,253	42	1,451	0.04	0.65
			2010	71,242	51	1,406	0.05	0.76
			2011	41,588	36	1,156	0.04	0.45
		Total	2007	27,702,583	4,941	5,607	5.31	297.79
			2008	45,429,284	8,193	5,545	8.68	481.34
			2009	38,057,179	6,665	5,710	7.10	405.26
			2010	42,381,131	6,691	6,334	7.16	453.55
			2011	124,355,731	12,011	10,353	12.94	1,339.75

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	112	Fire, Lightning and Removal	2007	2,492,907	252	9,892	1.32	131.06
			2008	4,300,003	249	17,259	1.30	224.64
			2009	3,565,317	221	16,122	1.17	188.45
			2010	3,337,046	243	13,737	1.32	181.31
			2011	6,058,516	322	18,823	1.77	332.78
		Wind and Hail	2007	1,105,490	358	3,087	1.88	58.12
			2008	2,511,101	614	4,092	3.21	131.18
			2009	2,176,311	478	4,552	2.53	115.03
			2010	1,837,764	541	3,399	2.94	99.85
			2011	12,714,231	946	13,434	5.20	698.36
		Water Damage and Freezing	2007	787,162	215	3,655	1.13	41.38
			2008	923,476	243	3,794	1.27	48.24
			2009	1,538,770	322	4,778	1.70	81.33
			2010	1,748,150	419	4,170	2.28	94.98
			2011	1,529,833	334	4,577	1.83	84.03
		Theft	2007	383,840	166	2,306	0.87	20.18
			2008	306,622	162	1,888	0.85	16.02
			2009	467,625	223	2,094	1.18	24.72
			2010	482,682	187	2,580	1.02	26.23
			2011	541,735	194	2,791	1.07	29.76
		Other Physical Damage	2007	325,000	135	2,402	0.71	17.09
			2008	400,278	132	3,027	0.69	20.91
			2009	272,702	154	1,775	0.81	14.41
			2010	372,499	153	2,430	0.83	20.24
			2011	570,237	140	4,073	0.77	31.32
		Liability	2007	382,121	31	12,169	0.16	20.09
			2008	272,405	36	7,615	0.19	14.23
			2009	145,642	39	3,697	0.21	7.70
			2010	298,244	40	7,477	0.22	16.21
			2011	397,967	47	8,462	0.26	21.86
		Credit Card	2007	58,473	19	3,150	0.10	3.07
			2008	31,747	25	1,279	0.13	1.66
			2009	29,240	20	1,440	0.11	1.55
			2010	19,807	13	1,515	0.07	1.08
			2011	29,231	16	1,819	0.09	1.61
		Total	2007	5,534,993	1,177	4,702	6.19	290.99
			2008	8,745,633	1,461	5,984	7.63	456.88
			2009	8,195,607	1,458	5,622	7.71	433.18
			2010	8,096,190	1,596	5,072	8.67	439.89
			2011	21,841,750	2,000	10,922	10.99	1,199.70

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	113	Fire, Lightning and Removal	2007	35,763,399	2,077	17,215	0.78	133.48
			2008	25,037,879	1,979	12,651	0.74	93.17
			2009	27,411,465	1,611	17,012	0.59	100.39
			2010	44,009,012	2,488	17,686	0.89	156.78
			2011	38,311,176	2,297	16,677	0.82	136.28
		Wind and Hail	2007	8,073,817	2,158	3,741	0.81	30.13
			2008	9,108,967	2,688	3,389	1.00	33.90
			2009	8,772,729	2,447	3,586	0.90	32.13
			2010	5,948,217	1,825	3,260	0.65	21.19
			2011	98,963,469	10,205	9,697	3.63	352.04
		Water Damage and Freezing	2007	25,982,168	4,022	6,460	1.50	96.97
			2008	32,066,816	4,659	6,883	1.73	119.33
			2009	40,034,608	5,178	7,731	1.90	146.62
			2010	39,101,614	5,333	7,332	1.90	139.29
			2011	44,808,128	5,457	8,212	1.94	159.39
		Theft	2007	4,494,392	2,006	2,241	0.75	16.77
			2008	6,036,493	2,447	2,467	0.91	22.46
			2009	7,094,040	2,890	2,455	1.06	25.98
			2010	8,795,279	3,237	2,717	1.15	31.33
			2011	7,876,788	2,949	2,671	1.05	28.02
		Other Physical Damage	2007	4,937,661	1,393	3,546	0.52	18.43
			2008	5,028,674	1,526	3,295	0.57	18.71
			2009	5,482,644	1,681	3,261	0.62	20.08
			2010	6,136,722	1,767	3,472	0.63	21.86
			2011	7,861,789	2,204	3,568	0.78	27.97
		Liability	2007	1,850,567	319	5,801	0.12	6.91
			2008	3,011,192	360	8,354	0.13	11.21
			2009	1,905,867	348	5,469	0.13	6.98
			2010	2,087,120	333	6,267	0.12	7.44
			2011	2,200,540	305	7,212	0.11	7.83
		Credit Card	2007	139,571	98	1,418	0.04	0.52
			2008	129,057	96	1,349	0.04	0.48
			2009	132,391	95	1,398	0.03	0.49
			2010	110,942	76	1,457	0.03	0.40
			2011	129,183	104	1,242	0.04	0.46
		Total	2007	81,241,577	12,074	6,729	4.51	303.21
			2008	80,419,078	13,756	5,846	5.12	299.26
			2009	90,833,743	14,251	6,374	5.22	332.66
			2010	106,188,906	15,059	7,051	5.36	378.28
			2011	200,151,074	23,521	8,509	8.37	711.98

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	114	Fire, Lightning and Removal	2007	12,451,528	977	12,749	1.26	160.44
			2008	10,260,273	898	11,420	1.14	130.63
			2009	12,828,111	853	15,046	1.08	162.92
			2010	12,762,532	875	14,586	1.11	162.41
			2011	12,225,996	1,063	11,502	1.37	157.20
		Wind and Hail	2007	3,828,101	1,181	3,242	1.52	49.33
			2008	7,293,375	2,158	3,379	2.75	92.86
			2009	7,128,257	1,736	4,106	2.20	90.53
			2010	5,533,295	1,643	3,368	2.09	70.41
			2011	21,073,970	2,955	7,133	3.80	270.96
		Water Damage and Freezing	2007	3,298,975	946	3,488	1.22	42.51
			2008	4,039,132	1,043	3,874	1.33	51.43
			2009	6,262,529	1,305	4,800	1.66	79.53
			2010	6,429,619	1,502	4,279	1.91	81.82
			2011	6,365,108	1,191	5,344	1.53	81.84
		Theft	2007	1,843,901	814	2,264	1.05	23.76
			2008	2,405,399	977	2,463	1.24	30.63
			2009	2,471,097	1,133	2,182	1.44	31.38
			2010	2,258,711	983	2,298	1.25	28.74
			2011	2,188,638	836	2,619	1.07	28.14
		Other Physical Damage	2007	1,234,971	436	2,832	0.56	15.91
			2008	1,207,186	502	2,404	0.64	15.37
			2009	1,571,165	586	2,680	0.74	19.95
			2010	1,650,804	598	2,758	0.76	21.01
			2011	1,449,328	480	3,018	0.62	18.64
		Liability	2007	1,532,622	112	13,738	0.14	19.75
			2008	793,984	146	5,438	0.19	10.11
			2009	721,638	119	6,070	0.15	9.17
			2010	856,886	119	7,183	0.15	10.90
			2011	1,472,754	140	10,508	0.18	18.94
		Medical Payments	2009	189	0	0	0.00	0.00
		Credit Card	2007	69,180	53	1,309	0.07	0.89
			2008	67,413	58	1,160	0.07	0.86
			2009	56,251	43	1,321	0.05	0.71
			2010	62,620	47	1,338	0.06	0.80
			2011	80,316	45	1,785	0.06	1.03
		Total	2007	24,259,280	4,518	5,369	5.82	312.58
			2008	26,066,762	5,782	4,508	7.36	331.88
			2009	31,039,237	5,774	5,376	7.33	394.20
			2010	29,554,467	5,768	5,124	7.34	376.09
			2011	44,856,109	6,710	6,685	8.63	576.75

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	115	Fire, Lightning and Removal	2007	10,531,538	804	13,102	1.23	161.44
			2008	8,058,681	792	10,181	1.20	121.65
			2009	10,021,660	665	15,060	0.99	149.62
			2010	11,732,891	853	13,758	1.25	171.40
			2011	19,818,757	974	20,350	1.42	289.91
		Wind and Hail	2007	1,854,004	629	2,948	0.96	28.42
			2008	5,120,052	1,327	3,860	2.00	77.29
			2009	5,360,523	1,048	5,115	1.56	80.03
			2010	2,751,338	867	3,173	1.27	40.19
			2011	15,502,400	1,911	8,113	2.80	226.77
		Water Damage and Freezing	2007	3,015,929	682	4,419	1.05	46.23
			2008	3,996,624	721	5,544	1.09	60.33
			2009	4,813,318	822	5,857	1.23	71.86
			2010	5,080,922	929	5,466	1.36	74.22
			2011	5,141,865	815	6,306	1.19	75.22
		Theft	2007	1,301,843	567	2,295	0.87	19.96
			2008	2,287,958	837	2,733	1.26	34.54
			2009	1,891,248	791	2,392	1.18	28.24
			2010	1,939,052	754	2,573	1.10	28.33
			2011	2,249,955	835	2,694	1.22	32.91
		Other Physical Damage	2007	1,115,340	282	3,960	0.43	17.10
			2008	1,271,365	357	3,558	0.54	19.19
			2009	1,320,670	364	3,628	0.54	19.72
			2010	971,695	360	2,699	0.53	14.20
			2011	1,684,688	371	4,540	0.54	24.64
		Liability	2007	1,663,432	78	21,353	0.12	25.50
			2008	582,684	118	4,942	0.18	8.80
			2009	939,622	123	7,664	0.18	14.03
			2010	663,469	123	5,373	0.18	9.69
			2011	1,031,010	134	7,719	0.20	15.08
		Medical Payments	2009	395	0	0	0.00	0.01
		Credit Card	2007	49,654	38	1,321	0.06	0.76
			2008	35,751	29	1,217	0.04	0.54
			2009	63,585	42	1,499	0.06	0.95
			2010	62,563	45	1,377	0.07	0.91
			2011	71,751	44	1,616	0.06	1.05
		Total	2007	19,531,740	3,079	6,343	4.72	299.41
			2008	21,353,114	4,181	5,108	6.31	322.34
			2009	24,411,021	3,855	6,332	5.76	364.44
			2010	23,201,929	3,932	5,901	5.74	338.94
			2011	45,500,426	5,084	8,949	7.44	665.59

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	116	Fire, Lightning and Removal	2007	1,327,248	78	17,080	1.51	256.80
			2008	590,799	72	8,227	1.38	112.89
			2009	1,046,900	57	18,373	1.09	199.56
			2010	1,488,108	77	19,231	1.50	290.38
			2011	929,684	68	13,636	1.35	184.81
		Wind and Hail	2007	176,423	67	2,647	1.30	34.14
			2008	666,312	214	3,111	4.09	127.32
			2009	637,858	195	3,267	3.72	121.59
			2010	705,218	215	3,283	4.20	137.61
			2011	1,206,235	136	8,849	2.70	239.79
		Water Damage and Freezing	2007	276,218	73	3,809	1.41	53.44
			2008	262,755	62	4,246	1.18	50.21
			2009	251,424	63	3,997	1.20	47.93
			2010	421,270	110	3,833	2.15	82.20
			2011	256,496	58	4,415	1.15	50.99
		Theft	2007	88,535	35	2,532	0.68	17.13
			2008	141,417	64	2,226	1.22	27.02
			2009	151,777	65	2,351	1.24	28.93
			2010	177,560	42	4,206	0.82	34.65
			2011	107,677	38	2,798	0.76	21.41
		Other Physical Damage	2007	126,990	36	3,496	0.70	24.57
			2008	49,252	36	1,386	0.69	9.41
			2009	131,001	49	2,698	0.93	24.97
			2010	101,366	37	2,750	0.72	19.78
			2011	92,277	37	2,466	0.74	18.34
		Liability	2007	19,439	12	1,601	0.23	3.76
			2008	38,578	7	5,328	0.13	7.37
			2009	33,508	17	1,921	0.32	6.39
			2010	309,454	9	34,422	0.18	60.38
			2011	111,978	11	10,070	0.22	22.26
		Credit Card	2007	6,294	6	1,104	0.12	1.22
			2008	1,963	2	876	0.04	0.38
			2009	4,777	4	1,111	0.08	0.91
			2010	6,367	6	1,131	0.12	1.24
			2011	12,899	6	2,216	0.12	2.56
		Total	2007	2,021,147	306	6,605	5.92	391.06
			2008	1,751,075	456	3,837	8.71	334.59
			2009	2,257,244	450	5,016	8.58	430.28
			2010	3,209,343	496	6,473	9.68	626.25
			2011	2,717,247	355	7,645	7.06	540.16

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	117	Fire, Lightning and Removal	2007	7,590,789	433	17,537	1.32	232.24
			2008	13,287,084	334	39,733	1.04	415.45
			2009	4,301,752	353	12,202	1.10	133.63
			2010	4,720,937	375	12,600	1.12	140.67
			2011	5,795,368	499	11,619	1.49	173.62
		Wind and Hail	2007	3,366,896	887	3,796	2.71	103.01
			2008	2,725,058	643	4,240	2.01	85.21
			2009	3,303,384	775	4,263	2.41	102.62
			2010	1,746,417	417	4,190	1.24	52.04
			2011	8,258,427	1,523	5,422	4.56	247.41
		Water Damage and Freezing	2007	2,474,514	391	6,325	1.20	75.71
			2008	3,201,362	427	7,504	1.34	100.10
			2009	7,031,831	815	8,632	2.53	218.44
			2010	8,541,306	734	11,633	2.19	254.50
			2011	4,706,917	557	8,448	1.67	141.02
		Theft	2007	413,792	179	2,306	0.55	12.66
			2008	405,437	196	2,064	0.61	12.68
			2009	611,255	216	2,829	0.67	18.99
			2010	511,797	215	2,383	0.64	15.25
			2011	556,027	184	3,025	0.55	16.66
		Other Physical Damage	2007	664,574	214	3,111	0.65	20.33
			2008	1,489,055	235	6,340	0.73	46.56
			2009	1,699,237	518	3,279	1.61	52.79
			2010	1,454,598	399	3,641	1.19	43.34
			2011	888,807	232	3,837	0.70	26.63
		Liability	2007	182,366	51	3,574	0.16	5.58
			2008	579,803	53	10,890	0.17	18.13
			2009	703,892	74	9,474	0.23	21.87
			2010	447,474	72	6,219	0.21	13.33
			2011	352,380	66	5,337	0.20	10.56
		Medical Payments	2008	4	1	4	0.00	0.00
			2009	17	0	283	0.00	0.00
		Credit Card	2007	35,380	27	1,311	0.08	1.08
			2008	19,951	21	967	0.07	0.62
			2009	19,061	16	1,170	0.05	0.59
			2010	25,002	22	1,141	0.07	0.75
			2011	24,087	15	1,652	0.04	0.72
		Total	2007	14,728,310	2,182	6,749	6.68	450.60
			2008	21,707,753	1,910	11,365	5.97	678.74
			2009	17,670,429	2,767	6,386	8.60	548.91
			2010	17,447,531	2,234	7,810	6.66	519.87
			2011	20,582,012	3,075	6,693	9.21	616.62

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	118	Fire, Lightning and Removal	2007	4,990,600	345	14,481	1.09	157.42
			2008	4,599,013	489	9,403	1.59	149.18
			2009	5,643,775	515	10,963	1.66	182.27
			2010	10,340,630	453	22,818	1.41	322.05
			2011	6,973,886	596	11,709	1.87	218.36
		Wind and Hail	2007	426,141	129	3,314	0.41	13.44
			2008	1,775,030	484	3,669	1.57	57.58
			2009	847,939	209	4,061	0.67	27.39
			2010	835,211	230	3,635	0.72	26.01
			2011	18,704,143	820	22,806	2.57	585.64
		Water Damage and Freezing	2007	2,761,828	387	7,139	1.22	87.12
			2008	3,370,667	357	9,442	1.16	109.34
			2009	3,129,857	447	6,997	1.44	101.08
			2010	4,407,991	514	8,582	1.60	137.29
			2011	3,191,753	446	7,157	1.40	99.94
		Theft	2007	556,375	199	2,800	0.63	17.55
			2008	724,718	266	2,728	0.86	23.51
			2009	680,261	264	2,573	0.85	21.97
			2010	774,556	288	2,689	0.90	24.12
			2011	618,350	254	2,432	0.80	19.36
		Other Physical Damage	2007	450,225	190	2,366	0.60	14.20
			2008	650,121	206	3,153	0.67	21.09
			2009	912,404	202	4,511	0.65	29.47
			2010	510,038	221	2,308	0.69	15.89
			2011	843,132	263	3,206	0.82	26.40
		Liability	2007	269,743	35	7,722	0.11	8.51
			2008	432,198	55	7,803	0.18	14.02
			2009	207,862	54	3,873	0.17	6.71
			2010	202,791	61	3,347	0.19	6.32
			2011	398,623	61	6,562	0.19	12.48
		Medical Payments	2009	203	0	0	0.00	0.01
		Credit Card	2007	12,504	10	1,253	0.03	0.39
			2008	18,872	14	1,358	0.05	0.61
			2009	32,308	20	1,578	0.06	1.04
			2010	20,190	16	1,249	0.05	0.63
			2011	21,008	17	1,201	0.05	0.66
		Total	2007	9,467,415	1,294	7,316	4.08	298.63
			2008	11,570,620	1,871	6,184	6.07	375.33
			2009	11,454,609	1,712	6,692	5.53	369.94
			2010	17,091,407	1,782	9,589	5.55	532.30
			2011	30,750,894	2,457	12,514	7.69	962.83

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	119	Fire, Lightning and Removal	2007	996,360	99	10,087	1.41	141.84
			2008	1,351,983	122	11,099	1.72	190.79
			2009	720,271	96	7,537	1.34	100.53
			2010	1,531,232	89	17,195	1.23	211.74
			2011	2,292,715	93	24,671	1.29	319.25
		Wind and Hail	2007	256,856	106	2,432	1.51	36.57
			2008	794,183	283	2,808	3.99	112.08
			2009	725,494	195	3,730	2.72	101.26
			2010	830,328	185	4,478	2.56	114.82
			2011	690,045	147	4,698	2.05	96.09
		Water Damage and Freezing	2007	385,169	86	4,481	1.22	54.83
			2008	619,966	89	6,959	1.26	87.49
			2009	775,689	118	6,594	1.65	108.27
			2010	704,654	101	6,976	1.40	97.44
			2011	680,256	95	7,197	1.32	94.72
		Theft	2007	150,113	56	2,667	0.80	21.37
			2008	166,390	79	2,094	1.11	23.48
			2009	140,958	61	2,300	0.85	19.67
			2010	192,446	74	2,593	1.02	26.61
			2011	233,992	85	2,762	1.18	32.58
		Other Physical Damage	2007	83,289	35	2,378	0.50	11.86
			2008	84,942	43	1,961	0.61	11.99
			2009	104,569	46	2,281	0.64	14.60
			2010	170,524	47	3,646	0.65	23.58
			2011	90,249	33	2,706	0.46	12.57
		Liability	2007	33,235	14	2,344	0.20	4.73
			2008	58,775	20	2,959	0.28	8.29
			2009	33,978	16	2,099	0.22	4.74
			2010	35,409	10	3,559	0.14	4.90
			2011	81,780	18	4,662	0.25	11.39
		Medical Payments	2009	23	0	0	0.00	0.00
		Credit Card	2007	8,653	7	1,231	0.10	1.23
			2008	8,321	7	1,182	0.10	1.17
			2009	3,923	3	1,249	0.04	0.55
			2010	3,182	3	1,010	0.04	0.44
			2011	4,090	4	1,018	0.06	0.57
		Total	2007	1,913,675	403	4,750	5.74	272.44
			2008	3,084,559	643	4,794	9.07	435.29
			2009	2,504,905	534	4,689	7.45	349.62
			2010	3,467,776	510	6,805	7.05	479.53
			2011	4,073,127	474	8,593	6.60	567.16

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	120	Fire, Lightning and Removal	2007	1,043,837	130	8,026	1.74	139.44
			2008	623,761	123	5,064	1.69	85.78
			2009	476,446	97	4,889	1.34	65.97
			2010	1,819,700	118	15,447	1.63	251.21
			2011	822,783	133	6,202	1.84	114.08
		Wind and Hail	2007	760,866	272	2,798	3.63	101.64
			2008	646,740	192	3,375	2.64	88.94
			2009	359,011	107	3,365	1.48	49.71
			2010	606,914	163	3,721	2.25	83.79
			2011	1,301,230	308	4,221	4.27	180.42
		Water Damage and Freezing	2007	246,736	84	2,926	1.12	32.96
			2008	474,422	95	5,007	1.31	65.24
			2009	296,513	100	2,964	1.38	41.05
			2010	422,058	100	4,238	1.38	58.27
			2011	448,247	97	4,634	1.34	62.15
		Theft	2007	200,648	61	3,316	0.81	26.80
			2008	109,746	49	2,254	0.67	15.09
			2009	138,882	53	2,600	0.73	19.23
			2010	176,245	67	2,636	0.92	24.33
			2011	156,367	71	2,213	0.98	21.68
		Other Physical Damage	2007	97,429	53	1,843	0.71	13.02
			2008	101,875	39	2,600	0.54	14.01
			2009	285,741	81	3,522	1.12	39.56
			2010	154,894	62	2,509	0.86	21.38
			2011	85,600	53	1,609	0.73	11.87
		Liability	2007	52,243	14	3,628	0.19	6.98
			2008	94,534	28	3,324	0.39	13.00
			2009	125,750	22	5,594	0.30	17.41
			2010	86,133	14	5,965	0.19	11.89
			2011	43,942	16	2,835	0.22	6.09
		Credit Card	2007	11,413	8	1,420	0.11	1.53
			2008	5,149	5	985	0.07	0.71
			2009	7,088	6	1,173	0.08	0.98
			2010	4,434	5	873	0.07	0.61
			2011	7,775	6	1,287	0.08	1.08
		Total	2007	2,413,171	622	3,879	8.31	322.37
			2008	2,056,227	531	3,872	7.30	282.77
			2009	1,689,429	467	3,616	6.47	233.91
			2010	3,270,378	529	6,186	7.30	451.48
			2011	2,865,942	683	4,196	9.47	397.37

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Owners	SW	Fire, Lightning and Removal	2007	283,527,235	19,300	14,691	1.01	147.77
			2008	280,666,421	20,118	13,951	1.06	147.21
			2009	283,088,772	17,755	15,944	0.92	147.37
			2010	349,526,535	22,453	15,567	1.15	178.80
			2011	331,472,387	23,325	14,211	1.20	170.19
		Wind and Hail	2007	100,693,760	29,867	3,371	1.56	52.48
			2008	290,858,700	58,587	4,965	3.07	152.55
			2009	235,046,511	46,673	5,036	2.43	122.36
			2010	331,281,948	64,194	5,161	3.28	169.47
			2011	1,128,186,230	152,124	7,416	7.81	579.24
		Water Damage and Freezing	2007	135,863,122	24,742	5,491	1.29	70.81
			2008	173,723,651	27,934	6,219	1.47	91.12
			2009	230,906,352	34,534	6,686	1.80	120.21
			2010	246,830,177	35,866	6,882	1.83	126.27
			2011	222,570,246	32,116	6,930	1.65	114.27
		Theft	2007	42,542,947	17,970	2,367	0.94	22.17
			2008	53,500,688	20,723	2,582	1.09	28.06
			2009	53,358,513	21,341	2,500	1.11	27.78
			2010	56,192,804	21,170	2,654	1.08	28.75
			2011	56,933,726	20,644	2,758	1.06	29.23
		Other Physical Damage	2007	35,128,115	11,456	3,066	0.60	18.31
			2008	38,494,310	12,208	3,153	0.64	20.19
			2009	50,604,590	15,358	3,295	0.80	26.34
			2010	49,694,853	14,636	3,395	0.75	25.42
			2011	49,409,320	13,657	3,618	0.70	25.37
		Liability	2007	21,076,894	2,675	7,880	0.14	10.99
			2008	23,009,206	3,420	6,728	0.18	12.07
			2009	21,336,082	3,510	6,079	0.18	11.11
			2010	24,416,121	3,587	6,807	0.18	12.49
			2011	21,316,498	3,325	6,411	0.17	10.94
		Medical Payments	2007	762	1	762	0.00	0.00
			2008	4	1	4	0.00	0.00
			2009	1,269	1	1,269	0.00	0.00
			2010	84	1	84	0.00	0.00
		Credit Card	2007	1,326,658	1,006	1,319	0.05	0.69
			2008	1,265,628	993	1,275	0.05	0.66
			2009	1,394,979	1,037	1,345	0.05	0.73
			2010	1,298,814	988	1,315	0.05	0.66
			2011	1,346,361	979	1,375	0.05	0.69
		Total	2007	620,159,493	107,016	5,795	5.58	323.22
			2008	861,518,609	143,984	5,983	7.55	451.85
			2009	875,737,068	140,209	6,246	7.30	455.90
			2010	1,059,241,335	162,894	6,503	8.33	541.85
			2011	1,811,234,767	246,170	7,358	12.64	929.93

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Tenant	SW	Fire, Lightning and Removal	2007	3,887,926	617	6,303	0.37	23.26
			2008	3,690,699	686	5,379	0.37	20.10
			2009	4,422,833	701	6,308	0.34	21.46
			2010	5,241,628	846	6,195	0.36	22.46
			2011	6,255,255	1,140	5,489	0.43	23.52
		Wind and Hail	2007	109,512	66	1,664	0.04	0.66
			2008	215,733	87	2,493	0.05	1.18
			2009	142,602	72	1,990	0.03	0.69
			2010	172,186	104	1,649	0.04	0.74
			2011	2,130,562	513	4,151	0.19	8.01
		Water Damage and Freezing	2007	832,080	243	3,423	0.15	4.98
			2008	1,008,257	300	3,358	0.16	5.49
			2009	1,695,744	474	3,575	0.23	8.23
			2010	1,599,531	460	3,477	0.20	6.86
			2011	1,684,412	542	3,109	0.20	6.33
		Theft	2007	4,406,188	1,969	2,237	1.18	26.36
			2008	6,344,805	2,615	2,426	1.42	34.55
			2009	6,892,000	3,111	2,215	1.51	33.45
			2010	7,454,424	3,247	2,296	1.39	31.95
			2011	8,399,668	3,639	2,308	1.37	31.58
		Other Physical Damage	2007	691,119	352	1,965	0.21	4.13
			2008	782,077	393	1,988	0.21	4.26
			2009	998,330	453	2,204	0.22	4.85
			2010	984,756	473	2,083	0.20	4.22
			2011	1,538,126	718	2,143	0.27	5.78
		Liability	2007	1,797,833	163	11,030	0.10	10.76
			2008	2,274,489	230	9,890	0.13	12.39
			2009	3,430,018	267	12,847	0.13	16.65
			2010	3,978,903	336	11,842	0.14	17.05
			2011	3,753,442	429	8,750	0.16	14.11
		Medical Payments	2010	500	1	500	0.00	0.00
		Credit Card	2007	45,816	37	1,238	0.02	0.27
			2008	71,220	53	1,344	0.03	0.39
			2009	46,034	43	1,071	0.02	0.22
			2010	70,356	56	1,256	0.02	0.30
			2011	55,527	44	1,262	0.02	0.21
		Total	2007	11,770,474	3,447	3,415	2.06	70.41
			2008	14,387,280	4,365	3,296	2.38	78.34
			2009	17,627,561	5,122	3,442	2.49	85.54
			2010	19,502,284	5,524	3,531	2.37	83.58
			2011	23,816,991	7,025	3,391	2.64	89.54

CAUSE OF LOSS EXPERIENCE

Form	Territory	Cause of Loss	Year	Incurred Loss	Incurred Claim	Average Loss	Frequency per-100	Pure Premium
Condo	SW	Fire, Lightning and Removal	2007	1,244,417	225	5,537	0.35	19.40
			2008	634,143	213	2,984	0.33	9.72
			2009	1,455,687	216	6,724	0.32	21.49
			2010	1,844,451	253	7,293	0.35	25.43
			2011	2,492,963	339	7,353	0.46	33.50
		Wind and Hail	2007	119,508	69	1,728	0.11	1.86
			2008	97,825	62	1,589	0.10	1.50
			2009	130,108	60	2,182	0.09	1.92
			2010	188,991	63	2,984	0.09	2.61
			2011	456,886	149	3,067	0.20	6.14
		Water Damage and Freezing	2007	3,654,571	1,013	3,607	1.58	56.96
			2008	4,552,340	1,146	3,972	1.76	69.78
			2009	5,488,543	1,283	4,277	1.89	81.03
			2010	7,019,872	1,472	4,769	2.03	96.77
			2011	6,672,653	1,395	4,784	1.87	89.65
		Theft	2007	815,465	442	1,845	0.69	12.71
			2008	1,127,252	588	1,918	0.90	17.28
			2009	1,148,560	562	2,044	0.83	16.96
			2010	825,674	406	2,034	0.56	11.38
			2011	880,091	424	2,075	0.57	11.83
		Other Physical Damage	2007	530,440	250	2,124	0.39	8.27
			2008	527,875	205	2,571	0.31	8.09
			2009	828,414	269	3,074	0.40	12.23
			2010	972,525	313	3,107	0.43	13.41
			2011	1,052,845	312	3,374	0.42	14.15
		Liability	2007	465,108	117	3,975	0.18	7.25
			2008	682,217	158	4,318	0.24	10.46
			2009	703,460	159	4,424	0.23	10.39
			2010	381,797	139	2,747	0.19	5.26
			2011	617,607	134	4,609	0.18	8.30
		Credit Card	2007	5,607	7	801	0.01	0.09
			2008	15,147	12	1,262	0.02	0.23
			2009	5,157	5	1,031	0.01	0.08
			2010	10,326	10	1,033	0.01	0.14
			2011	13,183	11	1,198	0.01	0.18
		Total	2007	6,835,118	2,123	3,220	3.31	106.53
			2008	7,636,799	2,383	3,205	3.65	117.05
			2009	9,759,930	2,555	3,820	3.77	144.10
			2010	11,243,636	2,656	4,233	3.66	155.00
			2011	12,186,229	2,764	4,409	3.71	163.74

2. CREDIBILITY FACTOR DEVELOPMENT AND APPLICATION

Credibility considerations enter into the Homeowners ratemaking formula in the calculation of statewide rate level indications which depend, in part, on the determination of the weighted statewide trended loss cost.

The statewide credibility procedure is based on the ‘frequency with severity modification’ model discussed in "Credibility of the Pure Premium" by Mayerson, Bowers and Jones. The full credibility standard is based on a normal distribution with a 90% probability of meeting the test and a 5% maximum departure from the expected value, translated to house year standards. Partial credibility (Z_p) is calculated using the square root rule:

$Z_p = \sqrt{\text{five year house years / full credibility standard}}$ (truncated to one decimal place)

The full credibility standard is 240,000 house years for the Owners Forms, 285,000 house years for Tenant Form, and 190,000 house years for Condo Unit Form.

To distribute the statewide change by territory, a credibility procedure was used on the non-hurricane loss costs. The credibility standard used was based on the same model as statewide credibility. The full credibility standard is based on a normal distribution with a 90% probability of meeting the test and a 10% maximum departure from the expected value, translated to house years. The full credibility standards are 60,000 for Owners' Forms, 75,000 for Tenant Form and 50,000 for Condo Unit Form. Partial credibility (Zp) is calculated using the square root rule:

$Z_p = \sqrt{\text{five year house years / full credibility standard}}$ (truncated to one decimal place)

The Rate Bureau has not considered alternative credibility procedures in the last three years.

See also Section D and prefiled testimony of R. Curry and B. Donlan.

3. LOSS DEVELOPMENT FACTOR DERIVATION AND APPLICATION ON BOTH PAID AND INCURRED BASES AND IN BOTH NUMBERS AND DOLLARS OF CLAIMS

(a) See Section D and prefiled testimony of R. Curry and B. Donlan. The Rate Bureau has not considered alternative loss development methodologies in the past three years.

(b) See attached Exhibit (3)(b). The Rate Bureau is advised by ISO that separate loss development information for property and liability losses and estimated premium and exposure data corresponding to each accident year are not available.

(c) See attached Exhibit (3)(c). The Rate Bureau is advised by ISO that separate loss development information for property and liability losses and estimated premium and exposure data corresponding to each accident year are not available.

(d) See attached Exhibit (3)(d). The Rate Bureau is advised by ISO that separate claim development information for property and liability claims is not available.

(e) See attached Exhibit (3)(e). The Rate Bureau is advised by ISO that separate claim development information for property and liability claims is not available.

(f) The Rate Bureau is advised by ISO that loss and claim development information is not available by cause of loss.

(g) Responses provided in connection with items (3)(g) and (7)(c) are attached as Exhibits (3)(g) and (7)(c).

NORTH CAROLINA

HOMEOWNERS INSURANCE

LOSS DEVELOPMENT

All Forms

ISO-Only Paid Losses

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months
2000	208,616,894	224,977,558	228,794,570	230,530,438	231,920,200
2001	160,852,088	175,066,820	179,487,441	181,608,425	182,400,511
2002	211,301,701	229,694,304	232,898,513	234,286,432	234,742,858
2003	240,103,921	257,527,196	261,515,940	262,845,883	263,372,216
2004	167,512,405	186,781,965	190,218,648	193,287,051	194,328,985
2005	153,001,101	171,811,214	176,086,125	177,333,454	178,538,206
2006	189,703,020	209,402,686	211,909,282	212,948,049	213,254,625
2007	212,534,472	230,249,180	233,465,904	234,959,816	235,705,720
2008	299,702,651	336,461,466	342,190,343	344,204,593	0
2009	312,371,006	341,213,249	344,952,319	0	0
2010	364,749,436	395,853,188	0	0	0
2011	723,441,076	0	0	0	0

Link Ratios

	27:15	39:27	51:39	63:51
2000	1.078	1.017	1.008	1.006
2001	1.088	1.025	1.012	1.004
2002	1.087	1.014	1.006	1.002
2003	1.073	1.015	1.005	1.002
2004	1.115	1.018	1.016	1.005
2005	1.123	1.025	1.007	1.007
2006	1.104	1.012	1.005	1.001
2007	1.083	1.014	1.006	1.003
2008	1.123	1.017	1.006	
2009	1.092	1.011		
2010	1.085			

2006-2010	27:15	39:27	51:39	63:51
Average	1.097	1.014	1.006	1.002

Exhibit (3) (b)

NORTH CAROLINA

HOMEOWNERS INSURANCE

LOSS DEVELOPMENT

All Forms

ISO-Only Paid Losses

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months
2007	212,534,472	230,249,180	233,465,904	234,959,816	235,705,720
2008	299,702,651	336,461,466	342,190,343	344,204,593	0
2009	312,371,006	341,213,249	344,952,319	0	0
2010	364,749,436	395,853,188	0	0	0
2011	723,441,076	0	0	0	0

Link Ratios

	27:15	39:27	51:39	63:51
2007	1.083	1.014	1.006	1.003
2008	1.123	1.017	1.006	
2009	1.092	1.011		
2010	1.085			

	27:15	39:27	51:39	63:51
Average	1.096	1.014	1.006	1.003

Loss Development Factors

63 to 63 Months	1.000
51 to 63 Months	1.003
39 to 63 Months	1.009
27 to 63 Months	1.023
15 to 63 Months	1.121

Exhibit (3) (c)

NORTH CAROLINA

HOMEOWNERS INSURANCE

LOSS DEVELOPMENT

All Forms

ISO-Only Incurred Losses

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months
2000	225,065,638	230,879,956	231,664,825	232,117,512	232,921,559
2001	177,589,087	181,412,764	182,838,302	183,357,713	183,445,662
2002	230,969,514	235,147,410	235,887,191	235,101,491	235,094,399
2003	259,589,117	263,038,925	263,954,579	263,093,792	263,523,155
2004	192,741,158	194,686,629	195,435,572	195,158,472	195,209,843
2005	176,021,679	177,869,960	178,333,206	178,647,351	178,625,694
2006	214,575,202	215,259,945	214,466,576	213,875,913	213,913,685
2007	238,600,354	238,862,656	237,294,140	236,612,705	236,243,180
2008	328,785,822	345,667,992	347,113,756	345,851,537	0
2009	347,627,182	351,268,996	350,651,292	0	0
2010	400,614,392	405,791,833	0	0	0
2011	766,326,110	0	0	0	0

Link Ratios

	27:15	39:27	51:39	63:51
2000	1.026	1.003	1.002	1.003
2001	1.022	1.008	1.003	1.000
2002	1.018	1.003	0.997	1.000
2003	1.013	1.003	0.997	1.002
2004	1.010	1.004	0.999	1.000
2005	1.011	1.003	1.002	1.000
2006	1.003	0.996	0.997	1.000
2007	1.001	0.993	0.997	0.998
2008	1.051	1.004	0.996	
2009	1.010	0.998		
2010	1.013			

2006-2010	27:15	39:27	51:39	63:51
Average	1.016	0.998	0.997	0.999

Exhibit (3) (c)

NORTH CAROLINA

HOMEOWNERS INSURANCE

LOSS DEVELOPMENT

All Forms

ISO-Only Incurred Losses

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months
2007	238,600,354	238,862,656	237,294,140	236,612,705	236,243,180
2008	328,785,822	345,667,992	347,113,756	345,851,537	0
2009	347,627,182	351,268,996	350,651,292	0	0
2010	400,614,392	405,791,833	0	0	0
2011	766,326,110	0	0	0	0

Link Ratios

	27:15	39:27	51:39	63:51
2007	1.001	0.993	0.997	0.998
2008	1.051	1.004	0.996	
2009	1.010	0.998		
2010	1.013			

	27:15	39:27	51:39	63:51
Average	1.019	0.998	0.997	0.998

Loss Development Factors

63 to 63 Months	1.000
51 to 63 Months	0.998
39 to 63 Months	0.995
27 to 63 Months	0.993
15 to 63 Months	1.011

Exhibit (3) (d)

NORTH CAROLINA

HOMEOWNERS INSURANCE

CLAIM DEVELOPMENT

All Forms

ISO-Only Paid Claims

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months
2000	75,195	76,511	76,724	76,767	76,795
2001	52,294	53,592	53,711	53,770	53,780
2002	75,735	77,925	78,130	78,209	78,231
2003	67,470	69,097	69,341	69,410	69,422
2004	42,542	43,857	44,033	44,089	44,106
2005	36,365	37,543	37,740	37,800	37,815
2006	44,217	45,792	45,988	46,061	46,086
2007	42,485	43,836	44,102	44,211	44,231
2008	56,705	60,798	61,242	61,351	0
2009	54,066	57,106	57,821	0	0
2010	61,635	65,291	0	0	0
2011	111,677	0	0	0	0

Link Ratios

	27:15	39:27	51:39	63:51
2000	1.018	1.003	1.001	1.000
2001	1.025	1.002	1.001	1.000
2002	1.029	1.003	1.001	1.000
2003	1.024	1.004	1.001	1.000
2004	1.031	1.004	1.001	1.000
2005	1.032	1.005	1.002	1.000
2006	1.036	1.004	1.002	1.001
2007	1.032	1.006	1.002	1.000
2008	1.072	1.007	1.002	
2009	1.056	1.013		
2010	1.059			

2006-2010	27:15	39:27	51:39	63:51
Average	1.051	1.008	1.002	1.001

NORTH CAROLINA

HOMEOWNERS INSURANCE

CLAIM DEVELOPMENT

All Forms

ISO-Only Paid Claims

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months
2007	42,485	43,836	44,102	44,211	44,231
2008	56,705	60,798	61,242	61,351	0
2009	54,066	57,106	57,821	0	0
2010	61,635	65,291	0	0	0
2011	111,677	0	0	0	0

Link Ratios

	27:15	39:27	51:39	63:51
2007	1.032	1.006	1.002	1.000
2008	1.072	1.007	1.002	
2009	1.056	1.013		
2010	1.059			

	27:15	39:27	51:39	63:51
Average	1.055	1.009	1.002	1.000

Claim Development Factors

63 to 63 Months	1.000
51 to 63 Months	1.000
39 to 63 Months	1.002
27 to 63 Months	1.011
15 to 63 Months	1.066

NORTH CAROLINA

HOMEOWNERS INSURANCE

CLAIM DEVELOPMENT

All Forms

ISO-Only Outstanding Claims

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months
2000	1,066	216	62	39	11
2001	967	190	69	27	19
2002	1,552	202	57	16	12
2003	1,152	128	53	14	8
2004	989	180	71	28	20
2005	940	184	62	33	10
2006	1,115	170	62	23	14
2007	1,066	246	146	83	62
2008	1,846	275	98	23	0
2009	2,437	728	81	0	0
2010	3,013	198	0	0	0
2011	3,350	0	0	0	0

Link Ratios

	27:15	39:27	51:39	63:51
2000	0.203	0.287	0.629	0.282
2001	0.196	0.363	0.391	0.704
2002	0.130	0.282	0.281	0.750
2003	0.111	0.414	0.264	0.571
2004	0.182	0.394	0.394	0.714
2005	0.196	0.337	0.532	0.303
2006	0.152	0.365	0.371	0.609
2007	0.231	0.593	0.568	0.747
2008	0.149	0.356	0.235	
2009	0.299	0.111		
2010	0.066			

2006-2010	27:15	39:27	51:39	63:51
Average	0.179	0.356	0.391	0.678

NORTH CAROLINA

HOMEOWNERS INSURANCE

CLAIM DEVELOPMENT

All Forms

ISO-Only Outstanding Claims

Accident Year	15 Months	27 Months	39 Months	51 Months	63 Months
2007	1,066	246	146	83	62
2008	1,846	275	98	23	0
2009	2,437	728	81	0	0
2010	3,013	198	0	0	0
2011	3,350	0	0	0	0

Link Ratios

	27:15	39:27	51:39	63:51
2007	0.231	0.593	0.568	0.747
2008	0.149	0.356	0.235	
2009	0.299	0.111		
2010	0.066			

	27:15	39:27	51:39	63:51
Average	0.186	0.353	0.402	0.747

Claim Development Factors

63 to 63 Months	1.000
51 to 63 Months	0.747
39 to 63 Months	0.300
27 to 63 Months	0.106
15 to 63 Months	0.020

Exhibit (3)(f)

NORTH CAROLINA
HOMEOWNERS INSURANCE

The Rate Bureau is advised by ISO that loss and claim development information by cause of loss is not available.

NORTH CAROLINA
HOMEOWNERS INSURANCE

Responses provided in connection with items (3)(g) and (7)(c) are enclosed herewith.

Allstate.
You're in good hands.

Brian Donlan
Senior Actuary

September 10, 2013

F. Timothy Lucas
Personal Lines Manager
North Carolina Rate Bureau

Dear Tim,

Included below are Allstate Insurance Company's responses to issues regarding reserve strengthening and expense cutting initiatives for the Allstate Insurance Company and Allstate Indemnity Company Homeowners Programs in North Carolina.

11 N.C.A.C. 10.1105 (3) (g), requires,

> Statements regarding any changes in reserve adequacy that have occurred in the latest five years from each of the ten largest writers of the line affected by the filing.

Allstate's response to this is that there have been no material changes with regard to Allstate's reserving practices of homeowners insurance in the state of North Carolina over the past five years.

11 N.C.A.C. 10.1105 (7) (c), requires,

> Statements regarding any activities affecting expense or service levels undertaken in the last five years by each of the ten largest writers of the line affected by the filing.

Allstate did not make any changes in the past five years that would be expected to materially impact our anticipated expense levels in North Carolina.

Please contact me if you have any questions or require further details.

Sincerely,

Brian Donlan
bdonlan@allstate.com
1-800-366-2958 x25089

Erie Insurance

Member Company
Erie Insurance Exchange

Erie Indemnity Company, Attorney-in-Fact • Home Office • 100 Erie Insurance Place • Erie, Pennsylvania 16530
814.870.2000 • Toll free 1.800.458.0811 • Fax 814.870.3126 • www.erieinsurance.com

September 23, 2013

Debbie Spence
Support Assistant III
North Carolina Rate Bureau
P.O. Box 176010
Raleigh NC 27619-6010

RE: RESERVE STRENGTHENING & EXPENSE CUTTING ACTIVITIES

1. RESERVE STRENGTHENING

The Erie Insurance Group (ERIE) began implementing a claim evaluation software and training program in 2003. These enable adjusters to produce a complete, detailed, and professional dwelling damage estimate in order to establish more accurate case reserves. ERIE changed the software used in the latter part of 2012. At this time, we have not seen a material impact from the use of these programs in our case reserves. The relative adequacy level of the case reserves has been quite stable over the last five to six years.

2. EXPENSE CUTTING ACTIVITIES

We are not aware of any expense cutting activities over the last five years on homeowners coverages that would materially impact the anticipated expense levels in North Carolina. Some expense allocations have been changed in the last three years. Homeowners is now allocated a slightly higher share of company overhead for adjusting and other loss adjustment expense as well as general expense. The data in the most recent annual statement (2012) is most representative of what to expect in the future. Please note that the adjusting and other loss adjustment expense ratio in the 2011 annual statement is unusually high; ERIE recorded the largest volume of catastrophe claims and greatest utilization of independent adjusters in company history in 2011.

Sincerely,

Kevin L. Russell, FCAS MAAA
Supervisor, Reserving
Telephone (814) 870 – 3395
Fax (814) 870 – 4383
kevin.russell@erieinsurance.com

Foremost® Insurance Company
Grand Rapids, Michigan

ADMINISTRATIVE OFFICES
5600 Beech Tree Lane
Caledonia, Michigan 49316-0050

MAILING ADDRESS
ATTN: STATE FILINGS DEPT.
P.O. Box 2450
Grand Rapids, Michigan 49501-2450

September 16, 2013

North Carolina Rate Bureau
PO Box 176010
Raleigh, NC 27619-6010

RE: Insurance Department Regulations

Dear Mr. Lucas:

This is in response to your letter dated September 4, 2013.

1. Reserve Strengthening

The Company's process of establishing case base reserves for AY 2011 has not changed over the last five years. The Company sets factors based on average losses and establishes individual claim reserves for financial reporting. As additional claim information becomes available, the adjuster updates the known case reserve accordingly.

2. Expense Cutting Activities

The Company monitors its expense structure and there has been no known material expense cutting activity.

Sincerely,

Julie McAuliffe
Property Product Management
Foremost Insurance Group
616-956-3646

Nationwide®

On Your Side®

September 13, 2013

Mr. F. Timothy Lucas
Personal Lines Manager
North Carolina Rate Bureau

Re: Insurance Department Regulations

Dear Tim,

This is in response to your request dated September 4, 2013, and applies to Nationwide Mutual Insurance Company and Nationwide Mutual Fire Insurance Company in North Carolina.

Based on accident year ended December 31, 2011, the criteria used by the companies for establishing case basis reserves have not changed materially from those used over the latest five years.

With regard to expense cutting activities, the companies have not undertaken any expense cutting activities on homeowner coverages over the last five years that would materially impact the companies' anticipated expense levels in North Carolina.

If you need additional information, please do not hesitate to contact me.

Sincerely,

Mark McGhiey, CSP, CFPS
Product Director
Nationwide Insurance
919-791-2586

FARM BUREAU INSURANCE
North Carolina
Farm Bureau Insurance Group
Telephone 919-782-1705 ▪ Post Office Box 27427 ▪ Raleigh, NC 27611

September 9, 2013

Mr. Tim Lucas
N.C. Rate Bureau
PO Box 176010
Raleigh, NC 27619-6010

RE: North Carolina Farm Bureau Mutual Insurance Company, Inc.
Insurance Department Regulations
North Carolina Homeowners Reserve Strengthening
Expense Cutting Activities

Tim:

Our company has not changed its procedures for setting case loss reserves over the last 5 years. We also have not taken on any expense cutting activities that would impact the expense levels in North Carolina.

If I can be of further assistance, let me know.

Roger Batdorff
Senior Executive/AR&R

RB/cww

Peerless Insurance
A Liberty Mutual Company

Safeco Insurance
Attn: Scott Ivey
Southeast Region Claims
2055 Sugarloaf Circle, Suite 100
Duluth, GA 30097
(678) 417-3956
william.ivey@safeco.com

September 13, 2013

North Carolina Rate Bureau
Attn: F. Timothy Lucas
P.O. Box 176010
Raleigh, NC 27619-6010

RE: Insurance Department Regulations

Dear Mr. Lucas,

Please allow this letter to serve as Peerless Insurance Company's response to your recent inquiry concerning claims reserve practices.

This is to confirm that Peerless Insurance Company's personal lines homeowner's claims case reserving practices for North Carolina losses in the accident year ending December 31, 2012 remain materially unchanged from our reserving practices in the previous five years.

Similarly, Peerless Insurance Company's personal lines homeowner's expense control practices for North Carolina losses in the accident year ending December 31, 2012 remain materially unchanged from our expense control practices in the previous five years.

Please do not hesitate to contact me if you require any additional information in this regard.

Sincerely,

Scott Ivey
Regional Operations Manager

State Farm Insurance Companies

State Farm

Corporate Headquarters
One State Farm Plaza, D-4
Bloomington, Illinois 61710

FAX: (309) 766-0225

October 3, 2013

Mr. F. Timothy Lucas
Personal Lines Manager
North Carolina Rate Bureau
2910 Sumner Boulevard
Raleigh, NC 27616

RE: Insurance Department Regulations
Reserve Strengthening and Expense Cutting Activities

Your letter of September 4, 2013 requested two items required from the largest writers of Homeowners Insurance in North Carolina.

The first item concerned reserves. In response to your questions, State Farm has not made any changes in the past five years that have a material impact on the reserves established in North Carolina.

The second item concerned expenses. State Farm has long recognized that expense control is a key to remaining competitive in the insurance marketplace. It is important to note that expense control does not necessarily imply expense reduction. Attracting and retaining quality personnel, providing top-notch services, and investing in new technologies, may be just as important to a company's competitive position and customer satisfaction as a low price for the insurance product. In the end, it is through customer forces in the marketplace that a balance is stricken between quality of service and price of those services.

It would be virtually impossible to fully describe all "expense cutting activities" (i.e. presorting mail, recycling paper, reorganizing jobs, automating jobs, consolidating jobs, etc.). Expense control is a continuous and evolving function of managing our business.

Because expense control is a continuing effort, we feel that our historical experience is an appropriate basis for determining the expense provisions in the rate calculations and that no special adjustments are necessary.

All questions concerning this should be directed to:

Kathy Popejoy	(309) 766-2325	kathy.popejoy.a0gq@statefarm.com
Will Nussbaum	(309) 994-1768	will.nussbaum.poby@statefarm.com

Written correspondence should be sent to the attention of the State Filings Unit at the address shown above.

Sincerely,

Kathy Popejoy

Kathy Popejoy, F.C.A.S., MAAA
Actuary and Assistant Secretary-Treasurer

RH/lc

9800 Fredericksburg Road
San Antonio, Texas 78288

USAA®

North Carolina Rate Bureau
P.O. Box 176010
Raleigh, NC 27619-6010

September 13, 2013

REFERENCE: Insurance Department Regulations Reserve Strengthening and Expense Cutting Activities

The USAA property and casualty insurance group provides the following statements with respect to reserve strengthening and expense cutting activities over the past five years.

RESERVE STRENGTHENING
11 N.C.A.C. 10.1105 (3)(g)

From a case reserving perspective, we made a material change to the average reserve process in May 2009. Until May 2009, average reserves were placed on claims and held there up to 6 months. Since May 2009, initially, $1 is set as the average and the actual case reserve is picked up as soon as it is established.

EXPENSE CUTTING ACTIVITIES
11 N.C.A.C. 10.1105 (7)(c)

We continuously monitor and evaluate operations, including expenses, in an effort to provide highly competitive products and services. We believe that our activities have helped reduce and contain costs but that the results of these efforts would not result in our historical expense levels either understating or overstating our expected expense levels for the year beginning January 1, 2012.

What follows is a brief summary of initiatives over the last five years to contain or reduce expenses and maintain or improve our customer service levels:

- Automation of claims activities;
- Web-based and other technology for internal and external communications;
- Web-based training;
- Electronic payments;
- Use of third-party venders.

STATISTICAL DATA TO COMPLY WITH NORTH CAROLINA
REQUIREMENTS FOR A HOMEOWNERS RATE FILING
AS PER 11 NCAC 10.1105

4. TRENDING FACTOR DEVELOPMENT AND APPLICATION

(a) See Section D and pre-filed testimony of R. Curry and B. Donlan. The Rate Bureau has not considered alternative loss trend methodologies in the last three years.

(b) See prefiled testimony of R. Curry and B. Donlan.

(c) This information, based on companies reporting to ISO, ISS and NISS, is provided in the response to 11 NCAC 10.1105 (1)(1).

5. CHANGES IN PREMIUM BASE RESULTING FROM RATING EXPOSURE TRENDS

(a) See Section D and prefiled testimony of R. Curry and B. Donlan. The Rate Bureau has not considered an alternative exposure trend methodology in the last three years.

(b) The Rate Bureau is advised by ISO that the exposure and premium distributions by policy term are not available for the latest five years. Past analysis for the years 1992-1996 indicated that 100% of the written premium was for a policy term of one year. No significant change in the policy term distribution is expected.

6. LIMITING FACTOR DEVELOPMENT AND APPLICATION

(a) No limitations were applied to the losses.

(b) Limitations were applied to the rate level change by form. No limitations were applied to the rate level change by coverage, protection class, construction or deductible.

(c) Limitations were applied to the rate level change by territory.

(d) No other limitations were applied.

7. OVERHEAD EXPENSE DEVELOPMENT AND APPLICATION OF COMMISSION AND BROKERAGE, OTHER ACQUISITION EXPENSES, GENERAL EXPENSES, TAXES, LICENSES, AND FEES

(a) Exhibit (7)(a) provides all information relating to expense provisions contained in the filing. The Rate Bureau has not considered an alternative expense methodology in the last three years.

(b) Pages D-28-29 show earned premium for 2010-2012 and loss adjustment expense for 2008-2012. The earned premium figures for 2008 and 2009 are as follows:

	2008	2009
Earned Premium	$1,847,400,611	$1,881,922,749

(c) See the response to 11 NCAC 10.1105(3)(g).

The following provides a description of the derivation of Homeowners expense provisions. The underlying historical expense data are provided by the North Carolina Rate Bureau and are displayed on pages D-28-29.

The filed expense provision methodology makes a distinction between those provisions which require trending and those that do not. For example, since commission and tax expenses vary directly with premium, no additional consideration of trend is needed. In contrast, general expenses, other acquisition expenses, and loss adjustment expenses do not vary directly with premium or losses and, as a percentage premium/losses, are subject to the effects of trend.

The filed provision for commission and brokerage expenses, 12.8% of written premium, and the provision for taxes, licenses, and fees, 2.6% of written premium, are based on the historical data shown on page D-28 for the latest three years.

Since the general expense and other acquisition expense percentages are relative to earned premiums and the loss adjustment expense percentage is relative to losses, separate trend factors are required for premiums, losses, and expenses. See information provided below, pages D-6-7, pages D-30-31 and the pre-filed testimony of R. Curry and B. Donlan.

General Expense and Other Acquisition Expense - Based on the 2010-2012 experience on page D-28, general expense averages 4.1% of earned premium and other acquisition expense averages 5.9% of earned premium. The average date of payment of the 2010-2012 expenses is 7/1/2011. Similarly, the average date represented in the 2010-2012 premiums is 7/1/2011. Since the average date of writing of policies under the proposed rates, and the average date of payment of the expenses on these policies, is six months after the assumed effective date of 7/1/2014, or 1/1/2015, the historical general and other acquisition expense ratios need to be trended to the 1/1/2015 level.

The trend factor for the expenses represented in the numerator is based on the indices displayed on pages D-24-27. This index is constructed by weighting the Compensation Cost Index with the Consumer Price Index. These two sources receive equal weights. Based on these data, an average annual change of 2.0% is selected. This average annual change is projected 42.0 months (from 7/1/2011 to 1/1/2015).

To trend the premiums in the denominator, two multiplicative factors are applied. The first is the 2011 Current Amount Factor shown on page D-18, 20 and 22. The second is the Premium Projection Factor shown on page D-18, 20 and 22.

Once the percentage provision for general and other acquisition expenses is trended, it is converted to a corresponding dollar value which can be incorporated into the pure-premium ratemaking methodology utilized in this filing. The dollar value is obtained by multiplying the trended percentage by the trended average rate at current-manual level. Distinct dollar values are generated for the Owners, Tenant and Condominium forms. These values by form reflect the judgment that the premium for a single Tenant or Condominium policy requires a dollar loading that is 50% of the dollar loading required by the premium for a single Owners policy.

Loss Adjustment Expense - Based on the 2008-2012 experience shown on page D-29, loss adjustment expenses (both allocated and unallocated) average 12.9% of incurred losses, after excluding the high- and low-valued years. The average date of loss represented in these data is 7/1/2010. Both the numerator and denominator are therefore trended 60.0 months, from 7/1/2010 to 7/1/2015 (12 months beyond the anticipated effective date of 7/1/2014).

The trend factor used for expenses in the numerator is determined in a similar way as for general and other acquisition expenses. The 2.0% selected average annual change is projected 60.0 months (from 7/1/2010 to 7/1/2015).

To trend the losses in the denominator, quantities that are calculated in the loss trend procedure are used. To adjust losses from the 7/1/2010 (average) level to 2/15/2013, the 2010 Current Cost Factors shown on pages D-12 and D-14 are applied. To adjust losses from 2/15/2013 to 7/1/2015 (12 months beyond the anticipated effective date) the product of the Loss Projection, First Dollar and Loss Trend Adjustment factors (pages D-18, 20 and 22) are applied.

No alternate expense trend methodology has been considered within the last three years.

See the response to item (3)(g).

8. PERCENT RATE CHANGE

The overall statewide rate change and the rate changes by territory are shown on pages A-1 and A-2.

The proposed rate changes are dependent on the actual implementation date of the new rates, because any such change will affect all of the trending periods used in the filing. Any change in the trending periods will affect all of the losses, fixed expenses, and average rating factors used in the calculation of the rate level indication. The proposed rate changes have been calculated based on an assumed effective date of **7/1/2014.**

If the effective date were to be changed, advance notice of one hundred five (105) days is required for an orderly implementation of the change in rates. This is the amount of time required to calculate the new rates based on the new effective date, and distribute the necessary information to member companies.

9. FINAL PROPOSED RATES

The proposed rates are shown in Section A.

STATISTICAL DATA TO COMPLY WITH NORTH CAROLINA
REQUIREMENTS FOR A HOMEOWNERS RATE FILING
AS PER 11 NCAC 10.1105

10. INVESTMENT EARNINGS, CONSISTING OF INVESTMENT INCOME AND REALIZED PLUS UNREALIZED CAPITAL GAINS, FROM LOSS, LOSS EXPENSE AND UNEARNED PREMIUM RESERVES

See attached Exhibits (10)(a), (b) and (c) and the pre-filed testimony of R. Curry and D. Appel. The experience provides the best estimate of the future.

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A. Unearned Premium Reserve

1.	Direct Earned Premium for Accident Year Ended 12/31/12		1,963,847,789
2.	Mean Unearned Premium Reserve (1) ×	0.5237	1,028,467,087
3.	Deduction for Prepaid Expenses		
	Commission and Brokerage		12.56%
	Taxes, Licenses and Fees		2.16%
	1/2 General Expenses		2.57%
	1/2 Other Acquisition		3.59%
	Total		20.88%
4.	(2) × (3)		214,743,928
5.	Net Subject to Investment (2) - (4)		813,723,159

B. Delayed Remission of Premium (Agents' Balances)

1.	Direct Earned Premium (A-1)		1,963,847,789
2.	Average Agents' Balances		0.167
3.	Delayed Remission (1) × (2)		327,962,581

C. Loss Reserve

1.	Direct Earned Premium (A-1)		1,963,847,789
2.	Expected Incurred Losses and Loss Adjustment Expense (1) ×	0.6065	1,191,073,684
3.	Expected Mean Loss Reserves (2) ×	0.451	537,174,231

D.	Net Subject to Investment (A-5)-(B-3)+(C-3)		1,022,934,809
E.	Average Rate of Return		3.52%
F.	Investment Earnings on Net Subject to Investment (D) × (E)		36,007,305
G.	Average Rate of Return as a Percent of Direct Earned Premium (F) / (A-1)		1.83%
H.	Average Rate of Return as a Percent of Direct Earned Premium after Federal Income Taxes (G) ×	0.771	1.41%

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line A-1

Direct earned premiums are the earned premiums for Homeowners insurance in North Carolina from Statutory Page 14 of the Annual Statement.

Line A-2

The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the ratio of the mean unearned premium reserve to the collected earned premium for calendar year ended 12/31/12 for all companies writing Homeowners insurance in North Carolina. These data are from Statutory Page 14 of the Annual Statement.

1. Collected Earned Premium for Calendar Year ended 12/31/12	1,963,847,789
2. Unearned Premium Reserve as of 12/31/11	1,012,541,780
3. Unearned Premium Reserve as of 12/31/12	1,044,199,426
4. Mean Unearned Premium Reserve 1/2 [(2) + (3)]	1,028,370,603
5. Ratio (4) ÷ (1)	0.5237

Line A-3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of Homeowners policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. The deduction for these expenses is determined from data provided by the NCRB for the year ended 12/31/12.

Line B-2

Delayed remission of premium:

This deduction is necessary because of delay in remission and collection of premium to the companies, which amounts to approximately 50-75 days after the effective dates of the policies. Therefore, funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus.

1. Agents' balances for premiums due less than 90 days as a ratio to net written premium (based on data for all companies writing Homeowners insurance in North Carolina)	16.37%
2. Factor to include effect of agents' balances or uncollected premiums overdue for more than 90 days (based on data provided by A. M. Best)	1.022
3. Factor for agents' balances (1) × (2)	0.167

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line C-2
The expected loss and loss adjustment expense ratio reflects the expense provisions for the year ended 12/31/12.

Line C-3
The mean loss reserve is determined by multiplying the incurred losses in line (2) by the North Carolina ratio of the mean loss reserves to the incurred losses in 2012 for Homeowners insurance. This ratio is based on North Carolina companies' Statutory Page 14 annual statement data and has been adjusted to include loss adjustment expense reserves.

1. Incurred Losses for Calendar Year 2012	1,022,998,770
2. Loss Reserves as of 12/31/11	494,064,017
3. Loss Reserves as of 12/31/ 12	369,147,458
4. Mean Loss Reserve 2012: 1/2 [(2) + (3)]	431,605,738
5. Ratio (4) ÷ (1)	0.422
6. Ratio of LAE Reserves to Loss Reserves (a)	0.238
7. Ratio of Incurred LAE to Incurred Losses (a)	0.158
8. Loss and LAE Reserve [(5)×(1.0+(6))/(1.0+(7))]	0.451

(a) Based on 2012 All-Industry Insurance Expense Exhibit (source: A.M. Best)

Line E
The rate of return is the ratio of net investment income earned to mean cash and invested assets. Net investment income is computed for all companies writing Homeowners insurance in North Carolina as follows:

Year	Net Investment Income Earned	Mean Cash and Invested Assets	Rate of Return
2012	49,236,879	1,400,656,619	3.52%

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line H

The average rate of Federal income tax was determined by applying the average tax rate for net investment income and the current tax rate applicable to realized capital gains (or losses) to the rates of return as calculated above.

	Rate of Return	Federal Income Tax Rate
Net Investment Income Earned	3.52%	0.229

The average rate of Federal income tax was determined by applying current tax rates to the distribution of investment income earned for all companies. These data are for 2012 from Best's Aggregates and Averages, Underwriting and Investment Exhibit, Part 1, Column 8.

Bonds	Taxable	24,976,829	0.35
	Non-Taxable	12,612,176	-
	Sub-Total	37,589,005	0.233
Stocks	Taxable (a)	5,584,133	0.105
	Non-Taxable	562,545	-
	Sub-Total	6,146,678	0.095
Mortgage Loans		307,795	
Real Estate		1,780,449	
Contract Loans		1,080	
Cash on Deposit		175,985	
Short Term Investments		(18,711)	
All Other		8,213,612	
Sub-Total		10,460,210	0.35
Total		54,195,893	0.240
Investment Deductions		4,958,989	0.35
Net Investment Income Earned		49,236,904	0.229

(a) Only 30% of dividend income on stock is subject to the full corporate income tax rate of 35%. The applicable tax rate is thus 10.5% (.35 × .3 = 10.5%)

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A. Unearned Premium Reserve

1.	Direct Earned Premium for Accident Year Ended 12/31/11		1,936,925,808
2.	Mean Unearned Premium Reserve (1) ×	0.5153	998,097,869
3.	Deduction for Prepaid Expenses		
	Commission and Brokerage		12.61%
	Taxes, Licenses and Fees		2.19%
	1/2 General Expenses		2.40%
	1/2 Other Acquisition		3.40%
	Total		20.60%
4.	(2) × (3)		205,608,161
5.	Net Subject to Investment (2) - (4)		792,489,708

B. Delayed Remission of Premium (Agents' Balances)

1.	Direct Earned Premium (A-1)		1,936,925,808
2.	Average Agents' Balances		0.169
3.	Delayed Remission (1) × (2)		327,340,462

C. Loss Reserve

1.	Direct Earned Premium (A-1)		1,936,925,808
2.	Expected Incurred Losses and Loss Adjustment Expense (1) ×	0.6138	1,188,885,061
3.	Expected Mean Loss Reserves (2) ×	0.208	247,288,093

D.	Net Subject to Investment (A-5)-(B-3)+(C-3)		712,437,339
E.	Average Rate of Return		3.76%
F.	Investment Earnings on Net Subject to Investment (D) × (E)		26,787,644
G.	Average Rate of Return as a Percent of Direct Earned Premium (F) / (A-1)		1.38%
H.	Average Rate of Return as a Percent of Direct Earned Premium after Federal Income Taxes (G) ×	0.779	1.08%

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line A-1

Direct earned premiums are the earned premiums for Homeowners insurance in North Carolina from Statutory Page 14 of the Annual Statement.

Line A-2

The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the ratio of the mean unearned premium reserve to the collected earned premium for calendar year ended 12/31/11 for all companies writing Homeowners insurance in North Carolina. These data are from Statutory Page 14 of the Annual Statement.

1. Collected Earned Premium for Calendar Year ended 12/31/11	1,936,925,808
2. Unearned Premium Reserve as of 12/31/10	983,467,673
3. Unearned Premium Reserve as of 12/31/11	1,012,541,780
4. Mean Unearned Premium Reserve 1/2 [(2) + (3)]	998,004,727
5. Ratio (4) ÷ (1)	0.5153

Line A-3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of Homeowners policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. The deduction for these expenses is determined from data provided by the NCRB for the year ended 12/31/11.

Line B-2

Delayed remission of premium:

This deduction is necessary because of delay in remission and collection of premium to the companies, which amounts to approximately 50-75 days after the effective dates of the policies. Therefore, funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus.

1. Agents' balances for premiums due less than 90 days as a ratio to net written premium (based on data for all companies writing Homeowners insurance in North Carolina)	16.54%
2. Factor to include effect of agents' balances or uncollected premiums overdue for more than 90 days (based on data provided by A. M. Best)	1.024
3. Factor for agents' balances (1) × (2)	0.169

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line C-2

The expected loss and loss adjustment expense ratio reflects the expense provisions for the year ended 12/31/11.

Line C-3

The mean loss reserve is determined by multiplying the incurred losses in line (2) by the North Carolina ratio of the mean loss reserves to the incurred losses in 2011 for Homeowners insurance. This ratio is based on North Carolina companies' Statutory Page 14 annual statement data and has been adjusted to include loss adjustment expense reserves.

1. Incurred Losses for Calendar Year 2011	2,278,286,771
2. Loss Reserves as of 12/31/10	376,252,270
3. Loss Reserves as of 12/31/ 11	494,064,017
4. Mean Loss Reserve 2011: 1/2 [(2) + (3)]	435,158,144
5. Ratio (4) ÷ (1)	0.191
6. Ratio of LAE Reserves to Loss Reserves (a)	0.235
7. Ratio of Incurred LAE to Incurred Losses (a)	0.134
8. Loss and LAE Reserve [(5)×(1.0+(6))/(1.0+(7))]	0.208

(a) Based on 2011 All-Industry Insurance Expense Exhibit (source: A.M. Best)

Line E

The rate of return is the ratio of net investment income earned to mean cash and invested assets. Net investment income is computed for all companies writing Homeowners insurance in North Carolina as follows:

Year	Net Investment Income Earned	Mean Cash and Invested Assets	Rate of Return
2011	51,356,356	1,366,568,026	3.76%

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line H

The average rate of Federal income tax was determined by applying the average tax rate for net investment income and the current tax rate applicable to realized capital gains (or losses) to the rates of return as calculated above.

	Rate of Return	Federal Income Tax Rate
Net Investment Income Earned	3.76%	0.221

The average rate of Federal income tax was determined by applying current tax rates to the distribution of investment income earned for all companies. These data are for 2011 from Best's Aggregates and Averages, Underwriting and Investment Exhibit, Part 1, Column 8.

Bonds	Taxable	25,986,958	0.35
	Non-Taxable	13,575,785	-
	Sub-Total	39,562,743	0.230
Stocks	Taxable (a)	4,850,078	0.105
	Non-Taxable	1,971,532	-
	Sub-Total	6,821,610	0.075
Mortgage Loans		279,685	
Real Estate		1,802,464	
Contract Loans		458	
Cash on Deposit		182,216	
Short Term Investments		(23,419)	
All Other		7,590,952	
Sub-Total		9,832,356	0.35
Total		56,216,709	0.232
Investment Deductions		4,861,352	0.35
Net Investment Income Earned		51,355,357	0.221

(a) Only 30% of dividend income on stock is subject to the full corporate income tax rate of 35%. The applicable tax rate is thus 10.5% (.35 × .3 = 10.5%)

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A.	Unearned Premium Reserve			
	1.	Direct Earned Premium for Accident Year Ended 12/31/10		1,860,498,396
	2.	Mean Unearned Premium Reserve (1) ×	0.5188	965,226,568
	3.	Deduction for Prepaid Expenses		
		Commission and Brokerage		13.20%
		Taxes, Licenses and Fees		2.27%
		1/2 General Expenses		2.37%
		1/2 Other Acquisition		3.59%
		Total		21.43%
	4.	(2) × (3)		206,848,054
	5.	Net Subject to Investment (2) - (4)		758,378,514
B.	Delayed Remission of Premium (Agents' Balances)			
	1.	Direct Earned Premium (A-1)		1,860,498,396
	2.	Average Agents' Balances		0.143
	3.	Delayed Remission (1) × (2)		266,051,271
C.	Loss Reserve			
	1.	Direct Earned Premium (A-1)		1,860,498,396
	2.	Expected Incurred Losses and Loss Adjustment Expense (1) ×	0.6029	1,121,694,483
	3.	Expected Mean Loss Reserves (2) ×	0.353	395,958,152
D.	Net Subject to Investment (A-5)-(B-3)+(C-3)			888,285,395
E.	Average Rate of Return			3.70%
F.	Investment Earnings on Net Subject to Investment (D) × (E)			32,866,560
G.	Average Rate of Return as a Percent of Direct Earned Premium (F) / (A-1)			1.77%
H.	Average Rate of Return as a Percent of Direct Earned Premium after Federal Income Taxes (G) ×		0.789	1.39%

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line A-1
Direct earned premiums are the earned premiums for Homeowners insurance in North Carolina from Statutory Page 14 of the Annual Statement.

Line A-2
The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the ratio of the mean unearned premium reserve to the collected earned premium for calendar year ended 12/31/10 for all companies writing Homeowners insurance in North Carolina. These data are from Statutory Page 14 of the Annual Statement.

1. Collected Earned Premium for Calendar Year ended 12/31/10	1,860,498,396
2. Unearned Premium Reserve as of 12/31/09	946,969,460
3. Unearned Premium Reserve as of 12/31/10	983,467,673
4. Mean Unearned Premium Reserve 1/2 [(2) + (3)]	965,218,567
5. Ratio (4) ÷ (1)	0.5188

Line A-3
Deduction for prepaid expenses:
Production costs and a large part of the other company expenses in connection with the writing and handling of Homeowners policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. The deduction for these expenses is determined from data provided by the NCRB for the year ended 12/31/10.

Line B-2
Delayed remission of premium:
This deduction is necessary because of delay in remission and collection of premium to the companies, which amounts to approximately 50-75 days after the effective dates of the policies. Therefore, funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus.

1. Agents' balances for premiums due less than 90 days as a ratio to net written premium (based on data for all companies writing Homeowners insurance in North Carolina)	13.93%
2. Factor to include effect of agents' balances or uncollected premiums overdue for more than 90 days (based on data provided by A. M. Best)	1.028
3. Factor for agents' balances (1) × (2)	0.143

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line C-2

The expected loss and loss adjustment expense ratio reflects the expense provisions for the year ended 12/31/10.

Line C-3

The mean loss reserve is determined by multiplying the incurred losses in line (2) by the North Carolina ratio of the mean loss reserves to the incurred losses in 2010 for Homeowners insurance. This ratio is based on North Carolina companies' Statutory Page 14 annual statement data and has been adjusted to include loss adjustment expense reserves.

1. Incurred Losses for Calendar Year 2010	1,105,609,944
2. Loss Reserves as of 12/31/09	347,761,190
3. Loss Reserves as of 12/31/ 10	376,252,270
4. Mean Loss Reserve 2010: 1/2 [(2) + (3)]	362,006,730
5. Ratio (4) ÷ (1)	0.327
6. Ratio of LAE Reserves to Loss Reserves (a)	0.239
7. Ratio of Incurred LAE to Incurred Losses (a)	0.149
8. Loss and LAE Reserve [(5)×(1.0+(6))/(1.0+(7))]	0.353

(a) Based on 2010 All-Industry Insurance Expense Exhibit (source: A.M. Best)

Line E

The rate of return is the ratio of net investment income earned to mean cash and invested assets. Net investment income is computed for all companies writing Homeowners insurance in North Carolina as follows:

Year	Net Investment Income Earned	Mean Cash and Invested Assets	Rate of Return
2010	49,245,360	1,330,998,082	3.70%

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line H
The average rate of Federal income tax was determined by applying the average tax rate for net investment income and the current tax rate applicable to realized capital gains (or losses) to the rates of return as calculated above.

	Rate of Return	Federal Income Tax Rate
Net Investment Income Earned	3.70%	0.211

The average rate of Federal income tax was determined by applying current tax rates to the distribution of investment income earned for all companies. These data are for 2010 from Best's Aggregates and Averages, Underwriting and Investment Exhibit, Part 1, Column 8.

Bonds	Taxable	25,945,348	0.35
	Non-Taxable	14,673,797	-
	Sub-Total	40,619,145	0.224
Stocks	Taxable (a)	4,528,540	0.105
	Non-Taxable	1,743,224	-
	Sub-Total	6,271,764	0.076
Mortgage Loans		266,576	
Real Estate		1,783,195	
Contract Loans		700	
Cash on Deposit		229,717	
Short Term Investments		16,349	
All Other		4,958,412	
Sub-Total		7,254,949	0.35
Total		54,145,858	0.224
Investment Deductions		4,901,245	0.35
Net Investment Income Earned		49,244,613	0.211

(a) Only 30% of dividend income on stock is subject to the full corporate income tax rate of 35%. The applicable tax rate is thus 10.5% (.35 × .3 = 10.5%)

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A.	Unearned Premium Reserve			
	1.	Direct Earned Premium for Accident Year Ended 12/31/09		1,749,827,725
	2.	Mean Unearned Premium Reserve (1) ×	0.5248	918,309,590
	3.	Deduction for Prepaid Expenses		
		Commission and Brokerage		13.45%
		Taxes, Licenses and Fees		2.35%
		1/2 General Expenses		2.58%
		1/2 Other Acquisition		3.42%
		Total		21.80%
	4.	(2) × (3)		200,191,491
	5.	Net Subject to Investment (2) - (4)		718,118,099
B.	Delayed Remission of Premium (Agents' Balances)			
	1.	Direct Earned Premium (A-1)		1,749,827,725
	2.	Average Agents' Balances		0.127
	3.	Delayed Remission (1) × (2)		222,306,523
C.	Loss Reserve			
	1.	Direct Earned Premium (A-1)		1,749,827,725
	2.	Expected Incurred Losses and Loss Adjustment Expense (1) ×	0.5988	1,047,796,842
	3.	Expected Mean Loss Reserves (2) ×	0.353	369,872,285
D.	Net Subject to Investment (A-5)-(B-3)+(C-3)			865,683,861
E.	Average Rate of Return			3.97%
F.	Investment Earnings on Net Subject to Investment (D) × (E)			34,367,649
G.	Average Rate of Return as a Percent of Direct Earned Premium (F) / (A-1)			1.96%
H.	Average Rate of Return as a Percent of Direct Earned Premium after Federal Income Taxes (G) ×		0.804	1.58%

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line A-1

Direct earned premiums are the earned premiums for Homeowners insurance in North Carolina from Statutory Page 14 of the Annual Statement.

Line A-2

The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the ratio of the mean unearned premium reserve to the collected earned premium for calendar year ended 12/31/09 for all companies writing Homeowners insurance in North Carolina. These data are from Statutory Page 14 of the Annual Statement.

1. Collected Earned Premium for Calendar Year ended 12/31/09	1,749,827,725
2. Unearned Premium Reserve as of 12/31/08	889,595,262
3. Unearned Premium Reserve as of 12/31/09	946,969,460
4. Mean Unearned Premium Reserve 1/2 [(2) + (3)]	918,282,361
5. Ratio (4) ÷ (1)	0.5248

Line A-3

Deduction for prepaid expenses:
Production costs and a large part of the other company expenses in connection with the writing and handling of Homeowners policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. The deduction for these expenses is determined from data provided by the NCRB for the year ended 12/31/09.

Line B-2

Delayed remission of premium:
This deduction is necessary because of delay in remission and collection of premium to the companies, which amounts to approximately 50-75 days after the effective dates of the policies. Therefore, funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus.

1. Agents' balances for premiums due less than 90 days as a ratio to net written premium (based on data for all companies writing Homeowners insurance in North Carolina)	12.33%
2. Factor to include effect of agents' balances or uncollected premiums overdue for more than 90 days (based on data provided by A. M. Best)	1.03
3. Factor for agents' balances (1) × (2)	0.127

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line C-2

The expected loss and loss adjustment expense ratio reflects the expense provisions for the year ended 12/31/09.

Line C-3

The mean loss reserve is determined by multiplying the incurred losses in line (2) by the North Carolina ratio of the mean loss reserves to the incurred losses in 2009 for Homeowners insurance. This ratio is based on North Carolina companies' Statutory Page 14 annual statement data and has been adjusted to include loss adjustment expense reserves.

1. Incurred Losses for Calendar Year 2009	999,404,213
2. Loss Reserves as of 12/31/08	308,814,619
3. Loss Reserves as of 12/31/ 09	347,761,190
4. Mean Loss Reserve 2009: 1/2 [(2) + (3)]	328,287,905
5. Ratio (4) ÷ (1)	0.328
6. Ratio of LAE Reserves to Loss Reserves (a)	0.265
7. Ratio of Incurred LAE to Incurred Losses (a)	0.175
8. Loss and LAE Reserve [(5)x(1.0+(6))/(1.0+(7))]	0.353

(a) Based on 2009 All-Industry Insurance Expense Exhibit (source: A.M. Best)

Line E

The rate of return is the ratio of net investment income earned to mean cash and invested assets. The investment income and asset values shown below are from Best's Aggregates and Averages.

Year	Net Investment Income Earned	Mean Cash and Invested Assets	Rate of Return
2009	50,562,922	1,274,678,809	3.97%

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line H

The average rate of Federal income tax was determined by applying the average tax rate for net investment income and the current tax rate applicable to realized capital gains (or losses) to the rates of return as calculated above.

	Rate of Return	Federal Income Tax Rate
Net Investment Income Earned	3.97%	0.196

The average rate of Federal income tax was determined by applying current tax rates to the distribution of investment income earned for all companies. These data are for 2009 from Best's Aggregates and Averages, Underwriting and Investment Exhibit, Part 1, Column 8.

Bonds	Taxable	25,888,575	0.35
	Non-Taxable	16,306,636	-
	Sub-Total	42,195,211	0.215
Stocks	Taxable (a)	4,622,814	0.105
	Non-Taxable	2,743,306	-
	Sub-Total	7,366,120	0.066
Mortgage Loans		280,457	
Real Estate		1,783,122	
Contract Loans		480	
Cash/Short-Term Investments		527,085	
Derivative Instruments		(55,521)	
All Other		3,236,281	
Sub-Total		5,771,904	0.35
Total		55,333,235	0.209
Investment Deductions		4,759,193	0.35
Net Investment Income Earned		50,574,042	0.196

(a) Only 30% of dividend income on stock is subject to the full corporate income tax rate of 35%. The applicable tax rate is thus 10.5% (.35 × .3 = 10.5%)

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A.	Unearned Premium Reserve			
	1.	Direct Earned Premium for Accident Year Ended 12/31/08		1,679,963,773
	2.	Mean Unearned Premium Reserve (1) ×	0.5182	870,557,227
	3.	Deduction for Prepaid Expenses		
		Commission and Brokerage		13.52%
		Taxes, Licenses and Fees		2.16%
		1/2 General Expenses		2.25%
		1/2 Other Acquisition		3.40%
		Total		21.33%
	4.	(2) × (3)		185,689,857
	5.	Net Subject to Investment (2) - (4)		684,867,370
B.	Delayed Remission of Premium (Agents' Balances)			
	1.	Direct Earned Premium (A-1)		1,679,963,773
	2.	Average Agents' Balances		0.135
	3.	Delayed Remission (1) × (2)		226,526,923
C.	Loss Reserve			
	1.	Direct Earned Premium (A-1)		1,679,963,773
	2.	Expected Incurred Losses and Loss Adjustment Expense (1) ×	0.6087	1,022,593,949
	3.	Expected Mean Loss Reserves (2) ×	0.348	355,862,694
D.	Net Subject to Investment (A-5)-(B-3)+(C-3)			814,203,141
E.	Average Rate of Return			4.16%
F.	Investment Earnings on Net Subject to Investment (D) × (E)			33,870,851
G.	Average Rate of Return as a Percent of Direct Earned Premium (F) / (A-1)			2.02%
H.	Average Rate of Return as a Percent of Direct Earned Premium after Federal Income Taxes (G) ×		0.792	1.60%

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line A-1

Direct earned premiums are the earned premiums for Homeowners insurance in North Carolina from Statutory Page 14 of the Annual Statement.

Line A-2

The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the ratio of the mean unearned premium reserve to the collected earned premium for calendar year ended 12/31/08 for all companies writing Homeowners insurance in North Carolina. These data are from Statutory Page 14 of the Annual Statement.

1. Collected Earned Premium for Calendar Year ended 12/31/08	1,679,963,773
2. Unearned Premium Reserve as of 12/31/07	851,467,418
3. Unearned Premium Reserve as of 12/31/08	889,595,262
4. Mean Unearned Premium Reserve 1/2 [(2) + (3)]	870,531,340
5. Ratio (4) ÷ (1)	0.5182

Line A-3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of Homeowners policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. The deduction for these expenses is determined from data provided by the NCRB for the year ended 12/31/08.

Line B-2

Delayed remission of premium:

This deduction is necessary because of delay in remission and collection of premium to the companies, which amounts to approximately 50-75 days after the effective dates of the policies. Therefore, funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus.

1. Agents' balances for premiums due less than 90 days as a ratio to net written premium (based on data for all companies writing Homeowners insurance in North Carolina)	13.05%
2. Factor to include effect of agents' balances or uncollected premiums overdue for more than 90 days (based on data provided by A. M. Best)	1.033
3. Factor for agents' balances (1) × (2)	0.135

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line C-2

The expected loss and loss adjustment expense ratio reflects the expense provisions for the year ended 12/31/08.

Line C-3

The mean loss reserve is determined by multiplying the incurred losses in line (2) by the North Carolina ratio of the mean loss reserves to the incurred losses in 2008 for Homeowners insurance. This ratio is based on North Carolina companies' Statutory Page 14 annual statement data and has been adjusted to include loss adjustment expense reserves.

1. Incurred Losses for Calendar Year 2008	899,893,114
2. Loss Reserves as of 12/31/07	270,743,911
3. Loss Reserves as of 12/31/ 08	308,814,619
4. Mean Loss Reserve 2008: 1/2 [(2) + (3)]	289,779,265
5. Ratio (4) ÷ (1)	0.322
6. Ratio of LAE Reserves to Loss Reserves (a)	0.235
7. Ratio of Incurred LAE to Incurred Losses (a)	0.144
8. Loss and LAE Reserve [(5)×(1.0+(6))/(1.0+(7))]	0.348

(a) Based on 2008 All-Industry Insurance Expense Exhibit (source: A.M. Best)

Line E

The rate of return is the ratio of net investment income earned to mean cash and invested assets. The investment income and asset values shown below are from Best's Aggregates and Averages.

Year	Net Investment Income Earned	Mean Cash and Invested Assets	Rate of Return
2008	53,765,491	1,291,786,672	4.16%

NORTH CAROLINA
HOMEOWNERS INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line H

The average rate of Federal income tax was determined by applying the average tax rate for net investment income and the current tax rate applicable to realized capital gains (or losses) to the rates of return as calculated above.

	Rate of Return	Federal Income Tax Rate
Net Investment Income Earned	4.16%	0.208

The average rate of Federal income tax was determined by applying current tax rates to the distribution of investment income earned for all companies. These data are for 2008 from Best's Aggregates and Averages, Underwriting and Investment Exhibit, Part 1, Column 8.

Bonds	Taxable	26,065,645	0.35
	Non-Taxable	16,923,546	-
	Sub-Total	42,989,191	0.212
Stocks	Taxable (a)	5,244,126	0.105
	Non-Taxable	1,234,199	-
	Sub-Total	6,478,325	0.085
Mortgage Loans		312,607	
Real Estate		1,772,757	
Contract Loans		692	
Cash/Short-Term Investments		2,660,197	
Derivative Instruments		(40,046)	
All Other		4,302,167	
Sub-Total		9,008,374	0.35
Total		58,475,890	0.219
Investment Deductions		4,710,400	0.35
Net Investment Income Earned		53,765,490	0.208

(a) Only 30% of dividend income on stock is subject to the full corporate income tax rate of 35%. The applicable tax rate is thus 10.5% (.35 × .3 = 10.5%)

NORTH CAROLINA

HOMEOWNERS INSURANCE

AVERAGE NUMBER OF MONTHS FROM ACCIDENT TO CLAIM SETTLEMENT

(Based on ISO North Carolina experience for accident years 2004-2006)

Average Payment Month	Losses Paid	Portion of All Losses Paid
1.5	264,113,426	0.395
4.5	239,488,917	0.358
7.5	70,411,924	0.105
10.5	35,892,650	0.054
13.5	16,153,196	0.024
16.5	10,972,522	0.016
19.5	7,264,523	0.011
22.5	4,167,817	0.006
25.5	3,767,249	0.006
28.5	3,928,633	0.006
31.5	1,936,930	0.003
34.5	2,577,889	0.004
37.5	2,484,576	0.004
40.5	768,343	0.001
43.5	958,920	0.001
46.5	1,388,527	0.002
49.5	867,445	0.001
52.5	1,481,114	0.002
55.5	231,682	0.000
58.5	397,144	0.001
61.5	116,279	0.000
64.5	-184,164	0.000
67.5	65,310	0.000
70.5	5,415	0.000
73.5	60,290	0.000
75.5	38,910	0.000
	669,355,467	

The average number of months to payment from the beginning of the accident year is 5.63, i.e., the sum of [Column (1) × Column (3)].

The average number of months to payment from the average date of accident is 4.13.

NORTH CAROLINA
HOMEOWNERS MULTIPLE PERIL
2011 AGGREGATE ANNUAL STATEMENT DATA
2011 TOP 50 HOMEOWNERS INSURERS

	Net Admitted Assets
1 Bonds (Schedule D)	147,371,655,673
2 Stocks (Schedule D):	
2.1 Preferred stocks	1,316,084,131
2.2 Common stocks	73,068,078,210
3 Mortgage loans on real estate (Schedule B):	
3.1 First liens	2,305,091,201
3.2 Other than first liens	0
4 Real estate (Schedule A):	
4.1 Properties occupied by the company (less $0 encumbrances)	2,505,823,706
4.2 Properties held for the production of income (less $17,721,223 encumbrances)	132,191,173
4.3 Properties held for sale (less $1,500 encumbrances)	29,959,833
5 Cash ($-788,564,953, Schedule E-Part 1), cash equivalents ($2,046,230,280, Schedule E-Part 2) and short-term investments ($3,542,394,868, Schedule DA)	4,800,060,197
6 Contract loans (including $0 premium notes)	
7 Derivatives (Schedule DB)	178,916,360
8 Other invested assets (Schedule BA)	22,140,925,154
9 Receivables for securities	318,750,194
10 Securities lending reinvested collateral assets (Schedule DL)	614,947,915
11 Aggregate write-ins for invested assets	21,139,668
12 Subtotals, cash and invested assets (Lines 1 to 11)	254,803,623,416
13 Title plants less $0 charged off (for Title insurers only)	
14 Investment income due and accrued	1,783,205,444
15 Premiums and considerations:	
15.1 Uncollected premiums and agents' balances in the course of collection	6,385,575,773
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $-6,155,609 earned but unbilled premiums)	19,308,109,052
15.3 Accrued retrospective premiums	605,604,299
16 Reinsurance:	
16.1 Amounts recoverable from reinsurers	2,991,154,198
16.2 Funds held by or deposited with reinsured companies	656,441,997
16.3 Other amounts receivable under reinsurance contracts	64,594,066
17 Amounts receivable relating to uninsured plans	24,570
18.1 Current federal and foreign income tax recoverable and interest thereon	1,132,565,360
18.2 Net deferred tax asset	7,335,336,682
19 Guaranty funds receivable or on deposit	59,568,241
20 Electronic data processing equipment and software	342,303,877
21 Furniture and equipment, including health care delivery assets ($0)	0
22 Net adjustment in assets and liabilities due to foreign exchange rates	0
23 Receivables from parent, subsidiaries and affiliates	3,249,117,114
24 Health care ($0) and other amounts receivable	513,927
25 Aggregate write-ins for other than invested assets	3,663,898,276
26 Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	302,381,636,295
27 From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0
28 Total (Lines 26 and 27)	302,381,636,295

NORTH CAROLINA
HOMEOWNERS MULTIPLE PERIL
2012 AGGREGATE ANNUAL STATEMENT DATA
2012 TOP 50 HOMEOWNERS INSURERS

	Net Admitted Assets
1 Bonds (Schedule D)	152,384,207,016
2 Stocks (Schedule D):	
2.1 Preferred stocks	1,324,442,660
2.2 Common stocks	75,734,347,272
3 Mortgage loans on real estate (Schedule B):	
3.1 First liens	2,491,060,311
3.2 Other than first liens	0
4 Real estate (Schedule A):	
4.1 Properties occupied by the company (less $15,951,338 encumbrances)	2,644,726,111
4.2 Properties held for the production of income (less $1,327,685 encumbrances)	180,442,291
4.3 Properties held for sale (less $0 encumbrances)	11,769,548
5 Cash ($-757,461,430, Schedule E-Part 1), cash equivalents ($2,941,417,511, Schedule E-Part 2) and short-term investments ($3,900,158,007, Schedule DA)	6,084,114,090
6 Contract loans (including $0 premium notes)	0
7 Derivatives (Schedule DB)	116,508,629
8 Other invested assets (Schedule BA)	25,004,916,510
9 Receivables for securities	155,036,847
10 Securities lending reinvested collateral assets (Schedule DL)	427,075,679
11 Aggregate write-ins for invested assets	2,196
12 Subtotals, cash and invested assets (Lines 1 to 11)	266,558,649,162
13 Title plants less $0 charged off (for Title insurers only)	
14 Investment income due and accrued	1,755,831,243
15 Premiums and considerations:	
15.1 Uncollected premiums and agents' balances in the course of collection	7,717,979,183
15.2 Deferred premiums, agents’ balances and installments booked but deferred and not yet due (including $26,639,778 earned but unbilled premiums)	20,815,371,109
15.3 Accrued retrospective premiums	430,080,960
16 Reinsurance:	
16.1 Amounts recoverable from reinsurers	2,829,690,381
16.2 Funds held by or deposited with reinsured companies	785,257,342
16.3 Other amounts receivable under reinsurance contracts	35,100,680
17 Amounts receivable relating to uninsured plans	418,384
18.1 Current federal and foreign income tax recoverable and interest thereon	1,044,379,169
18.2 Net deferred tax asset	8,281,531,802
19 Guaranty funds receivable or on deposit	60,396,882
20 Electronic data processing equipment and software	383,672,020
21 Furniture and equipment, including health care delivery assets ($0)	0
22 Net adjustment in assets and liabilities due to foreign exchange rates	1,670,096
23 Receivables from parent, subsidiaries and affiliates	2,771,015,695
24 Health care ($0) and other amounts receivable	368,987
25 Aggregate write-ins for other than invested assets	3,992,931,739
26 Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	317,464,344,824
27 From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0
28 Total (Lines 26 and 27)	317,464,344,824

NORTH CAROLINA
HOMEOWNERS MULTIPLE PERIL
2011 AGGREGATE ANNUAL STATEMENT DATA
2011 TOP 50 HOMEOWNERS INSURERS

	Liabilities
1 Losses (Part 2A, Line 35, Column 8)	81,844,317,158
2 Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	2,565,373,599
3 Loss adjustment expenses (Part 2A, Line 35, Column 9)	19,759,763,243
4 Commissions payable, contingent commissions and other similar charges	1,317,924,996
5 Other expenses (excluding taxes, licenses and fees)	6,428,046,708
6 Taxes, licenses and fees (excluding federal and foreign income taxes)	897,129,333
7.1 Current federal and foreign income taxes (including $84,236,971) on realized capital gains (losses)	183,780,087
7.2 Net deferred tax liability	60,405,503
8 Borrowed money $94,347,589 and interest thereon $16,783,231	111,130,820
9 Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $24,874,406,315 and including warranty reserves of $150,700,663 and accrued accident and health experience rating refunds including $37,601,830 for medical loss ratio rebate per the Public Health Service Act)	47,523,769,202
10 Advance premium	887,310,403
11 Dividends declared and unpaid:	
11.1 Stockholders	96,538,948
11.2 Policyholders	106,184,755
12 Ceded reinsurance premiums payable (net of ceding commissions)	5,092,300,740
13 Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	2,014,980,291
14 Amounts withheld or retained by company for account of others	1,357,295,350
15 Remittances and items not allocated	277,445,771
16 Provision for reinsurance (Schedule F, Part 7)	335,520,515
17 Net adjustments in assets and liabilities due to foreign exchange rates	4,938,522
18 Drafts outstanding	1,373,549,607
19 Payable to parent, subsidiaries and affiliates	1,961,067,212
20 Derivatives	265,447,584
21 Payable for securities	479,669,106
22 Payable for securities lending	837,591,248
23 Liability for amounts held under uninsured plans	0
24 Capital notes $0 and interest thereon $0	0
25 Aggregate write-ins for liabilities	3,617,805,548
26 Total liabilities excluding protected cell liabilities (Lines 1 through 25)	179,399,286,254
27 Protected cell liabilities	0
28 Total liabilities (Lines 26 and 27)	179,399,286,254
29 Aggregate write-ins for special surplus funds	4,854,954,752
30 Common capital stock	246,376,122
31 Preferred capital stock	315,060,000
32 Aggregate write-ins for other than special surplus funds	(58,622,635)
33 Surplus notes	3,797,316,346
34 Gross paid in and contributed surplus	26,084,328,343
35 Unassigned funds (surplus)	87,743,102,810
36 Less treasury stock, at cost:	
36.1 14,998 Shares common (value included in Line 30 $37,495)	165,716
36.2 0 Shares preferred (value included in Line 31 $0)	0
37 Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	122,982,350,023
38 Totals (Page 2, Line 28, Col. 3)	302,381,636,276

NORTH CAROLINA
HOMEOWNERS MULTIPLE PERIL
2012 AGGREGATE ANNUAL STATEMENT DATA
2012 TOP 50 HOMEOWNERS INSURERS

	Liabilities
1 Losses (Part 2A, Line 35, Column 8)	83,015,276,824
2 Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	2,519,520,290
3 Loss adjustment expenses (Part 2A, Line 35, Column 9)	20,125,091,674
4 Commissions payable, contingent commissions and other similar charges	1,408,631,803
5 Other expenses (excluding taxes, licenses and fees)	7,039,281,664
6 Taxes, licenses and fees (excluding federal and foreign income taxes)	944,507,002
7.1 Current federal and foreign income taxes (including $-58,247,861) on realized capital gains (losses)	436,763,275
7.2 Net deferred tax liability	189,801,449
8 Borrowed money $426,817,127 and interest thereon $18,078,699	444,895,827
9 Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $27,767,640,061 and including warranty reserves of $257,467,845 and accrued accident and health experience rating refunds including $0 for medical loss ratio rebate per the Public Health Service Act)	49,844,174,350
10 Advance premium	885,791,134
11 Dividends declared and unpaid:	
11.1 Stockholders	110,528,482
11.2 Policyholders	106,321,490
12 Ceded reinsurance premiums payable (net of ceding commissions)	6,032,059,524
13 Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	2,164,790,725
14 Amounts withheld or retained by company for account of others	1,594,536,828
15 Remittances and items not allocated	324,184,764
16 Provision for reinsurance (Schedule F, Part 7)	288,706,069
17 Net adjustments in assets and liabilities due to foreign exchange rates	0
18 Drafts outstanding	1,415,280,529
19 Payable to parent, subsidiaries and affiliates	1,972,399,086
20 Derivatives	235,457,404
21 Payable for securities	532,880,214
22 Payable for securities lending	673,907,555
23 Liability for amounts held under uninsured plans	0
24 Capital notes $0 and interest thereon $0	0
25 Aggregate write-ins for liabilities	4,276,548,344
26 Total liabilities excluding protected cell liabilities (Lines 1 through 25)	186,581,336,326
27 Protected cell liabilities	
28 Total liabilities (Lines 26 and 27)	186,581,336,326
29 Aggregate write-ins for special surplus funds	3,244,128,824
30 Common capital stock	247,776,122
31 Preferred capital stock	315,060,000
32 Aggregate write-ins for other than special surplus funds	19,750,000
33 Surplus notes	3,566,220,082
34 Gross paid in and contributed surplus	26,357,627,102
35 Unassigned funds (surplus)	97,132,612,069
36 Less treasury stock, at cost:	
36.1 0 Shares common (value included in Line 30 $0)	165,716
36.2 0 Shares preferred (value included in Line 31 $0)	0
37 Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	130,883,008,482
38 Totals (Page 2, Line 28, Col. 3)	317,464,344,811

NORTH CAROLINA
HOMEOWNERS MULTIPLE PERIL
2011 AGGREGATE ANNUAL STATEMENT DATA
2011 TOP 50 HOMEOWNERS INSURERS

2011 STATEMENT OF INCOME

UNDERWRITING INCOME	
1 Premiums earned (Part 1, Line 35, Column 4)	109,109,051,050
DEDUCTIONS:	
2 Losses incurred (Part 2, Line 35, Column 7)	74,729,336,893
3 Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	13,652,447,560
4 Other underwriting expenses incurred (Part 3, Line 25, Column 2)	30,238,646,362
5 Aggregate write-ins for underwriting deductions	1,914,370
6 Total underwriting deductions (Lines 2 through 5)	118,622,345,180
7 Net income of protected cells	0
8 Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(9,513,294,132)
INVESTMENT INCOME	
9 Net investment income earned (Exhibit of Net Investment Income, Line 17)	9,480,048,719
10 Net realized capital gains (losses) less capital gains tax of $392,780,925 (Exhibit of Capital Gains (Losses))	488,088,444
11 Net investment gain (loss) (Lines 9 + 10)	9,968,137,164
OTHER INCOME	
12 Net gain (loss) from agents' or premium balances charged off (amount recovered $24,345,665 amount charged off $304,279,321)	(279,933,651)
13 Finance and service charges not included in premiums	723,857,154
14 Aggregate write-ins for miscellaneous income	(171,505,771)
15 Total other income (Lines 12 through 14)	272,417,735
16 Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8+11+15)	727,260,768
17 Dividends to policyholders	809,179,721
18 Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(81,918,952)
19 Federal and foreign income taxes incurred	(527,895,853)
20 Net income (Line 18 minus Line 19) (to Line 22)	445,976,900
CAPITAL AND SURPLUS ACCOUNT	
21 Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	125,022,183,036
22 Net income (from Line 20)	445,976,900
23 Net transfers (to) from Protected Cell accounts	
24 Change in net unrealized capital gains or (losses) less capital gains tax of $-176,238,043	1,452,788,497
25 Change in net unrealized foreign exchange capital gain (loss)	(99,889,264)
26 Change in net deferred income tax	2,383,557,948
27 Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(916,477,634)
28 Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	20,882,236
29 Change in surplus notes	498,625,250
30 Surplus (contributed to) withdrawn from protected cells	
31 Cumulative effect of changes in accounting principles	64,268,772
32 Capital changes:	
32.1 Paid in	0
32.2 Transferred from surplus (Stock dividend)	0
32.3 Transferred to surplus	0
33 Surplus adjustments:	
33.1 Paid in	707,067,196
33.2 Transferred to capital (Stock dividend)	0
33.3 Transferred from capital	0
34 Net remittances from or (to) Home office	0
35 Dividends to stockholders	(5,412,530,045)
36 Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)	0
37 Aggregate write-ins for gains and losses in surplus	(1,184,102,864)
38 Change in surplus as regards policyholders for the year (Lines 22 through 37)	(2,039,833,014)
39 Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)	122,982,350,023

NORTH CAROLINA
HOMEOWNERS MULTIPLE PERIL
2012 AGGREGATE ANNUAL STATEMENT DATA
2012 TOP 50 HOMEOWNERS INSURERS

2012 STATEMENT OF INCOME

UNDERWRITING INCOME	
1 Premiums earned (Part 1, Line 35, Column 4)	113,836,152,264
DEDUCTIONS:	
2 Losses incurred (Part 2, Line 35, Column 7)	70,480,168,517
3 Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	13,650,561,626
4 Other underwriting expenses incurred (Part 3, Line 25, Column 2)	32,500,958,963
5 Aggregate write-ins for underwriting deductions	5,211,550
6 Total underwriting deductions (Lines 2 through 5)	116,636,900,657
7 Net income of protected cells	
8 Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(2,800,748,394)
INVESTMENT INCOME	
9 Net investment income earned (Exhibit of Net Investment Income, Line 17)	10,660,520,083
10 Net realized capital gains (losses) less capital gains tax of $408,133,993 (Exhibit of Capital Gains (Losses))	1,516,051,267
11 Net investment gain (loss) (Lines 9 + 10)	12,176,571,349
OTHER INCOME	
12 Net gain (loss) from agents' or premium balances charged off	(299,143,377)
(amount recovered $0 amount charged off $0)	
13 Finance and service charges not included in premiums	696,252,144
14 Aggregate write-ins for miscellaneous income	(22,943,877)
15 Total other income (Lines 12 through 14)	374,164,889
16 Net income before dividends to policyholders, after capital gains tax and before all other federal	9,749,987,848
and foreign income taxes (Lines 8+11+15)	
17 Dividends to policyholders	1,036,420,348
18 Net income, after dividends to policyholders, after capital gains tax and before all other federal	8,713,567,498
and foreign income taxes (Line 16 minus Line 17)	
19 Federal and foreign income taxes incurred	692,067,441
20 Net income (Line 18 minus Line 19) (to Line 22)	8,021,500,054
CAPITAL AND SURPLUS ACCOUNT	
21 Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	123,875,314,022
22 Net income (from Line 20)	8,021,500,054
23 Net transfers (to) from Protected Cell accounts	
24 Change in net unrealized capital gains or (losses) less capital gains tax of $957,120,931	2,520,499,162
25 Change in net unrealized foreign exchange capital gain (loss)	(19,279,650)
26 Change in net deferred income tax	(730,809,241)
27 Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	1,568,991,004
28 Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	49,910,304
29 Change in surplus notes	(231,096,263)
30 Surplus (contributed to) withdrawn from protected cells	
31 Cumulative effect of changes in accounting principles	566,172,658
32 Capital changes:	
32.1 Paid in	700,000
32.2 Transferred from surplus (Stock dividend)	700,000
32.3 Transferred to surplus	0
33 Surplus adjustments:	
33.1 Paid in	273,998,760
33.2 Transferred to capital (Stock dividend)	(700,000)
33.3 Transferred from capital	0
34 Net remittances from or (to) Home office	0
35 Dividends to stockholders	(5,110,406,628)
36 Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)	0
37 Aggregate write-ins for gains and losses in surplus	97,514,301
38 Change in surplus as regards policyholders for the year (Lines 22 through 37)	7,007,694,464
39 Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)	130,883,008,485

NORTH CAROLINA
HOMEOWNERS MULTIPLE PERIL
2011 AGGREGATE ANNUAL STATEMENT DATA
2011 TOP 50 HOMEOWNERS INSURERS

PART II - 2011 ALLOCATION TO LINES OF BUSINESS NET OF REINSURANCE

		Homeowners Multiple Peril
1	Premiums Written	31,065,089,000
2	Premiums Earned	30,680,254,000
3	Dividends to Policyholders	229,374,000
4	Incurred Loss	26,632,040,000
5	Defense and Cost Containment Expenses Incurred	439,886,000
6	Adjusting and Other Expenses Incurred	3,183,336,000
7	Unpaid Losses	8,631,625,000
8	Defense and Cost Containment Expenses Unpaid	822,374,000
9	Adjusting and Other Expenses Unpaid	1,415,890,000
10	Unearned Premium Reserves	16,443,744,000
11	Agents' Balances	5,589,152,000
12	Commission and Brokerage Expenses Incurred	3,439,981,000
13	Taxes, Licenses & Fees Incurred	852,884,000
14	Other Acquisitions, Field Supervision, and Collection Expenses Incurred	2,964,276,000
15	General Expenses Incurred	1,304,779,000
16	Other Income Less Other Expenses	146,120,000
17	Pre-Tax Profit or Loss Excluding All Investment Gain	(8,220,182,000)
18	Investment Gain on Funds Attributable to Insurance Transactions	757,404,000
19	Profit or Loss Excluding Investment Gain Attributable to Capital and Surplus	(7,462,775,000)
20	Investment Gain Attributable to Capital and Surplus	1,230,927,000
21	Total Profit or Loss	(6,231,843,000)

NORTH CAROLINA
HOMEOWNERS MULTIPLE PERIL
2012 AGGREGATE ANNUAL STATEMENT DATA
2012 TOP 50 HOMEOWNERS INSURERS

PART II - 2012 ALLOCATION TO LINES OF BUSINESS NET OF REINSURANCE

		Homeowners Multiple Peril
1	Premiums Written	32,947,743,000
2	Premiums Earned	31,862,989,000
3	Dividends to Policyholders	302,440,000
4	Incurred Loss	21,017,867,000
5	Defense and Cost Containment Expenses Incurred	404,137,000
6	Adjusting and Other Expenses Incurred	2,939,902,000
7	Unpaid Losses	8,482,035,000
8	Defense and Cost Containment Expenses Unpaid	802,320,000
9	Adjusting and Other Expenses Unpaid	1,458,442,000
10	Unearned Premium Reserves	17,647,858,000
11	Agents' Balances	6,139,094,000
12	Commission and Brokerage Expenses Incurred	3,657,805,000
13	Taxes, Licenses & Fees Incurred	933,859,000
14	Other Acquisitions, Field Supervision, and Collection Expenses Incurred	3,264,865,000
15	General Expenses Incurred	1,391,759,000
16	Other Income Less Other Expenses	143,339,000
17	Pre-Tax Profit or Loss Excluding All Investment Gain	(1,906,309,000)
18	Investment Gain on Funds Attributable to Insurance Transactions	774,110,000
19	Profit or Loss Excluding Investment Gain Attributable to Capital and Surplus	(1,132,195,000)
20	Investment Gain Attributable to Capital and Surplus	1,343,489,000
21	Total Profit or Loss	211,295,000

STATISTICAL DATA TO COMPLY WITH NORTH CAROLINA
REQUIREMENTS FOR A HOMEOWNERS RATE FILING
AS PER 11 NCAC 10.1105

11. IDENTIFICATION OF APPLICABLE STATISTICAL PLANS AND PROGRAMS AND A CERTIFICATION OF COMPLIANCE WITH THEM

(a) ISO Personal Lines Statistical Plan (Other than Automobile)
ISO Personal Lines Statistical Agent Plan (Other than Automobile)
ISO 2011 Call for Homeowners Statistics
ISO 2011 Call for Homeowners Statistical Agent Plan Statistics
ISS Personal Lines Statistical Plans - All Coverages
ISS 2011 Homeowners Call
AAIS Personal Lines Statistical Plan
AAIS 2011 Call for Homeowners Statistics
NISS Statistical Plan - All Coverages - Part IV, North Carolina
NISS 2011 Quarterly Call
NISS 2011 Calendar Year Annual Statement
NISS 2011 Financial Reconciliation Call
Annual Statement for Calendar Year 2012
Insurance Expense Exhibit for Calendar Year 2012
RB Calls for 2012 North Carolina Expense Experience

(b) The North Carolina Rate Bureau certifies that there is no evidence known to it or, insofar as it is aware following reasonable inquiry, to the statistical agencies involved that the data which were collected under the statistical plans identified in response (11)(a) above and used in the filing are not materially true and accurate representations of the experience of the companies whose data underlie such experience. While the Rate Bureau is aware that the collected data sometimes require corrections or adjustments, the Rate Bureau's review of the data, the data collection process, and the ratemaking process indicates that the aggregate data are reasonable and reliable for ratemaking purposes. See also the prefiled testimony of R. Curry and B. Donlan.

(c) The attached Exhibit (11)(c) contains general descriptions of the editing procedures used to ensure data were collected in accordance with the applicable statistical plans.

North Carolina Homeowners Insurance Statistical Data

ISO Editing Procedures

1. Upon receipt of the data from each reporting company, checks are made to ensure that each record (i.e., the data reported for each exposure) has valid and readable information. This includes a check that the appropriate alpha-numeric codes have been utilized.

2. The records are then checked to ensure that each of the fields has a valid code in it (e.g., company numbers must be entered as four-digit numerals).

3. Relationship edits which evaluate the interrelationship between codes are then performed. For example, if a record indicates North Carolina, Homeowners, Form 3, checks are made to ascertain that applicable interrelationships are maintained.

4. Distributional edits are performed to make sure that the reporting company has not erred in miscoding its data into a single class, territory, or other rating criteria due a systems problem or other error.

5. The resulting combined data from all the company records are reconciled with Statutory Page 14 Annual Statement data for that company.

6. After all of the ISO data are aggregated, a consolidated review of the data is conducted to determine overall reasonableness and accuracy. In this procedure the data are compared with previous statewide and territory figures. Areas of concern are identified and results are verified by checking back to the source data.

North Carolina Homeowners Insurance Statistical Data

ISS Editing Procedures

The following narrative sets forth a general description of the editing procedures utilized by ISS to review North Carolina statistical data. All North Carolina experience submitted to the ISS by affiliated companies undergoes standard procedures to ensure that the data is reported in accordance with the ISS's approved statistical plans.

ISS's review of the data takes place on two levels: analysis of individual company data and analysis of the aggregate data of all the companies combined. These two separate functions will be treated in that order.

Analysis of Company Data

Analysis of company data includes: completeness checks, editing for valid coding and checking the distribution of data among the various data elements.

1. Completeness Checks (Balancing and Reconciliation):

   Balancing and reconciliation procedures are used to determine completeness of reporting. Completeness means that the ISS has received and processed all of the data due to be filed with the ISS. First, totals of each company's processed data are compared to separate transmittal totals supplied by the company. This step ensures that ISS has processed completely the experience included in the company's submission of data and that no errors occur during this processing. As a second check for completeness, the reported statistical data is reconciled to Statutory Page 14 totals from the company's Annual Statement. It is a useful procedure in determining completeness because the annual statement represents an independent source of information.

2. Editing of Codes:

   Format and Readability

   Statistical data reported by affiliated companies must be filed in accordance with ISS's approved statistical plans. This includes the requirement that the data must conform to the specific formats and technical specifications in order for ISS to properly read and process these submissions. The initial edit is a test of each company's submission to ensure it has been reported using the proper record format and that it meets certain technical requirements for the line of insurance being reported. Key fields are tested to ensure that only numeric information has been reported in fields defined as numeric, and that the fields have been reported in the proper position in the record.

   Relational Edits

   The data items of information filed with the insurance company's experience are reported by using codes defined under ISS's statistical plans. For example, the various types of Policy Forms written on Homeowners policies in North Carolina are defined in the Personal Lines Statistical Plan. Each definition for each data element has a unique code assigned to it which distinguishes it from other definitions. All data items applicable to North Carolina are defined in a similar manner in each of ISS's statistical plans and have codes assigned to properly identify each definition.

   All records reported to ISS are subjected to validation of the reported codes. This validation, called editing, is performed to assure that companies are reporting properly defined ISS Statistical Plan codes for North Carolina experience.

   The purpose of the edit is to validate the statistical codes reported in each record. This validation is called a Relation Edit. A relational edit verifies that a reported code is valid in combination with one or more related data items. Relational edit tests are accomplished primarily through the use of specific edit tables applicable to each line of insurance.

In most cases, the experience data in the record is used in conjunction with the related codes and compared to an establishment or discontinued date for the code being validated. This ensures that specific codes are not being utilized beyond the range of time during which they are valid.

An example of a relational edit involves territory coding. Many territory code numbers are available under each statistical plan for various states, with various effective dates. However, only codes defined for North Carolina for the specific line being processed are valid in combination with North Carolina reported experience. Further, if a new code is erected, that code will be considered valid only if the date reported in the statistical record is equal or subsequent to the establishment date of the code.

3. Distributional Analysis:

The validation of the codes is not by itself sufficient to assure the credibility of company data. Having assured the reporting of valid codes, the statistical agent must verify that valid entries are indeed reliable. Therefore, the data is also reviewed for reasonable distributions. The primary focus of this review is to establish that the statistical data reported by the company is a credible reflection of the company's experience.

The distribution of company experience by specific data elements such as state, territory, policy form, and construction, for example, for the current reporting period is compared to company profiles of prior periods. In addition, ratios relevant to the line of insurance such as average premium, average loss, volume, loss ratio and loss frequency are compared to industry averages. This historical comparison can highlight changes in the pattern of reporting.

The distributional analysis serves as an additional verification that systematic errors are not introduced during the production of data files submitted to ISS by our affiliated companies. Disproportionate amounts of premiums and/or losses in a particular class or territory, for example, can be detected using this technique.

4. Validation of Aggregate Data

After the individual company has been reviewed, the data for all reporting companies is compiled to produce aggregate reports. The aggregate data represents the combined experience of many companies. This data is also subjected to similar review procedures. To ensure completeness, run to run control techniques are applied. This involves balancing the totals of the aggregate runs to previously verified control totals. In this manner the aggregate data is monitored to ensure the inclusion of the appropriate company data.

The aggregate data is also reviewed for credibility through distributional analysis similar to that performed on the individual company data. Earned exposures (where applicable) and premiums and incurred losses and claims are used to calculate pure premiums, claim frequencies and claim costs for comparison to past averages. The analysis of the aggregate data centers on determining consistency over time by comparing several years of experience, by coverage and class, or territory, for example. Through the application of these techniques, ISS is able to provide reliable insurance statistical data in North Carolina.

NISS Editing Procedures

a. Every report received is checked for completeness. Every submission must include (1) an affidavit; (2) a letter of transmittal setting forth company control totals for the data being sent; (3) the data being reported on tape, cartridge, diskette or form to be keyed.

b. Individual company submissions are balanced to the company letter of transmittal to ensure that all data have been received and processed. After all four quarters of data have been received, the company reports are reconciled to the Annual Statement Statutory Page 14 amounts. The NISS Financial Reconciliation identifies any amounts needed to reconcile any differences between the company reported data and Annual Statement amounts.

c. Every company record submitted to NISS is verified through NISS edit software for its coding accuracy and conformance with NISS record layouts and instructions. NISS edits verify the accuracy of each code for each data element. Where possible, each data element is subjected to a relational edit whereby it will be checked for accuracy in conjunction with another field.

d. Individual company submissions are also subjected to a series of reasonability tests to determine that the current submission is consistent with previous company submissions, known changes in this line of business and statewide trends. NISS compares current quarter data to the previous quarter. This comparison is performed and analyzed by grouping data.

e. After all of the NISS data are combined, a review of this consolidated data is also performed. The aggregate data is compared on a year to year basis to again verify its reasonableness, similar to those checks employed on an individual company submission.

North Carolina Homeowners Insurance Statistical Data

AAIS Editing Procedures

The American Association of Insurance Services functions as an official statistical agent in the State of North Carolina for a number of lines of insurance, including Homeowners. In this capacity, it provides for the administration of statistical programs in accordance with approved statistical plans on behalf of the Commissioner of Insurance. These plans, which were filed according to the requirements of the State of North Carolina, serve to insure a high quality of data reliability.

1. All statistical plans constitute permanent calls for data, which is due at AAIS within 60 days following the close of the period covered by the report.

2. Each data submission is accompanied by a transmittal that summarizes the detail data by state. The transmittal provides control totals to balance to the input and output of each step in our collection procedure. Signature of the company official responsible for data collection is required on the transmittal to certify the accuracy and completeness of the data submission.

3. The AAIS data collection procedure consists of several consecutive steps in order to further verify receipt of accurate and complete data from each company and ultimately aggregate the data into the final experience format.

4. The data collection procedure begins with entering the company number, date, type of media, and transmittal control totals for each line of insurance received into a log file. Company number, record counts, lines of insurance, year, quarter, type and number of media are recorded on a processing log and submitted to the computer room.

5. Operations will load the data into the computer and process all lines through a program which verifies certain key fields. The key fields are company number, line of insurance, transaction code and report period (quarter and year). All invalid key fields must be corrected before proceeding to the next step. Once a valid key field report is generated, Operations will copy all valid key field records to the edit file.

6. Upon receipt of the Moved to Edit report, the statistical department will verify that all records were copied from the stored data file to the edit file. All companies are then released by line and report period for editing.

7. The edit program has several functions and reports. They are:

   a. Data is balanced to transmittal totals.
   b. Each statistical field is edited to the valid codes in the statistical plan for the line being processed. Many fields are also cross edited. An example is deductible type and amount. All invalid codes are identified with an asterisk to the right of the code.
   c. Edit reports consist of a listing of invalid records, error summary report, month report, state report and field error detail report. Homeowners has an additional report entitled "Data Consistency Report". This report shows the companies' average premium, pure premium, loss ratio, frequency and severity.

d. In addition to the edit report, we provide the company a distribution report. As you might expect, this report provides a distribution of the reported data for almost every single field of information captured by the statistical plan. This report is not only provided as a courtesy to the company, but it is always reviewed by AAIS staff to identify any reporting irregularities that wouldn't be caught by the edit program.

e. Along with the edit and distribution reports, there are additional review procedures in place to identify procedural reporting errors that may exist (e.g., cancellations and coverage changes). A great deal of time is spent on this item because of it's importance to the validity of the reported data.

f. Our analysis of a company's data are returned to the company with a customized letter indicating the type of action required. Depending on the severity of errors, companies are requested to make corrections or resubmit data.

8. AAIS provides assistance to all of its affiliated companies to ensure a continued high level of data quality. Statistical coding seminars designed to instruct company coders and respond to questions are scheduled annually. In addition to the seminars, AAIS has developed Statistical Training Manuals for some lines and pre-edit programs for company in-house use. Technical Services staff is available to train company personnel in all aspects of data collection, coding, statistical reporting and data processing.

12. INVESTMENT EARNINGS ON CAPITAL AND SURPLUS

Given the selected underwriting profit provision contained in the filing, the pro forma statutory return on net worth (equity capital), is shown in the filing and the pre-filed testimony of D. Appel. Also shown therein is the ratio of net worth to surplus of 1.16. Accordingly, the corresponding return on statutory capital and surplus would be 8.21% for homeowners insurance. Based on data from A.M. Best's Aggregates and Averages, the 5-year average ratio of net worth to assets is .391. Accordingly, the corresponding return on assets would be 2.76% for homeowners insurance.

See also pre-filed testimony of D. Appel and J. Vander Weide.

STATISTICAL DATA TO COMPLY WITH NORTH CAROLINA
REQUIREMENTS FOR A HOMEOWNERS RATE FILING
AS PER 11 NCAC 10.1105

13. LEVEL OF CAPITAL AND SURPLUS NEEDED TO SUPPORT PREMIUM WRITINGS WITHOUT ENDANGERING THE SOLVENCY OF MEMBER COMPANIES

(a) The aggregate premium to surplus ratios for the calendar years 2003-2012 for the company groups which have written North Carolina homeowners insurance during that entire period are as follows:

2003	1.37
2004	1.26
2005	1.20
2006	0.97
2007	0.94
2008	1.04
2009	0.97
2010	0.93
2011	1.02
2012	0.97

Note: These data are available from Best's Data Service and Best's Aggregate and Averages.

(b) The experience provides the best estimate of the future. See also the prefiled testimony of D. Appel.

(c) The actual premium to surplus ratio for the property and casualty industry on a countrywide basis (based upon the latest A. M. Best data available at this time) is as follows:

(000's omitted)

STATUTORY CAPITAL AND SURPLUS, 2011	574,679,551
STATUTORY CAPITAL AND SURPLUS, 2012	611,477,009
AVERAGE STATUTORY CAPITAL AND SURPLUS	593,078,280
NET PREMIUMS EARNED, 2012	458,693,385
PREMIUM:SURPLUS RATIO	.773

The actual level of capital and surplus needed to support premium writings without endangering the solvency of a company is dependent upon (among others) the financial structure and investments unique to each company, the relationship of the company with affiliated companies as a group (and the experience of the affiliated companies), the mix of business of each company, and the conditions of the economy as they affect each company's individual circumstances. The Rate Bureau is advised that the National Association of Insurance Commissioners, as one of several criteria, generally considers that a premium to surplus ratio for an individual company of 3 to 1 warrants close regulatory attention and monitoring with respect to the company's solvency position.

(d) The Rate Bureau has not allocated surplus by state and by line in preparing this filing. The Rate Bureau has treated surplus in this manner because each dollar of surplus is available to cover losses in excess of premium for each and every line.

STATISTICAL DATA TO COMPLY WITH NORTH CAROLINA
REQUIREMENTS FOR A HOMEOWNERS RATE FILING
AS PER 11 NCAC 10.1105

14. OTHER INFORMATION REQUIRED BY THE COMMISSIONER.

14 (a) See pre-filed testimony of D. Appel, R. Curry, B. Donlan and J. Vander Weide.

14 (b) See attached Exhibit 14 (b).

14 (c) See attached Exhibit 14 (c).

14 (d) See attached Exhibit 14 (d).

NCRB-NCRF-NCIGA

north carolina
RATE BUREAU
REINSURANCE FACILITY
INSURANCE GUARANTY ASSOCIATION

North Carolina Rate Bureau

MINUTES OF THE TELEPHONE CONFERENCE OF THE PROPERTY RATING SUBCOMMITTEE OF THE NORTH CAROLINA RATE BUREAU HELD AUGUST 29, 2013

MEMBERS PRESENT	REPRESENTED BY
Allstate Insurance Company	Brian Donlan
American Bankers Insurance Company of Florida	Mabel Morrison
Foremost Insurance Company	Julie McAuliffe
Horace Mann Insurance Company	Reid McClintock
Nationwide Mutual Insurance Company	Sara Behrend
NC Farm Bureau Mutual Insurance Company	Roger Batdorff
State Farm Mutual Automobile Insurance Company	Kathy Popejoy
Travelers Insurance Company	Stefanie Zacchera
United Services Automobile Association	Joel Griffith

OTHERS PRESENT	REPRESENTED BY
Insurance Services Office	Rob Curry
	Tony Romanucci
	Dan Ward
Young, Moore & Henderson	Mickey Spivey
	Bill Trott
Staff	Ray Evans
	Karen Ott
	Sue Taylor
	Rebecca Williams

The telephone conference commenced at approximately 10:00 A.M., Mr. Donlan presiding.

Attention was directed to Antitrust Guidelines, Conflict of Interest Statement and Code of Ethics and Standards of Conduct which were previously distributed.

1. Report of Counsel

Mr. Trott advised that the legislature had adjourned on July 26, 2017 and will have a short session next year. He summarized legislation affecting the property lines of insurance in North Carolina that may be eligible during that session.

Mr. Trott noted that the Governing Committee has requested the Rate Bureau staff to begin preparing a Homeowners rate filing with a target filing date in November of 2013. He stated that the filing will include the new territory definitions that were developed by the Property Territory Task Force and submitted in the Bureau's report to the legislature.

Mr. Trott reported on various other matters, stating 1) that the Governor of North Carolina appointed two new public members to the Governing Committee; 2) that a mandatory Workers Compensation rate filing is scheduled to be submitted to the North Carolina Department of Insurance on August 30, 2013; and 3) that the Rate Bureau is currently preparing a Personal Auto territory filing that is required to be filed with the Department every ten years.

2. Report of Staff

Ms Williams stated that a revised Homeowners Manual Supplement (Homeowners Enhancement, Homeowners Blanket and Historic Home Policy Programs) has been submitted to the Department. She stated that the revisions to the Manual Supplement track with the recently approved Homeowners 2011 Policy Program.

3. 2013 Homeowners Rate Level Review

Attention was directed to the preliminary Homeowners trend package prepared by Insurance Services Office (ISO) and previously distributed. Mr. Curry reviewed the trend package and the underlying methodology in detail. He noted that the latest available data is for the year 2011. He noted that the information contained in the package is in the same general format as in prior reviews.

Following a review of the trend exhibits, the Subcommittee made initial selections as to the various trends and trend adjustment factors for the owners, tenants and condos forms.

A telephone conference was scheduled for September 17, 2013 beginning at 11:00 A.M. to select profit, net cost of reinsurance and deviations.

4. Adjournment

There being no further business, the meeting was adjourned.

Respectfully Submitted,

Rebecca Williams

Manager, Data Analysis

RW:dms
12/13/13
PRS-13-6

MINUTES OF THE TELEPHONE CONFERENCE OF THE PROPERTY RATING SUBCOMMITTEE OF THE NORTH CAROLINA RATE BUREAU HELD SEPTEMBER 17, 2013

MEMBERS PRESENT	REPRESENTED BY
Allstate Insurance Company	Brian Donlan
American Bankers Insurance Company of Florida	Mabel Morrison
American Modern Home	Christine Risley
	Diana Matalka
Horace Mann Insurance Company	Reid McClintock
	April Trube
Nationwide Mutual Insurance Company	Sara Behrend
NC Farm Bureau Mutual Insurance Company	Roger Batdorff
State Farm Mutual Automobile Insurance Company	Kathy Popejoy
United Services Automobile Association	Joel Griffith

OTHERS PRESENT	REPRESENTED BY
Insurance Services Office	Rob Curry
	Dan Ward
	Tony Romanucci
Milliman	Dave Appel
Young Moore and Henderson, P.A.	Bill Trott
	Mickey Spivey
	Mike Strickland
Staff	Tim Lucas
	Karen Ott
	Rebecca Williams

The telephone conference commenced at approximately 11:00 A.M., Mr. Donlan presiding.

Attention was directed to Antitrust Guidelines, Conflict of Interest Statement and Code of Ethics and Standards of Conduct which were previously distributed.

1. Report of Counsel

There was no report at this time.

2. Report of Staff

Mr. Lucas reported that the Mobile Home rate level indications will be available in January 2014.

3. Homeowners Rate Level Review

Attention was directed to an exhibit previously distributed by counsel which includes excerpts from the 2012 Homeowners rate filing related to profit, net cost of reinsurance and compensation for assessment risk along with "zone" maps of the proposed revised territory definitions.

Mr. Spivey reported on Dr. Vander Weide's analysis showing that the current range for the cost of capital for property and casualty insurance companies is 9.1% to 12.8%.

Dr. Appel provided background information on the profit-related issues and described the methodology used in the latest filing. Following review and discussion of the components of Dr. Appel's proforma model and the returns generated by a variety of different underwriting profit provisions, the Subcommittee selected an underwriting profit provision of 10.5% which will produce returns that fall below or within the lower end of Dr. Vander Weide's range for the cost of capital. Dr. Appel noted that, if there are any changes in his final analysis, the underwriting profit selection will be revisited.

Dr. Appel reviewed the calculation of the net cost of reinsurance and the risk load analysis.

The Subcommittee agreed to continue discussions relating to the Homeowners rate level review and scheduled two additional telephone conferences for (1) Monday, September 23, 2013 at 2:00 PM Eastern Time and (2) Thursday, September 26, 2013 at 2:00 PM Eastern Time.

4. Adjournment

There being no further business, the meeting was adjourned.

Respectfully submitted,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

PRS-13-

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North Carolina Rate Bureau

MINUTES OF THE TELEPHONE CONFERENCE OF THE PROPERTY RATING SUBCOMMITTEE OF THE NORTH CAROLINA RATE BUREAU HELD SEPTEMBER 23, 2013

MEMBERS PRESENT	REPRESENTED BY
Allstate Insurance Company	Brian Donlan
Foremost Insurance Company	Julie McAuliffe
Horace Mann Insurance Company	Reid McClintock
NC Farm Bureau Mutual Insurance Company	Roger Batdorff
State Farm Mutual Automobile Insurance Company	Kathy Popejoy
United Services Automobile Association	Joel Griffith

OTHERS PRESENT	REPRESENTED BY
Insurance Services Office	Rob Curry
	Dan Ward
	Tony Romanucci
Milliman	Dave Appel
Young, Moore & Henderson	Bill Trott
	Mickey Spivey
Staff	Tim Lucas
	Karen Ott
	Rebecca Williams
	Sue Taylor
	Ray Evans

The telephone conference commenced at approximately 2:00 P.M., Mr. Donlan presiding.

Attention was directed to Antitrust Guidelines, Conflict of Interest Statement and Code of Ethics and Standards of Conduct which were previously distributed.

1. Report of Counsel and Staff

   There was no report at this time.

2. Homeowners Rate Level Review

   Mr. Donlan stated that this telephone conference is a continuation of the telephone conference held on September 17, 2013.

Dr. Appel continued the discussion related to the methodology used to calculate the net cost of reinsurance, as discussed on the previous telephone conference. There was consensus that the various assumptions that he has employed in the past as to the hypothetical one company continue to be appropriate.

Dr. Appel also reviewed the compensation for assessment of risk methodology. There was a consensus that his methodology continues to be appropriate.

Dr. Appel reviewed the allocation of the cost of reinsurance by zone. There was discussion regarding the appropriate number of zones based on the available data. Dr. Appel agreed to give further review to the zones and report back at the next meeting.

The Subcommittee agreed to continue discussions at a telephone conference scheduled for September 26, 2013 at 2:00 PM Eastern Time.

3. <u>Adjournment</u>

There being no further business, the meeting was adjourned.

Respectfully Submitted,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

PRS-13-7

12/13/13

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North Carolina Rate Bureau

MINUTES OF THE TELEPHONE CONFERENCE OF THE PROPERTY RATING SUBCOMMITTEE OF THE NORTH CAROLINA RATE BUREAU
HELD SEPTEMBER 26, 2013

MEMBERS PRESENT	REPRESENTED BY
Allstate Insurance Company	Brian Donlan
NC Farm Bureau Mutual Insurance Company	Roger Batdorff
State Farm Mutual Automobile Insurance Company	Kathy Popejoy
Travelers Insurance Company	Stefanie Zacchera
United Services Automobile Association	Nathan Lance

OTHERS PRESENT	REPRESENTED BY
Insurance Services Office	Rob Curry
	Tony Romanucci
	Dan Ward
Young, Moore & Henderson	Mickey Spivey
	Bill Trott
Milliman, Inc.	David Appel
Staff	Ray Evans
	Sue Taylor
	Rebecca Williams

The telephone conference commenced at approximately 2:00 P.M., Mr. Donlan presiding.

Attention was directed to Antitrust Guidelines, Conflict of Interest Statement and Code of Ethics and Standards of Conduct which were previously distributed.

1. Report of Counsel

   Counsel had no updates to report.

2. Report of Staff

   Staff had no updates to report.

3. 2013 Homeowners Rate Level Review

   Mr. Donlan stated that this conference is a continuation of the telephone conference held on September 23, 2013.

The Subcommittee considered the support for a factor for anticipated deviations. It was noted that the combination of deviations, consent to rate and the Beach Plan surcharges continues to result in a need for a factor to reflect anticipated deviations. It was noted that a level of 5% has been used in previous Homeowners filings. The Subcommittee unanimously selected 5% to be included in the upcoming Homeowners rate filing. The Subcommittee agreed to use 0% as the selection to be included in the upcoming Homeowner rate filing for dividends.

The Subcommittee discussed the history and justification for a contingency factor in homeowners filings in North Carolina. After discussion, the Subcommittee unanimously agreed that it is actuarially appropriate to continue using a 1% provision in the upcoming Homeowners rate filing.

The Subommittee continued the discussion as to the zone structure for the allocation of the Net Cost of Reinsurance and Profit. Based on that data, the Subcommittee concluded that it would be actuarially appropriate to revise the zones to be included in the upcoming Homeowners rate filing.

A telephone conference was scheduled for October 3, 2013 beginning at 2:30 P.M. to further review the Homeowner indications.

4. Adjournment

There being no further business, the meeting was adjourned.

Respectfully Submitted,

Rebecca Williams

Manager, Data Analysis

RW:dms

PRS-13-8

12/13/13

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North Carolina Rate Bureau

MINUTES OF THE TELEPHONE CONFERENCE OF THE PROPERTY RATING SUBCOMMITTEE OF THE NORTH CAROLINA RATE BUREAU HELD OCTOBER 3, 2013

MEMBERS PRESENT	REPRESENTED BY
Allstate Insurance Company	Brian Donlan
American Bankers Insurance Company	Mabel Morrison
Foremost Insurance Company	Julie McAuliffe
Nationwide mutual Insurance Company	Sara Behrend
NC Farm Bureau Mutual Insurance Company	Roger Batdorff
Travelers Insurance Company	Stefanie Zacchera
United Services Automobile Association	Joel Griffith

OTHERS PRESENT	REPRESENTED BY
Insurance Services Office	Rob Curry
	Dan Ward
	Tony Romanucci
Milliman	Dave Appel
Young, Moore & Henderson	Bill Trott
	Mickey Spivey
Staff	Tim Lucas
	Rebecca Williams
	Sue Taylor
	Ray Evans

The telephone conference commenced at approximately 2:30 P.M., Mr. Donlan presiding.

Attention was directed to Antitrust Guidelines, Conflict of Interest Statement and Code of Ethics and Standards of Conduct which were previously distributed.

1. Report of Counsel and Staff

   Mr. Spivey stated that the Governing Committee adopted revised auto territory definitions as recommended by the Auto Committee and will be filed in the next few weeks.

2. Report of Staff

Mr. Lucas reported that the Property Committee has agreed in concept to prepare and file a "wind only" policy in the beach and coastal areas. The proposal will be considered by the Property Rating Subcommittee for pricing.

3. Homeowners Rate Level Review

Mr. Donlan noted that this telephone conference is a continuation of the telephone conferences held on September 23 and 26, 2013.

The Committee continued its discussion as to the appropriate number of zones in Dr. Appel's analysis. Based on the data, it was determined that his analysis should employ four zones rather than three zones as employed in the most recent filing. It was further agreed that it is appropriate to analyze the data using the covariance method.

Mr. Curry commenced a discussion of the preliminary indications. Following the discussion, it was agreed to continue the discussion in a telephone conference on October 8, 2013 beginning at 2:00 P.M. (Eastern Time).

4. Adjournment

There being no further business, the meeting was adjourned.

Respectfully Submitted,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

PRS-13-9

12/13/13

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INSURANCE GUARANTY ASSOCIATION

North Carolina Rate Bureau

MINUTES OF THE TELEPHONE CONFERENCE OF THE PROPERTY RATING SUBCOMMITTEE OF THE NORTH CAROLINA RATE BUREAU HELD OCTOBER 8, 2013

MEMBERS PRESENT	REPRESENTED BY
Allstate Insurance Company	Brian Donlan
Nationwide Mutual Insurance Company	Sara Behrend
NC Farm Bureau Mutual Insurance Company	Roger Batdorff
State Farm Mutual Automobile Insurance Company	Will Nussbaum
Travelers Insurance Company	Stefanie Zacchera
United Services Automobile Association	Joel Griffith

OTHERS PRESENT	REPRESENTED BY
Insurance Services Office	Rob Curry
	Dave Copeland
	Tony Romanucci
	Dan Ward
Milliman	Dave Appel
Young, Moore & Henderson	Bill Trott
	Mickey Spivey
	Mike Strickland
	Glenn Raynor
Staff	Tim Lucas
	Karen Ott
	Rebecca Williams
	Sue Taylor
	Ray Evans

The telephone conference commenced at approximately 2:00 P.M., Mr. Donlan presiding.

Attention was directed to Antitrust Guidelines, Conflict of Interest Statement and Code of Ethics and Standards of Conduct which were previously distributed.

1. Report of Counsel and Staff

There was no report at this time.

2. Homeowners Rate Level Review

Attention was directed to an exhibit prepared by Insurance Services Office (ISO) and previously distributed. Mr. Curry reviewed the packet in detail. It was noted that the exhibit reflects final preparation of the risk load analysis.

Mr. Lucas reported on responses to letters sent by the Rate Bureau to the ten largest Homeowner writers in North Carolina concerning expense cutting and reserve strengthening activities within each company. The members of the subcommittee reviewed the company responses and did not see any reason to make any adjustments in the filing data or trend selections as a result of the responses.

After a lengthy discussion, the Subcommittee agreed that more information and analysis are required to complete the analysis of additional relativity factors.

After discussion, a motion was made, seconded and passed unanimously to recommend to the Property Committee that the rate level indications and territory definitions are actuarially appropriate for filling and should be filed.

3. Adjournment

There being no further business, the meeting was adjourned.

Respectfully Submitted,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

PRS-13-10

12/13/13

MINUTES OF THE TELEPHONE CONFERENCE OF THE PROPERTY RATING SUBCOMMITTEE OF THE NORTH CAROLINA RATE BUREAU HELD NOVEMBER 12, 2013

MEMBERS PRESENT	REPRESENTED BY
Allstate Insurance Company	Brian Donlan
American Bankers Insurance Company of Florida	Mabel Morrison
	Efram Ware
Horace Mann Insurance Company	Reid McClintock
Nationwide Mutual Insurance Company	Sara Behrend
NC Farm Bureau Mutual Insurance Company	Roger Batdorff
State Farm Mutual Automobile Insurance Company	Kathy Popejoy
United Services Automobile Association	Joel Griffith

OTHERS PRESENT	REPRESENTED BY
Insurance Services Office	Rob Curry
	Dan Ward
	Tony Romanucci
Milliman	Dave Appel
Young Moore and Henderson, P.A.	Bill Trott
	Mickey Spivey
	Mike Strickland
Staff	Tim Lucas
	Karen Ott
	Rebecca Williams
	Sue Taylor
	Ray Evans

The telephone conference commenced at approximately 10:00 A.M., Mr. Donlan presiding.

Attention was directed to Antitrust Guidelines, Conflict of Interest Statement and Code of Ethics and Standards of Conduct which were previously distributed.

1. Report of Counsel

Mr. Spivey reported on various Rate Bureau filings stating (1) that the 2013 Workers Compensation rate filing for the voluntary market was approved by the Department of

Insurance (Department); (2) that the Department scheduled a hearing regarding workers compensation assigned risk rates; (3) that the revised automobile territory definitions are expected to be filed soon; (4) that the Governing Committee reviewed preliminary Homeowners indications and instructed Rate Bureau staff and counsel to prepare a Homeowners filing; (5) that Bureau representatives had advised the Department of preliminary homeowners indications and the importance of an expeditious review of territory boundaries and that the Department had requested the Rate Bureau delay the submission of the rate filing until after the first of the year.

2. Report of Staff

There was no report at this time.

3. Homeowners Rate Level Review

The Subcommittee was provided updates regarding the status of preparation of the Homeowners rate filing. Various matters relating to the filing were discussed including the timing of the filing, the effect of capping the territory indications and Dr. Appel's final analysis of the underwriting the profit provision. Following discussion, the Subcommittee directed staff, counsel and ISO to continue preparation of the filing.

4. Adjournment

There being no further business, the meeting was adjourned.

Respectfully submitted,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

PRS-13-

3379168

NCRB-NCRF-NCIGA
north carolina
RATE BUREAU
REINSURANCE FACILITY
INSURANCE GUARANTY ASSOCIATION

North Carolina Rate Bureau

MINUTES OF THE TELEPHONE CONFERENCE OF THE PROPERTY COMMITTEE OF THE NORTH CAROLINA RATE BUREAU HELD JULY 16, 2013

MEMBERS PRESENT	REPRESENTED BY
Allstate Insurance Company	Brian Donlan
American Bankers Insurance Company of Florida	Mabel Morrison
American Modern Home	Christine Risley
Nationwide Mutual Insurance Company	Sara Behrend
NC Farm Bureau Mutual Insurance Company	Roger Batdorff
State Farm Mutual Automobile Insurance Company	Kathy Popejoy
Travelers Insurance Company	Stefanie Zacchera
United Services Automobile Association	Joel Griffith

OTHERS PRESENT	REPRESENTED BY
Insurance Services Office	Rob Curry
	John Nissenbaum
	Tony Romanucci
Milliman	Dave Appel
Young, Moore & Henderson	Bill Trott
	Mickey Spivey
	Mike Strickland
Staff	Tim Lucas
	Karen Ott
	Rebecca Williams
	Sue Taylor

The telephone conference commenced at approximately 2:00 P.M., Mr. Donlan presiding.

Attention was directed to Antitrust Guidelines, Conflict of Interest Statement and Code of Ethics and Standards of Conduct which were previously distributed.

1. Report of Counsel

Mr. Trott stated (1) that a report was submitted to the North Carolina General Assembly on the current rating territories; and (2) that HB 519 is still pending.

2. Report of Staff

Mr. Lucas reported that technical amendments bill HB 240, which was drafted by the Department of Insurance bill, had been ratified. As a result of the ratification of this bill it will be necessary to amend the time allowed for submitting a proof of loss after a declared disaster in all of the Rate Bureau property policies.

3. 2013 Homeowners Rate Level Review

Attention was directed to an e-mail prepared by Counsel and previously distributed regarding the 2012 Homeowners Rate filing. Various topics were discussed including the prior Homeowners rate settlement, pending legislation, the territory report submitted to the General Assembly and timeline for completing a Homeowners rate level review.

There was considerable discussion related to the inclusion of the proposed territory filing in relationship to the Homeowners rate level review.

After a lengthy discussion, the Subcommittee agreed to recommend making a Homeowners rate level review including the revised territory definitions.

4. Fire Suppression Rating Schedule

Attention was directed to an exhibit prepared by ISO regarding the Community Mitigation Classification Manual. Mr. Lucas stated that with the implementation of the revised Fire Suppression Rating Schedule a new classification 8B was created and the member companies need to be prepared to provide for this new classification.

There was considerable discussion related to the effective date of this revision.

Following discussion, a motion was made, seconded and passed unanimously to adopt the revised rules to be effective April 1, 2014.

5. Adjournment

There being no further business, the meeting was adjourned.

Respectfully Submitted,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

PRS-13-5

12/13/13

NCRB-NCRF-NCIGA

north carolina
RATE BUREAU
REINSURANCE FACILITY
INSURANCE GUARANTY ASSOCIATION

North Carolina Rate Bureau

MINUTES OF THE PROPERTY COMMITTEE TELEPHONE CONFERENCE OF THE NORTH CAROLINA RATE BUREAU HELD OCTOBER 10, 2013

MEMBERS PRESENT	REPRESENTED BY
Allstate Insurance Company	Brian Donlan
Amica Mutual Insurance Company	James Sherring
Erie Insurance Company	Kristopher Marrion
Hartford Fire Insurance Company	Andy Montano
The Members Insurance Company	Michael Cole
N.C. Farm Bureau Mutual Insurance Co	Bob Tart
Penn National Mutual Casualty Insurance Company	Pat Lovell
	John Buchenauer
State Farm Mutual Automobile Insurance Company	Bob Messier
Unitrin Auto and Home Insurance Company	Christy Jones
United Services Automobile Association	Michael Patterson
Public Member	Justin Wolfe

OTHERS PRESENT	REPRESENTED BY
Insurance Services Office	Rob Curry
	Tony Romanucci
	Chuck Schlager
	Dan Ward
Young, Moore & Henderson	Bill Trott
	Mickey Spivey
	Mike Strickland
	Glenn Raynor
Staff	Tim Lucas
	Karen Ott
	Sue Taylor
	Ray Evans

The telephone conference commenced at approximately 10:00 A.M., Mr. Messier presiding.

Attention was directed to Antitrust Guidelines, Conflict of Interest Statement and Code of Ethics and Standards of Conduct which were previously distributed.

Attention was directed to documents previously distributed by Counsel and Rate Bureau Staff regarding the Homeowners rate level review. Mr. Curry reviewed the Homeowners review package, summarizing the rate level indications and the data and selections supporting those indications. He noted that the proposed new territory definitions are included in the rate review. It was noted that the Property Rating Subcommittee has determined that the indications are actuarially sound and appropriate for filing.

After discussion, a motion was made, seconded and passed unanimously to recommend to the Governing Committee that the rate level indications recommended by the Property Rating Subcommittee be filed.

4. <u>Homeowners Territory Assignment Manual Rule</u>

Mr. Lucas called attention to provisions in the automobile line relating to defining territories by zip code. He stated that a similar type rule is needed in the Homeowners manual for the proposed new Homeowners territories 52A and 52B, which are defined by zip code.

After discussion, a motion was made, seconded and passed unanimously to recommend to the Governing Committee to adopt and file a Homeowners Manual territory rule similar to the Auto Manual rule as presented.

5. <u>Adjournment</u>

There being no further business, the meeting was adjourned.

Respectfully submitted,

F. Timothy Lucas

Personal Lines Manager

FTL:dms
PC-13-

NCRB-NCRF-NCIGA

north carolina
RATE BUREAU
REINSURANCE FACILITY
INSURANCE GUARANTY ASSOCIATION

North Carolina Rate Bureau

MINUTES OF THE MEETING OF THE GOVERNING COMMITTEE OF THE NORTH CAROLINA RATE BUREAU HELD JULY 23, 2013

MEMBERS PRESENT	REPRESENTED BY
American Home Assurance Company	Ira Feuerlicht*
Auto-Owners Insurance Company	Drew Klasing
Builders Mutual Insurance Company	Jerry Visintine
Hartford Fire Insurance Company	Andy Montano*
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Company	Jared Stuckey
Nationwide Mutual Insurance Company	Mark McGhiey
North Carolina Farm Bureau Mutual Insurance Company	Roger Batdorff
Progressive Casualty Insurance Company	Kevin McGee
Travelers Indemnity Company	Sylvia Kyle
United Services Automobile Association	Dan Pickens

PUBLIC MEMBERS PRESENT

Justin Wolfe

OTHERS PRESENT	REPRESENTED BY
NCCI	Amy Quinn
	Jay Rosen
Milliman	Mark Mulvaney*
ISO	Rob Curry*
Young Moore and Henderson, P.A.	Mickey Spivey
	Mike Strickland
	Bill Trott
Staff	Edith Davis
	Ray Evans
	Tim Lucas
	David Sink
	Sue Taylor
	Rebecca Williams

*Participated by phone.

P.O. Box 176010 • Raleigh NC 27619-6010 • (919) 783-9790 • www.ncrb.org

The meeting convened as scheduled with North Carolina Farm Bureau represented by Mr. Roger Batdorff presiding. Attention was directed to the Rate Bureau's Antitrust, Conflict of Interest, Code of Ethics and Standards of Conduct Statements.

1. Report of Counsel

Mr. Trott stated that House Bill 240 has been ratified. He further stated that (1) this bill was a technical amendments bill that was backed by the Department of Insurance (DOI); and (2) with regard to property insurance under the Rate Bureau jurisdiction, (a) a provision was included clarifying the geographic area in which policies can be written excluding wind or hail coverage; and (b) the timeframe for filing a proof of loss for insurance policies providing property insurance was amended.

Mr. Trott also stated that, as a result of the ratification of House Bill 836 during the 2012 session of the General Assembly, a Property Territory Report had been filed with the General Assembly as required.

Mr. Spivey stated that (1) no private passenger auto rate filings had been made this year by the Rate Bureau or the Reinsurance Facility; (2) as a result of the ratification of House Bill 240, the Rate Bureau jurisdiction was amended by changing the definition of private passenger automobile from 10,000 pounds to 14,000 pounds.

Mr. Spivey also reported that, with regard to workers compensation legislation (1) Senate Bill 44 was ratified allowing the public release of certain workers compensation data; (2) Senate Bill 174 was also ratified providing for the deletion of a number of Industrial Commission rules and replacing those with revised rules; and (3) Senate Bill 402 provides for the creation of the Governmental Data Analytics Center (GDAC) to which the Rate Bureau will be required to provide certain workers compensation data, which will be kept confidential, and for which the Bureau will have immunity from liability.

2. Report of Staff

Mr. Evans stated that (1) while the Rate Bureau does not lobby, the Rate Bureau did provide a lot of information to the Legislature during this session; (2) even though a lot of time has been spent on rate level and territory reviews, there was a Homeowners 2011 Policy Program introduced; (3) to date, the Rate Bureau is under budget by 11%; and (4) the Rate Bureau has "loaned" two employees to the Guaranty Association.

Ms. Taylor stated that (1) the workers compensation assigned risk applications have increased by 11% and the increase has also been seen in the larger risks with $100,000 premium or more; (2) the process to select new servicing carriers for the assigned risk program has begun and seven carriers have responded to the request for proposal; (3) there have been several meetings between the Rate Bureau and GDAC concerning data that GDAC and the North Carolina Industrial Commission would like the Bureau to provide; and (4) the Rate Bureau has sold the rights to several workers compensation IT projects to other rate bureaus and that by year end it appears that this process may generate significant additional revenue to help recoup some of the expenses to develop the systems.

Mr. Lucas stated that, for residential property insurance, (1) as a result of the introduction of the revised Fire Suppression Rating Schedule, a Classification 8B was introduced; and (2) this requires a revision to the Community Mitigation Manual and that a Circular Letter will be sent to the Governing Committee next week with a mail vote for the item. He also stated that, for the auto territory review, (1) the Automobile Territory Task Force is continuing to meet to develop a recommendation to the Automobile Committee; (4) for the most popular coverages purchased, the swings in the rate impacts appear to be +/- 35%; and (5) the task force is working on how to handle revised zip codes after the revised definitions are implemented.

Mr. Sink called attention to two exhibits that were distributed during the meeting. He stated that (1) the Rate Bureau is 11% under budget; (2) this is primarily due to reduced spending in the IT Department and the lack of a Homeowners rate hearing this year; (3) as a result of the reduced spending, an adjustment in the 3rd quarter assessment will be made to reflect this reduction; and (4) since the Rate Bureau operates on a cash basis and does not produce a balance sheet and income statement, he has created these statements for use in the future.

3. <u>Workers Compensation Prospective Loss Costs and Residual Market Rate Level Review</u>

Attention was directed to exhibits that were distributed with the agenda that summarized the components of the rate level review considered by the Workers Compensation Committee and showed a comparison to the filed components from 2012.

Mr. Rosen reported that (1) the Workers Compensation Committee recommended continuing the methodology used in the previous rate level filing of using an average of paid and paid plus case indications; (2) revisions were last effective April 1, 2013; (3) the Committee reviewed three years of experience and recommends using the experience of the two most recent policy years to develop the indications; and (4) based on the experience and the various selections by the Workers Compensation Committee, the overall indication for the voluntary market is +0.3% and for the residual market is +9.0%.

Mr. Spivey provided background information with respect to the profit provision and reported that a similar methodology from the previous filing was used. He reviewed Dr. Vander Weide's and Dr. Appel's analyses and reported that the Workers Compensation Committee selected an underwriting profit provision of 9.0% for the assigned risk filing. He further noted that last year the profit selection was 17.5% because of the treatment of uncollectible premiums and that this year the uncollectible premium was moved to the expense category which allows the profit factor to be displayed more accurately at a lower amount.

Mr. Rosen summarized the selections and recommendations of the Workers Compensation Committee for both the prospective loss costs review and the assigned risk rate review. Following discussion, a motion was made, seconded and passed unanimously to adopt the recommendation of the Committee and instruct staff to proceed to prepare the filings to be submitted on or before September 1, 2013.

4. Homeowners Rate Level Review

Mr. Lucas stated that the Property Rating Subcommittee recently met to begin discussions related to the 2013 Homeowners rate level review and the potential for filing revised territory definition changes as discussed in the Property Territory Report submitted to the Legislature.

Mr. Lucas further stated that the Subcommittee recommends combining the rate level filing and territory definitions filing into one filing and also to review the protection/construction relativity factors.

Attention was directed to the timeline of key tasks involved in the rate level review process. Mr. Curry provided an overview of the timeline, indicating that a filing could be made by October 31, 2013.

5. Audit Committee

Attention was directed to a draft of a proposed charter for an Audit Committee for the Rate Bureau. Mr. Evans stated that the Rate Bureau does not currently have an Audit Committee and with the problems encountered at the Michigan Rate Bureau he feels that an Audit Committee is warranted. He further stated that the proposed draft of the charter was developed based on the Reinsurance Facility and Guaranty Association Audit Committee charters.

Following discussion, it was agreed that the members of the Governing Committee would review the draft of the charter and provide input and further discussion during the next meeting of the Governing Committee.

6. Appointment of Nominating Committee

Mr. Batdorff reported that he would be appointing a Nominating Committee for the Governing Committee elections that will be held at the Annual Meeting. He asked that if anyone was interested in participating on this Committee and Auto Owners Insurance Company, Integon Indemnity Corporation, Nationwide Mutual Insurance Company and Hartford Fire Insurance Company volunteered to serve on the committee.

7. Next Meetings

Mr. Batdorff reminded the Governing Committee that the next meeting is the Annual Meeting and is scheduled to be held on October 16, 2013 at the Grandover Resort in Greensboro, North Carolina and the following meeting is scheduled to be held on December 3, 2013 at the offices of the Rate Bureau.

8. Adjournment

There being no further business, the meeting was adjourned.

Sincerely,

Sue Taylor

Director, Insurance Operations

NCRB-NCRF-NCIGA

north carolina
RATE BUREAU
REINSURANCE FACILITY
INSURANCE GUARANTY ASSOCIATION

MINUTES OF THE TELEPHONE CONFERENCE OF THE GOVERNING COMMITTEE OF THE NORTH CAROLINA RATE BUREAU HELD OCTOBER 3, 2013

MEMBERS PRESENT	REPRESENTED BY
American Home Assurance Company	Eve Hoffman
Hartford Fire Insurance Company	Andy Montano
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Company	Jared Stuckey
North Carolina Farm Bureau Mutual Insurance Company	Roger Batdorff
Progressive Casualty Insurance Company	Kevin McGee
Travelers Indemnity Company	Sylvia Kyle
United Services Automobile Association	Lisa Sukow
Unitrin Auto & Home Insurance Company	Christy Jones

PUBLIC MEMBERS PRESENT

Justin Wolfe
William Edgar, Jr.

OTHERS PRESENT	REPRESENTED BY
Insurance Services Office	Pat Woods
Towers Watson	Claudine Modlin
Young Moore and Henderson, P.A.	Mickey Spivey Mike Strickland
Staff	Edith Davis Ray Evans Tim Lucas David Sink Sue Taylor Rebecca Williams

The telephone conference convened as scheduled, Mr. Batdorff of North Carolina Farm Bureau, Chair of the Governing Committee, presiding. Attention was directed to the Rate Bureau's Antitrust, Conflict of Interest, Code of Ethics and Standards of Conduct Statements.

(1) Report of Counsel

Mr. Spivey stated that (1) a review of the automobile rate level will begin in December; (2) a homeowners rate level review is underway, as is preparation of a filing for homeowners and territory redefinitions; and (3) workers compensation filings were made August 30, 2013, requesting changes in the voluntary loss costs as well as the assigned risk rate level, and the Department of Insurance has served data requests in connection with the assigned risk filing.

Mr. Strickland stated that, (1) an employer named Innovative Management Services disputed its workers compensation insurance company's classification assignments of several of its employees; (2) the insured appealed the assignment to the Rate Bureau, and the Rate Bureau upheld the insurance company's assignment of the classifications; (3) the insured has filed suit in Forsythe County Superior Court; (4) counsel for the Rate Bureau has filed a motion for dismissal as the statutes do not provide for an appeal of the Rate Bureau's decision to the Superior Court, and as such, the court does not have jurisdiction to determine workers compensation classification assignments.

(2) Report of Staff

Mr. Evans stated that (1) the Rate Bureau is under the projected budget through the first seven months of the year; and (2) with regard to the workers compensation line of business, the Bureau is in the process of contracting with assigned risk servicing carriers for a three-year period commencing January 1, 2014.

Ms. Taylor welcomed Mr. William Edgar to the Governing Committee. Mr. Edgar is a public member appointed by the Governor.

(3) Automobile Territory Review

Attention was directed to exhibits explaining the Automobile Committee's recommendations as to territory redefinitions that were distributed by counsel on October 1, 2013. Mr. Lucas stated that (1) the Territory Task Force has worked at length with regard to the territory review; (2) the Rate Bureau is required to review territory definitions at least every ten years; (3) the process used in developing this recommendation is similar to the process used by Insurance Services Office (ISO) in other states; and (4) a number of Governing Committee companies are also represented on the Territory Task Force and the Automobile Committee from whom this recommendations comes.

Mr. Woods provided background information, stating that (1) five years of data were used in this review; (2) the process is based on zip codes, and with each iterative process the system "clusters" zip codes with similar experience into groups/territories; (3) the zip codes that are clustered make up a contiguous territory; and (4) as a result of the parameters selected, a total of 40 territories were initially developed and (5) after further review and adjustments, a final group of 38 territories were selected.

Mr. Woods further stated that (1) even though the current statewide rate level was being maintained, territory redefinitions necessarily result in rate impacts on risks being moved from their current territory to a new territory; (2) in order to reduce rate "swings" for insureds moving from a current territory to a new territory, the Task Force recommends "capping" the rate impact on individual policyholders at +20%; (2) during the capping process it was necessary to "build back" that portion of the indication that was above the cap into "non-capped" territories in order to maintain rate neutrality; (3) as a result of the capping of the indications, sub-territories were created; (4) with the creation of sub-territories, the total number of territories increased to 52; and (5) over time, as the indicated rate level is achieved for the sub-territories, the sub-territories will be eliminated until the recommended 38 territories are remaining.

There was considerable discussion related to the size of the field for the coding of the territories. It was noted that the current plan is to use three digits for the coding. However, there was concern from a member of the Governing Committee that some companies may incur costs in order to move from a two-digit code to a three digit code due to their system limitations. Following discussion, it was agreed to proceed using the three-digit codes as "place holders" throughout the filing process until a final decision can be made by the Automobile Committee prior to filing the territory review with the Commissioner of Insurance.

Following discussion, a motion was made, seconded and passed unanimously to adopt the recommendation of the Automobile Committee and to proceed with a filing for revised territory definitions to be effective October 1, 2014 using the three-digit territory codes as "place holders" until a final decision could be made regarding the appropriate numbers.

(4) Next Meeting

Mr. Batdorff reminded the Governing Committee that the next meeting is the Annual Meeting and is scheduled to be held on October 16, 2013, at the Grandover Resort in Greensboro, North Carolina.

(5) Adjournment

There being no further business, the meeting was adjourned.

Respectfully Submitted,

Sue Taylor

Director of Insurance Operations

ST:dms

GC-13-

10/28/13

NCRB-NCRF-NCIGA

north carolina
RATE BUREAU
REINSURANCE FACILITY
INSURANCE GUARANTY ASSOCIATION

Exhibit 14(b)

North Carolina Rate Bureau

MINUTES OF THE GOVERNING COMMITTEE MEETING OF THE NORTH CAROLINA RATE BUREAU HELD OCTOBER 16, 2013, AT THE GRANDOVER RESORT AND CONFERENCE CENTER, ONE THOUSAND CLUB ROAD, GREENSBORO, NORTH CAROLINA

MEMBERS PRESENT	REPRESENTED BY
Allstate Insurance Co.	Brian Donlan
	John Erickson
	Dexter Jones
	Kevin Steele
American Home Assurance Co.	Ira Feuerlicht
	Wavel Howell
Auto Owners Insurance Co.	Drew Klasing
Builders Mutual Insurance Co.	Jerry Visintine
Hartford Fire Insurance Co.	Andy Montano
	Heather Souza
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Co.	Jared Stuckey
	Tom Driscoll
	Andrew Larson
	Cindy Sickler
North Carolina Farm Bureau Mutual Insurance Co.	Roger Batdorff
Progressive Casualty Insurance Co.	Cheryl Smalley
State Farm Mutual Automobile Insurance Co.	Alan Bentley
United Services Automobile Association	Dan Pickens
Unitrin Auto & Home Insurance Co.	Jennifer Fredenberg
	Christy Jones
	Tom Tomlinson
Public Members	William Edgar
	Justin Wolfe

OTHERS PRESENT	REPRESENTED BY
Amica Mutual Insurance Co.	Jim Sherring
Atlantic Casualty Insurance Co.	Mark Caughron
Nationwide Mutual Insurance Company	Mark McGhiey
	Kathy Southern
Penn National Security Co.	John Buchenauer
	Pat Lovell
Riverport Insurance Co.	John Godfrey
	Tammy Rosati

Sentry Casualty Company	Peter Sampson
Travelers Indemnity Co.	Chad Wilson
United Wisconsin Insurance Co.	Dana Pierce
Universal Insurance Co.	Jim McCafferty
Zurich American Insurance Co.	Bill Tibbens
Young Moore and Henderson, P.A.	Glenn Raynor
	Mickey Spivey
	Mike Strickland
	Bill Trott
ISO	Rob Curry
	Patrick Woods
Milliman, Inc.	David Appel
JSA	Greg Spray
Staff	Shelley Chandler
	Edith Davis
	Ray Evans
	Delisa Fairley
	Vicki Godbold
	Fred Hoerl
	Betty Hurst
	Tim Lucas
	Lois Murphey
	David Sink
	Sue Taylor
	Rebecca Williams

The meeting convened as scheduled, Mr. Batdorff of North Carolina Farm Bureau, Chair of the Governing Committee, presiding. Attention was directed to the Rate Bureau's Antitrust, Conflict of Interest, Code of Ethics and Standards of Conduct statements.

1. Election of Chairman and Vice Chairman of Governing Committee

   Mr. Klasing, representing Auto Owners Insurance Company, reported that the Nominating Committee (comprised of Auto Owners Insurance Company (Chair), Hartford Fire Insurance Company, Integon Indemnity Corporation, NC Farm Bureau Mutual Insurance Company and Nationwide Mutual Insurance Company), recommended North Carolina Farm Bureau Mutual Insurance Company for re-election as Chairman of the Governing Committee and Builders Mutual Insurance Company for re-election as Vice Chairmen of the Governing Committee. There were no additional nominations and, by unanimous vote, the Chairman and Vice Chairman were re-elected.

2. Report of Counsel

Mr. Spivey reported that (1) the Rate Bureau is preparing the auto territory definitions filing as approved by the Governing Committee during its last telephone conference; (2) the annual auto rate level review process will begin with a meeting of the Auto Committee on December 10, 2013; (3) the workers compensation filings for loss costs and residual market rates were made on August 30, 2013 and there have been a number of requests for additional data in connection with these filings; (4) the preparation of a homeowners rate filing and territory re-definition filing are underway; and (5) the complaint in Forsyth County Superior Court regarding the assignment of an employer's workers compensation classification code continues with a motion to dismiss pending before the Court.

3. Report of Committees

Mr. Lucas reported that (1) the revised Dwelling Manual rate pages will be sent out next week; (2) these revised rates will become effective on April 1, 2014 as provided for in the Settlement Agreement between the Rate Bureau and the Department of Insurance; (3) the Rate Bureau has been approached by a member company requesting that the Rate Bureau adopt a "wind only" policy for the member companies to be used in the beach and coastal areas of the state; and (4) it appears the Rate Bureau will proposed adoption of policy forms similar to those that are being utilized by the Beach Plan.

4. Audit Committee Charter

Attention was directed to Exhibit D attached to the agenda. Mr. Evans stated that (1) during a previous meeting of the Governing Committee a draft of the proposed charter for a newly created Audit Committee was distributed; with the request that any suggested changes be submitted to Staff; (2) suggested revisions have been incorporated into the current draft; and (3) the members of the newly created Audit Committee will be appointed by the Chairman of the Governing Committee.

Following discussion, a motion was made, seconded and passed unanimously to adopt the current draft of the charter of the Audit Committee and to proceed with the creation of the committee.

5. Executive Session

The Governing Committee went into executive session and requested everyone except the Governing Committee members, selected staff, counsel and selected consultants excuse themselves from the executive session.

Following completion of the executive session, the Governing Committee meeting resumed.

6. 2014 Meeting Schedule

Ms. Taylor reviewed the tentative meeting schedule for 2014, a copy of which is attached as Exhibit E to the Agenda.

7. Adjournment

There being no further business the meeting was adjourned.

Respectfully Submitted,

Sue Taylor

Director of Insurance Operations

ST:dms

11/14/13

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REINSURANCE FACILITY
INSURANCE GUARANTY ASSOCIATION

North Carolina Rate Bureau

MINUTES OF THE EXECUTIVE SESSION OF THE GOVERNING COMMITTEE OF THE NORTH CAROLINA RATE BUREAU HELD AT THE GRANDOVER RESORT AND CONFERENCE CENTER ONE THOUSAND CLUB ROAD, GREENSBORO, NORTH CAROLINA, OCTOBER 16, 2013

MEMBERS PRESENT	REPRESENTED BY
Allstate Insurance Co.	Brian Donlan
American Home Assurance Co.	Ira Feuerlicht
Auto Owners Insurance Co.	Drew Klasing
Builders Mutual Insurance Co.	Jerry Visintine
Hartford Fire Insurance Co.	Andy Montano
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Co.	Jared Stuckey
North Carolina Farm Bureau Mutual Insurance Co.	Roger Batdorff
Progressive Casualty Insurance Co.	Cheryl Smalley
State Farm Mutual Automobile Insurance Co.	Alan Bentley
United Services Automobile Association	Dan Pickens
Unitrin Auto & Home Insurance Co.	Jennifer Fredenberg
Public Members	William Edgar
	Justin Wolfe

OTHERS PRESENT	REPRESENTED BY
Young Moore and Henderson, P.A.	Glenn Raynor
	Mickey Spivey
	Mike Strickland
	Bill Trott
ISO	Rob Curry*
Milliman, Inc.	David Appel*
Staff	Edith Davis
	Ray Evans
	Tim Lucas
	David Sink
	Sue Taylor
	Rebecca Williams

*Attended a portion of the meeting

The Executive Session convened as scheduled, Mr. Batdorff of North Carolina Farm Bureau, Chair of the Governing Committee, presiding.

1. Insurance Services Office (ISO) Contract

   Mr. Evans stated that (1) after several years of work, the Rate Bureau is close to finalizing a contract with ISO, and a copy of the core of the current draft is attached as Exhibit F of the agenda; (2) the contract includes a revised pricing structure which allows more flexibility for the Rate Bureau; (3) based on the revised pricing structure, the Rate Bureau would realize significant savings over the next three years; and (4) the contract is for a three-year period. He stated that the Rate Bureau and ISO contemplate a January 1, 2014 effective date.

2. Homeowners Rate Level Review

   Attention was directed to Exhibit G attached to the agenda—the package of data showing the calculation of the homeowner rate level indications for owners, tenants and condominium forms. Mr. Curry led the discussion and advised the Governing Committee that the package of data displayed the need for changes to the territory definitions currently in place and that the territory indications were based on the revised territory definitions. He stated that the changes to the territory definitions were the same as those described in the Rate Bureau's report on territories to the General Assembly. He further stated that the changes to the southern coastal territory were defined by zip codes and that the inland territories were defined by county. He explained that ISO was still working on a protection/construction relativity review.

   Mr. Curry led the Governing Committee through the calculations shown in Exhibit G and responded to questions by the members. He advised that the methodology used in this review is the same methodology used in the 2012 homeowners rate filing and that the provisions for hurricane exposure were again based on the standard AIR hurricane model. He stated that the positive rate level indications were largely due to leaving a substantial amount of rate level "on the table" in the settlement of the 2012 homeowners rate filing and the poor experience of the latest years of the five years of data underlying the review.

   Dr. Appel led the Governing Committee through the analysis of (1) the underwriting profit provision selected by the Property Committee, (2) the provision for compensation for assessment risk, (3) the net reinsurance cost per policy and (4) the provision for deviations in the rate level indications. Dr. Appel also advised the Governing Committee of the manner in which profit and contingencies, compensation for assessment risk and net cost of reinsurance were distributed by zone, with the largest provisions being in the eastern part of the state due to hurricane exposure.

   Mr. Curry advised the Governing Committee that the rate level indications in Exhibit G were the full indicated rates based on the data and the inputs described in the package. Mr. Wolfe noted that insureds buying federal flood insurance were seeing significant increases in the costs of flood insurance. After much discussion, a motion was made and seconded and unanimously passed to instruct staff to cap the owners forms indications at 35% by territory and tenants and condominium forms indications at 55% by territory, to file the resulting rates with the Commissioner of Insurance and to file the changes to the territory definitions.

3. Adjournment

There being no further business, the executive session was adjourned.

Respectfully Submitted,

Sue Taylor

Director of Insurance Operations

ST:dms
GC-13-
11/14/13

NCRB-NCRF-NCIGA
north carolina
RATE BUREAU
REINSURANCE FACILITY
INSURANCE GUARANTY ASSOCIATION

MINUTES OF THE TELEPHONE CONFERENCE OF THE GOVERNING COMMITTEE OF THE NORTH CAROLINA RATE BUREAU HELD NOVEMBER 6, 2013

MEMBERS PRESENT	REPRESENTED BY
Allstate Insurance Company	Brian Donlan
American Home Assurance Company	Wavel Howell
Auto-Owners Insurance Company	Drew Klasing
Builders Mutual Insurance Company	Jerry Visintine
Hartford Fire Insurance Company	Andy Montano*
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Company	Jared Stuckey
North Carolina Farm Bureau Mutual Insurance Company	Roger Batdorff
Progressive Casualty Insurance Company	Kevin McGee
State Farm Mutual Automobile Insurance Company	Alan Bentley
United Services Automobile Association	Dan Pickens*
Unitrin Auto & Home Insurance Company	Jennifer Fredenberg

PUBLIC MEMBERS PRESENT

Justin Wolfe
William Edgar, Jr.

OTHERS PRESENT	REPRESENTED BY
Young Moore and Henderson, P.A.	Mickey Spivey
Staff	Mike Strickland
	Bill Trott
	Edith Davis
	Ray Evans
	Tim Lucas
	David Sink
	Sue Taylor
	Rebecca Williams

*Attended a part of the telephone conference.

The telephone conference convened with North Carolina Farm Bureau Mutual Insurance Company, represented by Mr. Batdorff presiding. Attention was directed to the Rate Bureau's Antitrust, Conflict of Interest, Code of Ethics and Standards of Conduct Statements.

1. Report of Counsel

Mr. Spivey stated that (1) during the preparation of the auto territory filing, it was discovered that a segment of data was omitted from the review and that it is necessary to recalculate the originally proposed boundaries; (2) it is estimated a new proposal will be submitted to the Governing Committee by the week of November 25, 2013; (3) the workers compensation loss cost filing has been approved, however, a Notice of Hearing has been issued on the Assigned Risk filing; and (4) the hearing date has been scheduled for December 16, 2013.

Mr. Strickland stated that, with regard to the appeal of the workers compensation classification by Innovative Management Corporation, the Rate Bureau has filed a motion to dismiss with the Superior Court and that motion is currently pending.

2. Report of Staff

Mr. Evans stated that (1) a meeting was held with the Commissioner of Insurance (Commissioner) to discuss various items of interest; (2) a settlement on the workers compensation assigned risk rate filing was discussed and the discussions are continuing; (3) with regard to a mobile homeowners rate review, the review is back on track after a member company had a problem with its stat data; and (4) the 2014 proposed budget will be sent to the Governing Committee before the end of November for their review prior to the Governing Committee meeting scheduled for December 3, 2013.

3. Homeowners Rate Level Filing

Mr. Evans stated that he, Ms. Taylor and Mr. Batdorff met with the Commissioner to provide him with the preliminary homeowner's rate level indications; and that the Commissioner has requested the Rate Bureau delay the submission of the rate filing until after the first of the year.

Following discussion, it was the consensus of the Governing Committee to agree to delay the filing date, but to stress with the Commissioner the need for an expeditious review of the proposed territory boundaries.

4. Adjournment

There being no further business, the meeting was adjourned.

Respectfully Submitted,

Sue Taylor

Director of Insurance Operations

ST:dms
GC-13-
11/26/13

NCRB-NCRF-NCIGA

north carolina
RATE BUREAU
REINSURANCE FACILITY
INSURANCE GUARANTY ASSOCIATION

MINUTES OF THE TELEPHONE CONFERENCE OF THE GOVERNING COMMITTEE OF THE NORTH CAROLINA RATE BUREAU HELD NOVEMBER 20, 2013

MEMBERS PRESENT	REPRESENTED BY
Allstate Insurance Company	Brian Donlan
American Home Assurance Company	Ira Feuerlicht
Auto-Owners Insurance Company	Drew Klasing
Builders Mutual Insurance Company	Jerry Visintine
Hartford Fire Insurance Company	Andy Montano
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Company	Jared Stuckey
North Carolina Farm Bureau Mutual Insurance Company	Roger Batdorff
Progressive Casualty Insurance Company	Kevin McGee
State Farm Mutual Automobile Insurance Company	Alan Bentley
United Services Automobile Association	Dan Pickens
Unitrin Auto & Home Insurance Company	Jennifer Fredenberg

PUBLIC MEMBERS PRESENT

William Edgar, Jr.

OTHERS PRESENT	REPRESENTED BY
Insurance Services Office	Pat Woods
National Council on Compensation Insurance	Jay Rosen
Young, Moore & Henderson, P.A.	Mickey Spivey Glenn Raynor
Staff	Edith Davis Tim Lucas Sue Taylor Rebecca Williams

The telephone conference convened with North Carolina Farm Bureau, represented by Mr. Batdorff, presiding. Attention was directed to the Rate Bureau's Antitrust, Conflict of Interest, Code of Ethics and Standards of Conduct Statements.

1. Report of Counsel

Mr. Spivey stated that (1) staff and counsel are preparing the homeowners rate level and territory definitions filing; (2) based on the discussions with the Governing Committee, the filing will be submitted on or about January 2, 2014; and (3) it is hoped that the Department of Insurance (Department) will provide an expeditious review and approval of the revised territory boundaries.

2. Report of Staff

Mr. Taylor stated that (1) the next meeting of the Governing Committee is to be held on December 3, 2014 in the offices of the Rate Bureau; (2) the primary purpose of the meeting is to adopt the 2014 budget; (3) the exhibits related to the budget should be sent to the Governing Committee next week; (4) during the last meeting of the Governing Committee, a charter creating an Audit Committee was adopted, and it was agreed to proceed to fill the membership of the Committee; and (5) the Chair of the Governing Committee has the authority to appoint members to the Committee, however, it is requested that members of the Governing Committee provide suggestions as to members for the Audit Committee prior to the next meeting of the Governing Committee.

3. Auto Territory Review

Attention was directed to an email sent out by counsel dated November 19, 2013, which included exhibits prepared by Insurance Services Office (ISO). Mr. Lucas stated that during the preparation of the territory filing it was discovered a segment of data had been excluded from the review, and as a result the entire process had been redone with the excluded data included in the review. He further stated that the Auto Committee recommends adoption and filing of the territory definitions resulting from the new review.

Mr. Woods reviewed the exhibits stating that (1) the methodology used in this review is the same as the Governing Committee previously reviewed; (2) the same capping (+20%) was used on a "mandatory coverage" basis and on a "most frequently purchased" basis; (3) the excess above the cap was "rolled" back into the territories that were not capped; and (4) the same manual rule is proposed as previously proposed.

Following discussion, a motion was made, seconded and passed unanimously to adopt the recommendation of the Auto Committee and to proceed with the filing.

4. Workers Compensation Rate Filing

Ms. Taylor stated that (1) on August 30, 2013, the workers compensation rate filings were submitted to the Department; (2) the Department has approved the loss cost filing as filed; (3) for the assigned risk filing, a Notice of Public Hearing has been issued with the hearing to begin on December 16, 2013; (3) as a result of discussions with the Department, a tentative settlement has been reached; and (4) the Workers Compensation Committee recommends adoption of the proposed settlement of +4.2%.

Following discussion, a motion was made, seconded and passed unanimously to adopt the recommendation of the Workers Compensation Committee and enter into a settlement agreement with the Department.

5. Adjournment

There being no further business, the meeting was adjourned.

Respectfully Submitted,

Sue Taylor

Director of Insurance Operations

ST:dms

11/26/13

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Exhibit (14) (c)

With regard to the information requested under Item (14) (c) the Rate Bureau submits the following:

2014 Homeowners Rate Filing

Insurance Services Office:

ISO has advised the Rate Bureau that the ISO assessment is not directly made for specific rate filings and reviews. While the assessment covers all of basic required services for developing rates and preparing the filing, the assessment is based on North Carolina premium volume multiplied by countrywide assessment factors. These factors are developed by dividing the cost of each insurance line and service by the premium volume of all insurers affiliated with ISO for each representative line and service. During 2013, ISO billed the Rate Bureau approximately $1,607,308.40 for charges relating to homeowners insurance services, including forms, rules, public protection grading and other services unrelated to this homeowners rate filing.

Young Moore and Henderson, P.A.:

The firm has billed the Rate Bureau approximately $115,701.00 for services rendered directly in connection with the 2014 homeowners rate filing and territory definition filing.

Milliman USA:

The firm has billed the Rate Bureau approximately $107,108.75 for services rendered directly in connection with the preparation of the 2014 homeowners rate filing and territory definition filing.

AIR Worldwide Corporation:

The firm has billed the Rate Bureau $120,000.00 for services rendered in connection with the 2014 homeowners rate filing and territory definition filing.

Financial Strategy Associates:

The firm has billed the Rate Bureau $7,863.00 in connection with the 2014 homeowners rate filing and territory definition filing.

2012 Homeowners Rate Filing

Insurance Services Office:

ISO has advised the Rate Bureau that the ISO assessment is not directly made for specific rate filings and reviews. While the assessment covers all of basic required services for developing rates and preparing the filing, the assessment is based on North Carolina premium volume multiplied by countrywide assessment factors. These factors are developed by dividing the cost of each insurance line and service by the premium volume of all insurers affiliated with ISO for each representative line and service. During 2012, ISO billed the Rate Bureau approximately $1,440,207.24 for charges relating to homeowners insurance services, including forms, rules, public protection grading and other services unrelated to this homeowners rate filing.

Young Moore and Henderson, P.A.:

The firm has billed the Rate Bureau approximately $181,548.00 for services rendered directly in connection with the 2012 homeowners rate filing.

Milliman USA:

The firm has billed the Rate Bureau approximately $218,156.25 for services rendered directly in connection with the 2012 homeowners rate filing.

AIR Worldwide Corporation:

The firm has billed the Rate Bureau $57,000.00 for services rendered in connection with the 2012 homeowners rate filing.

Financial Strategy Associates:

The firm has billed the Rate Bureau $4,038.00 in connection with the 2012 homeowners rate filing.

The following changes in methodology from those used in the October 1, 2012 filing have been incorporated into this filing:

- In this filing, earned premium at manual level for the Beach Plan was obtained by applying the extension-of-exposure technique. In the prior filing, on-level factors were applied to reported premiums rather than using an extension-of-exposures procedure.

- In this filing, the provisions for net cost of reinsurance, underwriting profit and contingencies are allocated to four zones across the state. In the previous filing, these items were allocated to three zones.

- In this filing, the allocation of reinsurance costs and underwriting profit to zone is based on the average of three alternative risk measures: standard deviation of losses, covariance of losses and probability of ruin. In the previous filing, the three alternative risk measures were standard deviation of losses, variance of losses and probability of ruin.

See also the pre-filed testimony of R. Curry, B. Donlan and D. Appel.

NORTH CAROLINA

HOMEOWNERS INSURANCE

SECTION F – REVISION OF HOMEOWNERS TERRITORY DEFINITIONS

REVISION OF HOMEOWNERS TERRITORY DEFINITIONS

OVERVIEW

Section 6 of North Carolina Senate Bill 836 (2012 Session) required the North Carolina Rate Bureau ("NCRB") to submit a report and recommendation regarding Homeowners territories to the North Carolina General Assembly. The NCRB submitted the report, entitled "Study of the Current Geographic Territories Established by the North Carolina Rate Bureau" ("Report," attached as Exhibit IX), to the General Assembly in June, 2013.

In this filing, the NCRB proposes to revise the North Carolina Homeowners territory definitions in the manner described in the Report to the General Assembly. In particular:

- the inland portion of the state will be divided into 20 county-based territories. The current set of inland territories contains 13 county and city-based territories.
- the current southern coastal territory (52) will be divided into two territories (52A and 52B[1]) defined in terms of ZIP codes.
- the current northern coastal territories (48 and 49) will remain unchanged as they were subdivided from the former territory 43 in 2009.
- the current beach territories (07 and 08) will remain unchanged as they too were modified in 2009.

CONTENTS OF THIS SECTION

- Pages F-2-5 – Revised Territory Definitions
- Pages F-6-14 – Methodology to Determine Inland Territories
- Pages F-15-24 – Methodology to Determine Southern Coastal Territories
- Pages F-25-34 – Miscellaneous Manual Rules
- Pages F-35-60 – Copy of Report to the General Assembly

REVISED TERRITORY DEFINITIONS

Pages F-2 through F-5 show the revised manual rule (shown in underline/strikethrough format) for assigning territory and the revised territory definitions.

[1] Note: The new territory numbers are subject to change before they are published to the NCRB member companies.

1. TERRITORY ASSIGNMENTS

If a territory shown is defined in terms of United States Postal Service (USPS) ZIP code:

A. Determine the applicable rating territory based on the location of the dwelling.

B. An insured's rates shall not be changed solely because the USPS changed his or her ZIP code and the physical boundaries of a rating territory shall be determined by the ZIP code boundaries in effect at the time of the latest rate filing defining the territory.

Territory boundaries in North Carolina are concurrent with USPS ZIP code boundaries in effect as of **July 1, 2013.** If the USPS introduces a new ZIP code or realigns a ZIP code boundary after **July 1, 2013**, the new ZIP code may not yet be listed in Rule **2.C.,** If this is the case, assign the rating territory based on the ZIP code boundary that formerly applied to the dwelling before the USPS changed the ZIP code.

~~1~~2. TERRITORY DEFINITIONS – (For all Coverages and Perils Other than Earthquake).

Assign the applicable territory using the following order of priority:

~~A. Cities~~

~~City of~~	~~County of~~	~~Code~~
~~Charlotte~~	~~Mecklenburg~~	~~38~~
~~Durham~~	~~Durham~~	~~32~~
~~Greensboro~~	~~Guilford~~	~~36~~
~~Raleigh~~	~~Wake~~	~~32~~
~~Winston-Salem~~	~~Forsyth~~	~~36~~

~~B~~A. ~~Other Than Cities~~Counties

County of	Code
Alamance	101/57
Alexander	101/60
Alleghany	102/60
Anson	103/44
Ashe	102/60
Avery	104/60
Beaufort	49
Bertie	105/45
Bladen	106/41
~~Brunswick~~	~~52~~
Buncombe	102/60
Burke	102/60
Cabarrus	103/60
Caldwell	102/60
Camden	49
~~Carteret~~	~~52~~
Caswell	101/46
Catawba	102/60
Chatham	107/53
Cherokee	108/60
Chowan	49
Clay	108/60
Cleveland	109/60
Columbus	110/41
Craven	49
Cumberland	111/34
Currituck (other than Beach Areas)	48
Dare (other than Beach Areas)	48
Davidson	103/57
Davie	101/60
Duplin	112/45
Durham	113/53
Edgecombe	114/47
Forsyth	101/57
Franklin	115/47
Gaston	109/39

Gates	116/45
Graham	108/60
Granville	113/46
Greene	112/45
Guilford	101/57
Halifax	114/47
Harnett	111/47
Haywood	117/60
Henderson	102/60
Hertford	116/45
Hoke	111/47
Hyde (other than Beach Areas)	48
Iredell	101/60
Jackson	108/60
Johnston	115/47
Jones	49
Lee	118/47
Lenoir	112/45
Lincoln	109/60
Macon	108/60
Madison	117/60
Martin	114/45
McDowell	102/60
Mecklenburg	101/39
Mitchell	104/60
Montgomery	103/44
Moore	118/47
Nash	115/47
~~New Hanover~~	~~52~~
Northampton	119/47
~~Onslow~~	~~52~~
Orange	107/53
Pamlico	48
Pasquotank	49
~~Pender~~	~~52~~
Perquimans	49
Person	113/46
Pitt	114/45
Polk	102/60
Randolph	103/57
Richmond	111/44
Robeson	106/41
Rockingham	101/60
Rowan	103/60
Rutherford	109/60
Sampson	111/45
Scotland	106/47
Stanly	101/60
Stokes	101/60
Surry	101/60
Swain	117/60
Transylvania	117/60
Tyrrell	49
Union	101/39
Vance	115/46
Wake	113/53
Warren	119/46
Washington	49
Watauga	102/60
Wayne	114/45
Wilkes	101/60
Wilson	114/47
Yadkin	120/57
Yancey	102/60

B. Beach Areas

Beach Area – Localities south and east of the Inland Waterway from the South Carolina Line to Fort Macon (Beaufort Inlet), thence south and east of Core, Pamlico, Roanoke and Currituck Sounds to the Virginia Line, being those portions of land generally known as the "Outer Banks."

Beach Areas in Currituck, Dare and Hyde Counties: 07

Beach areas in Brunswick, Carteret, New Hanover, Onslow and Pender Counties: 08

C. Other than Beach Areas of Brunswick, Carteret, New Hanover, Onslow and Pender Counties

For areas of Brunswick, Carteret, New Hanover, Onslow and Pender Counties, other than the Beach Areas, refer to the following ZIP codes. If portions of these ZIP codes fall in Counties other than Brunswick, Carteret, New Hanover, Onslow and Pender Counties use the territory code for those Counties.

1. Eastern Coastal Territory

ZIP Code	USPS ZIP Code Name	Code
28403	Wilmington	52A
28404	Wilmington	52A
28405	Wilmington	52A
28406	Wilmington	52A
28407	Wilmington	52A
28408	Wilmington	52A
28409	Wilmington	52A
28410	Wilmington	52A
28411	Wilmington	52A
28412	Wilmington	52A
28422	Bolivia	52A
28428	Carolina Beach	52A
28443	Hampstead	52A
28445	Holly Ridge	52A
28459	Shallotte	52A
28460	Sneads Ferry	52A
28461	Southport	52A
28462	Supply	52A
28467	Calabash	52A
28468	Sunset Beach	52A
28469	Ocean Isle Beach	52A
28470	Shallotte	52A
28480	Wrightsville Beach	52A
28511	Atlantic	52A
28516	Beaufort	52A
28520	Cedar Island	52A
28524	Davis	52A
28528	Gloucester	52A
28531	Harkers Island	52A
28532	Havelock	52A
28533	Cherry Point	52A
28539	Hubert	52A
28553	Marshallberg	52A
28557	Morehead City	52A
28570	Newport	52A
28577	Sealevel	52A
28579	Smyrna	52A
28581	Stacy	52A
28584	Swansboro	52A

28589	Williston	52A

2. Western Coastal Territory

ZIP Code	USPS ZIP Code Name	Code
28401	Wilmington	52B
28402	Wilmington	52B
28420	Ash	52B
28421	Atkinson	52B
28425	Burgaw	52B
28429	Castle Hayne	52B
28435	Currie	52B
28436	Delco	52B
28447	Ivanhoe	52B
28448	Kelly	52B
28451	Leland	52B
28452	Longwood	52B
28454	Maple Hill	52B
28456	Riegelwood	52B
28457	Rocky Point	52B
28466	Wallace	52B
28478	Willard	52B
28479	Winnabow	52B
28518	Beulaville	52B
28521	Chinquapin	52B
28540	Jacksonville	52B
28541	Jacksonville	52B
28542	Camp Lejeune	52B
28543	Tarawa Terrace	52B
28544	Midway Park	52B
28545	McCutcheon Field	52B
28546	Jacksonville	52B
28547	Camp Lejeune	52B
28555	Maysville	52B
28574	Richlands	52B
28582	Stella	52B

METHODOLOGY TO DETERMINE INLAND TERRITORIES

OVERVIEW

The "inland" portion of the state is defined as the 82 counties that are not in the current beach/coastal territories (current territories 07, 08, 48, 49 and 52). These current beach/coastal territories include all 18 counties which comprise the area in the statutorily-defined North Carolina Insurance Underwriting Association, also known as the Coastal Property Insurance Pool (and commonly known as the “Beach Plan”).

The first step in this portion of this territory definition review was to determine whether to perform the analysis at the ZIP code level or the county level. In the inland portion of the state, the expected homeowners loss costs do not vary widely from one ZIP code to another, or even within a county. Therefore, for ease of use and understanding, the Rate Bureau concluded that it is appropriate to perform the analysis at the county level for the inland territories.

Given that decision, the main steps in this portion of the territory definition review were as follows:

- ♦ Calculate smoothed pure premiums for each inland county. These pure premiums were used as estimates of the true loss potential in each county.
- ♦ Group contiguous counties with similar smoothed pure premiums into territories, using a hierarchical clustering algorithm. The clustering algorithm produces territories that are relatively homogeneous with respect to loss potential. The output of the clustering algorithm was used to select final territory boundaries in the inland portion of the state.

Based on this territory definition review, the counties in the inland portion of the state have been grouped into 20 territories. The revised territory definitions are set forth on pages F-2 – F-5. Exhibit I on page F-11 shows a map of the revised territories, and Exhibit II on page F-12 shows a map of the current territories. The revised territories in this filing are the same as those presented in the Report to the General Assembly.

DATA USED

Insurance Data

North Carolina homeowners insurance data for the Owner's Forms (HO-2, HO-3, HO-5, HO-8 and HE-7) in ZIP code/current territory detail for the five accident years ending December 31, 2009, evaluated as of March 31, 2010 were used in this review. These data were aggregated from insurers reporting data under the applicable statistical plans of ISO and ISS. The small amount of data reported to other statistical agents was not used as those data did not contain detail in the necessary resolution.

The ZIP code data include losses, exposures, classification and coverage information.

The data used in this territory definition analysis is the same set of data that underlies the most recent homeowners insurance rate filing that became effective July 1, 2013.

AIR Tropical Cyclone Model Data

Overview

Since North Carolina has a high risk of hurricane losses relative to other states, it was necessary to incorporate the Tropical Cyclone ("Hurricane") model of AIR Worldwide (AIR) to account for the hurricane risk in each county.

Output of AIR Hurricane Model

The AIR Hurricane model provided output in ZIP code detail by construction class. Instead of using actual exposures as inputs to the model, the NCRB instructed AIR to employ a system using the same notional exposure in each ZIP code such that each ZIP code could be examined on a consistent basis. Then, for each ZIP code, model losses were determined using the notional exposure. The mean damage ratio for each ZIP code was calculated by dividing the model losses for the ZIP code by the amount of insurance of the notional exposure.

CALCULATION OF COUNTY PURE PREMIUMS

Non-Modeled Losses

Treatment of Hurricane Losses

Actual hurricane losses were removed from the data and replaced with a hurricane loss provision based on the AIR Hurricane model. The losses excluding actual hurricane losses are referred to as "non-modeled" losses.

Aggregation to County Detail

Since data by county are not currently collected under the Homeowners statistical plans, the county for each statistical record was determined based on the reported ZIP code and territory. The vast majority of ZIP code/territory combinations fall inside exactly one county. In cases where the ZIP/territory combination falls into more than one county, the insurance data were allocated to county using housing information from the 2010 US Census in Census Block Group detail. Additionally, in order to give consideration to the large cities that are currently separate territories, the data for certain counties were further divided into "remainder of county" vs. "city inside the county." The cities were Durham, Winston-Salem, Greensboro, Charlotte and Raleigh. For purposes of this section of the filing, the word "county" means county or one of the five identified cities.

Adjusting the Data for Large Losses

The losses were capped at the basic limits in order to limit the effect of random fluctuations in claim sizes on the indications.

In order to mitigate the potentially distorting effect of extremely large windstorms that occurred in one area during the experience period, losses from storms designated as catastrophes by Property Claims Services were excluded from the study. In addition, a large hail storm on May 31, 2008 was also excluded.

Even after the removal of hurricane and PCS catastrophe losses, there were still many counties that had extreme yearly pure premiums that were considered to be outliers. To limit the effect of these, for each county, the data from the year with the highest non-modeled pure premium were excluded from the analysis.

Adjusting the Data for Distributional Bias

In order to avoid biases in the data due to differing distributions of rating variables in each county, the earned house years were multiplied by the average classification and coverage factor to obtain the adjusted exposures for each county. The use of adjusted exposures was designed to remove any bias due to different rating variables such as protection, construction, policy form, amount of insurance, etc. by county.

Additionally, losses and claims were adjusted to a $250 deductible level. This adjustment was designed to eliminate any bias due to differing distribution by deductible in each county.

Non-Modeled Pure Premiums by County

The adjusted losses were divided by the adjusted exposures (the product of earned house years and the average rating factor in the county) to get the non-modeled base level (wood frame) pure premium by county.

AIR Hurricane Model Pure Premiums

The wood frame ZIP code level mean damage ratios from the AIR Hurricane model were weighed together using adjusted exposures to get county level wood frame mean damage ratios. The county level mean damage ratios were then multiplied by $135,000 to get the modeled hurricane pure premium for a base level HO-3 policy ($75,000 Coverage A, $7,500 Coverage B, $37,500 Coverage C, $15,000 Coverage D).

Pure Premium by County Used for Grouping

The non-modeled base level pure premium for each county was added to the base level hurricane pure premium for each county to produce the total pure premium for each county used in the territory clustering process. This pure premium is the estimate of loss potential for each county. These are shown in Exhibit III on pages F-13-14.

GROUPING COUNTIES INTO TERRITORIES

Overview

As described in detail in the Report, the purpose of varying rates by territory is to reflect the different risk characteristics of different geographic areas. Risks located in areas with higher loss potential should be charged more than risks located in areas with lower loss potential.

Treating each county as a separate territory would lead to territories with low credibility, and therefore contiguous counties with statistically similar pure premiums were grouped into larger territories to obtain greater credibility.

Clustering Method

Contiguous counties with similar pure premiums were grouped into territories using a hierarchical clustering algorithm. This method started with each county as a separate territory. In the first iteration, the two most similar contiguous counties (meaning the two counties whose combination resulted in the smallest increase in the overall within variance) were combined into a single territory. In the same manner, in each subsequent iteration, the two most similar contiguous territories were combined into a larger territory. The clustering process continued until the territory system with the appropriate number of territories was formed. Specifically, the clustering process combined the two territories *a* and *b* whose indices minimized the following formula:

$$(e_a\, e_b) / (e_a + e_b)\, (I_a - I_b)^2$$

where I_a = index of territory *a*

I_b = index of territory *b*

e_a = exposures of territory *a*

e_b = exposures of territory *b*

Selecting the Number of Territories

The clustering process begins with *n* territories, where *n* is the number of counties in the inland portion of the state. For each number from *n* down to one, the clustering produces a territory scheme with the given number of territories. The clustering process does not determine the optimal number of territories for a state. It is necessary to use judgment regarding where to stop the clustering.

Ideally, the selected territory scheme contains territories that are highly homogeneous in terms of loss potential. A greater degree of homogeneity can be obtained by selecting a large number of territories. However, increasing the number of territories comes at the expense of decreasing the number of exposures in each territory. Despite the desire for greater homogeneity, it was necessary to ensure that the resulting territory scheme produced territories large enough to be credible.

Final Territory Selection

The 82 inland counties are currently grouped into 13 territories, three of which consist of cities. The NCRB examined the 15-territory and 20-territory schemes produced by the clustering algorithm and ultimately chose the 20-territory scheme as being most appropriate. The 20-territory scheme yields territories large enough to be credible (based on Owner's forms) and provides a significant improvement over the current 13 inland territory scheme. The NCRB deemed the 20-territory scheme for the inland portion of the state to provide a good balance between homogeneity and territory size/credibility.

Homogeneity Index

The homogeneity index is a measure of how much of the state's variation in loss potential is explained by the territory system. To get the homogeneity index, it is necessary to calculate the following:

- overall within-territory variation -- a measure of the average over all territories of each territory's within-territory variation. Each territory's within-territory variation is the average over all counties in the territory of the squared deviation of each county's pure premium from the territory's pure premium
- between-territory variation -- a measure of the average over all territories of the squared deviation of each territory's pure premium from the statewide pure premium
- total variation -- sum of the overall within-territory variation and the between-territory variation

For each territory scheme, the homogeneity index is the ratio of the between-territory variation to the total variation. A set of territories with high between-territory variance relative to its total variance will have a high homogeneity index.

The following are the homogeneity indices of various territory schemes produced by the clustering algorithm:

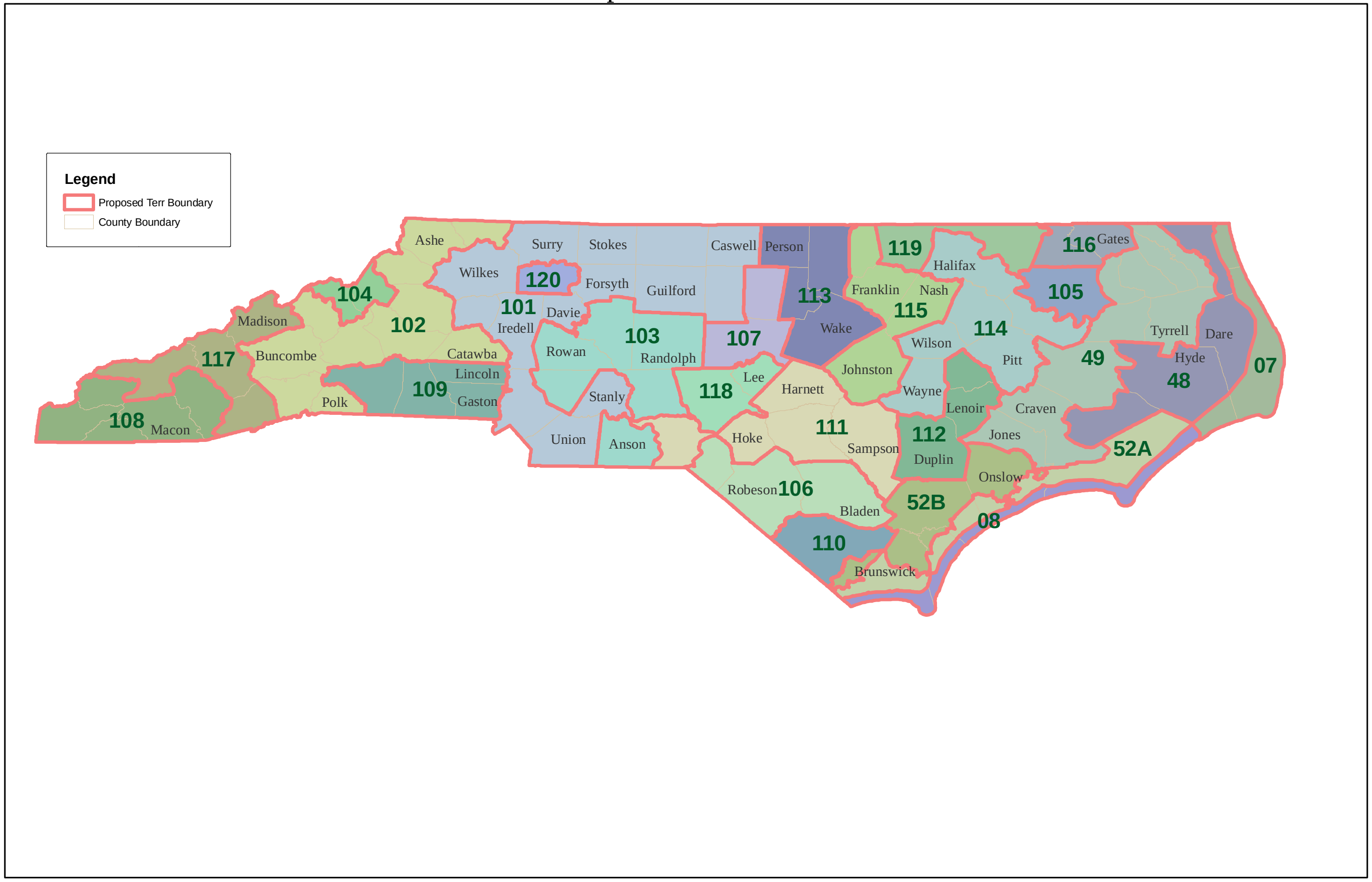
Number of Territories	Homogeneity Index
10	0.922
13	0.941
15	0.951
20	0.968
25	0.980

The proposed 20-territory scheme has a homogeneity index of 0.968, which is significantly higher than the homogeneity index of the current territory system (0.703). This demonstrates that the proposed territory system fits the pure premium data significantly better than the current territory system.

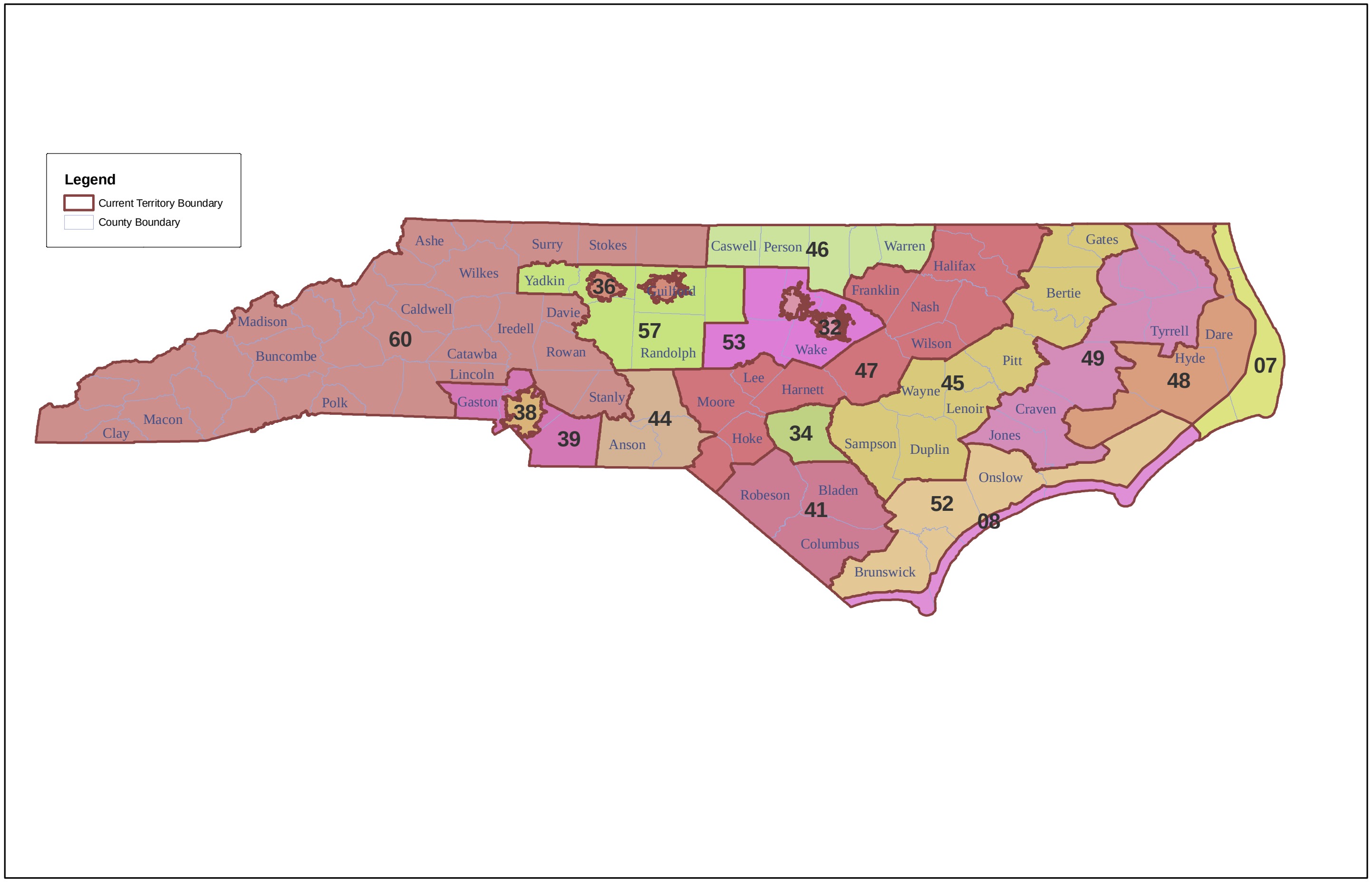
City Territories

As noted in the Report, the analysis does not support continuation of territory definitions consisting of city boundaries.

North Carolina Homeowners
Proposed Territories



North Carolina Homeowners
Current Territories



Pure Premium By County

County/City	Revised Territory	Current Territory	Smoothed[1] Non-Modeled Pure Premium	Modeled Hurricane Pure Premium	Total Pure Premium
Alamance County	101	57	119.16	20.64	139.80
Alexander County	101	60	145.43	10.43	155.86
Alleghany County	102	60	107.92	7.54	115.46
Anson County	103	44	165.40	22.68	188.08
Ashe County	102	60	123.96	6.12	130.08
Avery County	104	60	150.60	5.59	156.19
Bertie County	105	45	215.47	52.14	267.61
Bladen County	106	41	186.83	82.54	269.37
Buncombe County	102	60	115.71	5.63	121.34
Burke County	102	60	127.52	7.94	135.46
Cabarrus County	103	60	165.90	16.28	182.18
Caldwell County	102	60	126.72	8.04	134.76
Caswell County	101	46	155.73	16.90	172.63
Catawba County	102	60	120.62	11.55	132.17
Chatham County	107	53	90.90	24.52	115.42
Cherokee County	108	60	114.41	3.59	118.00
Clay County	108	60	85.74	4.15	89.89
Cleveland County	109	60	141.36	11.46	152.82
Columbus County	110	41	293.51	105.39	398.90
Cumberland County	111	34	179.14	48.44	227.58
Davidson County	103	57	161.30	15.88	177.18
Davie County	101	60	142.57	13.83	156.40
Duplin County	112	45	190.59	99.12	289.71
Durham County (Durham City)	113	32	111.17	24.73	135.90
Durham County (Remainder)	113	53	111.66	24.15	135.81
Edgecombe County	114	47	156.42	51.12	207.54
Forsyth County (Winston-Salem)	101	36	126.16	13.97	140.13
Forsyth County (Remainder)	101	57	133.22	14.04	147.26
Franklin County	115	47	146.14	30.75	176.89
Gaston County	109	39	146.91	12.74	159.65
Gates County	116	45	151.17	38.05	189.22
Graham County	108	60	74.80	3.51	78.31
Granville County	113	46	107.96	23.56	131.52
Greene County	112	45	187.56	76.61	264.17
Guilford County (Greensboro)	101	36	143.07	17.05	160.12
Guilford County (Remainder)	101	57	130.13	17.14	147.27
Halifax County	114	47	170.57	31.03	201.60
Harnett County	111	47	180.86	43.91	224.77
Haywood County	117	60	139.64	4.59	144.23
Henderson County	102	60	115.85	6.42	122.27
Hertford County	116	45	142.33	38.56	180.89
Hoke County	111	47	158.66	43.41	202.07
Iredell County	101	60	131.42	14.47	145.89
Jackson County	108	60	104.49	5.83	110.32
Johnston County	115	47	117.35	46.77	164.12

[1] Smoothed non-modeled pure premium is based on removing PCS losses and the year with highest pure premium from the 5 year average for the county.

Pure Premium By County (continued)

County/City	Proposed Territory	Current Territory	Smoothed[1] Non-Modeled Pure Premium	Modeled Hurricane Pure Premium	Total Pure Premium
Lee County	118	47	139.22	30.08	169.30
Lenoir County	112	45	177.98	89.15	267.13
Lincoln County	109	60	150.62	13.57	164.19
McDowell County	102	60	114.63	6.34	120.97
Macon County	108	60	112.44	4.61	117.05
Madison County	117	60	139.95	4.67	144.62
Martin County	114	45	136.98	61.21	198.19
Mecklenburg County (Charlotte)	101	38	132.29	15.90	148.19
Mecklenburg County (Remainder)	101	39	120.77	15.89	136.66
Mitchell County	104	60	180.27	5.36	185.63
Montgomery County	103	44	168.13	20.57	188.70
Moore County	118	47	118.36	28.89	147.25
Nash County	115	47	121.31	45.41	166.72
Northampton County	119	47	107.04	30.58	137.62
Orange County	107	53	88.28	22.94	111.22
Person County	113	46	121.88	19.48	141.36
Pitt County	114	45	138.34	76.75	215.09
Polk County	102	60	116.46	7.32	123.78
Randolph County	103	57	154.01	19.36	173.37
Richmond County	111	44	182.55	28.37	210.92
Robeson County	106	41	187.98	64.09	252.07
Rockingham County	101	60	145.70	14.18	159.88
Rowan County	103	60	164.91	15.83	180.74
Rutherford County	109	60	144.94	8.19	153.13
Sampson County	111	45	158.39	73.49	231.88
Scotland County	106	47	226.56	43.55	270.11
Stanly County	101	60	125.91	20.42	146.33
Stokes County	101	60	145.80	11.19	156.99
Surry County	101	60	140.32	9.73	150.05
Swain County	117	60	134.70	3.80	138.50
Transylvania County	117	60	138.67	5.51	144.18
Union County	101	39	124.93	19.89	144.82
Vance County	115	46	136.90	24.94	161.84
Wake County (Raleigh)	113	32	110.21	32.25	142.46
Wake County (Remainder)	113	53	106.17	32.48	138.65
Warren County	119	46	96.01	24.87	120.88
Watauga County	102	60	129.58	5.92	135.50
Wayne County	114	45	131.72	73.96	205.68
Wilkes County	101	60	151.12	8.31	159.43
Wilson County	114	47	133.71	55.55	189.26
Yadkin County	120	57	101.83	11.82	113.65
Yancey County	102	60	96.42	5.04	101.46

[1] Smoothed non-modeled pure premium is based on removing PCS losses and the year with highest pure premium from the 5 year average for the county.

METHODOLOGY TO DETERMINE COASTAL TERRITORIES

OVERVIEW

The beach/coastal area of the state is comprised of the current territories 07, 08, 48, 49 and 52. The current beach territories are territories 07 and 08. In 2008, there was a significant review of beach and coastal territory definitions. That review resulted in a filing in which territories were redefined in 2009. The two beach territories were modified, with Carteret County being grouped with the southern beach and coastal territories. Also, the northern coastal area was divided into territories 48 (east) and 49 (west). These two territories were carved out of the former northern coastal territory 42.

As a result of the examination that led to the Report, the NCRB determined that current territories 07, 08, 48 and 49 should not be further modified at this time. The NCRB continued with this analysis to determine whether and how the current southern coastal territory 52 should be modified and determined that it should be divided into eastern (52A) and western (52B) portions using ZIP codes to define the revised territories.

The NCRB made the decision to perform this portion of the analysis at the ZIP code level because, in contrast to the inland portion of the state where the pure premiums do not vary widely within a county, the pure premiums near the coast can change significantly every few hundred feet due to the significant hurricane loss potential. Therefore, to appropriately reflect this variation in loss potential, the NCRB decided to use ZIP codes for defining territories in the southern coastal area of the state.

Given that decision, the main steps in this portion of the territory definition review were as follows:

- ♦ Calculate hurricane pure premiums based on the AIR Hurricane model for each ZIP code.
- ♦ Divide the ZIP codes within the current Territory 52 into two groups based on hurricane pure premiums. Pages F-2 – F-5 set forth the revised territory definitions. Exhibit IV on page F-18 shows a map of the revised territories, and Exhibit V on page F-19 shows a map of the current territories. The revised territories in this filing are the same as those presented in the Report to the General Assembly.

DATA USED

Insurance Data

North Carolina homeowners insurance data for the Owner's forms (HO-2, HO-3, HO-5, HO-8 and HE-7) in ZIP code/current territory detail for the five accident years ending December 31, 2009, evaluated as of March 31, 2010, were used in this review. These data were aggregated from insurers reporting data under the applicable statistical plans of ISO and ISS. The small amount of data reported to other statistical agents was not used as those data did not contain detail in the necessary resolution.

The ZIP code data include losses, exposures, classification and coverage information.

The data used in this territory definition analysis is the same set of data that underlies the most recent homeowners insurance rate filing that became effective July 1, 2013.

AIR Tropical Cyclone Model Data

Overview

Since North Carolina has a high risk of hurricane losses relative to other states, it was necessary to incorporate the AIR Hurricane model to account for the hurricane risk in each ZIP code.

Output of AIR Hurricane Model

The AIR Hurricane model provided output in ZIP code detail by construction class. Instead of using actual exposures as input to the model, the NCRB instructed AIR to employ a system using the same notional exposure in each ZIP code such that each ZIP code could be examined on a consistent basis. Then, for each ZIP code, model losses were determined using the notional exposure. The mean damage ratio for each ZIP code was calculated by dividing the model losses for the ZIP code by the amount of insurance of the notional exposure.

CALCULATION OF ZIP CODE HURRICANE PURE PREMIUMS

AIR Hurricane Model Pure Premiums

The wood frame ZIP code level mean damage ratios from the AIR Hurricane model were multiplied by $135,000 to get the modeled hurricane pure premium for a base level HO-3 policy ($75,000 Coverage A, $7,500 Coverage B, $37,500 Coverage C, $15,000 Coverage D).

Pure Premium by ZIP Code Used for Grouping

Since in the coastal area the potential for loss from hurricane far outweighs the potential for loss from all of the other loss perils combined, the grouping analysis in Territory 52 was based solely on modeled hurricane pure premiums as described in the previous paragraph. The modeled hurricane pure premiums by ZIP code are displayed on the map on Exhibit VI on page F-20 and in Exhibit VII and Exhibit VIII on pages F-21-24.

GROUPING ZIP CODES INTO TERRITORIES

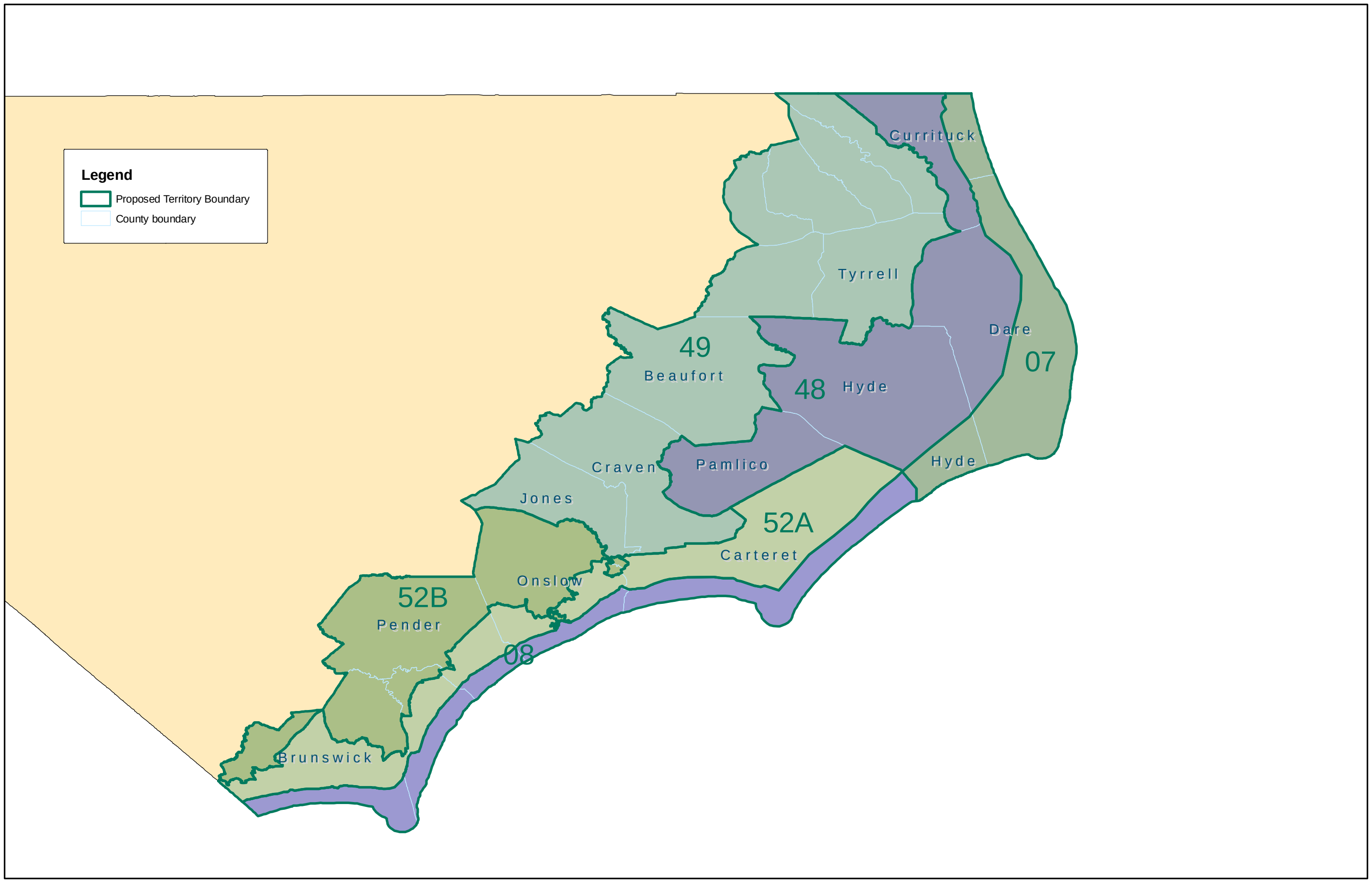
Overview

As discussed in detail in the Report, the purpose of varying rates by territory is to reflect the different risk characteristics of different geographic areas. Risks located in areas with higher loss potential should be charged more than risks located in areas with lower loss potential.

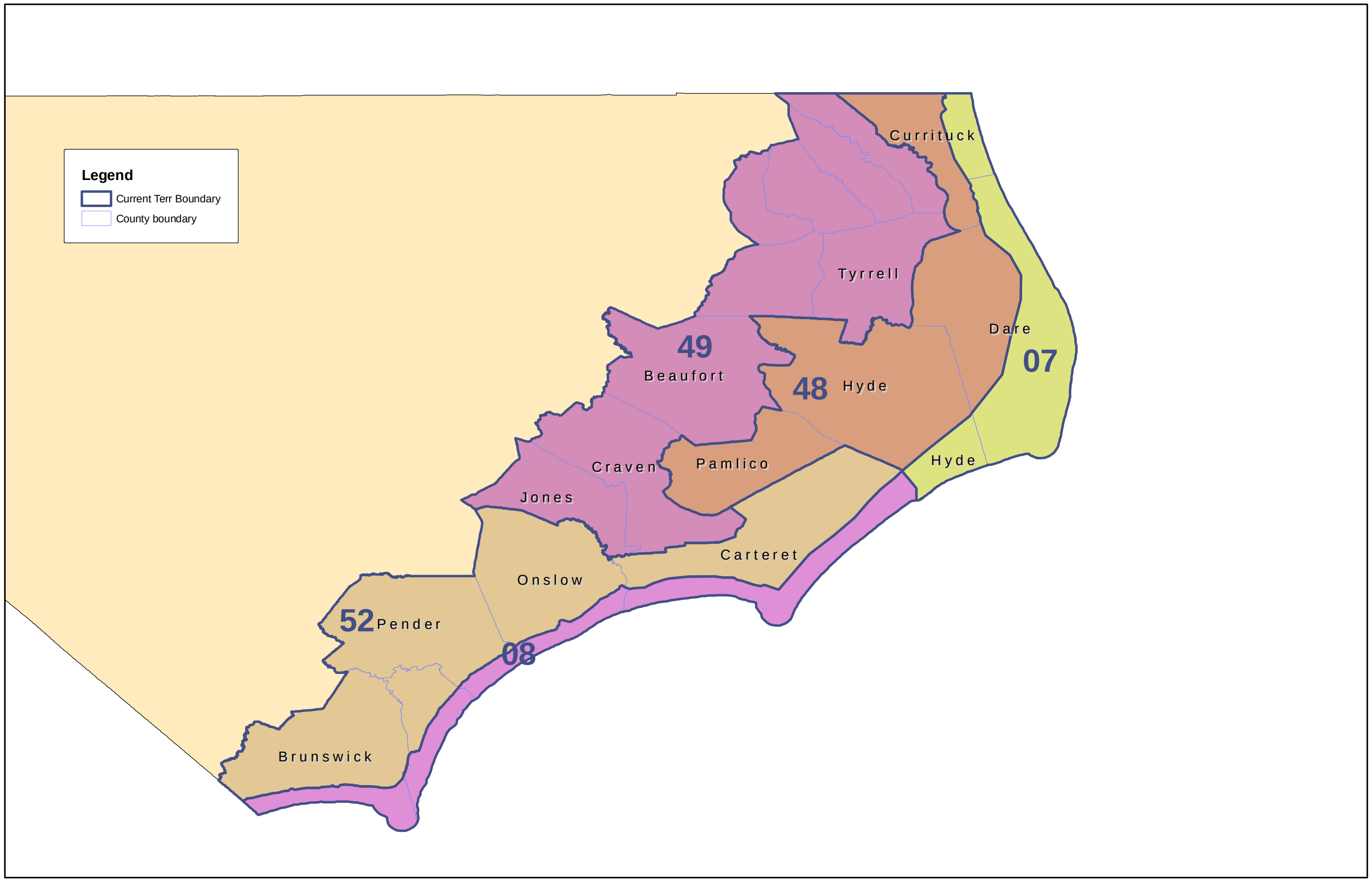
Treating each ZIP code within the current Territory 52 as a separate territory would lead to territories with low credibility, and therefore those ZIP codes were grouped into two larger territories with greater credibility. The ZIP codes in current Territory 52 were ordered in ascending order of AIR Hurricane model base level loss cost, as shown on Exhibit VIII on page F-23. The results showed significant differences in the hurricane loss costs between the eastern and western portions of current territory 52. A line was drawn between the ZIP codes with greater hurricane loss potential and those with lesser hurricane loss potential, using a $200 loss cost as a cutoff, as there was a relatively large gap between the loss costs of the two ordered ZIP codes near $200. The ZIP codes with loss costs greater than $200 were assigned to proposed Territory 52A, and the remainder were assigned to proposed Territory 52B.

The map on Exhibit VI on page F-20 shows that Territory 52A contains all of the ZIP codes that border the coastline.

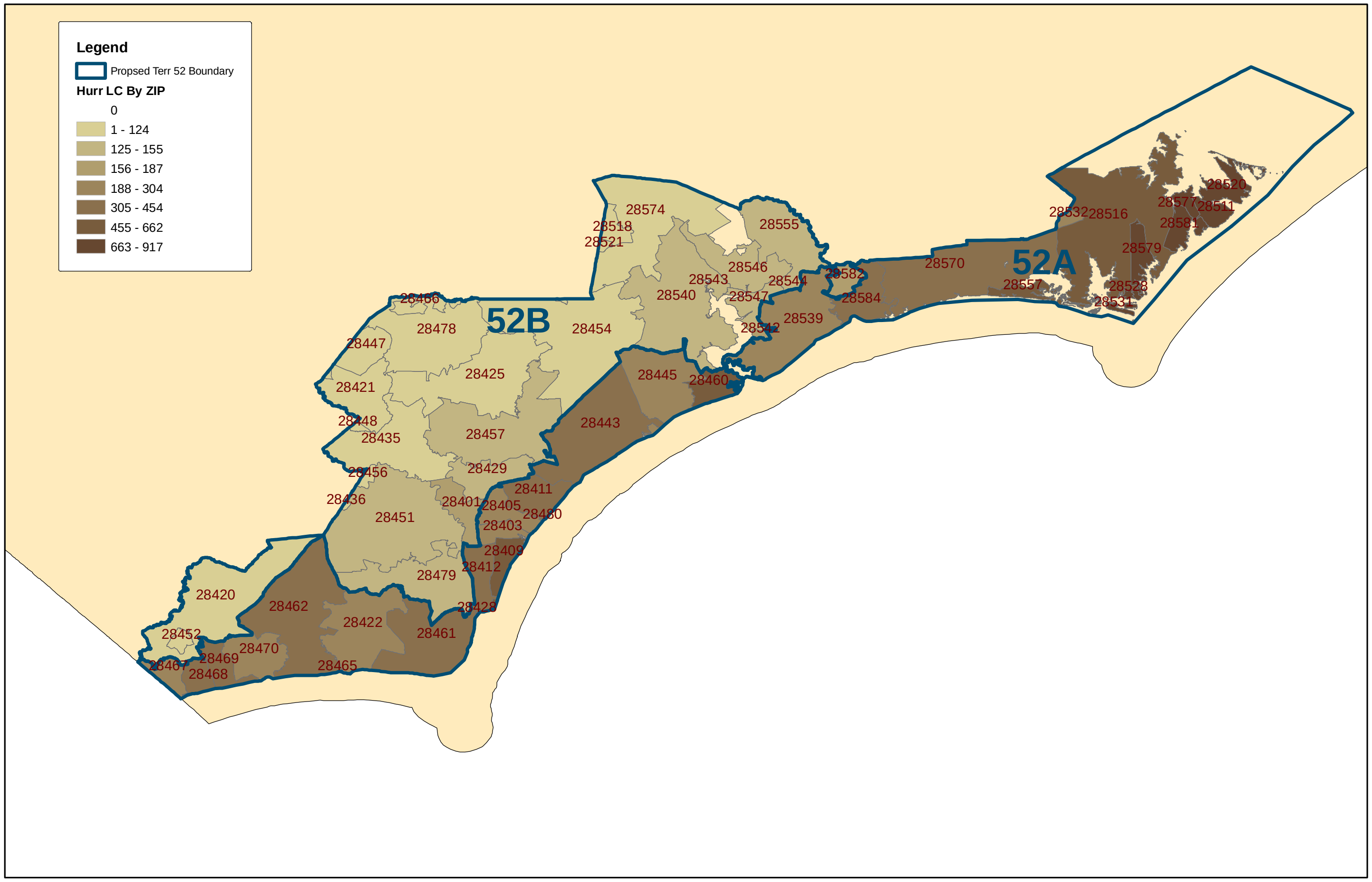
North Carolina Homeowners
Proposed Territories along the Coast



North Carolina Homeowners
Current Territories along the Coast



North Carolina Homeowners
Hurricane Loss Costs By ZIP code In Current Territory 52



Modeled Loss Cost[1] By ZIP code

ZIP Code	ZIP Name	Modeled Loss Cost	Revised Territory
28401	Wilmington	169.23	52B
28403	Wilmington	286.83	52A
28405	Wilmington	263.82	52A
28409	Wilmington	523.39	52A
28411	Wilmington	371.67	52A
28412	Wilmington	380.38	52A
28420	Ash	122.36	52B
28421	Atkinson	107.78	52B
28422	Bolivia	240.31	52A
28425	Burgaw	122.86	52B
28428	Carolina Beach	661.77	52A
28429	Castle Hayne	152.74	52B
28435	Currie	121.46	52B
28436	Delco	117.18	52B
28443	Hampstead	454.12	52A
28445	Holly Ridge	304.37	52A
28447	Ivanhoe	100.17	52B
28448	Kelly	114.49	52B
28451	Leland	145.74	52B
28452	Longwood	124.47	52B
28454	Maple Hill	121.32	52B
28456	Riegelwood	123.13	52B
28457	Rocky Point	138.26	52B
28460	Sneads Ferry	467.28	52A
28461	Southport	340.64	52A
28462	Supply	356.96	52A
28466	Wallace	112.37	52B
28467	Calabash	232.24	52A
28468	Sunset Beach	352.88	52A
28469	Ocean Isle Beach	342.87	52A
28470	Shallotte	262.61	52A
28478	Willard	110.35	52B
28479	Winnabow	155.16	52B
28480	Wrightsville Beach	610.20	52A
28511	Atlantic	835.63	52A
28516	Beaufort	503.94	52A
28518	Beulaville	112.45	52B
28520	Cedar Island	916.68	52A
28521	Chinquapin	108.79	52B
28528	Gloucester	831.60	52A
28531	Harkers Island	849.56	52A
28532	Havelock	234.83	52A
28539	Hubert	303.59	52A
28540	Jacksonville	136.52	52B
28542	Camp Lejeune	187.15	52B
28543	Tarawa Terrace	140.21	52B
28544	Midway Park	153.76	52B

[1] Hurricane Loss Cost for HO-3 Base Exposure (Frame with $135,000 total AOI)

Modeled Loss Cost[1] By ZIP code (continued)

ZIP Code	ZIP Name	Modeled Loss Cost	Revised Territory
28546	Jacksonville	135.57	52B
28547	Camp Lejeune	151.08	52B
28553	Marshallberg	821.12	52A
28555	Maysville	134.47	52B
28557	Morehead City	549.98	52A
28570	Newport	333.93	52A
28574	Richlands	110.54	52B
28577	Sealevel	768.26	52A
28579	Smyrna	752.78	52A
28581	Stacy	703.82	52A
28582	Stella	171.15	52B
28584	Swansboro	380.08	52A

[1] Hurricane Loss Cost for HO-3 Base Exposure (Frame with $135,000 total AOI)

Modeled Loss Costs in Ascending Order

ZIP Code	ZIP Name	Modeled Loss Cost	Revised Territory
28447	Ivanhoe	100.17	52B
28421	Atkinson	107.78	52B
28521	Chinquapin	108.79	52B
28478	Willard	110.35	52B
28574	Richlands	110.54	52B
28466	Wallace	112.37	52B
28518	Beulaville	112.45	52B
28448	Kelly	114.49	52B
28436	Delco	117.18	52B
28454	Maple Hill	121.32	52B
28435	Currie	121.46	52B
28420	Ash	122.36	52B
28425	Burgaw	122.86	52B
28456	Riegelwood	123.13	52B
28452	Longwood	124.47	52B
28555	Maysville	134.47	52B
28546	Jacksonville	135.57	52B
28540	Jacksonville	136.52	52B
28457	Rocky Point	138.26	52B
28543	Tarawa Terrace	140.21	52B
28451	Leland	145.74	52B
28547	Camp Lejeune	151.08	52B
28429	Castle Hayne	152.74	52B
28544	Midway Park	153.76	52B
28479	Winnabow	155.16	52B
28401	Wilmington	169.23	52B
28582	Stella	171.15	52B
28542	Camp Lejeune	187.15	52B
28467	Calabash	232.24	52A
28532	Havelock	234.83	52A
28422	Bolivia	240.31	52A
28470	Shallotte	262.61	52A
28405	Wilmington	263.82	52A
28403	Wilmington	286.83	52A
28539	Hubert	303.59	52A
28445	Holly Ridge	304.37	52A
28570	Newport	333.93	52A
28461	Southport	340.64	52A
28469	Ocean Isle Beach	342.87	52A
28468	Sunset Beach	352.88	52A
28462	Supply	356.96	52A
28411	Wilmington	371.67	52A
28584	Swansboro	380.08	52A
28412	Wilmington	380.38	52A
28443	Hampstead	454.12	52A
28460	Sneads Ferry	467.28	52A

ZIP Code	ZIP Name	Modeled Loss Cost	Revised Territory
28516	Beaufort	503.94	52A
28409	Wilmington	523.39	52A
28557	Morehead City	549.98	52A
28480	Wrightsville Beach	610.20	52A
28428	Carolina Beach	661.77	52A
28581	Stacy	703.82	52A
28579	Smyrna	752.78	52A
28577	Sealevel	768.26	52A
28553	Marshallberg	821.12	52A
28528	Gloucester	831.60	52A
28511	Atlantic	835.63	52A
28531	Harkers Island	849.56	52A
28520	Cedar Island	916.68	52A

MISCELLANEOUS MANUAL RULES

Pages F-26 through F-34 show various manual rules that are revised solely for the purpose of reflecting new territory numbers. Note again that the new territory numbers are subject to change before they are published to the NCRB member companies.

RULE A3.
WINDSTORM OR HAIL EXCLUSION – TERRITORIES 07, 08, 48, 49, ~~AND~~ 52A AND 52B ONLY

A. The peril of Windstorm or Hail may be excluded if:

1. The property is located in an area eligible for such coverage from the North Carolina Underwriting Association; and

2. A Windstorm or Hail Rejection Form is secured and maintained by the company.

Use Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94.**

B. To compute the Base Premium:

1. Determine the appropriate Key Premium as described in Rule **301.**

2. Subtract the Windstorm or Hail Exclusion credit shown on the state rate pages from the Key Premium.

3. Multiply the Key Premium excluding Windstorm or Hail Coverage developed in Step **2.** by the Key Factor for the desired limit of liability.

4. For example:

Form **HO 00 02** Key Premium = $1,310

Windstorm or Hail Exclusion Credit = $1,131

Key Factor for $100,000 = 1.109

Step **1.** Determine the Key Premium
Key Premium = $1,310

Step **2.** Subtract Windstorm or Hail Exclusion Credit from Key Premium
$1,310– $1,131 = $179

Step **3.** Multiply Key Factor for desired limit by amount in Step **2.** $179 x 1.109 = $198.51, round to $199 = Base Premium

C. When Endorsement **HO 32 94** is attached to the policy, enter the following on the Declarations page:

"This policy does not provide coverage for the peril of Windstorm or Hail".

D. When coverage for other specific structures or other structures rented to others is requested, refer to Rules **514.A.1.a.** and **514.A.2.a.(1)** in the state rate pages for the rates excluding windstorm or hail coverage.

RULE A9.
WINDSTORM MITIGATION PROGRAM – ALL FORMS EXCEPT HO 00 04 AND HO 00 06

A. Introduction

With respect to risks located in Territories 07, 08, 48, 49~~, and~~ 52A~~,~~ and 52B premium credits shall be made available for insureds who build, rebuild or retrofit certain residential dwellings, in accordance with specified standards, to better resist hurricanes and other catastrophic windstorm events.

****

RULE 302.
LOSS SETTLEMENT OPTIONS

Rule **302.** is replaced by the following:

A. Functional Replacement Cost Loss Settlement – HO 00 02, HO 00 03 And HO 00 05 Only

****

3. Premium Computation

Develop the Base Premium in accordance with Rule **301.** for the amount of insurance selected for this option. However, if Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94** is also made a part of the policy then develop the Base Premium in accordance with Additional Rule **A3.** Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49, ~~And~~ 52A and 52B Only.

****

B. Actual Cash Value Loss Settlement – HO 00 02, HO 00 03 And HO 00 05 Only

****

3. Premium Computation

To develop the Base Premium for the Coverage **A** limit of liability shown in the policy declarations:

****

d. If Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94** is also made a part of the policy then develop the Base Premium in accordance with Additional Rule **A3.** Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49, ~~And~~ 52A and 52B Only and multiply that Base Premium by the appropriate factor from Table **302.B.3.c.**

****

C. Special Loss Settlement – HO 00 02, HO 00 03 And HO 00 05 Only

****

3. Premium Computation

To develop the Base Premium for the Coverage **A** limit of liability shown in the policy declarations:

****

b. Develop a Base Premium in accordance with Rule **301.** for the amount of insurance computed in preceding Paragraph **a.** However, if Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94** is also made a part of the policy then develop the Base Premium in accordance with Additional Rule **A3.** Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49~~, And~~ 52A and 52B Only for the amount of insurance computed in Paragraph **a.**

****

RULE 303.
ORDINANCE OR LAW COVERAGE ALL FORMS EXCEPT HO 00 08

Paragraph **B.2.a.** is replaced by the following if Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94** is also made a part of the policy:

B. Increased Amount Of Coverage

2. Premium Determination

a. Forms HO 00 02, HO 00 03 And HO 00 05

To develop the Base Premium multiply the premium computed in accordance with the Additional Rule **A3.** Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49, ~~And~~ 52A and 52B Only by the appropriate factor selected from the following table:

Percentage Of Coverage A		**Factors Coverage A Limit**	
Increase In Amount	**Total Amount**	**$60,000 To $140,000**	**All Other**
15%	25%	1.13	1.05
40%	50%	1.35	1.14
65%	75%	1.51	1.20
90%	100%	1.67	1.27
For each add'l 25% increment, add		.16	.07

Table 303.B.2.a. Factors

RULE 406.
DEDUCTIBLES

****

C. Optional Higher Deductibles

****

3. Windstorm Or Hail Deductibles (All Forms Except HO 00 04 And HO 00 06)

When the policy covers the peril of Windstorm or Hail, the following deductible options may be used in conjunction with the deductible applicable to All Other Section **I** Perils.

a. Percentage Deductibles

****

(6) Deductible Factors

In Territories 07, 08, 48, 49, ~~and~~ 52A and 52B only, when the property is located in an area serviced by the North Carolina Insurance Underwriting Association (NCIUA), additional calculations must be performed to ensure that the premium credit applied to the deductible is **not** greater than the premium credit that would be applied if the peril of Windstorm or Hail were excluded from the policy.

****

(b) Property Is Located In Area Serviced by NCIUA

To determine if an "adjusted deductible credit" or the calculated deductible credit applies, complete each of the following steps:

Step **1.** Multiply the Windstorm or Hail exclusion credit shown in the state rate pages, under Additional Rule – Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49, ~~And~~ 52A and 52B Only Base Credit, by the Key Factor, for the same amount of insurance used to determine the Base Premium.

****

b. Higher Fixed-dollar Deductibles

****

(6) Deductible Factors

In Territories 07, 08, 48, 49, ~~and~~ 52A and 52B only, when the property is located in an area serviced by the NCIUA, additional calculations must be performed to ensure that the premium credit applied to the deductible is **not** greater than the premium credit that would be applied if the peril of Windstorm or Hail were excluded from the policy.

RULE 406.
DEDUCTIBLES (Cont'd)

****

(b) Property Is Located In Area Serviced By NCIUA

To determine if an "adjusted deductible credit" or the calculated deductible credit applies, complete each of the following steps:

Step **1.** Multiply the windstorm or hail exclusion credit shown in the state rate pages, under Additional Rule – Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49, ~~And~~ 52A and 52B Only Base Credit, by the Key Factor, for the same amount of insurance used to determine the Base Premium.

****

D. Named Storm Percentage Deductible – Territories 07, 08, 48, 49, ~~And~~ 52A and 52B Only

****

Step **1.** Multiply the windstorm or hail exclusion credit shown in the state rate pages, under Additional Rule – Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49, ~~And~~ 52A and 52B Only Base Credit, by the Key Factor, for the same amount of insurance used to determine the Base Premium.

****

RULE 406.
DEDUCTIBLES (Cont'd)

Territories 07, 08, 48, 49, ~~And~~ 52A and 52B				
Named Storm Deductible Percentage	**All Other Perils Deductible Amount**	**HO 00 02, HO 00 03, HO 00 05 And HO 00 08**	**HO 00 04**	**HO 00 06**
1%	$ 100	1.06	–	–
	250	.97	–	–
	500	.94	.92	.91
	1,000	.89	.83	.80
	1,500	.85	–	–
	2,500	.75	.67	.62
	5,000	.64	–	–
	7,500	.59	–	–
	10,000	.55	–	–
2%	100	1.03	–	–
	250	.96	–	–
	500	.92	.91	.90
	1,000	.86	.82	.79
	1,500	.81	–	–
	2,500	.73	.66	.61
	5,000	.62	–	–
	7,500	.57	–	–
	10,000	.54	–	–
5%	100	1.01	–	–
	250	.94	–	–
	500	.90	.90	.89
	1,000	.84	.81	.78
	1,500	.79	–	–
	2,500	.71	.65	.60
	5,000	.60	–	–
	7,500	.56	–	–
	10,000	.52	–	–

Table 406.D.5. Named Storm Percentage Deductible

RULE 514.
OTHER STRUCTURES

A. On-Premises Structures

1. Specific Structure – Increased Limits

a. Premium

Rate per $1,000 for policies with windstorm or hail coverage – $4

Territories 07, 08, 48, 49, ~~And~~ 52A and 52B Only – Rate per $1,000 for policies excluding windstorm or hail coverage – $2

2. Structure On The Residence Premises Rented To Others

a. Premium

(1) Rate per $1,000 for policies with windstorm or hail coverage – $5

Territories 07, 08, 48, 49, ~~And~~ 52A and 52B Only – Rate per $1,000 for policies excluding windstorm or hail coverage – $3

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2013 REPORT TO THE

NORTH CAROLINA GENERAL

ASSEMBLY

STUDY OF THE CURRENT GEOGRAPHIC

TERRITORIES ESTABLISHED BY

THE NORTH CAROLINA RATE BUREAU

SUBMITTED BY THE NORTH CAROLINA RATE BUREAU

Background and Introduction

This report is being submitted by the North Carolina Rate Bureau to the North Carolina General Assembly pursuant to Section 6 of Senate Bill 836 ratified during the 2012 legislative session.

This report will provide general background information as to the nature of the Rate Bureau, a summary of general actuarial considerations relating to territory rate classifications, a discussion of the history and role of territories in North Carolina and a discussion of the goals, difficulties and rating considerations inherent in setting and implementing changes in territorial definitions. The Rate Bureau has met with the Department of Insurance, discussed with the Department the territory data reviewed and the methods employed, informed the Department of Insurance of the results of that review and answered questions about the results. The Department of Insurance advised the Rate Bureau that it understood what was being done and that it had no further questions or suggestions, but in doing so the Department has indicated that it neither affirms nor verifies the facts or findings in this report.

The North Carolina Rate Bureau

The Rate Bureau is a statutorily created organization consisting of all insurance companies licensed to write specified types of insurance in North Carolina. The types of insurance under the Rate Bureau's jurisdiction include private passenger automobile, workers' compensation and residential real property insurance. The Rate Bureau is not a state governmental agency. The Rate Bureau files rates, classifications (including territories) and policy forms with the Department of Insurance, which has approval authority with respect to those filings.

In connection with property insurance, the Rate Bureau has jurisdiction over insurance that covers residential real property with not more than four housing units. It does not have jurisdiction over commercial property insurance. Three types of residential property insurance policy forms are under the jurisdiction of the Rate Bureau: homeowners policies, dwelling fire and extended coverage policies, and mobile home policies. Since homeowners policies are by far the most prevalent property policy forms in use in North Carolina, the Rate Bureau has focused its attention on territories used when writing homeowners policies. Homeowners policies are considered “package policies” in that they cover numerous and varied “perils,” or causes of loss. For instance, homeowners policies cover loss caused by fire of many different origins, wind (including hurricanes, tornados and straight line wind events), ice, snow, freezing, bursting pipes, theft, liability (e.g., slip and fall claims, dog bites, etc.) and a myriad of other types of events. However, homeowners insurance policies do not cover every cause of loss. Notably, flood losses are not covered, as flood policies are written by the federal government’s National Flood Insurance Program.

There are approximately 630 member insurance companies licensed to write residential property insurance in North Carolina, and there are approximately 108 companies currently writing homeowners policies.

General Principles Underlying Classification Systems

Territories are one form of risk classification used in connection with the rating of homeowners policies. The American Academy of Actuaries has published guidance with regard to risk classifications, some of which are summarized or paraphrased below:

1. Insurance is designed to deal with the economic uncertainty associated with chance occurrences, and it does so by exchanging the uncertainty of the occurrence, its timing, and its financial impact for a predetermined premium. To establish a fair premium for insuring an uncertain event, estimates must be made of expected future losses based on the probabilities associated with the occurrence, its timing and its magnitude.

2. The grouping of policyholders with similar risk characteristics for the purpose of establishing the rates is a fundamental precept of insurance. This process of risk classification is necessary to maintain a financially sound and equitable system. It enables the development of fair rates, which in turn promotes the availability of needed coverage to the public. This is achieved through the grouping of policyholders to determine averages and the application of the resulting averages to individual policyholders.
3. Risk classification involves grouping individual risks with reasonably similar average expectations of loss. Determining average expected losses for a particular class is not the same as predicting the actual loss for an individual in the class. It is impossible to accurately predict losses for individual risks in the short run. If the occurrence, timing and magnitude of a loss were known in advance, there would be no economic uncertainty and therefore no reason for insurance. It is expected and inevitable that not all risks in a class will have identical claim experience. Instead, the actual loss experience for all individuals in the class will be statistically distributed around the average loss experience for the class.
4. With respect to property insurance, each home is unique; any attempt to identify and measure every characteristic of a home would be unworkable. On the other hand, some risk characteristics have significant bearing upon expected costs, and to ignore all such differences would be unfair. The expected costs for each of the individual risks in a class should be reasonably similar. Significantly dissimilar risks should be assigned to different classes.
5. An important element of a risk classification system is that a classification be large enough to allow credible statistical predictions about that class. Another important element of a risk classification system is that its operational expense should be as low

as possible, while effectively permitting the system to avoid adverse selection and maximize equity. Such expenses include those for obtaining and maintaining the data required to establish classes, for assigning each risk to a class and for determining a price for each class.

The Homeowners Classification System in North Carolina

The Rate Bureau's homeowners insurance classification system provides for classifications in accordance with the above principles. Premiums for property insurance are based in part on a number of factors that have been consolidated into "classifications." These classifications are designed to measure characteristics that affect the likelihood of future losses. These classifications, and rating factors based on them, are required to be filed by the Rate Bureau and approved by the Department of Insurance.

Some classifications in North Carolina are based on a house's type of construction (e.g., wood frame or masonry) and how that construction affects the likelihood of losses. Other classifications in North Carolina deal with the distance that a house is located from the fire department. If a house is more than six miles away, that house will likely have a higher rate than a house that is closer to the fire department. A related classification involves the distance that a house is located from a fire hydrant: if the house is further than 1,000 feet away from a fire hydrant, it will likely receive a higher rate than a house that is closer.

These classifications, just like territory classifications, will inevitably lead to situations where a neighbor on one side of the street pays more than the neighbor on the other side of the street. However, it is obvious that lines must be drawn somewhere. If the focus is exclusively on those two neighbors' houses, it may be difficult to justify the difference in rates based on the slight difference in risk between those two houses, but in order for classifications to be fair to the broader public, lines must be drawn and drawn in a fair manner.

The Role of Territories in the Classification System

The geographic location of a house can have a significant impact on its expected loss experience. To reflect this fact and promote fairness and availability of insurance, territories have long been used in rating homeowner policies. Territories consist of geographical areas in which houses are grouped together to establish more equitable rates. As noted, homeowners insurance policies cover numerous and varied perils, or causes of loss. However, the predominant causes of loss on homeowners policies are fire and wind. North Carolina is particularly vulnerable to hurricane losses. The state's vulnerability is to a significant extent a function of location: North Carolina protrudes much farther into the Atlantic than neighboring coastal states (Raleigh is almost due north of Myrtle Beach), and strong hurricanes can make landfall along the coastline of North Carolina. The eastern portions of North Carolina bear the brunt of the state's hurricane losses. All areas of North Carolina have some vulnerability to hurricane losses, but the western portions of the state are less vulnerable than the east. Since hurricanes derive their strength from warm ocean water, the further inland a house is located, the less likely in general it is to suffer hurricane losses.

The unavoidable fact that the hurricane exposure is greater on the coast of North Carolina has been recognized in the construction of territories since the Rate Bureau first came into being.

History of Rating Territories in North Carolina

Historically, the geographic units used to build and describe territory boundaries in North Carolina have followed one of two widely known geopolitical boundaries—county or city definitions. Such definitions have generally worked well and, based on the data then available, enabled the Rate Bureau to promote fairness in filing territory definitions that distinguish between regions of the state with different expected losses. Such definitions have also been easy to understand and administer by policyholders, agents, companies and regulators. However, as differences between geographic areas change over time and as advances in data collection and computer capabilities have occurred, the Rate Bureau is now able to create territory definitions that better represent the current differences in loss exposure in the various areas of the state.

When the Rate Bureau came into existence in 1977, North Carolina was broken up into only four property territories for rating purposes. Attached as Exhibit 1 is a map depicting the four territories in effect in 1977. Since then, there have been five changes in the territory definition system, each of which was filed by the Rate Bureau and approved by the Department of Insurance.

As the Rate Bureau's ability to review the risk of loss in greater territory detail increased, areas with distinct loss differentials were grouped into more homogeneous territories. In 1981 the four territories were expanded to 12 territories, including territories defined by city boundaries. These territories are shown on Exhibit 2. In 1987 an additional territory was formed to reflect the fact that fire losses in several counties in southeastern North Carolina significantly exceeded those in other areas of the state. That newly formed territory can be seen on Exhibit 3.

In 1996 the Rate Bureau determined that the counties in the coastal region should be configured to recognize that the southern coastal counties were more exposed to hurricane loss than the northern coastal counties. The new territory created by the 1996 change is shown on Exhibit 4. In 2002 an analysis of territory definitions showed that new groupings of counties should occur in the coastal plain and in the piedmont areas of the state. Attached as Exhibit 5 is a map depicting the territories that became effective in 2002.

As greater refinements in the Rate Bureau's ability to review territory loss exposure came into being, the Rate Bureau made revisions to the territories in the coastal region. In

2008 a review showed that changes to the northern coastal territory should be made. It was recognized that the loss exposure of the westernmost counties in the northern coastal territory was significantly less than the loss exposure of the counties abutting the coast and that a division of the northern territory was warranted. It was also recognized that the loss exposure of Carteret County was more similar to the loss exposure of the counties in the southern coastal territory than to that of the counties in the northern coastal territory. The Rate Bureau therefore made a filing with the Department of Insurance to split the northern coastal territory and to move Carteret County to the southern coastal territory, and that filing was approved. Attached as Exhibit 6 is a map depicting the resulting territories that became effective in 2009. Exhibit 6 represents the current territory configuration.

Following the territory changes in 2009, the Rate Bureau continued to review the territory definitions in the southern coastal area and engaged in discussion with the Department of Insurance on how best to address territories along the southern coast. This endeavor has faced difficulties inherent in determining intra-county territory boundaries that are rational and possible to administer. Further, there has been a reluctance to subdivide counties because, as with any change in territory definition, in order for the rates in one portion of a county to go down, the rates in the remaining portion of the county must go up. Redefining territories does not change the overall expected losses for the area under review. It should be noted that current rates in many territories including the southern coast are considered to be inadequate by the companies.

Actions Taken by the Rate Bureau Pursuant to Senate Bill 836

Subsequent to the passage of Senate Bill 836, the Rate Bureau appointed a Property Territory Task Force to undertake a formal review of property territories. The persons appointed to that Task Force are actuaries and other persons knowledgeable in territory analyses. The Task Force obtained actuarial assistance from Insurance Services Office and hurricane modeling expertise from AIR Worldwide, Inc. (the Rate Bureau has worked with both ISO and AIR on ratemaking and on territory definition matters for many years). Improvements in recent years to the data collection and review systems now allow the Rate Bureau to review data at the zip code level. These improvements permit the review of territories in more detail than was previously possible when data were only collected at a county level.

The Task Force has performed a comprehensive review of territories statewide. The review was able to be performed at a higher level of resolution than could ever have been done in the past because of a recent confluence of improved scientific modeling, improved computing and map-creating software and an improved level of detail for reviewing historical data. As a result, the Task Force was able to review the data with a precision that could not have been brought to bear just a few years ago.

The Task Force did not start with preconceived notions as to what the result of its analysis would be. It knew that, from the standpoint of accepted actuarial practice in reviewing actual losses from fire and other perils, it would likely be necessary to smooth out the peaks and valleys, or “noise,” that exist in the data. In order to smooth out random outliers, the Task Force aggregated five years of available homeowners data for all causes of loss other than hurricane. Those data constitute one portion of the data that must be considered in establishing territories. The Task Force also knew that, from the standpoint of standard actuarial practice, modeling of expected hurricane losses is necessary and in commonly used in states that are hurricane prone. Hurricanes create a huge risk of massive losses, and the risk of infrequent but very intense hurricanes raises the specter of massive losses and insolvency for insurance companies. The expected hurricane losses can best be determined through the use of models. The Task Force requested AIR to run a model differentiating the varying expected risk of loss across the state from hurricanes. The output from that model is depicted in the map attached as Exhibit 7. As that map shows, expected hurricane losses are very high at the coast and taper off significantly the further a house is located from the water.

The Task Force has held numerous meetings. While the Task Force's examination has been statewide, special attention was given to coastal territories because of their unique considerations due to the hurricane exposure.

The Task Force determined that, for areas other than the coastal regions of the state, the analysis and subsequent configuration of territories at the county level is actuarially sound for property insurance. History has shown that grouping county units into territories has resulted in territories that are generally fair, easy to understand and easy to administer. Therefore, in the 82 non-coastal counties where fire and other perils are typically more determinative of expected losses than are hurricanes, a combination of historical losses and modeled hurricane losses by county was used as the starting point to determine territories.

As previously noted, five years of loss data for perils other than hurricane were aggregated and reviewed. Adjustments were made to smooth out unusual events that might skew the results for a single county. Because some counties still contained individual years with abnormal losses, the year with the highest amount of losses for each county was removed from the data base. Then the remaining four years of loss data and the modeled hurricane losses were combined, and an algorithm for combining or clustering counties into territories was employed to group contiguous counties with similar expected losses into territories.

Ultimately, the Task Force concluded that the 82 inland counties could more appropriately be divided into 20 territories. Exhibit 8 shows the revised territorial definitions that could be employed based on the Rate Bureau's review. One significant determination of the Task Force was that the data do not support continued separation of the five largest cities from their surrounding counties. Since 1981, territories have been configured to capture differences in risk between the state's largest cities and the surrounding counties in which they are located. In this review, the Task Force concluded that the data support merging the cities with their surrounding counties. To some extent, this conclusion likely stems from the fact that some cities have expanded greatly over the years to the point that their borders encompass most of the surrounding county. Also, as the population in the once small towns surrounding the larger cities has grown, such towns are often today virtually indistinguishable from the larger cities. Therefore, it is now appropriate to merge the cities into the surrounding counties for the purpose of defining territories. Doing so would also, as a practical matter, eliminate problems in rating homes when they are annexed into expanding city limits.

Special Review of Coastal Counties

Hurricane modeling shows that hurricanes cause much greater losses to houses located near the coast than to houses located inland. In coastal counties, for example, the difference of approximately ten to 20 miles from the ocean can make a significant difference in expected hurricane losses. However, in the rest of the state, the difference of ten to 20 miles is of much less significance. After reviewing modeled hurricane losses, it became apparent to the Task Force that it would be appropriate to review the hurricane risk at the coast in finer detail than on a county basis (that is, using smaller areas than counties).

To understand the context for the Task Force's review of coastal counties, it is helpful to review the history of territories in that area. To begin with, this is the area where the legislature has effectively defined some of the territories. The North Carolina Insurance Underwriting Association (the "Association," which is also known as the "Coastal Property Insurance Pool") was created by Article 45 of Chapter 58 of the North Carolina General Statutes to provide property insurance to residential and commercial buildings located in the state's 18 coastal counties. The Association is one form of a "residual market," or a market set up to provide insurance in situations where the private insurance companies have been unwilling to write policies at the available rate. For many years, the northern and southern "beach" areas (areas east and south of the Intracoastal Waterway) were configured into two separate territories. Similarly, the remainder of the 18 counties (the northern and southern "coast") was configured into two separate territories. Nonetheless, the regulatory approval process did not provide for different rates in these northern and southern territories until recently. In 2008 Commissioner Long first permitted rates (effective in 2009) to reflect the difference in risk between the north and the south, with the northern territories receiving lower rates relative to the southern territories in order to reflect lower expected losses.

As noted previously, the Bureau in 2008 also filed and obtained approval of a reconfiguration of the coastal territory definitions based on their differing hurricane exposure. These definitions were effective May 1, 2009, and are the definitions currently in use. The beach and coastal portions of Carteret County were removed from the northern beach and coastal territories and placed into the southern beach and coastal territories, thereby combining that county with other counties of similar risk in the southern beach and coast. At the same time, based on the differing expected hurricane losses, the remaining northern coastal territory was subdivided into two new territories—one located more on the coast and the other located more inland. Thus the more inland counties with lower expected hurricane losses (Beaufort, Camden, Chowan, Craven, Jones, Pasquotank, Perquimans, Tyrrell and Washington) were separated from the more exposed counties to form territory 49, and the counties with higher expected hurricane losses (Currituck, Dare, Hyde and Pamlico) were grouped together in territory 48.

The Task Force has again reviewed these territory changes to the northern coast and concluded that the changes made approximately five years ago were and continue to be appropriate. The Task Force believes that the Rate Bureau should continue to monitor the northern territory definitions, but the Task Force does not believe that further changes are warranted at this time.

As to the southern coastal territories, the Task Force noted that a different situation exists. Currently, all non-beach areas of the five southern coastal counties (Brunswick, New Hanover, Pender, Onslow and Carteret) are grouped together in territory 52. The Task Force found that there are some significant differences in expected hurricane losses between the portions of those five counties further from the ocean and the portions closer to the ocean. With respect to those inland portions, the risk of hurricane loss is significantly less than in the portions of the territory adjacent to the ocean—enough less than a subdivision of the counties into two territories could be justified.

The data indicate that the five southern coastal counties could be subdivided into two territories with the demarcation line determined by ZIP codes. Policyholders, agents and companies generally use ZIP codes, and it is believed that, given ample lead time, houses can effectively be sorted into ZIP codes by companies' automated rating systems. While ZIP codes have been established for postal purposes and not for insurance purposes, and while ZIP codes change from time to time, the Task Force concluded that they are sound for differentiating the risk between houses that are along the coast and houses that are further inland in the southern coastal counties. Attached as Exhibit 9 is a map showing a possible reconfiguration of current Territory 52 using ZIP codes to distinguish between areas close to the coast and areas further inland in the five counties in that territory. Even if no rate increase were sought, subdividing Territory 52 would ultimately mean higher premiums for houses closer to the coast to offset any reductions for houses further inland.

Technology Advances May Provide New Options in the Future

As has been noted above, the Rate Bureau in this study has utilized technological improvements and improved statistical data sources that were not available even a few years ago. Given the rapid pace of change in today's technology and information services, it is not unreasonable to expect that further improvements will someday allow even greater refinements and potential alternatives for property insurance rate setting.

This study uses, for the first time in reviewing property territorial definitions, data at the ZIP code level. It may be possible in the future to use even smaller-sized units, such as census blocks or nine-digit ZIP codes, or small grids. Geocoding is a process that translates an address to an exact spot on a map using latitude and longitude coordinates. Although such a process provides some advantages, and major strides have been made in geocoding in recent years, there remain a number of disadvantages. A related methodology being discussed for rating coastal properties is distance to coast. Under this methodology, the geocodes (latitude and longitude) are necessary for both the property to be insured and the nearest point along the coastline. In North Carolina, there are significant questions about how the coastline should be defined in such a complex and changing environment—one need only think about the barrier islands, the rivers and waterways and the large sounds to appreciate the difficulty. Thus, for these potential alternatives, there remain numerous significant issues to be resolved before it will be possible for them to be used on an industry-wide basis in North Carolina.

Summary of Conclusions and Recommendations

1. Setting appropriate territory definitions promotes fairness to policyholders and companies. When appropriate territory definitions are accompanied by actuarially sound rates, the availability of insurance is promoted and a healthier insurance environment will be created.
2. The difficulty of setting territorial definitions in a geographically diverse state such as North Carolina is considerable. The risk of loss and the predominant causes of loss differ significantly across the state.

3. The greatest difficulty in setting territory definitions in North Carolina is to reflect the loss potential across the state from hurricanes. The long-term average loss potential from hurricanes is very high near the coast and tapers off further inland. The timing of a truly catastrophic hurricane striking the state is impossible to predict from an actuarial perspective and such a storm could cause losses that far exceed the total of all statewide homeowners insurance premiums collected over many years. While, on average, truly catastrophic storms may occur on only a few occasions in a lifetime, it is possible that more than one will occur in the same year. When they do occur, it is important that insurers have the solvency to be able to pay the losses and meet their contractual commitments.
4. Current territories were drawn based on the best information available at the time, but those territory definitions could now be improved upon to better reflect risk. Recent advancements have made it possible to define territories more accurately. These advances include the collection of more detailed data, the availability of more precise modeling and the ability of computer programs to cluster groups of risks (in this case, counties and ZIP codes) into territories.
5. There are 100 counties in North Carolina. The legislature has made 18 of them eligible for the North Carolina Insurance Underwriting Association. An analysis of available data has demonstrated that for the remaining 82 inland counties, it is appropriate to continue to use county definitions for the purpose of defining territories. The collection of insurance data in ZIP code detail and the ability to allocate the data to county have improved the ability to group these counties into territories that have similar expected losses.

6. The 82 inland counties are currently grouped into 13 territories. An analysis of the data by the Task Force demonstrates that the territorial classification system can be improved by grouping them into 20 territories. See Exhibit 8.
7. An analysis of the data further demonstrates that there is no longer a reason to separate large cities from the surrounding counties for the purpose of defining territories in North Carolina.
8. Not every county in the 18 coastal counties presents the same risk. The Rate Bureau has within the last five years created new territories in the northern coastal region to more fairly reflect differences in hurricane risk. The Task Force found that such a decision was proper.
9. The Task Force found that a different situation exists in the southern coastal territory (territory 52). Upon analysis of the differences in hurricane risk between the inland portions and the coastal portions of that territory, the Task Force determined that it may be appropriate to subdivide that territory from north to south into two territories based on ZIP codes. See Exhibit 9.
10. Changing territorial definitions means that over time some policyholders must pay higher premiums to compensate for the fact that other policyholders will pay lower premiums. When this happens, it is important to note that a *premium increase* for some policyholders does not mean a *rate increase* for the insurance companies. Merely changing territorial definitions without an accompanying overall rate increase is a “zero sum game” from the standpoint of the companies and the policyholders in the aggregate; the premium increases and decreases balance out and there is no overall change in the total premium. However, failing to change territorial definitions can sometimes result in inequities and disruptions in the market.

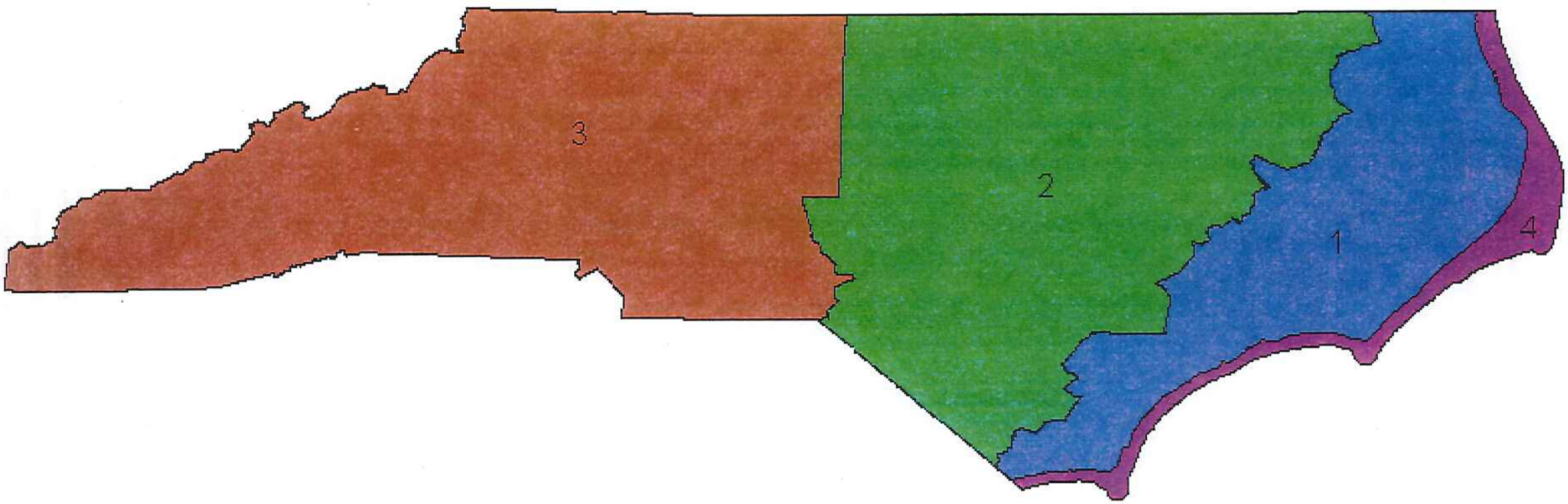
11. New technology is becoming available to locate homes more precisely than in the past. For now, significant issues remain outstanding and there is no consensus on the use of that technology, and therefore it is neither feasible nor cost effective for the Rate Bureau to adopt that technology. However, in the longer run, it is quite likely that technological improvements will result in a continuing evolution in the way that residential properties, and particularly residential properties at the coast, are rated in North Carolina.
12. The Rate Bureau should continue to monitor territories, particularly at the coast. It should monitor changes that may occur in ZIP code definitions as well as improvements in modeling and technology. When permitted through the regulatory process, greater precision in rating is important to minimize the problems of unavailability of insurance in the private insurance market.

Submitted by the North Carolina Rate Bureau on the -- of June, 2013

LIST OF EXHIBITS:
1. Territories in 1977
2. Territories in 1981
3. Territories in 1987
4. Territories in 1996
5. Territories in 2002
6. Territories in 2009
7. Relative Hurricane Loss Potential
8. Potential revisions to inland territories
9. Potential revisions to Territory 52

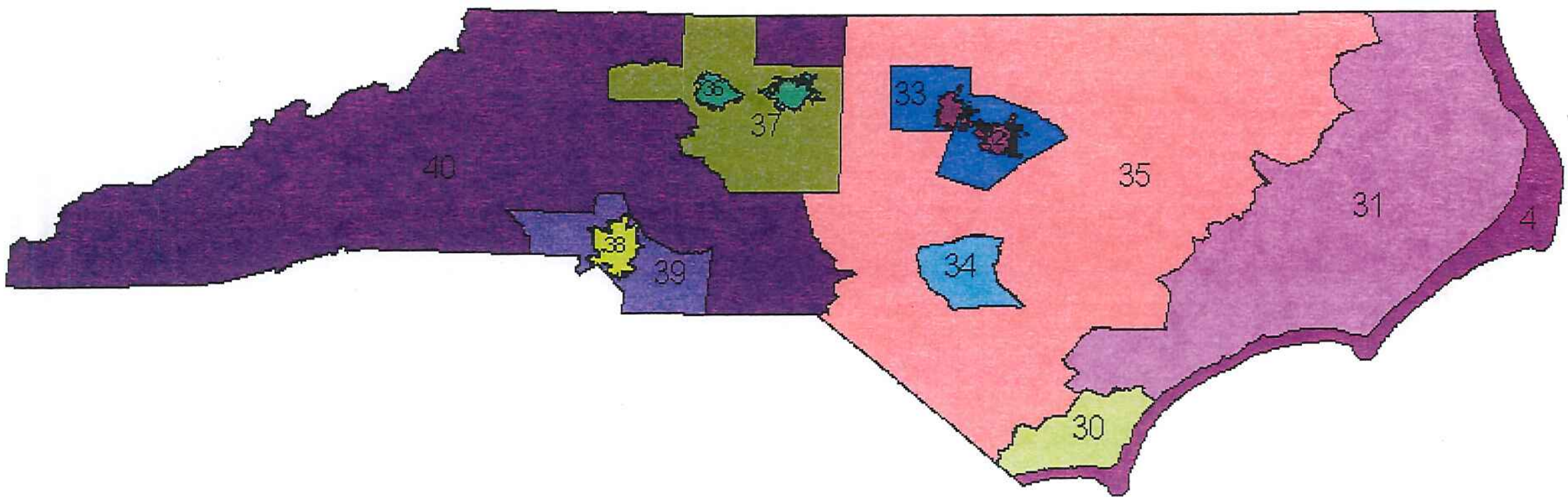
North Carolina Territory Definitions
Homeowners Effective 3/1/1977

Exhibit 1



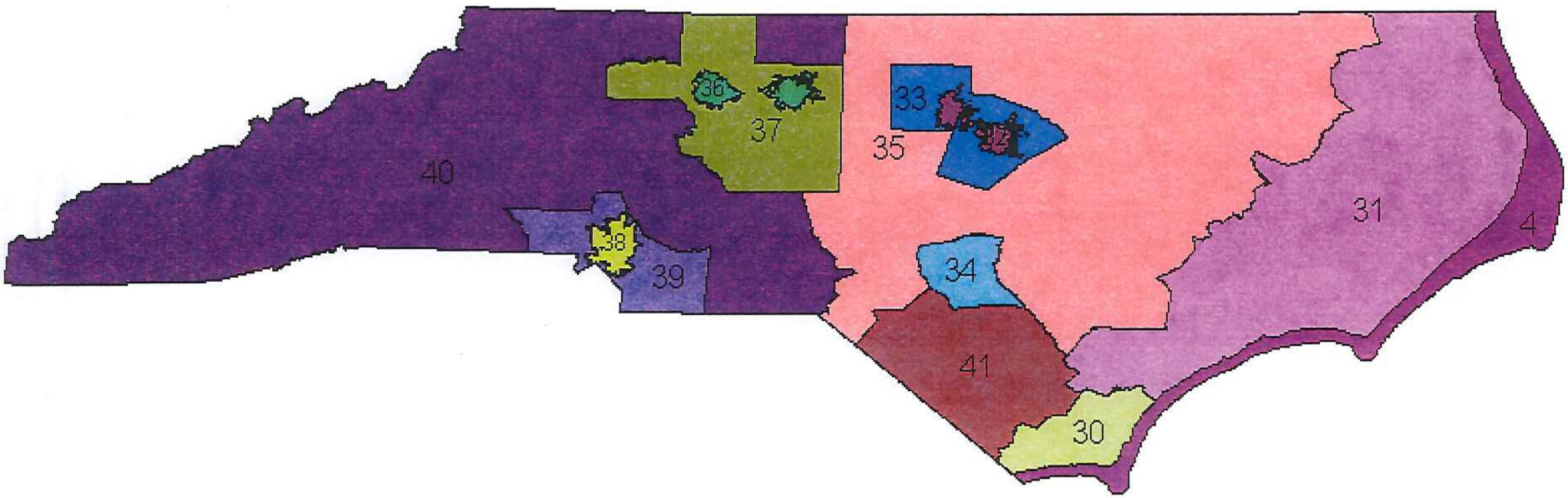
North Carolina Territory Definitions
Homeowners Effective 3/1/1981

Exhibit 2



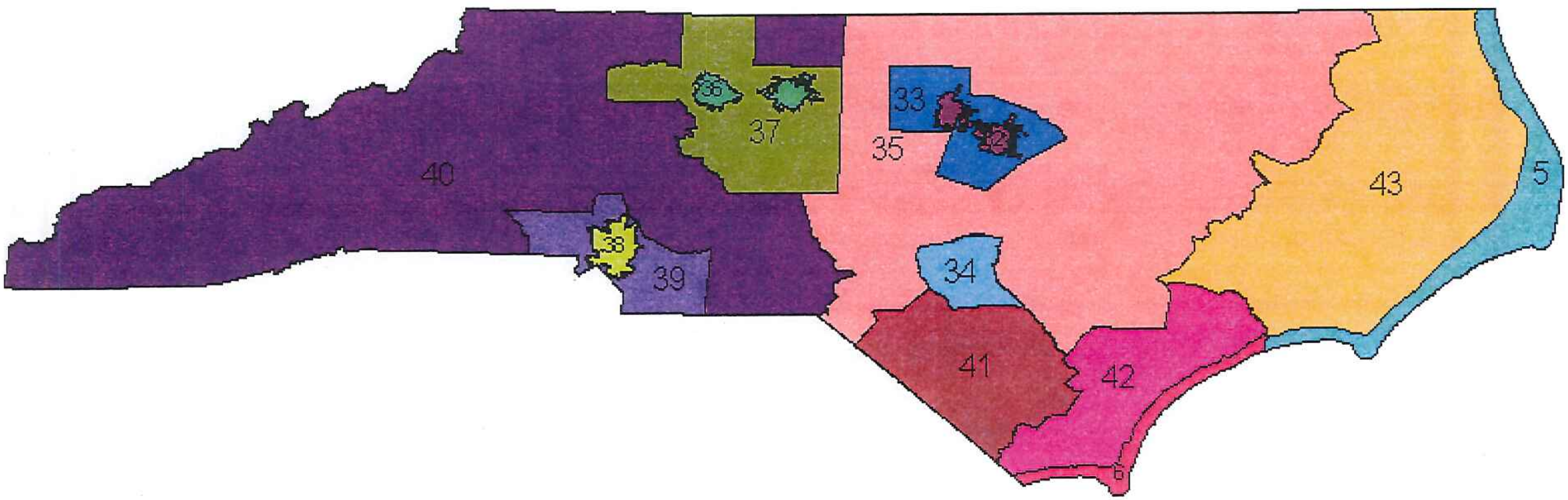
North Carolina Territory Definitions
Homeowners Effective 4/1/1987

Exhibit 3



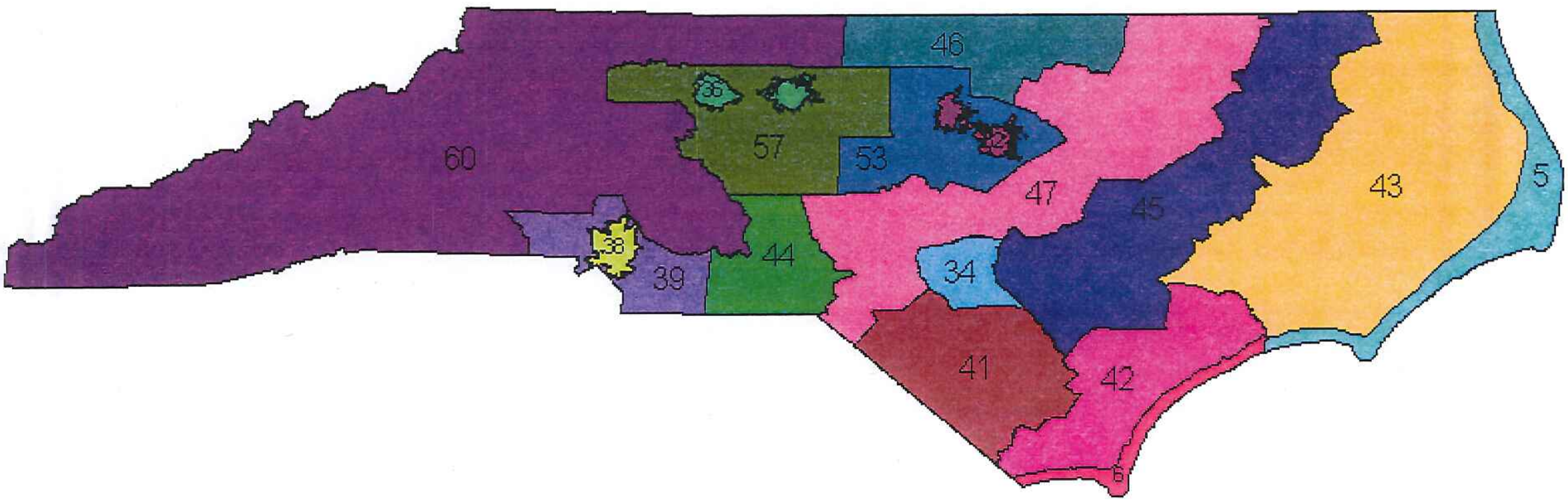
North Carolina Territory Definitions
Homeowners Effective 10/1/1996

Exhibit 4



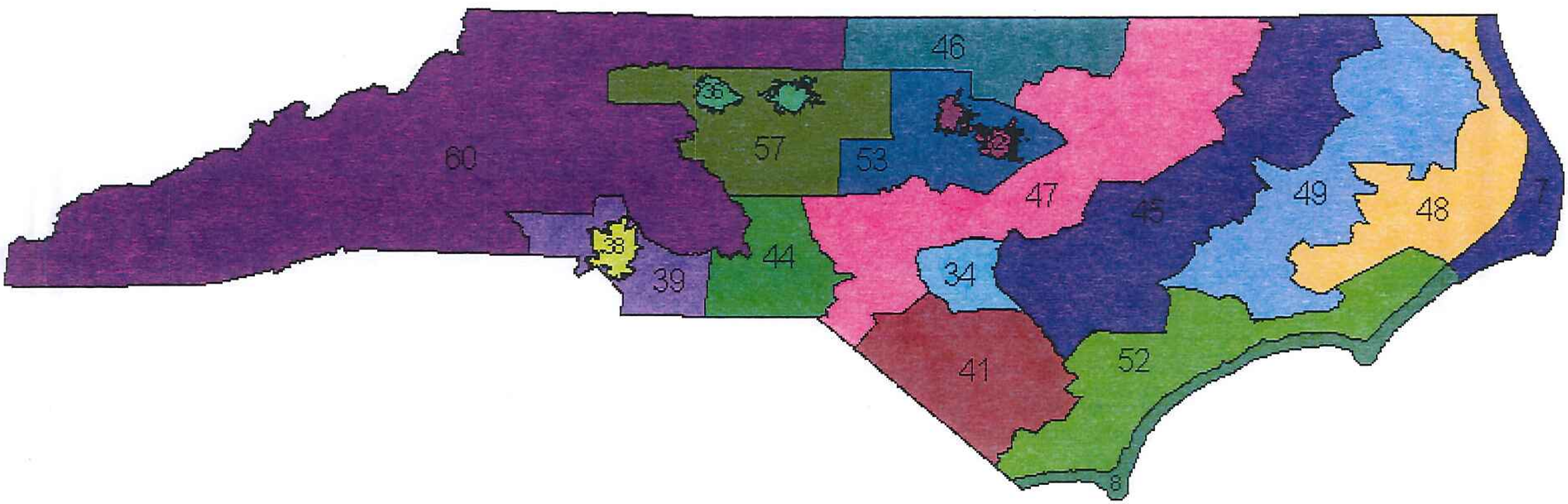
North Carolina Territory Definitions
Homeowners Effective 8/15/2002

Exhibit 5



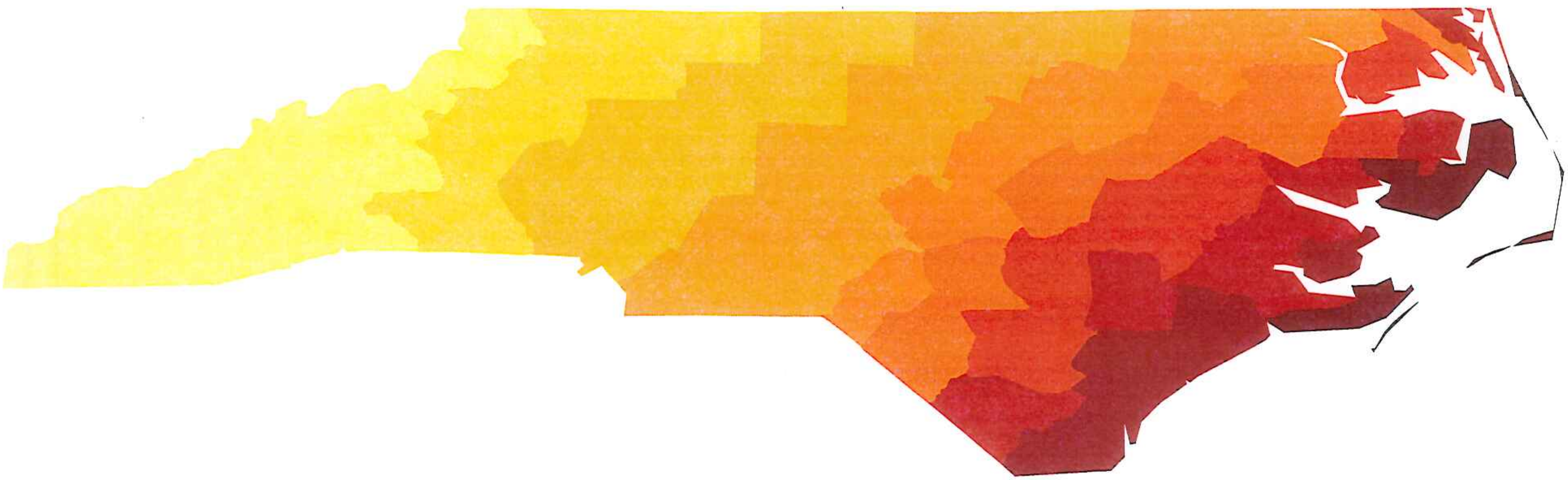
North Carolina Territory Definitions
Homeowners Effective 5/1/2009

Exhibit 6



North Carolina
Relative Hurricane Loss Potential

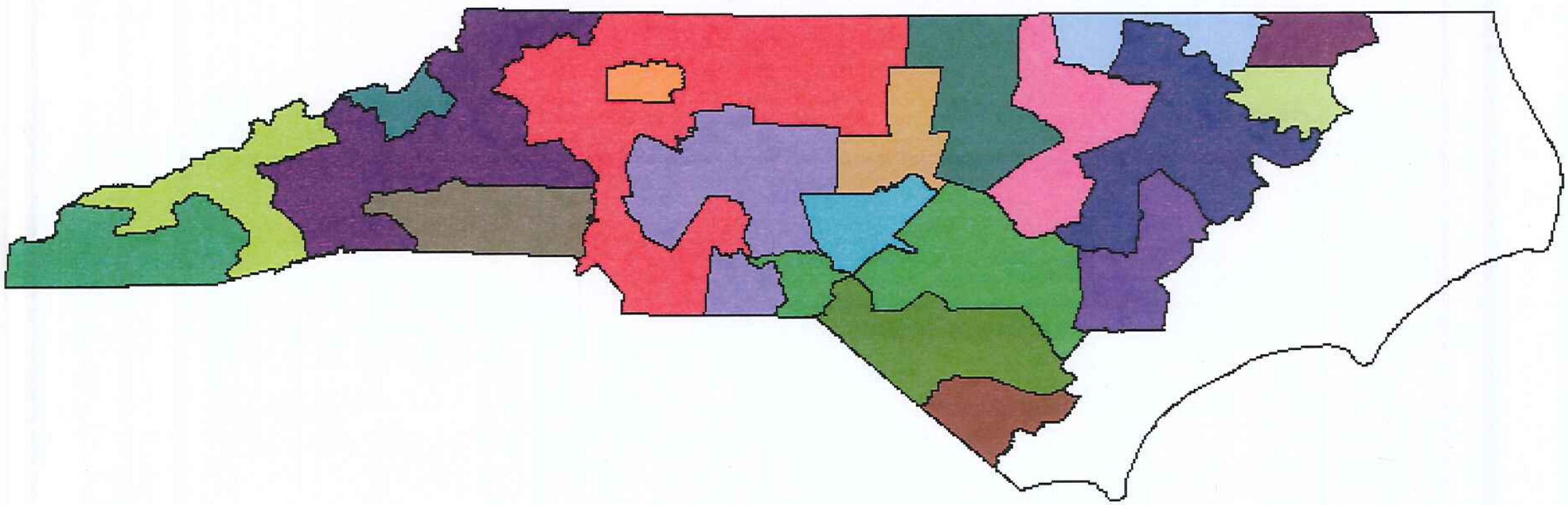
Exhibit 7



Darker shading near the coast indicates higher hurricane loss potential than lighter shading inland. The hurricane loss potential on the beach and coast is about 10 times higher than that of the middle of the state and over 50 times higher than that of the westernmost part of the state.

North Carolina Territory Definitions
Potential Territory Revision for Inland
(based on NCRB Study)

Exhibit 8



North Carolina Territory Definitions
Potential Territory Revision for Territory 52
(based on NCRB Study)

Exhibit 9

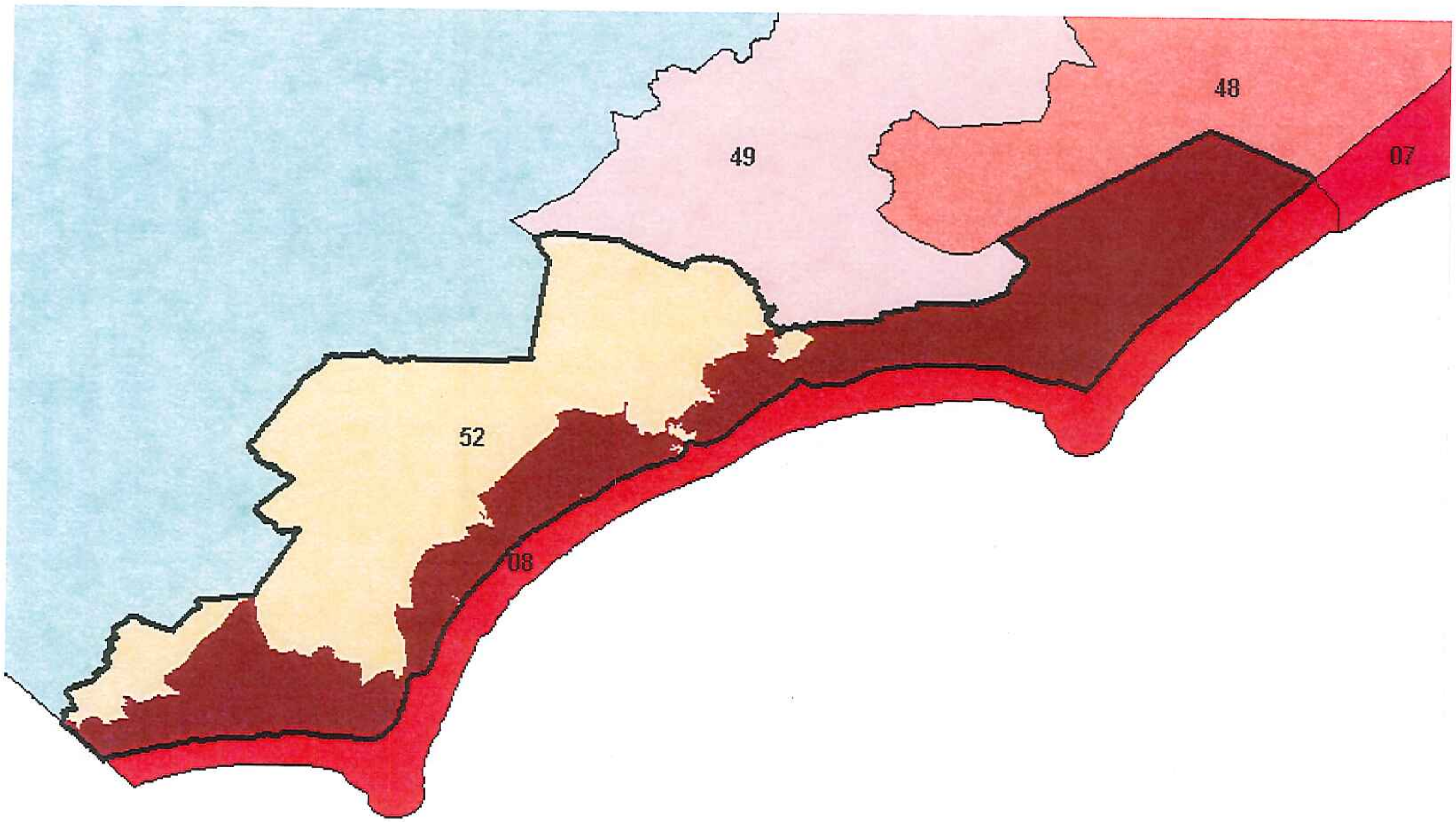


EXHIBIT RB-2

NORTH CAROLINA

HOMEOWNERS INSURANCE

This exhibit includes the Homeowners Policy Program Manual and the North Carolina exceptions to that Manual. In addition, this exhibit includes the major policy forms (HO 2, 3, 4, 5 and 6) that are commonly used in North Carolina, together with the amendatory endorsement used in connection with those forms in North Carolina. This exhibit also includes the optional wind exclusion endorsement. All of these documents have been approved by the North Carolina Insurance Department for use in North Carolina.

This exhibit does not include numerous additional forms and endorsements that are less commonly used in North Carolina. Such forms and endorsements can be seen on the website of the North Carolina Rate Bureau.

HOMEOWNERS POLICY PROGRAM MANUAL
GENERAL RULES
TABLE OF CONTENTS

RULE NO. **PAGE NO.**

PART I – COVERAGE AND DEFINITION TYPE RULES

PART II – SERVICING TYPE RULES

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

INDEX

INDEX

INDEX

INDEX

INDEX

PART I
COVERAGE AND DEFINITION TYPE RULES

RULE 100.
INTRODUCTION

A. About The Homeowners Manual

The Homeowners Policy Program provides property and liability coverages, using the forms and endorsements specified in this Manual. This Manual contains the rules and classifications governing the writing of the Homeowners Policy. The rules, rates, forms and endorsements of the company for each coverage shall govern in all cases not specifically provided for in this Manual.

B. Manual Structure

1. Contents

The Manual is divided into two primary sections, multistate general rules and state rules and rates.

2. General Rules

These rules are grouped into the following categories:

a. Part **I** – Coverage And Definition Type Rules,

b. Part **II** – Servicing Type Rules,

c. Part **III** – Base Premium Computation Rules,

d. Part **IV** – Adjusted Base Premium Computation Rules,

e. Part **V** Section **I** – Property – Additional Coverages And Increased Limits Rules,

f. Part **VI** Section **II** – Liability – Additional Coverages And Increased Limits Rules, and

g. Part **VII** Section **II** – Liability – Other Exposures Increased Limits Rules.

3. State Rules And Rates

These rules are grouped into the following categories:

a. Exceptions and Additional Rules,

b. Special State Requirements,

c. Territory Definitions,

d. Base Class Premium Tables,

e. Classification and Key Factor Tables, and

f. Rates, Charges and Credits.

Also, where ISO does not publish any state pages containing premiums, rates, charges and credits expressed in dollars and cents, each company using this Manual should furnish its manualholders with the state rate pages containing this information.

4. Form References

The Manual refers to Forms **HO 00 02, HO 00 03, HO 00 04, HO 00 05, HO 00 06** and **HO 00 08**. These Form references are identified as follows:

a. Homeowners 2 Broad Form **HO 00 02,**

b. Homeowners 3 Special Form **HO 00 03,**

c. Homeowners 4 Contents Broad Form **HO 00 04,**

d. Homeowners 5 Comprehensive Form **HO 00 05,**

e. Homeowners 6 Unit-Owners Form **HO 00 06** and

f. Homeowners 8 Modified Coverage Form **HO 00 08.**

RULE 101.
LIMITS OF LIABILITY AND COVERAGE RELATIONSHIPS

A. Limits

The limits of liability required under the Homeowners policy are as follows:

1. Section I – Property Damage

Coverage A – Dwelling	
HO 00 02, HO 00 03, HO 00 05 or **HO 00 08**	Refer to Rule **301.** in the state classification pages.
HO 00 04 or **HO 00 06**	For **HO 00 06** refer to Rule **507.A.**
Coverage B – Other Structures	
HO 00 02, HO 00 03, HO 00 05 or **HO 00 08**	10% of **A** (One and two family dwelling) 5% of **A** (Three and four family dwelling)
Coverage C – Personal Property	
HO 00 02, HO 00 03, HO 00 05 or **HO 00 08**	50% of **A** (One and two family dwelling) 30% of **A** (Three family dwelling) 25% of **A** (Four family dwelling)
HO 00 04 or **HO 00 06**	Refer to Rule **301.** in the state classification pages.
Coverage D – Loss Of Use	
HO 00 02, HO 00 03 or **HO 00 05**	30% of **A**
HO 00 04	30% of **C**
HO 00 06	50% of **C**
HO 00 08	10% of **A**

Table 101.A.1. Property Damage Limits

RULE 101.
LIMITS OF LIABILITY AND COVERAGE RELATIONSHIPS (Cont'd)

2. Section II – Liability (All Forms)

Coverage E – Personal Liability And Coverage F – Medical Payments∗
Refer to Rule **301.** in the state classification pages.
∗ Unless otherwise stated, Coverage **E** limits apply on an "occurrence" basis; Coverage **F** limits apply on an "each person" basis.

Table 101.A.2. Liability Limits

B. All Forms

The limit of liability for Coverages **C** or **D** of Section **I** and **E** or **F** of Section **II** may be increased.

C. Form HO 00 02, HO 00 03 Or HO 00 05

Under Coverage **B** of Section **I,** an additional amount of insurance may be written on a specific structure.

Under Coverage **C** of Section **I,** it is permissible to reduce the limit of liability to an amount not less than 40% of the limit of a one and two family dwelling; 20% of the limit of a three family dwelling; and 15% of the limit of a four family dwelling.

D. Form HO 00 06

The limit of liability for Coverage **A** of Section **I** may be increased.

E. Form HO 00 08

1. Section I

The following are the only Section **I** options available with this form:

a. $100 Section Deductible,

b. Higher Optional Deductibles,

c. On and Off Premises Theft Coverage Increase,

d. Actual Cash Value Loss Settlement of Windstorm or Hail Loss to Roof Surfacing, and

e. Reduced Coverage **C** Limits.

2. Section II

All options available for Form **HO 00 02** are available for Form **HO 00 08.**

RULE 102.
DESCRIPTION OF COVERAGES

The following is a general description of the coverages provided by the individual Homeowners Policy forms. The policy should be consulted for exact contract conditions.

A. Section I – Property – Perils Insured Against

Perils Insured Against

Perils	HO 00 02	HO 00 03	HO 00 04 And HO 00 06	HO 00 05	HO 00 08
Fire or Lightning	Yes	Yes Cov. **C**	Yes	No	Yes
Windstorm or Hail, Explosion, Riot or civil commotion, Aircraft, Vehicles or Smoke	Yes	Yes Cov. **C**	Yes	No	Yes
Vandalism or malicious mischief	Yes	Yes Cov. **C**	Yes	No	Yes
Theft	Yes	Yes Cov. **C**	Yes	No	Yes
Volcanic eruption	Yes	Yes Cov. **C**	Yes	No	Yes
Falling objects, Weight of ice, snow or sleet, Accidental discharge of water or steam, Sudden and accidental tearing apart of a heating system or appliance, Freezing, Sudden accidental damage from electrical current.	Yes	Yes Cov. **C**	Yes	No	No
Additional risks with certain exceptions (Special Coverage)	No	Yes Cov. **A, B** and **D**	No	Yes Cov. **A, B, C** and **D**	No

Table 102.A. Perils Insured Against

B. Section II – Liability – All Forms

1. Coverage E – Personal Liability

Covers payment on behalf of any insured for all sums which the insured shall become legally obligated to pay as damages because of bodily injury or property damage arising out of an insured's premises or personal activities.

2. Coverage F – Medical Payments To Others

Covers medical expenses incurred by persons, other than the insured, who sustain bodily injury caused by an accident arising out of an insured's premises or personal activities.

RULE 103.
MANDATORY COVERAGES

It is mandatory that insurance be written for all coverages provided under both Sections **I** and **II** of the Homeowners Policy.

RULE 104.
ELIGIBILITY

A. All Forms Except HO 00 04 And HO 00 06

A Homeowners Policy may be issued:

1. To the owner-occupant(s) of a 1, 2, 3 or 4 family dwelling which is used exclusively for private residential purposes (except as provided in Paragraphs **F.** and **H.**). A 1 family dwelling may not be occupied by more than one additional family or two roomers or boarders. In a 2, 3 or 4 family dwelling, an individual family unit may not be occupied by more than two families or one family with two roomers or boarders; or

2. To the purchaser-occupant(s) who has entered into a long term installment contract for the purchase of the dwelling and who occupies the dwelling but to whom title does not pass from the seller until all the terms of the installment contract have been satisfied. The seller retains title until completion of the payments and in no way acts as a mortgagee. The seller's interest in the building and premises liability may be covered using Additional Insured Endorsement – **HO 04 41;** or

RULE 104.
ELIGIBILITY (Cont'd)

3. To the occupant of a dwelling under a life estate arrangement when the Coverage A amount is at least 80% of the dwelling's replacement cost. The owner's interest in the building and premises liability may be covered using Additional Insured Endorsement **HO 04 41;** or
4. To cover dwellings in the course of construction provided the policy is issued only in the name of the intended owner-occupant(s) of the dwelling.
5. When two or more apartment units in a 2, 3 or 4 family dwelling are occupied by co-owners, each occupying distinct living quarters with separate entrances. Given these circumstances, a Homeowners Policy providing building coverage may be issued to only one of the co-owner occupants of the dwelling. The policy may be endorsed to cover the interest of the other co-owner(s) in the building and for premises liability. Use Additional Insured Endorsement **HO 04 41.** A separate Homeowners Policy **HO 00 04** may be issued to the co-owner(s) occupying the other apartment(s) in the dwelling.

   It is permissible to extend the Homeowners Policy, without additional premium charge, to cover the interest of a non-occupant joint owner in the building and for premises liability. Use Additional Insured Endorsement **HO 04 41.**

B. Form HO 00 04

A Homeowners Policy may be issued to:

1. The tenant(s) (non-owner) of a dwelling or an apartment situated in any building; or
2. The owner-occupant(s) of a dwelling, cooperative unit or of a building containing an apartment not otherwise eligible for a Homeowners Policy under Paragraph **A.**

provided the residence premises occupied by the insured is used exclusively for residential purposes (except as provided in Paragraph **F.**). The dwelling or apartment unit may not be occupied by more than one additional family or two boarders or roomers.

C. Form HO 00 06

A Homeowners Policy may be issued to the owner(s) of a condominium or cooperative unit which is used exclusively for residential purposes (except as provided in Paragraphs **F.** and **H.**). The unit may not be occupied by more than one additional family or two boarders or roomers.

D. Seasonal Dwelling

Subject to all other sections of this rule, a Homeowners Policy may be issued to cover a seasonal dwelling.

E. Mobile Home, Trailer Home Or House Trailer

A Homeowners Policy:

1. Shall not be issued to cover such structures under Coverage **A** – Dwelling, but
2. May be issued to cover personal property in such structures as noted in Paragraph **B.**

F. Permitted Business Occupancies

Certain business occupancies are permitted, provided:

1. The premises is occupied principally for private residential purposes, and
2. There is no other business occupancy on the premises.

When the business is conducted on the residence premises, refer to Rules **509.** and **510.** for Section **I** Coverage and Rules **607.** and **608.** for Section **II** Coverage. When it is conducted from an Other Residence, only Section **II** Coverage is available. Refer to Rules **607.** and **608.**

G. Farm Property

A Homeowners Policy shall not be issued to cover any property to which farm forms or rates apply under the rules of the company, except as noted in following Paragraphs **1.** and **2.:**

1. **Section I – Property – Livestock Collision**

   Coverage may be provided for loss due to collision which results in the death of covered livestock owned by an insured and kept either on or away from the residence premises as specified in Rule **520.**

2. **Section II – Liability Coverage**

   Certain farm liability exposures may be covered. Refer to Rules **614.** and **615.**

H. Residence Held in Trust (All Forms Except HO 00 04)

A Homeowners Policy may be issued in the name of a trust and trustee(s) when legal title to a 1 through 4 family dwelling or a condominium unit is held solely by the trust and:

1. The trustee and/or beneficiary or grantor regularly reside in the residence held in trust; and
2. The residence held in trust is used exclusively for residential purposes, except as provided in Paragraph **F.**

Refer to Rule **526.** for the rule of application.

RULE 105.
SECONDARY RESIDENCE PREMISES

A. Application

Homeowners coverage on a secondary residence premises shall be provided under a separate policy. The rules of this Manual apply except that Section **II** Coverage is not mandatory for the secondary residence policy when the same company insures the initial and secondary residence.

RULE 105.
SECONDARY RESIDENCE PREMISES (Cont'd)

B. Premium Adjustment

When coverage is provided on the initial and secondary residence premises under separate policies in the same company, the following premium adjustments should be made:

1. Reduce the Base Premium for the policy covering the secondary residence by the company credit;
2. Refer to state company rates for credit; and
3. Add the charge for Other Insured Location Occupied by Insured, developed from Rule **602.,** to the policy covering the initial residence.

RULE 106.
PROTECTION CLASSIFICATION INFORMATION

The Protection Class listings in the Public Protection Classification Manual apply to risks insured under Homeowners Program policies.

A. The protection class indicated applies in a municipality or classified area where a single class of fire protection is available throughout (8, 7, 6, etc.).

B. In a classified area where two or more classifications are shown (for example, 6/9), the classification is determined as follows:

Distance To Fire Station	Class
1. 5 road miles or less with hydrant within 1,000 feet	*
2. 5 road miles or less with hydrant beyond 1,000 feet	9
3. Over 5 road miles	10
* First protection class (for example, 6/9...use Class 6)	

Table 106.B. Two Or More Classifications

C. All other properties are Class 10.

RULE 107.
CONSTRUCTION DEFINITIONS

A. Frame

Exterior wall of wood or other combustible construction, including wood iron-clad, stucco on wood or plaster on combustible supports, or aluminum or plastic siding over frame.

B. Masonry Veneer

Exterior walls of combustible construction veneered with brick or stone.

C. Masonry

Exterior walls constructed of masonry materials such as adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile or similar materials and floors and roof of combustible construction (Disregarding floors resting directly on the ground).

D. Superior Construction

1. Non-Combustible

Exterior walls and floors and roof constructed of, and supported by metal, asbestos, gypsum, or other non-combustible materials.

2. Masonry Non-Combustible

Exterior walls constructed of masonry materials (as described in Paragraph **C.**) and floors and roof of metal or other non-combustible materials.

3. Fire Resistive

Exterior walls and floors and roof constructed of masonry or other fire resistive materials.

E. Mixed (Masonry/Frame)

A combination of both frame and masonry construction shall be classed as frame when the exterior walls of frame construction (including gables) exceed 33 1/3% of the total exterior wall area; otherwise class as masonry.

RULE 108.
SEASONAL DWELLING DEFINITION

A seasonal dwelling is a dwelling with continuous unoccupancy of three or more consecutive months during any one year period.

RULE 109.
SINGLE AND SEPARATE BUILDINGS DEFINITION

A. Single Building

All buildings or sections of buildings which are accessible through unprotected openings shall be considered as a single building.

B. Separate Building

1. Buildings which are separated by space shall be considered separate buildings.
2. Buildings or sections of buildings which are separated by:
   a. A 6 inch reinforced concrete or an 8 inch masonry party wall; or
   b. A documented minimum two hour non-combustible wall which has been laboratory tested for independent structural integrity under fire conditions;

   which pierces or rises to the underside of the roof and which pierces or extends to the innerside of the exterior wall shall be considered separate buildings. Accessibility between buildings with independent walls or through masonry, party walls as described shall be protected by at least a Class A Fire Door installed in a masonry wall section.

RULES 110. – 200.
RESERVED FOR FUTURE USE

PART II
SERVICING TYPE RULES

RULE 201.
POLICY PERIOD

The policy may be written for a period of:

A. One year and may be extended for successive policy periods by extension certificate based upon the premiums, forms and endorsements then in effect for the company.

B. Three years prepaid at three times the annual premium.

C. Three years in annual installments. Each annual installment shall be the annual premium then in effect for the company. Use Deferred Premium Payment Endorsement **HO 04 18.**

D. Less than one year or less than three years on a pro rata basis and may be extended for successive policy periods based upon the premiums, forms and endorsements then in effect for the company.

RULE 202.
CHANGES OR CANCELLATIONS

A. It shall not be permissible to cancel any of the mandatory coverages in the policy unless the entire policy is cancelled.

B. If insurance is increased, cancelled or reduced, the additional or return premium shall be computed on a pro rata basis, subject to the minimum premium requirement.

RULE 203.
MANUAL PREMIUM REVISION

A manual premium revision shall be made in accordance with the following procedures:

A. The effective date of such revision shall be as announced.

B. The revision shall apply to any policy or endorsement in the manner outlined in the announcement of the revision.

C. Unless otherwise provided at the time of the announcement of the premium revision, the revision shall not affect

  1. In–force policy forms, endorsements or premiums, until the policy is renewed, or

  2. In the case of a Deferred Premium Payment Plan, in–force policy premiums, until the anniversary following the effective date of the revision.

RULE 204.
MULTIPLE COMPANY INSURANCE

A. Application

  1. Section I Property

    a. When the companies agree to do so, insurance under Section **I** may be divided among two or more companies on a percentage basis.

    b. The same form, Section **I** endorsements and deductibles must apply to all policies.

    c. All Section **I** Coverages must be divided.

    d. Scheduled Personal Property Coverages may be divided.

  2. Section II Liability

  Insurance under Section **II** shall not be divided among two or more companies.

B. Endorsement

Use Multiple Company Insurance Endorsement **HO 04 78.**

C. Premium

  1. Compute the premium for the Total Coverage **A** limit of liability and additional Section **I** Coverages, if any, from the manual of each company.

  2. Each company subtracts the credit for deleting Section **II** Coverage from the premium computed as instructed in Paragraph **1.**

  3. Refer to state company rates for the Section **II** credit.

  4. Allocate to each company their percentage participation of the net total premium under Paragraph **2.**

  5. The company retaining the Section **II** Coverages receives, in addition to the percentage share of its premium under Paragraph **4.,** the amount subtracted from its premium under Paragraph **2.** plus any premium for additional Section **II** limits and exposures.

D. Example

  1. The example following Paragraph **4.** illustrates two companies equally sharing the Section **I** Property Coverages and Limits, with one company, Company B, retaining all the Section **II** Liability Coverages and Limits.

  2. Company A and B each enter:

    a. On their respective policy declarations, the actual limits for Section **I** Coverages **A, B, C** and **D** for which they are responsible; and

    b. On Multiple Company Insurance Endorsement **HO 00 78,** the total limits that apply to each of the Section **I** Coverages.

RULE 204.
MULTIPLE COMPANY INSURANCE (Cont'd)

3. Company B also enters, on its policy declarations, the total limits that apply to Section **II** Coverages **E** and **F.**
4. Premiums shown are for illustration only and are not actual premiums.

Each Company's:	Company A	Company B
Percentage share	50%	50%
Premium for $100,000 Cov. **A**	$ 620	$ 606
Section **II** Credit	$ 18	$ 18
Net Premium for $100,000 Cov. **A**	$ 602	$ 588
Net Premium for $50,000 Cov. **A**	$ 301	$ 294
Premium for:		
Section **II** Coverage	–	$ 18
Watercraft Option	–	$ 36
Each Company's Policy Premium	$ 301	$ 348

Table 204.D.4. Example

RULE 205.
MINIMUM PREMIUM

A. For prepaid policies a minimum **annual** premium shall be charged for each policy.

B. When policies are written under a premium payment plan, no payment shall be less than the minimum premium for each annual period.

C. The minimum premium may include all chargeable endorsements or coverages if written at inception of the policy.

D. Refer to state company rates for the minimum premium.

RULE 206.
TRANSFER OR ASSIGNMENT

Subject to the consent of the company, all the rules of this Manual and any necessary adjustment of premium, a policy may be endorsed to effect:

A. Transfer to another location within the same state; or

B. Assignment from one insured to another in the event of transfer of title of the dwelling.

RULE 207.
WAIVER OF PREMIUM

A. When a policy is endorsed after the inception date, an amount of additional or return premium may be waived.

B. Refer to state company rates for premium.

RULE 208.
WHOLE DOLLAR PREMIUM RULE

Each premium shown on the policy and endorsements shall be rounded to the nearest whole dollar. A premium of fifty cents ($.50) or more shall be rounded to the next higher whole dollar.

In the event of cancellation by the company, the return premium may be carried to the next higher whole dollar.

RULE 209.
RESTRICTION OF INDIVIDUAL POLICIES

If a policy would not be issued because of unusual circumstances or exposures, the named insured may request a restriction of the policy provided no reduction in the premium is allowed. Such requests shall be referred to the company.

RULE 210.
REFER TO COMPANY

Whenever a risk is rated on a refer to company basis, each company is responsible for complying with regulatory or statutory rate filing requirements.

RULE 211.
ADDITIONAL INTEREST

A. In addition to the mortgagee(s) shown in the Declarations or elsewhere in the policy, other persons or organizations may have an insurable interest in the residence premises. When coverage is **not** provided to such persons or organizations under Additional Insured Endorsement **HO 04 41** or its equivalent, their interest in the residence premises may be acknowledged by naming them in the endorsement referenced in Paragraph **D.**

B. Such persons or organizations are entitled to receive notification if the policy is canceled or nonrenewed by the insurer.

C. No additional charge is made for use of this endorsement.

D. Use Additional Interest Residence Premises Endorsement **HO 04 10.**

RULES 212. – 300.
RESERVED FOR FUTURE USE

PART III
BASE PREMIUM COMPUTATION RULES

RULE 301.
BASE PREMIUM COMPUTATION

The Base Premium is developed by multiplying a Key Premium by a Key Factor and rounding to the nearest whole dollar ($0.50 or more rounded to the next higher whole dollar).

A. All Forms Except HO 00 04 And HO 00 06

1. One And Two Family Dwelling

a. From the company Base Class Premium Table, select the **HO 00 03** premium for the territory that applies.

b. From the Classification Tables in this Manual, select the Form and Protection – Construction Classification Factors that apply.

c. Multiply the company Base Class Premium by the Form Factor and round to the nearest whole dollar.

d. Multiply this result by the Protection – Construction Classification Factor and round, again, to the nearest whole dollar to arrive at the Key Premium.

e. From the Key Factor Table in this Manual, select the Key Factor for the desired limit of liability. If the limit of liability is not shown in the tables, interpolate as illustrated in Paragraph **C.** of this rule.

f. Multiply the Key Premium from Paragraph **d.** by the Key Factor and round to the nearest whole dollar to arrive at the Base Premium.

2. Three And Four Family Dwelling

Multiply the One and Two Family Dwelling Base Premium by the three and four family factor from the Classification Tables in this Manual to arrive at the Base Premium.

B. Form HO 00 04 Or HO 00 06

1. From the company Base Class Premium Table, select the **HO 00 04** or **HO 00 06** premium for the territory that applies.

2. From the Form **HO 00 04** or **HO 00 06** Classification Table in this Manual, select the Protection – Construction Classification Factor that applies.

3. Multiply the company Base Class Premium by the Protection – Construction Classification Factor and round to the nearest whole dollar to arrive at the Key Premium.

4. From the Form **HO 00 04** or **HO 00 06** Key Factor Table in this Manual, select the Key Factor for the desired limit of liability. If the limit of liability is not shown in the tables, interpolate as illustrated in Paragraph **C.** of this rule.

5. Multiply the Key Premium from Paragraph **3.** by the Key Factor and round to the nearest whole dollar to arrive at the Base Premium.

C. Interpolation Example

1. When the desired limit of liability is **less** than the highest limit shown, interpolate the Key Factors using the nearest limit above and below the desired limit, for example:

a. $203,000 desired limit; the nearest limits are $200,000 and $205,000.

b. For $200,000 the Key Factor is 2.837; for $205,000 the Key Factor is 2.937. Figure the difference between the two Key Factors and divide by 5. This provides a factor per $1,000.

$$\begin{array}{r} 2.937 \\ -\ \underline{2.837} \\ .100 \div 5 = .02 \end{array}$$

c. Multiply the factor per $1,000 times 3, and add 2.837; the Key Factor for $200,000.

$$\begin{array}{r} .02 \\ \times\ \underline{\quad 3} \\ .06 + 2.837 = 2.897 \end{array}$$

d. The result, 2.897, is the Key Factor for this example.

2. The factors shown in the above interpolation example are for illustration only and are not necessarily the factors shown in the Key Factor Table of this Manual.

RULE 302.
LOSS SETTLEMENT OPTIONS

A. Functional Replacement Cost Loss Settlement – HO 00 02, HO 00 03 And HO 00 05 Only

1. Introduction

The policy provides building loss settlement on a replacement cost basis if, at the time of loss, the amount of insurance on the damaged building represents at least 80% of the full replacement cost of the building immediately before the loss.

2. Coverage Description

The policy may be endorsed to provide building loss settlement exclusively on a functional replacement cost basis if, at the time of loss, the amount of insurance on the damaged building is 80% or more of the functional replacement cost of the building immediately before the loss. Functional Replacement Cost means the amount which it would cost to repair or replace the damaged building with less costly common construction materials and methods which are functionally equivalent to obsolete, antique or custom construction materials and methods.

3. Premium Computation

Develop the Base Premium in accordance with Rule **301.** for the amount of insurance selected for this option.

RULE 302.
LOSS SETTLEMENT OPTIONS (Cont'd)

4. **Endorsement**

   Use Functional Replacement Cost Loss Settlement Endorsement **HO 05 30.**

B. **Actual Cash Value Loss Settlement – HO 00 02, HO 00 03 And HO 00 05 Only**

1. **Introduction**

   The policy provides building loss settlement on a replacement cost basis if, at the time of loss, the amount of insurance on the damaged building represents at least 80% of the full replacement cost of the building immediately before the loss.

2. **Coverage Description**

   The policy may be endorsed to provide building loss settlement exclusively on an actual cash value basis if, on the inception date of the policy, the Coverage **A** limit of liability selected by the insured is less than 80% of the full replacement cost of the dwelling.

3. **Premium Computation**

   The premium is computed by multiplying the Base Premium by the appropriate factor from the following table:

Coverage A Limit Of Liability Equals Less Than_____% Of Replacement Value	Factor
80%, but not less than 50%	1.05
Less than 50%	1.10

Table 302.B.3. Factors

4. **Endorsement**

   Use Actual Cash Value Loss Settlement Endorsement **HO 04 81.**

C. **Special Loss Settlement – HO 00 02, HO 00 03 And HO 00 05 Only**

1. **Introduction**

   The policy provides building loss settlement on a replacement cost basis if, at the time of loss, the amount of insurance on the damaged building represents at least 80% of the full replacement cost of the building immediately before the loss.

2. **Coverage Description**

   This percentage amount may be modified to 50%, 60% or 70% of replacement value without affecting the loss settlement provisions. If this option is selected, the Coverage **A** limit of liability representing 50%, 60% or 70% of replacement value is to be shown in the policy declarations.

3. **Premium Computation**

   To develop the Base Premium for the Coverage **A** limit of liability shown in the policy declarations:

   a. Multiply the Coverage **A** limit of liability by the appropriate factor from the following table and round to the nearest $1,000:

% Of Replacement Value	Factor
50%	1.60
60%	1.33
70%	1.14

Table 302.C.3.a. Factors

   b. Develop a Base Premium in accordance with Rule **301.** for the amount of insurance computed in preceding Paragraph **a.**

   c. Multiply the premium determined in preceding Paragraph **b.** by the appropriate factor from the following table:

% Of Replacement Value	Factor
50%	.96
60%	.97
70%	.98

Table 302.C.3.c. Factors

4. **Endorsement**

   Use Special Loss Settlement Endorsement **HO 04 56.**

RULE 303.
ORDINANCE OR LAW COVERAGE ALL FORMS EXCEPT HO 00 08

A. **Basic Limit**

   The policy automatically provides up to 10% of the Coverage **A** limit of liability (or for Form **HO 00 04,** the Building Additions and Alterations limit) to pay for the increased costs necessary to comply with the enforcement of an ordinance or law.

B. **Increased Amount Of Coverage**

1. **Description**

   The policy may be endorsed to increase the basic Ordinance or Law Coverage amount, as noted in Paragraph **2.** to accommodate the increased costs known or estimated by the insured for materials and labor to repair or replace the damaged property and to demolish the undamaged portion of damaged property and clear the site of resulting debris according to the ordinance or law.

RULE 303.
ORDINANCE OR LAW COVERAGE ALL FORMS EXCEPT HO 00 08 (Cont'd)

2. Premium Determination

a. Forms HO 00 02, HO 00 03 And HO 00 05

To develop the Base Premium multiply the premium computed in accordance with Rule **301.** by the appropriate factor selected from the following table:

Percentage Of Coverage A		Factors Coverage A Limit	
Increase In Amount	**Total Amount**	**$60,000 To $140,000**	**All Other**
15%	25%	1.13	1.05
40%	50%	1.35	1.14
65%	75%	1.51	1.20
90%	100%	1.67	1.27
For each add'l 25% increment, add		.16	.07

Table 303.B.2.a. Factors

b. Forms HO 00 04 And HO 00 06

See Rule **513.** for rating instructions.

3. Endorsement

Use Ordinance Or Law – Increased Amount Of Coverage Endorsement **HO 04 77.**

RULE 304.
SPECIAL PERSONAL PROPERTY COVERAGE HO 00 04 AND HO 00 06

A Coverage Description

1. Coverage **C** – Personal Property under Forms **HO 00 04** and **HO 00 06** is insured against perils named in the form. The policy may be endorsed to insure Coverage **C** against additional risks of physical loss subject to certain exclusions.

2. This option may only be used when:

a. For Form **HO 00 04,** the apartment, dwelling or cooperative unit rented to the insured is not rented or sublet to another; or

b. For Form **HO 00 06,** the condominium or cooperative unit is owner occupied and not rented to others.

B. Premium Computation

Multiply the Form **HO 00 04** or **HO 00 06** Base Premium developed in accordance with Rule **301.** by 1.40.

C. Endorsement

1. Use Special Personal Property Coverage Endorsement **HO 05 24** for use with **HO 00 04** only.

2. Use Unit-Owners – Coverage **C** – Special Coverage Endorsement **HO 17 31** for use with **HO 00 06** only.

RULES 305. – 400.
RESERVED FOR FUTURE USE

PART IV
ADJUSTED BASE PREMIUM COMPUTATION RULES

RULE 401.
SUPERIOR CONSTRUCTION

The premium for a dwelling or apartment unit in a building of superior construction is computed by multiplying the masonry Base Premium for a comparable dwelling or apartment unit by a factor of .85.

RULE 402.
TOWNHOUSE OR ROW HOUSE – ALL FORMS EXCEPT HO 00 04 And HO 00 06

The premium for an eligible 1, 2, 3 or 4 family dwelling in a town or row house structure is computed by multiplying the Base Premium by the appropriate factor selected from the following table:

Townhouse And Row House Factors

Total No. Of Individual Family Units Within The Fire Division∗	Protection Class 1–8	Protection Class 9 & Over
1 Or 2 Family Dwelling		
1 & 2	1.00	1.00
3 & 4	1.10	1.15
5 – 8	1.25	1.30
9 & Over	Refer to company	
3 Or 4 Family Dwelling		
5 – 8	1.15	1.20
9 & Over	Refer to company	

∗ An eligible two family owner-occupied dwelling attached to a one family dwelling but not separated by a fire wall would be considered 3 individual family units within a fire division. An eligible four family dwelling attached to a three family dwelling but not separated by a fire wall would be considered 7 individual family units within a fire division. Four 2 family dwellings not separated by a fire wall would be considered 8 individual family units.

Table 402. Townhouse And Row House Factors

RULE 403.
PERSONAL PROPERTY (COVERAGE C) REPLACEMENT COST LOSS SETTLEMENT

A. Introduction

The policy provides loss settlement on an Actual Cash Value basis for certain types of property.

B. Loss Settlement Option

The policy may be endorsed to provide loss settlement on a Replacement Cost basis for such property whether insured on a blanket or scheduled basis.

C. Endorsement

Use Personal Property Replacement Cost Endorsement **HO 04 90.**

D. Scheduled Personal Property

1. When the Scheduled Personal Property Endorsement **HO 04 61** is attached to a policy with Endorsement **HO 04 90,** the following property, if scheduled, will also be subject to repair or replacement cost loss settlement up to the scheduled limit of liability:
   a. Jewelry;
   b. Furs and garments trimmed with fur or consisting principally of fur;
   c. Cameras, projection machines, films and related articles of equipment;
   d. Musical equipment and related articles of equipment;
   e. Silverware, silver-plated ware, goldware, gold-plated ware and pewterware, but excluding pens, pencils, flasks, smoking implements or jewelry; and
   f. Golfer's equipment meaning golf clubs, golf clothing and golf equipment.
2. Since the loss settlement condition in Endorsement **HO 04 61** will pay the insured the least of the:
   a. Actual cash value of the property sustaining loss;
   b. The amount for which the property could be repaired or replaced; or
   c. The amount of insurance of the property sustaining loss;

   the limit of liability that applies to each scheduled item should be carefully evaluated to ensure that the limit selected by the insured represents the cost to replace the item if lost or damaged beyond repair.

E. Scheduled Personal Property (With Agreed Value Loss Settlement)

When Scheduled Personal Property (With Agreed Value Loss Settlement) Endorsement **HO 04 60** is attached to a policy with Endorsement **HO 04 90,** the property subject to agreed value loss settlement will **not** be subject to repair or replacement cost loss settlement.

F. Premium Determination

Multiply the Base Premium including any premium adjustment for Coverage **C** limits by a factor of:

1. 1.15 for all forms except **HO 00 04** and **HO 00 06.**
2. 1.35 for Forms **HO 00 04** or **HO 00 06.**

RULE 404. PROTECTIVE DEVICES

A. Approved and properly maintained installations of burglar alarms, fire alarms and automatic sprinklers in the dwelling may be recognized for a reduced premium – computed by multiplying the Base Premium by the selected factors from the following table:

Protective Devices Factors

Type Of Installation∗	Factor
Central Station Reporting Burglar Alarm	.95 to 1.00
Central Station Reporting Fire Alarm	.95 to 1.00
Police Station Reporting Burglar Alarm	.97 to 1.00
Fire Department Reporting Fire Alarm	.97 to 1.00
Local Burglar and/or Fire Alarm	.98
Automatic Sprinklers in all areas including attics, bathrooms, closets, attached structures	.87 to 1.00
Automatic Sprinklers in all areas except attic, bathroom, closet and attached structure areas that are protected by a fire detector	.92 to 1.00
∗ Refer to company for eligibility, types of systems and devices, installations, and available credits.	

Table 404.A. Protective Devices Factors

B. Use Premises Alarm Or Fire Protection System Endorsement **HO 04 16.**

RULE 405. INFLATION GUARD – ALL FORMS EXCEPT HO 00 04 AND HO 00 06

A. Coverage Description

The policy may be endorsed to provide annual increases of the Section **I** Limits of Liability as selected by the insured.

B. Premium Computation

1. The premium is computed by multiplying the Base Premium by the appropriate factor selected from the following table:

Amount Of Annual Increase	Factor
4%	1.02
6%	1.03
8%	1.04
Each Add'l 4% over 8% add:	.02

Table 405.B.1. Inflation Guard Factors

2. The premium for a 3 year policy is 3.2 times the annual policy premium.

C. Endorsement

Use Inflation Guard Endorsement **HO 04 46.**

RULE 406. DEDUCTIBLES

All policies are subject to a deductible that applies to loss from all Section **I** Perils, except Earthquake. A separate deductible provision applies to Earthquake Coverage as described in Rule **505.**

A. Base Deductible

$250 Deductible.

B. Optional Deductibles

1. Additional Premium Charge

a. The options in Paragraphs **2.** and **3.** are subject to a minimum and maximum additional premium charge.

b. Refer to the state company rates for these charges.

2. $100 Deductible

To compute the premium for this option, multiply the Base Premium by a factor of 1.10.

3. $250 Theft Deductible

All forms except **HO 00 05, H0 00 04** with Special Personal Property Coverage Endorsement **HO 05 24** and **HO 00 06** with Unit-Owners Coverage **C** (Special Coverage) Endorsement **HO 17 31.**

a. The theft deductible applies to Coverage **C** – Personal Property and is available only when:

(1) A $100 deductible applies to All Other Perils; or

(2) A higher deductible applies to the peril of Windstorm or Hail, as described in Paragraph **C.3.,** and a $100 deductible applies to All Other Perils.

RULE 406.
DEDUCTIBLES (Cont'd)

b. When the $100 deductible applies to All Other Perils, compute the premium by multiplying the Base Premium by a factor of:

(1) 1.09 for all forms except **HO 00 04** and **HO 00 06;** or

(2) 1.05 for Forms **HO 00 04** or **HO 00 06.**

c. When a higher Windstorm or Hail and $100 All Other Perils deductible applies, subtract a factor of .01 from the factors shown in Paragraphs **C.3.a.(6)** or **C.3.b.(5).**

C. Optional Higher Deductibles

1. All Perils Deductible

To compute the premium for this deductible type, multiply the Base Premium by the factors selected from the following table:

All Forms Except HO 00 04 And HO 00 06			
	Deductible Amounts		
Coverage A Limit	**$500**	**$1,000**	**$2,500**
Up to $59,999	.91	.79	.62
$60,000 to 99,999	.91	.79	.62
100,000 to 200,000	.92	.79	.62
200,001 and Over	.96	.89	.75
HO 00 04			
Coverage C Limit	**$500**	**$1,000**	**$2,500**
Up to $25,000	.91	.77	.59
$25,001 and over	.93	.84	.68
HO 00 06			
Coverage C Limit	**$500**	**$1,000**	**$2,500**
Up to $40,000	.90	.76	.56
$40,001 and over	.92	.81	.63

Table 406.C.1. All Perils Deductibles Factors

2. Theft Deductible (Forms HO 00 04 And HO 00 06 Only)

a. Deductible Amounts

This option provides for higher Theft deductible amounts of $1,000 and $2,500 to be used in conjunction with the deductible that applies to All Other Section **I** Perils.

b. Declarations Instructions

Separately enter, on the policy declaration, the deductible amounts that apply to Theft and All Other Section **I** Perils.

c. Deductible Factors

(1) Form HO 00 04

Theft Deductible		**All Other Perils Deductible Amount**	**Coverage C Limit**	
Territory	**Amount**		**Up to $25,000**	**$25,001 and over**
City	$ 1,000	$ 100	.87	.92
		250	.84	.90
		500	.81	.87
	$ 2,500	$ 100	.74	.83
		250	.72	.81
		500	.69	.78
		1000	.64	.74
Other Than City	$ 1,000	$ 100	.93	.95
		250	.88	.92
		500	.84	.89
	$ 2,500	$ 100	.83	.88
		250	.80	.85
		500	.75	.82
		1000	.69	.77

Table 406.C.2.c.(1) Theft Deductible Factors

(2) City And Other Than City Territories (Form HO 00 04 Only)

Refer to state Territory Pages, Paragraph **2.A.** for a listing of City Territories and **2.B.** for Other Than City Territories.

(3) Form HO 00 06

Theft Deductible	**All Other Perils Deductible Amount**	**Coverage C Limit**	
Amount		**Up to $40,000**	**$40,001 and over**
$ 1,000	$ 100	1.01	1.00
	250	.95	.96
	500	.87	.90
$ 2,500	$ 100	.97	.97
	250	.91	.92
	500	.83	.86
	1000	.72	.77

Table 406.C.2.c.(3) Theft Deductible Factors

RULE 406.
DEDUCTIBLES (Cont'd)

3. **Windstorm Or Hail Deductibles (All Forms Except HO 00 04 And HO 00 06)**

   The following deductible options are used in conjunction with the deductible applicable to All Other Section **I** Perils.

   a. **Percentage Deductibles**

      (1) **Deductible Amounts**

      This option provides for higher Windstorm or Hail percentage deductibles of 1%, 2% or 5% of the Coverage **A** limit of liability when the dollar amount of the percentage deductible selected exceeds the amount of the deductible applicable to All Other Section **I** Perils.

      (2) **Endorsement**

      Use Windstorm Or Hail Percentage Deductible Endorsement **HO 03 12.**

      (3) **Declarations Instructions**

      Enter, on the policy declarations, the percentage amount that applies to Windstorm or Hail and the dollar amount that applies to All Other Section **I** Perils. For example:

      - Deductible – Windstorm or Hail 1% of Coverage **A** limit and $250 for All Other Perils.
      - Deductible – Windstorm or Hail 2% of the Coverage **A** limit, $250 for Theft of Personal Property and $100 for All Other.

      (4) **Deductible Application**

      In the event of a Windstorm or Hail loss to covered property, the dollar amount is deducted from the total of the loss for all coverages. For example:

Cov.	Limit Of Liability	1% Ded.	Amount Of Loss Before Ded.	Amount Of Loss After Ded.
A	$100,000	$1,000	$7,500	–
C	50,000		3,000	–
B	10,000		1,350	–
D	20,000		660	–
			$12,510	$11,510

Table 406.C.3.a.(4) Example

      (5) **Use Of Factors**

      The factors displayed in Paragraph **(6)** incorporate the factors for the All Peril Deductibles shown in Paragraphs **B.3.** and **C.1.** Do **not** use the factors for the All Perils Deductibles when rating a policy with a higher Windstorm Or Hail deductible.

      (6) **Deductible Factors**

      To compute the premium for this provision, multiply the Base Premium by the factor selected from the following tables for the deductible amounts desired:

1% Windstorm Or Hail Deductible				
All Other	Coverage A Limit (Expressed In $)			
Perils Ded. Amount	Up To 59,999	60,000 To 99,999	100,000 To 200,000	200,001 & Over
$ 100	1.05	1.04	1.04	1.04
250	.96	.96	.96	.96
500	.89	.89	.89	.93
1,000	–	–	.78	.88
2,500	–	–	–	.74

Table 406.C.3.a.(6)#1 1% Windstorm Or Hail Deductible

2% Windstorm Or Hail Deductible				
All Other	Coverage A Limit (Expressed In $)			
Perils Ded. Amount	Up To 59,999	60,000 To 99,999	100,000 To 200,000	200,001 & Over
$ 100	1.02	1.02	1.02	1.02
250	.93	.93	.94	.95
500	.86	.86	.87	.91
1,000	.76	.76	.76	.85
2,500	–	–	.60	.72

Table 406.C.3.a.(6)#2 2% Windstorm Or Hail Deductible

RULE 406.
DEDUCTIBLES (Cont'd)

5% Windstorm Or Hail Deductible				
All Other	**Coverage A Limit (Expressed In $)**			
Perils Ded. Amount	**Up To 59,999**	**60,000 To 99,999**	**100,000 To 200,000**	**200,001 & Over**
$ 100	.97	.97	.99	1.00
250	.89	.89	.91	.93
500	.82	.82	.84	.89
1,000	.72	.72	.73	.83
2,500	.59	.59	.59	.70

Table 406.C.3.a.(6)#3 5% Windstorm Or Hail Deductible

b. Higher Fixed-Dollar Deductibles

(1) Deductible Amounts

This option provides for higher fixed-dollar deductible amounts of $1,000, $2,000 and $5,000 when the dollar amount of the higher fixed-dollar deductible selected exceeds the amount of the deductible applicable to All Other Section **I** Perils.

(2) Endorsement

An endorsement is not required.

(3) Declarations Instruction

Separately enter, on the policy declarations, the deductible amounts that apply to Windstorm Or Hail and All Other Section **I** Perils. For example: $1,000 for Windstorm Or Hail and $250 for All Other Perils.

(4) Use Of Factors

The factors displayed in Paragraph **(5)** incorporate the factors for the All Perils Deductibles shown in Paragraphs **B.3.** and **C.1.** Do **not** use the factors for the All Perils Deductibles when rating a policy with a higher Windstorm Or Hail deductible.

(5) Deductible Factors

To compute the premium for this provision, multiply the Base Premium by the factor selected from the following tables for the deductible amounts desired:

$1,000 Windstorm Or Hail Deductible				
All Other	**Coverage A Limit (Expressed In $)**			
Perils Ded. Amount	**Up To 59,999**	**60,000 To 99,999**	**100,000 To 200,000**	**200,001 & Over**
$ 100	1.02	1.03	1.05	1.06
250	.95	.95	.97	.98
500	.88	.88	.90	.95

Table 406.C.3.b.(5)#1 $1,000 Windstorm Or Hail Deductible

$2,000 Windstorm Or Hail Deductible				
All Other	**Coverage A Limit (Expressed In $)**			
Perils Ded. Amount	**Up To 59,999**	**60,000 To 99,999**	**100,000 To 200,000**	**200,001 & Over**
$ 100	.98	1.00	1.03	1.04
250	.91	.92	.95	.96
500	.85	.85	.88	.93
1,000	.75	.75	.77	.88

Table 406.C.3.b(5)#2 $2,000 Windstorm Or Hail Deductible

$5,000 Windstorm Or Hail Deductible				
All Other	**Coverage A Limit (Expressed In $)**			
Perils Ded. Amount	**Up To 59,999**	**60,000 To 99,999**	**100,000 To 200,000**	**200,001 & Over**
$ 100	.96	.97	1.01	1.02
250	.88	.89	.92	.94
500	.82	.82	.85	.91
1,000	.72	.72	.75	.86
2,500	.58	.59	.60	.74

Table 406.C.3.b.(5)#3 $5,000 Windstorm Or Hail Deductible

RULE 407. ADDITIONAL AMOUNTS OF INSURANCE – FORMS HO 00 02, HO 00 03 AND HO 00 05

A. Introduction

The policy provides loss settlement for buildings insured under Coverage **A** or **B** on a replacement cost basis without deduction for depreciation, if, at the time of loss, the amount of insurance on the damaged building is 80% or more of the replacement cost of the building immediately before the loss.

B. Coverage Description

The policy may be endorsed to provide additional insurance for Coverage **A** only or for Coverages **A, B, C,** and **D** when loss, to property insured under Coverage **A** – Dwelling, exceeds the limit of liability shown in the policy declarations.

C. Options Available

When either of the following options is selected, the Coverage **A** limit of liability shall be at least 100% of the full replacement cost of the property insured under Coverage **A** at policy inception or at the time the endorsement is added to the policy:

1. Specified Additional Amount Of Insurance For Coverage A Only

a. An additional amount of insurance equal to 25% or 50% of the Coverage **A** limit of liability may be selected. This additional amount is available when loss to property insured under Coverage **A** – Dwelling exceeds the Coverage **A** limit of liability shown in the Declarations.

The additional amount **cannot** be applied to any other coverage nor does it increase the Coverage **A** limit.

b. The premium for this option is computed by multiplying the Base Premium by the appropriate factor selected from the following table:

Additional Amount Options	Factor
25%	1.03
50%	1.06

Table 407.C.1.b. Additional Amounts Of Insurance Factors

c. Use Specified Additional Amount of Insurance for Coverage **A** Endorsement **HO 04 20.**

2. Additional Limits Of Liability For Coverages A, B, C, And D

a. This option differs from Paragraph **C.1.,** in that the Coverage **A** limit of liability is increased, after a loss, to the amount necessary to repair or replace the damaged or destroyed property. The limits of liability for Coverages **B, C,** and **D** will also be increased by the same percentage applied to the Coverage **A** limit.

When the loss to such property, exceeds the Coverage **A** limit, the policy is endorsed, retroactive to the date of loss, to the limit needed to settle the loss.

b. The premium is computed by multiplying the Base Premium by a factor of 1.15.

c. Use Additional Limits of Liability for Coverages **A, B, C,** and **D** Endorsement **HO 04 11.**

D. Endorsement Exception

Do not use either endorsement when the Special Loss Settlement Endorsement or any other endorsement which modifies the required percentage of replacement value is attached to the policy.

RULE 408. ACTUAL CASH VALUE LOSS SETTLEMENT WINDSTORM OR HAIL LOSSES TO ROOF SURFACING – ALL FORMS EXCEPT HO 00 04

A. Introduction

The policy provides settlement for building losses on a repair or replacement cost basis, subject to certain conditions.

B. Coverage Description

The policy may be endorsed to provide loss settlement exclusively on an Actual Cash Value basis for roof surfacing when damage is caused by the peril of Windstorm Or Hail.

C. Premium Determination

To develop a premium for this option, multiply the Base Premium by a factor of .99.

D. Endorsement

Use Actual Cash Value Loss Settlement Windstorm Or Hail Losses To Roof Surfacing (All Forms Except **HO 00 04**) Endorsement **HO 04 93.**

RULE 409.
REPLACEMENT COST LOSS SETTLEMENT FOR CERTAIN NON-BUILDING STRUCTURES – FORMS HO 00 02, HO 00 03 AND HO 00 05

A. Introduction

The policy provides actual cash value loss settlement for non-building structures covered under Coverage **B,** or specifically scheduled under this policy.

B. Coverage Description

The policy may be endorsed to provide repair or replacement cost loss settlement for the following types of non-building structures only if they are located on the residence premises:

1. Re-inforced masonry walls;
2. Metal or fiberglass fences;
3. Fences made of plastic/resin materials such as polyvinylchloride;
4. Patios, walks (not made of wood or wood products); and
5. Driveways.

C. Premium Computation

The premium is computed by multiplying the Base Premium by a factor of 1.02.

D. Endorsement

Use Replacement Cost Loss Settlement For Certain Non-Building Structures On The Resident Premises Endorsement **HO 04 43.**

E. Endorsement Exception

This loss settlement condition does not apply to covered property insured under Coverage **B** – Other Structures Away From The Residence Premises Endorsement **HO 04 91** and Specific Structures Away From The Residence Premises Endorsement **HO 04 92.**

RULE 410.
BUILDING CODE EFFECTIVENESS GRADING

This rule does not apply to Mobile or Trailer homes.

A. General Information

1. The Building Code Effectiveness Grading Schedule develops a grade of 1 to 10 for a community based on the adequacy of its building code and the effectiveness of its enforcement of that code. Policies which cover the perils of Windstorm or Hail or Earthquake may be eligible for special rating treatment, subject to the criteria in the following paragraphs. The Building Code Effectiveness Grading factor applies, where applicable, in addition to the Public Protection Classification factors.
2. In some communities, two Building Code Effectiveness Grades may be assigned. One grade will apply to 1 and 2 family dwelling buildings and/or personal property contained in such buildings. The other grade will apply to all other buildings occupied for residential, commercial and/or manufacturing purposes including personal and business property contained therein. The Public Protection Classification Manual will indicate the application of each grade.
3. The Building Code Effectiveness Grades for a community, and their effective dates, are provided in the Public Protection Classification Manual published by Insurance Services Office, Inc.

B. Community Grading

1. The Building Code Effectiveness Grade applies to any building that has an original certificate of occupancy dated the year of the effective date of the community grading, or later. A rating factor has been developed for each community grade.
2. If a community is regraded subsequent to its initial grading, the factor for the revised grade applies to buildings that have an original certificate of occupancy dated the year of the effective date of the revised grading, or later.
3. Where certificates of occupancy are not issued, equivalent documentation acceptable to the company may be used.
4. If, due to an addition or alteration, the original building is changed to comply with the latest building code, the factor for the community grading applicable at the time the reconstruction is completed will apply to such building.
5. The Building Code Effectiveness Grade may apply to Windstorm/Hail or Earthquake, or to both. Specific information is provided in the Public Protection Classification Manual. If the grade in the manual does not apply to one of the perils, the factor should not be applied for that peril.

RULE 410.
BUILDING CODE EFFECTIVENESS GRADING (Cont'd)

C. Individual Grading

Where buildings have been built in full conformance with the natural hazard mitigation elements of one of the nationally recognized building codes even though the community grade is greater than 1, exception rating procedures may apply.

1. Any building may be classified as Grade 1 for Windstorm/Hail upon certification by a registered or licensed design professional, based on an on-site inspection, that such building is in compliance with one of the three nationally recognized building codes with respect to mitigation of the windstorm or hail hazard. This classification is effective only from the date of the certification.

2. Any building may be classified as Grade 1 for Earthquake upon certification by a registered or licensed design professional, based on an on-site inspection, that such building is in compliance with the earthquake mitigation elements of one of the three nationally recognized building codes. This classification is effective only from the date of the certification.

D. Ungraded Risks

Buildings which do **not** meet the criteria in Paragraph **B.** or **C.** for Grade assignment are rated and coded as ungraded risks. Do **not** classify as Grade 10.

E. Premium Credit Computation

1. Community Grading

a. Windstorm Or Hail

Compute the premium credit as follows:

(1) Multiply the Base Class Premium by the appropriate factor in Paragraph **E.1.c.(1)** located in the state exceptions; and

(2) Multiply the result from preceding Paragraph **(1)** by the Key Factor for the desired amount of insurance.

b. Earthquake

When Earthquake Endorsement **HO 04 54** is attached to the policy, multiply the Earthquake Base Premium by the appropriate factor in Paragraph **E.1.c.(2)** located in the state exceptions.

c. Credit Factors

Refer to state exceptions for state specific factors.

2. Individual Grading

For any building classified as Grade 1 based upon certification as set forth in Paragraph **C.**, use the appropriate factor listed under Paragraph **E.1.c.** located in the state exceptions.

RULES 411. – 500.
RESERVED FOR FUTURE USE

PART V
SECTION I – PROPERTY – ADDITIONAL COVERAGES AND INCREASED LIMITS RULES

RULE 501.
BUILDING ADDITIONS AND ALTERATIONS AT OTHER RESIDENCES

A. Coverage Description

The policy may be endorsed to provide this coverage at residences, other than the residence premises, rented to an insured.

B. Premium Computation

To develop the premium per $1,000 of insurance, multiply the **HO 00 04** Key Factor for "Each Add'l $1,000" by the **HO 00 04** Key Premium.

C. Endorsement

Use Building Additions And Alterations Other Residence Endorsement **HO 04 49.**

RULE 502.
BUILDING ADDITIONS AND ALTERATIONS – INCREASED LIMIT – HO 00 04

A. Coverage C Increase

The limit of liability of 10% of Coverage **C** may be increased.

B. Premium Computation

To develop the premium per $1,000 of insurance, multiply the **HO 00 04** Key Factor for "Each Add'l $1,000" by the **HO 00 04** Key Premium.

C. Endorsement

Use Building Additions And Alterations Increased Limit Form **HO 00 04** Endorsement **HO 04 51.**

RULE 503.
BUSINESS PROPERTY – INCREASED LIMIT

A. On-Premises

1. The $2,500 limit of liability for business property on the residence premises may be increased to $10,000 in increments of $2,500.

2. Refer to state company rates for each $2,500 increase.

3. The limit of liability in excess of $2,500 does not apply to:

- **a.** Business property in storage or held as a sample or for sale or delivery after sale.
- **b.** Business property pertaining to a business actually conducted on the residence premises.

4. The Property described in Paragraphs **3.a.** and **3.b.** are covered under the following optional endorsements:

- **a.** Permitted Incidental Occupancies;
- **b.** Home Day Care; or
- **c.** Home Business Insurance Coverage.

B. Off–Premises

When the on-premises limit is increased, the off-premises limit of $500 is automatically increased, at no additional charge, to an amount that is 20 percent of the total on-premises limit of liability.

C. Endorsement

Use Increased Limits On Business Property Endorsement **HO 04 12.**

RULE 504.
CREDIT CARD, ELECTRONIC FUND TRANSFER CARD OR ACCESS DEVICE, FORGERY AND COUNTERFEIT MONEY

A. Coverage Increase

The limit of $500 may be increased. An additional rate is to be charged.

B. Premium

Refer to state company rates for an additional charge.

C. Endorsement

Use Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money Coverage Increased Limit Endorsement **HO 04 53.**

RULE 505.
EARTHQUAKE COVERAGE

A. Coverage Description

The policy may be endorsed to provide coverage against a loss resulting from the peril of Earthquake. This peril shall apply to all Section **I** Coverages for the same limits provided in the policy. Use Earthquake Endorsement **HO 04 54.**

B. Deductible

Deductible percentage amounts of 5%, 10%, 15%, 20% and 25% of the limit of liability are included in this rule.

In the event of an Earthquake loss to covered property, the dollar amount is deducted from the total of the loss for Coverages **A, B,** and **C.**

Earthquake rates are displayed for the 5% and 10% deductible in the state company rates. Credit factors for deductible percentage amounts of 15%, 20% and 25% are provided in Paragraph **E.** Premium for Higher Deductibles of this rule.

RULE 505.
EARTHQUAKE COVERAGE (Cont'd)

C. Loss Assessment Coverage

The policy may also be endorsed to cover loss assessment resulting from loss by this peril. The limit of liability shall be based on the insured's proportionate interest in the total value of all collectively owned buildings and structures of the corporation or association of property owners. Refer to company for rates. Use Loss Assessment Coverage For Earthquake Endorsement **HO 04 36** for all Forms.

D. Base Premium

Develop the base premium as follows:

1. From the state company rates determine whether Construction Table **A, B,** and/or **C** applies for the appropriate deductible.

2. Determine the Earthquake territory according to the ZIP code of the residence premises from the State Territory Definitions pages in this Manual.

3. For Forms **HO 00 02, HO 00 03** and **HO 00 05,** add the results of the following three steps:

a. Multiply the Coverage **A** limit by the rate found in Column A of the table;

b. If the Coverage **C** limit is increased, multiply the rate found in Column D by the amount of the increase; and

c. If the Coverage **D** limit is increased, multiply the rate found in Column F by the amount of the increase.

4. For Form **HO 00 04,** add the results of the following two steps;

a. Multiply the Coverage **C** limit by the rate found in Column B of the table and

b. If the Coverage **D** limit is increased, multiply the rate found in Column F by the amount of the increase.

5. For Form **HO 00 06,** add the results of the following three steps:

a. Multiply the Coverage **C** limit by the rate found in Column C of the table;

b. Multiply the Coverage **A** limit by the rate found in Column E of the table; and

c. If the Coverage **D** limit is increased, multiply the rate found in Column F by the amount of the increase.

6. Building Or Non-Building Structure Items – All Forms:

Multiply the rate in Column F of the table by the appropriate limit of liability for Other Building or Structure options. (for example Other Structures – Structures Rented To Others Residence Premises Endorsement **HO 04 40,** Other Structures On The Residence Premises – Increased Limits Endorsement **HO 04 48** and Specific Structures Away From The Residence Premises Endorsement **HO 04 92;** Building Additions And Alterations - Other Residence Endorsement **HO 04 49** and Building Additions And Alterations Increased Limit Form **HO 00 04** Endorsement **HO 04 51**).

7. Ordinance Or Law – Basic And Increased Limit – All Forms:

Multiply the rate determined in Paragraphs **D.3.a., D.4.b., D.5.b.** and/or **D.6.** by the Ordinance or Law total amount of insurance. This includes basic and, if applicable, increased amounts.

E. Premium For Higher Deductibles

Multiply the Earthquake base premium determined in Paragraph **D.** for the 10% deductible by the appropriate factor from the following table:

Deductible Percentage	**Factor**		
	Frame	**Masonry**	**Superior**
15%	.80	.85	.75
20%	.65	.70	.60
25%	.50	.60	.45

Table 505.E. Higher Deductibles Factor

F. Building Code Effectiveness Grading

Refer to Rule **410.** for information which may affect Earthquake rating.

RULE 506.
FIRE DEPARTMENT SERVICE CHARGE

The limit of $500 may be increased subject to the rules and rates of the company.

RULE 507.
FORM HO 00 06 COVERAGE A DWELLING BASIC AND INCREASED LIMITS AND SPECIAL COVERAGE – HO 00 06

A. Basic Limits

The policy automatically provides a basic Coverage **A** limit of $5,000 on a named perils basis. If increased limits are not desired, enter "$5,000" under Coverage **A** – Dwelling in the Policy Declarations.

RULE 507.
FORM HO 00 06 COVERAGE A DWELLING BASIC AND INCREASED LIMITS AND SPECIAL COVERAGE – HO 00 06 (Cont'd)

B. Increased Limits

The basic limit may be increased. The premium is developed based on the additional limit of insurance. To develop the premium for each additional $1,000 of insurance, multiply the **HO 00 06** Key Factor for "Each Add'l $1,000" by the **HO 00 06** Key Premium.

C. Special Coverage

The Section **I** Perils Insured Against may be broadened to cover additional risks of loss. The additional premium is developed as shown in the state company rates.

D. Endorsement

Use Unit-Owners Coverage **A** – Special Coverage Endorsement **HO 17 32.**

RULE 508.
FORM HO 00 06 UNITS REGULARLY RENTED TO OTHERS

A. Coverage C And Section II Liability

1. There is no coverage for Coverage **C** – Personal Property and Section **II** Liability when the residence premises is regularly rented or held for rental to others. The policy may be endorsed, however, to provide such coverage, including Theft.
2. The Coverage **C** minimum limit of liability may be waived when the value of the insured's personal property in the rented unit is less than $10,000.

B. Premium Computation

Multiply the Coverage **C** Base Premium (reflecting the credit or surcharge for optional deductibles) by a factor of .25.

C. Endorsement

Use Unit–Owners Rental To Others Endorsement **HO 17 33.**

RULE 509.
HOME DAY CARE COVERAGE

A. Coverage Description

Coverage for a home day care business is limited under Section **I** and excluded under Section **II.** The policy may be endorsed to provide expanded Section **I** Coverage and Section **II** Coverage on a home day care business in the dwelling or in an other structure on the residence premises. Use Home Day Care Coverage Endorsement **HO 04 97** for Sections **I** and **II** Coverage.

B. Other Structures

If the home day care business is located in an other structure, Coverage **B** does not apply to that structure. See Paragraph **D.** for charge for specific insurance on the structure.

C. Personal Property

The home day care endorsement also covers personal property pertaining to this business within the Coverage **C** limits stated in the declarations. If increased Coverage **C** limits are desired, see Rule **515.A.**

D. Premium Computation

1. Section I

a. If the home day care business is located in the dwelling, no additional charge is made.
b. If the business is located in an other structure, charge the amount per $1,000 of specific insurance on the structure.
c. Refer to state company rates for rate to be charged.

2. Section II

Refer to Rule **607.** in the state company rates to develop the premium for the increased Coverages **E** and **F** exposure.

RULE 510.
PERMITTED INCIDENTAL OCCUPANCIES RESIDENCE PREMISES

A. Coverage Description

Coverage for a permitted incidental occupancy is limited under Section **I** and excluded under Section **II.** The policy may be endorsed to provide expanded Section **I** Coverage and Section **II** Coverage on a permitted incidental occupancy in the dwelling or in an other structure on the residence premises. Use Permitted Incidental Occupancies (Residence Premises) Endorsement **HO 04 42** for Sections **I** and **II** Coverage.

B. Permitted Incidental Occupancies

Examples of such occupancies are Offices, Schools or Studios meaning offices for business or professional purposes, and private schools or studios for music, dance, photography and other instructional purposes.

C. Other Structures

If the permitted incidental occupancy is located in an other structure, Coverage **B** does not apply to that structure. See Paragraph **E.** for charge for specific insurance on the structure.

D. Personal Property

The permitted incidental occupancies endorsement also covers personal property pertaining to the permitted incidental occupancy within the Coverage **C** limits stated in the declarations. If increased Coverage **C** limits are desired, see Rule **515.A.**

RULE 510.
PERMITTED INCIDENTAL OCCUPANCIES RESIDENCE PREMISES (Cont'd)

E. Premium Computation

1. Section I

a. If the permitted incidental occupancy is located in the dwelling, no additional charge is made.

b. If the permitted incidental occupancy is located in an other structure, charge the amount per $1,000 of specific insurance on the structure.

c. Refer to state company rates for rate to be charged.

2. Section II

Refer to Rule **608.** in the state company rates to develop the premium for the increased Coverages **E** and **F** exposure.

RULE 511.
LOSS ASSESSMENT COVERAGE

A. Residence Premises

1. Coverage Description

The policy automatically provides, under Section **I** Additional Coverage and Section **II** Additional Coverage, a limit of $1,000 each for assessments relating to the residence premises, excluding assessments resulting from the peril of earthquake. (Refer to Rule **505.** Earthquake Coverage for the Earthquake rule of application.)

2. Higher Limits

The policy may be endorsed to provide a single additional amount of insurance to be applied to one or more assessments arising out of a single loss covered under:

a. Either Section **I** Additional Coverage or Section **II** Additional Coverage; or

b. Both Section **I** and Section **II** Additional Coverages.

3. Premium

Refer to the state company rates for the additional charge.

B. Additional Locations

1. Coverage Description

a. The policy may be endorsed to provide loss assessment coverage pertaining to additional locations for the insured's share of loss assessments arising out of a single loss covered as noted in Paragraph **A.2.**

b. No more than 2 additional locations can be written in addition to the residence premises.

2. Premium

Refer to the state company rates for the additional rates which apply to each location covered.

C. Endorsement

Use Loss Assessment Coverage Endorsement **HO 04 35.** (Note: This Endorsement does not cover loss to property under Section **I** caused by Earthquake.)

RULE 512.
LOSS OF USE – INCREASED LIMIT

A. When the limit of liability for Coverage **D** is increased, charge the rate per $1,000 of additional insurance.

B. Refer to state company rates for rate to be charged.

RULE 513.
ORDINANCE OR LAW INCREASED AMOUNT OF COVERAGE – HO 00 04 AND HO 00 06

A. Coverage Increase

1. The basic amount of coverage may be initially increased to 100% of the Form **HO 00 04** Building Additions and Alterations limit or 50% of the Form **HO 00 06** Coverage **A** limit.

2. The amount may be further increased in 25% increments above those listed in Paragraph **1.**

B. Premium Determination

1. The premium for this additional coverage is determined based on the dollar amount of increase, represented by the increased percentage amount selected above the basic limit.

2. The premium for each additional $1,000 of insurance is developed by multiplying the appropriate Key Factor for "Each Add'l $1,000" by the appropriate Key Premium.

RULE 514.
OTHER STRUCTURES

A. On-Premises Structures

When insurance is written on a specific structure on the residence premises the rates per $1,000 of insurance shall apply separately to each structure.

1. Specific Structure – Increased Limits

a. Premium

Refer to state company rates.

b. Endorsement

Use Other Structures On The Residence Premises – Increased Limits Endorsement **HO 04 48.**

RULE 514.
OTHER STRUCTURES (Cont'd)

2. **Structure On The Residence Premises Rented To Others**
   a. **Premium**
      Use the sum of:
      (1) The rate per $1,000 of insurance shown in the state company rates, and
      (2) The premium for the increased Coverages **E** and **F** exposure, as developed from the Section **II** rules of this Manual.
   b. Use Structures Rented to Others – Residence Premises Endorsement **HO 04 40.**

B. Structures Off The Residence Premises

1. **Forms HO 00 02, HO 00 03 And HO 00 05**
   a. **Coverage Description**
      (1) The policy automatically provides Coverage **B** – Other Structures on a blanket basis to structures located on the residence premises.
      (2) This blanket coverage may be endorsed to expand coverage to include structures located away from the residence premises if used in connection with the residence premises.
   b. **Premium**
      Refer to state company rates for rate to be charged.
   c. **Endorsement**
      Use Other Structures Away From The Residence Premises **HO 04 91.**
2. **All Forms**
   a. **Premium**
      (1) When insurance is written on a specific structure located away from the residence premises, the rate per $1,000 of insurance shall apply separately to each location.
      (2) Refer to state company rates for rate to be charged.
   b. **Endorsement**
      Use Specific Structures Away From Residence Premises Endorsement **HO 04 92.**

RULE 515.
PERSONAL PROPERTY

A. Increased Limit

1. The limit of liability for Coverage **C** may be increased.
2. Charge the additional company rate per $1,000 of insurance.
3. Refer to state company rates for additional charge.

B. Increased Limits – Other Residences

1. Coverage for personal property usually located at other residences is limited in the policy form to 10% of Coverage **C** or $1,000, whichever is greater. This limit may be increased.
2. Charge the additional company rate per $1,000.
3. Refer to state company rates for additional charge.
4. Use Increased Limits On Personal Property In Other Residences Endorsement **HO 04 50.**

C. Reduction In Limit

1. The limit of liability for Coverage **C** may be reduced in accordance with Rule **101.D.**
2. Refer to state company rates for credit.

D. Increased Special Limits Of Liability

1. The Special Limits of Liability in the policy form for the categories of property noted in the following table may be increased to the maximum limits shown:

Special Limits

Personal Property	Limit In Form	Maximum Limit Allowed
1. Jewelry, Watches and Furs	$ 1,500	$ 6,500*
2. Money	200	1,000
3. Securities	1,500	3,000
4. Silverware, Goldware and Pewterware	2,500	10,000**
5. Firearms	2,500	6,500***
6. Electronic Apparatus		
a. In or upon a motor vehicle or motorized land conveyance	1,500	6,000**
b. Not in or upon a motor vehicle that is away from the residence premises and used for business.	1,500	6,000**
* Not exceeding $1,000 for any one article		
** Increase must be in increments of $500		
*** Increase must be in increments of $100		

Table 515.D.1. Special Limits

2. Refer to state company rates for additional charges.
3. Use Coverage **C** Increased Special Limits Of Liability Endorsement **HO 04 65** – for all forms except as noted in Paragraph **4.**
4. Use Coverage **C** Increased Special Limits Of Liability Endorsement **HO 04 66** for Form **HO 00 05,** Form **HO 00 04** with Endorsement **HO 05 24** and Form **HO 00 06** with Endorsement **HO 17 31.**

RULE 515.
PERSONAL PROPERTY (Cont'd)

E. Refrigerated Personal Property

1. The policy may be endorsed to provide $500 of coverage for covered property stored in freezers or refrigerators on the residence premises for loss caused by power service interruption or mechanical failure.

2. A deductible of $100 applies.

3. Refer to state company rates for the additional charge.

4. Use Refrigerated Property Coverage Endorsement **HO 04 98.**

F. Theft Coverage Increase – HO 00 08

1. On–Premises

The $1,000 limit for On-Premises Theft Coverage may be increased to an aggregate limit of $3,000 or $5,000.

2. Off-Premises

When On-Premises Theft Coverage is increased, a limit of $1,000 may be provided for Off-Premises Theft Coverage.

3. Premium

Refer to state company rates for additional charge.

4. Endorsement

Use Theft Coverage Increase Endorsement **HO 04 30.**

RULE 516.
PERSONAL PROPERTY – SCHEDULED

A. Introduction

Coverage may be provided on scheduled personal property subject to the rules and rates of the Company.

B. Loss Settlement

1. Endorsement **HO 04 61** provides for standard loss settlement for all classes of property except Fine Arts; and agreed value loss settlement for Fine Arts.

2. Endorsement **HO 04 60** provides for agreed value loss settlement for the following classes:

a. Cameras

b. Furs

c. Golfer's Equipment

d. Jewelry

e. Musical Instruments

f. Silverware

g. Stamps and Rare Coins

This endorsement may also be used for scheduled articles of Fine Arts.

C. Endorsements

1. Use Scheduled Personal Property Endorsement **HO 04 61** for standard loss settlement or agreed value loss settlement for fine arts.

2. Use Scheduled Personal Property (with Agreed Value Loss Settlement) Endorsement **HO 04 60** for agreed value loss settlement.

RULE 517.
RENTAL TO OTHERS - EXTENDED THEFT COVERAGE ALL FORMS EXCEPT HO 00 05, HO 00 04 WITH HO 05 24 OR HO 00 06 WITH HO 17 31

A. Coverage Description

The policy may be endorsed to insure against loss by theft to covered property when all or part of the residence premises usually occupied by the insured is occasionally rented, in whole or in part, to others, or is regularly or occasionally rented to roomers or boarders.

B. Premium

Refer to the state company rates for additional charge.

C. Endorsement

Use Extended Theft Coverage For Residence Premises Occasionally Rented To Others Endorsement **HO 05 41.**

RULE 518.
SINKHOLE COLLAPSE COVERAGE ALL FORMS EXCEPT HO 00 04 AND HO 00 06

A. Coverage Description

The policy may be endorsed to provide Sinkhole Collapse Coverage.

B. Premium Determination

1. Refer to state company rates and

2. Multiply the rate per $1,000 by:

a. Coverage **A** amount of insurance;

b. Increased Limits for Coverages **C** and **D;**

c. Loss Assessment Coverage, increased limits and additional locations;

d. Ordinance Or Law Coverage, basic amount and, if applicable, increased amount of coverage;

e. Other Building or Structure options for example: Other Structures Rented To Others (Residence Premises) Endorsement **HO 04 40;** Other Structures (Increased Limits) Endorsement **HO 04 48;** Specific Structures Away From The Residence Premises Endorsement **HO 04 92;** Building Additions And Alterations (Other Residence) Endorsement **HO 04 49;** and Building Additions And Alterations (Increased Limit Form **HO 00 04**) Endorsement **HO 04 51.**

RULE 518.
SINKHOLE COLLAPSE COVERAGE ALL FORMS EXCEPT HO 00 04 AND HO 00 06 (Cont'd)

C. Endorsement

Use Sinkhole Collapse Endorsement **HO 04 99.**

RULE 519.
SPECIAL COMPUTER COVERAGE ALL FORMS EXCEPT HO 00 05, HO 00 04 WITH HO 05 24 OR HO 00 06 WITH HO 17 31

A. Coverage Description

The policy may be endorsed to insure computers and related equipment against additional risks of physical loss subject to certain exclusions.

B. Premium

Refer to state company rates for additional charge.

C. Endorsement

Use Special Computer Coverage Endorsement **HO 04 14.**

RULE 520.
LIVESTOCK COLLISION COVERAGE

A. Coverage Description

When the policy is endorsed with either Incidental Farming Personal Liability Endorsement **HO 24 72** or Farmers Personal Liability Endorsement **HO 24 73,** the policy may also be endorsed to cover loss resulting in death of covered livestock resulting from:

1. Collision or overturn of a vehicle on which the livestock are being transported; or

2. Livestock running into or being struck by a vehicle.

B. Coverage Exclusion

Coverage is excluded if a vehicle owned or operated by an insured or an insured's employee:

1. Collides with the vehicle on which the livestock are being transported; or

2. Strikes the livestock.

C. Premium

1. Each horse, mule or head of cattle under one year of age at the time of loss will be counted as 1/2 head.

2. No deductible applies to this coverage.

3. The limit per head of livestock is $400.

4. Refer to state company rates for charge.

D. Endorsement

Use Livestock Collision Coverage Endorsement **HO 04 52.**

RULE 521.
WATER BACK UP AND SUMP DISCHARGE OR OVERFLOW

A. Coverage Description

The policy forms exclude coverage for loss resulting from water or water-borne material which backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment.

B. Coverage Option

The policy may be endorsed to provide such coverage for a limit of liability of $5,000 subject to a $250 deductible. No other deductible option is available.

C. Premium

Refer to state company rates for the additional charge.

D. Endorsement

Use Water Back Up And Sump Discharge Or Overflow Endorsement **HO 04 95.**

RULE 522.
LANDLORDS FURNISHINGS

A. Basic Limit

Forms **HO 00 02, HO 00 03** and **HO 00 05** automatically cover, on a named perils basis (except Theft), landlord furnishings in an apartment on the residence premises regularly rented or held for rental. The basic limit per apartment unit is $2,500.

B. Increased Limits

The basic limit of $2,500 may be increased in increments of $500 up to a total of $10,000 per apartment. The increased limit applies to the same perils that applies to the basic limit and may vary by rented unit.

C. Premium

Refer to state company rates for additional charge.

D. Endorsement

Use Landlord's Furnishings Endorsement **HO 05 46.**

RULE 523.
ASSISTED LIVING CARE COVERAGE

A. Introduction

The policy provides coverage to named insureds and resident relatives who are members of the insured's household.

RULE 523.
ASSISTED LIVING CARE COVERAGE (Cont'd)

B. Coverage Description

1. The policy may be endorsed to provide personal property, additional living expense and personal liability coverage to a person regularly residing in an Assisted Living Care facility, provided such person:

a. Is related to an insured by blood, marriage or adoption; and

b. Is not a member of that insured's household.

2. An assisted living care facility is a facility that provides assisted living services such as dining, therapy, medical supervision, housekeeping and social activities. It is **not** a hospice, prison or rehabilitation facility.

3. The endorsement provides the following basic limits of coverage:

a. $10,000 for Coverage **C** – Personal Property with limitations ranging from $100 to $500 for certain items of property;

b. $6,000, at $500 per month, for Additional Living Expenses; and

c. $100,000 for Coverage **E** – Personal Liability.

C. Premium

Refer to state company rates for additional charge.

D. Endorsement

Use Assisted Living Care Coverage Endorsement **HO 04 59.**

RULE 524.
OTHER MEMBERS OF A NAMED INSURED'S HOUSEHOLD

A. Introduction

The policy provides coverage to named insureds, resident relatives who are members of the insured's household and persons under the age of 21 who are in the care of an insured.

B. Coverage Description

1. The policy may be endorsed to provide coverage to a person who is a member of the named insured's household but does not fall under the definition of insured in the policy. It does not cover a guest, residence employee, roomer, boarder or tenant. Coverage extends to the person named in the endorsement, and a person under the age of 21 who is in the legal custody of that person.

2. All coverages and provisions under Sections **I** and **II** of the policy that apply to insureds also apply to the persons described in Paragraph **1.** except Coverages **A, B** and **D** (Fair Rental Value only).

C. Premium

Refer to state company rates for additional charge.

D. Endorsement

Use Other Members Of Your Household Endorsement **HO 04 58.**

RULE 525.
MOTORIZED GOLF CART – PHYSICAL LOSS COVERAGE

A. Coverage Description

The policy may be endorsed to provide coverage for physical loss to a motorized golf cart, including permanently installed accessories, equipment and parts, owned by an insured.

Also covered, for an amount equal to 10% of the limit of the highest scheduled cart, are accessories, equipment or parts designed or made solely for the cart that are **not** permanently installed provided such property is at an insured's residence or in or upon the cart off the insured's residence at the time of loss.

Coverage for loss caused by collision is optional and only applies if declared on the schedule of the endorsement.

B. Eligibility

To be eligible for coverage, the motorized golf cart shall be of the type designed to carry up to four people on a golf course for the purpose of playing golf and shall not have been built, or modified after manufacture, to exceed a speed of 25 m.p.h. on level ground.

Read the endorsement for all conditions of coverage.

C. Limit Of Liability

The limit of liability shall be selected by the insured. However, that limit should be representative of the actual cash value of the motorized golf cart including any permanently installed accessories, etc.

D. Deductible

A deductible amount of $500 applies separately to each involved golf cart and, separately to Section **I** Property Coverages if not in or upon a golf cart at the time of loss.

The $500 deductible replaces any other deductible in the policy with respect to property covered under the endorsement.

E. Premium

Rate each cart separately using the premium per $500 of insurance. Refer to the state company rates for additional charge.

RULE 525.
MOTORIZED GOLF CART – PHYSICAL LOSS COVERAGE (Cont'd)

F. Endorsement

Use Owned Motorized Golf Cart – Physical Loss Coverage Endorsement **HO 05 28.**

RULE 526.
RESIDENCE HELD IN TRUST ALL FORMS EXCEPT HO 00 04

A. Trust And Trustee – Named Insured

A Homeowners policy may be issued in the name of both the trust and trustee when:

1. The residence held in trust is a 1, 2, 3, or 4 family dwelling or a condominium unit used exclusively for residential purposes, except as provided in Rule **104.F.;**

2. Legal title to the dwelling or condominium unit is held solely by the trust;

3. The resident of the residence held in trust include at least one of the following: the trustee, the grantor of the trust, or the beneficiary of the trust; and

4. The trust and trustee are both shown as the named insured on the policy declarations, regardless of who resides in the residence held in trust.

B. Endorsement

Use Residence Held In Trust Endorsement **HO 05 43.**

C. Other Persons Insured – Grantor And/Or Beneficiary Regularly Resides In The Residence Held In Trust

1. If the trustee regularly resides in the residence held in trust along with the grantor or beneficiary and the grantor and/or beneficiary:

a. Is related to the trustee and is a member of the trustee's household, the grantor and/or beneficiary is an insured as defined in the policy form and should **not** be named in Endorsement **HO 05 43;** or

b. Is **not** related to the trustee, or is related but not a member of the trustee's household, the grantor and/or beneficiary must be named in Endorsement **HO 05 43** to be covered for personal property, additional living expenses, personal liability and medical payments to others. If the grantor and beneficiary are related to each other and members of the same household, only one of the two should be named on the endorsement.

2. If the trustee does **not** regularly reside in the residence held in trust, the grantor and/or beneficiary must be named in Endorsement **HO 05 43** whether or not they are related to the trustee. This is necessary to provide the grantor or beneficiary with coverage for personal property, additional living expenses, personal liability and medical payments to others. If the grantor and beneficiary are related to each other and members of the same household, only one of the two should be named on the endorsement.

D. Liability Coverage Explained

1. Coverage **E –** Personal Liability and Coverage **F** – Medical Payments To Others is provided to the trust and trustee named insured who regularly resides on the residence premises. However, if the trustee named insured does **not** regularly reside on the residence premises, coverage for the trust and trustee is **only** provided for bodily injury or property damage arising out of the ownership, maintenance or use of the residence premises (premises liability).

2. Endorsement **HO 05 43** excludes:

a. Liability coverage for claims or suits for bodily injury or property damage arising out of any act or decision or failure to act or decide by the trustee named insured in administering the trust except as provided in Paragraph **1.;** and

b. Liability coverage for bodily injury to all insureds covered under this policy, for example, the trustee named insured, the grantor or beneficiary of the trust who is named on the endorsement or any person acting on their behalf.

E. Additional Conditions

The policy may **not** be endorsed or extended to insure:

1. Under Section **I,** any other dwelling on the residence premises, or any other structure, on or away from the residence premises, unless legal title to that other dwelling or structure is held solely by the trust; or

2. Under Section **II,** any location away from the residence premises unless legal title to that other location is held solely by the trust.

F. Premium

Additional charges are provided for the trustee and any beneficiary and/or grantor. These charges reflect Section **II** – Liability basic limits.

1. Trustee

The charge for the trustee applies whether or not the trustee resides on the residence premises. Refer to state company rates for this additional charge.

RULE 526.
RESIDENCE HELD IN TRUST ALL FORMS EXCEPT HO 00 04 (Cont'd)

2. Beneficiary And/Or Grantor

a. Refer to state company rates for additional charge when either the beneficiary or grantor is named in the endorsement.

b. Refer to state company rates for additional charge when both the beneficiary and grantor are named in the endorsement.

RULE 527.
STUDENT AWAY FROM HOME

A. Introduction

The policy provides coverage for a full-time student, who was a resident of the named insured's household before moving out to attend school and is under the age of:

1. 24 and a relative of the named insured; or

2. 21 and in the care of the named insured or a resident relative.

B. Coverage Description

The policy may be endorsed to provide coverage for other types of students who were residents of the named insured's household before moving out to attend school. For example, part time students or students older than 24.

C. Premium Determination

Refer to state company rates for additional charge.

D. Endorsement

Use Additional Insured – Student Living Away From The Residence Premises Endorsement **HO 05 27.**

RULE 528.
HOME BUSINESS INSURANCE COVERAGE

A. Eligibility

1. The Home Business Insurance Coverage Endorsement, may be used in conjunction with a Homeowners policy to cover the Section **I** and Section **II** exposures of a permitted business.

2. To be eligible for coverage under this endorsement, a risk must meet at least the following criteria:

a. The home business:

(1) Must be owned by the named insured or by a partnership, joint venture or other organization comprised only of the named insured and resident relatives;

(2) Must be operated from the residence premises that is declared on the Homeowners Declarations and used principally for residential purposes.

(3) May be operated from the home and/or other structure on the residence premises.

(4) May have up to three employees; and

(5) May not involve the:

(a) Manufacture, sale or distribution of food products;

(b) Manufacture of personal care products such as shampoo, hair color, soap, perfume or other like items applied to the body or consumed; or

(c) Sale or distribution of personal care products **manufactured by the insured** such as shampoo, hair color, soap, perfume or other like items applied to the body or consumed;

b. For all business classifications described in Paragraph **C.** that follows**,** the Gross Annual Receipts of the home business may not exceed $250,000.

3. Certain businesses may be **ineligible** for coverage under this endorsement. Refer to Company for its underwriting instructions.

4. When a permitted business that is operated from the residence premises is afforded coverage under either the Permitted Incidental Occupancy or Home Day Care Coverage Endorsement, that business may not be afforded coverage under the Home Business Endorsement.

B. Classifications

The four principal classifications of business accommodated in this rule follow. Refer to the Company for the businesses that are eligible within each of these classifications and name and describe the business in the Schedule that is part of the endorsement:

1. Office

Use this classification when the business involves professional or administrative activities for its customers. It could apply to businesses like accounting, resume writing, telephone answering, etc.

2. Service

Use this classification when the business provides repair or other services for its customers. It could apply to businesses like bicycle repair, clock/jewelry repair, housecleaning, videotaping, etc.

RULE 528.
HOME BUSINESS INSURANCE COVERAGE (Cont'd)

3. Sales

Use this classification when the business involves product sales, other than crafts made in the home or other structure and sold from the home or other locations. It could apply to businesses involving the sale of books and magazines, costume jewelry, plants and flowers, stationery/other paper products, etc.

4. Crafts

Use this classification when the business involves selling, from the home, other structure or other locations, crafts made in the home or other structure. It could apply to crafts like ceramics, dolls, flower arrangements, quilts, etc.

C. Coverages

1. Section I – Property

The Home Business Endorsement:

a. Provides coverage for the property of the described business and for property of others in the care of the business up to the Coverage **C** limit of liability entered on the Homeowners Declarations. Therefore, the Coverage **C** limit should reflect the values of the personal and business property to be insured;

b. Provides coverage for:

(1) Accounts receivable ($5,000 limit);

(2) Loss of business income/extra expense (actual cost for a maximum of 12 months); and

(3) Valuable papers ($2,500 limit); and

c. Increases the Coverage **C** Special Limits of Liability on:

(1) Money to $1,000;

(2) Credit Cards to $1,000; and

(3) Business property away from the residence premises to $5,000.

2. Section II – Business Liability

a. The Home Business Endorsement provides coverage for such business liability exposures as premises operations, products-completed operations, advertising injury, and personal injury. The limits of liability for these coverages are on an annual aggregate basis and are determined in the following manner:

(1) For Products-Completed Operations Hazard Liability, the limit is the **same as** the Coverage **E** limit shown in the Homeowners Declarations;

(2) For All Other Business Liability, the limit is **twice the sum** of the combined Coverage **E** and Coverage **F** limits shown in the Homeowners Declarations; and

(3) For the Coverage **F** Sublimit of Liability, the limit is the **same as** the Coverage **F** limit shown in the Homeowners Declarations.

b. The limit of liability for Additional Coverage **3.,** Damage To Property Of Others is increased to $2,500.

3. Professional Liability

NO professional liability coverage is provided in the Home Business Endorsement.

4. Computer-Related Damage Or Injury Exclusion And Coverage Options

a. Exclusions

(1) Coverage for loss or damage caused by, resulting from, or arising out of the failure of computers and electronic componentry to properly recognize a particular date or time may be excluded. Under Section **I,** the exclusion applies to any date or time, including the Year 2000 and beyond. Under Section **II,** the exclusion applies only to the Year 2000 and beyond, but does not apply to bodily injury that occurs on the covered premises from which the business is conducted.

(2) Use Sections **I** and **II** Exclusions for Computer-Related Damage Or Injury Endorsement **HO 07 58.**

b. Sections I And II Limited Coverage

When **HO 07 58** is attached to the policy, the policy may be further endorsed to provide:

(1) Section **I** coverage for Business Income and Extra Expense when computer system, appliances, equipment, or protective devices used for business fail to operate because of the Year 2000 and renders the business structure unfit for habitation; or renders an off-premises computer used in the business operations at the structure deficient and inoperative; and

(2) Section **II** coverage for claims or suits alleging bodily injury away from the residence premises and property damage, personal injury, or advertising injury arising out of a computer failure as defined in the endorsement. Such coverage is subject to the Coverage **E** and **F** limits of liability stated in the schedule of the Home Business Insurance Coverage Endorsement.

(3) Use Sections **I** and **II** – Limited Coverage For Year 2000 Computer-Related And Other Electronic Problems Endorsement **HO 07 59.**

c. Premium

Refer to company.

RULE 528.
HOME BUSINESS INSURANCE COVERAGE (Cont'd)

D. Home Business Premium Computation

1. Development Of The Home Business Premium

Add the Section **I** and Section **II** premium components developed according to Paragraphs **D.2.** and **3.** that follow, to arrive at the Home Business premium.

2. Section I – Property

a. From the Company Homeowners Premium Tables, select the Base Class Premium that applies to the residence premises with the home business and multiply it by the appropriate factor in the following table:

Gross Annual Receipts∗	HO 00 02, 3, 5 & 8	HO 00 04	HO 00 06
Up to $50,000	Refer to state exceptions for state specific factors.		
$ 50,001 to $100,000			
100,001 to 175,000			
175,001 to 250,000			
∗ New business, use $50,001 to $100,000 classification			

Table 528.D.2.a. Factors

b. Multiply the result computed in preceding Paragraph **a.** by the rating factors in the Homeowners Manual for the following risk categories:

(1) Protection/Construction (Rule **301.** Classification Table) **–** apply the factor that applies to **HO 00 04** regardless of the Homeowners form attached to the policy; and

(2) Superior Construction (Rule **401.**) and Protection Devices (Rule **404.**) **–** apply these factors only if they are applied to the dwelling building or other structure for the residential exposure; and

(3) Townhouse or Row House Construction (Rule **402.**) in the following manner:

(a) For All Forms except **HO 00 04** and **HO 00 06,** apply the same factor used for the residential exposure; or

(b) For Forms **HO 00 04** and **HO 00 06:**

(i) Apply the factor for the number of individual family units within a fire division that best describes the building that contains the residential and business property; or

(ii) If such building has 9 or more individual family units within a fire division, apply the factor for the 5 through 8 units classification.

c. When a home business is operated from one or more other structures on the residence premises and declared in the Schedule, multiply the limit of liability for each structure by the "premium per $1,000" shown in Rule **514. Other Structures,** Paragraph **A.1.a.** in the homeowners state company rates.

3. Section II – Business Liability

a. Basic Limits Premium

Select the Company Basic Limits Premium that applies to the Office, Service, Sales or Crafts classification from the Home Business state company rates,

b. Coverage E – Increased Limits

(1) When the Coverage **E** limit is increased for Homeowners Insurance, the Home Business limits shall also be increased as illustrated in following Paragraph **(2).**

(2) Multiply the Company's basic limits premium determined in preceding Paragraph **3.a.** by the appropriate factor from the following table:

Increased Limits Of Liability				
Homeowners		Home Business		
Coverage E Personal Liability	Coverage F Med. Pay'ts To Others	Products-Completed Operations	All Other Liability	Increased Limit Factor
$ 200,000	$ 1,000	$ 200,000	$ 402,000	1.15
300,000	1,000	300,000	602,000	1.24
400,000	1,000	400,000	802,000	1.30
500,000	1,000	500,000	1,002,000	1.35

Table 528.D.3.b.(2) Factors

c. Coverage F – Increased Limits

(1) When the Coverage **F** limit is increased for Homeowners Insurance, the Home Business Coverage **F** limit shall also be increased.

(2) Select the premium for the desired increased limit from the Home Business state company rates.

(3) Add the premium determined in Paragraph **c.(2)** to the premium developed in preceding Paragraph **3.a.** or **b.** to compute the Section **II** premium component.

E. Endorsement

Use Home Business Insurance Coverage Endorsement **HO 07 01.**

RULE 528.
HOME BUSINESS INSURANCE COVERAGE (Cont'd)

F. Options

The following options may only be used when the Home Business Coverage Endorsement is attached to the policy:

1. Additional Insured

a. Managers Or Lessors Of Premises Leased To An Insured

(1) Coverage

Covers persons or organizations designated on the endorsement for their liability as owners of designated premises leased to the named insured.

(2) Premium

Refer to state company rates.

(3) Endorsement

Use Additional Insured – Managers Or Lessors Of Premises Leased To An Insured Endorsement **HO 07 50.**

b. Vendors

(1) Coverage

Provides coverage for liability arising out of the vendor's sale or distribution of the named insured's products.

(2) Premium

Refer to company.

(3) Endorsement

Use Additional Insured – Vendors Endorsement **HO 07 51.**

2. Loss Payable Condition

a. Coverage

Enables the naming of a loss payee, lender's loss payee, or loss payable under a contract-of-sale arrangement.

b. Premium

No charge is made for this endorsement.

c. Endorsement

Use Loss Payable Provisions Endorsement **HO 07 52.**

3. Personal And Advertising Injury Exclusion

a. Coverage

Excludes all Personal and Advertising Injury coverage.

b. Premium

Refer to company.

c. Endorsement

Use Exclusion – Personal And Advertising Injury Endorsement **HO 07 53.**

4. Liquor Liability Exclusion And Exception For Scheduled Activities

a. Coverage

This endorsement excludes liability coverage for:

(1) Manufacturing, selling or distributing alcoholic beverages or;

(2) Serving or furnishing alcoholic beverages with a charge whether or not such activity requires a license and;

(3) Serving or furnishing of alcoholic beverages without a charge, if a license is required for such activity.

This exclusion does not apply to bodily injury or property damage arising out of the selling, serving or furnishing of alcoholic beverages for an activity or function described in the Schedule of this endorsement.

b. Premium

Refer to company.

c. Endorsement

Use Liquor Liability Exclusion And Exception For Scheduled Activities Endorsement **HO 07 54.**

5. Special Coverage – Spoilage Of Perishable Stock

a. Coverage

Provides special coverage for the perishable stock specifically listed in the Schedule of Endorsement **HO 07 55.** The limit of liability is also listed in the endorsement.

b. Premium

Refer to state company rates.

c. Endorsement

Use Special Coverage – Spoilage Of Perishable Stock Endorsement **HO 07 55.**

6. Valuable Papers And Records Endorsements

a. Increased Limits

(1) Coverage

The Home Business Insurance Coverage Endorsement provides a basic limit of $2,500 for Valuable Papers And Records Coverage. This limit may be increased. The amount is specified in the Schedule of Endorsement **HO 07 56.**

(2) Premium

Refer to state company rates.

(3) Endorsement

Use Valuable Papers And Records Coverage Increased Limits Endorsement **HO 07 56.**

RULE 528.
HOME BUSINESS INSURANCE COVERAGE (Cont'd)

b. Special Coverage

(1) Coverage

Extends the basic $2,500 limit of liability for Valuable Papers And Records Coverage from:

(a) Named-perils in Forms **HO 00 02, HO 00 03, HO 00 04** and **HO 00 06;** and

(b) Special coverage in Forms **HO 00 05, HO 00 04** with **HO 05 24** and **HO 00 06** with **HO 17 31;**

to expanded special coverage. Increased Limits for expanded special coverage are also available.

(2) Premium

Refer to state company rates.

(3) Endorsement

Use Special Coverage Valuable Papers And Records Endorsement **HO 07 57.**

7. Off-Premises Property Coverage – Increased Limits

a. Endorsement

Coverage for business property, other than money and securities, that is away from the residence premises at the time of loss may be increased from $5,000 to $10,000. Check the appropriate box in the schedule of the Home Business Endorsement.

b. Premium

Refer to state company rates.

RULE 529.
MODIFIED OTHER INSURANCE AND SERVICE AGREEMENT CONDITION – HO 00 06 ONLY

A. Introduction

Form **HO 00 06** provides that if there is other insurance in the name of a corporation or association of property owners covering the same property covered by **HO 00 06,** payment for a covered loss under **HO 00 06** will be excess over the amount recoverable under such insurance. If the Association does not recover under its policy, for any reason, there is no payment to the insured unit-owner under Form **HO 00 06.**

B. Coverage Description

The policy may be endorsed to alter the Other Insurance and Service Agreement Condition to provide for payment of a covered loss in excess of the amount due from the other insurance whether the corporation or association of property owners can collect on it or not.

C. Premium

Multiply the Base Premium developed in accordance with Rule **301.** by 1.25.

D. Endorsement

Use Unit-Owners Modified Other Insurance And Service Agreement Condition Endorsement **HO 17 34** with **HO 00 06** only.

RULES 530. – 600.
RESERVED FOR FUTURE USE

PART VI
SECTION II – LIABILITY – ADDITIONAL COVERAGES AND INCREASED LIMITS RULES

RULE 601.
RESIDENCE PREMISES – BASIC AND INCREASED LIMITS/OTHER EXPOSURES – BASIC LIMITS

A. Residence Premises

1. Minimum limits of liability for Coverage **E** (Personal Liability) and Coverage **F** (Medical Payments to Others) are shown in Rule **301.** in the state classification section. The premium for these limits is included in the Base Premium.
2. Refer to the state company rates Rule **601.** for increased limits rates.
3. If increased limits are written, then the same limits must apply to any Other Exposures covered under the policy, unless otherwise stated.

B. Other Exposures

1. There is an additional charge for Other Exposures listed in the following rules.
2. The minimum limits for Other Exposures are the same as the limits for the Residence Premises, unless otherwise stated.
3. For increased limits for Other Exposures, refer to Rules **701.** and **702.**
4. If increased limits are written, then the same limits must apply to the Residence Premises, unless otherwise stated.

C. Rates And Factors Not Shown

1. Rates and factors for limits between the lowest and highest limits shown in this Manual may be developed by interpolation.
2. For rates and factors for limits above the highest shown, refer to company.

RULE 602.
OTHER INSURED LOCATION OCCUPIED BY INSURED

A. Introduction

1. Section **II** Coverage may be provided on locations, other than the residence premises, where an insured resides, but which are insured for Section **I** Coverage under another insurance program or by another company.
2. Make the appropriate charge for each other insured location shown in the Declarations of this policy. If the insured location is in another state, refer to the Manual for that state.

B. Premium

Refer to the state company rates.

RULE 603.
RESIDENCE EMPLOYEES

A. There is no additional charge for up to two residence employees.

B. Refer to the state company rates to determine the premium when there are more than two residence employees.

C. Charges do not apply to employees working less than half of the customary full time or to whom workers' compensation exclusion applies as stated in Section **II** of the policy.

RULE 604.
ADDITIONAL RESIDENCE RENTED TO OTHERS

A. Introduction

1. The policy may be endorsed to provide coverage when an additional residence is rented to others.
2. If the additional residence rented to others is in another state, refer to the Manual for that state.

B. Premium

Refer to state company rates.

C. Endorsement

Use Additional Residence Rented To Others Endorsement **HO 24 70.**

RULE 605.
OTHER STRUCTURES RENTED TO OTHERS – RESIDENCE PREMISES

A. Coverage Description

1. The policy may be endorsed to provide coverage when a structure on the residence premises is rented to others for dwelling purposes.
2. Refer to Rule **514.C.** for rating Section **I** Coverage.

B. Premium

Refer to state company rates.

C. Endorsement

Use Structures Rented To Others – Residence Premises Endorsement **HO 04 40.**

RULE 606. COMPUTER-RELATED DAMAGE OR INJURY EXCLUSION AND COVERAGE OPTIONS

A. Exclusions

1. When the policy covers an insured's business pursuits, home day care or other permitted business occupancies, coverage for loss caused by, resulting from or arising out of the failure of computers and electronic componentry to properly recognize a particular date or time may be excluded. Under Section **I,** the exclusion applies to any date or time, including the Year 2000 and beyond. Under Section **II,** the exclusion applies only to the Year 2000 and beyond, but does not apply to bodily injury that occurs on the covered premises from which the business is conducted.

2. Use Sections **I** and **II** Exclusions for Computer-Related Damage Or Injury Endorsement **HO 04 13.**

B. Section II Liability Limited Coverage

1. When **HO 04 13** is attached to the policy, the policy may be further endorsed to provide liability coverage for claims or suits alleging bodily injury away from the covered premises and property damage on or away from the covered premises arising out of a computer failure as defined in the endorsement. Such coverage is subject to the Coverages **E** and **F** limits of liability stated in the declarations or, if applicable, the schedule of the Home Day Care endorsement.

2. Use Section **II** – Limited Coverage for Year 2000 Computer-Related And Other Electronic Problems Endorsement **HO 04 15.**

C. Premium

Refer to company.

RULE 607. HOME DAY CARE COVERAGE

A. Coverage Description

The policy may be endorsed to provide coverage for the increased exposure arising from a home day care business on the residence premises.

B. Endorsement

1. Use Home Day Care Coverage Endorsement **HO 04 97** for Sections **I** and **II** Coverage.

2. This endorsement provides for an annual aggregate limit of liability for Coverages **E** and **F** combined. Coverage **F** is subject to a sub-limit of liability which applies per-person/per-accident and does not increase the aggregate limit of liability.

3. The annual aggregate limit of liability (Coverages **E** and **F** combined) for this endorsement is the same as the dollar amount of Coverage **E** shown in the Declarations. The Coverage **F** sub-limit for this endorsement is the same as the dollar amount of Coverage **F** shown in the Declaration.

C. Premium

1. Refer to state company rates.

2. This premium is for an annual aggregate limit of $100,000 with a Coverage **F** sub-limit of $1,000 per-person/per-accident. If other Section **II** exposures are written for higher dollar limits, use the Coverage **E** increased limit factors to raise the aggregate limit, and the Coverage **F** charges to raise the Coverage **F** sub-limit.

3. This premium is for 1 through 3 persons, other than insureds, receiving day care services. If the day care business involves the care of more than 3 persons, other than insureds, refer to company.

4. If the business is located in an other structure on the residence premises, also refer to Rule **509.** for rating the property exposure.

RULE 608. PERMITTED INCIDENTAL OCCUPANCIES – RESIDENCE PREMISES AND OTHER RESIDENCES

A. Coverage Description

The policy may be endorsed to provide coverage for the increased exposure arising from a permitted incidental occupancy on the residence premises or in an other residence occupied by the insured.

1. Residence Premises

Use Permitted Incidental Occupancies – Residence Premises Endorsement **HO 04 42.**

2. Other Residence

Use Permitted Incidental Occupancies – Other Residence Endorsement **HO 24 43.**

B. Premium

Refer to state company rates.

RULE 609. BUSINESS PURSUITS

A. Coverage Description

The policy may be endorsed to provide coverage for the liability of the insured arising out of business activities. Coverage is excluded if the insured owns the business, is a partner or maintains financial control in the business.

RULE 609.
BUSINESS PURSUITS (Cont'd)

B. Premium

1. Refer to the state company rates for eligible business activities and rates.

2. Refer to company for eligibility and rates for business activities not listed.

C. Endorsement

Use Business Pursuits Endorsement **HO 24 71.**

RULE 610.
PERSONAL INJURY

A. Introduction

Liability coverage for personal injury to others, such as false arrest, malicious prosecution, wrongful eviction, slander, libel or violations of right of privacy, may be added to the policy.

B. Premium

Refer to state company rates.

C. Endorsement

Use Personal Injury Endorsement **HO 24 82.**

RULE 611.
INCIDENTAL LOW POWER RECREATIONAL MOTOR VEHICLES

A. Coverage Description

1. The policy may be endorsed to provide liability coverage for certain types of recreational motor vehicles that cannot exceed a speed of 15 miles per hour on level ground. However, even with the endorsement there is no coverage for such vehicles if, at the time and place of an occurrence, the involved vehicle:

a. Is registered for use on public roads or property;

b. Is not registered for use on public roads or property, but such registration is required by law, or regulation issued by a government agency, for it to be used at the place of an "occurrence"; or

c. Is being:

(1) Operated in, or practicing for, any prearranged or organized race, speed contest or other competition;

(2) Rented to others;

(3) Used to carry persons or cargo for a charge; or

(4) Used for any "business" purpose except for a motorized golf cart while on a golfing facility.

2. The following may not be covered:

a. Motorized bicycles;

b. Motorized Golf carts; or

c. Mopeds.

3. Read the endorsement for conditions of coverage applying to eligible motor vehicles.

B. Premium

Refer to state company rates.

C. Endorsement

Use Incidental Low Power Recreational Motor Vehicles Endorsement **HO 24 13.**

RULE 612.
OUTBOARD MOTORS AND WATERCRAFT

A. Introduction

Coverage is included in the policy form, at no additional charge, for certain watercraft powered by an outboard engine or motor or combination of outboard engines or motors of up to 25 horsepower, and sailboats less than 26 feet in overall length with or without auxiliary power. Coverage is also included for watercraft powered by inboard or inboard-outdrive engines or motors, including those that power a water jet pump, of 50 horse power or less when not owned by an insured or more than 50 horse power when not owned by or rented to an insured.

B. Coverage Description

1. The policy may be endorsed to provide coverage for the following types of craft:

a. Watercraft, up to 26 feet in length powered by outboard engines or motors exceeding 25 horsepower; or powered by inboard or inboard-outdrive engines or motors, including those that power a water jet pump.

Accumulate total horsepower if two or more engines or motors are regularly used together with any single watercraft owned by insured.

b. Sailboats 26 feet or more in overall length, with or without auxiliary power.

2. Coverage must be written to expiration of the policy. It is permissible, however, to stipulate for all watercraft eligible in this rule, the navigational period of each year. Premium shall be adjusted on a pro rata basis.

3. For watercraft not described in preceding Paragraphs **A.** and **B.1.,** coverage is not permitted under the Homeowners Policy.

4. The premium in the state where the Insured's residence premises is located shall apply. However, if the insured owns another residence premises in a different state and principally operates the watercraft from that residence, apply the premium for that state.

C. Premium

Refer to the state company rates.

D. Endorsement

Use Watercraft Endorsement **HO 24 75.**

RULE 613. OWNED SNOWMOBILE

A. Coverage Description

1. The policy may be endorsed to provide coverage when a snowmobile is used off of the insured location.

2. Rate each snowmobile owned by the named insured or any other insured separately. This charge is the minimum annual premium for each snowmobile for any period within a policy year.

B. Premium

Refer to state company rates.

C. Endorsement

Use Owned Snowmobile Endorsement **HO 24 64.**

RULE 614. FARMERS PERSONAL LIABILITY

A. Eligibility

1. The policy may be endorsed to provide coverage when the insured has a farm away from the residence premises and farming is not the insured's primary occupation.

2. This coverage may be extended to include employer's liability including medical payments, for farm employees of any insured.

3. The following may not be covered:

a. Farms where the principal purpose of the farm is:

(1) To supply commodities for manufacturing or processing by the insured for sale to others, such as creameries and dairies (but not dairy farms).

(2) To operate freezing or dehydrating plants, and poultry factories.

The word "processing" does not apply to the slaughtering and dressing of livestock, or to such operations as bunching vegetables or crating berries.

b. Farms where the principal purpose of the farm is the raising and using of horses for racing purposes.

c. Incorporated farms.

B. Endorsement

Use Farmers Personal Liability Endorsement **HO 24 73.**

C. Premium And Rating Instructions

1. Farms Owned By Insured And Operated By Insured Or Insured's Employees

Refer to the state company rates for rates for the following exposures:

a. Initial Farm Premises with or without buildings, including all additional farm acreage (with or without buildings).

b. For **each** additional farm premises with buildings, an additional rate applies.

2. Farms Owned By Insured And Rented To Others

Refer to the state company rates for rates for the following exposures:

a. All Farm Premises **without** buildings.

b. **Each** farm premises **with** buildings.

3. Farm Employees

Refer to the state company rates for rates for the following exposures:

a. Part time employees working 40 days or fewer per year. Total the number of days worked by all employees in this category and apply the rate to that total.

b. Part time employees working over 40 days but not more than 180 days per year.

c. Full time employees (over 180 days per year).

Farm employees employed in violation of law may be excluded subject to the rules and rates filed by or on behalf of the Company. Use Exclusion Of Farm Employees Illegally Employed Endorsement **HO 24 96.**

RULE 615. INCIDENTAL FARMING PERSONAL LIABILITY

A. On The Residence Premises

1. Coverage Description

a. The policy may be endorsed to provide coverage for the liability of the insured when farming is conducted on the residence premises and is incidental to the use of the premises as a dwelling, and the income derived from the farming operations is not the insured's primary source of income. However, coverage is not available if the location specified in the endorsement is used for racing purposes.

RULE 615.
INCIDENTAL FARMING PERSONAL LIABILITY (Cont'd)

b. The policy may also be endorsed to provide coverage when the residence premises is used for the sheltering and grazing of animals. However, coverage is not available if the residence premises is used for racing purposes.

2. Premium

Refer to state company rates.

B. Away From The Residence Premises

1. Coverage Description

The policy may be endorsed to provide coverage for the liability of the insured whose incidental farming activities are conducted at the locations specified in the endorsement which are away from the residence premises. Such incidental farming activities may include the boarding or grazing of the insured's animals, or use of the land as garden space if the income derived from such activities is not the insured's primary source of income. However, coverage is not available if the locations specified in the endorsement are used for racing purposes.

2. Premium

Refer to state company rates.

C. Endorsement

Use Incidental Farming Personal Liability Endorsement **HO 24 72.**

RULE 616.
OPTIONAL PROPERTY REMEDIATION FOR ESCAPED LIQUID FUEL AND LIMITED LEAD AND ESCAPED LIQUID FUEL LIABILITY COVERAGES

A. Coverage Outline

1. Basic Limits

When the optional Property Remediation For Escaped Liquid Fuel And Limited Lead And Escaped Liquid Fuel Liability Coverages Endorsement is attached to the policy, limited amounts of insurance are automatically provided as follows:

a. Section I – Property Remediation For Escaped Liquid Fuel Coverage

$10,000 to pay for loss to covered real or personal property, owned by an insured, that is damaged by liquid fuel that escapes from a fuel system on the residence premises as defined in the coverage endorsements. Covered real property includes land, other than farm land, owned by an insured, on which a building or structure is located.

In addition to the primary residence identified in the policy declarations, the defined term "residence premises" also includes other locations owned by an insured but only if such locations have a fuel system, is specifically insured under Section **II** of the policy and is declared on the schedule in the aforementioned coverage endorsements. Enter the address of such locations on these endorsements or the policy declarations. The other locations may be owner occupied or rented to others.

This Property Remediation Coverage applies only for the policy period in which the insured first discovers or first learns of the escaped fuel, even if the escape began before that policy period.

b. Section II – Limited Lead And Escaped Liquid Fuel Liability Coverages

$50,000 to pay for damages because of bodily injury or property damage involving fuel that escapes from a fuel system or involving the contamination or exposure of lead from any location insured under the policy.

2. Premium Credit

a. Refer to state company rates for the premium credit.

b. Subtract the premium credit from the total policy premium.

3. Fuel System

a. "Fuel System" is defined in the coverage endorsements. Briefly, it includes one or more fuel storage containers, tanks, or vessels with a total combined capacity of 100 or more U.S. gallons at any one location and any related equipment such as a furnace, a water heater, fittings and pipes connecting a furnace or water heater to the fuel storage tank, and filler pipes and flues connected to a fuel storage tank.

b. When the total combined storage capacity of liquid fuel at any insured location is less than 100 U.S. gallons, the:

(1) Property Remediation Coverage does not apply to that location; and

(2) Policy limits and provisions apply for Escaped Liquid Fuel Liability to that location.

RULE 616.
OPTIONAL PROPERTY REMEDIATION FOR ESCAPED LIQUID FUEL AND LIMITED LEAD AND ESCAPED LIQUID FUEL LIABILITY COVERAGES (Cont'd)

4. Endorsements

a. Use Property Remediation For Escaped Liquid Fuel And Limited Lead And Escaped Liquid Fuel Liability Coverages Endorsement:

(1) HO 05 80 – For all forms other than **HO 00 04** and **HO 00 06.**

(2) HO 05 81 – For Form **HO 00 04.**

(3) HO 05 82 – For Form **HO 00 06.**

b. These endorsements provide complete details on coverages, limitations, definitions and additional policy conditions applicable to this coverage. Enter the limits of liability that apply to the Property Remediation Coverage and the Limited Liability Coverage on the endorsement. Also enter, on this endorsement, the address of any other location, other than the primary residence, to be insured for Property Remediation Coverage.

c. Do not use these endorsements when Farmers Personal Liability Endorsement **HO 24 73** is part of the policy.

B. Higher Limits

1. Section I – Property Remediation Coverage

a. Limits may be increased to $25,000, $50,000 or $100,000. The limit selected is entered on the coverage endorsements or the policy declarations.

b. Refer to Paragraph **D.** Rating Basis, for premium computation instructions.

2. Section II – Escaped Fuel And Lead Liability Coverage

a. Limits may be increased to $100,000 or $300,000. The limit selected is entered on the coverage endorsements or the policy declarations.

b. Refer to Paragraph **D.** Rating Basis, for premium computation instructions.

3. Rating Information For Property Remediation For Escaped Liquid Fuel And Limited Lead And Escaped Liquid Fuel Liability Coverages Endorsement HO 05 83

Attach this optional endorsement to the policy and enter the applicable Risk Class Numbers on the policy declarations. If the insurer shows this rating information elsewhere in the policy, this endorsement does not have to be used.

C. Application Of Limits Of Liability

1. For Property Remediation Coverage, the limit selected is the most coverage that will be provided during the policy period regardless of the number of locations insured for Property Remediation Coverage, the number of escapes of liquid fuel from a fuel system an insured first discovers or learns of during the policy period, or the number of claims made.

2. For Limited Lead And Escaped Liquid Fuel Liability Coverage, the limit selected is an aggregate limit and is the most coverage that will be provided during the policy period regardless of the number of persons injured, the number of persons whose property is damaged, the number of insureds, the number of locations insured under this policy or the number of bodily injury or property damage claims made.

D. Rating Basis

1. Property Remediation For Escaped Liquid Fuel Coverage

a. From the Liquid Fuel Risk Selection Table located in Paragraph **D.4.,** select:

(1) The liquid fuel risk description that best describes each location, **with or without** a dwelling building, insured for Property Remediation Coverage; and

(2) The corresponding Risk Class Number for each description identified.

b. Use the lowest Risk Class Number selected for all such locations.

2. Limited Lead And Escaped Liquid Fuel Liability Coverages

a. Liquid Fuel Hazard

(1) From the Liquid Fuel Risk Selection Table located in Paragraph **D.4.,** select:

(a) The liquid fuel risk description that best describes each location, **with or without** a dwelling building, insured under Section **II** of the policy; and

(b) The corresponding Risk Class Number for each description identified.

(2) Use the lowest Risk Class Number selected for all such locations.

b. Lead Hazard

(1) From the Lead Risk Selection Table in Paragraph **D.5.,** select:

(a) The lead risk description that best describes each location **with a dwelling building,** insured under Section **II** of the policy; and

(b) The corresponding Risk Class Number for each description identified.

(2) Use the lowest Risk Class Number selected for all such locations.

RULE 616.
OPTIONAL PROPERTY REMEDIATION FOR ESCAPED LIQUID FUEL AND LIMITED LEAD AND ESCAPED LIQUID FUEL LIABILITY COVERAGES (Cont'd)

3. Premium Selection

From the state company rates, select the appropriate additional premium charges that correspond to the lowest Risk Class Numbers determined in preceding Paragraphs **D.1.** and **2.**

4. Liquid Fuel Risk Selection Table

Description	Risk Class No.
(1) Liquid fuel storage containers, tanks, or vessels with a total combined storage capacity, at any one location, of 100 U.S. gallons or more are on covered real property, the location of the residence premises, or on any other insured location; and	
(a) **One** or **more** fuel storage containers, tanks, or vessels are partially or completely buried **below ground** (inside or outside of a building or structure);	100
(b) Are all completely **above ground** (inside or outside of a building or structure); or	200
(2) No single location insured under this policy has an escaped fuel hazard described in preceding Items **(1)(a)** or **(b).**	∗300
∗ This risk class number is only used when lead and escaped fuel liability increased limits is selected.	

Table 616.D.4. Liquid Fuel Risk Selection

5. Lead Risk Selection Table

Location Has A Dwelling Built	All Such Locations Are Certified Lead Safe+	Risk Class Number
Before 1980	No or Unknown	500
Before 1980	Yes	600
In 1980 or later	Not Applicable	700
+See Paragraph **D.6.** for Lead Safe description.		

Table 616.D.5. Lead Risk Selection

6. Lead Safe

a. Description

For the purpose of using the Lead Risk Selection Table, a location certified lead safe means that an authorized person has conducted a risk assessment in all insured locations with dwellings to determine the amount of lead, if any, in paint, dust, bare soil and drinking water and has certified that such locations meet the criteria noted in Paragraph **b.** Standards, that follows. The insurer may require a copy of the inspection report including laboratory results.

b. Standards

(1) The lead content of exterior and interior paint or other surface coating applied to dwelling buildings, other structures and fixtures is less than:

(a) 1.0 milligram per square centimeter based on testing by XRF analysis; or

(b) .5% of lead by weight based on testing by atomic absorption lab analysis.

(2) The amount of lead in interior dust particles in the dwelling building is equal to or less than:

(a) 100 micrograms per square foot on uncarpeted floors;

(b) 500 micrograms per square foot on interior window sills; or

(c) 800 micrograms per square foot on window troughs (wells).

(3) The lead concentration in bare soil is less than 400 parts per million in any area expected to be used by children.

(4) The lead concentration in drinking water is less than 0.015 milligrams per liter.

c. Authorized Person

For the purposes of this rule, an authorized person means:

(1) A lead inspector, lead technician, lead risk assessor or another similarly titled person who is trained under an accredited training program and certified by an approving authority; or

(2) A person otherwise found acceptable to the insurer;

to perform lead risk assessments in residential buildings.

RULE 616.
OPTIONAL PROPERTY REMEDIATION FOR ESCAPED LIQUID FUEL AND LIMITED LEAD AND ESCAPED LIQUID FUEL LIABILITY COVERAGES (Cont'd)

d. Lead Risk Assessment

For the purposes of this rule, a lead risk assessment of a residential building consists of:

(1) The testing of paint either through use of on site testing equipment such as XRF analyzers or the collection of samples of paint for analysis by a recognized environmental laboratory; and

(2) The collection of samples of dust, soil and water for analysis by a recognized environmental laboratory.

e. Recognized Environmental Laboratory

For the purposes of this rule, a Recognized Environmental Laboratory is a laboratory:

(1) Recognized by the U.S. Environmental Protection Agency or otherwise found acceptable by the insurer, as being capable of performing an analysis for lead compounds in paint, soil and dust; and

(2) Certified by the U.S. Environmental Protection Agency or a state authority as being capable of performing an analysis of the lead concentration in drinking water as specified under Federal regulations.

RULES 617. – 700.
RESERVED FOR FUTURE USE

PART VII
SECTION II – LIABILITY – OTHER EXPOSURES INCREASED LIMITS

RULE 701.
OTHER EXPOSURES – PERSONAL LIABILITY INCREASED LIMITS

Apply the appropriate factor shown in the following table to the basic limits premium for each exposure.

Limit	Factor
$200,000	1.15
300,000	1.24
400,000	1.30
500,000	1.35

Table 701. Personal Liability Increased Limits

RULE 702.
OTHER EXPOSURES – MEDICAL PAYMENTS TO OTHERS INCREASED LIMITS

Refer to the state company rates for increased limit rates.

RULE 301.
BASE PREMIUM COMPUTATION

Base Class Premium Table

TERRITORY	HO 00 03	HO 00 04	HO 00 06
07	1613	107	106
08	1823	112	113
32	443	47	49
34	599	65	52
36	369	44	39
38	373	49	42
39	354	41	35
41	755	56	52
44	481	50	41
45	595	54	49
46	398	46	44
47	486	51	42
48	1021	76	83
49	871	72	78
52	1140	85	83
53	417	40	45
57	383	44	39
60	336	37	34

Table 301. Base Class Premium

RULE 301.
BASE PREMIUM COMPUTATION

A. All Forms Except HO 00 04 And HO 00 06

1. Classification Tables

a. One And Two Family

Form Factors	
Form	**Factors**
HO 00 02	.95
HO 00 03	1.00
HO 00 05	1.30
HO 00 08	1.25

Table 301.A.1.a.#1 Form Factors

Protection Construction Factors		
Protection	**Construction***	
Class	**Frame**	**Masonry**
1-6	1.00	.95
7	1.25	1.00
8	1.40	1.10
9, 9E, 9S	1.50	1.30
10	1.90	1.60
* Masonry Veneer is rated as Masonry. Aluminum or Plastic Siding over Frame is rated as Frame.		

Table 301.A.1.a.#2 Protection Construction Factors

b. Three And Four Family Factor 1.04

2. Key Factor Table

Cov. A Amt. (In 000)	Factor	Cov. A Amt. (In 000)	Factor
**$ 10	.510	$ 55	.853
** 12	.526	60	.930
** 14	.542	65	.953
** 16	.558	70	.977
** 18	.574	75	1.000
20	.590	80	1.023
22	.606	85	1.040
24	.622	90	1.050
26	.638	95	1.068
28	.654	100	1.109
30	.670	110	1.195
32	.686	120	1.281
34	.702	130	1.367
36	.718	140	1.453
38	.734	150	1.539
40	.750	160	1.609
42	.766	170	1.679
44	.782	180	1.749
46	.798	190	1.819
48	.814	200	1.889
50	.830		
Each Add'l $1,000			.0070

Minimum Limits Of Liability		
****Section I – Property**	**HO 00 02, 03 & 05**	**HO 00 08**
Primary Location	$ 25,000	$ 15,000
Secondary Location	$ 15,000	$ 10,000
Section II – Liability	**All Forms**	
Personal Liability	$ 25,000	
Medical Payments to Others	1,000	

Table 301.A.2. Key Factors

RULE 301.
BASE PREMIUM COMPUTATION (Cont'd)

B. Form HO 00 04 And HO 00 06

1. Classification Tables

Protection Construction Factors		
Protection	**Construction∗**	
Class	**Frame**	**Masonry**
1-6	1.00	.90
7	1.00	.90
8	1.10	.90
9, 9E, 9S	1.50	1.20
10	1.70	1.30
∗ Masonry Veneer is rated as Masonry. Aluminum or Plastic Siding over Frame is rated as Frame.		

Table 301.B.1. Protection Construction Factors

2. Key Factor Table

Cov. C Amt. (In 000)	Factor	Cov. C Amt. (In 000)	Factor
∗∗$ 1	.37	$ 21	1.98
∗∗ 2	.44	22	2.06
∗∗ 3	.51	23	2.14
∗∗ 4	.58	24	2.22
∗∗ 5	.65	25	2.30
∗∗ 6	.72	26	2.38
∗∗ 7	.79	27	2.46
∗∗ 8	.86	28	2.54
∗∗ 9	.93	29	2.62
∗∗ 10	1.00	30	2.70
11	1.10	31	2.78
12	1.20	32	2.86
13	1.30	33	2.94
14	1.40	34	3.02
15	1.50	35	3.10
16	1.58	36	3.18
17	1.66	37	3.26
18	1.74	38	3.34
19	1.82	39	3.42
20	1.90	40	3.50
Each Add'l $1,000			.08

Minimum Limits Of Liability	
∗∗Section I – Property	
HO 00 04 – $ 6,000 **HO 00 06** – $ 10,000 **HO 00 06** – $ 5,000 or less available only for Units Regularly Rented To Others	
Section II – Liability	**All Forms**
Personal Liability	$ 25,000
Medical Payments to Others	1,000

Table 301.B.2. Key Factors

RULE A1. SPECIAL STATE REQUIREMENTS

A. Special Provisions Endorsement HO 32 32

Use this endorsement with all Homeowners policies.

B. No Coverage For Home Day Care Business HO 32 96

This endorsement details the exclusions and restrictions of the policy with respect to a home day care exposure. Use this endorsement with all Homeowners policies.

C. Windstorm Exterior Paint And Waterproofing Exclusion Endorsement HO 32 86

Use this endorsement with all Homeowners policies in Territories 07 and 08.

D. Flood, Earthquake, Mudslide, Mudflow, Landslide, Or Windstorm Or Hail Insurance Notice

North Carolina law provides that an insurer selling property insurance that does not provide coverage for the perils of flood, earthquake, mudslide, mudflow, landslide, or windstorm or hail shall provide a specific notice (a "warning" set forth in the related statute) to the policyholder as to which of the listed perils are not covered under the policy.

The required notice must be:

1. Provided upon issuance and renewal of each policy;
2. In Times New Roman 16-point font or another equivalent font; and
3. Must be included in the policy on a separate page immediately before the Declarations page.

The following warning, citing which peril is not covered, must be furnished with each new policy and upon each renewal:

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

E. North Carolina Joint Underwriting Association

Section XVI of the Plan of Operation of the Joint Underwriting Association (Fair Plan) sets forth the following as to "Responsibility with Respect to Cancellation or Nonrenewals":

As respects risks eligible under the Plan of Operation, each participating Insurer agrees that with respect to cancellation or nonrenewals initiated by it, it will give to policyholders, except in cases of nonpayment of premium, material misrepresentation, or evidence of incendiarism, thirty days to avail themselves of the Plan of Operation and the Insurer shall, in writing, explain to the policyholder the procedures for making application under the Plan of Operation.

F. Company Rates/State Rate Pages

References in the manual to "state company rates" means "state rate pages" in North Carolina.

RULE A2. INSTALLMENT PAYMENT PLAN

Annual Policy

When a policy is issued on an installment basis, the following rules apply:

A. The first installment shall be due on the effective date of the policy and the due date of the last installment shall be no later than one month prior to the policy anniversary date.

B. The premium calculated for the first installment payment, exclusive of installment charges, shall not be less than the pro rata charge for the period from the inception date of the policy to the due date of the next installment.

C. Refer to the state rate pages for the additional charge that shall be made for each installment.

RULE A3. WINDSTORM OR HAIL EXCLUSION – TERRITORIES 07, 08, 48, 49 AND 52 ONLY

A. The peril of Windstorm or Hail may be excluded if:

1. The property is located in an area eligible for such coverage from the North Carolina Underwriting Association; and
2. A Windstorm or Hail Rejection Form is secured and maintained by the company.

Use Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94.**

RULE A3.
WINDSTORM OR HAIL EXCLUSION – TERRITORIES 07, 08, 48, 49 AND 52 ONLY (Cont'd)

B. To compute the Base Premium:

1. Determine the appropriate Key Premium as described in Rule **301.**

2. Subtract the Windstorm or Hail Exclusion credit shown on the state rate pages from the Key Premium.

3. Multiply the Key Premium excluding Windstorm or Hail Coverage developed in Step **2.** by the Key Factor for the desired limit of liability.

4. For example:

Form **HO 00 02** Key Premium = $640

Windstorm or Hail Exclusion Credit = $427

Key Factor for $100,000 = 1.109

Step **1.** Determine the Key Premium
Key Premium = $640

Step **2.** Subtract Windstorm or Hail Exclusion Credit from Key Premium
$640 – $427 = $213

Step **3.** Multiply Key Factor for desired limit by amount in Step **2.** $213 x 1.109 = $236.22, round to $236 = Base Premium

C. When Endorsement **HO 32 94** is attached to the policy, enter the following on the Declarations page:

"This policy does not provide coverage for the peril of Windstorm or Hail".

D. When coverage for other specific structures or other structures rented to others is requested, refer to Rules **514.A.1.a.** and **514.A.2.a.(1)** in the state rate pages for the rates excluding windstorm or hail coverage.

RULE A4.
THEFT COVERAGE – NEWLY CONSTRUCTED DWELLINGS

A. Coverage Description

The policy may be endorsed to provide theft coverage in or to a newly constructed, unoccupied dwelling.

B. Premium

Charge the rate shown on the state rate pages. This rate will not be refunded if the endorsement is cancelled.

C. Endorsement

Use Theft Endorsement – Newly Constructed Unoccupied Dwelling Endorsement **HO 32 26.**

RULE A5.
WATERBED LIABILITY – FORMS HO 00 04 AND HO 00 06

A. Coverage Description

The policy may be endorsed to provide coverage for property damage caused by waterbeds to non-owned property on the residence premises.

B. Premium

Charge the rate shown on the state rate pages.

C. Endorsement

Use Waterbed Liability Endorsement **HO 32 40.**

RULE A6.
YEAR OF CONSTRUCTION – NEWLY CONSTRUCTED DWELLINGS – ALL FORMS EXCEPT HO 00 04 AND HO 00 06

A. A Dwelling is eligible for a discount depending on the calendar year that the dwelling was completed and first occupied. If the year first occupied is different than the year completed, the later year would apply.

B. To compute the premium for this provision, multiply the Base Premium by the appropriate credit factor selected from the following table:

Age Of Dwelling (In Years)	**Credit**
up to 1	.82
1 up to 2	.85
2 up to 3	.88
3 up to 4	.91
4 up to 5	.94
5 up to 6	.97
6 and over	No Credit Applies
Note: A dwelling under construction shall be considered to be completed and occupied during the current calendar year.	

Table A6.B. Age Of Dwelling Credits

C. To develop a premium for this option, multiply the Base Premium by the appropriate credit factor.

RULE A7. COMMUNITY MITIGATION CLASSIFICATION MANUAL

With the renaming of the Public Protection Classification (PPC) Manual all references to the PPC Manual shall be understood to be references to the Community Mitigation Classification Manual.

RULE A8. DWELLING UNDER CONSTRUCTION – THEFT COVERAGE

A. Coverage Description

The policy may be endorsed to provide theft coverage in or to a dwelling under construction.

B. Premium

Charge the rate shown on the state rate pages. This rate will not be refunded if the endorsement is cancelled.

C. Endorsement

Use Dwelling Under Construction – Theft Coverage Endorsement **HO 32 25.**

RULE A9. OPTIONAL INFLATION GUARD ENDORSEMENTS

Subject to the provisions noted in Paragraphs **B.** and **C.,** the inflation guard endorsements referenced in this rule may be used instead of the endorsement noted in General Rule **405.**

A. Eligible Forms

The limits of liability for the following forms and coverages may be adjusted, automatically, to respond to inflation as recognized by the indexes named in Paragraph **B.:**

1. Forms **HO 00 02, HO 00 03** and **HO 00 05 –** Coverages **A, B, C** and **D;** and
2. Forms **HO 00 04** and **HO 00 06 –** Coverages **C** and **D.**

These limits will be adjusted at the same rate as the change in the Index shown on the Declarations, billing notice or named on the form.

B. Approved Inflation Cost Indexes

The following Indexes have been approved by the Department of Insurance and may be used with the Inflation Guard Endorsements listed in Paragraph **C.**

A Company that elects to use one of these indexes must use it exclusively and notify the Rate Bureau of its election.

1. Marshall and Swift Boeckh Residential Cost Index published by the American Appraisal Company, Inc.
2. Composite Construction Cost Index published by the U.S. Department of Commerce.
3. Consumer Price Index published by the U.S. Department of Labor.
4. Marshall and Swift Boeckh Construction Cost Index published by Marshall and Swift Boeckh.
5. RSMeans CostWorks Valuator Published by RSMeans.

C. Endorsements

A Company that elects to use one or both of the following endorsements must use it exclusively and notify the Rate Bureau of its election.

1. **Inflation Guard Endorsement HO 32 18**

   Use this endorsement with Forms **HO 00 02, HO 00 03** and **HO 00 05.**

2. **Inflation Guard Endorsement HO 32 19**

   Use this endorsement with Forms **HO 00 04** and **HO 00 06.**

D. Premium

There is **no** additional charge for these optional endorsements.

RULE A10.
OPTIONAL RATING CHARACTERISTICS

Companies may use the following optional rating characteristics or any combination of such optional rating characteristics and Bureau filed characteristics to determine rates, as long as applicable legal requirements are satisfied. The resulting premium shall not exceed the premium that would have been determined using the rates, rating plans, classifications, schedules, rules and standards promulgated by the Bureau, except as provided by statute. The rating factor for any combination of the following optional risk characteristics cannot exceed 1.00, unless the resulting premium does not exceed the Bureau premium.

A. Policy characteristics not otherwise recognized in this manual. Examples include: account or multi-policy credit; tiers; continuity of coverage; coverages purchased; intra-agency transfers; payment history; payment options; prior insurance; and new and renewal status.

B. Policyholder/Insured personal characteristics not otherwise recognized in this manual. Examples include: Smoker/non-smoker status; credit information; loss history; loss prevention training/education; age; work status; marital status; number of years owned; household composition; and good student/education.

C. Dwelling characteristics not otherwise recognized in this manual. Examples include: Gated community; retirement community; limited access community; revitalized/renovated home; security, safety or loss deterrent systems or devices; age of home; and construction type and quality.

D. Affinity group or other group not otherwise recognized in this manual.

E. Any other rating characteristics or combination of characteristics if filed by a company and approved by the Commissioner.

RULE A11.
PRIMARY INSURANCE COVERAGE

A. 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 makes 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.

B. Rating

1. Primary Insurance

a. 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".

b. 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 Paragraph **a.**

c. Multiply the total value of the dwelling or personal property (actual or replacement) by the factor selected in Paragraph **b.**

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

2. Coverage A Example

Replacement Value of Dwelling: $5,000,000

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

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

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

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

d. 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.

RULE A11.
PRIMARY INSURANCE COVERAGE (Cont'd)

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		

RULE A12. WINDSTORM MITIGATION PROGRAM – ALL FORMS EXCEPT HO 00 04 AND HO 00 06

A. Introduction

With respect to risks located in Territories 7, 8, 48, 49 and 52, premium credits shall be made available for insureds who build, rebuild or retrofit certain residential dwellings, in accordance with specified standards, to better resist hurricanes and other catastrophic windstorm events.

B. Eligibility

1. A dwelling may be eligible for a premium credit if:

a. The dwelling has been designed and constructed in conformity with, and has been certified as meeting, the Hurricane, Tornado and Hail and High Wind requirements of the Hurricane Fortified for Safer Living® (Fortified) program promulgated by the Institute for Business and Home Safety® (IBHS);

b. The dwelling has been certified as meeting, either the Bronze, Silver or Gold hurricane mitigation measures in the Hurricane Fortified for Existing Homes® program promulgated by the IBHS;

c. The dwelling contains Opening Protection in accordance with the qualification requirements set forth in Paragraph **D.1.b.;** or

d. The dwelling contains a Total Hip Roof.

2. The provisions of this rule do not apply:

a. To condominiums or tenant policies.

b. If the policy excludes the peril of Windstorm or Hail.

c. To dwellings under construction.

d. To mobile homes.

3. To be eligible for a premium credit, mitigation features are not required for adjacent structures including, but not limited to, detached garages, storage sheds, barns, apartments, etc. located on the insured premises.

C. Proof of Compliance

The named insured must submit proof that the windstorm loss mitigation features and/or construction techniques have been implemented for each of the following:

1. IBHS Hurricane Fortified for Safer Living®

The named insured shall provide a copy of the proper designation certificate from the IBHS issued for the dwelling.

2. IBHS Hurricane Fortified for Existing Homes®

The named insured shall provide a copy of the proper designation certificate from the IBHS issued for the dwelling. The credit will apply for five years from the date of designation. In order to continue receiving the mitigation credit after five years, the dwelling must be re-inspected and re-designated by the IBHS. If the IBHS designation expires, the applicable mitigation credit will expire upon renewal.

3. Opening Protection

The existence of Opening Protection may be verified by proof of installation.

4. Total Hip Roof

The existence of a hip roof may be verified through photographs of the roof.

D. Description of Mitigation Credit Tables

With respect to dwellings to which this rule applies and subject to all other provisions of this Windstorm Mitigation Program, the following approved and properly maintained windstorm mitigation features shall be recognized for a premium credit.

1. Mitigation Features

a. IBHS Hurricane Fortified Homes

(1) A home designated by the IBHS as Hurricane Fortified for Safer Living®.

(2) A home designated by the IBHS as Hurricane Fortified for Existing Homes®, including:

(i) Hurricane Fortified for Existing Homes Bronze, Option 1

(ii) Hurricane Fortified for Existing Homes Bronze, Option 2

(iii) Hurricane Fortified for Existing Homes Silver, Option 1

(iv) Hurricane Fortified for Existing Homes Silver, Option 2

(v) Hurricane Fortified for Existing Homes Gold, Option 1

(vi) Hurricane Fortified for Existing Homes Gold, Option 2

b. Opening Protection

(1) Building opening protective features must have been tested and/or certified as having met standards of the American Society for Testing and Materials ASTM E 1886 (standard test method) and ASTM E 1996 (standard specification). Such opening protective features shall be considered qualified.

RULE A12.
WINDSTORM MITIGATION PROGRAM – ALL FORMS EXCEPT HO 00 04 AND HO 00 06 (Cont'd)

(2) Qualifying opening protection must be present at all exterior envelope openings (such as windows, garage doors, sliding doors, swinging doors, glass block, door sidelights, and skylights) on the dwelling structure. For the credit to apply, the following conditions must be met:

(i) In accordance with the qualification requirements set forth in paragraph **D.1.b.(1):**

(a) All exterior building envelope openings with glazing (e.g. glass) shall have qualified impact-resistant and wind pressure-resistant opening protection;

(b) All exterior building envelope openings without glazing shall have qualified wind pressure-resistant opening protection; and

(c) All garage doors (with and without glazing) shall meet or exceed a qualified minimum pressure resistance.

(ii) Opening protection must be installed by a qualified contractor, according to the manufacturer's specifications.

(iii) Impact-resistant protective devices must not be made of wood structural panels, such as OSB or plywood, or be homemade.

c. Total Hip Roof

A Total Hip Roof is a roof that slopes in four directions such that the end formed by the intersection of slopes is a triangle.

E. Premium Determination

1. To compute the Base Premium:

a. Determine the appropriate Key Premium as described in Rule **301.**

b. Subtract the Windstorm Loss Mitigation credit shown on the state rate pages from the Key Premium.

c. Multiply the Key Premium excluding the Windstorm Loss Mitigation credit developed in Paragraph **1.b.** by the Key Factor for the desired limit of liability.

d. For Example:

Form **HO 00 03** Key Premium = $1379

Windstorm Loss Mitigation Credit = $78

Key Factor for $100,000 = 1.109

Step **1.** Determine the Key Premium

Step **2.** Key Premium = $1379
Subtract Windstorm Loss Mitigation Credit from Key Premium
$1379 – $78 = $1301

Step **3.** Multiply Key Factor for desired limit by amount in Step **2.**
$1301 x 1.109 = $1442.81, round to $1443 = Base Premium

2. Mitigation Feature credits cannot be combined, except for Total Hip Roof and Opening Protection.

3. If mitigation measures are installed midterm, premium adjustment is required on a pro rata basis.

PART I
COVERAGE AND DEFINITION TYPE RULES

RULE 101.
LIMITS OF LIABILITY AND COVERAGE RELATIONSHIPS

Paragraph **A.1.** is replaced by the following:

A. Limits

The limits of liability required under the Homeowners policy are as follows:

1. Section I – Property Damage

Coverage A – Dwelling	
HO 00 02, HO 00 03, HO 00 05 or **HO 00 08**	Refer to Rule **301.** in the state classification pages.
HO 00 04 or **HO 00 06**	For **HO 00 06** refer to Rule **507.A.**
Coverage B – Other Structures	
HO 00 02, HO 00 03, HO 00 05 or **HO 00 08**	10% of **A** (One and two family dwelling) 5% of **A** (Three and four family dwelling)
Coverage C – Personal Property	
HO 00 02, HO 00 03, HO 00 05 or **HO 00 08**	50% of **A** (One and two family dwelling) 30% of **A** (Three family dwelling) 25% of **A** (Four family dwelling)
HO 00 04 or **HO 00 06**	Refer to Rule **301.** in the state classification pages.
Coverage D – Loss Of Use	
HO 00 02, HO 00 03 or **HO 00 05**	20% of **A**
HO 00 04	20% of **C**
HO 00 06	40% of **C**
HO 00 08	10% of **A**

Table 101.A.1. Property Damage Limits

The following is added to Paragraph **E.:**

Actual Cash Value Loss Settlement Endorsement **HO 04 81** must be used with Form **HO 00 08.** It replaces the Repair Cost or Market Value Loss Settlement Provisions in **HO 00 08** with an Actual Cash Value Loss Settlement Condition.

The following is added to Rule **101.:**

F. All Forms

The limit of liability for Coverage **E** of Section **II** may be reduced to $50,000 or $25,000. Other limits below $100,000 are not permitted.

RULE 104. ELIGIBILITY

Paragraph **G.** is replaced by the following:

G. Farm Property

1. A Homeowners Policy shall not be issued to cover any property to which farm forms or rates apply under the rules of the company. In no event shall a policy be issued to provide Section **I** property damage coverage to any property situated on premises used for farming purposes.

2. Optional Section **II** liability coverage is available for certain farm liability exposures as specified in Rule **615.**

RULE 106. PROTECTION CLASSIFICATION INFORMATION

Rule **106.** is replaced by the following:

The Protection Class listings in the Community Mitigation Classification Manual apply to risks insured under Homeowners policies.

A. The protection class indicated applies in a municipality or classified area where a single class of fire protection is available throughout (8,7,6, etc.).

B. In a classified area where a single classification is "9E", the classification is determined as follows:

Distance To Fire Station	Class
1. 5 road miles or less	9S
2. Between 5 and 6 road miles	9E

Table 106.B. Two Or More Classifications

C. In a classified area where two or more classifications are shown (Example: 6/9 or 6/9S), the classification is determined as follows:

Distance To Fire Station	Class
1. 5 road miles or less with hydrant within 1,000 feet	*
2. 5 road miles or less with hydrant beyond 1,000 feet	9 or 9S
3. Over 5 road miles	10
* First protection class (Example: 6/9 ... use Class 6)	

Table 106.C. Two Or More Classifications

D. In a classified area where two or more classifications are shown and an "E" is designated, (Example: 6/9E), the classification is determined as follows:

Distance To Fire Station	Class
1. 5 road miles or less with hydrant within 1,000 feet	*
2. 5 road miles or less with hydrant beyond 1,000 feet	9S
3. Between 5 and 6 road miles	9E
4. Over 6 road miles	10
* First protection class (Example: 6/9E ... use Class 6)	

Table 106.D. Two Or More Classifications

E. In a classified area where split classifications are shown where no hydrants are installed (Example: 9/10), or where the hydrant distance does not apply due to an alternate creditable water supply (Example: 7/10), the classification is determined as follows:

1. If the split class is X/10 (Example: 7/10):

a. Within 5 road miles of fire station, unless otherwise indicated, use first protection class.

b. Over 5 road miles from fire station, use class 10.

2. If the split class is X/9E (Example: 7/9E):

a. Within 5 road miles of fire station, unless otherwise indicated, use first protection class.

b. Between 5 and 6 road miles of fire station use Class 9E.

c. Over 6 road miles from fire station, use class 10.

F. Rural Fire Protection Districts are areas which have been inspected and for which protection classes are published.

G. All other properties are Class 10.

PART II SERVICING TYPE RULES

RULE 201. POLICY PERIOD

Paragraph **D.** is replaced by the following:

D. Less than three years on a pro rata basis and may be extended for successive policy periods based upon the premiums, forms and endorsements then in effect for the company.

RULE 209.
RESTRICTION OF INDIVIDUAL POLICIES

Rule **209.** is replaced by the following:

If a policy would not be issued because of unusual circumstances or exposures, the named insured may request a restriction of the policy provided no reduction in the premium is allowed. Such requests shall be referred to the company.

Use Restriction Of Individual Policies – North Carolina Endorsement **HO 32 29.**

PART III
BASE PREMIUM COMPUTATION RULES

RULE 302.
LOSS SETTLEMENT OPTIONS

Rule **302.** is replaced by the following:

A. Functional Replacement Cost Loss Settlement – HO 00 02, HO 00 03 And HO 00 05 Only

1. Introduction

The policy provides building loss settlement on a replacement cost basis if, at the time of loss, the amount of insurance on the damaged building represents at least 80% of the full replacement cost of the building immediately before the loss.

2. Coverage Description

The policy may be endorsed to provide building loss settlement exclusively on a functional replacement cost basis if, at the time of loss, the amount of insurance on the damaged building is 80% or more of the functional replacement cost of the building immediately before the loss. Functional Replacement Cost means the amount which it would cost to repair or replace the damaged building with less costly common construction materials and methods which are functionally equivalent to obsolete, antique or custom construction materials and methods.

3. Premium Computation

Develop the Base Premium in accordance with Rule **301.** for the amount of insurance selected for this option. However, if Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94** is also made a part of the policy then develop the Base Premium in accordance with Additional Rule **A3.** Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49 And 52 Only.

4. Endorsement

Use Functional Replacement Cost Loss Settlement – North Carolina Endorsement **HO 32 50.**

B. Actual Cash Value Loss Settlement – HO 00 02, HO 00 03 And HO 00 05 Only

1. Introduction

The policy provides building loss settlement on a replacement cost basis if, at the time of loss, the amount of insurance on the damaged building represents at least 80% of the full replacement cost of the building immediately before the loss.

2. Coverage Description

The policy may be endorsed to provide building loss settlement exclusively on an actual cash value basis if, on the inception date of the policy, the Coverage **A** limit of liability selected by the insured is less than 80% of the full replacement cost of the dwelling.

3. Premium Computation

To develop the Base Premium for the Coverage **A** limit of liability shown in the policy declarations:

a. Multiply the Coverage **A** limit of liability by the appropriate factor from the following table and round to the nearest $1,000:

% Of Replacement Value	Factor
20%	4.00
30%	2.67
40%	2.00
50%	1.60
60%	1.33
70%	1.14

Table 302.B.3.a. Factors

b. Develop a Base Premium in accordance with Rule **301.** for the amount of insurance computed in Paragraph **B.3.a.**

c. Multiply the premium determined in Paragraph **B.3.b.** by the appropriate factor from the following table:

% Of Replacement Value	Factor
20%	.73
30%	.74
40%	.75
50%	.76
60%	.77
70%	.78
80%	.80

Table 302.B.3.c. Factors

RULE 302.
LOSS SETTLEMENT OPTIONS (Cont'd)

d. If Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94** is also made a part of the policy then develop the Base Premium in accordance with Additional Rule **A3.** Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49 And 52 Only and multiply that Base Premium by the appropriate factor from Table **302.B.3.c.**

4. Endorsement

Use Actual Cash Value Loss Settlement Endorsement **HO 04 81.**

C. Special Loss Settlement – HO 00 02, HO 00 03 And HO 00 05 Only

1. Introduction

The policy provides building loss settlement on a replacement cost basis if, at the time of loss, the amount of insurance on the damaged building represents at least 80% of the full replacement cost of the building immediately before the loss.

2. Coverage Description

This percentage amount may be modified to 50%, 60% or 70% of replacement value without affecting the loss settlement provisions. If this option is selected, the Coverage **A** limit of liability representing 50%, 60% or 70% of replacement value is to be shown in the policy declarations.

3. Premium Computation

To develop the Base Premium for the Coverage **A** limit of liability shown in the policy declarations:

a. Multiply the Coverage **A** limit of liability by the appropriate factor from the following table and round to the nearest $1,000:

% Of Replacement Value	Factor
50%	1.60
60%	1.33
70%	1.14

Table 302.C.3.a. Factors

b. Develop a Base Premium in accordance with Rule **301.** for the amount of insurance computed in preceding Paragraph **a.** However, if Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94** is also made a part of the policy then develop the Base Premium in accordance with Additional Rule **A3.** Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49 And 52 Only for the amount of insurance computed in Paragraph **a.**

c. Multiply the premium determined in preceding Paragraph **b.** by the appropriate factor from the following table:

% Of Replacement Value	Factor
50%	.96
60%	.97
70%	.98

Table 302.C.3.c. Factors

4. Endorsement

Use Special Loss Settlement Endorsement **HO 04 56.**

RULE 303.
ORDINANCE OR LAW COVERAGE ALL FORMS EXCEPT HO 00 08

Paragraph **B.2.a.** is replaced by the following if Absolute Windstorm Or Hail Exclusion Endorsement **HO 32 94** is also made a part of the policy:

B. Increased Amount Of Coverage

2. Premium Determination

a. Forms HO 00 02, HO 00 03 And HO 00 05

To develop the Base Premium multiply the premium computed in accordance with the Additional Rule **A3.** Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49 And 52 Only by the appropriate factor selected from the following table:

Percentage Of Coverage A		Factors Coverage A Limit	
Increase In Amount	Total Amount	$60,000 To $140,000	All Other
15%	25%	1.13	1.05
40%	50%	1.35	1.14
65%	75%	1.51	1.20
90%	100%	1.67	1.27
For each add'l 25% increment, add		.16	.07

Table 303.B.2.a. Factors

RULE 304.
SPECIAL PERSONAL PROPERTY COVERAGE HO 00 04 AND HO 00 06

Paragraph **C.** is replaced by the following:

C. Endorsement

1. Use Special Personal Property Coverage Endorsement **HO 32 95** for use with Form **HO 00 04** only.

2. Use Unit-Owners Coverage **C** Special Coverage Endorsement **HO 32 35** for use with Form **HO 00 06** only.

PART IV
ADJUSTED BASE PREMIUM COMPUTATION RULES

RULE 402.
TOWNHOUSE OR ROW HOUSE – ALL FORMS EXCEPT HO 00 04 AND HO 00 06

Rule **402.** is replaced by the following:

The premium for an eligible 1, 2, 3 or 4 family dwelling in a town or row house structure is computed by multiplying the Base Premium by the appropriate factor selected from the following table:

Townhouse And Row House Factors

Total No. Of Individual Family Units Within The Fire Division∗	Protection Class 1–8	Protection Class 9, 9S & Over
1 Or 2 Family Dwelling		
1 & 2	1.00	1.00
3 & 4	1.10	1.15
5 – 8	1.25	1.30
9 & Over	Refer to company	
3 Or 4 Family Dwelling		
5 – 8	1.15	1.20
9 & Over	Refer to company	

∗ An eligible two family owner-occupied dwelling attached to a one family dwelling but not separated by a fire wall would be considered 3 individual family units within a fire division. An eligible four family dwelling attached to a three family dwelling but not separated by a fire wall would be considered 7 individual family units within a fire division. Four 2 family dwellings not separated by a fire wall would be considered 8 individual family units.

Table 402. Townhouse And Row House Factors

RULE 403.
PERSONAL PROPERTY (COVERAGE C) REPLACEMENT COST LOSS SETTLEMENT

Rule **403.** is replaced by the following:

A. Introduction

The policy provides loss settlement on an Actual Cash Value basis for certain types of property.

B. Loss Settlement Option

The policy may be endorsed to provide loss settlement on a Replacement Cost basis for such property whether insured on a blanket or scheduled basis. If endorsed, the Coverage **C** limit must be at least:

1. 40% of Coverage **A** for all forms except **HO 00 04** and **HO 00 06.**
2. $12,000 (if policy limit is less than $12,000 for Forms **HO 00 04** or **HO 00 06**).

C. Endorsement

Use Personal Property Replacement Cost Endorsement **HO 04 90.**

D. Scheduled Personal Property

1. When the Scheduled Personal Property Endorsement **HO 04 61** is attached to a policy with Endorsement **HO 04 90,** the following property, if scheduled, will also be subject to repair or replacement cost loss settlement up to the scheduled limit of liability:
   a. Jewelry;
   b. Furs and garments trimmed with fur or consisting principally of fur;
   c. Cameras, projection machines, films and related articles of equipment;
   d. Musical equipment and related articles of equipment;
   e. Silverware, silver-plated ware, goldware, gold-plated ware and pewterware, but excluding pens, pencils, flasks, smoking implements or jewelry; and
   f. Golfer's equipment meaning golf clubs, golf clothing and golf equipment.
2. Since the loss settlement condition in Endorsement **HO 04 61** will pay the insured the least of the:
   a. Actual cash value of the property sustaining loss;
   b. The amount for which the property could be repaired or replaced; or
   c. The amount of insurance of the property sustaining loss;

   the limit of liability that applies to each scheduled item should be carefully evaluated to ensure that the limit selected by the insured represents the cost to replace the item if lost or damaged beyond repair.

E. Scheduled Personal Property (With Agreed Value Loss Settlement)

When Scheduled Personal Property (With Agreed Value Loss Settlement) Endorsement **HO 04 60** is attached to a policy with Endorsement **HO 04 90,** the property subject to agreed value loss settlement will **not** be subject to repair or replacement cost loss settlement.

RULE 403.
PERSONAL PROPERTY (COVERAGE C)
REPLACEMENT COST LOSS SETTLEMENT (Cont'd)

F. Premium Determination

Multiply the Base Premium including any premium adjustment for Coverage **C** limits by a factor of:

1. 1.05 for all forms except **HO 00 04** and **HO 00 06.**
2. 1.40 for Forms **HO 00 04** or **HO 00 06.**
3. The charge for Replacement Cost Coverage should be applied before the credit or charge for optional deductibles.
4. Refer to the state rate pages for the minimum additional premium, including the cost to increase the Coverage **C** limits.

RULE 404.
PROTECTIVE DEVICES

Rule **404.** is replaced by the following:

Approved and properly maintained installations of burglar alarms, fire alarms and automatic sprinklers in the dwelling are to be recognized for a reduced premium in accordance with the following:

A. Definitions

1. Central Station Systems

a. A Central Station Fire Alarm System is one in which the operations of circuits and devices are signaled automatically to, recorded in, maintained, and supervised from an approved central station having competent and experienced observers and operators who shall, upon receipt of a signal, take such action as shall be required.

b. A Central Station Burglar Alarm System is one in which the operations of electrical protection circuits and devices are signaled automatically to, recorded in, maintained, and supervised from a central station having trained operators and guards in attendance at all times. Guards are dispatched to make immediate investigation of unauthorized entry or opening of protected properties from which signals are received.

Combination Central Station and Local Systems beyond the range of central station service may be classified as Local Burglar Alarm Systems.

Central Stations are listed by name and location by Underwriters Laboratories, Inc. in both the UL Burglary Protection Equipment List and UL Fire Protection Equipment List.

2. Fire Or Police Station Connected Systems

a. Fire Station Connected (Remote Station) Fire Alarm Systems contemplate a system of electrically supervised circuits employing a direct circuit (not house telephone) connection between signaling devices at the protected premises and signal receiving equipment in a remote station, such as a municipal fire alarm headquarters, or fire station.

b. A Police Station Connected Burglar Alarm System is one in which a Local Alarm System is provided with supplementary transmitting equipment, so that when actuated, a signal is also annunciated at the constantly attended receiver at police headquarters.

3. Local Systems

a. Local Fire Alarm Systems contemplate supervised systems providing fire alarm signals within the protected premises. These systems are primarily for the protection of life by indicating the necessity of evacuation of the building and secondarily for the protection of property.

b. A Local Burglar Alarm System is one in which the protective circuits and devices are connected to an enclosed and tamper-protected loud sounding device attached to an outside wall of the building in which the property is situated. Disturbance of the protective devices or unauthorized entry through wired portions of the property automatically causes the sounding device to operate until it is stopped by key control in the possession of the owner or by exhaustion of the power supply or by a timing element set for a definite period of operation.

4. Automatic Sprinkler Systems

An Automatic Sprinkler System contemplates a system in which water is piped to devices called sprinkleheads, that melt with heat and release water to extinguish a fire.

B. Evaluation Of Alarm Systems

The following shall also be considered in evaluating alarm systems for qualification and premium credit:

1. All devices, combination of devices and equipment shall be approved by a recognized independent testing firm for the purposes for which they are intended.
2. All equipment shall be installed in a workmanlike manner by a qualified firm or person.

RULE 404.
PROTECTIVE DEVICES (Cont'd)

3. Detection devices shall be installed throughout all areas of the dwelling as follows:

a. For fire alarm systems:

(1) A smoke detector shall be located in the immediate vicinity of, but outside, the bedrooms; and

(2) Heat or smoke detectors shall be provided in all major areas of the house including living room, dining room, bedroom, kitchen, hallway, attics, furnace rooms, utility rooms, basements and attached garages.

(3) Heat detectors shall be installed within the strict limitation of their listed spacing (see Item **11.** of Table **404.C.**).

b. For burglar alarm systems:

(1) Completely protecting all accessible windows, doors, transoms, skylights, and other openings leading from the premises; or

(2) Protecting with contacts only, all movable accessible openings leading from the premises and providing one or more invisible rays or channels of radiation, with the minimum overall length of the rays or radiation equivalent to the longest dimensions of the area or areas to detect movement through the channel; or

(3) Protecting with contacts only, all doors leading from the premises and providing a system of invisible radiation to all sections of the enclosed area so as to detect fourstep movement.

c. For automatic sprinkler systems:

An approved and properly maintained automatic sprinkler system with sprinklers:

(1) In all areas including attics, bathrooms, closets and attached structures; or

(2) In all areas except attic, bathroom, closet and attached structure areas that are protected by a fire detector.

C. Premium Development

The premium for a risk having an approved protective device is developed by multiplying the Base Premium (including any premium adjustment to Coverage **C** limits) by the selected factor from the following table:

Protective Devices Factors

Protective Device	Factor∗
1. Central Station Reporting Burglar Alarm	.95
2. Central Station Reporting Fire Alarm	.95
3. Both **1.** and **2.**	.91
4. Fire Station Connected Fire Alarm	.97
5. Police Station Connected Fire Alarm	.97
6. Both **4.** and **5.**	.96
7. Local Fire Alarm System	.98
8. Local Burglar Alarm System	.98
9. Both **7.** and **8.**	.98
10. Automatic Smoke Detectors	.99
11. Automatic Sprinkler System	
a. In all areas including attic, bathroom, closet and attached structure	.87
b. In all areas except attic, bathroom, closet and attached structure areas that are protected by a fire detector	.93

∗ For Protection Classifications 1-9, 9S

Note 1
Premium credit shall not be afforded on any additional or optional coverage, except Coverage **C** revised limits.

Note 2
Refer to the state rate pages for the maximum credit allowed.

Note 3
These credits do not apply to multi-family residential properties unless entire building meets the above requirements.

Table 404.C. Protective Devices Factors

D. Endorsement

Use Premises Alarm Or Fire Protection System Endorsement **HO 04 16.**

RULE 406.
DEDUCTIBLES

Paragraph **B.3.** is replaced by the following:

B. Optional Deductibles

3. $250 Theft Deductible

All forms except **HO 00 05, H0 00 04** with Special Personal Property Coverage Endorsement **HO 32 95** and **HO 00 06** with Unit-Owners Coverage **C** Special Coverage Endorsement **HO 32 35.**

a. The theft deductible applies to Coverage **C** – Personal Property and is available only when:

(1) A $100 deductible applies to All Other Perils; or

(2) A higher deductible applies to the peril of Windstorm or Hail, as described in Paragraph **C.3.,** and a $100 deductible applies to All Other Perils.

b. When the $100 deductible applies to All Other Perils, compute the premium by multiplying the Base Premium by a factor of:

(1) 1.09 for all forms except **HO 00 04** and **HO 00 06;** or

(2) 1.05 for Forms **HO 00 04** or **HO 00 06.**

c. When a higher Windstorm or Hail and $100 All Other Perils deductible applies, subtract a factor of .01 from the factors shown in Paragraph **C.3.a.(6)** or **C.3.b.(5)** for policies applicable to a higher windstorm or hail deductible.

Paragraph **C.1.** is replaced by the following:

C. Optional Higher Deductibles

1. All Perils Deductibles

To compute the premium for this deductible type, multiply the Base Premium by the factors selected from the following table:

All Forms Except HO 00 04 And HO 00 06							
	Deductible Amounts						
Coverage A Limit	$500	$1,000	$1,500	$2,500	$5,000	$7,500	$10,000
Up to $59,999	.91	.79	.73	.62	.57	N/A	N/A
$60,000 to 99,999	.91	.79	.73	.62	.57	N/A	N/A
100,000 to 200,000	.92	.79	.73	.62	.57	N/A	N/A
200,001 and Over	.96	.89	.84	.75	.65	.60	.56
HO 00 04							
Coverage C Limit	$500	$1,000	$1,500	$2,500			
Up to $25,000	.91	.77	N/A	.59			
$25,001 and Over	.93	.84	N/A	.68			
HO 00 06							
Coverage C Limit	$500	$1,000	$1,500	$2,500			
Up to $40,000	.90	.76	N/A	.56			
$40,001 and Over	.92	.81	N/A	.63			

Table 406.C.1. All Perils Deductibles Factors

RULE 406.
DEDUCTIBLES (Cont'd)

Paragraph **C.3.a.(6)** is replaced by the following:

3. Windstorm Or Hail Deductibles (All Forms Except HO 00 04 And HO 00 06)

a. Percentage Deductibles

(6) Deductible Factors

In Territories 07, 08, 48, 49 and 52 only, when the property is located in an area serviced by the North Carolina Insurance Underwriting Association (NCIUA), additional calculations must be performed to ensure that the premium credit applied to the deductible is **not** greater than the premium credit that would be applied if the peril of Windstorm or Hail were excluded from the policy.

(a) Property Not Located In Area Serviced By NCIUA

To compute the premium for this provision, multiply the Base Premium by the factor selected from the following tables for the deductible amounts desired.

(b) Property Is Located in Area Serviced by NCIUA

To determine if an "adjusted deductible credit" or the calculated deductible credit applies, complete each of the following steps:

Step **1.** Multiply the windstorm or hail exclusion credit shown in the state rate pages, under Additional Rule **A3.** Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49 And 52 Only Base Credit, by the Key Factor, for the same amount of insurance used to determine the Base Premium.

Step **2.** Multiply the result determined in Step **1.** by .9 to determine the "adjusted deductible credit".

Step **3.** Select the factor for the desired windstorm or hail deductible option from the following tables and subtract that factor from unity (1.00).

Step **4.** Multiply the factor determined in Step **3.** by the Base Premium. The result is the windstorm or hail deductible credit.

Step **5.** Compare the results in Steps **2.** and **4.** If the result in:
Step **2.** is **less** than the result in Step **4.,** to compute the premium, subtract the "adjusted deductible credit" from the Base Premium.
Step **2.** is **greater than or equal to** the result in Step **4.,** multiply the Base Premium by the factor for the desired windstorm or hail deductible option.

1% Windstorm Or Hail Deductible				
All Other	Coverage A Limit (Expressed In $)			
Perils Ded. Amount	Up To 59,999	60,000 To 99,999	100,000 To 200,000	200,001 & Over
$ 100	1.05	1.04	1.04	1.04
250	.96	.96	.96	.96
500	.89	.89	.89	.93
1,000	–	–	.78	.88
1,500	–	–	.73	.84
2,500	–	–	–	.74
5,000	–	–	–	.63
7,500	–	–	–	.58
10,000	–	–	–	.54

Table 406.C.3.a.(6)#1 1% Windstorm Or Hail Deductible

2% Windstorm Or Hail Deductible				
All Other	Coverage A Limit (Expressed In $)			
Perils Ded. Amount	Up To 59,999	60,000 To 99,999	100,000 To 200,000	200,001 & Over
$ 100	1.02	1.02	1.02	1.02
250	.93	.93	.94	.95
500	.86	.86	.87	.91
1,000	.76	.76	.76	.85
1,500	–	.71	.71	.80
2,500	–	–	.60	.72
5,000	–	–	–	.61
7,500	–	–	–	.56
10,000	–	–	–	.53

Table 406.C.3.a.(6)#2 2% Windstorm Or Hail Deductible

RULE 406.
DEDUCTIBLES (Cont'd)

5% Windstorm Or Hail Deductible				
All Other	Coverage A Limit (Expressed In $)			
Perils Ded. Amount	Up To 59,999	60,000 To 99,999	100,000 To 200,000	200,001 & Over
$ 100	.97	.97	.99	1.00
250	.89	.89	.91	.93
500	.82	.82	.84	.89
1,000	.72	.72	.73	.83
1,500	.67	.67	.68	.78
2,500	.59	.59	.59	.70
5,000	–	–	.55	.59
7,500	–	–	–	.55
10,000	–	–	–	.51

Table 406.C.3.a.(6)#3 5% Windstorm Or Hail Deductible

Paragraph **C.3.b.(5)** is replaced by the following:

b. Higher Fixed-Dollar Deductibles

(5) Deductible Factors

In Territories 07, 08, 48, 49 and 52 only, when the property is located in an area serviced by the NCIUA, additional calculations must be performed to ensure that the premium credit applied to the deductible is **not** greater than the premium credit that would be applied if the peril of Windstorm or Hail were excluded from the policy.

(a) Property Not Located In Area Serviced By NCIUA

To compute the premium for this provision, multiply the Base Premium by the factor selected from the following tables for the deductible amounts desired.

(b) Property Is Located In Area Serviced By NCIUA

To determine if an "adjusted deductible credit" or the calculated deductible credit applies, complete each of the following steps:

Step **1.** Multiply the windstorm or hail exclusion credit shown in the state rate pages, under Additional Rule **A3.** Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49 And 52 Only Base Credit, by the Key Factor, for the same amount of insurance used to determine the Base Premium.

Step **2.** Multiply the result determined in Step **1.** by .9 to determine the "adjusted deductible credit".

Step **3.** Select the factor for the desired windstorm or hail deductible option from the following tables and subtract that factor from unity (1.00).

Step **4.** Multiply the factor determined in Step **3.** by the Base Premium. The result is the windstorm or hail deductible credit.

Step **5.** Compare the results in Steps **2.** and **4.** If the result in:

Step **2.** is **less** than the result in Step **4.,** to compute the premium, subtract the "adjusted deductible credit" from the Base Premium.

Step **2.** is **greater than or equal to** the result in Step **4.,** multiply the Base Premium by the factor for the desired windstorm or hail deductible option.

$1,000 Windstorm Or Hail Deductible				
All Other	Coverage A Limit (Expressed In $)			
Perils Ded. Amount	Up To 59,999	60,000 To 99,999	100,000 To 200,000	200,001 & Over
$ 100	1.02	1.03	1.05	1.06
250	.95	.95	.97	.98
500	.88	.88	.90	.95

Table 406.C.3.b.(5)#1 $1,000 Windstorm Or Hail Deductible

$2,000 Windstorm Or Hail Deductible				
All Other	Coverage A Limit (Expressed In $)			
Perils Ded. Amount	Up To 59,999	60,000 To 99,999	100,000 To 200,000	200,001 & Over
$ 100	.98	1.00	1.03	1.04
250	.91	.92	.95	.96
500	.85	.85	.88	.93
1,000	.75	.75	.77	.88
1,500	.70	.70	.72	.84

Table 406.C.3.b.(5)#2 $2,000 Windstorm Or Hail Deductible

RULE 406.
DEDUCTIBLES (Cont'd)

$5,000 Windstorm Or Hail Deductible				
All Other Perils Ded. Amount	**Coverage A Limit (Expressed In $)**			
	Up To 59,999	**60,000 To 99,999**	**100,000 To 200,000**	**200,001 & Over**
$ 100	.96	.97	1.01	1.02
250	.88	.89	.92	.94
500	.82	.82	.85	.91
1,000	.72	.72	.75	.86
1,500	.67	.67	.70	.82
2,500	.58	.59	.60	.74

Table 406.C.3.b.(5)#3 $5,000 Windstorm Or Hail Deductible

The following is added to Rule **406.:**

D. Named Storm Percentage Deductible – Territories 07, 08, 48, 49 And 52 Only

1. Deductible Amounts

The Named Storm Percentage Deductible option is used in conjunction with a deductible applicable to All Other Section **I** Perils.

A percentage amount of 1%, 2% or 5% of the Coverage **A** or **C** limit of liability, whichever is greater, is available when the dollar amount of the percentage deductible selected exceeds the amount of the deductible applicable to All Other Section **I** Perils.

2. Endorsement

Use Named Storm Percentage Deductible – North Carolina Endorsement **HO 03 63.**

3. Schedule Instructions

Enter on the Endorsement **HO 03 63** or the policy Declarations the percentage amount that applies to Named Storm.

4. Loss By Windstorm That Is A Named Storm

In the event of Named Storm loss to covered property, the dollar amount is deducted from the total of the loss for all coverages.

5. Deductible Factors

The factors displayed below incorporate the factors for the All Perils Deductibles shown in Paragraph **C.1.** Do **not** use the factors for the All Perils Deductibles when rating a policy with a higher Named Storm deductible.

Additional calculations must be performed to ensure that the premium credit applied for the deductible is not greater than the premium credit that would be applied if the peril of Windstorm or Hail were excluded from the policy.

To determine if an "adjusted deductible credit" or the calculated deductible credit applies, complete each of the following steps:

Step **1.** Multiply the windstorm or hail exclusion credit shown in the state rate pages, under Additional Rule **A3.** Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49 And 52 Only Base Credit, by the Key Factor, for the same amount of insurance used to determine the Base Premium.

Step **2.** Multiply the result determined in Step **1.** by .9 to determine the "adjusted deductible credit".

Step **3.** Select the factor for the desired named storm deductible option from the following table and subtract that factor from unity (1.00).

Step **4.** Multiply the factor determined in Step **3.** by the Base Premium. The result is the named storm deductible credit.

Step **5.** Compare the results in Steps **2.** and **4.** If the result in:
Step **2.** is **less** than the result in Step **4.,** to compute the premium, subtract the "adjusted deductible credit" from the Base Premium.
Step **2.** is **greater than or equal to** the result in Step **4.,** multiply the Base Premium by the factor for the desired named storm deductible option.

RULE 406.
DEDUCTIBLES (Cont'd)

Territories 07, 08, 48, 49 & 52				
Named Storm Deductible Percentage	**All Other Perils Deductible Amount**	**HO 00 02, HO 00 03, HO 00 05 And HO 00 08**	**HO 00 04**	**HO 00 06**
1%	$ 100	1.06	–	–
	250	.97	–	–
	500	.94	.92	.91
	1,000	.89	.83	.80
	1,500	.85	–	–
	2,500	.75	.67	.62
	5,000	.64	–	–
	7,500	.59	–	–
	10,000	.55	–	–
2%	100	1.03	–	–
	250	.96	–	–
	500	.92	.91	.90
	1,000	.86	.82	.79
	1,500	.81	–	–
	2,500	.73	.66	.61
	5,000	.62	–	–
	7,500	.57	–	–
	10,000	.54	–	–
5%	100	1.01	–	–
	250	.94	–	–
	500	.90	.90	.89
	1,000	.84	.81	.78
	1,500	.79	–	–
	2,500	.71	.65	.60
	5,000	.60	–	–
	7,500	.56	–	–
	10,000	.52	–	–

Table 406.D.5. Named Storm Percentage Deductible

RULE 407.
ADDITIONAL AMOUNTS OF INSURANCE – FORMS HO 00 02, HO 00 03 AND HO 00 05

Paragraphs **C.1.b.** and **C.1.c.** are replaced by the following:

C. Options Available

1. Specified Additional Amount Of Insurance For Coverage A Only

b. The premium for this option is computed by multiplying the Base Premium by the appropriate factor selected from the following table:

Additional Amount Of Insurance Options	**Factor**
25%	1.02
50%	1.03

Table 407.C.1.b. Additional Amounts Of Insurance Factors

c. Use Specified Additional Amount Of Insurance For Coverage **A** Endorsement **HO 32 20.**

Paragraphs **C.2.b.** and **C.2.c.** are replaced by the following:

2. Additional Limits Of Liability For Coverages A, B, C, And D

b. The premium is computed by multiplying the Base Premium by a factor of 1.06.

c. Use Additional Limits Of Liability For Coverages **A, B, C** And **D** Endorsement **HO 32 11.**

RULE 408. ACTUAL CASH VALUE LOSS SETTLEMENT WINDSTORM OR HAIL LOSSES TO ROOF SURFACING – ALL FORMS EXCEPT HO 00 04

Rule **408.** is replaced by the following:

A. Introduction

The policy provides settlement for building losses on a repair or replacement cost basis, subject to certain conditions.

B. Coverage Description

The policy may be endorsed to provide loss settlement exclusively on an Actual Cash Value basis for roof surfacing when damage is caused by the peril of Windstorm Or Hail.

C. Premium Determination

To develop a premium for this option, multiply the Base Premium by a factor of .99.

D. Endorsement

Use Actual Cash Value Loss Settlement Windstorm Or Hail Losses To Roof Surfacing (All Forms Except **HO 00 04**) Endorsement **HO 04 93.**

This endorsement does not apply to a policy in which the peril of Windstorm or Hail is excluded.

RULE 410. BUILDING CODE EFFECTIVENESS GRADING

Rule **410.** does not apply.

PART V SECTION I – PROPERTY – ADDITIONAL COVERAGES AND INCREASED LIMITS RULES

RULE 505. EARTHQUAKE COVERAGE

Rule **505.** is replaced by the following:

A. Earthquake Coverage

The policy may be endorsed to provide coverage against a loss resulting from the peril of Earthquake. This peril shall apply to all Section **I** Coverages for the same limits provided in the policy. Use Earthquake Endorsement **HO 04 54.**

B. Deductible

The base deductible is 5% of the limit of liability for either Coverage **A** or **C,** whichever is greater and is subject to a $250 minimum. This deductible may be increased for a premium credit.

In the event of an Earthquake loss to covered property, the dollar amount is deducted from the total of the loss for Coverages **A, B** and **C.**

C. Loss Assessment Coverage

The policy may also be endorsed to cover loss assessment resulting from loss by this peril. The limit of liability shall be based on the insured's proportionate interest in the total value of all collectively owned buildings and structures of the corporation or association of property owners. Refer to company for rates.

Use Loss Assessment Coverage For Earthquake Endorsement **HO 04 36** for all forms.

D. Base Premium

Develop the base premium as follows:

1. From the state rate pages:
   a. Determine if Rate Table A, B, and/or C applies.
   b. Determine the Earthquake Zone.
   c. Select the rate according to construction from the Rate Table; and
2. Multiply the rate determined above by the:
   a. Coverage **A** limit for Forms **HO 00 02, HO 00 03** and **HO 00 05.**
   b. Coverage **C** limit for Form **HO 00 04.**
   c. Coverage **A** and **C** limits for Form **HO 00 06.**
   d. Coverage **C** and **D** increased limits.
   e. Ordinance or Law total amount of insurance (includes basic and, if applicable, increased amounts).
   f. Other Building or Structure options (e.g. Other Structures – Structures Rented To Others Residence Premises Endorsement **HO 04 40,** Other Structures On The Residence Premises – Increased Limits Endorsement **HO 04 48** and Specific Structures Away From The Residence Premises Endorsement **HO 04 92;** Building Additions And Alterations – Other Residence Endorsement **HO 04 49** and Building Additions And Alterations **HO 04 51**).

E. Premium For Higher Deductibles

Multiply the base premium determined in Paragraph **D.** by the appropriate factor from the following table:

Deductible Percentage	Factor: Frame & Superior	Factor: Masonry
10%	.89	.95
15%	.78	.89
20%	.67	.84
25%	.56	.79

Table 505.E. Premium For Higher Deductibles

RULE 507.
FORM HO 00 06 COVERAGE A DWELLING BASIC AND INCREASED LIMITS AND SPECIAL COVERAGE – HO 00 06

Paragraph **A.** is replaced by the following:

A. Basic Limits

The policy automatically provides a basic Coverage **A** limit of $1,000 on a named perils basis. If increased limits are not desired, enter "$1,000" under Coverage **A** – Dwelling on the Declarations pages.

Paragraph **D.** is replaced by the following:

D. Endorsement

Use Unit-Owners Coverage **A** Special Coverage Endorsement **HO 32 34.**

RULE 508.
FORM HO 00 06 UNITS REGULARLY RENTED TO OTHERS

Paragraph **A.2.** is replaced by the following:

A. Coverage C And Section II Liability

2. The Coverage **C** minimum limit of liability may be waived when the value of the insured's personal property in the rented unit is less than $6,000.

Paragraph **B.** is replaced by the following:

B. Premium Computation

Multiply the Coverage **C** Base Premium (less the credit for higher deductibles) by a factor of .25.

RULE 515.
PERSONAL PROPERTY

Paragraph **D.1.** is replaced by the following:

D. Increased Special Limits Of Liability

1. The Special Limits of Liability in the policy form for the categories of property noted in the following table may be increased to the maximum limits shown:

Special Limits

Personal Property	Limit In Form	Maximum Limit Allowed
1. Jewelry, Watches and Furs	$ 1,500	$ 6,500*
2. Money	200	1,000
3. Securities	1,500	3,000
4. Silverware, Goldware and Pewterware	25% of Coverage **C**	10,000**
5. Firearms	10% of Coverage **C**	10,000***
6. Electronic Apparatus		
a. In or upon a motor vehicle or motorized land conveyance	1,500	6,000**
b. Not in or upon a motor vehicle that is away from the residence premises and used for business.	1,500	6,000**
* Not exceeding the $1,500 sub-limit for any one article. However, the $1,500 sub-limit for any one article may be increased to $2,500 in increments of $500.		
** Increase must be in increments of $500.		
*** Increase must be in increments of $100.		

Table 515.D.1. Special Limits

RULE 515.
PERSONAL PROPERTY (Cont'd)

Paragraphs **D.3.** and **D.4.** are replaced by the following:

3. Use Coverage **C** Increased Special Limits Of Liability Endorsement **HO 32 88** – for all forms except as noted in Paragraph **4.**

4. Use Coverage **C** Increased Special Limits Of Liability Endorsement **HO 32 89** for Form **HO 00 05,** Form **HO 00 04** with Special Personal Property Coverage Endorsement **HO 32 95** and Form **HO 00 06** with Unit-Owners Coverage **C** Special Coverage Endorsement **HO 32 35.**

The following is added to Rule **515.:**

G. Additional Coverage – Jewelry And Furs

1. The policy may be endorsed to provide an increased limit of liability (up to $6500) and coverage for additional risks of loss on unscheduled jewelry and furs.

2. The sub-limit payable for theft of any one article is $1,500 and may be increased to $2,500 in increments of $500.

3. Refer to the state rate pages for the additional charge.

4. Use Additional Coverages – Unscheduled Jewelry And Furs Endorsement **HO 32 27.**

5. If Coverage **C** Increased Special Limits Of Liability Endorsement **HO 32 88** or **HO 32 89,** is also endorsed on the policy, Item **e.** of the endorsement (which pertains to jewelry and furs) should be left blank in deference to the limits provided under Additional Coverages Endorsement **HO 32 27.**

H. Rented Personal Property

1. Basic Limit

a. Landlords Furnishings

Under Forms **HO 00 02, HO 00 03** and **HO 00 05,** the policy automatically provides, at no additional charge, $2,500 of landlord's furnishings coverage, on a named perils basis, except Theft, for property regularly rented or held for rental in an apartment on the residence premises.

b. Theft (Burglary) Option

Coverage, as noted in Paragraph **1.a.,** may be extended to include loss resulting from burglary.

c. Premium

Refer to the state rate pages for the charge per unit.

2. Increased Limits

a. The basic limit noted in Paragraph **1.a.** may be increased up to the Coverage **C** limit of liability.

b. The increased limit applies to the same perils that apply to the basic limit and may vary by rented unit.

c. Refer to the state rate pages for the additional charge.

3. Endorsement

a. Rented Personal Property Endorsement **HO 32 21** indicates when the Theft option and/or Increased Limits option are selected.

b. When Increased Limits are selected, the increased limit and the total limit of liability are designated on the endorsement.

c. The insured may select one option or both.

RULE 517.
RENTAL TO OTHERS – EXTENDED THEFT COVERAGE ALL FORMS EXCEPT HO 00 05, HO 00 04 WITH HO 32 95 OR HO 00 06 WITH HO 32 35

The title of Rule **517.** Rental To Others – Extended Theft Coverage All Forms Except **HO 00 05, HO 00 04** With **HO 05 24** Or **HO 00 06** With **HO 17 31** is replaced by the preceding title.

RULE 519.
SPECIAL COMPUTER COVERAGE ALL FORMS EXCEPT HO 00 05, HO 00 04 WITH HO 32 95 OR HO 00 06 WITH HO 32 35

The title of Rule **519.** Special Computer Coverage All Forms Except **HO 00 05, HO 00 04** With **HO 05 24** Or **HO 00 06** With **HO 17 31,** is replaced by the preceding title and the text is replaced by the following:

A. Coverage Description

The policy may be endorsed to insure computers and related equipment against additional risks of physical loss subject to certain exclusions.

B. Premium

Refer to the state rate pages for additional charge.

C. Endorsement

Use Special Computer Coverage Endorsement **HO 32 37.**

RULE 520. LIVESTOCK COLLISION COVERAGE

Rule **520.** does not apply.

RULE 521. WATER BACK-UP AND SUMP DISCHARGE OR OVERFLOW

Rule **521.** is replaced by the following:

A. Coverage Description

The policy forms exclude coverage for loss resulting from water or waterborne material which backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment.

B. Basic Limit

The policy may be endorsed to provide such coverage for a limit of liability of $5,000 subject to a $250 deductible. No other deductible option is available.

C. Increased Limits

The basic limit of liability may be increased to $10,000, $15,000 or $25,000.

D. Premium

Refer to the state rate pages for the additional charge.

E. Endorsement

Use Water Back-up and Sump Overflow Endorsement **HO 04 84.**

RULE 528. HOME BUSINESS INSURANCE COVERAGE

Paragraph **C.4.b.** does not apply.

Table **528.D.2.a.** is replaced by the following:

Gross Annual Receipts∗	HO 00 02, 3, 5 & 8	HO 00 04	HO 00 06
Up to $50,000	.11	.46	.49
$ 50,001 to $100,000	.16	.69	.73
100,001 to 175,000	.23	.97	1.04
175,001 to 250,000	.31	1.31	1.40
∗ New business, use $50,001 to $100,000 classification			

Table 528.D.2.a. Factors

Paragraph **E.** is replaced by the following:

E. Endorsement

Use Home Business Insurance Coverage – North Carolina Endorsement **HO 32 90.**

Paragraphs **F.5.a.** and **F.5.c.** are replaced by the following:

F. Options

5. Special Coverage – Spoilage Of Perishable Stock

a. Coverage

Provides special coverage for the perishable stock specifically listed in the Schedule of Endorsement **HO 32 55.** The limit of liability is also listed in the endorsement.

c. Endorsement

Use Special Coverage – Spoilage Of Perishable Stock Endorsement **HO 32 55.**

Paragraphs **F.6.b.(1)(b)** and **F.6.b.(3)** are replaced by the following:

6. Valuable Papers And Records Endorsements

b. Special Coverage

(1) Coverage

(b) Special coverage in Forms **HO 00 05, HO 00 04** with **HO 32 95** and **HO 00 06** with **HO 32 35;**

(3) Endorsement

Use Special Coverage For Valuable Papers And Records Endorsement **HO 32 57.**

PART VI SECTION II – LIABILITY – ADDITIONAL COVERAGES AND INCREASED LIMITS RULES

RULE 601. RESIDENCE PREMISES – BASIC AND INCREASED LIMITS/OTHER EXPOSURES – BASIC LIMITS

Paragraph **A.** is replaced by the following:

A. Residence Premises

1. Basic limits of liability for Coverage **E** (Personal Liability) and Coverage **F** (Medical Payments to Others) are $100,000 and $1,000, respectively. The premium for these limits is included in the Base Premium.
2. Premium credits are provided for reduced Coverage **E** limits of $50,000 and $25,000. No other limits below $100,000 are available.
3. Refer to the state rate pages Rule **601.** for increased and reduced limits rates.
4. If increased or reduced limits are written, then the same limits must apply to any other exposures covered under the policy, unless otherwise stated.

RULE 601.
RESIDENCE PREMISES – BASIC AND INCREASED LIMITS/OTHER EXPOSURES – BASIC LIMITS (Cont'd)

Paragraphs **B.3.** and **B.4.** are replaced by the following:

B. Other Exposures

3. For increased or reduced limits for Other Exposures, refer to Rules **701.** and **702.**

4. If increased or reduced limits are written, then the same limits must apply to the Residence Premises, unless otherwise stated.

RULE 606.
COMPUTER-RELATED DAMAGE OR INJURY EXCLUSION AND COVERAGE OPTIONS

Rule **606.** does not apply.

RULE 607.
HOME DAY CARE COVERAGE

Paragraphs **C.2.** and **C.3.** are replaced by the following:

C. Premium

2. This premium is for an annual aggregate limit of $100,000 with a Coverage **F** sub-limit of $1,000 per-person/per-accident. If other Section **II** exposures are written for higher or lower dollar limits, use the Coverage **E** increased or reduced limits factors to adjust the aggregate limit, and the Coverage **F** charges to raise the Coverage **F** sub-limit.

3. The premium is for 1 through 3 persons or 4 through 5 persons, other than insureds, receiving day care services. If the day care business involves the care of more than 5 persons, other than insureds, refer to company.

RULE 610.
PERSONAL INJURY

Paragraph **C.** is replaced by the following:

C. Endorsement

Use Personal Injury Endorsement **HO 32 82.**

RULE 613.
OWNED SNOWMOBILE

Rule **613.** does not apply.

RULE 614.
FARMERS PERSONAL LIABILITY

Rule **614.** does not apply.

RULE 616.
OPTIONAL PROPERTY REMEDIATION FOR ESCAPED LIQUID FUEL AND LIMITED LEAD AND ESCAPED LIQUID FUEL LIABILITY COVERAGES

Rule **616.** does not apply.

PART VII
SECTION II – LIABILITY – OTHER EXPOSURES INCREASED LIMITS

RULE 701.
OTHER EXPOSURES – PERSONAL LIABILITY INCREASED OR REDUCED LIMITS

Rule **701.** is replaced by the following:

Apply the appropriate factor shown in the following table to the basic limits premium for each exposure.

Limit	Factor
$25,000	.67
50,000	.83
200,000	1.15
300,000	1.24
400,000	1.30
500,000	1.35
750,000	1.41
1,000,000	1.47

Table 701. Personal Liability Increased Limits

ADDITIONAL RULE(S)

RULE A2.
INSTALLMENT PAYMENT PLAN

C. Charge per installment – $3

RULE A3.
WINDSTORM OR HAIL EXCLUSION – TERRITORIES 07, 08, 48, 49 AND 52 ONLY

	Territory				
	07	**08**	**48**	**49**	**52**
All Forms Except **HO 00 04** and **HO 00 06**	$ 1357	$ 1562	$ 777	$ 633	$ 892
HO 00 04	48	49	40	38	48
HO 00 06	62	67	44	41	44

Table A3. Wind Or Hail Exclusion Credit

RULE A4.
THEFT COVERAGE – NEWLY CONSTRUCTED DWELLINGS

B. Premium

Charge per policy – $13

RULE A5.
WATERBED LIABILITY – FORMS HO 00 04 AND HO 00 06

B. Premium

Charge per policy – $14

RULE A8.
DWELLING UNDER CONSTRUCTION – THEFT COVERAGE

B. Premium

Rate per $1,000 of Coverage **A** limit – $1

RULE A12.
WINDSTORM MITIGATION PROGRAM – ALL FORMS EXCEPT HO 00 04 AND HO 00 06

Mitigation Feature	Territory 07	Territory 08	Territory 48	Territory 49	Territory 52
Total Hip Roof	$ 94	$ 106	$ 54	$ 43	$ 61
Opening Protection	96	109	54	41	62
Total Hip Roof and Opening Protection	190	215	108	84	123
IBHS Designation:					
Hurricane Fortified for Safer Living®	308	375	155	92	204
Hurricane Fortified for Existing Homes® Bronze Option 1	74	85	43	33	48
Hurricane Fortified for Existing Homes® Bronze Option 2	115	134	61	41	76
Hurricane Fortified for Existing Homes® Silver Option 1	185	226	87	44	124
Hurricane Fortified for Existing Homes® Silver Option 2	222	273	104	51	152
Hurricane Fortified for Existing Homes® Gold Option 1	236	288	116	65	155
Hurricane Fortified for Existing Homes® Gold Option 2	274	336	133	72	183

Table A9. Windstorm Loss Mitigation Credit

RULE 105.
SECONDARY RESIDENCE PREMISES

B. Premium Adjustment

2. Credit – $10

RULE 204.
MULTIPLE COMPANY INSURANCE

C. Premium

3. Credit – $10

RULE 205.
MINIMUM PREMIUM

D. Minimum Premium – $50

RULE 207.
WAIVER OF PREMIUM

B. Amount that may be waived – $3 or less

RULE 403.
PERSONAL PROPERTY (COVERAGE C) REPLACEMENT COST LOSS SETTLEMENT

F. Premium Determination

4. Minimum additional charge – $20

RULE 404.
PROTECTIVE DEVICES

C. Premium Development

Maximum credit allowed – $75

RULE 406.
DEDUCTIBLES

B. Optional Deductibles

1. Additional Premium Charge

b. Minimum additional charge – $30
Maximum additional charge – $60

RULE 503.
BUSINESS PROPERTY – INCREASED LIMIT

A. On-Premises

2. Rate per $2,500 – $25

RULE 504.
CREDIT CARD, ELECTRONIC FUND TRANSFER CARD OR ACCESS DEVICE, FORGERY & COUNTERFEIT MONEY

B. Premium

Limit	
$ 1,000	$ 1
2,500	3
5,000	4
7,500	5
10,000+	6
+ For limits in excess of $10,000, refer to company.	

Table 504.B. Additional Charge

RULE 505.
EARTHQUAKE COVERAGE

D. Base Premium

Base Deductible – Rate Per $1,000				
	Zone	**Frame+**	**Masonry+**	**Superior**
Table A				
All forms except **HO 00 04** and **HO 00 06**	3	$ .54	$ 1.24	$ .86
	4	.35	1.24	.50
	5	.27	.86	.36
Table B				
Form **HO 00 04** or Form **HO 00 06** (apply to Coverage **C** limit) and Higher Coverage **C** limits for other forms	3	$ .36	$ .95	$ .36
	4	.23	.82	.23
	5	.18	.57	.18
Table C				
Form **HO 00 06** (apply to Coverage **A** limit), Higher Coverage **D** Limits, Endorsement **HO 04 48** and Other Building Options	3	$ .36	$ 1.05	$ .68
	4	.23	1.05	.39
	5	.18	.57	.27
+If exterior Masonry Veneer is covered, rate as Masonry; if **not** covered, rate as Frame.				

Table 505.D.#1 Premium For Base Deductible

Zone 3			
Anson	Columbus	Mecklenburg	Scotland
Brunswick	Davie	Montgomery	Stanly
Cabarrus	Gaston	Richmond	Union
Catawba	Iredell	Robeson	
Cleveland	Lincoln	Rowan	

Table 505.D.#2 Earthquake Zone 3

Zone 4			
Alexander	Clay	Macon	Ruttherford
Alleghany	Cumberland	Madison	Surry
Ashe	Davidson	McDowell	Swain
Avery	Forsyth	Mitchell	Transylvania
Bladen	Graham	Moore	Watauga
Buncombe	Haywood	New Hanover	Wilkes
Burke	Henderson	Pender	Yadkin
Caldwell	Hoke	Polk	Yancey
Cherokee	Jackson	Randolph	

Table 505.D.#3 Earthquake Zone 4

Zone 5
Balance of State

Table 505.D.#4 Earthquake Zone 5

RULE 507.
FORM HO 00 06 COVERAGE A DWELLING BASIC AND INCREASED LIMITS AND SPECIAL COVERAGE HO 00 06

C. Special Coverage

1. Charge per policy for $1,000 in basic form – $2

2. Rate for each add'l $1,000 of Coverage **A** – $1

RULE 509.
HOME DAY CARE COVERAGE

D. Premium Computation

1. Section I

c. Rate per $1,000 for business in other structure – $5

RULE 510.
PERMITTED INCIDENTAL OCCUPANCIES RESIDENCE PREMISES

E. Premium Computation

1. Section I

c. Rate per $1,000 for business in other structure – $5

RULE 511.
LOSS ASSESSMENT COVERAGE

A. Residence Premises

3. Premium

All forms except **HO 00 03, HO 00 05** or **HO 00 06** with **HO 32 34**

New Amount Of Coverage	
$ 5,000	$ 3
10,000	5
Each add'l $5,000 up to $50,000	1

Table 511.A.3.#1 Additional Charge

HO 00 03, HO 00 05 or **HO 00 06** with **HO 32 34**

New Amount Of Coverage	
$ 5,000	$ 4
10,000	7
Each add'l $5,000 up to $50,000	2

Table 511.A.3.#2 Additional Charge

B. Additional Locations

2. Premium

All forms except **HO 00 03, HO 00 05** or **HO 00 06** with **HO 32 34**

New Amount Of Coverage	
$ 1,000	$ 5
5,000	8
10,000	10
Each add'l $5,000 up to $50,000	1

Table 511.B.2.#1 Additional Charge

HO 00 03, HO 00 05 or **HO 00 06** with **HO 32 34**

New Amount Of Coverage	
$ 1,000	$ 6
5,000	10
10,000	13
Each add'l $5,000 up to $50,000	2

Table 511.B.2.#2 Additional Charge

RULE 512.
LOSS OF USE – INCREASED LIMIT

B. Rate per $1,000 – $4

RULE 514.
OTHER STRUCTURES

A. On-Premises Structures

1. Specific Structure – Increased Limits

a. Premium

Rate per $1,000 for policies with windstorm or hail coverage – $4

Territories 07, 08, 48, 49 And 52 Only – Rate per $1,000 for policies excluding windstorm or hail coverage – $2

2. Structure On The Residence Premises Rented To Others

a. Premium

(1) Rate per $1,000 for policies with windstorm or hail coverage – $5

Territories 07, 08, 48, 49 And 52 Only – Rate per $1,000 for policies excluding windstorm or hail coverage – $3

B. Structures Off The Residence Premises

1. Forms HO 00 02, HO 00 03 And HO 00 05

b. Premium

Off premises structures charge per policy – $15

2. All Forms

a. Premium

(2) Specific structures – Off-Premises Rate per $1,000 – $5

RULE 515.
PERSONAL PROPERTY

A. Increased Limit

3. Rate Per $1,000:

HO 00 02 or **HO 00 03** – $2

HO 00 05 – $3

B. Increased Limit – Other Residences

3. Rate Per $1,000 – $7

C. Reduction In Limit

2. Credit per $1,000 – $1

D. Increased Special Limits Of Liability

1. Jewelry, Watches and Furs – Rate per $1,000 – $18

Increased sub-limit per article:

Rate for $2,000 – $9

Rate for $2,500 – $18

2. Money Rate per $100 – $6

3. Securities – Rate per $100 – $4

4. Silverware – Rate per $500 – $3.25

5. Firearms – Rate per $100 – $3

6. Electronic Apparatus – Rate per $500 – $10

E. Refrigerated Personal Property

3. Charge per policy – $10

F. Theft Coverage Increase – HO 00 08

3. Premium

a. On-Premises

Rate per $2,000 – $19

b. Off-Premises

Additional Charge – $10

G. Additional Coverage – Jewelry And Furs

3. Charge per policy – $7

Rate per $1,000 – $15

Increased sub-limit per article:

Rate for $2,000 – $7.50

Rate for $2,500 – $15

H. Rented Personal Property

1. Basic Limit

c. Premium

Theft (Burglary Peril Added) – Charge per unit – $3

2. Increased Limits

c. Rate per $1,000 per unit:

Including Theft – $3

Excluding Theft – $2

RULE 517.
RENTAL TO OTHERS – EXTENDED THEFT COVERAGE ALL FORMS EXCEPT HO 00 05, HO 00 04 WITH HO 32 95 OR HO 00 06 WITH HO 32 35

B. Premium

Rate per policy – $30

RULE 518.
SINKHOLE COLLAPSE COVERAGE ALL FORMS EXCEPT HO 00 04 AND HO 00 06

B. Premium Determination

1. Rate per $1,000 – $.35

RULE 519.
SPECIAL COMPUTER COVERAGE ALL FORMS EXCEPT HO 00 05, HO 00 04 WITH HO 32 95 OR HO 00 06 WITH HO 32 35

B. Premium

Charge per policy – $15

RULE 521.
WATER BACK-UP AND SUMP DISCHARGE OR OVERFLOW

D. Premium

1. Basic Limit

Charge per policy – $22

2. Increased Limits

Limit	
$ 10,000	$ 30
15,000	35
25,000	40

Table 521.D.2. Increased Limits Premium

RULE 522.
LANDLORDS FURNISHINGS

C. Premium

Rate per $500 per unit

1. Forms **HO 00 02** and **HO 00 03** – $1

2. Form **HO 00 05** – $2

RULE 523.
ASSISTED LIVING CARE COVERAGE

C. Premium

1. Section **I** and Section **II** Basic Limits

Rate per unit – $77

2. Increased Limits

Add to the basic limit Rate in Paragraph **1.:**

a. Coverage **C** – Rate per $1,000 – $7

RULE 523.
ASSISTED LIVING CARE COVERAGE (Cont'd)

b. Coverage **E** (Coverage **F** does not apply to this option.)

Reduced Coverage E Limits (Credit)	
Limit	**Rates**
$ 25,000	$ 6
50,000	3
Basic And Increased Coverage E Limits	
Limit	**Rates**
$ 200,000	$ 3
300,000	4
400,000	5
500,000	6
750,000	7
1,000,000	8

Table 523.C.2.b. Coverage E Limits

RULE 524.
OTHER MEMBERS OF A NAMED INSURED'S HOUSEHOLD

C. Premium

1. Section **I** and Section **II** Basic Limits

Rate per person named in the Schedule – $60

2. Section **II** Increased Limits

Add to the basic limit Rate in Paragraph **1.**:

a. For Coverage **E:**

Reduced Coverage E Limits (Credit)	
Limit	**Rates**
$ 25,000	$ 17
50,000	9
Basic And Increased Coverage E Limits	
Limit	**Rates**
$ 200,000	$ 8
300,000	12
400,000	15
500,000	18
750,000	21
1,000,000	24

Table 524.C.2.a. Coverage E Limits

b. For Coverage **F:**

Refer to Rule **702.** for Rates for limits above $1,000

RULE 525.
MOTORIZED GOLF CART – PHYSICAL LOSS COVERAGE

E. Premium

The following charge is the minimum annual premium for each motorized golf cart for any period within a policy year:

Rate per motorized golf cart **without** collision – $7

Rate per motorized golf cart **with** collision – $12

RULE 526.
RESIDENCE HELD IN TRUST ALL FORMS EXCEPT HO 00 04

F. Premium

For basic limits rates:

1. Trustee

Applies whether or not the trustee resides on the residence premises – $26

2. Beneficiary And/Or Grantor

a. Beneficiary **or** grantor named in the endorsement; and

(1) Trustee resides on the residence premises – $26

(2) Trustee does **not** reside on the residence premises – No add'l Charge

b. Beneficiary **and** grantor named in the endorsement; and

(1) Trustee resides on the residence premises – $51

(2) Trustee does **not** reside on the residence premises – $26

For increased limits:

For Coverage **E:**

Refer to Rule **701.** for increased limits factors.

For Coverage **F:**

Refer to Rule **702.** for increased limits charges.

RULE 527.
STUDENT AWAY FROM HOME

C. Premium Determination

1. Section **I** and Section **II** Basic Limits

Rate per location – $68

RULE 527.
STUDENT AWAY FROM HOME (Cont'd)

2. Section **II** Increased Limits

Add to the basic limit Rate in Paragraph **1.:**

a. For Coverage **E:**

Reduced Coverage E Limits (Credit)	
Limit	**Rates**
$ 25,000	$ 17
50,000	9
Basic And Increased Coverage E Limits	
Limit	**Rates**
$ 200,000	$ 8
300,000	12
400,000	15
500,000	18
750,000	21
1,000,000	24

Table 527.C.2.a. Coverage E Limits

b. For Coverage **F:**

Refer to Rule **702.** for Rates for limits above $1,000.

RULE 528.
HOME BUSINESS INSURANCE COVERAGE

D. Home Business Premium Computation

3. Section II – Business Liability

a. Basic Limits Premium

For Coverages **E** and **F:**

(1) Office (Gross Annual Receipts up to $250,000)

Business Visitors Per Week*	Under 10	10 Or More
	$ 2.44	$ 3.66
* New Business, use 10 or more classification		

Table 528.D.3.a.(1) Office Basic Limits Premium

RULE 528.
HOME BUSINESS INSURANCE COVERAGE (Cont'd)

(2) Service, Sales and Crafts

	Business Visitors Per Week*					
	Services		Sales		Crafts	
Gross Annual Receipts**	Under 10	10 Or More	Under 10	10 Or More	Under 10	10 Or More
Up to $50,000	$ 14.50	$ 21.75	$ 6.50	$ 9.75	$ 6.50	$ 9.75
$50,001 to $100,000	43.50	65.25	19.50	29.25	19.50	29.25
$100,001 to $175,000	79.75	119.63	35.75	53.63	35.75	53.63
$175,001 to $250,000	123.25	184.88	55.25	82.88	55.25	82.88

* New Business, use 10 or more classification.
** New Business, use $50,001 to $100,000 classification.

Table 528.D.3.a.(2) Service, Sales And Crafts Basic Limits Premium

c. Coverage F – Increased Limits

(2) All home business classifications:

	All Home Business Classifications			
	Homeowners Increased Limit Of Liability			
Business Visitors Per Week	$2,000	$3,000	$4,000	$5,000
Under 10	$ 5.00	$ 10.00	$ 15.00	$ 19.00
10 or more	7.00	12.00	18.00	22.00

Table 528.D.3.c.(2) Increased Limit

F. Options

1. Additional Insured

a. Managers Or Lessors Of Premises Leased To An Insured

(2) Premium

Rate per location/per additional insured – $14

5. Special Coverage – Spoilage Of Perishable Stock

b. Premium

Rate per $1,000:

(1) Florists – $2

(2) Other Classes of Business – Refer to Company

6. Valuable Papers And Records Endorsements

Rate per $1,000:

a. Increased Limits

For Endorsement **HO 07 56:**

(2) Premium

(a) Named Perils Coverage (**HO 00 02, HO 00 03, HO 00 04** and **HO 00 06**) – $1

(b) Open Perils Coverage (**HO 00 05, HO 00 04** with **HO 32 95** and **HO 00 06** with **HO 32 35**) – $2

b. Special Coverage

For Endorsements (**HO 07 56** and **HO 32 57**):

(2) Premium

(a) First $2,500:

HO 00 02, HO 00 03, HO 00 04 and **HO 00 06** – $3

HO 00 05, HO 00 04 with **HO 32 95** and **HO 00 06** with **HO 32 35** – $2

(b) Each additional $1,000 – all forms – $2

7. Off-Premises Property Coverage – Increased Limits

b. Premium

Rate per $2,500:

HO 00 02, HO 00 03, HO 00 04 and **HO 00 06** – $25

HO 00 05, HO 00 04 with **HO 32 95** and **HO 00 06** with **HO 32 35** – $37

RULE 601.
RESIDENCE PREMISES – BASIC AND INCREASED LIMITS/OTHER EXPOSURES – BASIC LIMITS

A. Residence Premises

3. Increased Limits

Coverage E – Liability			
1 and 2 Family Premium		**3 or 4 Family Premium**	
Reduced Coverage E Limit (Credit)			
Limit	**Rate**	**Limit**	**Rate**
$ 25,000	$ 11	$ 25,000	$ 22
50,000	6	50,000	11
Basic And Increased Coverage E Limit			
Limit	**Rate**	**Limit**	**Rate**
$ 100,000	–	100,000	–
200,000	$ 5	200,000	$ 10
300,000	8	300,000	16
400,000	10	400,000	20
500,000	12	500,000	23
750,000	14	750,000	28
1,000,000	16	1,000,000	32

Table 601.A.3.#1 Coverage E – Liability

Coverage F – Medical Payments	
Limit	**Rate**
$ 1,000	–
2,000	$ 3
3,000	6
4,000	9
5,000	12

Table 601.A.3.#2 Coverage F – Medical Payments

RULE 602.
OTHER INSURED LOCATION OCCUPIED BY INSURED

B. Premium

Rate per Residence:

One Family – $7

Two Family – $14

Three Family – $27

Four Family – $29

RULE 603.
RESIDENCE EMPLOYEES

B. Rate per Person in Excess of Two – $5

RULE 604.
ADDITIONAL RESIDENCE RENTED TO OTHERS

B. Premium

Rate per Residence:

One Family – $32

Two Family – $51

Three Family – $86

Four Family – $93

RULE 605.
OTHER STRUCTURES RENTED TO OTHERS – RESIDENCE PREMISES

B. Premium

Rate per Structure – $32

RULE 607.
HOME DAY CARE COVERAGE

C. Premium

1. Rate per Person:

1 – 3 Persons – $114

4 – 5 Persons – $199

RULE 608.
PERMITTED INCIDENTAL OCCUPANCIES – RESIDENCE PREMISES AND OTHER RESIDENCES

B. Premium

Rate per Residence:

1. Residence Premises – $17

2. Other Residence – $17

RULE 609.
BUSINESS PURSUITS

B. Premium

Rate per Insured Person:

1. Clerical Employees – $5

2. Sales person, Collector or Messenger – Installation, demonstration or servicing operation:

Included – $7

Excluded – $5

3. Teachers

a. Laboratory, athletic, manual or physical training – $13

b. Not otherwise classified – $6

c. Corporal punishment (add to Paragraph **3.a.** or **3.b.**) – $5

RULE 610.
PERSONAL INJURY

B. Premium

Rate per Policy – $13

RULE 611.
INCIDENTAL LOW POWER RECREATIONAL MOTOR VEHICLES

B. Premium

Rate per Conveyance – $15

RULE 612.
OUTBOARD MOTORS AND WATERCRAFT

C. Premium

1. Outboard, Inboard, or Inboard-Outdrive Engines or Motors:

	Length	
	Up To 15 Feet	Over 15 To 26 Feet
Horsepower	Rate	Rate
Up to 50∗	$ 41	$ 64
51 to 100	69	92
101 to 150	98	121
151 to 200	Refer to Company	149
Over 200	Refer to Company	Refer to Company
∗ Outboard engines or motors of up to 25 horsepower or sailboats less than 26 feet in overall length with or without auxiliary power are covered in the policy form.		

Table 612.C.1. Outboard, Inboard, Or Inboard-Outdrive Engines Or Motors

2. Sailboats With or Without Auxiliary Power:

Overall Length/Feet	Rate
26 to 40 feet∗	$ 44
Over 40 feet	Refer to Company
∗ Outboard engines or motors of up to 25 horsepower or sailboats less than 26 feet in overall length with or without auxiliary power are covered in the policy form.	

Table 612.C.2. Sailboats With Or Without Auxiliary Power

RULE 613.
OWNED SNOWMOBILE

B. Premium

Rate per Snowmobile – Not Applicable

RULE 615.
INCIDENTAL FARMING PERSONAL LIABILITY

A. On The Residence Premises

2. Premium

Farming done On The Residence Premises – $40

B. Away From The Residence Premises

2. Premium

Farming done Away From The Residence Premises – $60

RULE 702.
OTHER EXPOSURES – MEDICAL PAYMENTS TO OTHERS INCREASED LIMITS

Basic Limit Rule #	Coverage F – Medical Payments	$2,000	$3,000	$4,000	$5,000
524.	Other Members of an Insured's Household	$ 1	$ 2	$ 3	$ 4
526.	Residence Held in Trust All Forms Except **HO 00 04**	1	2	3	4
527.	Student Away From Home	1	2	3	4
602.	Other Insured Locations Occupied By Insured	1	2	3	4
603.	Residence Employees	1	2	3	4
604.	Add'l. Residence Rented to Others	1	2	3	4
605.	Other Structures Rented to Others – Residence Premises	1	2	3	4
607.	Home Day Care Coverage	5	10	15	19
608.	Permitted Incidental Occupancies				
	1. Residence Premises	5	10	15	19
	2. Other Residence	3	6	9	11
609.	Business Pursuits				
	1. Clerical Employees	1	2	3	4
	2. Salesperson, Installation, etc.				
	Included or Excluded	1	2	3	4
	3. Teachers				
	a. Lab, etc.	2	4	6	7
	b. Not otherwise classified	1	2	3	4
	c. Corporal Punishment	Medical Payments Not Available			
611.	Incidental Motorized Land Conveyances	1	2	3	4
612.	Outboard Motors and Watercraft				
	1. Outboard, Inboard or Inboard – Outboard engines or Motors				
	a) Up to 15 feet:				
	Up to 50 hp.	3	6	9	11
	51 to 100 hp.	4	8	12	14
	101 to 150 hp.	6	12	18	21
	151 to 200 hp.	Refer to Company			
	Over 200 hp.	Refer to Company			
	b) Over 15 to 26 feet:				
	Up to 50 hp.	4	8	12	14
	51 to 100 hp.	6	12	18	21
	101 to 150 hp.	8	16	24	28
	151 to 200 hp.	12	24	36	42
	Over 200 hp.	Refer to Company			
	2. Sailboats, with or without auxiliary power				
	26 to 40 feet	3	6	9	11
	Over 40 feet	Refer to Company			
613.	Owned Snowmobile	Not Applicable			
615.	Incidental Farming Personal Liability	1	2	3	4

Table 702. Other Exposures – Medical Payments To Others Increased Limits

1. TERRITORY DEFINITIONS – (For all Coverages and Perils Other than Earthquake).

A. Cities

City of	County of	Code
Charlotte	Mecklenburg	38
Durham	Durham	32
Greensboro	Guilford	36
Raleigh	Wake	32
Winston-Salem	Forsyth	36

B. Other Than Cities

County of	Code
Alamance	57
Alexander	60
Alleghany	60
Anson	44
Ashe	60
Avery	60
Beaufort	49
Bertie	45
Bladen	41
Brunswick	52
Buncombe	60
Burke	60
Cabarrus	60
Caldwell	60
Camden	49
Carteret	52
Caswell	46
Catawba	60
Chatham	53
Cherokee	60
Chowan	49
Clay	60
Cleveland	60
Columbus	41
Craven	49
Cumberland	34
Currituck	48
Dare	48
Davidson	57
Davie	60
Duplin	45
Durham	53
Edgecombe	47
Forsyth	57
Franklin	47
Gaston	39
Gates	45
Graham	60
Granville	46
Greene	45
Guilford	57
Halifax	47
Harnett	47
Haywood	60
Henderson	60
Hertford	45
Hoke	47
Hyde	48
Iredell	60
Jackson	60
Johnston	47
Jones	49
Lee	47
Lenoir	45
Lincoln	60
Macon	60
Madison	60
Martin	45
McDowell	60
Mecklenburg	39
Mitchell	60
Montgomery	44
Moore	47
Nash	47
New Hanover	52
Northampton	47
Onslow	52
Orange	53
Pamlico	48
Pasquotank	49
Pender	52
Perquimans	49
Person	46
Pitt	45
Polk	60
Randolph	57
Richmond	44
Robeson	41
Rockingham	60
Rowan	60
Rutherford	60
Sampson	45
Scotland	47
Stanly	60
Stokes	60
Surry	60
Swain	60
Transylvania	60
Tyrrell	49
Union	39
Vance	46
Wake	53
Warren	46
Washington	49
Watauga	60
Wayne	45
Wilkes	60
Wilson	47
Yadkin	57
Yancey	60

Beach Area – Localities south and east of the Inland Waterway from the South Carolina Line to Fort Macon (Beaufort Inlet), thence south and east of Core, Pamlico, Roanoke and Currituck Sounds to the Virginia Line, being those portions of land generally known as the "Outer Banks."

Beach Areas in Currituck, Dare and Hyde Counties: 07

Beach areas in Brunswick, Carteret, New Hanover, Onslow and Pender Counties: 08

HOMEOWNERS 2 – BROAD FORM

AGREEMENT

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

DEFINITIONS

A. In this policy, "you" and "your" refer to the "named insured" shown in the Declarations and the spouse if a resident of the same household. "We", "us" and "our" refer to the Company providing this insurance.

B. In addition, certain words and phrases are defined as follows:

1. "Aircraft Liability", "Hovercraft Liability", "Motor Vehicle Liability" and "Watercraft Liability", subject to the provisions in **b.** below, mean the following:

a. Liability for "bodily injury" or "property damage" arising out of the:

(1) Ownership of such vehicle or craft by an "insured";

(2) Maintenance, occupancy, operation, use, loading or unloading of such vehicle or craft by any person;

(3) Entrustment of such vehicle or craft by an "insured" to any person;

(4) Failure to supervise or negligent supervision of any person involving such vehicle or craft by an "insured"; or

(5) Vicarious liability, whether or not imposed by law, for the actions of a child or minor involving such vehicle or craft.

b. For the purpose of this definition:

(1) Aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo;

(2) Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;

(3) Watercraft means a craft principally designed to be propelled on or in water by wind, engine power or electric motor; and

(4) Motor vehicle means a "motor vehicle" as defined in **7.** below.

2. "Bodily injury" means bodily harm, sickness or disease, including required care, loss of services and death that results.

3. "Business" means:

a. A trade, profession or occupation engaged in on a full-time, part-time or occasional basis; or

b. Any other activity engaged in for money or other compensation, except the following:

(1) One or more activities, not described in **(2)** through **(4)** below, for which no "insured" receives more than $2,000 in total compensation for the 12 months before the beginning of the policy period;

(2) Volunteer activities for which no money is received other than payment for expenses incurred to perform the activity;

(3) Providing home day care services for which no compensation is received, other than the mutual exchange of such services; or

(4) The rendering of home day care services to a relative of an "insured".

4. "Employee" means an employee of an "insured", or an employee leased to an "insured" by a labor leasing firm under an agreement between an "insured" and the labor leasing firm, whose duties are other than those performed by a "residence employee".

5. "Insured" means:

a. You and residents of your household who are:

(1) Your relatives; or

(2) Other persons under the age of 21 and in the care of any person named above;

b. A student enrolled in school full time, as defined by the school, who was a resident of your household before moving out to attend school, provided the student is under the age of:

(1) 24 and your relative; or

(2) 21 and in your care or the care of a person described in **a.(1)** above;

c. Under Section **II:**

(1) With respect to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person included in **a.** or **b.** above. "Insured" does not mean a person or organization using or having custody of these animals or watercraft in the course of any "business" or without consent of the owner; or

(2) With respect to a "motor vehicle" to which this policy applies:

(a) Persons while engaged in your employ or that of any person included in **a.** or **b.** above; or

(b) Other persons using the vehicle on an "insured location" with your consent.

Under both Sections **I** and **II,** when the word an immediately precedes the word "insured", the words an "insured" together mean one or more "insureds".

6. "Insured location" means:

a. The "residence premises";

b. The part of other premises, other structures and grounds used by you as a residence; and

(1) Which is shown in the Declarations; or

(2) Which is acquired by you during the policy period for your use as a residence;

c. Any premises used by you in connection with a premises described in **a.** and **b.** above;

d. Any part of a premises:

(1) Not owned by an "insured"; and

(2) Where an "insured" is temporarily residing;

e. Vacant land, other than farm land, owned by or rented to an "insured";

f. Land owned by or rented to an "insured" on which a one, two, three or four family dwelling is being built as a residence for an "insured";

g. Individual or family cemetery plots or burial vaults of an "insured"; or

h. Any part of a premises occasionally rented to an "insured" for other than "business" use.

7. "Motor vehicle" means:

a. A self-propelled land or amphibious vehicle; or

b. Any trailer or semitrailer which is being carried on, towed by or hitched for towing by a vehicle described in **a.** above.

8. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in:

a. "Bodily injury"; or

b. "Property damage".

9. "Property damage" means physical injury to, destruction of, or loss of use of tangible property.

10. "Residence employee" means:

a. An employee of an "insured", or an employee leased to an "insured" by a labor leasing firm, under an agreement between an "insured" and the labor leasing firm, whose duties are related to the maintenance or use of the "residence premises", including household or domestic services; or

b. One who performs similar duties elsewhere not related to the "business" of an "insured".

A "residence employee" does not include a temporary employee who is furnished to an "insured" to substitute for a permanent "residence employee" on leave or to meet seasonal or short-term workload conditions.

11. "Residence premises" means:

a. The one family dwelling where you reside;

b. The two, three or four family dwelling where you reside in at least one of the family units; or

c. That part of any other building where you reside;

and which is shown as the "residence premises" in the Declarations.

"Residence premises" also includes other structures and grounds at that location.

DEDUCTIBLE

Unless otherwise noted in this policy, the following deductible provision applies:

Subject to the policy limits that apply, we will pay only that part of the total of all loss payable under Section **I** that exceeds the deductible amount shown in the Declarations.

SECTION I – PROPERTY COVERAGES

A. Coverage A – Dwelling

1. We cover:

a. The dwelling on the "residence premises" shown in the Declarations, including structures attached to the dwelling; and

b. Materials and supplies located on or next to the "residence premises" used to construct, alter or repair the dwelling or other structures on the "residence premises".

2. We do not cover land, including land on which the dwelling is located.

B. Coverage B – Other Structures

1. We cover other structures on the "residence premises" set apart from the dwelling by clear space. This includes structures connected to the dwelling by only a fence, utility line, or similar connection.

2. We do not cover:

a. Land, including land on which the other structures are located;

b. Other structures rented or held for rental to any person not a tenant of the dwelling, unless used solely as a private garage;

c. Other structures from which any "business" is conducted; or

d. Other structures used to store "business" property. However, we do cover a structure that contains "business" property solely owned by an "insured" or a tenant of the dwelling provided that "business" property does not include gaseous or liquid fuel, other than fuel in a permanently installed fuel tank of a vehicle or craft parked or stored in the structure.

3. The limit of liability for this coverage will not be more than 10% of the limit of liability that applies to Coverage **A.** Use of this coverage does not reduce the Coverage **A** limit of liability.

C. Coverage C – Personal Property

1. Covered Property

We cover personal property owned or used by an "insured" while it is anywhere in the world. After a loss and at your request, we will cover personal property owned by:

a. Others while the property is on the part of the "residence premises" occupied by an "insured"; or

b. A guest or a "residence employee", while the property is in any residence occupied by an "insured".

2. Limit For Property At Other Residences

Our limit of liability for personal property usually located at an "insured's" residence, other than the "residence premises", is 10% of the limit of liability for Coverage **C,** or $1,000, whichever is greater. However, this limitation does not apply to personal property:

a. Moved from the "residence premises" because it is being repaired, renovated or rebuilt and is not fit to live in or store property in; or

b. In a newly acquired principal residence for 30 days from the time you begin to move the property there.

3. Special Limits Of Liability

The special limit for each category shown below is the total limit for each loss for all property in that category. These special limits do not increase the Coverage **C** limit of liability.

a. $200 on money, bank notes, bullion, gold other than goldware, silver other than silverware, platinum other than platinumware, coins, medals, scrip, stored value cards and smart cards.

b. $1,500 on securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps. This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists.

This limit includes the cost to research, replace or restore the information from the lost or damaged material.

c. $1,500 on watercraft of all types, including their trailers, furnishings, equipment and outboard engines or motors.

d. $1,500 on trailers or semitrailers not used with watercraft of all types.

e. $1,500 for loss by theft of jewelry, watches, furs, precious and semiprecious stones.

f. $2,500 for loss by theft of firearms and related equipment.

g. $2,500 for loss by theft of silverware, silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware. This includes flatware, hollow-ware, tea sets, trays and trophies made of or including silver, gold or pewter.

h. $2,500 on property, on the "residence premises", used primarily for "business" purposes.

i. $500 on property, away from the "residence premises", used primarily for "business" purposes. However, this limit does not apply to loss to electronic apparatus and other property described in Categories **j.** and **k.** below.

j. $1,500 on electronic apparatus and accessories, while in or upon a "motor vehicle", but only if the apparatus is equipped to be operated by power from the "motor vehicle's" electrical system while still capable of being operated by other power sources.

Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described in this Category **j.**

k. $1,500 on electronic apparatus and accessories used primarily for "business" while away from the "residence premises" and not in or upon a "motor vehicle". The apparatus must be equipped to be operated by power from the "motor vehicle's" electrical system while still capable of being operated by other power sources.

Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described in this Category **k.**

4. Property Not Covered

We do not cover:

a. Articles separately described and specifically insured, regardless of the limit for which they are insured, in this or other insurance;

b. Animals, birds or fish;

c. "Motor vehicles".

(1) This includes:

(a) Their accessories, equipment and parts; or

(b) Electronic apparatus and accessories designed to be operated solely by power from the electrical system of the "motor vehicle". Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described above.

The exclusion of property described in **(a)** and **(b)** above applies only while such property is in or upon the "motor vehicle".

(2) We do cover "motor vehicles" not required to be registered for use on public roads or property which are:

(a) Used solely to service an "insured's" residence; or

(b) Designed to assist the handicapped;

d. Aircraft meaning any contrivance used or designed for flight including any parts whether or not attached to the aircraft.

We do cover model or hobby aircraft not used or designed to carry people or cargo;

e. Hovercraft and parts. Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;

f. Property of roomers, boarders and other tenants, except property of roomers and boarders related to an "insured";

g. Property in an apartment regularly rented or held for rental to others by an "insured", except as provided under **E.10.** Landlord's Furnishings under Section **I** – Property Coverages;

h. Property rented or held for rental to others off the "residence premises";

i. "Business" data, including such data stored in:

(1) Books of account, drawings or other paper records; or

(2) Computers and related equipment.

We do cover the cost of blank recording or storage media, and of prerecorded computer programs available on the retail market;

j. Credit cards, electronic fund transfer cards or access devices used solely for deposit, withdrawal or transfer of funds except as provided in **E.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages; or

k. Water or steam.

D. Coverage D – Loss Of Use

The limit of liability for Coverage **D** is the total limit for the coverages in **1.** Additional Living Expense, **2.** Fair Rental Value and **3.** Civil Authority Prohibits Use below.

1. Additional Living Expense

If a loss covered under Section **I** makes that part of the "residence premises" where you reside not fit to live in, we cover any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living.

Payment will be for the shortest time required to repair or replace the damage or, if you permanently relocate, the shortest time required for your household to settle elsewhere.

2. Fair Rental Value

If a loss covered under Section **I** makes that part of the "residence premises" rented to others or held for rental by you not fit to live in, we cover the fair rental value of such premises less any expenses that do not continue while it is not fit to live in.

Payment will be for the shortest time required to repair or replace such premises.

3. Civil Authority Prohibits Use

If a civil authority prohibits you from use of the "residence premises" as a result of direct damage to neighboring premises by a Peril Insured Against, we cover the loss as provided in **1.** Additional Living Expense and **2.** Fair Rental Value above for no more than two weeks.

4. Loss Or Expense Not Covered

We do not cover loss or expense due to cancellation of a lease or agreement.

The periods of time under **1.** Additional Living Expense, **2.** Fair Rental Value and **3.** Civil Authority Prohibits Use above are not limited by expiration of this policy.

E. Additional Coverages

1. Debris Removal

a. We will pay your reasonable expense for the removal of:

(1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or

(2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit is available for such expense.

b. We will also pay your reasonable expense, up to $1,000, for the removal from the "residence premises" of:

(1) Your tree(s) felled by the peril of Windstorm or Hail or Weight of Ice, Snow or Sleet; or

(2) A neighbor's tree(s) felled by a Peril Insured Against under Coverage **C;**

provided the tree(s):

(3) Damage(s) a covered structure; or

(4) Does not damage a covered structure, but:

(a) Block(s) a driveway on the "residence premises" which prevent(s) a "motor vehicle", that is registered for use on public roads or property, from entering or leaving the "residence premises"; or

(b) Block(s) a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The $1,000 limit is the most we will pay in any one loss regardless of the number of fallen trees. No more than $500 of this limit will be paid for the removal of any one tree.

This coverage is additional insurance.

2. Reasonable Repairs

a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by a Peril Insured Against from further damage.

b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this policy and the damage is caused by a Peril Insured Against. This coverage does not:

(1) Increase the limit of liability that applies to the covered property; or

(2) Relieve you of your duties, in case of a loss to covered property, described in **B.4.** under Section **I** – Conditions.

3. Trees, Shrubs And Other Plants

We cover trees, shrubs, plants or lawns, on the "residence premises", for loss caused by the following Perils Insured Against:

a. Fire or Lightning;

b. Explosion;

c. Riot or Civil Commotion;

d. Aircraft;

e. Vehicles not owned or operated by a resident of the "residence premises";

f. Vandalism or Malicious Mischief; or

g. Theft.

We will pay up to 5% of the limit of liability that applies to the dwelling for all trees, shrubs, plants or lawns. No more than $500 of this limit will be paid for any one tree, shrub or plant. We do not cover property grown for "business" purposes.

This coverage is additional insurance.

4. Fire Department Service Charge

We will pay up to $500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.

This coverage is additional insurance. No deductible applies to this coverage.

5. Property Removed

We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed.

This coverage does not change the limit of liability that applies to the property being removed.

6. Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money

a. We will pay up to $500 for:

(1) The legal obligation of an "insured" to pay because of the theft or unauthorized use of credit cards issued to or registered in an "insured's" name;

(2) Loss resulting from theft or unauthorized use of an electronic fund transfer card or access device used for deposit, withdrawal or transfer of funds, issued to or registered in an "insured's" name;

(3) Loss to an "insured" caused by forgery or alteration of any check or negotiable instrument; and

(4) Loss to an "insured" through acceptance in good faith of counterfeit United States or Canadian paper currency.

All loss resulting from a series of acts committed by any one person or in which any one person is concerned or implicated is considered to be one loss.

This coverage is additional insurance. No deductible applies to this coverage.

b. We do not cover:

(1) Use of a credit card, electronic fund transfer card or access device:

(a) By a resident of your household;

(b) By a person who has been entrusted with either type of card or access device; or

(c) If an "insured" has not complied with all terms and conditions under which the cards are issued or the devices accessed; or

(2) Loss arising out of "business" use or dishonesty of an "insured".

c. If the coverage in **a.** applies, the following defense provisions also apply:

(1) We may investigate and settle any claim or suit that we decide is appropriate. Our duty to defend a claim or suit ends when the amount we pay for the loss equals our limit of liability.

(2) If a suit is brought against an "insured" for liability under **a.(1)** or **(2)** above, we will provide a defense at our expense by counsel of our choice.

(3) We have the option to defend at our expense an "insured" or an "insured's" bank against any suit for the enforcement of payment under **a.(3)** above.

7. Loss Assessment

a. We will pay up to $1,000 for your share of loss assessment charged during the policy period against you, as owner or tenant of the "residence premises", by a corporation or association of property owners. The assessment must be made as a result of direct loss to property, owned by all members collectively, of the type that would be covered by this policy if owned by you, caused by a Peril Insured Against under Coverage **A,** other than:

(1) Earthquake; or

(2) Land shock waves or tremors before, during or after a volcanic eruption.

The limit of $1,000 is the most we will pay with respect to any one loss, regardless of the number of assessments. We will only apply one deductible, per unit, to the total amount of any one loss to the property described above, regardless of the number of assessments.

b. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

c. Paragraph **P.** Policy Period under Section **I** – Conditions does not apply to this coverage.

This coverage is additional insurance.

8. Collapse

a. With respect to this Additional Coverage:

(1) Collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its current intended purpose.

(2) A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse.

(3) A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building.

(4) A building or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

b. We insure for direct physical loss to covered property involving collapse of a building or any part of a building if the collapse was caused by one or more of the following:

(1) The Perils Insured Against;

(2) Decay that is hidden from view, unless the presence of such decay is known to an "insured" prior to collapse;

(3) Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an "insured" prior to collapse;

(4) Weight of contents, equipment, animals or people;

(5) Weight of rain which collects on a roof; or

(6) Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

c. Loss to an awning, fence, patio, deck, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under **b.(2)** through **(6)** above, unless the loss is a direct result of the collapse of a building or any part of a building.

d. This coverage does not increase the limit of liability that applies to the damaged covered property.

9. Glass Or Safety Glazing Material

a. We cover:

(1) The breakage of glass or safety glazing material which is part of a covered building, storm door or storm window;

(2) The breakage of glass or safety glazing material which is part of a covered building, storm door or storm window when caused directly by earth movement; and

(3) The direct physical loss to covered property caused solely by the pieces, fragments or splinters of broken glass or safety glazing material which is part of a building, storm door or storm window.

b. This coverage does not include loss:

(1) To covered property which results because the glass or safety glazing material has been broken, except as provided in **a.(3)** above; or

(2) On the "residence premises" if the dwelling has been vacant for more than 60 consecutive days immediately before the loss, except when the breakage results directly from earth movement as provided in **a.(2)** above. A dwelling being constructed is not considered vacant.

c. This coverage does not increase the limit of liability that applies to the damaged property.

10. Landlord's Furnishings

We will pay up to $2,500 for your appliances, carpeting and other household furnishings, in each apartment on the "residence premises" regularly rented or held for rental to others by an "insured", for loss caused by a Peril Insured Against other than Theft.

This limit is the most we will pay in any one loss regardless of the number of appliances, carpeting or other household furnishings involved in the loss.

This coverage does not increase the limit of liability applying to the damaged property.

11. Ordinance Or Law

a. You may use up to 10% of the limit of liability that applies to Coverage **A** for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:

(1) The construction, demolition, remodeling, renovation or repair of that part of a covered building or other structure damaged by a Peril Insured Against;

(2) The demolition and reconstruction of the undamaged part of a covered building or other structure, when that building or other structure must be totally demolished because of damage by a Peril Insured Against to another part of that covered building or other structure; or

(3) The remodeling, removal or replacement of the portion of the undamaged part of a covered building or other structure necessary to complete the remodeling, repair or replacement of that part of the covered building or other structure damaged by a Peril Insured Against.

b. You may use all or part of this ordinance or law coverage to pay for the increased costs you incur to remove debris resulting from the construction, demolition, remodeling, renovation, repair or replacement of property as stated in **a.** above.

c. We do not cover:

(1) The loss in value to any covered building or other structure due to the requirements of any ordinance or law; or

(2) The costs to comply with any ordinance or law which requires any "insured" or others, to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants in or on any covered building or other structure.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This coverage is additional insurance.

12. Grave Markers

We will pay up to $5,000 for grave markers, including mausoleums, on or away from the "residence premises" for loss caused by a Peril Insured Against.

This coverage does not increase the limits of liability that apply to the damaged covered property.

SECTION I – PERILS INSURED AGAINST

We insure for direct physical loss to the property described in Coverages **A, B** and **C** caused by any of the following perils unless the loss is excluded under Section **I** – Exclusions.

1. Fire Or Lightning

2. Windstorm Or Hail

This peril includes loss to watercraft of all types and their trailers, furnishings, equipment, and outboard engines or motors, only while inside a fully enclosed building.

This peril does not include loss to the inside of a building or the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.

3. Explosion

4. Riot Or Civil Commotion

5. Aircraft

This peril includes self-propelled missiles and spacecraft.

6. Vehicles

This peril does not include loss to a fence, driveway or walk caused by a vehicle owned or operated by a resident of the "residence premises".

7. Smoke

This peril means sudden and accidental damage from smoke, including the emission or puffback of smoke, soot, fumes or vapors from a boiler, furnace or related equipment.

This peril does not include loss caused by smoke from agricultural smudging or industrial operations.

8. Vandalism Or Malicious Mischief

This peril does not include loss to property on the "residence premises", and any ensuing loss caused by any intentional and wrongful act committed in the course of the vandalism or malicious mischief, if the dwelling has been vacant for more than 60 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant.

9. Theft

a. This peril includes attempted theft and loss of property from a known place when it is likely that the property has been stolen.

b. This peril does not include loss caused by theft:

(1) Committed by an "insured";

(2) In or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied;

(3) From that part of a "residence premises" rented by an "insured" to someone other than another "insured"; or

(4) That occurs off the "residence premises" of:

(a) Trailers, semitrailers and campers;

(b) Watercraft of all types, and their furnishings, equipment and outboard engines or motors; or

(c) Property while at any other residence owned by, rented to, or occupied by an "insured", except while an "insured" is temporarily living there. Property of an "insured" who is a student is covered while at the residence the student occupies to attend school as long as the student has been there at any time during the 60 days immediately before the loss.

10. Falling Objects

This peril does not include loss to the inside of a building or property contained in the building unless the roof or an outside wall of the building is first damaged by a falling object. Damage to the falling object itself is not included.

11. Weight Of Ice, Snow Or Sleet

This peril means weight of ice, snow or sleet which causes damage to a building or property contained in a building.

This peril does not include loss to an awning, fence, patio, pavement, swimming pool, foundation, retaining wall, bulkhead, pier, wharf, or dock.

12. Accidental Discharge Or Overflow Of Water Or Steam

a. This peril means accidental discharge or overflow of water or steam from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance. We also pay to tear out and replace any part of the building, or other structure, on the "residence premises", but only when necessary to repair the system or appliance from which the water or steam escaped. However, such tear out and replacement coverage only applies to other structures if the water or steam causes actual damage to a building on the "residence premises".

b. This peril does not include loss:

(1) On the "residence premises", if the dwelling has been vacant for more than 60 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant;

(2) To the system or appliance from which the water or steam escaped;

(3) Caused by or resulting from freezing except as provided in Peril Insured Against **14.** Freezing;

(4) On the "residence premises" caused by accidental discharge or overflow which occurs off the "residence premises"; or

(5) Caused by mold, fungus or wet rot unless hidden within the walls or ceilings or beneath the floors or above the ceilings of a structure.

c. In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

d. Section **I** – Exclusion **3.** Water Damage, Paragraphs **a.** and **c.** that apply to surface water and water below the surface of the ground do not apply to loss by water covered under this peril.

13. Sudden And Accidental Tearing Apart, Cracking, Burning Or Bulging

This peril means sudden and accidental tearing apart, cracking, burning or bulging of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.

This peril does not include loss caused by or resulting from freezing except as provided in Peril Insured Against **14.** Freezing below.

14. Freezing

a. This peril means freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance but only if you have used reasonable care to:

(1) Maintain heat in the building; or

(2) Shut off the water supply and drain all systems and appliances of water.

However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the building for coverage to apply.

b. In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

15. Sudden And Accidental Damage From Artificially Generated Electrical Current

This peril does not include loss to tubes, transistors, electronic components or circuitry that are a part of appliances, fixtures, computers, home entertainment units or other types of electronic apparatus.

16. Volcanic Eruption

This peril does not include loss caused by earthquake, land shock waves or tremors.

SECTION I – EXCLUSIONS

We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

1. Ordinance Or Law

Ordinance or Law means any ordinance or law:

a. Requiring or regulating the construction, demolition, remodeling, renovation or repair of property, including removal of any resulting debris. This Exclusion **1.a.** does not apply to the amount of coverage that may be provided for in **E.11.** Ordinance Or Law under Section **I** – Property Coverages;

b. The requirements of which result in a loss in value to property; or

c. Requiring any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This Exclusion **1.** applies whether or not the property has been physically damaged.

2. Earth Movement

Earth Movement means:

a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;

b. Landslide, mudslide or mudflow;

c. Subsidence or sinkhole; or

d. Any other earth movement including earth sinking, rising or shifting;

caused by or resulting from human or animal forces or any act of nature unless direct loss by fire or explosion ensues and then we will pay only for the ensuing loss.

This Exclusion **2.** does not apply to loss by theft.

3. Water Damage

Water Damage means:

a. Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind;

b. Water or water-borne material which backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment; or

c. Water or water-borne material below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure;

caused by or resulting from human or animal forces or any act of nature.

Direct loss by fire, explosion or theft resulting from water damage is covered.

4. Power Failure

Power Failure means the failure of power or other utility service if the failure takes place off the "residence premises". But if the failure results in a loss, from a Peril Insured Against on the "residence premises", we will pay for the loss caused by that peril.

5. Neglect

Neglect means neglect of an "insured" to use all reasonable means to save and preserve property at and after the time of a loss.

6. War

War includes the following and any consequence of any of the following:

a. Undeclared war, civil war, insurrection, rebellion or revolution;

b. Warlike act by a military force or military personnel; or

c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

7. Nuclear Hazard

This Exclusion **7.** pertains to Nuclear Hazard to the extent set forth in **M.** Nuclear Hazard Clause under Section **I** – Conditions.

8. Intentional Loss

Intentional Loss means any loss arising out of any act an "insured" commits or conspires to commit with the intent to cause a loss.

In the event of such loss, no "insured" is entitled to coverage, even "insureds" who did not commit or conspire to commit the act causing the loss.

9. Governmental Action

Governmental Action means the destruction, confiscation or seizure of property described in Coverage **A, B** or **C** by order of any governmental or public authority.

This exclusion does not apply to such acts ordered by any governmental or public authority that are taken at the time of a fire to prevent its spread, if the loss caused by fire would be covered under this policy.

SECTION I – CONDITIONS

A. Insurable Interest And Limit Of Liability

Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss:

1. To an "insured" for more than the amount of such "insured's" interest at the time of loss; or

2. For more than the applicable limit of liability.

B. Duties After Loss

In case of a loss to covered property, we have no duty to provide coverage under this policy if the failure to comply with the following duties is prejudicial to us. These duties must be performed either by you, an "insured" seeking coverage, or a representative of either:

1. Give prompt notice to us or our agent;

2. Notify the police in case of loss by theft;

3. Notify the credit card or electronic fund transfer card or access device company in case of loss as provided for in **E.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages;

4. Protect the property from further damage. If repairs to the property are required, you must:

a. Make reasonable and necessary repairs to protect the property; and

b. Keep an accurate record of repair expenses;

5. Cooperate with us in the investigation of a claim;

6. Prepare an inventory of damaged personal property showing the quantity, description, actual cash value and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;

7. As often as we reasonably require:

a. Show the damaged property;

b. Provide us with records and documents we request and permit us to make copies; and

c. Submit to examination under oath, while not in the presence of another "insured", and sign the same;

8. Send to us, within 60 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:

a. The time and cause of loss;

b. The interests of all "insureds" and all others in the property involved and all liens on the property;

c. Other insurance which may cover the loss;

d. Changes in title or occupancy of the property during the term of the policy;

e. Specifications of damaged buildings and detailed repair estimates;

f. The inventory of damaged personal property described in **6.** above;

g. Receipts for additional living expenses incurred and records that support the fair rental value loss; and

h. Evidence or affidavit that supports a claim under **E.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages, stating the amount and cause of loss.

C. Loss Settlement

In this Condition **C.,** the terms "cost to repair or replace" and "replacement cost" do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs is provided in **E.11.** Ordinance Or Law under Section **I** – Property Coverages. Covered property losses are settled as follows:

1. Property of the following types:

a. Personal property;

b. Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings;

c. Structures that are not buildings; and

d. Grave markers, including mausoleums;

at actual cash value at the time of loss but not more than the amount required to repair or replace.

2. Buildings covered under Coverage **A** or **B** at replacement cost without deduction for depreciation, subject to the following:

a. If, at the time of loss, the amount of insurance in this policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, after application of any deductible and without deduction for depreciation, but not more than the least of the following amounts:

(1) The limit of liability under this policy that applies to the building;

(2) The replacement cost of that part of the building damaged with material of like kind and quality and for like use; or

(3) The necessary amount actually spent to repair or replace the damaged building.

If the building is rebuilt at a new premises, the cost described in **(2)** above is limited to the cost which would have been incurred if the building had been built at the original premises.

b. If, at the time of loss, the amount of insurance in this policy on the damaged building is less than 80% of the full replacement cost of the building immediately before the loss, we will pay the greater of the following amounts, but not more than the limit of liability under this policy that applies to the building:

(1) The actual cash value of that part of the building damaged; or

(2) That proportion of the cost to repair or replace, after application of any deductible and without deduction for depreciation, that part of the building damaged, which the total amount of insurance in this policy on the damaged building bears to 80% of the replacement cost of the building.

c. To determine the amount of insurance required to equal 80% of the full replacement cost of the building immediately before the loss, do not include the value of:

(1) Excavations, footings, foundations, piers, or any other structures or devices that support all or part of the building, which are below the undersurface of the lowest basement floor;

(2) Those supports described in **(1)** above which are below the surface of the ground inside the foundation walls, if there is no basement; and

(3) Underground flues, pipes, wiring and drains.

d. We will pay no more than the actual cash value of the damage until actual repair or replacement is complete. Once actual repair or replacement is complete, we will settle the loss as noted in **2.a.** and **b.** above.

However, if the cost to repair or replace the damage is both:

(1) Less than 5% of the amount of insurance in this policy on the building; and

(2) Less than $2,500;

we will settle the loss as noted in **2.a.** and **b.** above whether or not actual repair or replacement is complete.

e. You may disregard the replacement cost loss settlement provisions and make claim under this policy for loss to buildings on an actual cash value basis. You may then make claim for any additional liability according to the provisions of this Condition **C.** Loss Settlement, provided you notify us of your intent to do so within 180 days after the date of loss.

D. Loss To A Pair Or Set

In case of loss to a pair or set we may elect to:

1. Repair or replace any part to restore the pair or set to its value before the loss; or

2. Pay the difference between actual cash value of the property before and after the loss.

E. Appraisal

If you and we fail to agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.

Each party will:

1. Pay its own appraiser; and

2. Bear the other expenses of the appraisal and umpire equally.

F. Other Insurance And Service Agreement

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

1. Other insurance, we will pay only the proportion of the loss that the limit of liability that applies under this policy bears to the total amount of insurance covering the loss; 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.

G. Suit Against Us

No action can be brought against us unless there has been full compliance with all of the terms under Section **I** of this policy and the action is started within two years after the date of loss.

H. Our Option

If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may repair or replace any part of the damaged property with material or property of like kind and quality.

I. Loss Payment

We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss and:

1. Reach an agreement with you;

2. There is an entry of a final judgment; or

3. There is a filing of an appraisal award with us.

J. Abandonment Of Property

We need not accept any property abandoned by an "insured".

K. Mortgage Clause

1. If a mortgagee is named in this policy, any loss payable under Coverage **A** or **B** will be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.

2. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:

a. Notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;

b. Pays any premium due under this policy on demand if you have neglected to pay the premium; and

c. Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Paragraphs **E.** Appraisal, **G.** Suit Against Us and **I.** Loss Payment under Section **I** – Conditions also apply to the mortgagee.

3. If we decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or nonrenewal takes effect.

4. If we pay the mortgagee for any loss and deny payment to you:

a. We are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or

b. At our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.

5. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

L. No Benefit To Bailee

We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.

M. Nuclear Hazard Clause

1. "Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.

2. Loss caused by the nuclear hazard will not be considered loss caused by fire, explosion, or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against.

3. This policy does not apply under Section **I** to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.

N. Recovered Property

If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.

O. Volcanic Eruption Period

One or more volcanic eruptions that occur within a 72 hour period will be considered as one volcanic eruption.

P. Policy Period

This policy applies only to loss which occurs during the policy period.

Q. Concealment Or Fraud

We provide coverage to no "insureds" under this policy if, whether before or after a loss, an "insured" has:

1. Intentionally concealed or misrepresented any material fact or circumstance;
2. Engaged in fraudulent conduct; or
3. Made false statements;

relating to this insurance.

R. Loss Payable Clause

If the Declarations show a loss payee for certain listed insured personal property, the definition of "insured" is changed to include that loss payee with respect to that property.

If we decide to cancel or not renew this policy, that loss payee will be notified in writing.

SECTION II – LIABILITY COVERAGES

A. Coverage E – Personal Liability

If a claim is made or a suit is brought against an "insured" for damages because of "bodily injury" or "property damage" caused by an "occurrence" to which this coverage applies, we will:

1. Pay up to our limit of liability for the damages for which an "insured" is legally liable. Damages include prejudgment interest awarded against an "insured"; and
2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when our limit of liability for the "occurrence" has been exhausted by payment of a judgment or settlement.

B. Coverage F – Medical Payments To Others

We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing "bodily injury". Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to you or regular residents of your household except "residence employees". As to others, this coverage applies only:

1. To a person on the "insured location" with the permission of an "insured"; or
2. To a person off the "insured location", if the "bodily injury":
   a. Arises out of a condition on the "insured location" or the ways immediately adjoining;
   b. Is caused by the activities of an "insured";
   c. Is caused by a "residence employee" in the course of the "residence employee's" employment by an "insured"; or
   d. Is caused by an animal owned by or in the care of an "insured".

SECTION II – EXCLUSIONS

A. "Motor Vehicle Liability"

1. Coverages **E** and **F** do not apply to any "motor vehicle liability" if, at the time and place of an "occurrence", the involved "motor vehicle":
   a. Is registered for use on public roads or property;
   b. Is not registered for use on public roads or property, but such registration is required by a law, or regulation issued by a government agency, for it to be used at the place of the "occurrence"; or
   c. Is being:
      (1) Operated in, or practicing for, any prearranged or organized race, speed contest or other competition;
      (2) Rented to others;
      (3) Used to carry persons or cargo for a charge; or
      (4) Used for any "business" purpose except for a motorized golf cart while on a golfing facility.

2. If Exclusion **A.1.** does not apply, there is still no coverage for "motor vehicle liability" unless the "motor vehicle" is:

   a. In dead storage on an "insured location";

   b. Used solely to service an "insured's" residence;

   c. Designed to assist the handicapped and, at the time of an "occurrence", it is:

      (1) Being used to assist a handicapped person; or

      (2) Parked on an "insured location";

   d. Designed for recreational use off public roads and:

      (1) Not owned by an "insured"; or

      (2) Owned by an "insured" provided the "occurrence" takes place on an "insured location" as defined in Definitions **B. 6.a., b., d., e.** or **h.;** or

   e. A motorized golf cart that is owned by an "insured", designed to carry up to 4 persons, not built or modified after manufacture to exceed a speed of 25 miles per hour on level ground and, at the time of an "occurrence", is within the legal boundaries of:

      (1) A golfing facility and is parked or stored there, or being used by an "insured" to:

         (a) Play the game of golf or for other recreational or leisure activity allowed by the facility;

         (b) Travel to or from an area where "motor vehicles" or golf carts are parked or stored; or

         (c) Cross public roads at designated points to access other parts of the golfing facility; or

      (2) A private residential community, including its public roads upon which a motorized golf cart can legally travel, which is subject to the authority of a property owners association and contains an "insured's" residence.

B. "Watercraft Liability"

1. Coverages **E** and **F** do not apply to any "watercraft liability" if, at the time of an "occurrence", the involved watercraft is being:

   a. Operated in, or practicing for, any prearranged or organized race, speed contest or other competition. This exclusion does not apply to a sailing vessel or a predicted log cruise;

   b. Rented to others;

   c. Used to carry persons or cargo for a charge; or

   d. Used for any "business" purpose.

2. If Exclusion **B.1.** does not apply, there is still no coverage for "watercraft liability" unless, at the time of the "occurrence", the watercraft:

   a. Is stored;

   b. Is a sailing vessel, with or without auxiliary power, that is:

      (1) Less than 26 feet in overall length; or

      (2) 26 feet or more in overall length and not owned by or rented to an "insured"; or

   c. Is not a sailing vessel and is powered by:

      (1) An inboard or inboard-outdrive engine or motor, including those that power a water jet pump, of:

         (a) 50 horsepower or less and not owned by an "insured"; or

         (b) More than 50 horsepower and not owned by or rented to an "insured"; or

      (2) One or more outboard engines or motors with:

         (a) 25 total horsepower or less;

         (b) More than 25 horsepower if the outboard engine or motor is not owned by an "insured";

         (c) More than 25 horsepower if the outboard engine or motor is owned by an "insured" who acquired it during the policy period; or

         (d) More than 25 horsepower if the outboard engine or motor is owned by an "insured" who acquired it before the policy period, but only if:

            (i) You declare them at policy inception; or

            (ii) Your intent to insure them is reported to us in writing within 45 days after you acquire them.

         The coverages in **(c)** and **(d)** above apply for the policy period.

   Horsepower means the maximum power rating assigned to the engine or motor by the manufacturer.

C. "Aircraft Liability"

This policy does not cover "aircraft liability".

D. "Hovercraft Liability"

This policy does not cover "hovercraft liability".

E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others

Coverages **E** and **F** do not apply to the following:

1. Expected Or Intended Injury

"Bodily injury" or "property damage" which is expected or intended by an "insured" even if the resulting "bodily injury" or "property damage":

a. Is of a different kind, quality or degree than initially expected or intended; or

b. Is sustained by a different person, entity, real or personal property, than initially expected or intended.

However, this Exclusion **E.1.** does not apply to "bodily injury" resulting from the use of reasonable force by an "insured" to protect persons or property;

2. "Business"

a. "Bodily injury" or "property damage" arising out of or in connection with a "business" conducted from an "insured location" or engaged in by an "insured", whether or not the "business" is owned or operated by an "insured" or employs an "insured".

This Exclusion **E.2.** applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

b. This Exclusion **E.2.** does not apply to:

(1) The rental or holding for rental of an "insured location";

(a) On an occasional basis if used only as a residence;

(b) In part for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or

(c) In part, as an office, school, studio or private garage; and

(2) An "insured" under the age of 21 years involved in a part-time or occasional, self-employed "business" with no employees;

3. Professional Services

"Bodily injury" or "property damage" arising out of the rendering of or failure to render professional services;

4. "Insured's" Premises Not An "Insured Location"

"Bodily injury" or "property damage" arising out of a premises:

a. Owned by an "insured";

b. Rented to an "insured"; or

c. Rented to others by an "insured";

that is not an "insured location";

5. War

"Bodily injury" or "property damage" caused directly or indirectly by war, including the following and any consequence of any of the following:

a. Undeclared war, civil war, insurrection, rebellion or revolution;

b. Warlike act by a military force or military personnel; or

c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental;

6. Communicable Disease

"Bodily injury" or "property damage" which arises out of the transmission of a communicable disease by an "insured";

7. Sexual Molestation, Corporal Punishment Or Physical Or Mental Abuse

"Bodily injury" or "property damage" arising out of sexual molestation, corporal punishment or physical or mental abuse; or

8. Controlled Substance

"Bodily injury" or "property damage" arising out of the use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812. Controlled Substances include but are not limited to cocaine, LSD, marijuana and all narcotic drugs. However, this exclusion does not apply to the legitimate use of prescription drugs by a person following the orders of a licensed physician.

Exclusions **A.** "Motor Vehicle Liability", **B.** "Watercraft Liability", **C.** "Aircraft Liability", **D.** "Hovercraft Liability" and **E.4.** "Insured's" Premises Not An "Insured Location" do not apply to "bodily injury" to a "residence employee" arising out of and in the course of the "residence employee's" employment by an "insured".

F. Coverage E – Personal Liability

Coverage **E** does not apply to:

1. Liability:

a. For any loss assessment charged against you as a member of an association, corporation or community of property owners, except as provided in **D.** Loss Assessment under Section **II** – Additional Coverages;

b. Under any contract or agreement entered into by an "insured". However, this exclusion does not apply to written contracts:

(1) That directly relate to the ownership, maintenance or use of an "insured location"; or

(2) Where the liability of others is assumed by you prior to an "occurrence";

unless excluded in **a.** above or elsewhere in this policy;

2. "Property damage" to property owned by an "insured". This includes costs or expenses incurred by an "insured" or others to repair, replace, enhance, restore or maintain such property to prevent injury to a person or damage to property of others, whether on or away from an "insured location";

3. "Property damage" to property rented to, occupied or used by or in the care of an "insured". This exclusion does not apply to "property damage" caused by fire, smoke or explosion;

4. "Bodily injury" to any person eligible to receive any benefits voluntarily provided or required to be provided by an "insured" under any:

a. Workers' compensation law;

b. Non-occupational disability law; or

c. Occupational disease law;

5. "Bodily injury" or "property damage" for which an "insured" under this policy:

a. Is also an insured under a nuclear energy liability policy issued by the:

(1) Nuclear Energy Liability Insurance Association;

(2) Mutual Atomic Energy Liability Underwriters;

(3) Nuclear Insurance Association of Canada;

or any of their successors; or

b. Would be an insured under such a policy but for the exhaustion of its limit of liability; or

6. "Bodily injury" to you or an "insured" as defined under Definitions **5.a.** or **b.**

This exclusion also applies to any claim made or suit brought against you or an "insured":

a. To repay; or

b. Share damages with;

another person who may be obligated to pay damages because of "bodily injury" to an "insured".

G. Coverage F – Medical Payments To Others

Coverage **F** does not apply to "bodily injury":

1. To a "residence employee" if the "bodily injury":

a. Occurs off the "insured location"; and

b. Does not arise out of or in the course of the "residence employee's" employment by an "insured";

2. To any person eligible to receive benefits voluntarily provided or required to be provided under any:

a. Workers' compensation law;

b. Non-occupational disability law; or

c. Occupational disease law;

3. From any:

a. Nuclear reaction;

b. Nuclear radiation; or

c. Radioactive contamination;

all whether controlled or uncontrolled or however caused; or

d. Any consequence of any of these; or

4. To any person, other than a "residence employee" of an "insured", regularly residing on any part of the "insured location".

SECTION II – ADDITIONAL COVERAGES

We cover the following in addition to the limits of liability:

A. Claim Expenses

We pay:

1. Expenses we incur and costs taxed against an "insured" in any suit we defend;

2. Premiums on bonds required in a suit we defend, but not for bond amounts more than the Coverage **E** limit of liability. We need not apply for or furnish any bond;

3. Reasonable expenses incurred by an "insured" at our request, including actual loss of earnings (but not loss of other income) up to $250 per day, for assisting us in the investigation or defense of a claim or suit; and
4. Interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies.

B. First Aid Expenses

We will pay expenses for first aid to others incurred by an "insured" for "bodily injury" covered under this policy. We will not pay for first aid to an "insured".

C. Damage To Property Of Others

1. We will pay, at replacement cost, up to $1,000 per "occurrence" for "property damage" to property of others caused by an "insured".
2. We will not pay for "property damage":
   a. To the extent of any amount recoverable under Section **I;**
   b. Caused intentionally by an "insured" who is 13 years of age or older;
   c. To property owned by an "insured";
   d. To property owned by or rented to a tenant of an "insured" or a resident in your household; or
   e. Arising out of:
      (1) A "business" engaged in by an "insured";
      (2) Any act or omission in connection with a premises owned, rented or controlled by an "insured", other than the "insured location"; or
      (3) The ownership, maintenance, occupancy, operation, use, loading or unloading of aircraft, hovercraft, watercraft or "motor vehicles".

      This exclusion **e.(3)** does not apply to a "motor vehicle" that:
      (a) Is designed for recreational use off public roads;
      (b) Is not owned by an "insured"; and
      (c) At the time of the "occurrence", is not required by law, or regulation issued by a government agency, to have been registered for it to be used on public roads or property.

D. Loss Assessment

1. We will pay up to $1,000 for your share of loss assessment charged against you, as owner or tenant of the "residence premises", during the policy period by a corporation or association of property owners, when the assessment is made as a result of:
   a. "Bodily injury" or "property damage" not excluded from coverage under Section **II** – Exclusions; or
   b. Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee, provided such person:
      (1) Is elected by the members of a corporation or association of property owners; and
      (2) Serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.
2. Paragraph **I.** Policy Period under Section **II** – Conditions does not apply to this Loss Assessment Coverage.
3. Regardless of the number of assessments, the limit of $1,000 is the most we will pay for loss arising out of:
   a. One accident, including continuous or repeated exposure to substantially the same general harmful condition; or
   b. A covered act of a director, officer or trustee. An act involving more than one director, officer or trustee is considered to be a single act.
4. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

SECTION II – CONDITIONS

A. Limit Of Liability

Our total liability under Coverage **E** for all damages resulting from any one "occurrence" will not be more than the Coverage **E** limit of liability shown in the Declarations. This limit is the same regardless of the number of "insureds", claims made or persons injured. All "bodily injury" and "property damage" resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one "occurrence".

Our total liability under Coverage **F** for all medical expense payable for "bodily injury" to one person as the result of one accident will not be more than the Coverage **F** limit of liability shown in the Declarations.

B. Severability Of Insurance

This insurance applies separately to each "insured". This condition will not increase our limit of liability for any one "occurrence".

C. Duties After "Occurrence"

In case of an "occurrence", you or another "insured" will perform the following duties that apply. We have no duty to provide coverage under this policy if your failure to comply with the following duties is prejudicial to us. You will help us by seeing that these duties are performed:

1. Give written notice to us or our agent as soon as is practical, which sets forth:

a. The identity of the policy and the "named insured" shown in the Declarations;

b. Reasonably available information on the time, place and circumstances of the "occurrence"; and

c. Names and addresses of any claimants and witnesses;

2. Cooperate with us in the investigation, settlement or defense of any claim or suit;

3. Promptly forward to us every notice, demand, summons or other process relating to the "occurrence";

4. At our request, help us:

a. To make settlement;

b. To enforce any right of contribution or indemnity against any person or organization who may be liable to an "insured";

c. With the conduct of suits and attend hearings and trials; and

d. To secure and give evidence and obtain the attendance of witnesses;

5. With respect to **C.** Damage To Property Of Others under Section **II** – Additional Coverages, submit to us within 60 days after the loss, a sworn statement of loss and show the damaged property, if in an "insured's" control;

6. No "insured" shall, except at such "insured's" own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the "bodily injury".

D. Duties Of An Injured Person – Coverage F – Medical Payments To Others

1. The injured person or someone acting for the injured person will:

a. Give us written proof of claim, under oath if required, as soon as is practical; and

b. Authorize us to obtain copies of medical reports and records.

2. The injured person will submit to a physical exam by a doctor of our choice when and as often as we reasonably require.

E. Payment Of Claim – Coverage F – Medical Payments To Others

Payment under this coverage is not an admission of liability by an "insured" or us.

F. Suit Against Us

1. No action can be brought against us unless there has been full compliance with all of the terms under this Section **II.**

2. No one will have the right to join us as a party to any action against an "insured".

3. Also, no action with respect to Coverage **E** can be brought against us until the obligation of such "insured" has been determined by final judgment or agreement signed by us.

G. Bankruptcy Of An "Insured"

Bankruptcy or insolvency of an "insured" will not relieve us of our obligations under this policy.

H. Other Insurance

This insurance is excess over other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.

I. Policy Period

This policy applies only to "bodily injury" or "property damage" which occurs during the policy period.

J. Concealment Or Fraud

We do not provide coverage to an "insured" who, whether before or after a loss, has:

1. Intentionally concealed or misrepresented any material fact or circumstance;

2. Engaged in fraudulent conduct; or

3. Made false statements;

relating to this insurance.

SECTIONS I AND II – CONDITIONS

A. Liberalization Clause

If we make a change which broadens coverage under this edition of our policy without additional premium charge, that change will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.

This Liberalization Clause does not apply to changes implemented with a general program revision that includes both broadenings and restrictions in coverage, whether that general program revision is implemented through introduction of:

1. A subsequent edition of this policy; or

2. An amendatory endorsement.

B. Waiver Or Change Of Policy Provisions

A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.

C. Cancellation

1. You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.

2. We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations. Proof of mailing will be sufficient proof of notice.

a. When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.

b. When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.

c. When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:

(1) If there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or

(2) If the risk has changed substantially since the policy was issued.

This can be done by letting you know at least 30 days before the date cancellation takes effect.

d. When this policy is written for a period of more than one year, we may cancel for any reason at anniversary by letting you know at least 30 days before the date cancellation takes effect.

3. When this policy is canceled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.

4. If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

D. Nonrenewal

We may elect not to renew this policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

E. Assignment

Assignment of this policy will not be valid unless we give our written consent.

F. Subrogation

An "insured" may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an "insured" must sign and deliver all related papers and cooperate with us.

Subrogation does not apply to Coverage **F** or Paragraph **C.** Damage To Property Of Others under Section **II** – Additional Coverages.

G. Death

If any person named in the Declarations or the spouse, if a resident of the same household, dies, the following apply:

1. We insure the legal representative of the deceased but only with respect to the premises and property of the deceased covered under the policy at the time of death; and

2. "Insured" includes:

a. An "insured" who is a member of your household at the time of your death, but only while a resident of the "residence premises"; and

b. With respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

HOMEOWNERS 3 – SPECIAL FORM

AGREEMENT

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

DEFINITIONS

A. In this policy, "you" and "your" refer to the "named insured" shown in the Declarations and the spouse if a resident of the same household. "We", "us" and "our" refer to the Company providing this insurance.

B. In addition, certain words and phrases are defined as follows:

1. "Aircraft Liability", "Hovercraft Liability", "Motor Vehicle Liability" and "Watercraft Liability", subject to the provisions in **b.** below, mean the following:

a. Liability for "bodily injury" or "property damage" arising out of the:

(1) Ownership of such vehicle or craft by an "insured";

(2) Maintenance, occupancy, operation, use, loading or unloading of such vehicle or craft by any person;

(3) Entrustment of such vehicle or craft by an "insured" to any person;

(4) Failure to supervise or negligent supervision of any person involving such vehicle or craft by an "insured"; or

(5) Vicarious liability, whether or not imposed by law, for the actions of a child or minor involving such vehicle or craft.

b. For the purpose of this definition:

(1) Aircraft means any contrivance used or designed for flight except model or hobby aircraft not used or designed to carry people or cargo;

(2) Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;

(3) Watercraft means a craft principally designed to be propelled on or in water by wind, engine power or electric motor; and

(4) Motor vehicle means a "motor vehicle" as defined in **7.** below.

2. "Bodily injury" means bodily harm, sickness or disease, including required care, loss of services and death that results.

3. "Business" means:

a. A trade, profession or occupation engaged in on a full-time, part-time or occasional basis; or

b. Any other activity engaged in for money or other compensation, except the following:

(1) One or more activities, not described in **(2)** through **(4)** below, for which no "insured" receives more than $2,000 in total compensation for the 12 months before the beginning of the policy period;

(2) Volunteer activities for which no money is received other than payment for expenses incurred to perform the activity;

(3) Providing home day care services for which no compensation is received, other than the mutual exchange of such services; or

(4) The rendering of home day care services to a relative of an "insured".

4. "Employee" means an employee of an "insured", or an employee leased to an "insured" by a labor leasing firm under an agreement between an "insured" and the labor leasing firm, whose duties are other than those performed by a "residence employee".

5. "Insured" means:

a. You and residents of your household who are:

(1) Your relatives; or

(2) Other persons under the age of 21 and in the care of any person named above;

b. A student enrolled in school full time, as defined by the school, who was a resident of your household before moving out to attend school, provided the student is under the age of:

(1) 24 and your relative; or

(2) 21 and in your care or the care of a person described in **a.(1)** above; or

c. Under Section **II:**

(1) With respect to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person included in **a.** or **b.** above. "Insured" does not mean a person or organization using or having custody of these animals or watercraft in the course of any "business" or without consent of the owner; or

(2) With respect to a "motor vehicle" to which this policy applies:

(a) Persons while engaged in your employ or that of any person included in **a.** or **b.** above; or

(b) Other persons using the vehicle on an "insured location" with your consent.

Under both Sections **I** and **II,** when the word an immediately precedes the word "insured", the words an "insured" together mean one or more "insureds".

6. "Insured location" means:

a. The "residence premises";

b. The part of other premises, other structures and grounds used by you as a residence; and

(1) Which is shown in the Declarations; or

(2) Which is acquired by you during the policy period for your use as a residence;

c. Any premises used by you in connection with a premises described in **a.** and **b.** above;

d. Any part of a premises:

(1) Not owned by an "insured"; and

(2) Where an "insured" is temporarily residing;

e. Vacant land, other than farm land, owned by or rented to an "insured";

f. Land owned by or rented to an "insured" on which a one, two, three or four family dwelling is being built as a residence for an "insured";

g. Individual or family cemetery plots or burial vaults of an "insured"; or

h. Any part of a premises occasionally rented to an "insured" for other than "business" use.

7. "Motor vehicle" means:

a. A self-propelled land or amphibious vehicle; or

b. Any trailer or semitrailer which is being carried on, towed by or hitched for towing by a vehicle described in **a.** above.

8. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in:

a. "Bodily injury"; or

b. "Property damage".

9. "Property damage" means physical injury to, destruction of, or loss of use of tangible property.

10. "Residence employee" means:

a. An employee of an "insured", or an employee leased to an "insured" by a labor leasing firm, under an agreement between an "insured" and the labor leasing firm, whose duties are related to the maintenance or use of the "residence premises", including household or domestic services; or

b. One who performs similar duties elsewhere not related to the "business" of an "insured".

A "residence employee" does not include a temporary employee who is furnished to an "insured" to substitute for a permanent "residence employee" on leave or to meet seasonal or short-term workload conditions.

11. "Residence premises" means:

a. The one family dwelling where you reside;

b. The two, three or four family dwelling where you reside in at least one of the family units; or

c. That part of any other building where you reside;

and which is shown as the "residence premises" in the Declarations.

"Residence premises" also includes other structures and grounds at that location.

DEDUCTIBLE

Unless otherwise noted in this policy, the following deductible provision applies:

Subject to the policy limits that apply, we will pay only that part of the total of all loss payable under Section **I** that exceeds the deductible amount shown in the Declarations.

SECTION I – PROPERTY COVERAGES

A. Coverage A – Dwelling

1. We cover:

a. The dwelling on the "residence premises" shown in the Declarations, including structures attached to the dwelling; and

b. Materials and supplies located on or next to the "residence premises" used to construct, alter or repair the dwelling or other structures on the "residence premises".

2. We do not cover land, including land on which the dwelling is located.

B. Coverage B – Other Structures

1. We cover other structures on the "residence premises" set apart from the dwelling by clear space. This includes structures connected to the dwelling by only a fence, utility line, or similar connection.

2. We do not cover:

a. Land, including land on which the other structures are located;

b. Other structures rented or held for rental to any person not a tenant of the dwelling, unless used solely as a private garage;

c. Other structures from which any "business" is conducted; or

d. Other structures used to store "business" property. However, we do cover a structure that contains "business" property solely owned by an "insured" or a tenant of the dwelling provided that "business" property does not include gaseous or liquid fuel, other than fuel in a permanently installed fuel tank of a vehicle or craft parked or stored in the structure.

3. The limit of liability for this coverage will not be more than 10% of the limit of liability that applies to Coverage **A.** Use of this coverage does not reduce the Coverage **A** limit of liability.

C. Coverage C – Personal Property

1. Covered Property

We cover personal property owned or used by an "insured" while it is anywhere in the world. After a loss and at your request, we will cover personal property owned by:

a. Others while the property is on the part of the "residence premises" occupied by an "insured"; or

b. A guest or a "residence employee", while the property is in any residence occupied by an "insured".

2. Limit For Property At Other Residences

Our limit of liability for personal property usually located at an "insured's" residence, other than the "residence premises", is 10% of the limit of liability for Coverage **C,** or $1,000, whichever is greater. However, this limitation does not apply to personal property:

a. Moved from the "residence premises" because it is being repaired, renovated or rebuilt and is not fit to live in or store property in; or

b. In a newly acquired principal residence for 30 days from the time you begin to move the property there.

3. Special Limits Of Liability

The special limit for each category shown below is the total limit for each loss for all property in that category. These special limits do not increase the Coverage **C** limit of liability.

a. $200 on money, bank notes, bullion, gold other than goldware, silver other than silverware, platinum other than platinumware, coins, medals, scrip, stored value cards and smart cards.

b. $1,500 on securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps. This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists.

This limit includes the cost to research, replace or restore the information from the lost or damaged material.

c. $1,500 on watercraft of all types, including their trailers, furnishings, equipment and outboard engines or motors.

d. $1,500 on trailers or semitrailers not used with watercraft of all types.

e. $1,500 for loss by theft of jewelry, watches, furs, precious and semiprecious stones.

f. $2,500 for loss by theft of firearms and related equipment.

g. $2,500 for loss by theft of silverware, silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware. This includes flatware, hollow-ware, tea sets, trays and trophies made of or including silver, gold or pewter.

h. $2,500 on property, on the "residence premises", used primarily for "business" purposes.

i. $500 on property, away from the "residence premises", used primarily for "business" purposes. However, this limit does not apply to loss to electronic apparatus and other property described in Categories **j.** and **k.** below.

j. $1,500 on electronic apparatus and accessories, while in or upon a "motor vehicle", but only if the apparatus is equipped to be operated by power from the "motor vehicle's" electrical system while still capable of being operated by other power sources.

Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described in this Category **j.**

k. $1,500 on electronic apparatus and accessories used primarily for "business" while away from the "residence premises" and not in or upon a "motor vehicle". The apparatus must be equipped to be operated by power from the "motor vehicle's" electrical system while still capable of being operated by other power sources.

Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described in this Category **k.**

4. Property Not Covered

We do not cover:

a. Articles separately described and specifically insured, regardless of the limit for which they are insured, in this or other insurance;

b. Animals, birds or fish;

c. "Motor vehicles".

(1) This includes:

(a) Their accessories, equipment and parts; or

(b) Electronic apparatus and accessories designed to be operated solely by power from the electrical system of the "motor vehicle". Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described above.

The exclusion of property described in **(a)** and **(b)** above applies only while such property is in or upon the "motor vehicle".

(2) We do cover "motor vehicles" not required to be registered for use on public roads or property which are:

(a) Used solely to service an "insured's" residence; or

(b) Designed to assist the handicapped;

d. Aircraft meaning any contrivance used or designed for flight including any parts whether or not attached to the aircraft.

We do cover model or hobby aircraft not used or designed to carry people or cargo;

e. Hovercraft and parts. Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;

f. Property of roomers, boarders and other tenants, except property of roomers and boarders related to an "insured";

g. Property in an apartment regularly rented or held for rental to others by an "insured", except as provided in **E.10.** Landlord's Furnishings under Section **I** – Property Coverages;

h. Property rented or held for rental to others off the "residence premises";

i. "Business" data, including such data stored in:

(1) Books of account, drawings or other paper records; or

(2) Computers and related equipment.

We do cover the cost of blank recording or storage media, and of prerecorded computer programs available on the retail market;

j. Credit cards, electronic fund transfer cards or access devices used solely for deposit, withdrawal or transfer of funds except as provided in **E.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages; or

k. Water or steam.

D. Coverage D – Loss Of Use

The limit of liability for Coverage **D** is the total limit for the coverages in **1.** Additional Living Expense, **2.** Fair Rental Value and **3.** Civil Authority Prohibits Use below.

1. Additional Living Expense

If a loss covered under Section **I** makes that part of the "residence premises" where you reside not fit to live in, we cover any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living.

Payment will be for the shortest time required to repair or replace the damage or, if you permanently relocate, the shortest time required for your household to settle elsewhere.

2. Fair Rental Value

If a loss covered under Section **I** makes that part of the "residence premises" rented to others or held for rental by you not fit to live in, we cover the fair rental value of such premises less any expenses that do not continue while it is not fit to live in.

Payment will be for the shortest time required to repair or replace such premises.

3. Civil Authority Prohibits Use

If a civil authority prohibits you from use of the "residence premises" as a result of direct damage to neighboring premises by a Peril Insured Against, we cover the loss as provided in **1.** Additional Living Expense and **2.** Fair Rental Value above for no more than two weeks.

4. Loss Or Expense Not Covered

We do not cover loss or expense due to cancellation of a lease or agreement.

The periods of time under **1.** Additional Living Expense, **2.** Fair Rental Value and **3.** Civil Authority Prohibits Use above are not limited by expiration of this policy.

E. Additional Coverages

1. Debris Removal

a. We will pay your reasonable expense for the removal of:

(1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or

(2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit is available for such expense.

b. We will also pay your reasonable expense, up to $1,000, for the removal from the "residence premises" of:

(1) Your tree(s) felled by the peril of Windstorm or Hail or Weight of Ice, Snow or Sleet; or

(2) A neighbor's tree(s) felled by a Peril Insured Against under Coverage **C;**

provided the tree(s):

(3) Damage(s) a covered structure; or

(4) Does not damage a covered structure, but:

(a) Block(s) a driveway on the "residence premises" which prevent(s) a "motor vehicle", that is registered for use on public roads or property, from entering or leaving the "residence premises"; or

(b) Block(s) a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The $1,000 limit is the most we will pay in any one loss regardless of the number of fallen trees. No more than $500 of this limit will be paid for the removal of any one tree.

This coverage is additional insurance.

2. Reasonable Repairs

a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by a Peril Insured Against from further damage.

b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this policy and the damage is caused by a Peril Insured Against. This coverage does not:

(1) Increase the limit of liability that applies to the covered property; or

(2) Relieve you of your duties, in case of a loss to covered property, described in **B.4.** under Section **I** – Conditions.

3. Trees, Shrubs And Other Plants

We cover trees, shrubs, plants or lawns, on the "residence premises", for loss caused by the following Perils Insured Against:

a. Fire or Lightning;

b. Explosion;

c. Riot or Civil Commotion;

d. Aircraft;

e. Vehicles not owned or operated by a resident of the "residence premises";

f. Vandalism or Malicious Mischief; or

g. Theft.

We will pay up to 5% of the limit of liability that applies to the dwelling for all trees, shrubs, plants or lawns. No more than $500 of this limit will be paid for any one tree, shrub or plant. We do not cover property grown for "business" purposes.

This coverage is additional insurance.

4. Fire Department Service Charge

We will pay up to $500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.

This coverage is additional insurance. No deductible applies to this coverage.

5. Property Removed

We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed.

This coverage does not change the limit of liability that applies to the property being removed.

6. Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money

a. We will pay up to $500 for:

(1) The legal obligation of an "insured" to pay because of the theft or unauthorized use of credit cards issued to or registered in an "insured's" name;

(2) Loss resulting from theft or unauthorized use of an electronic fund transfer card or access device used for deposit, withdrawal or transfer of funds, issued to or registered in an "insured's" name;

(3) Loss to an "insured" caused by forgery or alteration of any check or negotiable instrument; and

(4) Loss to an "insured" through acceptance in good faith of counterfeit United States or Canadian paper currency.

All loss resulting from a series of acts committed by any one person or in which any one person is concerned or implicated is considered to be one loss.

This coverage is additional insurance. No deductible applies to this coverage.

b. We do not cover:

(1) Use of a credit card, electronic fund transfer card or access device:

(a) By a resident of your household;

(b) By a person who has been entrusted with either type of card or access device; or

(c) If an "insured" has not complied with all terms and conditions under which the cards are issued or the devices accessed; or

(2) Loss arising out of "business" use or dishonesty of an "insured".

c. If the coverage in **a.** above applies, the following defense provisions also apply:

(1) We may investigate and settle any claim or suit that we decide is appropriate. Our duty to defend a claim or suit ends when the amount we pay for the loss equals our limit of liability.

(2) If a suit is brought against an "insured" for liability under **a.(1)** or **(2)** above, we will provide a defense at our expense by counsel of our choice.

(3) We have the option to defend at our expense an "insured" or an "insured's" bank against any suit for the enforcement of payment under **a.(3)** above.

7. Loss Assessment

a. We will pay up to $1,000 for your share of loss assessment charged during the policy period against you, as owner or tenant of the "residence premises", by a corporation or association of property owners. The assessment must be made as a result of direct loss to property, owned by all members collectively, of the type that would be covered by this policy if owned by you, caused by a Peril Insured Against under Coverage **A,** other than:

(1) Earthquake; or

(2) Land shock waves or tremors before, during or after a volcanic eruption.

The limit of $1,000 is the most we will pay with respect to any one loss, regardless of the number of assessments. We will only apply one deductible, per unit, to the total amount of any one loss to the property described above, regardless of the number of assessments.

b. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

c. Paragraph **P.** Policy Period under Section **I** – Conditions does not apply to this coverage.

This coverage is additional insurance.

8. Collapse

a. With respect to this Additional Coverage:

(1) Collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its current intended purpose.

(2) A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse.

(3) A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building.

(4) A building or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

b. We insure for direct physical loss to covered property involving collapse of a building or any part of a building if the collapse was caused by one or more of the following:

(1) The Perils Insured Against named under Coverage **C;**

(2) Decay that is hidden from view, unless the presence of such decay is known to an "insured" prior to collapse;

(3) Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an "insured" prior to collapse;

(4) Weight of contents, equipment, animals or people;

(5) Weight of rain which collects on a roof; or

(6) Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

c. Loss to an awning, fence, patio, deck, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under **b.(2)** through **(6)** above, unless the loss is a direct result of the collapse of a building or any part of a building.

d. This coverage does not increase the limit of liability that applies to the damaged covered property.

9. Glass Or Safety Glazing Material

a. We cover:

(1) The breakage of glass or safety glazing material which is part of a covered building, storm door or storm window;

(2) The breakage of glass or safety glazing material which is part of a covered building, storm door or storm window when caused directly by earth movement; and

(3) The direct physical loss to covered property caused solely by the pieces, fragments or splinters of broken glass or safety glazing material which is part of a building, storm door or storm window.

b. This coverage does not include loss:

(1) To covered property which results because the glass or safety glazing material has been broken, except as provided in **a.(3)** above; or

(2) On the "residence premises" if the dwelling has been vacant for more than 60 consecutive days immediately before the loss, except when the breakage results directly from earth movement as provided in **a.(2)** above. A dwelling being constructed is not considered vacant.

c. This coverage does not increase the limit of liability that applies to the damaged property.

10. Landlord's Furnishings

We will pay up to $2,500 for your appliances, carpeting and other household furnishings, in each apartment on the "residence premises" regularly rented or held for rental to others by an "insured", for loss caused by a Peril Insured Against in Coverage **C,** other than Theft.

This limit is the most we will pay in any one loss regardless of the number of appliances, carpeting or other household furnishings involved in the loss.

This coverage does not increase the limit of liability applying to the damaged property.

11. Ordinance Or Law

a. You may use up to 10% of the limit of liability that applies to Coverage **A** for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:

(1) The construction, demolition, remodeling, renovation or repair of that part of a covered building or other structure damaged by a Peril Insured Against;

(2) The demolition and reconstruction of the undamaged part of a covered building or other structure, when that building or other structure must be totally demolished because of damage by a Peril Insured Against to another part of that covered building or other structure; or

(3) The remodeling, removal or replacement of the portion of the undamaged part of a covered building or other structure necessary to complete the remodeling, repair or replacement of that part of the covered building or other structure damaged by a Peril Insured Against.

b. You may use all or part of this ordinance or law coverage to pay for the increased costs you incur to remove debris resulting from the construction, demolition, remodeling, renovation, repair or replacement of property as stated in **a.** above.

c. We do not cover:

(1) The loss in value to any covered building or other structure due to the requirements of any ordinance or law; or

(2) The costs to comply with any ordinance or law which requires any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants in or on any covered building or other structure.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This coverage is additional insurance.

12. Grave Markers

We will pay up to $5,000 for grave markers, including mausoleums, on or away from the "residence premises" for loss caused by a Peril Insured Against under Coverage **C.**

This coverage does not increase the limits of liability that apply to the damaged covered property.

SECTION I – PERILS INSURED AGAINST

A. Coverage A – Dwelling And Coverage B – Other Structures

1. We insure against risk of direct physical loss to property described in Coverages **A** and **B.**

2. We do not insure, however, for loss:

a. Excluded under Section **I** – Exclusions;

b. Involving collapse, except as provided in **E.8.** Collapse under Section **I** – Property Coverages; or

c. Caused by:

(1) Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This provision does not apply if you have used reasonable care to:

(a) Maintain heat in the building; or

(b) Shut off the water supply and drain all systems and appliances of water.

However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the building for coverage to apply.

For purposes of this provision a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment;

(2) Freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:

(a) Fence, pavement, patio or swimming pool;

(b) Footing, foundation, bulkhead, wall, or any other structure or device that supports all or part of a building, or other structure;

(c) Retaining wall or bulkhead that does not support all or part of a building or other structure; or

(d) Pier, wharf or dock;

(3) Theft in or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied;

(4) Vandalism and malicious mischief, and any ensuing loss caused by any intentional and wrongful act committed in the course of the vandalism or malicious mischief, if the dwelling has been vacant for more than 60 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant;

(5) Mold, fungus or wet rot. However, we do insure for loss caused by mold, fungus or wet rot that is hidden within the walls or ceilings or beneath the floors or above the ceilings of a structure if such loss results from the accidental discharge or overflow of water or steam from within:

(a) A plumbing, heating, air conditioning or automatic fire protective sprinkler system, or a household appliance, on the "residence premises"; or

(b) A storm drain, or water, steam or sewer pipes, off the "residence premises".

For purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment; or

(6) Any of the following:

(a) Wear and tear, marring, deterioration;

(b) Mechanical breakdown, latent defect, inherent vice, or any quality in property that causes it to damage or destroy itself;

(c) Smog, rust or other corrosion, or dry rot;

(d) Smoke from agricultural smudging or industrial operations;

(e) Discharge, dispersal, seepage, migration, release or escape of pollutants unless the discharge, dispersal, seepage, migration, release or escape is itself caused by a Peril Insured Against named under Coverage **C.**

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed;

(f) Settling, shrinking, bulging or expansion, including resultant cracking, of bulkheads, pavements, patios, footings, foundations, walls, floors, roofs or ceilings;

(g) Birds, vermin, rodents, or insects; or

(h) Animals owned or kept by an "insured".

Exception To c.(6)

Unless the loss is otherwise excluded, we cover loss to property covered under Coverage **A** or **B** resulting from an accidental discharge or overflow of water or steam from within a:

(i) Storm drain, or water, steam or sewer pipe, off the "residence premises"; or

(ii) Plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance on the "residence premises". This includes the cost to tear out and replace any part of a building, or other structure, on the "residence premises", but only when necessary to repair the system or appliance. However, such tear out and replacement coverage only applies to other structures if the water or steam causes actual damage to a building on the "residence premises".

We do not cover loss to the system or appliance from which this water or steam escaped.

For purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, down spout or similar fixtures or equipment.

Section **I** – Exclusion **A.3.** Water Damage, Paragraphs **a.** and **c.** that apply to surface water and water below the surface of the ground do not apply to loss by water covered under **c.(5)** and **(6)** above.

Under **2.b.** and **c.** above, any ensuing loss to property described in Coverages **A** and **B** not precluded by any other provision in this policy is covered.

B. Coverage C – Personal Property

We insure for direct physical loss to the property described in Coverage **C** caused by any of the following perils unless the loss is excluded in Section **I** – Exclusions.

1. Fire Or Lightning

2. Windstorm Or Hail

This peril includes loss to watercraft of all types and their trailers, furnishings, equipment, and outboard engines or motors, only while inside a fully enclosed building.

This peril does not include loss to the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.

3. Explosion

4. Riot Or Civil Commotion

5. Aircraft

This peril includes self-propelled missiles and spacecraft.

6. Vehicles

7. Smoke

This peril means sudden and accidental damage from smoke, including the emission or puffback of smoke, soot, fumes or vapors from a boiler, furnace or related equipment.

This peril does not include loss caused by smoke from agricultural smudging or industrial operations.

8. Vandalism Or Malicious Mischief

9. Theft

a. This peril includes attempted theft and loss of property from a known place when it is likely that the property has been stolen.

b. This peril does not include loss caused by theft:

(1) Committed by an "insured";

(2) In or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied;

(3) From that part of a "residence premises" rented by an "insured" to someone other than another "insured"; or

(4) That occurs off the "residence premises" of:

(a) Trailers, semitrailers and campers;

(b) Watercraft of all types, and their furnishings, equipment and outboard engines or motors; or

(c) Property while at any other residence owned by, rented to, or occupied by an "insured", except while an "insured" is temporarily living there. Property of an "insured" who is a student is covered while at the residence the student occupies to attend school as long as the student has been there at any time during the 60 days immediately before the loss.

10. Falling Objects

This peril does not include loss to property contained in a building unless the roof or an outside wall of the building is first damaged by a falling object. Damage to the falling object itself is not included.

11. Weight Of Ice, Snow Or Sleet

This peril means weight of ice, snow or sleet which causes damage to property contained in a building.

12. Accidental Discharge Or Overflow Of Water Or Steam

a. This peril means accidental discharge or overflow of water or steam from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance.

b. This peril does not include loss:

(1) To the system or appliance from which the water or steam escaped;

(2) Caused by or resulting from freezing except as provided in Peril Insured Against **14.** Freezing;

(3) On the "residence premises" caused by accidental discharge or overflow which occurs off the "residence premises"; or

(4) Caused by mold, fungus or wet rot unless hidden within the walls or ceilings or beneath the floors or above the ceilings of a structure.

c. In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

d. Section **I** – Exclusion **A.3.** Water Damage, Paragraphs **a.** and **c.** that apply to surface water and water below the surface of the ground do not apply to loss by water covered under this peril.

13. Sudden And Accidental Tearing Apart, Cracking, Burning Or Bulging

This peril means sudden and accidental tearing apart, cracking, burning or bulging of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.

We do not cover loss caused by or resulting from freezing under this peril.

14. Freezing

a. This peril means freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance but only if you have used reasonable care to:

(1) Maintain heat in the building; or

(2) Shut off the water supply and drain all systems and appliances of water.

However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the building for coverage to apply.

b. In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

15. Sudden And Accidental Damage From Artificially Generated Electrical Current

This peril does not include loss to tubes, transistors, electronic components or circuitry that are a part of appliances, fixtures, computers, home entertainment units or other types of electronic apparatus.

16. Volcanic Eruption

This peril does not include loss caused by earthquake, land shock waves or tremors.

SECTION I – EXCLUSIONS

A. We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

1. Ordinance Or Law

Ordinance Or Law means any ordinance or law:

a. Requiring or regulating the construction, demolition, remodeling, renovation or repair of property, including removal of any resulting debris. This Exclusion **A.1.a.** does not apply to the amount of coverage that may be provided for in **E.11.** Ordinance Or Law under Section **I** – Property Coverages;

b. The requirements of which result in a loss in value to property; or

c. Requiring any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This Exclusion **A.1.** applies whether or not the property has been physically damaged.

2. Earth Movement

Earth Movement means:

a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;

b. Landslide, mudslide or mudflow;

c. Subsidence or sinkhole; or

d. Any other earth movement including earth sinking, rising or shifting;

caused by or resulting from human or animal forces or any act of nature unless direct loss by fire or explosion ensues and then we will pay only for the ensuing loss.

This Exclusion **A.2.** does not apply to loss by theft.

3. Water Damage

Water Damage means:

a. Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind;

b. Water or water-borne material which backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment; or

c. Water or water-borne material below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure;

caused by or resulting from human or animal forces or any act of nature.

Direct loss by fire, explosion or theft resulting from water damage is covered.

4. Power Failure

Power Failure means the failure of power or other utility service if the failure takes place off the "residence premises". But if the failure results in a loss, from a Peril Insured Against on the "residence premises", we will pay for the loss caused by that peril.

5. Neglect

Neglect means neglect of an "insured" to use all reasonable means to save and preserve property at and after the time of a loss.

6. War

War includes the following and any consequence of any of the following:

a. Undeclared war, civil war, insurrection, rebellion or revolution;

b. Warlike act by a military force or military personnel; or

c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

7. Nuclear Hazard

This Exclusion **A.7.** pertains to Nuclear Hazard to the extent set forth in **M.** Nuclear Hazard Clause under Section **I** – Conditions.

8. Intentional Loss

Intentional Loss means any loss arising out of any act an "insured" commits or conspires to commit with the intent to cause a loss.

In the event of such loss, no "insured" is entitled to coverage, even "insureds" who did not commit or conspire to commit the act causing the loss.

9. Governmental Action

Governmental Action means the destruction, confiscation or seizure of property described in Coverage **A, B** or **C** by order of any governmental or public authority.

This exclusion does not apply to such acts ordered by any governmental or public authority that are taken at the time of a fire to prevent its spread, if the loss caused by fire would be covered under this policy.

B. We do not insure for loss to property described in Coverages **A** and **B** caused by any of the following. However, any ensuing loss to property described in Coverages **A** and **B** not precluded by any other provision in this policy is covered.

1. Weather conditions. However, this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in **A.** above to produce the loss.

2. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

3. Faulty, inadequate or defective:

a. Planning, zoning, development, surveying, siting;

b. Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

c. Materials used in repair, construction, renovation or remodeling; or

d. Maintenance;

of part or all of any property whether on or off the "residence premises".

SECTION I – CONDITIONS

A. Insurable Interest And Limit Of Liability

Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss:

1. To an "insured" for more than the amount of such "insured's" interest at the time of loss; or
2. For more than the applicable limit of liability.

B. Duties After Loss

In case of a loss to covered property, we have no duty to provide coverage under this policy if the failure to comply with the following duties is prejudicial to us. These duties must be performed either by you, an "insured" seeking coverage, or a representative of either:

1. Give prompt notice to us or our agent;
2. Notify the police in case of loss by theft;
3. Notify the credit card or electronic fund transfer card or access device company in case of loss as provided for in **E.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages;
4. Protect the property from further damage. If repairs to the property are required, you must:
   - **a.** Make reasonable and necessary repairs to protect the property; and
   - **b.** Keep an accurate record of repair expenses;
5. Cooperate with us in the investigation of a claim;
6. Prepare an inventory of damaged personal property showing the quantity, description, actual cash value and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;
7. As often as we reasonably require:
   - **a.** Show the damaged property;
   - **b.** Provide us with records and documents we request and permit us to make copies; and
   - **c.** Submit to examination under oath, while not in the presence of another "insured", and sign the same;
8. Send to us, within 60 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:
   - **a.** The time and cause of loss;
   - **b.** The interests of all "insureds" and all others in the property involved and all liens on the property;
   - **c.** Other insurance which may cover the loss;
   - **d.** Changes in title or occupancy of the property during the term of the policy;
   - **e.** Specifications of damaged buildings and detailed repair estimates;
   - **f.** The inventory of damaged personal property described in **6.** above;
   - **g.** Receipts for additional living expenses incurred and records that support the fair rental value loss; and
   - **h.** Evidence or affidavit that supports a claim under **E.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages, stating the amount and cause of loss.

C. Loss Settlement

In this Condition **C.,** the terms "cost to repair or replace" and "replacement cost" do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs is provided in **E.11.** Ordinance Or Law under Section **I** – Property Coverages. Covered property losses are settled as follows:

1. Property of the following types:
   - **a.** Personal property;
   - **b.** Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings;
   - **c.** Structures that are not buildings; and
   - **d.** Grave markers, including mausoleums;

   at actual cash value at the time of loss but not more than the amount required to repair or replace.
2. Buildings covered under Coverage **A** or **B** at replacement cost without deduction for depreciation, subject to the following:
   - **a.** If, at the time of loss, the amount of insurance in this policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, after application of any deductible and without deduction for depreciation, but not more than the least of the following amounts:
     - **(1)** The limit of liability under this policy that applies to the building;
     - **(2)** The replacement cost of that part of the building damaged with material of like kind and quality and for like use; or
     - **(3)** The necessary amount actually spent to repair or replace the damaged building.

If the building is rebuilt at a new premises, the cost described in **(2)** above is limited to the cost which would have been incurred if the building had been built at the original premises.

b. If, at the time of loss, the amount of insurance in this policy on the damaged building is less than 80% of the full replacement cost of the building immediately before the loss, we will pay the greater of the following amounts, but not more than the limit of liability under this policy that applies to the building:

(1) The actual cash value of that part of the building damaged; or

(2) That proportion of the cost to repair or replace, after application of any deductible and without deduction for depreciation, that part of the building damaged, which the total amount of insurance in this policy on the damaged building bears to 80% of the replacement cost of the building.

c. To determine the amount of insurance required to equal 80% of the full replacement cost of the building immediately before the loss, do not include the value of:

(1) Excavations, footings, foundations, piers, or any other structures or devices that support all or part of the building, which are below the undersurface of the lowest basement floor;

(2) Those supports described in **(1)** above which are below the surface of the ground inside the foundation walls, if there is no basement; and

(3) Underground flues, pipes, wiring and drains.

d. We will pay no more than the actual cash value of the damage until actual repair or replacement is complete. Once actual repair or replacement is complete, we will settle the loss as noted in **2.a.** and **b.** above.

However, if the cost to repair or replace the damage is both:

(1) Less than 5% of the amount of insurance in this policy on the building; and

(2) Less than $2,500;

we will settle the loss as noted in **2.a.** and **b.** above whether or not actual repair or replacement is complete.

e. You may disregard the replacement cost loss settlement provisions and make claim under this policy for loss to buildings on an actual cash value basis. You may then make claim for any additional liability according to the provisions of this Condition **C.** Loss Settlement, provided you notify us of your intent to do so within 180 days after the date of loss.

D. Loss To A Pair Or Set

In case of loss to a pair or set we may elect to:

1. Repair or replace any part to restore the pair or set to its value before the loss; or

2. Pay the difference between actual cash value of the property before and after the loss.

E. Appraisal

If you and we fail to agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.

Each party will:

1. Pay its own appraiser; and

2. Bear the other expenses of the appraisal and umpire equally.

F. Other Insurance And Service Agreement

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

1. Other insurance, we will pay only the proportion of the loss that the limit of liability that applies under this policy bears to the total amount of insurance covering the loss; 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.

G. Suit Against Us

No action can be brought against us unless there has been full compliance with all of the terms under Section **I** of this policy and the action is started within two years after the date of loss.

H. Our Option

If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may repair or replace any part of the damaged property with material or property of like kind and quality.

I. Loss Payment

We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss and:

1. Reach an agreement with you;

2. There is an entry of a final judgment; or

3. There is a filing of an appraisal award with us.

J. Abandonment Of Property

We need not accept any property abandoned by an "insured".

K. Mortgage Clause

1. If a mortgagee is named in this policy, any loss payable under Coverage **A** or **B** will be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.

2. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:

a. Notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;

b. Pays any premium due under this policy on demand if you have neglected to pay the premium; and

c. Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Paragraphs **E.** Appraisal, **G.** Suit Against Us and **I.** Loss Payment under Section **I** – Conditions also apply to the mortgagee.

3. If we decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or nonrenewal takes effect.

4. If we pay the mortgagee for any loss and deny payment to you:

a. We are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or

b. At our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.

5. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

L. No Benefit To Bailee

We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.

M. Nuclear Hazard Clause

1. "Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.

2. Loss caused by the nuclear hazard will not be considered loss caused by fire, explosion, or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against.

3. This policy does not apply under Section **I** to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.

N. Recovered Property

If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.

O. Volcanic Eruption Period

One or more volcanic eruptions that occur within a 72 hour period will be considered as one volcanic eruption.

P. Policy Period

This policy applies only to loss which occurs during the policy period.

Q. Concealment Or Fraud

We provide coverage to no "insureds" under this policy if, whether before or after a loss, an "insured" has:

1. Intentionally concealed or misrepresented any material fact or circumstance;

2. Engaged in fraudulent conduct; or

3. Made false statements;

relating to this insurance.

R. Loss Payable Clause

If the Declarations show a loss payee for certain listed insured personal property, the definition of "insured" is changed to include that loss payee with respect to that property.

If we decide to cancel or not renew this policy, that loss payee will be notified in writing.

SECTION II – LIABILITY COVERAGES

A. Coverage E – Personal Liability

If a claim is made or a suit is brought against an "insured" for damages because of "bodily injury" or "property damage" caused by an "occurrence" to which this coverage applies, we will:

1. Pay up to our limit of liability for the damages for which an "insured" is legally liable. Damages include prejudgment interest awarded against an "insured"; and

2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when our limit of liability for the "occurrence" has been exhausted by payment of a judgment or settlement.

B. Coverage F – Medical Payments To Others

We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing "bodily injury". Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to you or regular residents of your household except "residence employees". As to others, this coverage applies only:

1. To a person on the "insured location" with the permission of an "insured"; or

2. To a person off the "insured location", if the "bodily injury":

a. Arises out of a condition on the "insured location" or the ways immediately adjoining;

b. Is caused by the activities of an "insured";

c. Is caused by a "residence employee" in the course of the "residence employee's" employment by an "insured"; or

d. Is caused by an animal owned by or in the care of an "insured".

SECTION II – EXCLUSIONS

A. "Motor Vehicle Liability"

1. Coverages **E** and **F** do not apply to any "motor vehicle liability" if, at the time and place of an "occurrence", the involved "motor vehicle":

a. Is registered for use on public roads or property;

b. Is not registered for use on public roads or property, but such registration is required by a law, or regulation issued by a government agency, for it to be used at the place of the "occurrence"; or

c. Is being:

(1) Operated in, or practicing for, any prearranged or organized race, speed contest or other competition;

(2) Rented to others;

(3) Used to carry persons or cargo for a charge; or

(4) Used for any "business" purpose except for a motorized golf cart while on a golfing facility.

2. If Exclusion **A.1.** does not apply, there is still no coverage for "motor vehicle liability" unless the "motor vehicle" is:

a. In dead storage on an "insured location";

b. Used solely to service an "insured's" residence;

c. Designed to assist the handicapped and, at the time of an "occurrence", it is:

(1) Being used to assist a handicapped person; or

(2) Parked on an "insured location";

d. Designed for recreational use off public roads and:

(1) Not owned by an "insured"; or

(2) Owned by an "insured" provided the "occurrence" takes place on an "insured location" as defined in Definitions **B. 6.a., b., d., e.** or **h.;** or

e. A motorized golf cart that is owned by an "insured", designed to carry up to 4 persons, not built or modified after manufacture to exceed a speed of 25 miles per hour on level ground and, at the time of an "occurrence", is within the legal boundaries of:

(1) A golfing facility and is parked or stored there, or being used by an "insured" to:

(a) Play the game of golf or for other recreational or leisure activity allowed by the facility;

(b) Travel to or from an area where "motor vehicles" or golf carts are parked or stored; or

(c) Cross public roads at designated points to access other parts of the golfing facility; or

(2) A private residential community, including its public roads upon which a motorized golf cart can legally travel, which is subject to the authority of a property owners association and contains an "insured's" residence.

B. "Watercraft Liability"

1. Coverages **E** and **F** do not apply to any "watercraft liability" if, at the time of an "occurrence", the involved watercraft is being:

a. Operated in, or practicing for, any prearranged or organized race, speed contest or other competition. This exclusion does not apply to a sailing vessel or a predicted log cruise;

b. Rented to others;

c. Used to carry persons or cargo for a charge; or

d. Used for any "business" purpose.

2. If Exclusion **B.1.** does not apply, there is still no coverage for "watercraft liability" unless, at the time of the "occurrence", the watercraft:

a. Is stored;

b. Is a sailing vessel, with or without auxiliary power, that is:

(1) Less than 26 feet in overall length; or

(2) 26 feet or more in overall length and not owned by or rented to an "insured"; or

c. Is not a sailing vessel and is powered by:

(1) An inboard or inboard-outdrive engine or motor, including those that power a water jet pump, of:

(a) 50 horsepower or less and not owned by an "insured"; or

(b) More than 50 horsepower and not owned by or rented to an "insured"; or

(2) One or more outboard engines or motors with:

(a) 25 total horsepower or less;

(b) More than 25 horsepower if the outboard engine or motor is not owned by an "insured";

(c) More than 25 horsepower if the outboard engine or motor is owned by an "insured" who acquired it during the policy period; or

(d) More than 25 horsepower if the outboard engine or motor is owned by an "insured" who acquired it before the policy period, but only if:

(i) You declare them at policy inception; or

(ii) Your intent to insure them is reported to us in writing within 45 days after you acquire them.

The coverages in **(c)** and **(d)** above apply for the policy period.

Horsepower means the maximum power rating assigned to the engine or motor by the manufacturer.

C. "Aircraft Liability"

This policy does not cover "aircraft liability".

D. "Hovercraft Liability"

This policy does not cover "hovercraft liability".

E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others

Coverages **E** and **F** do not apply to the following:

1. Expected Or Intended Injury

"Bodily injury" or "property damage" which is expected or intended by an "insured" even if the resulting "bodily injury" or "property damage":

a. Is of a different kind, quality or degree than initially expected or intended; or

b. Is sustained by a different person, entity, real or personal property, than initially expected or intended.

However, this Exclusion **E.1.** does not apply to "bodily injury" resulting from the use of reasonable force by an "insured" to protect persons or property;

2. "Business"

a. "Bodily injury" or "property damage" arising out of or in connection with a "business" conducted from an "insured location" or engaged in by an "insured", whether or not the "business" is owned or operated by an "insured" or employs an "insured".

This Exclusion **E.2.** applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

b. This Exclusion **E.2.** does not apply to:

(1) The rental or holding for rental of an "insured location";

(a) On an occasional basis if used only as a residence;

(b) In part for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or

(c) In part, as an office, school, studio or private garage; and

(2) An "insured" under the age of 21 years involved in a part-time or occasional, self-employed "business" with no employees;

3. Professional Services

"Bodily injury" or "property damage" arising out of the rendering of or failure to render professional services;

4. "Insured's" Premises Not An "Insured Location"

"Bodily injury" or "property damage" arising out of a premises:

a. Owned by an "insured";

b. Rented to an "insured"; or

c. Rented to others by an "insured";

that is not an "insured location";

5. War

"Bodily injury" or "property damage" caused directly or indirectly by war, including the following and any consequence of any of the following:

a. Undeclared war, civil war, insurrection, rebellion or revolution;

b. Warlike act by a military force or military personnel; or

c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental;

6. Communicable Disease

"Bodily injury" or "property damage" which arises out of the transmission of a communicable disease by an "insured";

7. Sexual Molestation, Corporal Punishment Or Physical Or Mental Abuse

"Bodily injury" or "property damage" arising out of sexual molestation, corporal punishment or physical or mental abuse; or

8. Controlled Substance

"Bodily injury" or "property damage" arising out of the use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812. Controlled Substances include but are not limited to cocaine, LSD, marijuana and all narcotic drugs. However, this exclusion does not apply to the legitimate use of prescription drugs by a person following the orders of a licensed physician.

Exclusions **A.** "Motor Vehicle Liability", **B.** "Watercraft Liability", **C.** "Aircraft Liability", **D.** "Hovercraft Liability" and **E.4.** "Insured's" Premises Not An "Insured Location" do not apply to "bodily injury" to a "residence employee" arising out of and in the course of the "residence employee's" employment by an "insured".

F. Coverage E – Personal Liability

Coverage **E** does not apply to:

1. Liability:

a. For any loss assessment charged against you as a member of an association, corporation or community of property owners, except as provided in **D.** Loss Assessment under Section **II** – Additional Coverages;

b. Under any contract or agreement entered into by an "insured". However, this exclusion does not apply to written contracts:

(1) That directly relate to the ownership, maintenance or use of an "insured location"; or

(2) Where the liability of others is assumed by you prior to an "occurrence";

unless excluded in **a.** above or elsewhere in this policy;

2. "Property damage" to property owned by an "insured". This includes costs or expenses incurred by an "insured" or others to repair, replace, enhance, restore or maintain such property to prevent injury to a person or damage to property of others, whether on or away from an "insured location";

3. "Property damage" to property rented to, occupied or used by or in the care of an "insured". This exclusion does not apply to "property damage" caused by fire, smoke or explosion;

4. "Bodily injury" to any person eligible to receive any benefits voluntarily provided or required to be provided by an "insured" under any:

a. Workers' compensation law;

b. Non-occupational disability law; or

c. Occupational disease law;

5. "Bodily injury" or "property damage" for which an "insured" under this policy:

a. Is also an insured under a nuclear energy liability policy issued by the:

(1) Nuclear Energy Liability Insurance Association;

(2) Mutual Atomic Energy Liability Underwriters;

(3) Nuclear Insurance Association of Canada;

or any of their successors; or

b. Would be an insured under such a policy but for the exhaustion of its limit of liability; or

6. "Bodily injury" to you or an "insured" as defined under Definitions **5.a.** or **b.**

This exclusion also applies to any claim made or suit brought against you or an "insured":

a. To repay; or

b. Share damages with;

another person who may be obligated to pay damages because of "bodily injury" to an "insured".

G. Coverage F – Medical Payments To Others

Coverage **F** does not apply to "bodily injury":

1. To a "residence employee" if the "bodily injury":

a. Occurs off the "insured location"; and

b. Does not arise out of or in the course of the "residence employee's" employment by an "insured";

2. To any person eligible to receive benefits voluntarily provided or required to be provided under any:

a. Workers' compensation law;

b. Non-occupational disability law; or

c. Occupational disease law;

3. From any:

a. Nuclear reaction;

b. Nuclear radiation; or

c. Radioactive contamination;

all whether controlled or uncontrolled or however caused; or

d. Any consequence of any of these; or

4. To any person, other than a "residence employee" of an "insured", regularly residing on any part of the "insured location".

SECTION II – ADDITIONAL COVERAGES

We cover the following in addition to the limits of liability:

A. Claim Expenses

We pay:

1. Expenses we incur and costs taxed against an "insured" in any suit we defend;

2. Premiums on bonds required in a suit we defend, but not for bond amounts more than the Coverage **E** limit of liability. We need not apply for or furnish any bond;

3. Reasonable expenses incurred by an "insured" at our request, including actual loss of earnings (but not loss of other income) up to $250 per day, for assisting us in the investigation or defense of a claim or suit; and

4. Interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies.

B. First Aid Expenses

We will pay expenses for first aid to others incurred by an "insured" for "bodily injury" covered under this policy. We will not pay for first aid to an "insured".

C. Damage To Property Of Others

1. We will pay, at replacement cost, up to $1,000 per "occurrence" for "property damage" to property of others caused by an "insured".

2. We will not pay for "property damage":

a. To the extent of any amount recoverable under Section **I;**

b. Caused intentionally by an "insured" who is 13 years of age or older;

c. To property owned by an "insured";

d. To property owned by or rented to a tenant of an "insured" or a resident in your household; or

e. Arising out of:

(1) A "business" engaged in by an "insured";

(2) Any act or omission in connection with a premises owned, rented or controlled by an "insured", other than the "insured location"; or

(3) The ownership, maintenance, occupancy, operation, use, loading or unloading of aircraft, hovercraft, watercraft or "motor vehicles".

This exclusion **e.(3)** does not apply to a "motor vehicle" that:

(a) Is designed for recreational use off public roads;

(b) Is not owned by an "insured"; and

(c) At the time of the "occurrence", is not required by law, or regulation issued by a government agency, to have been registered for it to be used on public roads or property.

D. Loss Assessment

1. We will pay up to $1,000 for your share of loss assessment charged against you, as owner or tenant of the "residence premises", during the policy period by a corporation or association of property owners, when the assessment is made as a result of:

a. "Bodily injury" or "property damage" not excluded from coverage under Section **II** – Exclusions; or

b. Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee, provided such person:

(1) Is elected by the members of a corporation or association of property owners; and

(2) Serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.

2. Paragraph **I.** Policy Period under Section **II** – Conditions does not apply to this Loss Assessment Coverage.

3. Regardless of the number of assessments, the limit of $1,000 is the most we will pay for loss arising out of:

a. One accident, including continuous or repeated exposure to substantially the same general harmful condition; or

b. A covered act of a director, officer or trustee. An act involving more than one director, officer or trustee is considered to be a single act.

4. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

SECTION II – CONDITIONS

A. Limit Of Liability

Our total liability under Coverage **E** for all damages resulting from any one "occurrence" will not be more than the Coverage **E** limit of liability shown in the Declarations. This limit is the same regardless of the number of "insureds", claims made or persons injured. All "bodily injury" and "property damage" resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one "occurrence".

Our total liability under Coverage **F** for all medical expense payable for "bodily injury" to one person as the result of one accident will not be more than the Coverage **F** limit of liability shown in the Declarations.

B. Severability Of Insurance

This insurance applies separately to each "insured". This condition will not increase our limit of liability for any one "occurrence".

C. Duties After "Occurrence"

In case of an "occurrence", you or another "insured" will perform the following duties that apply. We have no duty to provide coverage under this policy if your failure to comply with the following duties is prejudicial to us. You will help us by seeing that these duties are performed:

1. Give written notice to us or our agent as soon as is practical, which sets forth:

a. The identity of the policy and the "named insured" shown in the Declarations;

b. Reasonably available information on the time, place and circumstances of the "occurrence"; and

c. Names and addresses of any claimants and witnesses;

2. Cooperate with us in the investigation, settlement or defense of any claim or suit;

3. Promptly forward to us every notice, demand, summons or other process relating to the "occurrence";

4. At our request, help us:

a. To make settlement;

b. To enforce any right of contribution or indemnity against any person or organization who may be liable to an "insured";

c. With the conduct of suits and attend hearings and trials; and

d. To secure and give evidence and obtain the attendance of witnesses;

5. With respect to **C.** Damage To Property Of Others under Section **II** – Additional Coverages, submit to us within 60 days after the loss, a sworn statement of loss and show the damaged property, if in an "insured's" control;

6. No "insured" shall, except at such "insured's" own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the "bodily injury".

D. Duties Of An Injured Person – Coverage F – Medical Payments To Others

1. The injured person or someone acting for the injured person will:

   a. Give us written proof of claim, under oath if required, as soon as is practical; and

   b. Authorize us to obtain copies of medical reports and records.

2. The injured person will submit to a physical exam by a doctor of our choice when and as often as we reasonably require.

E. Payment Of Claim – Coverage F – Medical Payments To Others

Payment under this coverage is not an admission of liability by an "insured" or us.

F. Suit Against Us

1. No action can be brought against us unless there has been full compliance with all of the terms under this Section **II.**

2. No one will have the right to join us as a party to any action against an "insured".

3. Also, no action with respect to Coverage **E** can be brought against us until the obligation of such "insured" has been determined by final judgment or agreement signed by us.

G. Bankruptcy Of An "Insured"

Bankruptcy or insolvency of an "insured" will not relieve us of our obligations under this policy.

H. Other Insurance

This insurance is excess over other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.

I. Policy Period

This policy applies only to "bodily injury" or "property damage" which occurs during the policy period.

J. Concealment Or Fraud

We do not provide coverage to an "insured" who, whether before or after a loss, has:

1. Intentionally concealed or misrepresented any material fact or circumstance;

2. Engaged in fraudulent conduct; or

3. Made false statements;

relating to this insurance.

SECTIONS I AND II – CONDITIONS

A. Liberalization Clause

If we make a change which broadens coverage under this edition of our policy without additional premium charge, that change will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.

This Liberalization Clause does not apply to changes implemented with a general program revision that includes both broadenings and restrictions in coverage, whether that general program revision is implemented through introduction of:

1. A subsequent edition of this policy; or

2. An amendatory endorsement.

B. Waiver Or Change Of Policy Provisions

A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.

C. Cancellation

1. You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.

2. We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations. Proof of mailing will be sufficient proof of notice.

   a. When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.

   b. When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.

c. When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:

(1) If there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or

(2) If the risk has changed substantially since the policy was issued.

This can be done by letting you know at least 30 days before the date cancellation takes effect.

d. When this policy is written for a period of more than one year, we may cancel for any reason at anniversary by letting you know at least 30 days before the date cancellation takes effect.

3. When this policy is canceled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.

4. If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

D. Nonrenewal

We may elect not to renew this policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

E. Assignment

Assignment of this policy will not be valid unless we give our written consent.

F. Subrogation

An "insured" may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an "insured" must sign and deliver all related papers and cooperate with us.

Subrogation does not apply to Coverage **F** or Paragraph **C.** Damage To Property Of Others under Section **II** – Additional Coverages.

G. Death

If any person named in the Declarations or the spouse, if a resident of the same household, dies, the following apply:

1. We insure the legal representative of the deceased but only with respect to the premises and property of the deceased covered under the policy at the time of death; and

2. "Insured" includes:

a. An "insured" who is a member of your household at the time of your death, but only while a resident of the "residence premises"; and

b. With respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

HOMEOWNERS 4 – CONTENTS BROAD FORM

AGREEMENT

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

DEFINITIONS

A. In this policy, "you" and "your" refer to the "named insured" shown in the Declarations and the spouse if a resident of the same household. "We", "us" and "our" refer to the Company providing this insurance.

B. In addition, certain words and phrases are defined as follows:

1. "Aircraft Liability", "Hovercraft Liability", "Motor Vehicle Liability" and "Watercraft Liability", subject to the provisions in **b.** below, mean the following:

a. Liability for "bodily injury" or "property damage" arising out of the:

(1) Ownership of such vehicle or craft by an "insured";

(2) Maintenance, occupancy, operation, use, loading or unloading of such vehicle or craft by any person;

(3) Entrustment of such vehicle or craft by an "insured" to any person;

(4) Failure to supervise or negligent supervision of any person involving such vehicle or craft by an "insured"; or

(5) Vicarious liability, whether or not imposed by law, for the actions of a child or minor involving such vehicle or craft.

b. For the purpose of this definition:

(1) Aircraft means any contrivance used or designed for flight except model or hobby aircraft not used or designed to carry people or cargo;

(2) Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;

(3) Watercraft means a craft principally designed to be propelled on or in water by wind, engine power or electric motor; and

(4) Motor vehicle means a "motor vehicle" as defined in **7.** below.

2. "Bodily injury" means bodily harm, sickness or disease, including required care, loss of services and death that results.

3. "Business" means:

a. A trade, profession or occupation engaged in on a full-time, part-time or occasional basis; or

b. Any other activity engaged in for money or other compensation, except the following:

(1) One or more activities, not described in **(2)** through **(4)** below, for which no "insured" receives more than $2,000 in total compensation for the 12 months before the beginning of the policy period;

(2) Volunteer activities for which no money is received other than payment for expenses incurred to perform the activity;

(3) Providing home day care services for which no compensation is received, other than the mutual exchange of such services; or

(4) The rendering of home day care services to a relative of an "insured".

4. "Employee" means an employee of an "insured", or an employee leased to an "insured" by a labor leasing firm under an agreement between an "insured" and the labor leasing firm, whose duties are other than those performed by a "residence employee".

5. "Insured" means:

a. You and residents of your household who are:

(1) Your relatives; or

(2) Other persons under the age of 21 and in the care of any person named above;

b. A student enrolled in school full time, as defined by the school, who was a resident of your household before moving out to attend school, provided the student is under the age of:

(1) 24 and your relative; or

(2) 21 and in your care or the care of a person described in **a.(1)** above; or

c. Under Section **II:**

(1) With respect to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person included in **a.** or **b.** above. "Insured" does not mean a person or organization using or having custody of these animals or watercraft in the course of any "business" or without consent of the owner; or

(2) With respect to a "motor vehicle" to which this policy applies:

(a) Persons while engaged in your employ or that of any person included in **a.** or **b.** above; or

(b) Other persons using the vehicle on an "insured location" with your consent.

Under both Sections **I** and **II,** when the word an immediately precedes the word "insured", the words an "insured" together mean one or more "insureds".

6. "Insured location" means:

a. The "residence premises";

b. The part of other premises, other structures and grounds used by you as a residence; and

(1) Which is shown in the Declarations; or

(2) Which is acquired by you during the policy period for your use as a residence;

c. Any premises used by you in connection with a premises described in **a.** and **b.** above;

d. Any part of a premises:

(1) Not owned by an "insured"; and

(2) Where an "insured" is temporarily residing;

e. Vacant land, other than farm land, owned by or rented to an "insured";

f. Land owned by or rented to an "insured" on which a one, two, three or four family dwelling is being built as a residence for an "insured";

g. Individual or family cemetery plots or burial vaults of an "insured"; or

h. Any part of a premises occasionally rented to an "insured" for other than "business" use.

7. "Motor vehicle" means:

a. A self-propelled land or amphibious vehicle; or

b. Any trailer or semitrailer which is being carried on, towed by or hitched for towing by a vehicle described in **a.** above.

8. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in:

a. "Bodily injury"; or

b. "Property damage".

9. "Property damage" means physical injury to, destruction of, or loss of use of tangible property.

10. "Residence employee" means:

a. An employee of an "insured", or an employee leased to an "insured" by a labor leasing firm, under an agreement between an "insured" and the labor leasing firm, whose duties are related to the maintenance or use of the "residence premises", including household or domestic services; or

b. One who performs similar duties elsewhere not related to the "business" of an "insured".

A "residence employee" does not include a temporary employee who is furnished to an "insured" to substitute for a permanent "residence employee" on leave or to meet seasonal or short-term workload conditions.

11. "Residence premises" means:

a. The one family dwelling where you reside;

b. The two, three or four family dwelling where you reside in at least one of the family units; or

c. That part of any other building where you reside;

and which is shown as the "residence premises" in the Declarations.

"Residence premises" also includes other structures and grounds at that location.

DEDUCTIBLE

Unless otherwise noted in this policy, the following deductible provision applies:

Subject to the policy limits that apply, we will pay only that part of the total of all loss payable under Section **I** that exceeds the deductible amount shown in the Declarations.

SECTION I – PROPERTY COVERAGES

A. Coverage C – Personal Property

1. Covered Property

We cover personal property owned or used by an "insured" while it is anywhere in the world. After a loss and at your request, we will cover personal property owned by:

a. Others while the property is on the part of the "residence premises" occupied by an "insured"; or

b. A guest or a "residence employee", while the property is in any residence occupied by an "insured".

2. Limit For Property At Other Residences

Our limit of liability for personal property usually located at an "insured's" residence, other than the "residence premises", is 10% of the limit of liability for Coverage **C,** or $1,000, whichever is greater. However, this limitation does not apply to personal property:

a. Moved from the "residence premises" because it is being repaired, renovated or rebuilt and is not fit to live in or store property in; or

b. In a newly acquired principal residence for 30 days from the time you begin to move the property there.

3. Special Limits Of Liability

The special limit for each category shown below is the total limit for each loss for all property in that category. These special limits do not increase the Coverage **C** limit of liability.

a. $200 on money, bank notes, bullion, gold other than goldware, silver other than silverware, platinum other than platinumware, coins, medals, scrip, stored value cards and smart cards.

b. $1,500 on securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps. This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists.

This limit includes the cost to research, replace or restore the information from the lost or damaged material.

c. $1,500 on watercraft of all types, including their trailers, furnishings, equipment and outboard engines or motors.

d. $1,500 on trailers or semitrailers not used with watercraft of all types.

e. $1,500 for loss by theft of jewelry, watches, furs, precious and semiprecious stones.

f. $2,500 for loss by theft of firearms and related equipment.

g. $2,500 for loss by theft of silverware, silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware. This includes flatware, hollow-ware, tea sets, trays and trophies made of or including silver, gold or pewter.

h. $2,500 on property, on the "residence premises", used primarily for "business" purposes.

i. $500 on property, away from the "residence premises", used primarily for "business" purposes. However, this limit does not apply to loss to electronic apparatus and other property described in Categories **j.** and **k.** below.

j. $1,500 on electronic apparatus and accessories, while in or upon a "motor vehicle", but only if the apparatus is equipped to be operated by power from the "motor vehicle's" electrical system while still capable of being operated by other power sources.

Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described in this Category **j.**

k. $1,500 on electronic apparatus and accessories used primarily for "business" while away from the "residence premises" and not in or upon a "motor vehicle". The apparatus must be equipped to be operated by power from the "motor vehicle's" electrical system while still capable of being operated by other power sources.

Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described in this Category **k.**

4. Property Not Covered

We do not cover:

a. Articles separately described and specifically insured, regardless of the limit for which they are insured, in this or other insurance;

b. Animals, birds or fish;

c. "Motor vehicles".

(1) This includes:

(a) Their accessories, equipment and parts; or

(b) Electronic apparatus and accessories designed to be operated solely by power from the electrical system of the "motor vehicle". Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described above.

The exclusion of property described in **(a)** and **(b)** above applies only while such property is in or upon the "motor vehicle".

(2) We do cover "motor vehicles" not required to be registered for use on public roads or property which are:

(a) Used solely to service an "insured's" residence; or

(b) Designed to assist the handicapped;

d. Aircraft meaning any contrivance used or designed for flight including any parts whether or not attached to the aircraft.

We do cover model or hobby aircraft not used or designed to carry people or cargo;

e. Hovercraft and parts. Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;

f. Property of roomers, boarders and other tenants, except property of roomers and boarders related to an "insured";

g. Property in an apartment regularly rented or held for rental to others by an "insured";

h. Property rented or held for rental to others off the "residence premises";

i. "Business" data, including such data stored in:

(1) Books of account, drawings or other paper records; or

(2) Computers and related equipment.

We do cover the cost of blank recording or storage media, and of prerecorded computer programs available on the retail market;

j. Credit cards, electronic fund transfer cards or access devices used solely for deposit, withdrawal or transfer of funds except as provided in **C.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages; or

k. Water or steam.

B. Coverage D – Loss Of Use

The limit of liability for Coverage **D** is the total limit for the coverages in **1.** Additional Living Expense, **2.** Fair Rental Value and **3.** Civil Authority Prohibits Use below.

1. Additional Living Expense

If a loss by a Peril Insured Against under this policy to covered property or the building containing the property makes the "residence premises" not fit to live in, we cover any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living.

Payment will be for the shortest time required to repair or replace the damage or, if you permanently relocate, the shortest time required for your household to settle elsewhere.

2. Fair Rental Value

If a loss covered under Section **I** makes that part of the "residence premises" rented to others or held for rental by you not fit to live in, we cover the fair rental value of such premises less any expenses that do not continue while it is not fit to live in.

Payment will be for the shortest time required to repair or replace such premises.

3. Civil Authority Prohibits Use

If a civil authority prohibits you from use of the "residence premises" as a result of direct damage to neighboring premises by a Peril Insured Against, we cover the loss as provided in **1.** Additional Living Expense and **2.** Fair Rental Value above for no more than two weeks.

4. Loss Or Expense Not Covered

We do not cover loss or expense due to cancellation of a lease or agreement.

The periods of time under **1.** Additional Living Expense, **2.** Fair Rental Value and **3.** Civil Authority Prohibits Use above are not limited by expiration of this policy.

C. Additional Coverages

1. Debris Removal

a. We will pay your reasonable expense for the removal of:

(1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or

(2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit is available for such expense.

b. We will also pay your reasonable expense, up to $1,000, for the removal from the "residence premises" of:

(1) Your tree(s) felled by the peril of Windstorm or Hail or Weight of Ice, Snow or Sleet; or

(2) A neighbor's tree(s) felled by a Peril Insured Against under Coverage **C;**

provided the tree(s):

(3) Damage(s) a covered structure; or

(4) Does not damage a covered structure, but:

(a) Block(s) a driveway on the "residence premises" which prevent(s) a "motor vehicle", that is registered for use on public roads or property, from entering or leaving the "residence premises"; or

(b) Block(s) a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The $1,000 limit is the most we will pay in any one loss regardless of the number of fallen trees. No more than $500 of this limit will be paid for the removal of any one tree.

This coverage is additional insurance.

2. Reasonable Repairs

a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by a Peril Insured Against from further damage.

b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this policy and the damage is caused by a Peril Insured Against. This coverage does not:

(1) Increase the limit of liability that applies to the covered property; or

(2) Relieve you of your duties, in case of a loss to covered property, described in **B.4.** under Section **I** – Conditions.

3. Trees, Shrubs And Other Plants

We cover trees, shrubs, plants or lawns, on the "residence premises", for loss caused by the following Perils Insured Against:

a. Fire or Lightning;

b. Explosion;

c. Riot or Civil Commotion;

d. Aircraft;

e. Vehicles not owned or operated by a resident of the "residence premises";

f. Vandalism or Malicious Mischief; or

g. Theft.

We will pay up to 10% of the limit of liability that applies to Coverage **C** for all trees, shrubs, plants or lawns. No more than $500 of this limit will be paid for any one tree, shrub or plant. We do not cover property grown for "business" purposes.

This coverage is additional insurance.

4. Fire Department Service Charge

We will pay up to $500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.

This coverage is additional insurance. No deductible applies to this coverage.

5. Property Removed

We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed.

This coverage does not change the limit of liability that applies to the property being removed.

6. Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money

a. We will pay up to $500 for:

(1) The legal obligation of an "insured" to pay because of the theft or unauthorized use of credit cards issued to or registered in an "insured's" name;

(2) Loss resulting from theft or unauthorized use of an electronic fund transfer card or access device used for deposit, withdrawal or transfer of funds, issued to or registered in an "insured's" name;

(3) Loss to an "insured" caused by forgery or alteration of any check or negotiable instrument; and

(4) Loss to an "insured" through acceptance in good faith of counterfeit United States or Canadian paper currency.

All loss resulting from a series of acts committed by any one person or in which any one person is concerned or implicated is considered to be one loss.

This coverage is additional insurance. No deductible applies to this coverage.

b. We do not cover:

(1) Use of a credit card, electronic fund transfer card or access device:

(a) By a resident of your household;

(b) By a person who has been entrusted with either type of card or access device; or

(c) If an "insured" has not complied with all terms and conditions under which the cards are issued or the devices accessed; or

(2) Loss arising out of "business" use or dishonesty of an "insured".

c. If the coverage in **a.** above applies, the following defense provisions also apply:

(1) We may investigate and settle any claim or suit that we decide is appropriate. Our duty to defend a claim or suit ends when the amount we pay for the loss equals our limit of liability.

(2) If a suit is brought against an "insured" for liability under **a.(1)** or **(2)** above, we will provide a defense at our expense by counsel of our choice.

(3) We have the option to defend at our expense an "insured" or an "insured's" bank against any suit for the enforcement of payment under **a.(3)** above.

7. Loss Assessment

a. We will pay up to $1,000 for your share of loss assessment charged during the policy period against you, as owner or tenant of the "residence premises", by a corporation or association of property owners. The assessment must be made as a result of direct loss to property, owned by all members collectively, of the type that would be covered by this policy if owned by you, caused by a Peril Insured Against under Coverage **C,** other than:

(1) Earthquake; or

(2) Land shock waves or tremors before, during or after a volcanic eruption.

The limit of $1,000 is the most we will pay with respect to any one loss, regardless of the number of assessments. We will only apply one deductible, per unit, to the total amount of any one loss to the property described above, regardless of the number of assessments.

b. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

c. Paragraph **O.** Policy Period under Section **I** – Conditions does not apply to this coverage.

This coverage is additional insurance.

8. Collapse

a. With respect to this Additional Coverage:

(1) Collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its current intended purpose.

(2) A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse.

(3) A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building.

(4) A building or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

b. We insure for direct physical loss to covered property involving collapse of a building or any part of a building if the collapse was caused by one or more of the following:

(1) The Perils Insured Against;

(2) Decay that is hidden from view, unless the presence of such decay is known to an "insured" prior to collapse;

(3) Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an "insured" prior to collapse;

(4) Weight of contents, equipment, animals or people;

(5) Weight of rain which collects on a roof; or

(6) Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

c. Loss to an awning, fence, patio, deck, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under **b.(2)** through **(6)** above, unless the loss is a direct result of the collapse of a building or any part of a building.

d. This coverage does not increase the limit of liability that applies to the damaged covered property.

9. Glass Or Safety Glazing Material

a. We cover:

(1) The breakage of glass or safety glazing material which is part of a building, storm door or storm window, and covered as Building Additions And Alterations;

(2) The breakage of glass or safety glazing material which is part of a building, storm door or storm window and covered as Building Additions And Alterations when caused directly by earth movement; and

(3) The direct physical loss to covered property caused solely by the pieces, fragments or splinters of broken glass or safety glazing material which is part of a building, storm door or storm window.

b. This coverage does not include loss:

(1) To covered property which results because the glass or safety glazing material has been broken, except as provided in **a.(3)** above; or

(2) On the "residence premises" if the dwelling has been vacant for more than 60 consecutive days immediately before the loss, except when the breakage results directly from earth movement as provided in **a.(2)** above. A dwelling being constructed is not considered vacant.

c. This coverage does not increase the limit of liability that applies to the damaged property.

10. Building Additions And Alterations

We cover under Coverage **C** the building improvements or installations, made or acquired at your expense, to that part of the "residence premises" used exclusively by you. The limit of liability for this coverage will not be more than 10% of the limit of liability that applies to Coverage **C.**

This coverage is additional insurance.

11. Ordinance Or Law

a. You may use up to 10% of the limit of liability that applies to Building Additions And Alterations for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:

(1) The construction, demolition, remodeling, renovation or repair of that part of a covered building or other structure damaged by a Peril Insured Against;

(2) The demolition and reconstruction of the undamaged part of a covered building or other structure, when that building or other structure must be totally demolished because of damage by a Peril Insured Against to another part of that covered building or other structure; or

(3) The remodeling, removal or replacement of the portion of the undamaged part of a covered building or other structure necessary to complete the remodeling, repair or replacement of that part of the covered building or other structure damaged by a Peril Insured Against.

b. You may use all or part of this ordinance or law coverage to pay for the increased costs you incur to remove debris resulting from the construction, demolition, remodeling, renovation, repair or replacement of property as stated in **a.** above.

c. We do not cover:

(1) The loss in value to any covered building or other structure due to the requirements of any ordinance or law; or

(2) The costs to comply with any ordinance or law which requires any "insured" or others, to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants in or on any covered building or other structure.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This coverage is additional insurance.

12. Grave Markers

We will pay up to $5,000 for grave markers, including mausoleums, on or away from the "residence premises" for loss caused by a Peril Insured Against.

This coverage does not increase the limits of liability that apply to the damaged covered property.

SECTION I – PERILS INSURED AGAINST

We insure for direct physical loss to the property described in Coverage **C** caused by any of the following perils unless the loss is excluded in Section **I** – Exclusions.

1. Fire Or Lightning

2. Windstorm Or Hail

This peril includes loss to watercraft of all types and their trailers, furnishings, equipment, and outboard engines or motors, only while inside a fully enclosed building.

This peril does not include loss to the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.

3. Explosion

4. Riot Or Civil Commotion

5. Aircraft

This peril includes self-propelled missiles and spacecraft.

6. Vehicles

7. Smoke

This peril means sudden and accidental damage from smoke, including the emission or puffback of smoke, soot, fumes or vapors from a boiler, furnace or related equipment.

This peril does not include loss caused by smoke from agricultural smudging or industrial operations.

8. Vandalism Or Malicious Mischief

This peril does not include loss to property on the "residence premises", and any ensuing loss caused by any intentional and wrongful act committed in the course of the vandalism or malicious mischief, if the dwelling has been vacant for more than 60 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant.

9. Theft

a. This peril includes attempted theft and loss of property from a known place when it is likely that the property has been stolen.

b. This peril does not include loss caused by theft:

(1) Committed by an "insured";

(2) In or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied;

(3) From that part of a "residence premises" rented by an "insured" to someone other than another "insured"; or

(4) That occurs off the "residence premises" of:

(a) Trailers, semitrailers and campers;

(b) Watercraft of all types, and their furnishings, equipment and outboard engines or motors; or

(c) Property while at any other residence owned by, rented to, or occupied by an "insured", except while an "insured" is temporarily living there. Property of an "insured" who is a student is covered while at the residence the student occupies to attend school as long as the student has been there at any time during the 60 days immediately before the loss.

10. Falling Objects

This peril does not include loss to the property contained in the building unless the roof or an outside wall of the building is first damaged by a falling object. Damage to the falling object itself is not included.

11. Weight Of Ice, Snow Or Sleet

This peril means weight of ice, snow or sleet which causes damage to the property contained in the building.

12. Accidental Discharge Or Overflow Of Water Or Steam

a. This peril means accidental discharge or overflow of water or steam from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance.

b. This peril does not include loss:

(1) To the system or appliance from which the water or steam escaped;

(2) Caused by or resulting from freezing except as provided in Peril Insured Against **14.** Freezing;

(3) On the "residence premises" caused by accidental discharge or overflow which occurs away from the building where the "residence premises" is located; or

(4) Caused by mold, fungus or wet rot unless hidden within the walls or ceilings or beneath the floors or above the ceilings of a structure.

c. In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

d. Section **I** – Exclusion **3.** Water Damage, Paragraphs **a.** and **c.** that apply to surface water and water below the surface of the ground do not apply to loss by water covered under this peril.

13. Sudden And Accidental Tearing Apart, Cracking, Burning Or Bulging

This peril means sudden and accidental tearing apart, cracking, burning or bulging of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.

This peril does not include loss caused by or resulting from freezing except as provided in Peril Insured Against **14.** Freezing below.

14. Freezing

a. This peril means freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance but only if you have used reasonable care to:

(1) Maintain heat in the building; or

(2) Shut off the water supply and drain all systems and appliances of water.

However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the building for coverage to apply.

b. In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

15. Sudden And Accidental Damage From Artificially Generated Electrical Current

This peril does not include loss to tubes, transistors, electronic components or circuitry that are a part of appliances, fixtures, computers, home entertainment units or other types of electronic apparatus.

16. Volcanic Eruption

This peril does not include loss caused by earthquake, land shock waves or tremors.

SECTION I – EXCLUSIONS

We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

1. Ordinance Or Law

Ordinance Or Law means any ordinance or law:

a. Requiring or regulating the construction, demolition, remodeling, renovation or repair of property, including removal of any resulting debris. This Exclusion **1.a.** does not apply to the amount of coverage that may be provided for in **C.11.** Ordinance Or Law under Section **I** – Property Coverages;

b. The requirements of which result in a loss in value to property; or

c. Requiring any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This Exclusion **1.** applies whether or not the property has been physically damaged.

2. Earth Movement

Earth Movement means:

a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;

b. Landslide, mudslide or mudflow;

c. Subsidence or sinkhole; or

d. Any other earth movement including earth sinking, rising or shifting;

caused by or resulting from human or animal forces or any act of nature unless direct loss by fire or explosion ensues and then we will pay only for the ensuing loss.

This Exclusion **2.** does not apply to loss by theft.

3. Water Damage

Water Damage means:

a. Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind;

b. Water or water-borne material which backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment; or

c. Water or water-borne material below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure;

caused by or resulting from human or animal forces or any act of nature.

Direct loss by fire, explosion or theft resulting from water damage is covered.

4. Power Failure

Power Failure means the failure of power or other utility service if the failure takes place off the "residence premises". But if the failure results in a loss, from a Peril Insured Against on the "residence premises", we will pay for the loss caused by that peril.

5. Neglect

Neglect means neglect of an "insured" to use all reasonable means to save and preserve property at and after the time of a loss.

6. War

War includes the following and any consequence of any of the following:

a. Undeclared war, civil war, insurrection, rebellion or revolution;

b. Warlike act by a military force or military personnel; or

c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

7. Nuclear Hazard

This Exclusion **7.** pertains to Nuclear Hazard to the extent set forth in **L.** Nuclear Hazard Clause under Section **I** – Conditions.

8. Intentional Loss

Intentional Loss means any loss arising out of any act an "insured" commits or conspires to commit with the intent to cause a loss.

In the event of such loss, no "insured" is entitled to coverage, even "insureds" who did not commit or conspire to commit the act causing the loss.

9. Governmental Action

Governmental Action means the destruction, confiscation or seizure of property described in Coverage **C** by order of any governmental or public authority.

This exclusion does not apply to such acts ordered by any governmental or public authority that are taken at the time of a fire to prevent its spread, if the loss caused by fire would be covered under this policy.

SECTION I – CONDITIONS

A. Insurable Interest And Limit Of Liability

Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss:

1. To an "insured" for more than the amount of such "insured's" interest at the time of loss; or

2. For more than the applicable limit of liability.

B. Duties After Loss

In case of a loss to covered property, we have no duty to provide coverage under this policy if the failure to comply with the following duties is prejudicial to us. These duties must be performed either by you, an "insured" seeking coverage, or a representative of either:

1. Give prompt notice to us or our agent;

2. Notify the police in case of loss by theft;

3. Notify the credit card or electronic fund transfer card or access device company in case of loss as provided for in **C.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages;

4. Protect the property from further damage. If repairs to the property are required, you must:

- **a.** Make reasonable and necessary repairs to protect the property; and
- **b.** Keep an accurate record of repair expenses;

5. Cooperate with us in the investigation of a claim;

6. Prepare an inventory of damaged personal property showing the quantity, description, actual cash value and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;

7. As often as we reasonably require:

a. Show the damaged property;

b. Provide us with records and documents we request and permit us to make copies; and

c. Submit to examination under oath, while not in the presence of another "insured", and sign the same;

8. Send to us, within 60 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:

a. The time and cause of loss;

b. The interests of all "insureds" and all others in the property involved and all liens on the property;

c. Other insurance which may cover the loss;

d. Changes in title or occupancy of the property during the term of the policy;

e. Specifications of damaged buildings and detailed repair estimates;

f. The inventory of damaged personal property described in **6.** above;

g. Receipts for additional living expenses incurred and records that support the fair rental value loss; and

h. Evidence or affidavit that supports a claim under **C.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages, stating the amount and cause of loss.

C. Loss Settlement

Covered property losses are settled at actual cash value at the time of loss but not more than the amount required to repair or replace.

D. Loss To A Pair Or Set

In case of loss to a pair or set we may elect to:

1. Repair or replace any part to restore the pair or set to its value before the loss; or

2. Pay the difference between actual cash value of the property before and after the loss.

E. Appraisal

If you and we fail to agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.

Each party will:

1. Pay its own appraiser; and

2. Bear the other expenses of the appraisal and umpire equally.

F. Other Insurance And Service Agreement

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

1. Other insurance, we will pay only the proportion of the loss that the limit of liability that applies under this policy bears to the total amount of insurance covering the loss; 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.

G. Suit Against Us

No action can be brought against us unless there has been full compliance with all of the terms under Section **I** of this policy and the action is started within two years after the date of loss.

H. Our Option

If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may repair or replace any part of the damaged property with material or property of like kind and quality.

I. Loss Payment

We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss and:

1. Reach an agreement with you;
2. There is an entry of a final judgment; or
3. There is a filing of an appraisal award with us.

J. Abandonment Of Property

We need not accept any property abandoned by an "insured".

K. No Benefit To Bailee

We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.

L. Nuclear Hazard Clause

1. "Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.
2. Loss caused by the nuclear hazard will not be considered loss caused by fire, explosion, or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against.
3. This policy does not apply under Section **I** to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.

M. Recovered Property

If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.

N. Volcanic Eruption Period

One or more volcanic eruptions that occur within a 72 hour period will be considered as one volcanic eruption.

O. Policy Period

This policy applies only to loss which occurs during the policy period.

P. Concealment Or Fraud

We provide coverage to no "insureds" under this policy if, whether before or after a loss, an "insured" has:

1. Intentionally concealed or misrepresented any material fact or circumstance;
2. Engaged in fraudulent conduct; or
3. Made false statements;

relating to this insurance.

Q. Loss Payable Clause

If the Declarations show a loss payee for certain listed insured personal property, the definition of "insured" is changed to include that loss payee with respect to that property.

If we decide to cancel or not renew this policy, that loss payee will be notified in writing.

SECTION II – LIABILITY COVERAGES

A. Coverage E – Personal Liability

If a claim is made or a suit is brought against an "insured" for damages because of "bodily injury" or "property damage" caused by an "occurrence" to which this coverage applies, we will:

1. Pay up to our limit of liability for the damages for which an "insured" is legally liable. Damages include prejudgment interest awarded against an "insured"; and
2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when our limit of liability for the "occurrence" has been exhausted by payment of a judgment or settlement.

B. Coverage F – Medical Payments To Others

We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing "bodily injury". Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to you or regular residents of your household except "residence employees". As to others, this coverage applies only:

1. To a person on the "insured location" with the permission of an "insured"; or
2. To a person off the "insured location", if the "bodily injury":
   a. Arises out of a condition on the "insured location" or the ways immediately adjoining;
   b. Is caused by the activities of an "insured";
   c. Is caused by a "residence employee" in the course of the "residence employee's" employment by an "insured"; or
   d. Is caused by an animal owned by or in the care of an "insured".

SECTION II – EXCLUSIONS

A. "Motor Vehicle Liability"

1. Coverages **E** and **F** do not apply to any "motor vehicle liability" if, at the time and place of an "occurrence", the involved "motor vehicle":

a. Is registered for use on public roads or property;

b. Is not registered for use on public roads or property, but such registration is required by a law, or regulation issued by a government agency, for it to be used at the place of the "occurrence"; or

c. Is being:

(1) Operated in, or practicing for, any prearranged or organized race, speed contest or other competition;

(2) Rented to others;

(3) Used to carry persons or cargo for a charge; or

(4) Used for any "business" purpose except for a motorized golf cart while on a golfing facility.

2. If Exclusion **A.1.** does not apply, there is still no coverage for "motor vehicle liability" unless the "motor vehicle" is:

a. In dead storage on an "insured location";

b. Used solely to service an "insured's" residence;

c. Designed to assist the handicapped and, at the time of an "occurrence", it is:

(1) Being used to assist a handicapped person; or

(2) Parked on an "insured location";

d. Designed for recreational use off public roads and:

(1) Not owned by an "insured"; or

(2) Owned by an "insured" provided the "occurrence" takes place on an "insured location" as defined in Definitions **B. 6.a., b., d., e.** or **h.;** or

e. A motorized golf cart that is owned by an "insured", designed to carry up to 4 persons, not built or modified after manufacture to exceed a speed of 25 miles per hour on level ground and, at the time of an "occurrence", is within the legal boundaries of:

(1) A golfing facility and is parked or stored there, or being used by an "insured" to:

(a) Play the game of golf or for other recreational or leisure activity allowed by the facility;

(b) Travel to or from an area where "motor vehicles" or golf carts are parked or stored; or

(c) Cross public roads at designated points to access other parts of the golfing facility; or

(2) A private residential community, including its public roads upon which a motorized golf cart can legally travel, which is subject to the authority of a property owners association and contains an "insured's" residence.

B. "Watercraft Liability"

1. Coverages **E** and **F** do not apply to any "watercraft liability" if, at the time of an "occurrence", the involved watercraft is being:

a. Operated in, or practicing for, any prearranged or organized race, speed contest or other competition. This exclusion does not apply to a sailing vessel or a predicted log cruise;

b. Rented to others;

c. Used to carry persons or cargo for a charge; or

d. Used for any "business" purpose.

2. If Exclusion **B.1.** does not apply, there is still no coverage for "watercraft liability" unless, at the time of the "occurrence", the watercraft:

a. Is stored;

b. Is a sailing vessel, with or without auxiliary power, that is:

(1) Less than 26 feet in overall length; or

(2) 26 feet or more in overall length and not owned by or rented to an "insured"; or

c. Is not a sailing vessel and is powered by:

(1) An inboard or inboard-outdrive engine or motor, including those that power a water jet pump, of:

(a) 50 horsepower or less and not owned by an "insured"; or

(b) More than 50 horsepower and not owned by or rented to an "insured"; or

(2) One or more outboard engines or motors with:

(a) 25 total horsepower or less;

(b) More than 25 horsepower if the outboard engine or motor is not owned by an "insured";

(c) More than 25 horsepower if the outboard engine or motor is owned by an "insured" who acquired it during the policy period; or

(d) More than 25 horsepower if the outboard engine or motor is owned by an "insured" who acquired it before the policy period, but only if:

(i) You declare them at policy inception; or

(ii) Your intent to insure them is reported to us in writing within 45 days after you acquire them.

The coverages in **(c)** and **(d)** above apply for the policy period.

Horsepower means the maximum power rating assigned to the engine or motor by the manufacturer.

C. "Aircraft Liability"

This policy does not cover "aircraft liability".

D. "Hovercraft Liability"

This policy does not cover "hovercraft liability".

E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others

Coverages **E** and **F** do not apply to the following:

1. Expected Or Intended Injury

"Bodily injury" or "property damage" which is expected or intended by an "insured" even if the resulting "bodily injury" or "property damage":

a. Is of a different kind, quality or degree than initially expected or intended; or

b. Is sustained by a different person, entity, real or personal property, than initially expected or intended.

However, this Exclusion **E.1.** does not apply to "bodily injury" resulting from the use of reasonable force by an "insured" to protect persons or property;

2. "Business"

a. "Bodily injury" or "property damage" arising out of or in connection with a "business" conducted from an "insured location" or engaged in by an "insured", whether or not the "business" is owned or operated by an "insured" or employs an "insured".

This Exclusion **E.2.** applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

b. This Exclusion **E.2.** does not apply to:

(1) The rental or holding for rental of an "insured location";

(a) On an occasional basis if used only as a residence;

(b) In part for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or

(c) In part, as an office, school, studio or private garage; and

(2) An "insured" under the age of 21 years involved in a part-time or occasional, self-employed "business" with no employees;

3. Professional Services

"Bodily injury" or "property damage" arising out of the rendering of or failure to render professional services;

4. "Insured's" Premises Not An "Insured Location"

"Bodily injury" or "property damage" arising out of a premises:

a. Owned by an "insured";

b. Rented to an "insured"; or

c. Rented to others by an "insured";

that is not an "insured location";

5. War

"Bodily injury" or "property damage" caused directly or indirectly by war, including the following and any consequence of any of the following:

a. Undeclared war, civil war, insurrection, rebellion or revolution;

b. Warlike act by a military force or military personnel; or

c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental;

6. Communicable Disease

"Bodily injury" or "property damage" which arises out of the transmission of a communicable disease by an "insured";

7. Sexual Molestation, Corporal Punishment Or Physical Or Mental Abuse

"Bodily injury" or "property damage" arising out of sexual molestation, corporal punishment or physical or mental abuse; or

8. Controlled Substance

"Bodily injury" or "property damage" arising out of the use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812. Controlled Substances include but are not limited to cocaine, LSD, marijuana and all narcotic drugs. However, this exclusion does not apply to the legitimate use of prescription drugs by a person following the orders of a licensed physician.

Exclusions **A.** "Motor Vehicle Liability", **B.** "Watercraft Liability", **C.** "Aircraft Liability", **D.** "Hovercraft Liability" and **E.4.** "Insured's" Premises Not An "Insured Location" do not apply to "bodily injury" to a "residence employee" arising out of and in the course of the "residence employee's" employment by an "insured".

F. Coverage E – Personal Liability

Coverage **E** does not apply to:

1. Liability:

a. For any loss assessment charged against you as a member of an association, corporation or community of property owners, except as provided in **D.** Loss Assessment under Section **II** – Additional Coverages;

b. Under any contract or agreement entered into by an "insured". However, this exclusion does not apply to written contracts:

(1) That directly relate to the ownership, maintenance or use of an "insured location"; or

(2) Where the liability of others is assumed by you prior to an "occurrence";

unless excluded in **a.** above or elsewhere in this policy;

2. "Property damage" to property owned by an "insured". This includes costs or expenses incurred by an "insured" or others to repair, replace, enhance, restore or maintain such property to prevent injury to a person or damage to property of others, whether on or away from an "insured location";

3. "Property damage" to property rented to, occupied or used by or in the care of an "insured". This exclusion does not apply to "property damage" caused by fire, smoke or explosion;

4. "Bodily injury" to any person eligible to receive any benefits voluntarily provided or required to be provided by an "insured" under any:

a. Workers' compensation law;

b. Non-occupational disability law; or

c. Occupational disease law;

5. "Bodily injury" or "property damage" for which an "insured" under this policy:

a. Is also an insured under a nuclear energy liability policy issued by the:

(1) Nuclear Energy Liability Insurance Association;

(2) Mutual Atomic Energy Liability Underwriters;

(3) Nuclear Insurance Association of Canada;

or any of their successors; or

b. Would be an insured under such a policy but for the exhaustion of its limit of liability; or

6. "Bodily injury" to you or an "insured" as defined under Definitions **5.a.** or **b.**

This exclusion also applies to any claim made or suit brought against you or an "insured":

a. To repay; or

b. Share damages with;

another person who may be obligated to pay damages because of "bodily injury" to an "insured".

G. Coverage F – Medical Payments To Others

Coverage **F** does not apply to "bodily injury":

1. To a "residence employee" if the "bodily injury":

a. Occurs off the "insured location"; and

b. Does not arise out of or in the course of the "residence employee's" employment by an "insured";

2. To any person eligible to receive benefits voluntarily provided or required to be provided under any:

a. Workers' compensation law;

b. Non-occupational disability law; or

c. Occupational disease law;

3. From any:

a. Nuclear reaction;

b. Nuclear radiation; or

c. Radioactive contamination;

all whether controlled or uncontrolled or however caused; or

d. Any consequence of any of these; or

4. To any person, other than a "residence employee" of an "insured", regularly residing on any part of the "insured location".

SECTION II – ADDITIONAL COVERAGES

We cover the following in addition to the limits of liability:

A. Claim Expenses

We pay:

1. Expenses we incur and costs taxed against an "insured" in any suit we defend;

2. Premiums on bonds required in a suit we defend, but not for bond amounts more than the Coverage **E** limit of liability. We need not apply for or furnish any bond;

3. Reasonable expenses incurred by an "insured" at our request, including actual loss of earnings (but not loss of other income) up to $250 per day, for assisting us in the investigation or defense of a claim or suit; and

4. Interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies.

B. First Aid Expenses

We will pay expenses for first aid to others incurred by an "insured" for "bodily injury" covered under this policy. We will not pay for first aid to an "insured".

C. Damage To Property Of Others

1. We will pay, at replacement cost, up to $1,000 per "occurrence" for "property damage" to property of others caused by an "insured".

2. We will not pay for "property damage":

a. To the extent of any amount recoverable under Section **I;**

b. Caused intentionally by an "insured" who is 13 years of age or older;

c. To property owned by an "insured";

d. To property owned by or rented to a tenant of an "insured" or a resident in your household; or

e. Arising out of:

(1) A "business" engaged in by an "insured";

(2) Any act or omission in connection with a premises owned, rented or controlled by an "insured", other than the "insured location"; or

(3) The ownership, maintenance, occupancy, operation, use, loading or unloading of aircraft, hovercraft, watercraft or "motor vehicles".

This exclusion **e.(3)** does not apply to a "motor vehicle" that:

(a) Is designed for recreational use off public roads;

(b) Is not owned by an "insured"; and

(c) At the time of the "occurrence", is not required by law, or regulation issued by a government agency, to have been registered for it to be used on public roads or property.

D. Loss Assessment

1. We will pay up to $1,000 for your share of loss assessment charged against you, as owner or tenant of the "residence premises", during the policy period by a corporation or association of property owners, when the assessment is made as a result of:

a. "Bodily injury" or "property damage" not excluded from coverage under Section **II** – Exclusions; or

b. Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee, provided such person:

(1) Is elected by the members of a corporation or association of property owners; and

(2) Serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.

2. Paragraph **I.** Policy Period under Section **II** – Conditions does not apply to this Loss Assessment Coverage.

3. Regardless of the number of assessments, the limit of $1,000 is the most we will pay for loss arising out of:

a. One accident, including continuous or repeated exposure to substantially the same general harmful condition; or

b. A covered act of a director, officer or trustee. An act involving more than one director, officer or trustee is considered to be a single act.

4. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

SECTION II – CONDITIONS

A. Limit Of Liability

Our total liability under Coverage **E** for all damages resulting from any one "occurrence" will not be more than the Coverage **E** limit of liability shown in the Declarations. This limit is the same regardless of the number of "insureds", claims made or persons injured. All "bodily injury" and "property damage" resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one "occurrence".

Our total liability under Coverage **F** for all medical expense payable for "bodily injury" to one person as the result of one accident will not be more than the Coverage **F** limit of liability shown in the Declarations.

B. Severability Of Insurance

This insurance applies separately to each "insured". This condition will not increase our limit of liability for any one "occurrence".

C. Duties After "Occurrence"

In case of an "occurrence", you or another "insured" will perform the following duties that apply. We have no duty to provide coverage under this policy if your failure to comply with the following duties is prejudicial to us. You will help us by seeing that these duties are performed:

1. Give written notice to us or our agent as soon as is practical, which sets forth:

  a. The identity of the policy and the "named insured" shown in the Declarations;

  b. Reasonably available information on the time, place and circumstances of the "occurrence"; and

  c. Names and addresses of any claimants and witnesses;

2. Cooperate with us in the investigation, settlement or defense of any claim or suit;

3. Promptly forward to us every notice, demand, summons or other process relating to the "occurrence";

4. At our request, help us:

  a. To make settlement;

  b. To enforce any right of contribution or indemnity against any person or organization who may be liable to an "insured";

  c. With the conduct of suits and attend hearings and trials; and

  d. To secure and give evidence and obtain the attendance of witnesses;

5. With respect to **C.** Damage To Property Of Others under Section **II** – Additional Coverages, submit to us within 60 days after the loss, a sworn statement of loss and show the damaged property, if in an "insured's" control;

6. No "insured" shall, except at such "insured's" own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the "bodily injury".

D. Duties Of An Injured Person – Coverage F – Medical Payments To Others

1. The injured person or someone acting for the injured person will:

  a. Give us written proof of claim, under oath if required, as soon as is practical; and

  b. Authorize us to obtain copies of medical reports and records.

2. The injured person will submit to a physical exam by a doctor of our choice when and as often as we reasonably require.

E. Payment Of Claim – Coverage F – Medical Payments To Others

Payment under this coverage is not an admission of liability by an "insured" or us.

F. Suit Against Us

1. No action can be brought against us unless there has been full compliance with all of the terms under this Section **II.**

2. No one will have the right to join us as a party to any action against an "insured".

3. Also, no action with respect to Coverage **E** can be brought against us until the obligation of such "insured" has been determined by final judgment or agreement signed by us.

G. Bankruptcy Of An "Insured"

Bankruptcy or insolvency of an "insured" will not relieve us of our obligations under this policy.

H. Other Insurance

This insurance is excess over other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.

I. Policy Period

This policy applies only to "bodily injury" or "property damage" which occurs during the policy period.

J. Concealment Or Fraud

We do not provide coverage to an "insured" who, whether before or after a loss, has:

1. Intentionally concealed or misrepresented any material fact or circumstance;
2. Engaged in fraudulent conduct; or
3. Made false statements;

relating to this insurance.

SECTIONS I AND II – CONDITIONS

A. Liberalization Clause

If we make a change which broadens coverage under this edition of our policy without additional premium charge, that change will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.

This Liberalization Clause does not apply to changes implemented with a general program revision that includes both broadenings and restrictions in coverage, whether that general program revision is implemented through introduction of:

1. A subsequent edition of this policy; or
2. An amendatory endorsement.

B. Waiver Or Change Of Policy Provisions

A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.

C. Cancellation

1. You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.
2. We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations. Proof of mailing will be sufficient proof of notice.
   - **a.** When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.
   - **b.** When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.
   - **c.** When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:
     - **(1)** If there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or
     - **(2)** If the risk has changed substantially since the policy was issued.

     This can be done by letting you know at least 30 days before the date cancellation takes effect.
   - **d.** When this policy is written for a period of more than one year, we may cancel for any reason at anniversary by letting you know at least 30 days before the date cancellation takes effect.
3. When this policy is canceled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.
4. If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

D. Nonrenewal

We may elect not to renew this policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

E. Assignment

Assignment of this policy will not be valid unless we give our written consent.

F. Subrogation

An "insured" may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an "insured" must sign and deliver all related papers and cooperate with us.

Subrogation does not apply to Coverage **F** or Paragraph **C.** Damage To Property Of Others under Section **II** – Additional Coverages.

G. Death

If any person named in the Declarations or the spouse, if a resident of the same household, dies, the following apply:

1. We insure the legal representative of the deceased but only with respect to the premises and property of the deceased covered under the policy at the time of death; and

2. "Insured" includes:

a. An "insured" who is a member of your household at the time of your death, but only while a resident of the "residence premises"; and

b. With respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

HOMEOWNERS 5 – COMPREHENSIVE FORM

AGREEMENT

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

DEFINITIONS

A. In this policy, "you" and "your" refer to the "named insured" shown in the Declarations and the spouse if a resident of the same household. "We", "us" and "our" refer to the Company providing this insurance.

B. In addition, certain words and phrases are defined as follows:

1. "Aircraft Liability", "Hovercraft Liability", "Motor Vehicle Liability" and "Watercraft Liability", subject to the provisions in **b.** below, mean the following:

a. Liability for "bodily injury" or "property damage" arising out of the:

(1) Ownership of such vehicle or craft by an "insured";

(2) Maintenance, occupancy, operation, use, loading or unloading of such vehicle or craft by any person;

(3) Entrustment of such vehicle or craft by an "insured" to any person;

(4) Failure to supervise or negligent supervision of any person involving such vehicle or craft by an "insured"; or

(5) Vicarious liability, whether or not imposed by law, for the actions of a child or minor involving such vehicle or craft.

b. For the purpose of this definition:

(1) Aircraft means any contrivance used or designed for flight except model or hobby aircraft not used or designed to carry people or cargo;

(2) Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;

(3) Watercraft means a craft principally designed to be propelled on or in water by wind, engine power or electric motor; and

(4) Motor vehicle means a "motor vehicle" as defined in **7.** below.

2. "Bodily injury" means bodily harm, sickness or disease, including required care, loss of services and death that results.

3. "Business" means:

a. A trade, profession or occupation engaged in on a full-time, part-time or occasional basis; or

b. Any other activity engaged in for money or other compensation, except the following:

(1) One or more activities, not described in **(2)** through **(4)** below, for which no "insured" receives more than $2,000 in total compensation for the 12 months before the beginning of the policy period;

(2) Volunteer activities for which no money is received other than payment for expenses incurred to perform the activity;

(3) Providing home day care services for which no compensation is received, other than the mutual exchange of such services; or

(4) The rendering of home day care services to a relative of an "insured".

4. "Employee" means an employee of an "insured", or an employee leased to an "insured" by a labor leasing firm under an agreement between an "insured" and the labor leasing firm, whose duties are other than those performed by a "residence employee".

5. "Insured" means:

a. You and residents of your household who are:

(1) Your relatives; or

(2) Other persons under the age of 21 and in the care of any person named above;

b. A student enrolled in school full time, as defined by the school, who was a resident of your household before moving out to attend school, provided the student is under the age of:

(1) 24 and your relative; or

(2) 21 and in your care or the care of a person described in **a.(1)** above; or

c. Under Section **II:**

(1) With respect to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person included in **a.** or **b.** above. "Insured" does not mean a person or organization using or having custody of these animals or watercraft in the course of any "business" or without consent of the owner; or

(2) With respect to a "motor vehicle" to which this policy applies:

(a) Persons while engaged in your employ or that of any person included in **a.** or **b.** above; or

(b) Other persons using the vehicle on an "insured location" with your consent.

Under both Sections **I** and **II,** when the word an immediately precedes the word "insured", the words an "insured" together mean one or more "insureds".

6. "Insured location" means:

a. The "residence premises";

b. The part of other premises, other structures and grounds used by you as a residence; and

(1) Which is shown in the Declarations; or

(2) Which is acquired by you during the policy period for your use as a residence;

c. Any premises used by you in connection with a premises described in **a.** and **b.** above;

d. Any part of a premises:

(1) Not owned by an "insured"; and

(2) Where an "insured" is temporarily residing;

e. Vacant land, other than farm land, owned by or rented to an "insured";

f. Land owned by or rented to an "insured" on which a one, two, three or four family dwelling is being built as a residence for an "insured";

g. Individual or family cemetery plots or burial vaults of an "insured"; or

h. Any part of a premises occasionally rented to an "insured" for other than "business" use.

7. "Motor vehicle" means:

a. A self-propelled land or amphibious vehicle; or

b. Any trailer or semitrailer which is being carried on, towed by or hitched for towing by a vehicle described in **a.** above.

8. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in:

a. "Bodily injury"; or

b. "Property damage".

9. "Property damage" means physical injury to, destruction of, or loss of use of tangible property.

10. "Residence employee" means:

a. An employee of an "insured", or an employee leased to an "insured" by a labor leasing firm, under an agreement between an "insured" and the labor leasing firm, whose duties are related to the maintenance or use of the "residence premises", including household or domestic services; or

b. One who performs similar duties elsewhere not related to the "business" of an "insured".

A "residence employee" does not include a temporary employee who is furnished to an "insured" to substitute for a permanent "residence employee" on leave or to meet seasonal or short-term workload conditions.

11. "Residence premises" means:

a. The one family dwelling where you reside;

b. The two, three or four family dwelling where you reside in at least one of the family units; or

c. That part of any other building where you reside;

and which is shown as the "residence premises" in the Declarations.

"Residence premises" also includes other structures and grounds at that location.

DEDUCTIBLE

Unless otherwise noted in this policy, the following deductible provision applies:

Subject to the policy limits that apply, we will pay only that part of the total of all loss payable under Section **I** that exceeds the deductible amount shown in the Declarations.

SECTION I – PROPERTY COVERAGES

A. Coverage A – Dwelling

1. We cover:

a. The dwelling on the "residence premises" shown in the Declarations, including structures attached to the dwelling; and

b. Materials and supplies located on or next to the "residence premises" used to construct, alter or repair the dwelling or other structures on the "residence premises".

2. We do not cover land, including land on which the dwelling is located.

B. Coverage B – Other Structures

1. We cover other structures on the "residence premises" set apart from the dwelling by clear space. This includes structures connected to the dwelling by only a fence, utility line, or similar connection.

2. We do not cover:

a. Land, including land on which the other structures are located;

b. Other structures rented or held for rental to any person not a tenant of the dwelling, unless used solely as a private garage;

c. Other structures from which any "business" is conducted; or

d. Other structures used to store "business" property. However, we do cover a structure that contains "business" property solely owned by an "insured" or a tenant of the dwelling provided that "business" property does not include gaseous or liquid fuel, other than fuel in a permanently installed fuel tank of a vehicle or craft parked or stored in the structure.

3. The limit of liability for this coverage will not be more than 10% of the limit of liability that applies to Coverage **A.** Use of this coverage does not reduce the Coverage **A** limit of liability.

C. Coverage C – Personal Property

1. Covered Property

We cover personal property owned or used by an "insured" while it is anywhere in the world. After a loss and at your request, we will cover personal property owned by:

a. Others while the property is on the part of the "residence premises" occupied by an "insured"; or

b. A guest or a "residence employee", while the property is in any residence occupied by an "insured".

2. Limit For Property At Other Residences

Our limit of liability for personal property usually located at an "insured's" residence, other than the "residence premises", is 10% of the limit of liability for Coverage **C,** or $1,000, whichever is greater. However, this limitation does not apply to personal property:

a. Moved from the "residence premises" because it is being repaired, renovated or rebuilt and is not fit to live in or store property in; or

b. In a newly acquired principal residence for 30 days from the time you begin to move the property there.

3. Special Limits Of Liability

The special limit for each category shown below is the total limit for each loss for all property in that category. These special limits do not increase the Coverage **C** limit of liability.

a. $200 on money, bank notes, bullion, gold other than goldware, silver other than silverware, platinum other than platinumware, coins, medals, scrip, stored value cards and smart cards.

b. $1,500 on securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps. This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists.

This limit includes the cost to research, replace or restore the information from the lost or damaged material.

c. $1,500 on watercraft of all types, including their trailers, furnishings, equipment and outboard engines or motors.

d. $1,500 on trailers or semitrailers not used with watercraft of all types.

e. $1,500 for loss by theft, misplacing or losing of jewelry, watches, furs, precious and semiprecious stones.

f. $2,500 for loss by theft, misplacing or losing of firearms and related equipment.

g. $2,500 for loss by theft, misplacing or losing of silverware, silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.

h. $2,500 on property, on the "residence premises", used primarily for "business" purposes.

i. $500 on property, away from the "residence premises", used primarily for "business" purposes. However, this limit does not apply to loss to electronic apparatus and other property described in Categories **j.** and **k.** below.

j. $1,500 on electronic apparatus and accessories, while in or upon a "motor vehicle", but only if the apparatus is equipped to be operated by power from the "motor vehicle's" electrical system while still capable of being operated by other power sources.

Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described in this Category **j.**

k. $1,500 on electronic apparatus and accessories used primarily for "business" while away from the "residence premises" and not in or upon a "motor vehicle". The apparatus must be equipped to be operated by power from the "motor vehicle's" electrical system while still capable of being operated by other power sources.

Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described in this Category **k.**

4. Property Not Covered

We do not cover:

a. Articles separately described and specifically insured, regardless of the limit for which they are insured, in this or other insurance;

b. Animals, birds or fish;

c. "Motor vehicles".

(1) This includes:

(a) Their accessories, equipment and parts; or

(b) Electronic apparatus and accessories designed to be operated solely by power from the electrical system of the "motor vehicle". Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described above.

The exclusion of property described in **(a)** and **(b)** above applies only while such property is in or upon the "motor vehicle".

(2) We do cover "motor vehicles" not required to be registered for use on public roads or property which are:

(a) Used solely to service an "insured's" residence; or

(b) Designed to assist the handicapped;

d. Aircraft meaning any contrivance used or designed for flight including any parts whether or not attached to the aircraft.

We do cover model or hobby aircraft not used or designed to carry people or cargo;

e. Hovercraft and parts. Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;

f. Property of roomers, boarders and other tenants, except property of roomers and boarders related to an "insured";

g. Property in an apartment regularly rented or held for rental to others by an "insured", except as provided under **E.10.** Landlord's Furnishings under Section **I** – Property Coverages;

h. Property rented or held for rental to others off the "residence premises";

i. "Business" data, including such data stored in:

(1) Books of account, drawings or other paper records; or

(2) Computers and related equipment.

We do cover the cost of blank recording or storage media, and of prerecorded computer programs available on the retail market;

j. Credit cards, electronic fund transfer cards or access devices used solely for deposit, withdrawal or transfer of funds except as provided in **E.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages; or

k. Water or steam.

D. Coverage D – Loss Of Use

The limit of liability for Coverage **D** is the total limit for the coverages in **1.** Additional Living Expense, **2.** Fair Rental Value and **3.** Civil Authority Prohibits Use below.

1. Additional Living Expense

If a loss covered under Section **I** makes that part of the "residence premises" where you reside not fit to live in, we cover any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living.

Payment will be for the shortest time required to repair or replace the damage or, if you permanently relocate, the shortest time required for your household to settle elsewhere.

2. Fair Rental Value

If a loss covered under Section **I** makes that part of the "residence premises" rented to others or held for rental by you not fit to live in, we cover the fair rental value of such premises less any expenses that do not continue while it is not fit to live in.

Payment will be for the shortest time required to repair or replace such premises.

3. Civil Authority Prohibits Use

If a civil authority prohibits you from use of the "residence premises" as a result of direct damage to neighboring premises by a Peril Insured Against, we cover the loss as provided in **1.** Additional Living Expense and **2.** Fair Rental Value above for no more than two weeks.

4. Loss Or Expense Not Covered

We do not cover loss or expense due to cancellation of a lease or agreement.

The periods of time under **1.** Additional Living Expense, **2.** Fair Rental Value and **3.** Civil Authority Prohibits Use above are not limited by expiration of this policy.

E. Additional Coverages

1. Debris Removal

a. We will pay your reasonable expense for the removal of:

(1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or

(2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit is available for such expense.

b. We will also pay your reasonable expense, up to $1,000, for the removal from the "residence premises" of:

(1) Your tree(s) felled by the peril of Windstorm or Hail or Weight of Ice, Snow or Sleet; or

(2) A neighbor's tree(s) felled by a Peril Insured Against;

provided the tree(s):

(3) Damage(s) a covered structure; or

(4) Does not damage a covered structure, but:

(a) Block(s) a driveway on the "residence premises" which prevent(s) a "motor vehicle", that is registered for use on public roads or property, from entering or leaving the "residence premises"; or

(b) Block(s) a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The $1,000 limit is the most we will pay in any one loss regardless of the number of fallen trees. No more than $500 of this limit will be paid for the removal of any one tree.

This coverage is additional insurance.

2. Reasonable Repairs

a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by a Peril Insured Against from further damage.

b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this policy and the damage is caused by a Peril Insured Against. This coverage does not:

(1) Increase the limit of liability that applies to the covered property; or

(2) Relieve you of your duties, in case of a loss to covered property, described in **B.4.** under Section **I** – Conditions.

3. Trees, Shrubs And Other Plants

We cover trees, shrubs, plants or lawns, on the "residence premises", for loss caused by the following Perils Insured Against:

a. Fire or Lightning;

b. Explosion;

c. Riot or Civil Commotion;

d. Aircraft;

e. Vehicles not owned or operated by a resident of the "residence premises";

f. Vandalism or Malicious Mischief; or

g. Theft.

We will pay up to 5% of the limit of liability that applies to the dwelling for all trees, shrubs, plants or lawns. No more than $500 of this limit will be paid for any one tree, shrub or plant. We do not cover property grown for "business" purposes.

This coverage is additional insurance.

4. Fire Department Service Charge

We will pay up to $500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.

This coverage is additional insurance. No deductible applies to this coverage.

5. Property Removed

We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed.

This coverage does not change the limit of liability that applies to the property being removed.

6. Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money

a. We will pay up to $500 for:

(1) The legal obligation of an "insured" to pay because of the theft or unauthorized use of credit cards issued to or registered in an "insured's" name;

(2) Loss resulting from theft or unauthorized use of an electronic fund transfer card or access device used for deposit, withdrawal or transfer of funds, issued to or registered in an "insured's" name;

(3) Loss to an "insured" caused by forgery or alteration of any check or negotiable instrument; and

(4) Loss to an "insured" through acceptance in good faith of counterfeit United States or Canadian paper currency.

All loss resulting from a series of acts committed by any one person or in which any one person is concerned or implicated is considered to be one loss.

This coverage is additional insurance. No deductible applies to this coverage.

b. We do not cover:

(1) Use of a credit card, electronic fund transfer card or access device:

(a) By a resident of your household;

(b) By a person who has been entrusted with either type of card or access device; or

(c) If an "insured" has not complied with all terms and conditions under which the cards are issued or the devices accessed; or

(2) Loss arising out of "business" use or dishonesty of an "insured".

c. If the coverage in **a.** above applies, the following defense provisions also apply:

(1) We may investigate and settle any claim or suit that we decide is appropriate. Our duty to defend a claim or suit ends when the amount we pay for the loss equals our limit of liability.

(2) If a suit is brought against an "insured" for liability under **a.(1)** or **(2)** above, we will provide a defense at our expense by counsel of our choice.

(3) We have the option to defend at our expense an "insured" or an "insured's" bank against any suit for the enforcement of payment under **a.(3)** above.

7. Loss Assessment

a. We will pay up to $1,000 for your share of loss assessment charged during the policy period against you, as owner or tenant of the "residence premises", by a corporation or association of property owners. The assessment must be made as a result of direct loss to property, owned by all members collectively, of the type that would be covered by this policy if owned by you, caused by a Peril Insured Against, other than:

(1) Earthquake; or

(2) Land shock waves or tremors before, during or after a volcanic eruption.

The limit of $1,000 is the most we will pay with respect to any one loss, regardless of the number of assessments. We will only apply one deductible, per unit, to the total amount of any one loss to the property described above, regardless of the number of assessments.

b. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

c. Paragraph **P.** Policy Period under Section **I** – Conditions does not apply to this coverage.

This coverage is additional insurance.

8. Collapse

a. This Additional Coverage applies to property covered under Coverages **A** and **B.** With respect to this Additional Coverage:

(1) Collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its current intended purpose.

(2) A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse.

(3) A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building.

(4) A building or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

b. We insure for direct physical loss to covered property involving collapse of a building or any part of a building if the collapse was caused by one or more of the following:

(1) The Perils Insured Against under Coverages **A** and **B;**

(2) Decay that is hidden from view, unless the presence of such decay is known to an "insured" prior to collapse;

(3) Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an "insured" prior to collapse;

(4) Weight of contents, equipment, animals or people;

(5) Weight of rain which collects on a roof; or

(6) Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

c. Loss to an awning, fence, patio, deck, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under **b.(2)** through **(6)** above, unless the loss is a direct result of the collapse of a building or any part of a building.

d. This coverage does not increase the limit of liability that applies to the damaged covered property.

9. Glass Or Safety Glazing Material

a. We cover:

(1) The breakage of glass or safety glazing material which is part of a covered building, storm door or storm window;

(2) The breakage of glass or safety glazing material which is part of a covered building, storm door or storm window when caused directly by earth movement; and

(3) The direct physical loss to covered property caused solely by the pieces, fragments or splinters of broken glass or safety glazing material which is part of a building, storm door or storm window.

b. This coverage does not include loss:

(1) To covered property which results because the glass or safety glazing material has been broken, except as provided in **a.(3)** above; or

(2) On the "residence premises" if the dwelling has been vacant for more than 60 consecutive days immediately before the loss, except when the breakage results directly from earth movement as provided in **a.(2)** above. A dwelling being constructed is not considered vacant.

c. This coverage does not increase the limit of liability that applies to the damaged property.

10. Landlord's Furnishings

We will pay up to $2,500 for your appliances, carpeting and other household furnishings, in each apartment on the "residence premises" regularly rented or held for rental to others by an "insured", for loss caused only by the following Perils Insured Against:

a. Fire Or Lightning

b. Windstorm Or Hail

This peril includes loss to watercraft of all types and their trailers, furnishings, equipment, and outboard engines or motors, only while inside a fully enclosed building.

This peril does not include loss to the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.

c. Explosion

d. Riot Or Civil Commotion

e. Aircraft

This peril includes self-propelled missiles and spacecraft.

f. Vehicles

g. Smoke

This peril means sudden and accidental damage from smoke, including the emission or puffback of smoke, soot, fumes or vapors from a boiler, furnace or related equipment.

This peril does not include loss caused by smoke from agricultural smudging or industrial operations.

h. Vandalism Or Malicious Mischief

i. Falling Objects

This peril does not include loss to property contained in a building unless the roof or an outside wall of the building is first damaged by a falling object. Damage to the falling object itself is not included.

j. Weight Of Ice, Snow Or Sleet

This peril means weight of ice, snow or sleet which causes damage to property contained in a building.

k. Accidental Discharge Or Overflow Of Water Or Steam

(1) This peril means accidental discharge or overflow of water or steam from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance.

(2) This peril does not include loss:

(a) To the system or appliance from which the water or steam escaped;

(b) Caused by or resulting from freezing except as provided in **m.** Freezing below;

(c) On the "residence premises" caused by accidental discharge or overflow which occurs off the "residence premises"; or

(d) Caused by mold, fungus or wet rot unless hidden within the walls or ceilings or beneath the floors or above the ceilings of a structure.

(3) In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

l. Sudden And Accidental Tearing Apart, Cracking, Burning Or Bulging

This peril means sudden and accidental tearing apart, cracking, burning or bulging of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.

We do not cover loss caused by or resulting from freezing under this peril.

m. Freezing

(1) This peril means freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance but only if you have used reasonable care to:

(a) Maintain heat in the building; or

(b) Shut off the water supply and drain all systems and appliances of water.

However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the building for coverage to apply.

(2) In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

n. Sudden And Accidental Damage From Artificially Generated Electrical Current

This peril does not include loss to tubes, transistors, electronic components or circuitry that are a part of appliances, fixtures, computers, home entertainment units or other types of electronic apparatus.

o. Volcanic Eruption

This peril does not include loss caused by earthquake, land shock waves or tremors.

This limit is the most we will pay in any one loss regardless of the number of appliances, carpeting or other household furnishings involved in the loss.

This coverage does not increase the limit of liability applying to the damaged property.

11. Ordinance Or Law

a. You may use up to 10% of the limit of liability that applies to Coverage **A** for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:

(1) The construction, demolition, remodeling, renovation or repair of that part of a covered building or other structure damaged by a Peril Insured Against;

(2) The demolition and reconstruction of the undamaged part of a covered building or other structure, when that building or other structure must be totally demolished because of damage by a Peril Insured Against to another part of that covered building or other structure; or

(3) The remodeling, removal or replacement of the portion of the undamaged part of a covered building or other structure necessary to complete the remodeling, repair or replacement of that part of the covered building or other structure damaged by a Peril Insured Against.

b. You may use all or part of this ordinance or law coverage to pay for the increased costs you incur to remove debris resulting from the construction, demolition, remodeling, renovation, repair or replacement of property as stated in **a.** above.

c. We do not cover:

(1) The loss in value to any covered building or other structure due to the requirements of any ordinance or law; or

(2) The costs to comply with any ordinance or law which requires any "insured" or others, to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants in or on any covered building or other structure.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This coverage is additional insurance.

12. Grave Markers

We will pay up to $5,000 for grave markers, including mausoleums, on or away from the "residence premises" for loss caused by a Peril Insured Against.

This coverage does not increase the limits of liability that apply to the damaged covered property.

SECTION I – PERILS INSURED AGAINST

We insure against risk of direct physical loss to property described in Coverages **A, B** and **C.**

We do not insure, however, for loss:

A. Under Coverages **A, B** and **C:**

1. Excluded under Section **I** – Exclusions;

2. Caused by:

a. Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This provision does not apply if you have used reasonable care to:

(1) Maintain heat in the building; or

(2) Shut off the water supply and drain all systems and appliances of water.

However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the building for coverage to apply.

For purposes of this provision a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment;

b. Freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:

(1) Fence, pavement, patio or swimming pool;

(2) Footing, foundation, bulkhead, wall, or any other structure or device, that supports all or part of a building or other structure;

(3) Retaining wall or bulkhead that does not support all or part of a building or other structure; or

(4) Pier, wharf or dock;

c. Theft in or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied;

d. Mold, fungus or wet rot. However, we do insure for loss caused by mold, fungus or wet rot that is hidden within the walls or ceilings or beneath the floors or above the ceilings of a structure if such loss results from the accidental discharge or overflow of water or steam from within:

(1) A plumbing, heating, air conditioning or automatic fire protective sprinkler system, or a household appliance, on the "residence premises"; or

(2) A storm drain, or water, steam or sewer pipes, off the "residence premises".

For purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment; or

e. Any of the following:

(1) Wear and tear, marring, deterioration;

(2) Mechanical breakdown, latent defect, inherent vice, or any quality in property that causes it to damage or destroy itself;

(3) Smog, rust or other corrosion, or dry rot;

(4) Smoke from agricultural smudging or industrial operations;

(5) Discharge, dispersal, seepage, migration, release or escape of pollutants unless the discharge, dispersal, seepage, migration, release or escape is itself caused by a Peril Insured Against in **a.** through **o.** as listed in **E.10.** Landlord's Furnishings under Section **I** – Property Coverages.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed;

(6) Settling, shrinking, bulging or expansion, including resultant cracking, of bulkheads, pavements, patios, footings, foundations, walls, floors, roofs or ceilings;

(7) Birds, vermin, rodents, or insects; or

(8) Animals owned or kept by an "insured".

Exception To 2.e.

Unless the loss is otherwise excluded, we cover loss to property covered under Coverage **A, B** or **C** resulting from an accidental discharge or overflow of water or steam from within a:

(i) Storm drain, or water, steam or sewer pipe, off the "residence premises"; or

(ii) Plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance on the "residence premises". This includes the cost to tear out and replace any part of a building, or other structure, on the "residence premises", but only when necessary to repair the system or appliance. However, such tear out and replacement coverage only applies to other structures if the water or steam causes actual damage to a building on the "residence premises".

We do not cover loss to the system or appliance from which this water or steam escaped.

For purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, down spout or similar fixtures or equipment.

Section **I** – Exclusion **A.3.** Water Damage, Paragraphs **a.** and **c.** that apply to surface water and water below the surface of the ground do not apply to loss by water covered under **d.** and **e.** above.

Under **2.a.** through **e.** above, any ensuing loss to property described in Coverages **A, B** and **C** not precluded by any other provision in this policy is covered.

B. Under Coverages **A** and **B:**

1. Caused by vandalism and malicious mischief, and any ensuing loss caused by any intentional and wrongful act committed in the course of the vandalism or malicious mischief, if the dwelling has been vacant for more than 60 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant;

2. Involving collapse, other than as provided in **E.8.** Collapse under Section **I** – Property Coverages. However, any ensuing loss to property described in Coverages **A** and **B** not precluded by any other provision in this policy is covered.

C. Under Coverage **C** caused by:

1. Breakage of eyeglasses, glassware, statuary, marble, bric-a-brac, porcelains and similar fragile articles other than jewelry, watches bronzes, cameras and photographic lenses.

However, there is coverage for breakage of the property by or resulting from:

a. Fire, lightning, windstorm, hail;

b. Smoke, other than smoke from agricultural smudging or industrial operations;

c. Explosion, riot, civil commotion;

d. Aircraft, vehicles, vandalism and malicious mischief;

e. Collapse of a building or any part of a building;

f. Water not otherwise excluded;

g. Theft or attempted theft; or

h. Sudden and accidental tearing apart, cracking, burning or bulging of:

(1) A steam or hot water heating system**;**

(2) An air conditioning or automatic fire protective sprinkler system; or

(3) An appliance for heating water;

2. Dampness, of atmosphere or extremes of temperature unless the direct cause of loss is rain, snow, sleet or hail;

3. Refinishing, renovating or repairing property other than watches, jewelry and furs;

4. Collision, other than collision with a land vehicle, sinking, swamping or stranding of watercraft, including their trailers, furnishings equipment and out board engines or motors;

5. Destruction, confiscation or seizure by order of any government or public authority; or

6. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body. However, any ensuing loss to property described in Coverage **C** not precluded by any other provision in this policy is covered.

SECTION I – EXCLUSIONS

A. We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

1. Ordinance Or Law

Ordinance Or Law means any ordinance or law:

a. Requiring or regulating the construction, demolition, remodeling, renovation or repair of property, including removal of any resulting debris. This Exclusion **A.1.a.** does not apply to the amount of coverage that may be provided for in **E.11.** Ordinance Or Law under Section **I** – Property Coverages;

b. The requirements of which result in a loss in value to property; or

c. Requiring any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This Exclusion **A.1.** applies whether or not the property has been physically damaged.

2. Earth Movement

Earth Movement means:

a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;

b. Landslide, mudslide or mudflow;

c. Subsidence or sinkhole; or

d. Any other earth movement including earth sinking, rising or shifting;

caused by or resulting from human or animal forces or any act of nature unless direct loss by fire or explosion ensues and then we will pay only for the ensuing loss.

This Exclusion **A.2.** does not apply to loss by theft.

3. Water Damage

Water Damage means:

a. Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind;

b. Water or water-borne material which backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment; or

c. Water or water-borne material below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure;

caused by or resulting from human or animal forces or any act of nature.

Direct loss by fire, explosion or theft resulting from water damage is covered.

Water damage to property described in Coverage **C** away from a premises or location owned, rented, occupied or controlled by an "insured" is covered.

Water damage to property described in Coverage **C** on a premises or location owned, rented, occupied or controlled by an "insured" is excluded even if weather conditions contribute in any way to produce the loss.

4. Power Failure

Power Failure means the failure of power or other utility service if the failure takes place off the "residence premises". But if the failure results in a loss, from a Peril Insured Against on the "residence premises", we will pay for the loss caused by that peril.

5. Neglect

Neglect means neglect of an "insured" to use all reasonable means to save and preserve property at and after the time of a loss.

6. War

War includes the following and any consequence of any of the following:

a. Undeclared war, civil war, insurrection, rebellion or revolution;

b. Warlike act by a military force or military personnel; or

c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

7. Nuclear Hazard

This Exclusion **A.7.** pertains to Nuclear Hazard to the extent set forth in **M.** Nuclear Hazard Clause under Section **I** – Conditions.

8. Intentional Loss

Intentional Loss means any loss arising out of any act an "insured" commits or conspires to commit with the intent to cause a loss.

In the event of such loss, no "insured" is entitled to coverage, even "insureds" who did not commit or conspire to commit the act causing the loss.

9. Governmental Action

Governmental Action means the destruction, confiscation or seizure of property described in Coverage **A, B** or **C** by order of any governmental or public authority.

This exclusion does not apply to such acts ordered by any governmental or public authority that are taken at the time of a fire to prevent its spread, if the loss caused by fire would be covered under this policy.

B. We do not insure for loss to property described in Coverages **A** and **B** caused by any of the following. However, any ensuing loss to property described in Coverages **A** and **B** not precluded by any other provision in this policy is covered.

1. Weather conditions. However, this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in **A.** above to produce the loss.

2. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

3. Faulty, inadequate or defective:

a. Planning, zoning, development, surveying, siting;

b. Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

c. Materials used in repair, construction, renovation or remodeling; or

d. Maintenance;

of part or all of any property whether on or off the "residence premises".

SECTION I – CONDITIONS

A. Insurable Interest And Limit Of Liability

Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss:

1. To an "insured" for more than the amount of such "insured's" interest at the time of loss; or

2. For more than the applicable limit of liability.

B. Duties After Loss

In case of a loss to covered property, we have no duty to provide coverage under this policy if the failure to comply with the following duties is prejudicial to us. These duties must be performed either by you, or an "insured" seeking coverage, or a representative of either:

1. Give prompt notice to us or our agent;

2. Notify the police in case of loss by theft;

3. Notify the credit card or electronic fund transfer card or access device company in case of loss as provided for in **E.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages;

4. Protect the property from further damage. If repairs to the property are required, you must:

a. Make reasonable and necessary repairs to protect the property; and

b. Keep an accurate record of repair expenses;

5. Cooperate with us in the investigation of a claim;

6. Prepare an inventory of damaged personal property showing the quantity, description, actual cash value and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;

7. As often as we reasonably require:

a. Show the damaged property;

b. Provide us with records and documents we request and permit us to make copies; and

c. Submit to examination under oath, while not in the presence of another "insured", and sign the same;

8. Send to us, within 60 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:

a. The time and cause of loss;

b. The interests of all "insureds" and all others in the property involved and all liens on the property;

c. Other insurance which may cover the loss;

d. Changes in title or occupancy of the property during the term of the policy;

e. Specifications of damaged buildings and detailed repair estimates;

f. The inventory of damaged personal property described in **6.** above;

g. Receipts for additional living expenses incurred and records that support the fair rental value loss; and

h. Evidence or affidavit that supports a claim under **E.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages, stating the amount and cause of loss.

C. Loss Settlement

In this Condition **C.,** the terms "cost to repair or replace" and "replacement cost" do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs are provided in **E.11.** Ordinance Or Law under Section **I** – Property Coverages. Covered property losses are settled as follows:

1. Property of the following types:

a. Personal property;

b. Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings;

c. Structures that are not buildings; and

d. Grave markers, including mausoleums;

at actual cash value at the time of loss but not more than the amount required to repair or replace.

2. Buildings covered under Coverage **A** or **B** at replacement cost without deduction for depreciation, subject to the following:

a. If, at the time of loss, the amount of insurance in this policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, after application of any deductible and without deduction for depreciation, but not more than the least of the following amounts:

(1) The limit of liability under this policy that applies to the building;

(2) The replacement cost of that part of the building damaged with material of like kind and quality and for like use; or

(3) The necessary amount actually spent to repair or replace the damaged building.

If the building is rebuilt at a new premises, the cost described in **(2)** above is limited to the cost which would have been incurred if the building had been built at the original premises.

b. If, at the time of loss, the amount of insurance in this policy on the damaged building is less than 80% of the full replacement cost of the building immediately before the loss, we will pay the greater of the following amounts, but not more than the limit of liability under this policy that applies to the building:

(1) The actual cash value of that part of the building damaged; or

(2) That proportion of the cost to repair or replace, after application of any deductible and without deduction for depreciation, that part of the building damaged, which the total amount of insurance in this policy on the damaged building bears to 80% of the replacement cost of the building.

c. To determine the amount of insurance required to equal 80% of the full replacement cost of the building immediately before the loss, do not include the value of:

(1) Excavations, footings, foundations, piers, or any other structures or devices that support all or part of the building, which are below the undersurface of the lowest basement floor;

(2) Those supports described in **(1)** above which are below the surface of the ground inside the foundation walls, if there is no basement; and

(3) Underground flues, pipes, wiring and drains.

d. We will pay no more than the actual cash value of the damage until actual repair or replacement is complete. Once actual repair or replacement is complete, we will settle the loss as noted in **2.a.** and **b.** above.

However, if the cost to repair or replace the damage is both:

(1) Less than 5% of the amount of insurance in this policy on the building; and

(2) Less than $2,500;

we will settle the loss as noted in **2.a.** and **b.** above whether or not actual repair or replacement is complete.

e. You may disregard the replacement cost loss settlement provisions and make claim under this policy for loss to buildings on an actual cash value basis. You may then make claim for any additional liability according to the provisions of this Condition **C.** Loss Settlement, provided you notify us of your intent to do so within 180 days after the date of loss.

D. Loss To A Pair Or Set

In case of loss to a pair or set we may elect to:

1. Repair or replace any part to restore the pair or set to its value before the loss; or

2. Pay the difference between actual cash value of the property before and after the loss.

E. Appraisal

If you and we fail to agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.

Each party will:

1. Pay its own appraiser; and

2. Bear the other expenses of the appraisal and umpire equally.

F. Other Insurance And Service Agreement

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

1. Other insurance, we will pay only the proportion of the loss that the limit of liability that applies under this policy bears to the total amount of insurance covering the loss; 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.

G. Suit Against Us

No action can be brought against us unless there has been full compliance with all of the terms under Section **I** of this policy and the action is started within two years after the date of loss.

H. Our Option

If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may repair or replace any part of the damaged property with material or property of like kind and quality.

I. Loss Payment

We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss and:

1. Reach an agreement with you;

2. There is an entry of a final judgment; or

3. There is a filing of an appraisal award with us.

J. Abandonment Of Property

We need not accept any property abandoned by an "insured".

K. Mortgage Clause

1. If a mortgagee is named in this policy, any loss payable under Coverage **A** or **B** will be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.

2. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:

a. Notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;

b. Pays any premium due under this policy on demand if you have neglected to pay the premium; and

c. Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Paragraphs **E.** Appraisal, **G.** Suit Against Us and **I.** Loss Payment under Section **I** – Conditions also apply to the mortgagee.

3. If we decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or nonrenewal takes effect.

4. If we pay the mortgagee for any loss and deny payment to you:

a. We are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or

b. At our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.

5. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

L. No Benefit To Bailee

We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.

M. Nuclear Hazard Clause

1. "Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.

2. Loss caused by the nuclear hazard will not be considered loss caused by fire, explosion, or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against.
3. This policy does not apply under Section **I** to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.

N. Recovered Property

If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.

O. Volcanic Eruption Period

One or more volcanic eruptions that occur within a 72 hour period will be considered as one volcanic eruption.

P. Policy Period

This policy applies only to loss which occurs during the policy period.

Q. Concealment Or Fraud

We provide coverage to no "insureds" under this policy if, whether before or after a loss, an "insured" has:

1. Intentionally concealed or misrepresented any material fact or circumstance;
2. Engaged in fraudulent conduct; or
3. Made false statements;

relating to this insurance.

R. Loss Payable Clause

If the Declarations show a loss payee for certain listed insured personal property, the definition of "insured" is changed to include that loss payee with respect to that property.

If we decide to cancel or not renew this policy, that loss payee will be notified in writing.

SECTION II – LIABILITY COVERAGES

A. Coverage E – Personal Liability

If a claim is made or a suit is brought against an "insured" for damages because of "bodily injury" or "property damage" caused by an "occurrence" to which this coverage applies, we will:

1. Pay up to our limit of liability for the damages for which an "insured" is legally liable. Damages include prejudgment interest awarded against an "insured"; and
2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when our limit of liability for the "occurrence" has been exhausted by payment of a judgment or settlement.

B. Coverage F – Medical Payments To Others

We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing "bodily injury". Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to you or regular residents of your household except "residence employees". As to others, this coverage applies only:

1. To a person on the "insured location" with the permission of an "insured"; or
2. To a person off the "insured location", if the "bodily injury":
   a. Arises out of a condition on the "insured location" or the ways immediately adjoining;
   b. Is caused by the activities of an "insured";
   c. Is caused by a "residence employee" in the course of the "residence employee's" employment by an "insured"; or
   d. Is caused by an animal owned by or in the care of an "insured".

SECTION II – EXCLUSIONS

A. "Motor Vehicle Liability"

1. Coverages **E** and **F** do not apply to any "motor vehicle liability" if, at the time and place of an "occurrence", the involved "motor vehicle":
   a. Is registered for use on public roads or property;
   b. Is not registered for use on public roads or property, but such registration is required by a law, or regulation issued by a government agency, for it to be used at the place of the "occurrence"; or
   c. Is being:
      (1) Operated in, or practicing for, any prearranged or organized race, speed contest or other competition;
      (2) Rented to others;
      (3) Used to carry persons or cargo for a charge; or
      (4) Used for any "business" purpose except for a motorized golf cart while on a golfing facility.

2. If Exclusion **A.1.** does not apply, there is still no coverage for "motor vehicle liability" unless the "motor vehicle" is:

   a. In dead storage on an "insured location";

   b. Used solely to service an "insured's" residence;

   c. Designed to assist the handicapped and, at the time of an "occurrence", it is:

      (1) Being used to assist a handicapped person; or

      (2) Parked on an "insured location";

   d. Designed for recreational use off public roads and:

      (1) Not owned by an "insured"; or

      (2) Owned by an "insured" provided the "occurrence" takes place on an "insured location" as defined in Definitions **B. 6.a., b., d., e.** or **h.;** or

   e. A motorized golf cart that is owned by an "insured", designed to carry up to 4 persons, not built or modified after manufacture to exceed a speed of 25 miles per hour on level ground and, at the time of an "occurrence", is within the legal boundaries of:

      (1) A golfing facility and is parked or stored there, or being used by an "insured" to:

         (a) Play the game of golf or for other recreational or leisure activity allowed by the facility;

         (b) Travel to or from an area where "motor vehicles" or golf carts are parked or stored; or

         (c) Cross public roads at designated points to access other parts of the golfing facility; or

      (2) A private residential community, including its public roads upon which a motorized golf cart can legally travel, which is subject to the authority of a property owners association and contains an "insured's" residence.

B. "Watercraft Liability"

1. Coverages **E** and **F** do not apply to any "watercraft liability" if, at the time of an "occurrence", the involved watercraft is being:

   a. Operated in, or practicing for, any prearranged or organized race, speed contest or other competition. This exclusion does not apply to a sailing vessel or a predicted log cruise;

   b. Rented to others;

   c. Used to carry persons or cargo for a charge; or

   d. Used for any "business" purpose.

2. If Exclusion **B.1.** does not apply, there is still no coverage for "watercraft liability" unless, at the time of the "occurrence", the watercraft:

   a. Is stored;

   b. Is a sailing vessel, with or without auxiliary power, that is:

      (1) Less than 26 feet in overall length; or

      (2) 26 feet or more in overall length and not owned by or rented to an "insured"; or

   c. Is not a sailing vessel and is powered by:

      (1) An inboard or inboard-outdrive engine or motor, including those that power a water jet pump, of:

         (a) 50 horsepower or less and not owned by an "insured"; or

         (b) More than 50 horsepower and not owned by or rented to an "insured"; or

      (2) One or more outboard engines or motors with:

         (a) 25 total horsepower or less;

         (b) More than 25 horsepower if the outboard engine or motor is not owned by an "insured";

         (c) More than 25 horsepower if the outboard engine or motor is owned by an "insured" who acquired it during the policy period; or

         (d) More than 25 horsepower if the outboard engine or motor is owned by an "insured" who acquired it before the policy period, but only if:

            (i) You declare them at policy inception; or

            (ii) Your intent to insure them is reported to us in writing within 45 days after you acquire them.

         The coverages in **(c)** and **(d)** above apply for the policy period.

   Horsepower means the maximum power rating assigned to the engine or motor by the manufacturer.

C. "Aircraft Liability"

This policy does not cover "aircraft liability".

D. "Hovercraft Liability"

This policy does not cover "hovercraft liability".

E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others

Coverages **E** and **F** do not apply to the following:

1. Expected Or Intended Injury

"Bodily injury" or "property damage" which is expected or intended by an "insured" even if the resulting "bodily injury" or "property damage":

a. Is of a different kind, quality or degree than initially expected or intended; or

b. Is sustained by a different person, entity, real or personal property, than initially expected or intended.

However, this Exclusion **E.1.** does not apply to "bodily injury" resulting from the use of reasonable force by an "insured" to protect persons or property;

2. "Business"

a. "Bodily injury" or "property damage" arising out of or in connection with a "business" conducted from an "insured location" or engaged in by an "insured", whether or not the "business" is owned or operated by an "insured" or employs an "insured".

This Exclusion **E.2.** applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

b. This Exclusion **E.2.** does not apply to:

(1) The rental or holding for rental of an "insured location";

(a) On an occasional basis if used only as a residence;

(b) In part for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or

(c) In part, as an office, school, studio or private garage; and

(2) An "insured" under the age of 21 years involved in a part-time or occasional, self-employed "business" with no employees;

3. Professional Services

"Bodily injury" or "property damage" arising out of the rendering of or failure to render professional services;

4. "Insured's" Premises Not An "Insured Location"

"Bodily injury" or "property damage" arising out of a premises:

a. Owned by an "insured";

b. Rented to an "insured"; or

c. Rented to others by an "insured";

that is not an "insured location";

5. War

"Bodily injury" or "property damage" caused directly or indirectly by war, including the following and any consequence of any of the following:

a. Undeclared war, civil war, insurrection, rebellion or revolution;

b. Warlike act by a military force or military personnel; or

c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental;

6. Communicable Disease

"Bodily injury" or "property damage" which arises out of the transmission of a communicable disease by an "insured";

7. Sexual Molestation, Corporal Punishment Or Physical Or Mental Abuse

"Bodily injury" or "property damage" arising out of sexual molestation, corporal punishment or physical or mental abuse; or

8. Controlled Substance

"Bodily injury" or "property damage" arising out of the use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812. Controlled Substances include but are not limited to cocaine, LSD, marijuana and all narcotic drugs. However, this exclusion does not apply to the legitimate use of prescription drugs by a person following the orders of a licensed physician.

Exclusions **A.** "Motor Vehicle Liability", **B.** "Watercraft Liability", **C.** "Aircraft Liability", **D.** "Hovercraft Liability" and **E.4.** "Insured's" Premises Not An "Insured Location" do not apply to "bodily injury" to a "residence employee" arising out of and in the course of the "residence employee's" employment by an "insured".

F. Coverage E – Personal Liability

Coverage **E** does not apply to:

1. Liability:

a. For any loss assessment charged against you as a member of an association, corporation or community of property owners, except as provided in **D.** Loss Assessment under Section **II** – Additional Coverages;

b. Under any contract or agreement entered into by an "insured". However, this exclusion does not apply to written contracts:

(1) That directly relate to the ownership, maintenance or use of an "insured location"; or

(2) Where the liability of others is assumed by you prior to an "occurrence";

unless excluded in **a.** above or elsewhere in this policy;

2. "Property damage" to property owned by an "insured". This includes costs or expenses incurred by an "insured" or others to repair, replace, enhance, restore or maintain such property to prevent injury to a person or damage to property of others, whether on or away from an "insured location";

3. "Property damage" to property rented to, occupied or used by or in the care of an "insured". This exclusion does not apply to "property damage" caused by fire, smoke or explosion;

4. "Bodily injury" to any person eligible to receive any benefits voluntarily provided or required to be provided by an "insured" under any:

a. Workers' compensation law;

b. Non-occupational disability law; or

c. Occupational disease law;

5. "Bodily injury" or "property damage" for which an "insured" under this policy:

a. Is also an insured under a nuclear energy liability policy issued by the:

(1) Nuclear Energy Liability Insurance Association;

(2) Mutual Atomic Energy Liability Underwriters;

(3) Nuclear Insurance Association of Canada;

or any of their successors; or

b. Would be an insured under such a policy but for the exhaustion of its limit of liability; or

6. "Bodily injury" to you or an "insured" as defined under Definitions **5.a.** or **b.**

This exclusion also applies to any claim made or suit brought against you or an "insured":

a. To repay; or

b. Share damages with;

another person who may be obligated to pay damages because of "bodily injury" to an "insured".

G. Coverage F – Medical Payments To Others

Coverage **F** does not apply to "bodily injury":

1. To a "residence employee" if the "bodily injury":

a. Occurs off the "insured location"; and

b. Does not arise out of or in the course of the "residence employee's" employment by an "insured";

2. To any person eligible to receive benefits voluntarily provided or required to be provided under any:

a. Workers' compensation law;

b. Non-occupational disability law; or

c. Occupational disease law;

3. From any:

a. Nuclear reaction;

b. Nuclear radiation; or

c. Radioactive contamination;

all whether controlled or uncontrolled or however caused; or

d. Any consequence of any of these; or

4. To any person, other than a "residence employee" of an "insured", regularly residing on any part of the "insured location".

SECTION II – ADDITIONAL COVERAGES

We cover the following in addition to the limits of liability:

A. Claim Expenses

We pay:

1. Expenses we incur and costs taxed against an "insured" in any suit we defend;

2. Premiums on bonds required in a suit we defend, but not for bond amounts more than the Coverage **E** limit of liability. We need not apply for or furnish any bond;

3. Reasonable expenses incurred by an "insured" at our request, including actual loss of earnings (but not loss of other income) up to $250 per day, for assisting us in the investigation or defense of a claim or suit; and

4. Interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies.

B. First Aid Expenses

We will pay expenses for first aid to others incurred by an "insured" for "bodily injury" covered under this policy. We will not pay for first aid to an "insured".

C. Damage To Property Of Others

1. We will pay, at replacement cost, up to $1,000 per "occurrence" for "property damage" to property of others caused by an "insured".

2. We will not pay for "property damage":

a. To the extent of any amount recoverable under Section **I;**

b. Caused intentionally by an "insured" who is 13 years of age or older;

c. To property owned by an "insured";

d. To property owned by or rented to a tenant of an "insured" or a resident in your household; or

e. Arising out of:

(1) A "business" engaged in by an "insured";

(2) Any act or omission in connection with a premises owned, rented or controlled by an "insured", other than the "insured location"; or

(3) The ownership, maintenance, occupancy, operation, use, loading or unloading of aircraft, hovercraft, watercraft or "motor vehicles".

This exclusion **e.(3)** does not apply to a "motor vehicle" that:

(a) Is designed for recreational use off public roads;

(b) Is not owned by an "insured"; and

(c) At the time of the "occurrence", is not required by law, or regulation issued by a government agency, to have been registered for it to be used on public roads or property.

D. Loss Assessment

1. We will pay up to $1,000 for your share of loss assessment charged against you, as owner or tenant of the "residence premises", during the policy period by a corporation or association of property owners, when the assessment is made as a result of:

a. "Bodily injury" or "property damage" not excluded from coverage under Section **II** – Exclusions; or

b. Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee, provided such person:

(1) Is elected by the members of a corporation or association of property owners; and

(2) Serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.

2. Paragraph **I.** Policy Period under Section **II** – Conditions does not apply to this Loss Assessment Coverage.

3. Regardless of the number of assessments, the limit of $1,000 is the most we will pay for loss arising out of:

a. One accident, including continuous or repeated exposure to substantially the same general harmful condition; or

b. A covered act of a director, officer or trustee. An act involving more than one director, officer or trustee is considered to be a single act.

4. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

SECTION II – CONDITIONS

A. Limit Of Liability

Our total liability under Coverage **E** for all damages resulting from any one "occurrence" will not be more than the Coverage **E** limit of liability shown in the Declarations. This limit is the same regardless of the number of "insureds", claims made or persons injured. All "bodily injury" and "property damage" resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one "occurrence".

Our total liability under Coverage **F** for all medical expense payable for "bodily injury" to one person as the result of one accident will not be more than the Coverage **F** limit of liability shown in the Declarations.

B. Severability Of Insurance

This insurance applies separately to each "insured". This condition will not increase our limit of liability for any one "occurrence".

C. Duties After "Occurrence"

In case of an "occurrence", you or another "insured" will perform the following duties that apply. We have no duty to provide coverage under this policy if your failure to comply with the following duties is prejudicial to us. You will help us by seeing that these duties are performed:

1. Give written notice to us or our agent as soon as is practical, which sets forth:

a. The identity of the policy and the "named insured" shown in the Declarations;

b. Reasonably available information on the time, place and circumstances of the "occurrence"; and

c. Names and addresses of any claimants and witnesses;

2. Cooperate with us in the investigation, settlement or defense of any claim or suit;

3. Promptly forward to us every notice, demand, summons or other process relating to the "occurrence";

4. At our request, help us:

a. To make settlement;

b. To enforce any right of contribution or indemnity against any person or organization who may be liable to an "insured";

c. With the conduct of suits and attend hearings and trials; and

d. To secure and give evidence and obtain the attendance of witnesses;

5. With respect to **C.** Damage To Property Of Others under Section **II** – Additional Coverage, submit to us within 60 days after the loss, a sworn statement of loss and show the damaged property, if in an "insured's" control;

6. No "insured" shall, except at such "insured's" own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the "bodily injury".

D. Duties Of An Injured Person – Coverage F – Medical Payments To Others

1. The injured person or someone acting for the injured person will:

a. Give us written proof of claim, under oath if required, as soon as is practical; and

b. Authorize us to obtain copies of medical reports and records.

2. The injured person will submit to a physical exam by a doctor of our choice when and as often as we reasonably require.

E. Payment Of Claim – Coverage F – Medical Payments To Others

Payment under this coverage is not an admission of liability by an "insured" or us.

F. Suit Against Us

1. No action can be brought against us unless there has been full compliance with all of the terms under this Section **II.**

2. No one will have the right to join us as a party to any action against an "insured".

3. Also, no action with respect to Coverage **E** can be brought against us until the obligation of such "insured" has been determined by final judgment or agreement signed by us.

G. Bankruptcy Of An "Insured"

Bankruptcy or insolvency of an "insured" will not relieve us of our obligations under this policy.

H. Other Insurance

This insurance is excess over other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.

I. Policy Period

This policy applies only to "bodily injury" or "property damage" which occurs during the policy period.

J. Concealment Or Fraud

We do not provide coverage to an "insured" who, whether before or after a loss, has:

1. Intentionally concealed or misrepresented any material fact or circumstance;

2. Engaged in fraudulent conduct; or

3. Made false statements;

relating to this insurance.

SECTIONS I AND II – CONDITIONS

A. Liberalization Clause

If we make a change which broadens coverage under this edition of our policy without additional premium charge, that change will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.

This Liberalization Clause does not apply to changes implemented with a general program revision that includes both broadenings and restrictions in coverage, whether that general program revision is implemented through introduction of:

1. A subsequent edition of this policy; or

2. An amendatory endorsement.

B. Waiver Or Change Of Policy Provisions

A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.

C. Cancellation

1. You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.
2. We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations. Proof of mailing will be sufficient proof of notice.
   - **a.** When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.
   - **b.** When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.
   - **c.** When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:
     - **(1)** If there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or
     - **(2)** If the risk has changed substantially since the policy was issued.

     This can be done by letting you know at least 30 days before the date cancellation takes effect.
   - **d.** When this policy is written for a period of more than one year, we may cancel for any reason at anniversary by letting you know at least 30 days before the date cancellation takes effect.
3. When this policy is canceled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.
4. If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

D. Nonrenewal

We may elect not to renew this policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

E. Assignment

Assignment of this policy will not be valid unless we give our written consent.

F. Subrogation

An "insured" may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an "insured" must sign and deliver all related papers and cooperate with us.

Subrogation does not apply to Coverage **F** or Paragraph **C.** Damage To Property Of Others under Section **II** – Additional Coverages.

G. Death

If any person named in the Declarations or the spouse, if a resident of the same household, dies, the following apply:

1. We insure the legal representative of the deceased but only with respect to the premises and property of the deceased covered under the policy at the time of death; and
2. "Insured" includes:
   - **a.** An "insured" who is a member of your household at the time of your death, but only while a resident of the "residence premises"; and
   - **b.** With respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

HOMEOWNERS 6 – UNIT-OWNERS FORM

AGREEMENT

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

DEFINITIONS

A. In this policy, "you" and "your" refer to the "named insured" shown in the Declarations and the spouse if a resident of the same household. "We", "us" and "our" refer to the Company providing this insurance.

B. In addition, certain words and phrases are defined as follows:

1. "Aircraft Liability", "Hovercraft Liability", "Motor Vehicle Liability" and "Watercraft Liability", subject to the provisions in **b.** below, mean the following:

a. Liability for "bodily injury" or "property damage" arising out of the:

(1) Ownership of such vehicle or craft by an "insured";

(2) Maintenance, occupancy, operation, use, loading or unloading of such vehicle or craft by any person;

(3) Entrustment of such vehicle or craft by an "insured" to any person;

(4) Failure to supervise or negligent supervision of any person involving such vehicle or craft by an "insured"; or

(5) Vicarious liability, whether or not imposed by law, for the actions of a child or minor involving such vehicle or craft.

b. For the purpose of this definition:

(1) Aircraft means any contrivance used or designed for flight except model or hobby aircraft not used or designed to carry people or cargo;

(2) Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;

(3) Watercraft means a craft principally designed to be propelled on or in water by wind, engine power or electric motor; and

(4) Motor vehicle means a "motor vehicle" as defined in **7.** below.

2. "Bodily injury" means bodily harm, sickness or disease, including required care, loss of services and death that results.

3. "Business" means:

a. A trade, profession or occupation engaged in on a full-time, part-time or occasional basis; or

b. Any other activity engaged in for money or other compensation, except the following:

(1) One or more activities, not described in **(2)** through **(4)** below, for which no "insured" receives more than $2,000 in total compensation for the 12 months before the beginning of the policy period;

(2) Volunteer activities for which no money is received other than payment for expenses incurred to perform the activity;

(3) Providing home day care services for which no compensation is received, other than the mutual exchange of such services; or

(4) The rendering of home day care services to a relative of an "insured".

4. "Employee" means an employee of an "insured", or an employee leased to an "insured" by a labor leasing firm under an agreement between an "insured" and the labor leasing firm, whose duties are other than those performed by a "residence employee".

5. "Insured" means:

a. You and residents of your household who are:

(1) Your relatives; or

(2) Other persons under the age of 21 and in the care of any person named above;

b. A student enrolled in school full time, as defined by the school, who was a resident of your household before moving out to attend school, provided the student is under the age of:

(1) 24 and your relative; or

(2) 21 and in your care or the care of a person described in **a.(1)** above; or

c. Under Section **II:**

(1) With respect to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person included in **a.** or **b.** above. "Insured" does not mean a person or organization using or having custody of these animals or watercraft in the course of any "business" or without consent of the owner; or

(2) With respect to a "motor vehicle" to which this policy applies:

(a) Persons while engaged in your employ or that of any person included in **a.** or **b.** above; or

(b) Other persons using the vehicle on an "insured location" with your consent.

Under both Sections **I** and **II,** when the word an immediately precedes the word "insured", the words an "insured" together mean one or more "insureds".

6. "Insured location" means:

a. The "residence premises";

b. The part of other premises, other structures and grounds used by you as a residence; and

(1) Which is shown in the Declarations; or

(2) Which is acquired by you during the policy period for your use as a residence;

c. Any premises used by you in connection with a premises described in **a.** and **b.** above;

d. Any part of a premises:

(1) Not owned by an "insured"; and

(2) Where an "insured" is temporarily residing;

e. Vacant land, other than farm land, owned by or rented to an "insured";

f. Land owned by or rented to an "insured" on which a one, two, three or four family dwelling is being built as a residence for an "insured";

g. Individual or family cemetery plots or burial vaults of an "insured"; or

h. Any part of a premises occasionally rented to an "insured" for other than "business" use.

7. "Motor vehicle" means:

a. A self-propelled land or amphibious vehicle; or

b. Any trailer or semitrailer which is being carried on, towed by or hitched for towing by a vehicle described in **a.** above.

8. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in:

a. "Bodily injury"; or

b. "Property damage".

9. "Property damage" means physical injury to, destruction of, or loss of use of tangible property.

10. "Residence employee" means:

a. An employee of an "insured", or an employee leased to an "insured" by a labor leasing firm, under an agreement between an "insured" and the labor leasing firm, whose duties are related to the maintenance or use of the "residence premises", including household or domestic services; or

b. One who performs similar duties elsewhere not related to the "business" of an "insured".

A "residence employee" does not include a temporary employee who is furnished to an "insured" to substitute for a permanent "residence employee" on leave or to meet seasonal or short-term workload conditions.

11. "Residence premises" means the unit where you reside shown as the "residence premises" in the Declarations.

DEDUCTIBLE

Unless otherwise noted in this policy, the following deductible provision applies:

Subject to the policy limits that apply, we will pay only that part of the total of all loss payable under Section **I** that exceeds the deductible amount shown in the Declarations.

SECTION I – PROPERTY COVERAGES

A. Coverage A – Dwelling

1. We cover:

a. The alterations, appliances, fixtures and improvements which are part of the building contained within the "residence premises";

b. Items of real property which pertain exclusively to the "residence premises";

c. Property which is your insurance responsibility under a corporation or association of property owners agreement; or

d. Structures owned solely by you, other than the "residence premises", at the location of the "residence premises".

2. We do not cover:

a. Land, including land on which the "residence premises", real property or structures are located;

b. Structures rented or held for rental to any person not a tenant of the dwelling, unless used solely as a private garage;

c. Structures from which any "business" is conducted; or

d. Structures used to store "business" property. However, we do cover a structure that contains "business" property solely owned by an "insured" or a tenant of the dwelling provided that "business" property does not include gaseous or liquid fuel, other than fuel in a permanently installed fuel tank of a vehicle or craft parked or stored in the structure.

B. Coverage C – Personal Property

1. Covered Property

We cover personal property owned or used by an "insured" while it is anywhere in the world. After a loss and at your request, we will cover personal property owned by:

a. Others while the property is on the part of the "residence premises" occupied by an "insured"; or

b. A guest or a "residence employee", while the property is in any residence occupied by an "insured".

2. Limit For Property At Other Residences

Our limit of liability for personal property usually located at an "insured's" residence, other than the "residence premises", is 10% of the limit of liability for Coverage **C,** or $1,000, whichever is greater. However, this limitation does not apply to personal property:

a. Moved from the "residence premises" because it is being repaired, renovated or rebuilt and is not fit to live in or store property in; or

b. In a newly acquired principal residence for 30 days from the time you begin to move the property there.

3. Special Limits Of Liability

The special limit for each category shown below is the total limit for each loss for all property in that category. These special limits do not increase the Coverage **C** limit of liability.

a. $200 on money, bank notes, bullion, gold other than goldware, silver other than silverware, platinum other than platinumware, coins, medals, scrip, stored value cards and smart cards.

b. $1,500 on securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets and stamps. This dollar limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists.

This limit includes the cost to research, replace or restore the information from the lost or damaged material.

c. $1,500 on watercraft of all types, including their trailers, furnishings, equipment and outboard engines or motors.

d. $1,500 on trailers or semitrailers not used with watercraft of all types.

e. $1,500 for loss by theft of jewelry, watches, furs, precious and semiprecious stones.

f. $2,500 for loss by theft of firearms and related equipment.

g. $2,500 for loss by theft of silverware, silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.

h. $2,500 on property, on the "residence premises", used primarily for "business" purposes.

i. $500 on property, away from the "residence premises", used primarily for "business" purposes. However, this limit does not apply to loss to electronic apparatus and other property described in Categories **j.** and **k.** below.

j. $1,500 on electronic apparatus and accessories, while in or upon a "motor vehicle", but only if the apparatus is equipped to be operated by power from the "motor vehicle's" electrical system while still capable of being operated by other power sources.

Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described in this Category **j.**

k. $1,500 on electronic apparatus and accessories used primarily for "business" while away from the "residence premises" and not in or upon a "motor vehicle". The apparatus must be equipped to be operated by power from the "motor vehicle's" electrical system while still capable of being operated by other power sources.

Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described in this Category **k.**

4. Property Not Covered

We do not cover:

a. Articles separately described and specifically insured, regardless of the limit for which they are insured, in this or other insurance;

b. Animals, birds or fish;

c. "Motor vehicles".

(1) This includes:

(a) Their accessories, equipment and parts; or

(b) Electronic apparatus and accessories designed to be operated solely by power from the electrical system of the "motor vehicle". Accessories include antennas, tapes, wires, records, discs or other media that can be used with any apparatus described above.

The exclusion of property described in **(a)** and **(b)** above applies only while such property is in or upon the "motor vehicle".

(2) We do cover "motor vehicles" not required to be registered for use on public roads or property which are:

(a) Used solely to service an "insured's" residence; or

(b) Designed to assist the handicapped;

d. Aircraft meaning any contrivance used or designed for flight including any parts whether or not attached to the aircraft.

We do cover model or hobby aircraft not used or designed to carry people or cargo;

e. Hovercraft and parts. Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;

f. Property of roomers, boarders and other tenants, except property of roomers and boarders related to an "insured";

g. Property in an apartment regularly rented or held for rental to others by an "insured";

h. Property rented or held for rental to others off the "residence premises";

i. "Business" data, including such data stored in:

(1) Books of account, drawings or other paper records; or

(2) Computers and related equipment.

We do cover the cost of blank recording or storage media, and of prerecorded computer programs available on the retail market;

j. Credit cards, electronic fund transfer cards or access devices used solely for deposit, withdrawal or transfer of funds except as provided in **D.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages; or

k. Water or steam.

C. Coverage D – Loss Of Use

The limit of liability for Coverage **D** is the total limit for the coverages in **1.** Additional Living Expense, **2.** Fair Rental Value and **3.** Civil Authority Prohibits Use below.

1. Additional Living Expense

If a loss by a Peril Insured Against under this policy to covered property or the building containing the property makes the "residence premises" not fit to live in, we cover any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living.

Payment will be for the shortest time required to repair or replace the damage or, if you permanently relocate, the shortest time required for your household to settle elsewhere.

2. Fair Rental Value

If a loss covered under Section **I** makes that part of the "residence premises" rented to others or held for rental by you not fit to live in, we cover the fair rental value of such premises less any expenses that do not continue while it is not fit to live in.

Payment will be for the shortest time required to repair or replace such premises.

3. Civil Authority Prohibits Use

If a civil authority prohibits you from use of the "residence premises" as a result of direct damage to neighboring premises by a Peril Insured Against, we cover the loss as provided in **1.** Additional Living Expense and **2.** Fair Rental Value above for no more than two weeks.

4. Loss Or Expense Not Covered

We do not cover loss or expense due to cancellation of a lease or agreement.

The periods of time under **1.** Additional Living Expense, **2.** Fair Rental Value and **3.** Civil Authority Prohibits Use above are not limited by expiration of this policy.

D. Additional Coverages

1. Debris Removal

a. We will pay your reasonable expense for the removal of:

(1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or

(2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit is available for such expense.

b. We will also pay your reasonable expense, up to $1,000, for the removal from the "residence premises" of:

(1) Tree(s) you solely own felled by the peril of Windstorm or Hail or Weight of Ice, Snow or Sleet; or

(2) A neighbor's tree(s) felled by a Peril Insured Against under Coverage **C;**

provided the tree(s) damage(s) a covered structure.

The $1,000 limit is the most we will pay in any one loss regardless of the number of fallen trees. No more than $500 of this limit will be paid for the removal of any one tree.

This coverage is additional insurance.

2. Reasonable Repairs

a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by a Peril Insured Against from further damage.

b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this policy and the damage is caused by a Peril Insured Against. This coverage does not:

(1) Increase the limit of liability that applies to the covered property; or

(2) Relieve you of your duties, in case of a loss to covered property, described in **B.4.** under Section **I** – Conditions.

3. Trees, Shrubs And Other Plants

We cover trees, shrubs, plants or lawns, you solely own at the location of the "residence premises", for loss caused by the following Perils Insured Against:

a. Fire or Lightning;

b. Explosion;

c. Riot or Civil Commotion;

d. Aircraft;

e. Vehicles not owned or operated by a resident of the "residence premises";

f. Vandalism or Malicious Mischief; or

g. Theft.

We will pay up to 10% of the limit of liability that applies to Coverage **C** for all trees, shrubs, plants or lawns. No more than $500 of this limit will be paid for any one tree, shrub or plant. We do not cover property grown for "business" purposes.

This coverage is additional insurance.

4. Fire Department Service Charge

We will pay up to $500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.

This coverage is additional insurance. No deductible applies to this coverage.

5. Property Removed

We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed.

This coverage does not change the limit of liability that applies to the property being removed.

6. Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money

a. We will pay up to $500 for:

(1) The legal obligation of an "insured" to pay because of the theft or unauthorized use of credit cards issued to or registered in an "insured's" name;

(2) Loss resulting from theft or unauthorized use of an electronic fund transfer card or access device used for deposit, withdrawal or transfer of funds, issued to or registered in an "insured's" name;

(3) Loss to an "insured" caused by forgery or alteration of any check or negotiable instrument; and

(4) Loss to an "insured" through acceptance in good faith of counterfeit United States or Canadian paper currency.

All loss resulting from a series of acts committed by any one person or in which any one person is concerned or implicated is considered to be one loss.

This coverage is additional insurance. No deductible applies to this coverage.

b. We do not cover:

(1) Use of a credit card, electronic fund transfer card or access device:

(a) By a resident of your household;

(b) By a person who has been entrusted with either type of card or access device; or

(c) If an "insured" has not complied with all terms and conditions under which the cards are issued or the devices accessed; or

(2) Loss arising out of "business" use or dishonesty of an "insured".

c. If the coverage in **a.** above applies, the following defense provisions also apply:

(1) We may investigate and settle any claim or suit that we decide is appropriate. Our duty to defend a claim or suit ends when the amount we pay for the loss equals our limit of liability.

(2) If a suit is brought against an "insured" for liability under **a.(1)** or **(2)** above, we will provide a defense at our expense by counsel of our choice.

(3) We have the option to defend at our expense an "insured" or an "insured's" bank against any suit for the enforcement of payment under **a.(3)** above.

7. Loss Assessment

a. We will pay up to $1,000 for your share of loss assessment charged during the policy period against you, as owner or tenant of the "residence premises", by a corporation or association of property owners. The assessment must be made as a result of direct loss to property, owned by all members collectively, of the type that would be covered by this policy if owned by you, caused by a Peril Insured Against under Coverage **A,** other than:

(1) Earthquake; or

(2) Land shock waves or tremors before, during or after a volcanic eruption.

The limit of $1,000 is the most we will pay with respect to any one loss, regardless of the number of assessments. We will only apply one deductible, per unit, to the total amount of any one loss to the property described above, regardless of the number of assessments.

b. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

c. Paragraph **P.** Policy Period under Section **I** – Conditions does not apply to this coverage.

This coverage is additional insurance.

8. Collapse

a. With respect to this Additional Coverage:

(1) Collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its current intended purpose.

(2) A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse.

(3) A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building.

(4) A building or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

b. We insure for direct physical loss to covered property involving collapse of a building or any part of a building if the collapse was caused by one or more of the following:

(1) The Perils Insured Against named under Coverage **C;**

(2) Decay that is hidden from view, unless the presence of such decay is known to an "insured" prior to collapse;

(3) Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an "insured" prior to collapse;

(4) Weight of contents, equipment, animals or people;

(5) Weight of rain which collects on a roof; or

(6) Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

c. Loss to an awning, fence, patio, deck, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under **b.(2)** through **(6)** above, unless the loss is a direct result of the collapse of a building or any part of a building.

d. This coverage does not increase the limit of liability that applies to the damaged covered property.

9. Glass Or Safety Glazing Material

a. We cover:

(1) The breakage of glass or safety glazing material which is part of a building, storm door or storm window and covered under Coverage **A;**

(2) The breakage of glass or safety glazing material which is part of a building, storm door or storm window and covered under Coverage **A** when caused directly by earth movement; and

(3) The direct physical loss to covered property caused solely by the pieces, fragments or splinters of broken glass or safety glazing material which is part of a building, storm door or storm window.

b. This coverage does not include loss:

(1) To covered property which results because the glass or safety glazing material has been broken, except as provided in **a.(3)** above; or

(2) To the "residence premises" if the building containing the "residence premises" has been vacant for more than 60 consecutive days immediately before the loss, except when the breakage results directly from earth movement as provided in **a.(2)** above. A building being constructed is not considered vacant.

c. This coverage does not increase the limit of liability that applies to the damaged property.

10. Ordinance Or Law

a. You may use up to 10% of the limit of liability that applies to Coverage **A** for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:

(1) The construction, demolition, remodeling, renovation or repair of that part of property covered under Coverage **A** damaged by a Peril Insured Against;

(2) The demolition and reconstruction of the undamaged part of property covered under Coverage **A,** when that property must be totally demolished because of damage by a Peril Insured Against to another part of that property covered under Coverage **A;** or

(3) The remodeling, removal or replacement of the portion of the undamaged part of property covered under Coverage **A** necessary to complete the remodeling, repair or replacement of that part of the property covered under Coverage **A** damaged by a Peril Insured Against.

b. You may use all or part of this ordinance or law coverage to pay for the increased costs you incur to remove debris resulting from the construction, demolition, remodeling, renovation, repair or replacement of property as stated in **a.** above.

c. We do not cover:

(1) The loss in value to any property covered under Coverage **A** due to the requirements of any ordinance or law; or

(2) The costs to comply with any ordinance or law which requires any "insured" or others, to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants in or on any property covered under Coverage **A.**

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This coverage is additional insurance.

11. Grave Markers

We will pay up to $5,000 for grave markers, including mausoleums, away from the "residence premises" for loss caused by a Peril Insured Against.

This coverage does not increase the limits of liability that apply to the damaged covered property.

SECTION I – PERILS INSURED AGAINST

We insure for direct physical loss to the property described in Coverages **A** and **C** caused by any of the following perils unless the loss is excluded in Section **I** – Exclusions.

1. Fire Or Lightning

2. Windstorm Or Hail

This peril includes loss to watercraft of all types and their trailers, furnishings, equipment, and outboard engines or motors, only while inside a fully enclosed building.

This peril does not include loss to the inside of a building or the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.

3. Explosion

4. Riot Or Civil Commotion

5. Aircraft

This peril includes self-propelled missiles and spacecraft.

6. Vehicles

This peril does not include loss to a fence, driveway or walk caused by a vehicle owned or operated by a resident of the "residence premises".

7. Smoke

This peril means sudden and accidental damage from smoke, including the emission or puffback of smoke, soot, fumes or vapors from a boiler, furnace or related equipment.

This peril does not include loss caused by smoke from agricultural smudging or industrial operations.

8. Vandalism Or Malicious Mischief

This peril does not include loss to property which pertains to the "residence premises", and any ensuing loss caused by any intentional and wrongful act committed in the course of the vandalism or malicious mischief, if the building containing the "residence premises" has been vacant for more than 60 consecutive days immediately before the loss. A building being constructed is not considered vacant.

9. Theft

a. This peril includes attempted theft and loss of property from a known place when it is likely that the property has been stolen.

b. This peril does not include loss caused by theft:

(1) Committed by an "insured";

(2) In or to a "residence premises" under construction, or of materials and supplies for use in the construction until the "residence premises" is finished and occupied;

(3) From that part of a "residence premises" rented by an "insured" to someone other than another "insured"; or

(4) That occurs away from the "residence premises" or the location of the "residence premises" of:

(a) Trailers, semitrailers and campers;

(b) Watercraft of all types, and their furnishings, equipment and outboard engines or motors; or

(c) Property while at any other residence owned by, rented to, or occupied by an "insured", except while an "insured" is temporarily living there. Property of an "insured" who is a student is covered while at the residence the student occupies to attend school as long as the student has been there at any time during the 60 days immediately before the loss.

10. Falling Objects

This peril does not include loss to the inside of a building or property contained in the building unless the roof or an outside wall of the building is first damaged by a falling object. Damage to the falling object itself is not included.

11. Weight Of Ice, Snow Or Sleet

This peril means weight of ice, snow or sleet which causes damage to a building or property contained in a building.

This peril does not include loss to an awning, fence, patio, pavement, swimming pool, foundation, retaining wall, bulkhead, pier, wharf, or dock.

12. Accidental Discharge Or Overflow Of Water Or Steam

a. This peril means accidental discharge or overflow of water or steam from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance. We also pay to tear out and replace any part of a building or other structure owned solely by you which is covered under Coverage **A** and at the location of the "residence premises", but only when necessary to repair the system or appliance from which the water or steam escaped. However, such tear out and replacement coverage only applies to other structures if the water or steam causes actual damage to a building owned solely by you at the location of the "residence premises".

b. This peril does not include loss:

(1) To or within the "residence premises", if the building containing the "residence premises" has been vacant for more than 60 consecutive days immediately before the loss. A building being constructed is not considered vacant;

(2) To the system or appliance from which the water or steam escaped;

(3) Caused by or resulting from freezing except as provided in Peril Insured Against **14.** Freezing;

(4) To or within the "residence premises" caused by accidental discharge or overflow which occurs away from the building where the "residence premises" is located; or

(5) Caused by mold, fungus or wet rot unless hidden within the walls or ceilings or beneath the floors or above the ceilings of a structure.

c. In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

d. Section **I** – Exclusion **3.** Water Damage, Paragraphs **a.** and **c.** that apply to surface water and water below the surface of the ground do not apply to loss by water covered under this peril.

13. Sudden And Accidental Tearing Apart, Cracking, Burning Or Bulging

This peril means sudden and accidental tearing apart, cracking, burning or bulging of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.

This peril does not include loss caused by or resulting from freezing except as provided in Peril Insured Against **14.** Freezing below.

14. Freezing

a. This peril means freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance but only if you have used reasonable care to:

(1) Maintain heat in the building; or

(2) Shut off the water supply and drain all systems and appliances of water.

However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the "residence premises" for coverage to apply.

b. In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment.

15. Sudden And Accidental Damage From Artificially Generated Electrical Current

This peril does not include loss to tubes, transistors, electronic components or circuitry that are a part of appliances, fixtures, computers, home entertainment units or other types of electronic apparatus.

16. Volcanic Eruption

This peril does not include loss caused by earthquake, land shock waves or tremors.

SECTION I – EXCLUSIONS

We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

1. Ordinance Or Law

Ordinance Or Law means any ordinance or law:

a. Requiring or regulating the construction, demolition, remodeling, renovation or repair of property, including removal of any resulting debris. This Exclusion **1.a.** does not apply to the amount of coverage that may be provided for in **D.10.** Ordinance Or Law under Section **I** – Property Coverages;

b. The requirements of which result in a loss in value to property; or

c. Requiring any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This Exclusion **1.** applies whether or not the property has been physically damaged.

2. Earth Movement

Earth Movement means:

a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;

b. Landslide, mudslide or mudflow;

c. Subsidence or sinkhole; or

d. Any other earth movement including earth sinking, rising or shifting;

caused by or resulting from human or animal forces or any act of nature unless direct loss by fire or explosion ensues and then we will pay only for the ensuing loss.

This Exclusion **2.** does not apply to loss by theft.

3. Water Damage

Water Damage means:

a. Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind;

b. Water or water-borne material which backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment; or

c. Water or water-borne material below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure;

caused by or resulting from human or animal forces or any act of nature.

Direct loss by fire, explosion or theft resulting from water damage is covered.

4. Power Failure

Power Failure means the failure of power or other utility service if the failure takes place off the "residence premises". But if the failure results in a loss, from a Peril Insured Against on the "residence premises", we will pay for the loss caused by that peril.

5. Neglect

Neglect means neglect of an "insured" to use all reasonable means to save and preserve property at and after the time of a loss.

6. War

War includes the following and any consequence of any of the following:

a. Undeclared war, civil war, insurrection, rebellion or revolution;

b. Warlike act by a military force or military personnel; or

c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

7. Nuclear Hazard

This Exclusion **7.** pertains to Nuclear Hazard to the extent set forth in **M.** Nuclear Hazard Clause under Section **I** – Conditions.

8. Intentional Loss

Intentional Loss means any loss arising out of any act an "insured" commits or conspires to commit with the intent to cause a loss.

In the event of such loss, no "insured" is entitled to coverage, even "insureds" who did not commit or conspire to commit the act causing the loss.

9. Governmental Action

Governmental Action means the destruction, confiscation or seizure of property described in Coverage **A** or **C** by order of any governmental or public authority.

This exclusion does not apply to such acts ordered by any governmental or public authority that are taken at the time of a fire to prevent its spread, if the loss caused by fire would be covered under this policy.

SECTION I – CONDITIONS

A. Insurable Interest And Limit Of Liability

Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss:

1. To an "insured" for more than the amount of such "insured's" interest at the time of loss; or

2. For more than the applicable limit of liability.

B. Duties After Loss

In case of a loss to covered property, we have no duty to provide coverage under this policy if the failure to comply with the following duties is prejudicial to us. These duties must be performed either by you, an "insured" seeking coverage, or a representative of either:

1. Give prompt notice to us or our agent;

2. Notify the police in case of loss by theft;

3. Notify the credit card or electronic fund transfer card or access device company in case of loss under as provided for in **D.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages;
4. Protect the property from further damage. If repairs to the property are required, you must:
   a. Make reasonable and necessary repairs to protect the property; and
   b. Keep an accurate record of repair expenses;
5. Cooperate with us in the investigation of a claim;
6. Prepare an inventory of damaged personal property showing the quantity, description, actual cash value and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;
7. As often as we reasonably require:
   a. Show the damaged property;
   b. Provide us with records and documents we request and permit us to make copies; and
   c. Submit to examination under oath, while not in the presence of another "insured", and sign the same;
8. Send to us, within 60 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:
   a. The time and cause of loss;
   b. The interests of all "insureds" and all others in the property involved and all liens on the property;
   c. Other insurance which may cover the loss;
   d. Changes in title or occupancy of the property during the term of the policy;
   e. Specifications of damaged buildings and detailed repair estimates;
   f. The inventory of damaged personal property described in **6.** above;
   g. Receipts for additional living expenses incurred and records that support the fair rental value loss; and
   h. Evidence or affidavit that supports a claim under **D.6.** Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money under Section **I** – Property Coverages, stating the amount and cause of loss.

C. Loss Settlement

Covered property losses are settled as follows:

1. Personal property and grave markers, including mausoleums, at actual cash value at the time of loss but not more than the amount required to repair or replace.
2. Coverage **A** – Dwelling:
   a. If the damage is repaired or replaced within a reasonable time, at the actual cost to repair or replace;
   b. If the damage is not repaired or replaced within a reasonable time, at actual cash value but not more than the amount required to repair or replace.

   In this provision, the terms "repaired" or "replaced" do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs is provided in **D.10.** Ordinance Or Law under Section **I** – Property Coverages.

D. Loss To A Pair Or Set

In case of loss to a pair or set we may elect to:

1. Repair or replace any part to restore the pair or set to its value before the loss; or
2. Pay the difference between actual cash value of the property before and after the loss.

E. Appraisal

If you and we fail to agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.

Each party will:

1. Pay its own appraiser; and
2. Bear the other expenses of the appraisal and umpire equally.

F. Other Insurance And Service Agreement

1. If a loss covered by this policy is also covered by:
   a. Other insurance, except insurance in the name of a corporation or association of property owners, we will pay only the proportion of the loss that the limit of liability that applies under this policy bears to the total amount of insurance covering the loss; or
   b. A service agreement, except a service agreement in the name of a corporation or association of property owners, 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.
2. If, at the time of loss, there is other insurance or a service agreement in the name of a corporation or association of property owners covering the same property covered by this policy, this insurance will be excess over the amount recoverable under such other insurance or service agreement.

G. Suit Against Us

No action can be brought against us unless there has been full compliance with all of the terms under Section **I** of this policy and the action is started within two years after the date of loss.

H. Our Option

If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may repair or replace any part of the damaged property with material or property of like kind and quality.

I. Loss Payment

We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss and:

1. Reach an agreement with you;
2. There is an entry of a final judgment; or
3. There is a filing of an appraisal award with us.

J. Abandonment Of Property

We need not accept any property abandoned by an "insured".

K. Mortgage Clause

1. If a mortgagee is named in this policy, any loss payable under Coverage **A** will be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.
2. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:
   a. Notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;
   b. Pays any premium due under this policy on demand if you have neglected to pay the premium; and
   c. Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Paragraphs **E.** Appraisal, **G.** Suit Against Us and **I.** Loss Payment under Section **I** – Conditions also apply to the mortgagee.
3. If we decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or nonrenewal takes effect.
4. If we pay the mortgagee for any loss and deny payment to you:
   a. We are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or
   b. At our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.
5. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

L. No Benefit To Bailee

We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.

M. Nuclear Hazard Clause

1. "Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.
2. Loss caused by the nuclear hazard will not be considered loss caused by fire, explosion, or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against.

3. This policy does not apply under Section **I** to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.

N. Recovered Property

If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.

O. Volcanic Eruption Period

One or more volcanic eruptions that occur within a 72 hour period will be considered as one volcanic eruption.

P. Policy Period

This policy applies only to loss which occurs during the policy period.

Q. Concealment Or Fraud

We provide coverage to no "insureds" under this policy if, whether before or after a loss, an "insured" has:

1. Intentionally concealed or misrepresented any material fact or circumstance;

2. Engaged in fraudulent conduct; or

3. Made false statements;

relating to this insurance.

R. Loss Payable Clause

If the Declarations show a loss payee for certain listed insured personal property, the definition of "insured" is changed to include that loss payee with respect to that property.

If we decide to cancel or not renew this policy, that loss payee will be notified in writing.

SECTION II – LIABILITY COVERAGES

A. Coverage E – Personal Liability

If a claim is made or a suit is brought against an "insured" for damages because of "bodily injury" or "property damage" caused by an "occurrence" to which this coverage applies, we will:

1. Pay up to our limit of liability for the damages for which an "insured" is legally liable. Damages include prejudgment interest awarded against an "insured"; and

2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when our limit of liability for the "occurrence" has been exhausted by payment of a judgment or settlement.

B. Coverage F – Medical Payments To Others

We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing "bodily injury". Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage does not apply to you or regular residents of your household except "residence employees". As to others, this coverage applies only:

1. To a person on the "insured location" with the permission of an "insured"; or

2. To a person off the "insured location", if the "bodily injury":

a. Arises out of a condition on the "insured location" or the ways immediately adjoining;

b. Is caused by the activities of an "insured";

c. Is caused by a "residence employee" in the course of the "residence employee's" employment by an "insured"; or

d. Is caused by an animal owned by or in the care of an "insured".

SECTION II – EXCLUSIONS

A. "Motor Vehicle Liability"

1. Coverages **E** and **F** do not apply to any "motor vehicle liability" if, at the time and place of an "occurrence", the involved "motor vehicle":

a. Is registered for use on public roads or property;

b. Is not registered for use on public roads or property, but such registration is required by a law, or regulation issued by a government agency, for it to be used at the place of the "occurrence"; or

c. Is being:

(1) Operated in, or practicing for, any prearranged or organized race, speed contest or other competition;

(2) Rented to others;

(3) Used to carry persons or cargo for a charge; or

(4) Used for any "business" purpose except for a motorized golf cart while on a golfing facility.

2. If Exclusion **A.1.** does not apply, there is still no coverage for "motor vehicle liability" unless the "motor vehicle" is:

a. In dead storage on an "insured location";

b. Used solely to service an "insured's" residence;

c. Designed to assist the handicapped and, at the time of an "occurrence", it is:

(1) Being used to assist a handicapped person; or

(2) Parked on an "insured location";

d. Designed for recreational use off public roads and:

(1) Not owned by an "insured"; or

(2) Owned by an "insured" provided the "occurrence" takes place on an "insured location" as defined in Definitions **B.6.a., b., d., e.** or **h.;** or

e. A motorized golf cart that is owned by an "insured", designed to carry up to 4 persons, not built or modified after manufacture to exceed a speed of 25 miles per hour on level ground and, at the time of an "occurrence", is within the legal boundaries of:

(1) A golfing facility and is parked or stored there, or being used by an "insured" to:

(a) Play the game of golf or for other recreational or leisure activity allowed by the facility;

(b) Travel to or from an area where "motor vehicles" or golf carts are parked or stored; or

(c) Cross public roads at designated points to access other parts of the golfing facility; or

(2) A private residential community, including its public roads upon which a motorized golf cart can legally travel, which is subject to the authority of a property owners association and contains an "insured's" residence.

B. "Watercraft Liability"

1. Coverages **E** and **F** do not apply to any "watercraft liability" if, at the time of an "occurrence", the involved watercraft is being:

a. Operated in, or practicing for, any prearranged or organized race, speed contest or other competition. This exclusion does not apply to a sailing vessel or a predicted log cruise;

b. Rented to others;

c. Used to carry persons or cargo for a charge; or

d. Used for any "business" purpose.

2. If Exclusion **B.1.** does not apply, there is still no coverage for "watercraft liability" unless, at the time of the "occurrence", the watercraft:

a. Is stored;

b. Is a sailing vessel, with or without auxiliary power, that is:

(1) Less than 26 feet in overall length; or

(2) 26 feet or more in overall length and not owned by or rented to an "insured"; or

c. Is not a sailing vessel and is powered by:

(1) An inboard or inboard-outdrive engine or motor, including those that power a water jet pump, of:

(a) 50 horsepower or less and not owned by an "insured"; or

(b) More than 50 horsepower and not owned by or rented to an "insured"; or

(2) One or more outboard engines or motors with:

(a) 25 total horsepower or less;

(b) More than 25 horsepower if the outboard engine or motor is not owned by an "insured";

(c) More than 25 horsepower if the outboard engine or motor is owned by an "insured" who acquired it during the policy period; or

(d) More than 25 horsepower if the outboard engine or motor is owned by an "insured" who acquired it before the policy period, but only if:

(i) You declare them at policy inception; or

(ii) Your intent to insure them is reported to us in writing within 45 days after you acquire them.

The coverages in **(c)** and **(d)** above apply for the policy period.

Horsepower means the maximum power rating assigned to the engine or motor by the manufacturer.

C. "Aircraft Liability"

This policy does not cover "aircraft liability".

D. "Hovercraft Liability"

This policy does not cover "hovercraft liability".

E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others

Coverages **E** and **F** do not apply to the following:

1. Expected Or Intended Injury

"Bodily injury" or "property damage" which is expected or intended by an "insured" even if the resulting "bodily injury" or "property damage":

a. Is of a different kind, quality or degree than initially expected or intended; or

b. Is sustained by a different person, entity, real or personal property, than initially expected or intended.

However, this Exclusion **E.1.** does not apply to "bodily injury" resulting from the use of reasonable force by an "insured" to protect persons or property;

2. "Business"

a. "Bodily injury" or "property damage" arising out of or in connection with a "business" conducted from an "insured location" or engaged in by an "insured", whether or not the "business" is owned or operated by an "insured" or employs an "insured".

This Exclusion **E.2.** applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

b. This Exclusion **E.2.** does not apply to:

(1) The rental or holding for rental of an "insured location";

(a) On an occasional basis if used only as a residence;

(b) In part for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or

(c) In part, as an office, school, studio or private garage; and

(2) An "insured" under the age of 21 years involved in a part-time or occasional, self-employed "business" with no employees;

3. Professional Services

"Bodily injury" or "property damage" arising out of the rendering of or failure to render professional services;

4. "Insured's" Premises Not An "Insured Location"

"Bodily injury" or "property damage" arising out of a premises:

a. Owned by an "insured";

b. Rented to an "insured"; or

c. Rented to others by an "insured";

that is not an "insured location";

5. War

"Bodily injury" or "property damage" caused directly or indirectly by war, including the following and any consequence of any of the following:

a. Undeclared war, civil war, insurrection, rebellion or revolution;

b. Warlike act by a military force or military personnel; or

c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental;

6. Communicable Disease

"Bodily injury" or "property damage" which arises out of the transmission of a communicable disease by an "insured";

7. Sexual Molestation, Corporal Punishment Or Physical Or Mental Abuse

"Bodily injury" or "property damage" arising out of sexual molestation, corporal punishment or physical or mental abuse; or

8. Controlled Substance

"Bodily injury" or "property damage" arising out of the use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812. Controlled Substances include but are not limited to cocaine, LSD, marijuana and all narcotic drugs. However, this exclusion does not apply to the legitimate use of prescription drugs by a person following the orders of a licensed physician.

Exclusions **A.** "Motor Vehicle Liability", **B.** "Watercraft Liability", **C.** "Aircraft Liability", **D.** "Hovercraft Liability" and **E.4.** "Insured's" Premises Not An "Insured Location" do not apply to "bodily injury" to a "residence employee" arising out of and in the course of the "residence employee's" employment by an "insured".

F. Coverage E – Personal Liability

Coverage **E** does not apply to:

1. Liability:

- **a.** For any loss assessment charged against you as a member of an association, corporation or community of property owners, except as provided in **D.** Loss Assessment under Section **II** – Additional Coverages;
- **b.** Under any contract or agreement entered into by an "insured". However, this exclusion does not apply to written contracts:
  - **(1)** That directly relate to the ownership, maintenance or use of an "insured location"; or
  - **(2)** Where the liability of others is assumed by you prior to an "occurrence";

  unless excluded in **a.** above or elsewhere in this policy;

2. "Property damage" to property owned by an "insured". This includes costs or expenses incurred by an "insured" or others to repair, replace, enhance, restore or maintain such property to prevent injury to a person or damage to property of others, whether on or away from an "insured location";

3. "Property damage" to property rented to, occupied or used by or in the care of an "insured". This exclusion does not apply to "property damage" caused by fire, smoke or explosion;

4. "Bodily injury" to any person eligible to receive any benefits voluntarily provided or required to be provided by an "insured" under any:

- **a.** Workers' compensation law;
- **b.** Non-occupational disability law; or
- **c.** Occupational disease law;

5. "Bodily injury" or "property damage" for which an "insured" under this policy:

- **a.** Is also an insured under a nuclear energy liability policy issued by the:
  - **(1)** Nuclear Energy Liability Insurance Association;
  - **(2)** Mutual Atomic Energy Liability Underwriters;
  - **(3)** Nuclear Insurance Association of Canada;

  or any of their successors; or
- **b.** Would be an insured under such a policy but for the exhaustion of its limit of liability; or

6. "Bodily injury" to you or an "insured" as defined under Definitions **5.a.** or **b.**

This exclusion also applies to any claim made or suit brought against you or an "insured":

- **a.** To repay; or
- **b.** Share damages with;

another person who may be obligated to pay damages because of "bodily injury" to an "insured".

G. Coverage F – Medical Payments To Others

Coverage **F** does not apply to "bodily injury":

1. To a "residence employee" if the "bodily injury":

- **a.** Occurs off the "insured location"; and
- **b.** Does not arise out of or in the course of the "residence employee's" employment by an "insured";

2. To any person eligible to receive benefits voluntarily provided or required to be provided under any:

- **a.** Workers' compensation law;
- **b.** Non-occupational disability law; or
- **c.** Occupational disease law;

3. From any:

- **a.** Nuclear reaction;
- **b.** Nuclear radiation; or
- **c.** Radioactive contamination;

  all whether controlled or uncontrolled or however caused; or
- **d.** Any consequence of any of these; or

4. To any person, other than a "residence employee" of an "insured", regularly residing on any part of the "insured location".

SECTION II – ADDITIONAL COVERAGES

We cover the following in addition to the limits of liability:

A. Claim Expenses

We pay:

1. Expenses we incur and costs taxed against an "insured" in any suit we defend;

2. Premiums on bonds required in a suit we defend, but not for bond amounts more than the Coverage **E** limit of liability. We need not apply for or furnish any bond;

3. Reasonable expenses incurred by an "insured" at our request, including actual loss of earnings (but not loss of other income) up to $250 per day, for assisting us in the investigation or defense of a claim or suit; and

4. Interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies.

B. First Aid Expenses

We will pay expenses for first aid to others incurred by an "insured" for "bodily injury" covered under this policy. We will not pay for first aid to an "insured".

C. Damage To Property Of Others

1. We will pay, at replacement cost, up to $1,000 per "occurrence" for "property damage" to property of others caused by an "insured".

2. We will not pay for "property damage":

a. To the extent of any amount recoverable under Section **I;**

b. Caused intentionally by an "insured" who is 13 years of age or older;

c. To property owned by an "insured";

d. To property owned by or rented to a tenant of an "insured" or a resident in your household; or

e. Arising out of:

(1) A "business" engaged in by an "insured";

(2) Any act or omission in connection with a premises owned, rented or controlled by an "insured", other than the "insured location"; or

(3) The ownership, maintenance, occupancy, operation, use, loading or unloading of aircraft, hovercraft, watercraft or "motor vehicles".

This exclusion **e.(3)** does not apply to a "motor vehicle" that:

(a) Is designed for recreational use off public roads;

(b) Is not owned by an "insured"; and

(c) At the time of the "occurrence", is not required by law, or regulation issued by a government agency, to have been registered for it to be used on public roads or property.

D. Loss Assessment

1. We will pay up to $1,000 for your share of loss assessment charged against you, as owner or tenant of the "residence premises", during the policy period by a corporation or association of property owners, when the assessment is made as a result of:

a. "Bodily injury" or "property damage" not excluded from coverage under Section **II** – Exclusions; or

b. Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee, provided such person:

(1) Is elected by the members of a corporation or association of property owners; and

(2) Serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.

2. Paragraph **I.** Policy Period under Section **II** – Conditions does not apply to this Loss Assessment Coverage.

3. Regardless of the number of assessments, the limit of $1,000 is the most we will pay for loss arising out of:

a. One accident, including continuous or repeated exposure to substantially the same general harmful condition; or

b. A covered act of a director, officer or trustee. An act involving more than one director, officer or trustee is considered to be a single act.

4. We do not cover assessments charged against you or a corporation or association of property owners by any governmental body.

SECTION II – CONDITIONS

A. Limit Of Liability

Our total liability under Coverage **E** for all damages resulting from any one "occurrence" will not be more than the Coverage **E** limit of liability shown in the Declarations. This limit is the same regardless of the number of "insureds", claims made or persons injured. All "bodily injury" and "property damage" resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one "occurrence".

Our total liability under Coverage **F** for all medical expense payable for "bodily injury" to one person as the result of one accident will not be more than the Coverage **F** limit of liability shown in the Declarations.

B. Severability Of Insurance

This insurance applies separately to each "insured". This condition will not increase our limit of liability for any one "occurrence".

C. Duties After "Occurrence"

In case of an "occurrence", you or another "insured" will perform the following duties that apply. We have no duty to provide coverage under this policy if your failure to comply with the following duties is prejudicial to us. You will help us by seeing that these duties are performed:

1. Give written notice to us or our agent as soon as is practical, which sets forth:

   a. The identity of the policy and the "named insured" shown in the Declarations;

   b. Reasonably available information on the time, place and circumstances of the "occurrence"; and

   c. Names and addresses of any claimants and witnesses;

2. Cooperate with us in the investigation, settlement or defense of any claim or suit;

3. Promptly forward to us every notice, demand, summons or other process relating to the "occurrence";

4. At our request, help us:

   a. To make settlement;

   b. To enforce any right of contribution or indemnity against any person or organization who may be liable to an "insured";

   c. With the conduct of suits and attend hearings and trials; and

   d. To secure and give evidence and obtain the attendance of witnesses;

5. With respect to **C.** Damage To Property Of Others under Section **II** – Additional Coverages, submit to us within 60 days after the loss, a sworn statement of loss and show the damaged property, if in an "insured's" control;

6. No "insured" shall, except at such "insured's" own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the "bodily injury".

D. Duties Of An Injured Person – Coverage F – Medical Payments To Others

1. The injured person or someone acting for the injured person will:

   a. Give us written proof of claim, under oath if required, as soon as is practical; and

   b. Authorize us to obtain copies of medical reports and records.

2. The injured person will submit to a physical exam by a doctor of our choice when and as often as we reasonably require.

E. Payment Of Claim – Coverage F – Medical Payments To Others

Payment under this coverage is not an admission of liability by an "insured" or us.

F. Suit Against Us

1. No action can be brought against us unless there has been full compliance with all of the terms under this Section **II.**

2. No one will have the right to join us as a party to any action against an "insured".

3. Also, no action with respect to Coverage **E** can be brought against us until the obligation of such "insured" has been determined by final judgment or agreement signed by us.

G. Bankruptcy Of An "Insured"

Bankruptcy or insolvency of an "insured" will not relieve us of our obligations under this policy.

H. Other Insurance

This insurance is excess over other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.

I. Policy Period

This policy applies only to "bodily injury" or "property damage" which occurs during the policy period.

J. Concealment Or Fraud

We do not provide coverage to an "insured" who, whether before or after a loss, has:

1. Intentionally concealed or misrepresented any material fact or circumstance;

2. Engaged in fraudulent conduct; or

3. Made false statements;

relating to this insurance.

SECTIONS I AND II – CONDITIONS

A. Liberalization Clause

If we make a change which broadens coverage under this edition of our policy without additional premium charge, that change will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.

This Liberalization Clause does not apply to changes implemented with a general program revision that includes both broadenings and restrictions in coverage, whether that general program revision is implemented through introduction of:

1. A subsequent edition of this policy; or

2. An amendatory endorsement.

B. Waiver Or Change Of Policy Provisions

A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.

C. Cancellation

1. You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.

2. We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations. Proof of mailing will be sufficient proof of notice.

a. When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.

b. When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.

c. When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:

(1) If there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or

(2) If the risk has changed substantially since the policy was issued.

This can be done by letting you know at least 30 days before the date cancellation takes effect.

d. When this policy is written for a period of more than one year, we may cancel for any reason at anniversary by letting you know at least 30 days before the date cancellation takes effect.

3. When this policy is canceled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.

4. If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

D. Nonrenewal

We may elect not to renew this policy. We may do so by delivering to you, or mailing to you at your mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

E. Assignment

Assignment of this policy will not be valid unless we give our written consent.

F. Subrogation

An "insured" may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an "insured" must sign and deliver all related papers and cooperate with us.

Subrogation does not apply to Coverage **F** or Paragraph **C.** Damage To Property Of Others under Section **II** – Additional Coverages.

G. Death

If any person named in the Declarations or the spouse, if a resident of the same household, dies, the following apply:

1. We insure the legal representative of the deceased but only with respect to the premises and property of the deceased covered under the policy at the time of death; and

2. "Insured" includes:

a. An "insured" who is a member of your household at the time of your death, but only while a resident of the "residence premises"; and

b. With respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SPECIAL PROVISIONS – NORTH CAROLINA

DEFINITIONS

Definition **B.3.** is replaced by the following:

3. "Business" includes any full- or part-time activity of any kind engaged in for economic gain, including the use of any part of any premises for such purposes.

The following definition is added to Paragraph **B.** in all forms:

12. "Fungi"

a. "Fungi" means any type or form of fungus, including mold or mildew and any mycotoxins, spores, scents or by-products produced or released by fungi.

b. Under Section **II,** this does not include any fungi that are, are on, or are contained in any good or product intended for consumption.

SECTION I – PROPERTY COVERAGES

C. Coverage C – Personal Property

3. Special Limits Of Liability

Paragraphs **f.** and **g.** are deleted in all forms except **HO 00 08,** and deleted in Endorsements **HO 32 95** and **HO 32 35** when made part of Forms **HO 00 04** and **HO 00 06,** respectively. Paragraphs **f.** and **g.** in those forms are replaced by the following:

f. 10% of the Coverage **C** limit, subject to a maximum of $10,000, for loss by theft* of firearms and related equipment.

g. 25% of the Coverage **C** limit, subject to a maximum of $10,000, for loss by theft* of silverware, silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.

***** In Form **HO 00 05** and Endorsements **HO 32 95** and **HO 32 35,** theft includes misplacing or losing.

4. Property Not Covered

Paragraph **c.(2)(a)** is replaced by the following:

(a) Used to service an "insured's" residence; or

E. Additional Coverages

In all forms except **HO 00 06** and **HO 00 08:**

1. Debris Removal is replaced by the following:

1. Debris Removal

a. We will pay your reasonable expense for the removal of:

(1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or

(2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.

b. We will also pay your reasonable expense, up to $500, for the removal from the "residence premises" of:

(1) Your tree(s) felled by the peril of Windstorm or Hail; or Weight of Ice, Snow or Sleet; or

(2) A neighbor's tree(s) felled by a Peril Insured Against under Coverage **C;**

provided the tree(s):

(3) Damages a covered structure; or

(4) Does not damage a covered structure; but:

(a) Blocks a driveway on the "residence premises" which prevents a "motor vehicle", that is registered for use on public roads or property, from entering or leaving the "residence premises"; or

(b) Blocks a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The $500 limit is the most we will pay in any one loss regardless of the number of fallen trees.

This coverage is additional insurance.

In Form **HO 00 06:**

1. Debris Removal is replaced by the following:

1. Debris Removal

a. We will pay your reasonable expense for the removal of:

(1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or

(2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.

b. We will also pay your reasonable expense, up to $500, for the removal from the "residence premises" of:

(1) A tree(s) you solely own felled by the peril of Windstorm or Hail; or Weight of Ice, Snow or Sleet; or

(2) A neighbor's tree(s) felled by a Peril Insured Against under Coverage **C;**

provided the tree(s) damages a covered structure. The $500 limit is the most we will pay in any one loss, regardless of the number of fallen trees.

This coverage is additional insurance.

In Form **HO 00 08:**

1. Debris Removal is replaced by the following:

1. Debris Removal

a. We will pay your reasonable expense for the removal of:

(1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or

(2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.

b. We will also pay your reasonable expense, up to $500, for the removal from the "residence premises" of:

(1) Your tree(s) felled by the peril of Windstorm or Hail; or

(2) A neighbor's tree(s) felled by a Peril Insured Against under Coverage **C;**

provided the tree(s):

(3) Damages a covered structure; or

(4) Does not damage a covered structure; but:

(a) Blocks a driveway on the "residence premises" which prevents a "motor vehicle", that is registered for use on public roads or property, from entering or leaving the "residence premises"; or

(b) Blocks a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The $500 limit is the most we will pay in any one loss, regardless of the number of fallen trees.

This coverage is additional insurance.

10. Landlord's Furnishings

k. Accidental Discharge Or Overflow Of Water Or Steam

Paragraph **(2)(d)** is replaced by the following in Form **HO 00 05:**

(d) Caused by constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years; or

The following Additional Coverage is added to all forms except **HO 00 04:**

13. "Fungi", Wet Or Dry Rot, Or Bacteria

a. We will pay up to a total of $5,000 for:

(1) Direct physical loss to property covered under Section **I** – Coverage **A** – Dwelling, Coverage **B** – Other Structures and Coverage **C** – Personal Property caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria if the direct result of a Peril Insured Against; and

(2) The necessary increase in costs which you incur to maintain your normal standard of living when the "residence premises" is uninhabitable due to a loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria which is the direct result of a Peril Insured Against.

The coverage provided above is the only coverage under Section **I** – Coverage **A** – Dwelling, Coverage **B** – Other Structures, Coverage **C** – Personal Property and Coverage **D** – Loss Of Use for loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria caused directly or indirectly regardless of any other cause or event contributing concurrently or in any sequence.

b. The amount in **a.** above is the most we will pay for the cost:

(1) To remove "fungi", wet or dry rot, or bacteria from covered property;

(2) To tear out and replace any part of the building or other covered property as needed to gain access to the "fungi", wet or dry rot, or bacteria; and

(3) Of any testing of air or property to confirm the absence, presence or level of "fungi", wet or dry rot, or bacteria whether performed prior to, during or after removal, repair, restoration or replacement. The cost of such testing will be provided only to the extent that there is a reason to believe that there is the presence of "fungi", wet or dry rot, or bacteria.

c. The coverage provided above applies only when such loss or costs are the result of a Peril Insured Against that occurs during the policy period and only if all reasonable means were used to save and protect the property from further damage at or after the time of the occurrence of that Peril Insured Against.

d. If there is covered loss to covered property, not caused, in whole or in part, by "fungi", wet or dry rot, or bacteria, loss payment will not be limited by the terms of this Additional Coverage, except to the extent that "fungi", wet or dry rot, or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Additional Coverage.

This is additional insurance and is the most we will pay for the total of all loss or costs payable under the Additional Coverage regardless of the number of locations insured or the number of claims made. No deductible applies to this coverage.

(This is Additional Coverage **12.** in Form **HO 00 06** and Additional Coverage **9.** in Form **HO 00 08.**)

SECTION I – PERILS INSURED AGAINST

In Form **HO 00 03:**

A. Coverage A – Dwelling And Coverage B – Other Structures

Paragraph **2.c.(5)** is replaced by the following:

(5) Constant or repeated discharge, seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years; or

Paragraph **2.c.(6)(c)** is deleted and replaced by the following:

(c) Smog, rust or other corrosion;

B. Coverage C – Personal Property

12. Accidental Discharge Or Overflow Of Water Or Steam

Paragraph **b.(4)** is replaced by the following:

(4) Caused by constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years.

In Form **HO 00 05:**

Paragraph **A.2.d.** is replaced by the following:

d. Constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years; or

Paragraph **A.2.e.(3)** is replaced by the following:

(3) Smog, rust or other corrosion;

In Forms **HO 00 02, HO 00 04** and **HO 00 06:**

12. Accidental Discharge Or Overflow Of Water Or Steam

Paragraph **b.(5)** in Forms **HO 00 02** and **HO 00 06** and Paragraph **b.(4)** in Form **HO 00 04** are replaced by the following:

(5) To a building caused by constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years.

SECTION I – EXCLUSIONS

In all forms except **HO 00 05:**

3. Water Damage is replaced by the following:

3. Water

This means:

a. Flood, including but not limited to flash flood, surface water, waves, including tidal wave and tsunami, seiche, tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind, including storm surge;

b. Water which:

(1) Backs up through sewers or drains; or

(2) Overflows or is otherwise discharged from a sump, sump pump or related equipment;

c. Water below the surface of the ground, including water which exerts pressure on, or seeps, leaks or flows through a building, sidewalk, driveway, patio, foundation, swimming pool or other structure; or

d. Waterborne material carried or otherwise moved by any of the water referred to in **3.a.** through **3.c.** of this exclusion.

This Exclusion **(3.)** applies regardless of whether any of the above, in **3.a.** through **3.d.,** is caused by an act of nature, an act of man or is otherwise caused.

This Exclusion **(3.)** applies to, but is not limited to, escape, overflow or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system whether natural, man-made or is otherwise made.

However, direct loss by fire, explosion or theft resulting from any of the above, in **3.a.** through **3.d.,** is covered.

(This is Paragraph **A.3.** in Form **HO 00 03.**)

In Form **HO 00 05:**

Paragraph **A.3.** is replaced by the following:

3. Water

This means:

a. Flood, including but not limited to flash flood, surface water, waves, including tidal wave and tsunami, seiche, tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind, including storm surge;

b. Water which:

(1) Backs up through sewers or drains; or

(2) Overflows or is otherwise discharged from a sump, sump pump or related equipment;

c. Water below the surface of the ground, including water which exerts pressure on, or seeps, leaks or flows through a building, sidewalk, driveway, patio, foundation, swimming pool or other structure; or

d. Waterborne material carried or otherwise moved by any of the water referred to in **3.a.** through **3.c.** of this exclusion.

This Exclusion **(A.3.)** applies regardless of whether any of the above, in **A.3.a.** through **A.3.d.,** is caused by an act of nature, an act of man or is otherwise caused.

This Exclusion **(A.3.)** applies to, but is not limited to, escape, overflow or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system whether natural, man-made or is otherwise made.

However, direct loss by fire, explosion or theft resulting from any of the above, in **A.3.a.** through **A.3.d.,** is covered.

Damage to property described in Coverage **C** away from a premises or location owned, rented, occupied or controlled by an "insured" resulting from any of the above, in **A.3.a.** through **A.3.d.,** is covered.

Damage to property described in Coverage **C** on a premises or location owned, rented, occupied or controlled by an "insured", resulting from any of the above, in **A.3.a.** through **A.3.d.,** is excluded even if weather conditions contribute in any way to produce the loss.

8. Intentional Loss is replaced by the following:

8. Intentional Loss

Intentional Loss means any loss arising out of any act an "insured" commits or conspires to commit with the intent to cause a loss.

This exclusion only applies to an "insured" who commits or conspires to commit an act with the intent to cause a loss.

(This is Paragraph **A.8.** in Forms **HO 00 03** and **HO 00 05.**)

The following exclusion is added:

10. "Fungi", Wet Or Dry Rot, Or Bacteria

"Fungi", Wet Or Dry Rot, Or Bacteria means the presence, growth, proliferation, spread or any activity of "fungi", wet or dry rot, or bacteria other than as provided in Additional Coverage **13.** "Fungi", Wet Or Dry Rot, Or Bacteria.

(This is Exclusion **A.10.** in Forms **HO 00 03** and **HO 00 05.**)

SECTION I – CONDITIONS

B. Duties After Loss

The following is added to the end of Paragraph **8.:**

However, if a state of disaster is proclaimed or declared for the State of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 60-day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation or 45 days, whichever is later.

C. Loss Settlement

In Forms **HO 00 02, HO 00 03** and **HO 00 05,** Subparagraph **2.a.** is replaced by the following:

2. Buildings covered under Coverage **A** or **B** at replacement cost without deduction for depreciation, subject to the following:

a. If, at the time of loss, the amount of insurance in this policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, after application of any deductible and without deduction for depreciation, but not more than the least of the following amounts:

(1) The limit of liability under this policy that applies to the building;

(2) The replacement cost of that part of the building damaged with material of like kind and quality and for like use; or

(3) The necessary amount actually spent to repair or replace the damaged building on the "residence premises" or some other premises within the State of North Carolina.

E. Appraisal is replaced by the following:

E. Appraisal

If you and we fail to agree on the value or amount of any item or loss, either may demand an appraisal of such item or loss. In this event, each party will choose a competent and disinterested appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that a choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss. Each party will:

1. Pay its own appraiser; and

2. Bear the other expenses of the appraisal and umpire equally.

In no event will an appraisal be used for the purpose of interpreting any policy provision, determining causation or determining whether any item or loss is covered under this policy. If there is an appraisal, we still retain the right to deny the claim.

G. Suit Against Us is replaced by the following:

G. Suit Against Us

No action can be brought against us unless there has been full compliance with all of the terms under Section **I** of this policy and the action is started within three years after the date of loss.

I. Loss Payment is replaced by the following:

I. Loss Payment

We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. We will pay within 60 days after the amount is finally determined.

This amount may be determined by:

a. Reaching an agreement with you;

b. Entry of a final judgment; or

c. The filing of an appraisal award with us.

SECTION II – EXCLUSIONS

A. "Motor Vehicle Liability"

Paragraph **2.b.** is replaced in all forms by the following:

b. Used to service an "insured's" residence;

E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others

Paragraph **1. Expected Or Intended Injury** is replaced in all forms by the following:

1. Expected Or Intended Injury

"Bodily injury" or "property damage" which is intended by or which may reasonably be expected to result from the intentional acts or omissions or criminal acts or omissions of one or more "insured" persons. This exclusion applies even if:

a. The "insured" persons lack the mental capacity to govern their own conduct;

b. The "bodily injury" or "property damage" is of a different kind, quality or degree than intended or reasonably expected; or

c. The "bodily injury" or "property damage" is sustained by a different person or entity than intended or reasonably expected.

This exclusion applies regardless of whether or not an "insured" person is actually charged with, or convicted of, a crime.

Paragraph **2. "Business"** is replaced by the following:

2. "Business"

a. "Bodily injury" or "property damage" arising out of or in connection with a "business" engaged in by an "insured".

This Exclusion **E.2.** applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

b. This Exclusion **E.2.** does not apply to:

(1) The rental or holding for rental of an "insured location":

(a) On an occasional basis if used only as a residence;

(b) In part, for use only as a residence, unless a single-family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or

(c) In part, as an office, school, studio or private garage; and

(2) An insured minor involved in part-time, self-employed "business" pursuits normally undertaken by minors, unless the minor is employed by a "business". A minor means a person who has not attained his or her 19th birthday (or age 23 if a full-time student);

The following exclusion is added:

9. "Fungi", Wet Or Dry Rot, Or Bacteria

"Bodily injury" or "property damage" arising directly or indirectly, in whole or in part, out of the actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of or presence of any "fungi", wet or dry rot, or bacteria.

SECTIONS I AND II – CONDITIONS

The following condition is added:

H. Choice Of Law

This policy is issued in accordance with the laws of North Carolina and covers property or risks principally located in North Carolina. Any and all claims or disputes in any way related to this policy shall be governed by the laws of North Carolina.

All other provisions of this policy apply.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ABSOLUTE WINDSTORM OR HAIL EXCLUSION – NORTH CAROLINA

SECTION I – PERILS INSURED AGAINST

In all forms, coverage for the peril of windstorm or hail is deleted.

SECTION I – EXCLUSIONS

The following exclusion is added. In Forms **HO 00 03** and **HO 00 05,** it is added to Paragraph **A:**

WINDSTORM OR HAIL

However, this exclusion does not apply to direct loss by fire or explosion resulting from windstorm or hail.

All other provisions of this policy apply.

PREFILED TESTIMONY
OF
ROBERT J. CURRY

2014 HOMEOWNERS INSURANCE
RATE FILING BY THE
NORTH CAROLINA RATE BUREAU

Q: Please state your name and business address.

A: My name is Robert J. Curry. My business address is Insurance Services Office, 545 Washington Boulevard, Jersey City, New Jersey.

Q: By whom are you employed?

A: I am employed by Insurance Services Office (ISO) and have been employed by ISO since October 8, 1984.

Q: What are your responsibilities at ISO?

A: I am generally responsible for managing and overseeing the operations of the Personal Property Actuarial Division at ISO. The Personal Property Actuarial Division is responsible for ISO's total ratemaking operation as it pertains to personal property insurance, including homeowners, dwelling and inland marine coverages. We are generally responsible for doing analyses that pertain to ratemaking for the personal property coverages including reviewing experience, making filings, analysis of classification plans, etc. ISO is involved in ratemaking for the personal property coverages in general in all of the 50 states plus the District of Columbia and Puerto Rico. In jurisdictions other than North Carolina, we make filings for advisory loss costs.

Q: What is your employment background?

A: I have been employed by ISO for over twenty-five years in various actuarial positions. I was hired as an Actuarial Assistant in 1984 in the Data Management and Control area. In 1990, I joined Actuarial Development as an Actuarial Consultant coordinating work on the quarterly Industry Operating Results and several Insurance Issues Series studies. In 1994, I joined Actuarial Government Services as a Regional Actuary. In 1998, I joined the Personal Lines Actuarial Division (PLAD) as a Manager and Associate Actuary. In PLAD, I was responsible for personal auto filings in 25 states and the use of catastrophe models in personal property ratemaking. In 2003 I was appointed Assistant Vice President and Actuary of the Personal Property Actuarial Division.

Q: What is your background in actuarial science and your educational background?

A: I have a Bachelor of Science degree in mathematics from Cook College at Rutgers University. I am a Fellow of the Casualty Actuarial Society (FCAS) and a member of the American Academy of Actuaries. I am a Chartered Property Casualty Underwriter (CPCU). I have also earned the Associate in Insurance Accounting and Finance (AIAF) and Associate in Regulatory Compliance (ARC) designations. I have served on the Casualty Actuarial Society (CAS) Examination Committee, CAS Syllabus Committee, CAS Committee on Special Interest Seminars, CAS Trust Scholarship Committee, CAS Ratemaking and Product Management Seminar Committee and the CAS Continuing Education Committee. I was the chairman of the CAS Predictive Modeling Seminar Committee. I have also served as a member of the American Academy of Actuaries Committee on Automobile Insurance Issues. I am currently a member of the CAS Brand Marketing Task Force.

Q: Are you familiar with homeowners insurance ratemaking in North Carolina and other states?

A: Yes. As part of my duties at ISO, I am familiar with the data collection and ratemaking procedures in use in states in addition to North Carolina. I am responsible at the present time for either preparing or supervising the preparation of homeowners insurance filings for all of the states and the District of Columbia and Puerto Rico. I have worked on all Bureau property reviews and filings in North Carolina since 2003.

Q: What work have you performed with respect to the Bureau's 2014 homeowners rate filing in North Carolina?

A: Through ISO I have been involved in the preparation of the 2014 homeowners rate filing for the Bureau in several respects. First, ISO, as a licensed statistical agent in North Carolina, collects homeowners insurance data from a significant number of the companies which write that line in North Carolina, as well as from the North Carolina Insurance Underwriting Association (commonly called the "Beach Plan" and discussed further below).

Second, ISO collects, reviews and compiles data from three other statistical organizations licensed in North Carolina that collect homeowners data from Bureau member companies. All companies writing homeowners insurance in North Carolina report must report to one of these four organizations. The other three organizations are: the Independent Statistical Service (ISS), the American Association of Insurance Services (AAIS) and the National Independent Statistical Service (NISS).

Third, ISO provides consulting actuarial services directly to the Bureau. I have been directly involved in this aspect of the Bureau's homeowners insurance rate filings for a number of years. As in the past, my staff and I compiled the ratemaking data to be reviewed by the Property Rating Subcommittee, the Property Committee and the Governing Committee in preparation of the filing.

Fourth, under my direction, my staff put together the vast majority of the data, information and calculations contained in Exhibit RB-1. This lengthy process was performed throughout the year 2012 and 2013 under the ultimate direction of the Bureau committees.

Finally, I have reviewed the filed rates to determine if they are calculated in accordance with the Casualty Actuarial Society's (CAS) Statement of Principles Regarding Property and Casualty Insurance Ratemaking. In accordance with Actuarial Standard of Practice No. 17 Expert Testimony by Actuaries, I conducted my review in terms of reasonableness rather than solely in terms of whether there is precise agreement on each issue. In addition, I applied the rate standards set forth in North Carolina General Statute 58-36-10, i.e., that rates must not be excessive, inadequate or unfairly discriminatory and that certain statutory rating factors must be considered.

Q: What is the source of the data utilized in Exhibit RB-1?

A: The ratemaking experience reflected in Exhibit RB-1 is, in general, supplied by the approximately 95 individual insurance companies that write homeowners insurance policies in North Carolina. Those companies submit their data to one of the four statistical organizations described above. The four statistical organizations subject each company’s data to a series of verification edits and then consolidate the data. The statistical agents then transmit their consolidated data to ISO for final review and consolidation with the ISO data. After consolidating the data, ISO produces exhibits of the combined data in a format and detail necessary for review by the Rate Bureau committees and ultimately for use in rate filings.

The statistical agents are licensed by the Commissioner of Insurance in North Carolina. They have collected, reviewed, compiled and submitted the data underlying this filing as a regular practice and in the regular course of their business responsibilities as licensed statistical agents in North Carolina.

Q. Please describe what is commonly called the "Beach Plan" and the role of its loss data?

A. The term "Beach Plan" is the commonly used term for the North Carolina Insurance Underwriting Association. It is a residual market organization set up by the North Carolina legislature in Article 45 of the insurance statutes. It writes homeowners and other types of insurance policies for policyholders in the 18 coastal counties. A residual market organization writes policies for policyholders who cannot obtain insurance in the voluntary market. Although voluntary companies have chosen not to accept the risk of writing homeowners policies at the rates that they can charge, North Carolina law requires those companies to be responsible for payment of some or all of the losses that occur on those policies when they are written by the Beach Plan.

The Beach Plan writes policies in its own name. It receives and retains premiums, adjusts losses, reports statistics and otherwise operates in essentially the same manner as voluntary insurance companies. It uses forms and rates filed by the Rate Bureau, except that it applies a 15% statutory surcharge above the Bureau manual rate on full homeowners policies and a 5% statutory surcharge on policies where it writes only the wind and hail coverage. When the Beach Plan reports its statistical data to ISO, ISO reviews those statistical data in the same manner that it does for voluntary companies.

It should be noted that there is a second residual market mechanism in North Carolina called the Fair Access to Insurance Requirements organization, or "FAIR Plan." It writes in all areas of the state except the beach. It writes dwelling fire and extended coverage policies but does not write homeowners policies.

Data from these two residual market organizations have always been included in Bureau property filings for the line of insurance under review in the same manner as data from voluntary insurance companies that write that line of insurance. Since the FAIR Plan does not write homeowners policies, its data are not included in this filing. Only the homeowners data from the Beach Plan are included in this filing.

Q: What statistical data supporting the filing are contained in Exhibit RB-1?

A: In general, the supporting data for the rate level changes are contained in Section C. The most recent five years of experience are displayed in Section C.

The loss experience used in the filing is what we call "accident year" experience for the years ended December 31, 2007 through December 31, 2011. I can explain what is meant by accident year experience by providing an example. The losses for the accident year ended December 31, 2011 consist of all losses caused by accidents which occurred during the one year period ended December 31, 2011. If an accident occurred December 29, 2011 and resulted in either a loss being paid or a reserve being established after January 1, 2012, that loss would be a part of the accident year losses for the period ended December 31, 2011. The test for breaking losses down into accident years is the date the accident occurred.

Q: What is the reason for using five years of data to determine the indicated rate level change?

A: Ratemaking is prospective. The objective is to set rates at the level sufficient to pay expected losses, expected expenses and leave a reasonable margin for profit. Rates are set for the period when they will be in effect, which is generally the year after the effective date of the filing. Past loss data are generally examined for the purpose of projecting expected losses. For types of loss other than hurricane losses (for which a model is used) and non-hurricane catastrophic wind losses (for which a separate excess wind smoothing procedure is employed), five years of data are considered to be actuarially appropriate to balance the stability of the rates with responsiveness to more recent conditions. The North Carolina statutes allow the Rate Bureau to review five years of experience in its rate level filings in addition to other factors that are to be considered.

Traditional homeowners ratemaking has for many years relied on the consideration of five years of experience with weights of .10, .15, .20, .25 and .30 being given to each year respectively as the way to achieve a balance of stability and responsiveness. Those weights are used in the filing as in past Bureau homeowners filings. The weights used by the

Bureau are identical to those used by Insurance Services Office in all other states for homeowners insurance. These weights are generally accepted in all jurisdictions in which ISO makes homeowners filings.

Q: Please turn to page C-1 of Exhibit RB-1. Would you explain what that page shows?

A: Page C-1 is what is called a statewide rate level calculation for homeowners forms 2, 3, 5, 7 and 8 for North Carolina. Page C-1 is a determination of what the actuarially indicated rate level changes are for policy forms 2, 3, 5, 7, and 8, which are the forms commonly referred to as the "owners forms". The data shown are for all business written in the state on those forms. As will be discussed below, the overall homeowners program to which this filing applies consists of three categories of forms: the various forms identified above for owners as well as forms for tenants and for condominium owners. Page C-1 deals with the owners forms, and similar calculations are shown on C-2 for tenants and on C-3 for condominium owners. In my testimony I will generally refer to the owners forms, but it should be noted that my testimony generally applies to the analysis and calculations as to the tenants and condominium owners forms as well. As can be seen in the filing, the owners forms constitute the overwhelming majority of the premium volume. For convenience in explaining the filing in my prefiled testimony, I will primarily explain the data and methodology with respect to the owners forms, but such explanations generally apply to the other forms as well.

Q: Referring to column 1 on page C-1, what are "Incurred Losses Excl. Hurricane"?

A: The incurred losses in column 1 are the losses from all causes, except those losses identified as being caused by hurricanes or excess wind, from insured events which occurred during each of the respective accident years. The figure includes losses which have already been paid, losses which are not yet paid and are represented by outstanding claim reserves, and losses which have been incurred but for which no individual reserve exists because they have not yet been reported.

Q: Have the losses excluding hurricanes as shown in column (1) been adjusted in any way?

A: Yes, there are two adjustments. First, these losses have been adjusted to a $250 deductible level. The second adjustment results from the use of loss development factors.

Q: What is the purpose of adjusting the reported losses by applying loss development factors?

A: As I mentioned a moment ago, the losses in column 1 of page C-1 include losses which are not yet reported. By definition, since they are not yet reported we cannot simply take a reported number and add it in. They are included by what is known as an adjustment for IBNR (incurred but not reported) losses. This is accomplished through the use of loss development factors. The losses as they are reported to us cover all accidents which occur during the respective accident years ended December 31. When they are reported to the statistical agent they are evaluated as of March 31 of the next year. As of March 31 some of the losses have already been paid and some have not. Those that have not are represented by loss reserves. The loss reserves are estimates of what will ultimately be paid on these outstanding claims. Since we want the estimates to be as accurate as possible, we look at history to see how losses have changed, or "developed," in the past from the time they were initially reported to the time they were ultimately paid. For example, if we look back and see that historically there has been a 1% increase in the amount of losses from the time they were initially reported as reserves until the time they were ultimately paid, we would logically assume that the same development pattern will hold true for losses incurred during the year ended December 31, 2011. Accordingly we would make an adjustment by increasing the losses as they are initially reported to us by 1%.

Q: What causes losses to change or develop as you have described?

A: The losses which are paid as of the date of the initial reporting do not change. As to the reserve portion of the losses, however, changes would typically result from the fact that the ultimate loss payments are more or less than estimated at the time of the initial report. Another factor would be the late reporting of claims. For example, if an accident occurred on December 25 of any given year and for some reason was not timely reported to the company, it might very well be that the losses as initially reported would not include any provision for that particular claim. By the time of the next year's evaluation, however, the claim would have worked its way into the system and the total loss would include either the paid amount or the reserved amount for that particular claim. This would cause an upward development in the losses as initially reported.

Q: Will you please refer to page D-11 of RB-1 and explain how the loss development factors used in the filing were calculated?

A: Yes. In the top section of that page, the North Carolina incurred losses evaluated as of 15, 27, 39, 51 and 63 months for the accident years for which data are available are shown. In calculating loss development factors, we have used the data of companies reporting to ISO and three large writers reporting to PCI. For instance, the first entry for the accident year ended December 31, 2007 is $495,065,188. This is in the column which is labeled "15 Months." This is the first evaluation of the losses caused by accidents which occurred during the year which ended December 31, 2007. The evaluation was made as of March 31, 2008 -- 15 months after the beginning of the accident year. Twelve months later (March 31, 2009) the losses caused by accidents which occurred during the year ended December 31, 2007 had grown to $496,993,998. This is the evaluation as of 27 months after the beginning of the accident year. This increase from roughly $495 million to $497 million represents a growth in losses, or a positive development, of 0.4% (or 1.004) as shown in the column under Link Ratios located lower on that page labeled "27:15." As shown on page D-11, we have looked at the development from 15 months to 27 months for all years. The average development for these years was 1.017, or 1.7%. The selected loss development factor for 15 to 27 months is 1.017 or 1.7%.

Q: Does page D-11 also show development figures for periods longer than 27 months?

A: Yes. We also calculate loss development factors for the periods from 27 months to 39 months, 39 months to 51 months and 51 months to 63 months. Studies have shown that for homeowners insurance virtually all losses have been paid by the time of the evaluation at 63 months after the beginning of an accident year. For example, by the time of the 39 month evaluation the losses for the accident year ended December 31, 2007 had become $496,272,148. This represents a decrease of 0.999, or -0.1%, over the losses for the same accident year evaluated as of 27 months. The average development over the period 27 months to 39 months for the years for which the data are available was 1.001, or 0.1%.

Q: Please explain how the loss development factor used to determine the ultimate payment value of the accident year ended December 31, 2009 losses was determined?

A: The loss development factors for each of the applicable periods, as shown on page D-11, are:

Development Period	Factor
15 to 27	1.017
27 to 39	1.001
39 to 51	1.000
51 to 63	.999

If you multiply all of these factors together, you will get a factor of 1.017 to apply to the year ended December 31, 2011 losses.

Q: You referred earlier to a separate procedure for dealing with non-hurricane excess wind losses. Please describe that procedure.

A: An adjustment was made to the non-hurricane wind losses in the years in which there were very severe storms such as tornadoes, thunderstorms, hail and other damaging wind storms. The adjustment caps average losses by territory in years where abnormally high losses coincide with severe non-hurricane windstorm activity. The adjustment relies on a factor developed by using a statewide average consisting of years without losses influenced by severe non-hurricane storms. As a result of this procedure, a long-term Excess Factor of 1.061 was calculated and therefore applied to the losses. This procedure has been employed in past filings and is customarily employed to smooth out and properly reflect prospective non-hurricane wind losses.

Q: Was it necessary to exclude hurricane losses for this procedure?

A: Yes, such losses have been excluded in the calculation of the Excess Factor derived on pages D-32 and D-33.

Q: How have these losses been identified in order to be excluded from the Derivation of Excess Factor (Excludes Hurricane Losses) exhibit on page D-32 and D-33?

A: The method to remove the hurricane losses depends on the detail of the available data. For 1950-1965 only statewide data is available, and it is only from dwelling policies for the early years. Consequently, for a year in which a hurricane occurred, losses from that year are removed from the calculation of the statewide non-hurricane excess factor. This is shown by the omission of the year in question on page

D-32. For example, in 1954 Hurricane Hazel caused losses in North Carolina, so that year was removed from the exhibit.

Since territory data is available (in varying detail) for 1966-2011, the calculation of the non-hurricane losses is done at the territory level for this period. After it has been determined that a particular hurricane is accounted for by the AIR hurricane model, the territories affected (territories exposed to windspeeds of 40 MPH or higher) are determined by the use of recorded windspeeds and central pressures at 6 hour intervals, storm tracks, and wind to non-wind ratios.

For 1966 - 1986, the non-hurricane wind losses for a territory are calculated by replacing the hurricane year wind to non-wind ratio by the average wind to non-wind ratio of the non-hurricane years. Given the revised wind to non-wind ratio for the hurricane year, the reported non-hurricane total losses and the reported non-hurricane wind losses are then "backed into." For the years (1966 - 1982) in which old territory codes were in effect, the average wind to non-wind ratios are based on the non-hurricane years from 1966-1982. For the years (1983-1999) in which the former territory codes were in effect, the average wind to non-wind ratios are based on the non-hurricane years from 1983 to 1999. For the territory codes introduced as part of the 1993 filing, the average wind to non-wind ratios from the predecessor territories have been used.

For 1987- September 1995, territory losses by month are available for ISO data only. The territory non-hurricane losses for this period are calculated as follows: first the average losses for the month in which the hurricane occurred are calculated based on the non-hurricane years. The average monthly losses are then added to the eleven remaining months of the hurricane year and divided by the hurricane year annual losses resulting in a non-hurricane adjustment factor. This factor is then applied appropriately to either reported losses or adjusted losses by territory for all statistical agents to obtain non-hurricane losses. For severe hurricanes, wind type losses are sometimes reported as water losses or all other property damage losses. To accurately estimate the non-hurricane losses, the above non-hurricane factors are calculated for water and all other property damage and then applied to the water losses and the all other property damage losses.

For October 1995-2011, based on information from NOAA and other sources, the specific dates on which a given hurricane was active in North Carolina are determined. The loss experience for ISO is then examined by date and cause-of-loss. Wind losses and losses for other weather-related perils which occurred on these dates are assumed to be hurricane losses. For ISO data, the percentage of hurricane losses to total losses is calculated. To estimate the hurricane losses for statistical agents other than ISO, the percentage of hurricane losses in the ISO data (relative to the ISO yearly total) is applied to the total loss amounts for the other statistical agents.

For 2003-2011, the data described above is also available from ISS and has been examined together with the ISO data. For the combined ISO and ISS data, the percentage of hurricane losses to total losses is calculated. To estimate the hurricane losses for statistical agents other than ISO and ISS, the combined percentage of hurricane losses from ISO and ISS data (relative to the ISO and ISS yearly total) is applied to the total loss amounts for the other statistical agents.

In connection with using the AIR model, actual hurricane losses were examined but their losses were removed from the five years of experience. For the owners forms for year 2009, $3,296,406 in losses were removed; for 2010, $12,569,672 were removed; and for 2011 $484,167,794 were removed. See page D-42 for the actual hurricane losses by territory.

Q. Can you use the year 2011 as an example of how losses have been smoothed and how the smoothing affects the indications?

A. Yes. The year 2011 was a bad year for insurance companies in North Carolina, but the smoothing process reduced its impact significantly. Total losses without any smoothing were $2,295,402,561. We know that there was a relatively weak Cat. 1 hurricane in 2011 (Irene), and we also know that there were a number of non-hurricane wind events that made 2011 a greater than normal year in terms of such losses. As stated above, hurricane losses in the amount of $484,167,794 were removed because we use the long term average hurricane loss costs from the AIR model rather than the actual losses from the five year period. The long term average hurricane losses are $311,374,603. We also analyzed the non-hurricane wind losses and removed a large number of those losses under our excess wind procedure which was described above. By using that excess wind procedure, we removed $1,004,085,745 in losses and spread those losses over the long run by the use of the excess wind factor. If our ratemaking procedure had not removed the actual hurricane losses and substituted the long term average, and if the ratemaking procedure had not removed the actual excess wind losses and used the excess wind smoothing procedure, then the statewide rate level indications would be +54.4% rather than 39.3%. These smoothing procedures have been consistently applied by the Bureau for many years and serve to keep rate indications significantly lower than they otherwise would be following years with high wind losses.

Q: Do you have an opinion as to whether the incurred losses excluding hurricanes shown in column 1 on page C-1 of Exhibit RB-1 accurately represent the anticipated value of Homeowners owners forms incurred losses excluding actual hurricane losses which resulted from accidents which took place during each of the years ended December 31 in North Carolina?

A: Yes, I do.

Q: What is that opinion?

A: I believe that the losses shown in column 1 do accurately represent the expected ultimate value of those losses excluding actual hurricane losses.

Q: What other adjustments must be made to the losses?

A: The losses need to be adjusted by trend to reflect the cost levels anticipated to prevail during the period that the proposed rates are expected to be in effect. For this filing the assumed effective date is July 1, 2014. This date is relevant for trending purposes as explained in my testimony. If the filing were to become effective on a date later than the July 1, 2014 assumed effective date, then the rate indications would be even higher than those set forth in the filing.

Q: Could you please describe how the loss trend is developed and applied?

A: The loss trend is developed in a two step process. The first step is the development of a current cost factor which brings the losses up to the cost level of the external Current Cost Index that is used as the basis of loss trend. The second step is the development of a loss projection factor based upon an exponential fit of the last twelve quarters of the Current Cost Index and the actual homeowners pure premium trend. The loss projection factor projects the losses from February 15, 2013 (the midpoint of the latest quarter of the external index) to July 1, 2015, the average date of loss for policies which will be written at the proposed rates (i.e.

one year beyond the assumed effective date of July 1, 2014).

Q: You mentioned that the loss trend is based on a Current Cost Index. What are the components of the Current Cost Index used for the owners forms?

A: The Current Cost Index is a weighted average of the Modified Consumer Price Index (MCPI) and the Boeckh Residential Index (BRI), with the MCPI receiving 45% weight and the BRI receiving 55% weight. The intent of the weights is to reflect the split between contents type losses and buildings type losses. The weights and methodology are the same as used in prior homeowners filings.

Q: How are the weights of 55% to the Boeckh Residential Index and 45% to the Modified Consumer Price Index determined?

A: The weights were based on an examination of losses by cause of loss and apportioning the losses between buildings and contents. For example, if we were to examine the North Carolina homeowners losses (normalized for catastrophe losses) by cause and split them into percentages that correspond to buildings and contents, we would get:

Cause	% of Total	Building %	Contents %
Fire	29.1	75-80	20-25
Wind & Hail	39.0	80-90	10-20
Water Damage & Freezing	19.5	40-45	55-60
Theft	5.6	5-10	90-95
All Other PD	4.3	50	50
Liability	2.5	0	100
		63-70	30-37

Q: What is the Boeckh Residential Index?

A: The Boeckh Residential Index is an index of construction costs compiled by Marshall & Swift/Boeckh. The particular index used in this filing is based on information compiled specifically for construction costs in North Carolina.

Q: What is the Modified Consumer Price Index?

A: The Modified Consumer Price Index is composed of selected components of the Consumer Price Index which correspond to the items for which homeowners insurance provides coverage. The components used and the weights given to them are House Furnishings (48%), Medical Care (20%), Apparel Commodities (16%) and Entertainment Commodities (16%).

Q: Please illustrate what factors would be applied to trend the losses for the year ended December 31, 2011.

A: The losses from the accident year ended December 31, 2011 are first adjusted by the Current Cost Factor for 2011 of 1.036 which is found on page D-12. The Current Cost Factor is the ratio of the Current Cost Index from the quarter ending March 31, 2013 to the Current Cost Index value for the full year 2011. The Current Cost Factor brings the losses from the cost levels corresponding to an average date of loss of June 30, 2011 to the cost levels corresponding to the midpoint of the latest quarter (February 15, 2013). Since the average date of loss for policies which will be written at the proposed rates is assumed to be July 1, 2015 (one year past the assumed effective date) it is necessary to project the losses from the February 15, 2013 cost level to that assumed effective date. This is accomplished by projecting the losses at the annual rate of change of 2.0% (as determined by an exponential fit of the Current Cost Index) for 28.5 months. This factor is calculated on page D-13.

Q: You mentioned that the actual pure premium trend was considered in the selection of trend factors. How was this data used?

A: The pure premium experience was examined. A pure premium is the ratio of the losses to the number of insured house years. These data were fit to an exponential curve and an annual rate of change was calculated. This rate of change was compared to the annual rate of change of the Current Cost Index. In reviewing the loss trends, the annual rates of change in homeowners pure premium during the 2007-2011 experience period are higher than the observed annual changes in the external indices. Therefore, to project losses to a 2015 level, a 3% additional annual trend adjustment was selected by the Property Rating Subcommittee of the Bureau for all homeowners policy forms. This results in the 5.0% annual rate of change used to trend the prospective losses.

Q: Where on page C-1 are these two factors applied?

A: The Current Cost Factor for each year is applied as part of the current cost/current amount factor in column 5. For example, for the year ended December 31, 2011 the Current Cost/Current Amount Factor of 0.987 is the ratio of the Current Cost Factor of 1.036 (shown on page D-12) and the Current Amount Factor of 1.05 (shown for that year on page D-18). The Loss Projection Factor is combined with the Premium

Projection Factor and the trend from first dollar to produce the Composite Projection Factor. This Composite Projection Factor is applied in column 7 in the development of the Trended Base Class Loss Cost in column 9 on page C-1.

Q: You mentioned the trend from first dollar. Could you describe what that is and how it is developed and applied?

A: The index is a first dollar index. All of the losses have been adjusted to a $250 deductible level. As such, increases in cost as measured by the current cost index would affect losses below the deductible and cause an additional increase as losses below the deductible increase above it. For example, a loss of $1,000 subject to a $250 deductible results in a payment of $750 to the insured. If there is 10% inflation the $1,000 loss grows to $1,100. This results in a payment to the insured of $850, which is a resulting effective inflation of 13.3%, an incremental trend of 3%. The procedure used in the filing accounts for this effect. The procedure in essence converts all the losses to a first dollar basis before the trend factor is applied. To obtain the resulting trended losses, the deductible portion of the trended losses are subtracted out. The trend from first dollar factor as shown on page D-18 is the incremental difference in the trend factor resulting from the application of our procedure. Using our example from before, and the formula for trend from first dollar on page D-18 results in a trend from first dollar factor of 1 + (((.1) (250))/((1.1)(750))) = 1.03, which matches what was calculated earlier.

Q: Please refer to column 4 of page C-1. With reference to the column headed "losses with LAE," please tell us what the figure $959,151,325 represents.

A: These are the losses and loss adjustment expenses associated with claims or accidents that occurred in the accident year ended December 31, 2011. The losses are the sum of the adjusted incurred losses excluding hurricane losses found in Column 1, minus the non-modeled adjusted excess losses in Column 2, all multiplied by the non-modeled excess factor of 1.061 adjusted by a trended loss adjustment expense factor of 1.120.

Q: How is the trended loss adjustment expense factor of 1.120 developed?

A: Each year the Rate Bureau sends a call to its member companies for expense-related data. These calls showed that loss adjustment expenses for the calendar years December 31, 2008, December 31, 2009, December 31, 2010, December 31, 2011 and December 31, 2012, after dropping the high and low values averaged 12.9% for the period as shown on page D-29.

This factor of 12.9% must be adjusted for the change in cost levels of the items that go into loss adjustment expenses. These expenses include items like adjuster's salaries, rents and overhead items related to claims settlement. In essence, these items will vary as general economic trends vary. We adjust the loss adjustment expense factor by taking a ratio of the expense trend to the loss trend on page D-30. This adjustment results in a trended loss adjustment factor of 1.120.

Q: Could you please explain how the expense trend used to adjust the loss adjustment expense factor is developed?

A: The expense trend used to adjust the loss adjustment expense factor is based on an analysis of the Current Expense Index, which is an index based on a 50/50 weighting of the all items CPI (less energy) and the compensation cost index, which were the latest available when the selection was made, for marine, fire and casualty insurance. The data for this index are shown on pages D-24-27. Based on an analysis of these data, an annual rate of change of 2.0% was selected by the Property Rating Subcommittee of the Bureau.

Q: Please explain the development and application of the expense projection factor in adjusting the loss adjustment expense factor?

A: The five year (excluding the high and low values) average loss adjustment expense factor of 12.9% reflects an averaging of the five years 2008, 2009, 2010, 2011 and 2012. As such the factor is representative of the time period corresponding to2010.

The expense projection factor uses the 2.0% annual rate of change based on an exponential curve of the Current Expense Index. Since the loss adjustment expense ratio is at the cost level corresponding to July 1, 2010, it is necessary to project this cost to the average date of accident for the period which our rates are assumed to be effective, July 1, 2015(one year beyond our assumed effective date). This calculation is displayed on page D-30.

Q: What other adjustments must be made to the loss adjustment expense factor in order to use it?

A: The loss adjustment expense factor is determined as the ratio of loss adjustment expenses to losses. Having adjusted the expense portion of the factor in the numerator, we need to adjust the losses in the denominator by the loss trend to reflect both the current cost factor and the loss projection factor.

Q: Could you please describe what is being done in Column 5 on page C-1?

A: In Column 5 the current cost factors and current amount of insurance factors are combined into the current cost/current amount factors. This is done by taking the ratio of the current cost factor to the current amount factor. For example, the current cost/current amount factor of 0.987 for 2011 is the ratio of the 2011 current cost factor of 1.036 to the 2011 current amount factor of 1.05. In combining these steps the losses and average rating factor have been brought to the cost level of February 15, 2013.

Q: Please describe the development of the current amount factor.

A: The current amount factor is calculated by taking the ratio of the average policy size relativity for each year to the projected policy size relativity as of February 15, 2013, the same projection date as is used for the losses in the development of the current cost factor. The average policy size relativity is calculated by taking a weighted average of the policy size relativity curve for each amount of insurance using the exposures for each amount of insurance as weights. By taking the ratio of these relativities for each year to the February 15, 2013 value, we are in effect measuring the percentage growth in the premiums at present rates from year to year caused by changes in amount of insurance. These changes in average amount of insurance are not based on a consistent set of insureds, since some of the growth is due to the addition of new homes. A selection of an annual growth of 2.3% was made by the Property Rating Subcommittee of the Bureau for owners forms.

Q: How is the current amount factor used in the calculation of the indicated rate level change?

A: The current amount factor for each year is the denominator in the current cost/current amount factor for that year shown in column (5) of page C-1. The premium projection factor is the denominator in the composite projection factor used in column (7) of page C-1. The combined effect of these two factors is to bring the average rating factor to the level for the amount of insurance expected to prevail during the period for which these rates are expected to be in use. For example, for 2011 the current cost factor is 1.036 and the current amount factor is 1.05. The ratio of these two factors results in a current cost/current amount factor of 0.987 which appears in column 5 on page C-1 in the 2011 row.

Q: Could you please describe what is being done in Column 7 of page C-1?

A: Column 7 combines all of the elements in Columns 1 to 6. In Column 7, the losses and loss adjustment expenses are trended to the cost level expected to prevail during the period in which the policies written at the proposed rates will be providing coverage (average date of accident of July 1, 2015). The house years in column 6 are also projected to reflect the anticipated amounts of insurance for business written between July 1, 2014 and June 30, 2015. As an example, the calculation of column 7 for 2011 is:

(1)	Adjusted Incurred Losses Inc. LAE (C-1, Col 1):	1,811,234,767
(2)	Excess Losses (C-1, Col. 2):	1,004,085,745
(3)	Incurred Losses-Excess Losses (C-1, Col.3):	856,385,112
(4)	Losses * LAE Factor (C-1, Col 4):	959,151,325
(5)	Current Cost/Amount Factor (C-1, Col.5 from page D-16):	0.987
(6)	Earned House Years (C-1, Col. 6):	1,947,706
(7)	Trended Average Loss Cost (C-1, Col. 7)(4)*(5)*(CPF)/6):	525.91

Q: Please describe the development of the premium projection factor.

A: As I mentioned earlier, for each year we have an average policy size relativity which is calculated as a weighted average of each amount of insurance relativity. The premium projection factor is calculated by fitting an exponential curve to the average policy size relativities. This curve is used to develop an annual rate of change for the policy size relativities. In the case of owners forms, the average annual rate of change is 2.3% as shown on page D-17. Since the current amount factor has been calculated as the value up to February 15, 2013, the premium projection factor will be calculated as the expected growth from February 15, 2013 to January 1, 2015 (which is six months beyond the assumed effective date of July 1, 2014). This date of January 1, 2015 represents the midpoint of the year in which policies are assumed to be written using the proposed rates. This results in a premium projection factor of 1.044 which is shown on Page D-18.

Q: Could you please explain column 8 on page C-1?

A: Column 8 is the average rating factor for the policies purchased in each year. The average rating factor is the ratio of the average rate at manual level to the average current base rate. For example, let's assume that the current territory base rate for frame construction with $75,000 coverage A is $100, that the rating factor for masonry is 0.9 and that the rating factor to purchase an additional $25,000 of coverage A is 1.2. Then the average rating factor for a $100,000 masonry policy is calculated as:

$$(100 * 1.2 * 0.9) / 100 = 1.08$$

This factor is needed to adjust the average trended loss costs in column (7) to a base class level. Since most policyholders do not purchase exactly the base amount of coverage, the average trended loss cost is divided by the average rating factor to convert this average trended loss cost into a trended base class loss cost which is shown in column 9.

Q: Could you please explain line 11 on page C-1?

A: Line 11 is the resulting weighted trended non-hurricane loss cost obtained by applying the accident year weights shown in Column 10 to the trended base class loss cost for each year shown in Column 9. This weighted trended base class loss cost is the forecasted base class non-hurricane loss cost for policies written during the one-year period after the assumed effective date of July 1, 2014, if there were no change in rate level.

Q: Could you please explain line 12 on page C-1?

A: Line 12 is the reflection of the credibility of the experience based on the number of house years during the 5 year period. The full credibility standard is based on a procedure considering the frequency of claims and the variability of the size of those claims. The procedure is explained in a CAS Proceedings Paper "Credibility of the Pure

Premium" by Mayerson, Jones and Bowers. The full credibility standard is based on a normal distribution with a 90% probability of the pure premium being within 5% of the expected value. The full credibility standard for the owners forms is 240,000 house years.

Q: Could you please describe the figures contained in Line 13 labeled "Trended Modeled Hurricane Base-Class Loss Cost" on page C-1?

A: These are the prospective hurricane losses resulting from the model used by AIR Worldwide Inc. (AIR).

Q: How are these losses for each year derived?

A: The AIR model simulates 100,000 years of hurricane losses and develops a mean hurricane loss cost per $1,000 of coverage by territory. To produce the modeled hurricane losses, the Rate Bureau has multiplied the hurricane loss cost per $1000 of coverage times the amounts of insurance in effect. The calculations of the 2011 modeled hurricane losses are shown on pages D-35-41.

Q: How is the amount of insurance in effect determined?

A: For the purpose of developing the hurricane loss costs for the owners forms, the amount of insurance in effect is determined as the sum of the various internal limits found in a homeowners policy -- the Coverage A amount (building coverage), the Coverage B amount (other structures), the Coverage C amount (contents) and the Coverage D amount (loss of use). In terms of the buildings coverage amount, the amount of insurance in effect is:

Coverage A	100%
Coverage B	10%
Coverage C	55.7% to 64.3% (varies by territory)
Coverage D	20%
	185.7% to 194.3% (varies by territory)

The Coverage C percentages vary by territory to reflect the actual percentages of contents coverage purchased in each territory. Therefore, for the purpose of determining the hurricane loss costs, the amount of insurance in effect is 185.7% to 194.3% of the Coverage A amount, depending upon the territory. This is also often referred to as the total sum insured.

Q: Why was a simulation model used to develop the hurricane wind losses?

A: A simulation model was used to develop the hurricane losses because it is a more accurate way of including the exposure than using traditional insurance statistics. Hurricanes are highly variable in frequency, intensity and place of occurrence. The simulation model allows for the smoothing out of the hurricane losses as well as better reflecting a more complete distribution of the types of hurricanes that could occur and the potential for losses from these hurricanes at a given location. For example, since we are using the losses from five years of data in the basic ratemaking calculation, if a very large loading for hurricanes like Fran or Floyd hit a certain part of the state during those years, it would be reflected only in those areas of the state, with little or no loading for other areas of the state. Conversely, if there was a five year period without any hurricane activity, it would not be actuarially appropriate to assume that would be the expectation for the future time period. The simulation model produces a more accurate estimate of the loss potential both in terms of territory and dollar value than is possible using any analysis of the insurance data alone.

ISO relies upon the results of the AIR model in the normal course of its making loss cost filings for the other hurricane-prone states and for making commercial property loss cost filings in North Carolina.

Q: What role did you play with respect to the model?

A: As part of my role as a consultant to the Bureau, as well as part of my role as an ISO actuary who relies upon AIR's hurricane model for ratemaking purposes in numerous states, I have participated in several detailed examinations of the AIR model over the years. Other actuaries at ISO and I review changes when new versions of the AIR model are introduced, in order to make sure that our use of the model complies with actuarial standards of practice.

AIR developed version 14.0.1 of its hurricane model in 2013 and it is employed in the filing. This version has been extensively examined and approved by the Florida commission that extensively examines hurricane models. I participated in a due diligence type of analysis with respect to the newest version of the model and its use in this filing. We examined many aspects and changes to the model including those affecting the number of storms that cause loss in

North Carolina and the prospective loss costs by territory in North Carolina.

I also examined and considered actual hurricane losses in North Carolina in connection with excluding those losses from the incurred losses in the filing. I determined that the limited amount and the age of much of the available loss data call into question the validity of employing such data for a number of reasons. For one thing, much of the past loss data is quite old and of limited utility. It includes losses from hurricanes that occurred decades ago when housing patterns were different, when houses were built differently, when building codes were different, when construction prices were different, when houses had very different contents, when labor costs and practices were different, etc. The most recent five years do not constitute a valid sample. Indeed, there is not enough insurance loss experience from hurricanes since accurate records began to be maintained for actuaries to employ actual events as opposed to models. Actual events are not properly predictive of the range of hurricane events that can occur next year and the probability of occurrence of those events.

On the other hand, I have concluded that the AIR model is robust, is scientifically based and is far more fair and accurate than employing actual past loss data. It accounts for the risk and likelihood of future losses from hurricanes based on scientific principles rather than on the happenstance of when and where past hurricanes happened to occur. After reviewing the changes to the model that are contained in version 14.0.1, it was my conclusion, as well as that of my company and the Rate Bureau, that this latest version is based on scientific advances, is accurate, is appropriate for use in this filing and constitutes the best available information as to prospective hurricane losses.

Q: What did ISO furnish to AIR to enable AIR to perform its analysis?

A: ISO furnished to AIR the North Carolina homeowners insurance exposure data on the total number of earned house years and earned insurance years by territory for the most recent year in the experience period. These data included ISO, FAIR Plan/Beach Plan, NISS and ISS data and were compiled by ISO. These data are correct to the best of my knowledge, information and belief.

This procedure of sending data to AIR in order to run the hurricane model is similar to the procedure that ISO uses in its loss cost reviews for every other hurricane-prone state. Until recent reviews for the Bureau, territory level data was provided to AIR. AIR then used its industry database to distribute the territory data to individual zip codes. With the last two homeowners filings, zip code level data were available and were provided. The use of more detailed and accurate exposure data results in more accurate modeled hurricane losses for each territory.

An additional improvement in accuracy occurs when a zip code is in both a beach and inland territory. In this situation AIR employs a split zip code procedure to more accurately model the losses. This treatment has been in general use for other states and is now used in North Carolina. The procedure results in a more appropriate reflection of the expected hurricane losses.

Q: How are these modeled hurricane losses derived?

A: The AIR model simulates many years of hurricane losses and develops hurricane losses for the portfolio of North Carolina exposures provided. The development of the modeled hurricane losses is shown on page D-41. Note that the modeled hurricane losses on line A differ by a very slight amount (less than .000007) from the modeled hurricane losses that appear in the AIR reports, due to rounding. The same explanation applies to the slight differences in the modeled hurricane Losses on pages D-35 to D-37 and the latest year house years on pages D-38 to D-40.

Q: Could you please explain what line 14 entitled "fixed expense per policy" on page C-1 refers to and what it represents?

A: Line 14 "fixed expense per policy" refers to the dollars of the prospective premium that the general expenses will be on policies written between July 1, 2014 and June 30, 2015. General expenses along with other acquisition expenses constitute the so-called fixed expenses. They are fixed in that they do not vary as a direct function of the premium dollar. For example, the cost of office equipment, rent and other overhead-type expenses would be among the items classified as either general expenses or other acquisition expenses. Those expenses are fixed in the sense that they do not vary directly as a function of premium. Such things as commissions and premium taxes, on the other hand, are examples of expenses which do rise or fall directly with premium. The number shown on line 14 - $44.20 - represents the dollars of general expenses trended to the levels anticipated to prevail during the periods from July 1, 2014 to June 30, 2015 (the average date of which is December 1,

2013) and the projected premiums for business written during the same period. This is appropriate because general expenses are generally incurred at the time a policy is written.

Q: Could you explain how the figure $44.20 on line 14 of page C-1 was derived?

A: The derivation of the 44.20 is shown on page D-31. It starts out with an untrended general expense ratio of .041 and other acquisition expenses of .059 which are based on the rounded average of the 2010, 2011 and 2012 ratios. These are shown on page D-28. The averages of these represent the average expense ratio corresponding to 2011. In order to trend these to the cost levels anticipated to prevail between July 1, 2014 and June 30, 2015, we project these by using the Current Expense Index described earlier. This is done by projecting the average annual change of 2.0% over the time period from June 30, 2011 (the average date of the experience on which the general expense ratio is based) to January 1, 2015 (the average data of writing under the proposed rates). Since this ratio is relative to premium, we must project the amount of insurance from 2011 levels to the level anticipated to be in effect on business written between July 1, 2014 and June 30, 2015. This is done by using the current amount factor for 2011 of 1.05 and the premium projection factor of 1.044. The resulting calculation is

$$\frac{(.041 + .059) \times 1.072}{1.05 \times 1.044} = 0.098$$

This trended fixed expense ratio is then multiplied by the average current rate for all forms of 1,110.62. The result is a statewide all forms fixed expense loading of 108.84. It is projected that forms 4 and 6 need 50% of the fixed expenses of Forms 1-3, 5. A calculation is then performed to ensure that the average fixed expense loadings by form balance to the 108.84. The average dollar loading for owners forms is 117.59. This is adjusted to a base policy level by dividing by the average rating factor of 2.427, premium projection factor of 1.044 and a current amount factor of 1.05 which results in a fixed expense loading of 44.20.

Q: What does Line 15 show on page C-1?

A: Line 15 is a combination of the trended base class loss cost and the trended general expense and other acquisition expenses. The figure $335.95 is the dollar amount that is required to cover the portion of the insurance base rate that covers losses, loss adjustment expenses, general expenses and other acquisition expenses.

Q: What does line 16 on page C-1 show?

A: This line takes into account the expenses and other items to which I just referred. If you look at page D-28 of the filing, you can see that the commissions and brokerages round to 12.8% of the premium dollar, and you can further see that taxes, licenses and fees round to 2.6% of the premium dollar. The provision utilized in this filing for underwriting profit is 10.5% statewide. The underwriting profit provision was selected by the Bureau's committees based on reviewing the profit analysis by Dr. Appel and Dr. Vander Weide. This filing also contains a 1% margin for contingencies. All those items add up to 26.9%. These items are what are known as variable expenses. They vary in direct proportion with the premium dollar. You know that out of every dollar of premium, 26.9 cents will have to go to pay for these expenses and you are left with 73.1 cents to pay for losses, loss adjustment expenses and general expenses and other acquisition expenses. The expected loss and fixed expense ratio shows the percentage of the premium dollar you will have available to pay for trended losses, trended loss adjustment expenses and trended general expenses and other acquisition expenses.

Q: What is the source of the percentages on page D-28 with respect to commissions and brokerage and taxes, licenses, and fees?

A: They were calculated from the 2010, 2011 and 2012 North Carolina expense call for 2010, 2011 and 2012 data undertaken by the North Carolina Rate Bureau.

Q: What is the source of the percentage on page D-28 for contingencies?

A: The Bureau committees selected that factor. A 1% factor has been consistently employed in past Bureau property insurance rate filings. A 1% contingency factor is a standard factor that has been used for many years across the country in property insurance ratemaking. The factor was selected by the Bureau committees based upon recognition of the systematic bias that causes actual underwriting experience to be worse than the provision assumed in the rates. Reasons for this bias are many.

One reason is that property insurance involves many risks, but not all of them are observable in the experience or are adequately recognized in normal ratemaking. An example is the potential for conflagration such as could result from large brush fires. The state is particularly at risk for several years following hurricanes that blow down thousands of trees, particularly pine trees in the eastern part of the state. Those trees become the tinder for brush fires. The risk is particularly significant if droughts occur in years subsequent to the hurricane. Widespread brush fires have destroyed many homes in other states and constitute an exposure in North Carolina, but that exposure is not reflected in the five years of loss data underlying this filing.

In addition, the writing of property insurance in North Carolina is subject to law changes, court interpretations, jury determinations and judicial determinations that expand losses beyond what was contemplated when the policies were written. For example, under rules of legal construction of insurance policies, ambiguity in policy language, although unintended, will result in the courts construing policy provisions in favor of greater coverage than was envisioned by the insurance industry when it drafted the policy. An unexpected ruling as to coverage in one case may then be compounded many times by similar results as to numerous other policyholders.

Further, delay and difficulty in obtaining needed rate increases is a factor. In North Carolina and a very few other states, insurance companies writing property insurance are required to go through rating bureaus in order to achieve needed rate increases. This regulatory system can cause significant delay in obtaining needed rate level increases and differs from states that rely more on competition to set rates. The system in this state requires that data be collected from approximately a hundred companies writing homeowners insurance and then be aggregated and analyzed prior to making a filing for needed higher rates on behalf of all companies. Additionally, there can be significant further delays in the setting of hearings and in obtaining regulatory approval before revised rates can be charged and premiums collected.

Q: Would you explain line 17 on page C-1 entitled "Base Rate Excluding Comp. for Assess. Risk, Net Reinsurance Cost, Deviations"?

A: The net base rate per policy is calculated by dividing the Loss and Fixed expenses in line 15 by the expected loss and expense ratio in line 16. This is the net base rate before incorporating the factors for deviations, the compensation for assessment risk and the net cost of reinsurance per policy.

Q: Would you explain line 18 on page C-1 entitled "Compensation for Assessment Risk Per Policy"?

A: Compensation for assessment risk is a provision which is calculated by Dr. Appel (see his prefiled testimony and exhibits) to reflect the cost to voluntary market insurers of maintaining sufficient capital to pay the assessments for residual market losses to the extent required by law. If the residual market (Beach Plan and FAIR Plan) does not have sufficient capital, reinsurance and reserves to pay losses for a catastrophic event, then companies writing homeowners and other lines of insurance in the voluntary market will be assessed for such losses even if they do not write in the coastal or beach areas. In effect the voluntary market companies are being required to provide free reinsurance to the policyholders who can only find coverage in the residual market. The voluntary market companies must therefore maintain capital sufficient to cover such losses, even though those companies have not elected voluntarily to write the policies that give rise to those losses. The compensation for assessment risk factor is the provision for compensation that must be paid to voluntary market insurers for bearing this risk of assessments from the Beach/FAIR Plans, i.e., it is the cost of the capital required to support the exposure to potential residual market assessments.

A factor to reflect this exposure has been incorporated in homeowners filings to reflect the extremely rapid growth in the residual market's exposure to losses that has occurred in the last decade or so, particularly in the Beach Plan. As a result of legislative action in 2009, the exposure of the voluntary market companies to residual market assessments has now been capped at one billion dollars. Dr. Appel's analysis of the necessary compensation for the risk of residual market assessments incorporates this new cap and, as a result, the 4.4% factor in this filing for compensation for assessment risk is significantly lower than it was in the 2008 homeowners filing.

The compensation for assessment risk of 24.80 is calculated by first multiplying the 4.4% provision by the current average statewide base rate of 476.79, resulting in a value of 20.98. To be incorporated in the rates, however, this provision must be adjusted to account for the commissions and taxes, licenses and fees that the companies will need to pay on this additional premium. That is done by dividing the 20.98 by 1 minus the sum of commission and brokerage expense and taxes, licenses and fees expense as shown below.

$$\frac{20.98}{1- 0.128-.026} = 24.80$$

Q: What is the source of the 146.63 for net cost of reinsurance in line 19?

A: The source of the 146.63 for net cost of reinsurance is an analysis performed for the Bureau by Dr. Appel. In that analysis he determines the net cost of reinsurance incurred by the composite of insurers writing homeowners in North Carolina resulting from the need to buy catastrophe reinsurance. The net cost of reinsurance is the expense and profit component of the reinsurance premium paid by these insurers (the loss component is in the direct losses used in the overall rate determination). More details of the analysis are included in Dr. Appel's testimony.

To calculate the net cost of reinsurance per policy, the total dollars of reinsurance is divided by the number of house years for 2011 times the 2011 average rating factor, current amount factor and premium projection factor. This quantity is then divided by the expected loss and fixed expense ratio. The actual calculation is:

$$\frac{569,283,656}{1,947,706 * 2.427 * 1.05 * 1.044 * 0.731} = 146.63$$

Q: What is the source of the percentages used on line 21 for anticipated deviations?

A: As done in past homeowners filings, the Bureau has elected to use a total provision for deviations of 5%. This provision reflects consideration by the Bureau of the magnitude of the deviations, consent to rate and the rate differential on homeowners policies in the residual market. This 5% factor corresponds to the magnitude of the amount found by the Commissioner in several previous automobile insurance cases to be the appropriate amount of deviations and dividends to policyholders to anticipate when setting manual rates.

However, while the Commissioner did not explicitly include the 5% provision in his rate calculations, the Bureau does explicitly include the 5% provision in the rate calculations in this filing. The explicit inclusion of deviations in the rate calculations is necessary in order for the target profit to be achieved. The actual net level of deviations, even after being reduced by consent to rate and the rate differential for the residual market policies, will be greater than 5%. The selection of the 5% provision is therefore conservative and represents an attempt by the Bureau to reach a compromise on this issue.

Q: Would you explain line 22 on page C-1 entitled "Deviation Amount per Policy"?

A: Line 22 is the dollar amount of deviation that needs to be in the final rate to ensure that the selected 5.0% deviation amount is accounted for.

Q: Would you explain line 23 on page C-1 entitled "Required Base Rate per Policy"?

A: Line 23 is the required base rate that is needed to ensure that sufficient revenue is collected to cover the losses and expenses that are expected to result from the policies written during the year following the effective date of this filing.

Q: Would you explain line 24 on page C-1 entitled "Current Base Rate"?

A: Line 24 is the current base rate for all of the owners policies included in the review. This rate assumes that each policyholder is buying only the base coverage.

Q: Would you explain line 25 on page C-1 entitled "Indicated Rate Level Change"?

A: Line 25 is the percentage change in the current rates which will be necessary to make the rates adequate for the cost levels that are expected to prevail in the one year period following the effective date of the filing. It is determined by taking the required base rate per policy on line 23 and dividing it by the current base rate from line 24. This results in an indicated rate level change for the owners forms of 39.3%.

Q: Does the filing contain a revision of the present territory rate levels?

A: Yes. In connection with the overall rate level change we have been discussing, new territory rates are displayed. These are shown on page A-3.

These new territory rates are for the new territory definition scheme filed in section F of this document. These territory definitions are identical to the territories contained in the Legislative report provided by the Bureau on June 17, 2013. To minimize the impact of the new territories the NCRB has capped the rate changes for owners at 35% and for tenants and condos at 55%. Since some new territories are made up of portions of more than one current territory, it was necessary for the Bureau to introduce sub-territories. For example, new territory 119 is made up of portions of current territories 46 and 47. The indicated owners change for the territory 46 portion of new territory 119 is 45%. Since the Bureau capped at 35%, this portion of territory 119 will not receive the full indicated rate level. The indicated change for the territory 47 portion of territory 119 is 18.7% so it is not impacted by the capping and will receive the full indicated rate for territory 119. The expectation is that over time the sub-territories will receive the correct rate level that is indicated for the entire territory.

The development of the indicated relative change by territory is completed in such a way that the overall effect of the territory relativities is to balance to no overall change before application of the statewide rate level change. This is shown in Column 8 of page C-5. Because of the different levels of exposure to catastrophic losses by territory, the profit and reinsurance loadings vary by territory group. The profit and contingency loading for zone 1A (territories 7, 8, and 52A) is 19.0%; for zone 1B (territories 48, 49, 52B, 110 and 112) it is 14.0%; for zone 2 (territories 105, 106, 107, 111, 113, 114, 115, 116, 118 and 119)) it is 10.60%; and for zone 3 (territories 101, 102, 103, 104, 108, 109, 117 and 120) it is 6.90%. These zones were determined by the Bureau upon reviewing the data and in consultation with Dr. Appel. In calculating the indicated rate levels by territory, these indicated changes are then multiplied by the overall statewide rate level change.

Q: How has the Bureau treated general and other acquisition expense by territory?

A: The Bureau has treated general expense and other acquisition expense as not varying by territory.

Q. Thus far in your prefiled testimony, you have been primarily describing the data and calculations for the owners forms. In general, are the calculations for tenants forms (Form 4) and condominium owners forms (Form 6) on pages C-2 and C-3, respectively, the same or similar to the calculations you have described for the owners forms on Page C-1?

A. Yes they are, with a few exceptions as generally noted. For Forms 4 (tenants) and 6 (condominium owners) there is no non-hurricane excess wind procedure used in determining the statewide rate level change. The external indices used for tenants and condominium owners forms reflect the items insured under those types of policies, and the selected value for premium trend of 0% differs from that of the owners forms. Other parts of the calculations are the same or similar. The NCRB committees discussed the magnitude of the tenants and condominium indications compared to the magnitude of the owners' indication. The main reasons for the differences in the indications are that the changes for both the hurricane model loss costs and the non-hurricane loss cost experience were greater for tenants and condominiums than for owners.

Q: What other changes does the filing make for homeowners insurance?

A: The filing revises the credit for the Windstorm or Hail Exclusion that is available in Territories 07, 08, 48, 49, 52A and 52B. The derivation of these credits is shown on pages C-12 and C-13. These credits are used when policies are written "ex. wind;" i.e., referring to those situations where companies voluntarily write policies covering perils other than wind and hail, and the Beach Plan writes the wind and hail coverage. When this is done, there is a 5% statutory surcharge above Bureau rates. The wind mitigation credits for these territories are also being revised in accordance with the data and methodology in the filing.

Q: Please turn to page A-1 of Exhibit RB-1 and explain what is shown on that page?

A: Page A-1 of Exhibit RB-1 shows the indicated and filed statewide rate level changes. The differences between these percentages are due to capping.

Q: What is shown on Page A-2 of Exhibit RB-1?

A: Page A-2 shows the indicated and filed rate level change for each territory and subterritory.

Q: Do you have an opinion as to whether the data utilized and the method of calculating the indicated rate level changes contained in the filing are sound and actuarially reliable and if so, what is that opinion?

A: Yes, I have an opinion. In my opinion, the data utilized and the ratemaking methodologies used by the Bureau are based on and consistent with generally accepted actuarial procedures, and the indicated rates are actuarially sound and reliable. In my opinion the ratemaking methodology is actuarially sound and produces indicated rates that meet the standard of being not excessive, inadequate or unfairly discriminatory. The filed rates differ from the indicated rates because of territory caps of 35% for owners forms and 55% for tenants and condos forms. The filed rates are a reasonable step toward an adequate level.

Q: Do you have an opinion as to whether the indicated rate level changes contained in Exhibit RB-1 are fully justified and, if so, what is that opinion?

A: In my opinion, the indicated rate level changes are fully justified and are not excessive or unfairly discriminatory in any respect.

Q: Are there any qualifications you wish to attach to your opinion?

A: Yes. In reaching my opinion, I have, as in the past and as is customary in the general course of my work, relied on the accuracy of the data supplied by the Bureau, by ISS, AAIS, NISS and by the individual companies (and the Beach Plan) that reported their data to ISO and the other statistical agents. I have relied on Dr. Vander Weide and Dr. Appel for the determination of the appropriate profit, reinsurance and compensation for assessment risk components of the rates. Additionally I have relied upon the model output provided by AIR. I have applied appropriate actuarial standards when reviewing these various data sources.

Q: Does that conclude your testimony?

A: Yes, it does.

Exhibit RB-4

PREFILED TESTIMONY
OF
BRIAN MICHAEL DONLAN
2014 HOMEOWNERS INSURANCE
RATE AND TERRITORY DEFINITION FILING BY THE
NORTH CAROLINA RATE BUREAU

Q: Please state your name and your employer.

A: My name is Brian Michael Donlan. I work at Allstate Insurance Company at 2775 Sanders Road, Northbrook, IL 60062.

Q: What is your educational background?

A: I received Bachelor of Arts in Economics with High Distinction from the University of Minnesota, Morris Campus in 1994. I received a Masters of Arts in Economics from the University of Iowa in Iowa City, Iowa in 1996.

Q: Do you have any additional certifications or qualifications?

A: I have been a Fellow of the Casualty Actuarial Society since 2005. I have participated in several committees of the organization. I was on the Examination Committee of the Casualty Actuarial Society between 2005 and 2008. I volunteered as a University Liaison for the Casualty Actuarial Society from 2003 until 2011. I have been a member of the Committee on Professionalism Education for the Casualty Actuarial Society since 2009. I am a member of the American Academy of Actuaries, and meet all of the continuing education requirements. I also serve as a volunteer for the Actuarial Foundation.

Q: What is your employment background?

A: I worked as a Pricing Analyst at GEICO Insurance Company in Washington, DC from 1996 until 1998. At GEICO, my primary responsibilities included developing the pricing strategies for Private Passenger Auto in a variety of states. From 1998 until 1999 I worked as an analyst at PricewaterhouseCoopers (PwC) in Chicago, Illinois. At PwC my responsibilities included assisting in the evaluation of the adequacy of reserves for several insurance companies. In the fall of 1999 I began my career at Allstate. From 1999 until 2006, I served several different Allstate regions developing rates. In 2007 through 2012, I served as a State Manager (Product Manager) for Encompass Insurance. Encompass is the Independent Agency channel in the Allstate Corporation. I determined the pricing, product and underwriting strategies for 12 states. Most recently I am serving as the Pricing Director for Encompass Insurance. I have the actuarial responsibility for the pricing in the 42 states where Encompass is licensed, including North Carolina.

Q: Do you have experience with Homeowners Insurance?

A: Yes. From 1999 until 2006 I assisted in the analysis and development of actuarially sound homeowners rates in several states for Allstate companies. From 2007 until 2012, my responsibilities included the determination of homeowners pricing for Encompass Insurance Company in several key regions. I am currently the responsible actuary for homeowners rates across the states where Encompass is licensed including North Carolina.

Q: What is your role with respect to with Homeowners Insurance in North Carolina?

A: As the Encompass Pricing Director, my current responsibilities include North Carolina Homeowners. I am also currently the Chairman of the Property Rating Subcommittee of the North Carolina Rate Bureau ("Bureau"). I am on the Property Committee of the Bureau. I am also on the Governing Committee of the Bureau. I represent Allstate on these committees.

Q: Can you explain the role of the Bureau?

A: The Bureau was set up in 1977. According to the NCRB Constitution, its role includes the establishment of rates for residential Property Insurance in North Carolina. The rates are established for all companies that write residential Property Insurance in the state. The NCRB files rates on behalf of the industry. The rates are subject to approval by the Commissioner of Insurance. Individual companies can charge more or less than the approved rates subject to the approval of the Commissioner.

Q: Can you explain the responsibilities of the Property Rating Subcommittee of the Bureau?

A: The Property Rating Subcommittee is involved in the development of rates, rating plans and territories for the Bureau (NCRB), including the homeowners rates. Current companies that have representation on the subcommittee include American Bankers Insurance Company, American Modern Home Insurance Company, Foremost Insurance Company, Horace Mann Insurance Company, Nationwide Mutual Insurance Company, North Carolina Farm Bureau Mutual Insurance Company, State Farm Mutual Automobile Insurance Company, Travelers Insurance Company, United Services Automobile Association and Allstate Insurance Company. Allstate Insurance Company chairs the Subcommittee. All representatives on the Subcommittee are actuaries or have extensive experience in ratemaking.

Q: Please describe how the Property Rating Subcommittee was involved in this particular filing.

A. The Property Rating Subcommittee has been involved in developing various aspects of the indication methodology that is used. The approach in this filing is consistent with prior filings. The Subcommittee analyzes the data that is prepared by Insurance Services Office ("ISO"). This includes premium, loss and expense data. The committee makes selections based on the data and the expertise provided by Rob Curry of ISO, Dr. David Appel of Milliman and Dr. Jim Vander Weide of Duke University. Dr. Appel reviews the required profit, reinsurance expense and compensation for assessment risk from the residual market. Ultimately the Subcommittee develops recommendations to the Property Committee and the Governing Committee as to rate levels that meet the statutory requirement that rates not be excessive, inadequate or unfairly discriminatory.

Q: Please describe the overall ratemaking methodology in the filing.

A: The approach in this filing is consistent with the prior homeowners filings of the Bureau. Premiums should equal expected losses, plus expected expenses, and a margin for a fair and reasonable profit. In this filing, the required base rate per policy is developed by adding the appropriate profit and contingencies to the estimated costs associated with the policy. The required base rate is then compared to the current base rate to determine the indicated rate change.

Q: How does the methodology account for the loss experience of all of the insurance companies and entities that write homeowners insurance in North Carolina?

A: For purposes of Bureau rate filings, all of the loss data in the state is consolidated together to essentially assume a single insurance entity. ISO aggregates the data that it receives directly from various insurers as well as the data compiled by other licensed statistical organizations. The experience of the North Carolina Insurance Underwriting Association (commonly called the "Beach Plan") is also included. The total premium received from writing all homeowners forms is approximately $2.326 Billion. There are three types of forms in the Bureau's overall homeowners program: the Owners, Tenants and Condominium forms. The vast majority of this premium, approximately $2.258 billion is Owners. Tenant premium is over $35 million. Condominium premium is approximately $22.6 million.

Q: How are the expected losses determined?

A: This filing uses the loss experience of five accident years from December 31, 2007 through December 31, 2011. Using five years is consistent with prior filings, North Carolina statutes, and generally accepted homeowners ratemaking practices. The losses, excluding hurricane and excess wind losses, are adjusted to the base class level ($250 deductible level) and loss development factors are applied. The loss development factors account for the fact that the final ultimate losses are oftentimes different than estimated early on. A factor for excess wind losses of 6.1% for Owners forms was determined based on historic experience and applied to each accident year. The excess wind factor was determined based on ISO's standard excess wind procedure. Under that procedure the long-term excess factor is the ratio of the long-term average of the excess loss ratios to the average of the long-term normal loss ratios. Historical non-hurricane wind experience back to 1950 is considered.

Losses are also trended to reflect the change in costs. The Current Cost Index reflects this trend and is based on a Modified Consumer Price Index and the Boeckh Residential Index. In determining the Current Amount Factor, the Subcommittee reviewed pure premium experience and determined that loss trends outpaced the Modified Consumer Price Index and the Boeckh Residential Index. Therefore, an additional trend adjustment of 3% was selected for Owners, 1.5% for Tenants and 4% for Condominiums. The trended losses and loss adjustment expenses are divided by the house years to determine the average trended loss cost. That cost is then converted to the trended base-class loss cost by dividing the average rating factor for each accident year. Ultimately the five years are each applied a weight. Accident year 2011, the most recent year for which data is available, is applied a weight of 30%. Accident year 2010 is applied a weight of 25%. Accident year 2009 is applied a weight of 20%. Accident year 2008 is applied a weight of 15%. Accident year 2007 is applied a weight of 10%. These weights are consistent with past filings. The use of differing weights is a longstanding procedure in homeowners filings that is intended to reflect responsiveness to changes while incorporating multiple years of data. The number of house years determines the credibility of trended base loss costs. For owners, tenants and condominiums, the data is considered fully credible.

Q: How is hurricane exposure reflected?

A: As in past filings, AIR Worldwide modeling determines the expected hurricane losses. The Bureau has been using hurricane modeling from AIR Worldwide (or its predecessor) since 1993.

The Subcommittee made decisions that led to a lower estimate of hurricane loss costs than could otherwise have resulted. For example, the Subcommittee chose not to utilize the storm surge component of the model. The storm surge component is intended to reflect the situations where losses that are not intended to be covered under a homeowners policy are paid as wind losses after a hurricane. The Subcommittee also chose not to incorporate the warm sea surface temperature event set in developing the underlying loss costs. The warm sea surface event set reflects the fact that the current sea temperatures are warm and that warm sea surfaces lead to more hurricanes. By using the standard model rather than the warm sea surface event set that is used by many companies, the risk of hurricanes is understated.

The current model used is Version 14.0.1. The model was run with aggregate demand surge included. This option accounts for the expected additional cost for supplies and labor if a very large hurricane event occurs. Experience demonstrates that when such catastrophic events have occurred, there is significant increase in demand for the limited supply of plywood, shingles, labor, hotel rooms and other necessities, and as a result the costs increase.

Q: How is the expense data compiled and reviewed?

A: The Bureau conducts special expense data calls annually. Companies complete the special expense call, which includes reporting expense dollars as well as premiums at collected level and adjusted to manual level. The Bureau checks and compiles this information for all companies and sends it to ISO to include the filing.

Commissions and brokerage, taxes, licenses, and fees are a function of written premium. The ratios for these expenses from the North Carolina special calls from 2010 to 2012 were used. The three year average was selected. For Commissions & Brokerages, the selection was 12.8%. The selection is within 0.4% of each individual year. For Taxes, Licenses and Fees, the selection was 2.6%. The selection is within 0.1% of each individual year. General and other acquisition expenses are determined based on a ratio to earned premium at manual level. The North Carolina special calls from 2010 to 2012 were used for these also. The three year average was selected. The selected General Expense was 4.1%. The selection is within 0.3% of each individual year with the most recent year experiencing a higher percentage at 4.4%. The selected Other Acquisition Expense was 5.9%. The selection is within 0.2% of each individual year with the most recent year experiencing a higher percentage at 6.1%.

The loss adjustment expenses, both allocated and unallocated, are included with the losses in calculating the indication. Similar to the other expenses, the Subcommittee reviewed the data from NCRB's data calls. Experience from calendar years 2008 through 2012 was reviewed. The ratio of loss adjustment expenses to incurred losses was analyzed. Consistent with past filings, the highest and lowest years were removed. This allows for more stability due to the variable nature of incurred losses. The selected loss adjustment expense was 12.9%. This is 0.7% lower than the most recent year, which is one of the two excluded years in determining the average. The Subcommittee reviewed expense index trends, including the All items CPI Index (both with and without Energy) and the Total Compensation Cost Index – Insurance Carriers, Agent Brokers and Service from the Bureau of Labor Statistics. These measures varied from 1.70% to 2.35% based on different time period. Based on the review, the Subcommittee selected a 2.0% trend. This factor was then used to trend expense dollars from the midpoint of the base period (July 1, 2010) to the midpoint of the trend period (July 1, 2015).

Q: Did the Subcommittee consider the profit provision?

A: Yes. Like past filings, the Subcommittee picked a conservative underwriting profit provision. Dr. Vander Weide provided a range for the current cost of capital, which was relied on by the Subcommittee. The range varied from 9.1% on net worth using a Risk Premium Analysis, which was reported by Dr. Vander Weide as being abnormally low due to actions of the Federal Reserve Bank to stimulate the economy, to 12.8% using a Discounted Cash Flow methodology for the S&P 500.

The committee selected an underwriting profit provision of 10.5% on premium. Based on Dr. Appel's analysis, this would generate a statutory return of 7.1% on net worth. This is significantly below Dr. Vander Weide's abnormally low lower bound of 9.1%. It is the statutory return that should be considered when determining the underwriting profit in North Carolina because it does not take into account investment income on surplus, so clearly the Subcommittee is being very conservative with our selection. Even if the 10.5% underwriting profit is combined with both investment income from insurance operations and investment income from surplus, the estimated return on net worth is 9.7%. This is well within Dr. Vander Weide's range, and thus the selected underwriting profit provision cannot be excessive.

Q: Did the Subcommittee consider a contingency provision?

A: Yes, the Subcommittee chose to reflect a 1% contingency provision. This is consistent with past filings and is common across the country. The contingency provision reflects the systematic bias that causes actual losses to be higher than reflected in the rates. There are multiple reasons for the bias.

Sources of this systematic bias in property insurance include, but are not limited to, judicial decisions that extend policy coverage beyond what was anticipated in the rates, legislative changes, and regulatory delay or reduction of rate filings and other factors.

Rate filings are generally not approved prior to their intended effective date or for more than requested. Courts rarely restrict coverage to less than intended in the policy forms and frequently expand coverage beyond what was intended. In addition, major unexpected losses can come from large and infrequent events of a type and magnitude that are not reflected in the experience period.

Thus, estimated premium that does not reflect a provision for these contingencies will fall short of needed premium very frequently. When these premiums are inadequate and underwriting losses are observed, an insurer must borrow from surplus to properly indemnify its policyholders or claimants. According to the Actuarial Standard of Practice #30, "the actuary should include a contingency provision if the assumptions used in the ratemaking process produce cost estimates that are not expected to equal average actual costs, and if this difference cannot be eliminated by changes in other components of the ratemaking process." The Subcommittee believes that a contingency provision is appropriate and necessary, and it has conservatively selected a 1% factor in this filing, the same as with all recent property insurance filings.

Q: Has the risk of a residual market assessment been considered in the filing?

A: Yes. As will be discussed in greater detail below, a potential residual market assessment is a cost of doing business in the state and is a condition for writing homeowners insurance. In the event that hurricanes require the residual market ("Beach" Plan and FAIR Plan) to deplete its surplus after reinsurance recoveries, a non-recoupable assessment may be imposed of up to $1 billion dollars on the voluntary companies. This is a condition of doing business in the state. The voluntary companies need to have and retain capital in order to contemplate these potential assessments. The Subcommittee reviewed an analysis done by Dr. Appel on the compensation for this assessment risk. The analysis is explained in the testimony of Dr. Appel. Based on this analysis the Subcommittee determined that a 4.4% factor is appropriate to reflect in the filing. It is important to note that the assessment percentage would be higher if the exposure for the voluntary market companies was potentially greater than $1 billion.

Q: Was the cost of reinsurance considered in the filing?

A: Yes. There are numerous scenarios where the potential losses due to a single hurricane are far greater than the entire premium collected by all the companies for the entire state of North Carolina. In order to remain viable long-term, the industry must purchase reinsurance. The costs associated with such reinsurance are costs of doing business in the state.

Q: What is reinsurance?

A: Simply, reinsurance is insurance for insurers. When insurers are aware of situations in which the potential losses are greater than the company is willing or able to tolerate, they will frequently purchase reinsurance or catastrophe bonds to mitigate those situations. Essentially the insurers will use a portion of the premium to purchase reinsurance. This is common across the industry, including at Allstate.

Q: How are the reinsurance costs reflected in the filing?

A: The costs of reinsurance are incorporated through the work of Dr. Appel. The Subcommittee provided the parameters to Dr. Appel to use for the estimation of the cost of reinsurance for the hypothetical one company reflected in the rate filing. The parameters included the attachment and exhaustion points, the placement percentage and the inclusion of one reinstatement. The parameters were determined to essentially reflect a typical reinsurance program for companies writing homeowners insurance in North Carolina. Consistent with prior filings, the Subcommittee recommended the use of AIR Worldwide's warm sea surface temperature event set as the basis for determining the provision for reinsurance costs. This is necessary as reinsurers use warm sea surface temperature event sets to determine their rates.

Q: Why were actual reinsurance costs not used?

A: It is necessary to include the costs in the manner that Dr. Appel calculates because it is not possible to incorporate the actual reinsurance costs of the various insurance companies. The approximately 95 individual insurance companies have different contracts that affect different lines, state combinations and perils. Some reinsurance contracts may be specific to North Carolina, while others may apply to several states or even the entire country. It is not feasible to determine the reinsurance costs specific to North Carolina in each individual contract. It is not appropriate for North Carolina insureds to assume the reinsurance costs of exposure in other states, and vice-versa. Some reinsurance contracts may be specific to hurricane risk, while others may include hurricane risk and other risks such as earthquake or terrorism. Some reinsurance contracts may be specific to homeowners, while others may also include auto or commercial property losses. All of these complexities make it impossible to use the actual reinsurance costs.

Q: Have dividends to policyholders been considered in the filing?

A: Yes. According to the Statement of Principles Regarding Property and Casualty Insurance Company Ratemaking, the rates should contemplate the cost of policyholder dividends. The Subcommittee determined that dividends have been negligible in recent years and therefore chose to include a factor of zero with this filing.

Q: Have deviations been considered in the filing?

A: Yes. Deviations, or savings to policyholders, are a cost of doing business in North Carolina for the insurers that have them approved. They are a cost of the risk transfer and therefore need to be contemplated according to the Statement of Principles Regarding Property and Casualty Insurance Company Ratemaking. Companies are required to reflect their approved deviations. If rates are set without contemplating them, the industry would not achieve the profit provision included in the rates. The Subcommittee reviewed the net reduction in manual premium from deviations, consent to rate and Beach Plan surcharges for the years 2008 through 2012. The Subcommittee chose to include a 5% provision for deviations in this filing. In each of the past 5 years the deviation was greater than 5%. A 5% deviation provision has been incorporated into past homeowners filings. It is consistent with past findings by the Commissioner of Insurance in auto rate cases that 5% of premium is an appropriate amount of deviations to anticipate when determining manual rate levels. While the Commissioner did not ultimately include the provision in the ordered rates, it is appropriate to reflect this cost of doing business.

Q: What would happen if deviations were not considered?

A: The removal of deviations would limit the competitive marketplace in North Carolina. Deviations allow for companies to better attract and retain policyholders that they believe best fit their specific business model. If the overall deviations were not considered in the indication, it would lead to overall rate inadequacy. This could cause companies to pursue removing their deviations and ultimately leave them less well positioned to attract and retain their target policyholders. This could lead to companies ultimately choosing not to do business in North Carolina.

Q: Are the data in the filing reliable and accurate for ratemaking purposes?

A. Yes. The data underlying the filing are reliable, accurate and appropriate for ratemaking. Individual insurance companies employ extensive procedures to assure the quality and reliability of ratemaking data used in the filing. When individual companies submit their data to their statistical agents, the statistical agents review the data for possible errors and compliance with approved statistical plans. If an error is suspected, the statistical agents ask the company to review the data and to correct the data if necessary.

When ISO consolidates premium, loss and expense data from the statistical agents, it reviews the accuracy of the data and similarly requests that the data be reviewed and corrected if errors are suspected. These data include data for business written at or below the Bureau manual rates, business written under consent to rate procedures and business written in the residual market. When the Bureau assembles expense data and furnishes it to ISO, there are checks to determine the data's accuracy. Sometimes, if it is not feasible for a company to correct its data, that company's data is excluded from the filing and that fact is noted in the filing.

An additional check is that the Bureau requested the statistical agents to produce exhibits for the 10 largest writers displaying exposure distributions for key factors (such as territory, amount of insurance and protection class) for the years in the filing. Each such company was asked to review and evaluate the accuracy of its data as reported to its statistical agent. Companies have confirmed that they have performed these reviews and that to the best of their knowledge their data are correct in all material respects.

Q. Does the filing propose changes in territory definitions?

A. Exhibit RB-1 presents the territory definition changes. For all the reasons outlined in the Bureau's June 2013 report on homeowners territories to the North Carolina General Assembly, the filing incorporates the revised territories. As noted in the report, appropriate territory definitions promote fairness to policyholders and companies. The proposed changes improve the long-term state of the insurance environment throughout North Carolina. They will help limit the disruption in the marketplace that can occur when territorial definitions are not updated.

Q. Once territory definitions were revised, did the Subcommittee review rate level adequacy by territory?

A. Yes it did. ISO was asked to prepare the indicated rate level changes by territory. The indicated change for a particular territory was determined by comparing the required base class rate to the existing base class rate.

First, they calculated the indicated base class loss cost by territory. This resulted from calculating the total loss cost by territory and applying the resulting territorial relativity to the indicated statewide base loss cost. The territorial indicated base class loss cost was converted to the required base class rate by performing expense, profit and deviation adjustments at the territorial level, similar to how adjustments were performed at the statewide level. The indicated changes by territory show rate levels by territory that are needed to equitably spread the overall rate level.

As discussed elsewhere in my testimony, the Subcommittee requested Dr. Appel to prepare an analysis allocating both the net cost of reinsurance and the underwriting profit and contingency factor based on the differences in risk between various areas of the state. He developed measures of risk for "zones" of the state. Based on a review of the data, the Subcommittee recommended four zones. The prior filing reflected three zones, but the Subcommittee observed that there is considerable variation in the necessary reinsurance costs and profit in different parts of the coastal area. Therefore the subcommittee determined that it would be actuarially appropriate to divide the coastal areas into two zones: Zone 1A and Zone 1B. With over $250 million in earned premium and with more than 10% of the earned premium in the state for 2011, the coastal areas are significant. However, they show up as distinctly different based on the measures of risk that Dr. Appel uses to allocate reinsurance costs and profit. The reinsurance loads for Zone 1A are more than 30% higher than the reinsurance loads for zone 1B. Also, the profit and contingency provision for Zone 1A is considerably higher than Zone 1B. Zone 1B also differs significantly from the Zone 2. Based on the significant differences between the zones, the subcommittee concluded that the use of four zones would more appropriately reflect the risk for areas of North Carolina.

The measures of risk that were developed by Dr. Appel provide indicated levels of profit necessary for each zone. There is no overall statewide impact of the methodology. Its effect is to increase the needed premium on the coast (zone 1A and 1B) and to decrease the needed premium in the western part of the state (zone 3) by way of underwriting profit provisions and reinsurance cost allocations that vary by zone. The resulting indicated changes by territory set forth the rate levels by territory that are needed to equitably spread the overall rate level.

Q: Please describe the difference between the "indicated" rate level and the "filed" rate level?

A: The indicated rate level is the actuarially sound and correct rate level. It is the rate level necessary in order that rates cover prospective losses and expenses and leave a fair and reasonable profit. The indicated rate level is the one that complies with the statutory standard that the rates be neither excessive, nor inadequate, nor unfairly discriminatory

In the case of the owners forms, the indicated level change is 39.3%. That rate level change is the statewide composite of indications that vary by territory throughout the state. For the western territories, the indicated rate level change is lower than 39.3%, and for certain territories at the beach, the indicated rate level change is much higher than 39.3%%. For instance, Territory 8, which consists of the southern beach territory, has an indicated rate increase of 132.8% for the owners forms.

The "filed" rates represent the amount actually proposed by the Bureau. The filed rates reflect a procedure known as "capping." The Bureau elected not to file the full indicated rates in each territory and instead capped the filing at +35% per territory for the owners forms and +55% per territory for the condominium and tenants forms. Thus, for the owners forms +35% is the maximum targeted rate increase in any territory. Capping results in the filed statewide rate level change for the owners forms being reduced from 39.3% to 24.5%.

The Bureau's Governing Committee elected to cap in order to mitigate the impact of this filing on policyholders. This has often been done with large indications where the goal is to have rates eventually reach the full indicated rate level. Since the indicated changes generally were the largest in the beach and coastal territories, the impact of caps was greatest in those areas.

Q. **From the standpoint of individual companies, how does homeowners ratemaking in North Carolina differ from other states?**

A. In almost every other state, each company files its own homeowners rates independently. However, in North Carolina, the Bureau has the responsibility to file rates on behalf of the entire industry. The filing process in North Carolina establishes a system of "Bureau rates" (often called "manual" rates) on behalf of all of the companies that are members of the Bureau. I am advised by the Bureau that currently there are approximately 95 Bureau member companies writing homeowners insurance in North Carolina. The regulatory scheme in North Carolina requires an analysis of the composite book of business, loss experience and expense experience of all those companies. In addition, as discussed in detail elsewhere in my testimony, the Beach Plan writes a large number of homeowners policies in the beach and coastal areas and its book of business and loss experience are part of the analysis.

In essence, the Bureau makes rates for a hypothetical one company that is composed of the aggregate book of business and experience of all the homeowners policies written in the state. Those policies include attributes such as the amount of insurance written on each home, the territory in which each home is located, the type of construction, the deductible level, the type of coverage, etc. A more technical term for book of business is "exposure."

Once the Bureau rate has been set through the filing and approval process, Bureau companies must charge that rate unless they obtain approval to charge either more (through consent to rate) or less (through downward deviations).

Q. You stated earlier that premiums are established at a level equal to expected losses plus expected expenses and a margin for a fair and reasonable profit. Does this mean that homeowners ratemaking is a simple matter of adding up past losses, past expenses and past profit and then putting them into a simple equation to equal premium?

A. That is not at all the case, for numerous reasons. A prime reason is that ratemaking is prospective. The ratemaking process requires the determination of the expected future losses and the expected future expenses of the composite company. While it is important to consider past losses and expenses in determining expected future losses and expenses, the process is much more complex than that. There may be many reasons why past losses and expenses are not expected to occur at the same level in the future. Even if they were expected to occur at about the same level as in the past, past losses and expenses have to be extended into the future when the rates are going to be in effect in order to reflect factors such as underlying trends and cost of living changes.

Further, it is particularly difficult to estimate prospective losses for property lines of business such as homeowners insurance because losses in those lines are so volatile and varied. For numerous reasons, it is more difficult in property lines than in other personal lines to determine prospective losses because policies cover so many different situations and events. For instance, homeowners policies must pay for losses to buildings and contents for fires, weather events, theft and lawsuits. Even putting aside the potential impact of hurricanes, property lines are highly dependent upon weather events, including tornado outbreaks, winter storms, hail storms, freezing temperatures, etc.

Such volatility is greatly compounded in hurricane prone states such as North Carolina. In North Carolina and other hurricane prone states a significant percentage of the prospective long term average annual losses in certain regions of the state are caused by intense hurricanes which are relatively infrequent but are devastating when they do occur. It would be actuarially unsound to rely on a few years of actual hurricane losses to estimate prospective hurricane losses because of the extreme volatility of such losses.

The volatility of property insurance in a hurricane prone state can be explained in part by a statistical concept of "independence" that is useful to consider in distinguishing between different lines of property casualty insurance. If one home is damaged by a hurricane, it is very likely that many other homes in the same geographic region will be damaged at the same time. The risk of damage for each individual home is not independent of the risk of damage to the other homes because a single event can cause widespread damage. By way of contrast, in auto liability insurance, when there is one devastating auto collision, there generally is not a greater likelihood of there being numerous other devastating auto collisions in the same geographic region at the same time. While the amount paid for a personal injury claim arising out of that single auto collision may far exceed the premium collected for the individual policy involved, that fact is not replicated to numerous other policies because auto collisions are generally random events. However, when intense hurricanes occur, there are likely to be payments far in excess of the premium collected on a large number of policies.

Q: Please describe the nature and the operations of the Beach and FAIR Plans as they relate to homeowners insurance in North Carolina.

A. They are both residual market mechanisms set up by the legislature to write property insurance in situations where policyholders cannot obtain insurance through the competitive market. The FAIR Plan writes dwelling fire and extended coverage policies that provide essential property coverage. That coverage is not as broad as the coverage provided by homeowners policies. The FAIR Plan writes those policies throughout the state. Since the FAIR Plan does not write homeowners policies, my testimony will primarily relate to the Beach Plan which does writes homeowners policies.

The Beach Plan is highly relevant to homeowners ratemaking in North Carolina. By statute the Beach Plan writes property insurance only in the 18 coastal counties. In addition to writing homeowners insurance, it writes dwelling and commercial property insurance.

The 18 coastal counties are statutorily divided into the "beach" area and the "coastal" area. The beach area generally consists of areas south and east of the Inland Waterway, often called the Outer Banks or barrier islands. The coastal area consists of the remainder of those 18 counties.

The Beach Plan offers homeowners policies with the same provisions and coverage as the private insurance companies. In some instances, the Beach Plan writes the entire homeowners policy. In other situations it writes only the wind and hail portion of such policies, with companies in the voluntary market writing the remainder of the policy.

Insurance companies that desire to write homeowners insurance anywhere in North Carolina are required to be members of the Beach Plan. However, since companies are statutorily prohibited from receiving a distribution from the Beach Plan's surplus, they are prohibited from profiting on business written by the Beach Plan. In effect, the companies give up any opportunity to make a profit by allowing policyholders to be written in the Beach Plan. Even though the companies give up a chance to make a profit, they are nevertheless exposed to the losses of the Beach Plan when those losses exceed the ability of the Beach Plan to pay.

Statutes provide for surcharges on Beach Plan homeowners policies. When a full homeowners policy is written by the Beach Plan, policyholders pay the Bureau manual rate plus a 15% surcharge. When companies exclude the wind/hail portion of a policy and policyholders obtain that coverage through the Beach Plan, there is a 5% surcharge on the rate charged for the wind/hail coverage. The Rating Subcommittee considered these surcharges in selecting the factor for deviations in the filing.

The Beach Plan writes homeowners policies in situations where policyholders cannot obtain such policies from companies writing in the competitive market. Essentially, the reason that those companies are unwilling to write the policy is that the rates they are permitted to charge in the voluntary market are inadequate. As shown in the filing, the Bureau rate is far too low in the beach and coastal territories, and even after a surcharge is applied on Beach Plan policies, the rate is too low. Further, the consent to rate process by which companies can charge higher than the Bureau rate with the consent of the policyholder is largely unavailable because of the existence of the Beach Plan.

When a prospective policyholder seeks homeowners insurance in the 18 coastal counties, it is not predetermined whether the policyholder will be written by the Beach Plan. In computing the exposures and loss experience of the hypothetical one company in North Carolina, the Beach Plan's exposures and loss experience are reported to ISO and are combined with the rest of the data as if it were a private insurance company.

Q. Please comment on the size and financial condition of the Beach Plan as those factors impact homeowners ratemaking.

A. I will provide a brief summary of the financial condition of the Beach Plan. First, it is noteworthy that a very large percentage of homeowners premium in the 18 coastal counties goes to the Beach Plan. In the "beach" territories, approximately 72% of the homeowners premium is written by the Beach Plan, and in "coastal" territories over 40%

of the homeowners premium is written in the Beach Plan. On a statewide basis, approximately 12% of homeowners premium is written in the Beach Plan even though the Beach Plan is only able to write policies in the 18 coastal counties. Thus, while the Beach Plan was statutorily set up to be the market of last resort, it appears to be the market of first resort in many instances. As stated above, the reason for this fact is largely that the rates are inadequate for the risk. Otherwise, normal competitive market forces would come into play, and companies would write voluntarily.

The Beach and FAIR plans' 2013 reinsurance program assumes a surplus of $700 million to pay losses for all types of policies written. That amount has built up as a result of the fact that there have not been any intense hurricanes to strike North Carolina in approximately the last fifteen years. However, that amount must be considered in comparison with the potential exposure to loss following a single catastrophic hurricane. Losses in the Beach Plan following a catastrophic hurricane could be over $20 billion. While the $20 billion estimate is for a storm that would be extremely rare, there are many other hurricanes and combinations of hurricanes that are much more likely to occur and that would far exceed the surplus of the Beach Plan.

In 2011 the Beach Plan's surplus was diminished by a relatively small hurricane, Irene. Even though Irene was barely a Category 1 hurricane when it made landfall in North Carolina, it caused approximately $160 million in residual market losses and depleted the Beach Plan's and Fair Plan's combined surplus by that approximate amount.

The fact that rates at the beach and coast are significantly inadequate creates a dilemma for the Beach Plan. On the one hand, the Beach Plan cannot build up sufficient surplus in the "good" years where there are no hurricanes to provide a cushion to pay losses in the "bad" years when severe hurricanes occur. Even in the good years, the Beach Plan has to pay claims for traditional insured events such as fires, thefts, personal injury claims, etc.

One approach by the Beach Plan is to purchase reinsurance and catastrophe bonds. Dr. Appel goes into detail as to the Beach Plan's current reinsurance program. Whatever amounts the Beach Plan spends in the reinsurance and catastrophe bond markets is at the expense of building up surplus.

Q. Please explain what can happen when a catastrophic hurricane hits the coastal area and exceeds the surplus and reinsurance of the Beach Plan.

A. When a truly catastrophic hurricane next occurs, the inadequacy of rates at the beach and coast will lead to one and possibly two types of assessments: "non-recoupable assessments" on the companies that voluntarily write homeowners insurance throughout the state and "catastrophe recovery charges" on policyholders throughout the state. These assessments are set forth by statute.

As I noted earlier, companies writing any homeowners insurance in North Carolina are subject to a non-recoupable assessment for Beach Plan losses in a given year up to a total of $1 billion dollars. Dr. Appel has quantified the cost of this potential assessment to the companies, and it is reflected in the factor called the "compensation for assessment risk." Since the assessment is imposed in accordance with a formula reflecting each company's pro rata property insurance writings across the entire state, a company will be assessed even if it elected not to write any homeowners policies in the beach and coastal counties. Each company makes an individual decision as to the extent that it writes homeowners insurance throughout the state, not just in the beach and coastal territories. The prospect of an assessment affects the willingness and extent of each company's decision.

The other assessment is the catastrophe recovery charge. Statutes require the assessment of policyholders throughout the entire state after their insurance companies have paid the $1 billion non-recoupable assessment discussed above. The catastrophe recovery charge on policyholders throughout the state could be up to 10% of their premium per year on their property insurance policies. The voluntary companies will be required to administer the charge. The 10% charge would continue annually as long as necessary to collect the amounts that were paid out for Beach Plan losses in excess of the $1 billion non-recoupable assessment.

In addition to the indications in the filing as to beach and coastal areas, the fact that the Beach Plan's rates are too low for the risk involved is demonstrated by the large number of policies in the residual market. It is in the nature of the catastrophe recovery charge that the greater the inadequacy of the rates that the Beach Plan is permitted to charge, the greater the potential that policyholders across the state will be required to pay charges for Beach Plan losses. As stated above, since the rates are inadequate, the Beach Plan is not able to use annual premiums to accumulate a sufficient surplus to pay losses or alternatively to use those premiums to purchase an adequate amount of reinsurance. This means, in turn, that there is a greater chance that Beach Plan losses will have to be paid by policyholders throughout the state in the form of the catastrophe recovery charge.

The ultimate effect of the regulatory system in North Carolina is that rates for policyholders in the Beach Plan area are being subsidized, both explicitly and implicitly. The explicit subsidy arises from the fact that insurance companies have to pay the first $1billion of losses over and above the Beach Plan's ability to pay, and the filing passes along this cost in the form of the 4.4% factor for the compensation for assessment risk. This factor is paid by policyholders throughout the state, not just those in the Beach Plan. In addition, there is an implicit subsidy in that policyholders across the state face the possibility of imposition of the 10% catastrophe recovery charge. Another way of looking at the situation is that the insurance industry and policyholders across the state are providing free reinsurance to policyholders in the Beach Plan.

Q. Is the reason that the Beach Plan purchases reinsurance similar to the reason that private companies purchase reinsurance?

A. Yes. For the same reason that the Beach Plan purchases reinsurance, the hypothetical "one company" for which the Bureau files rates must purchase reinsurance. That hypothetical one company is faced with numerous realistic hurricane loss scenarios that far exceed its ability to pay. It would be irresponsible and imprudent for that one company not to purchase reinsurance. The need of that hypothetical one company to purchase and maintain reinsurance is reflected in the net cost of reinsurance analysis prepared by Dr. Appel. That analysis was reviewed and approved by the Rating Subcommittee. However, unlike the Beach Plan, that hypothetical one company (i.e., the voluntary insurance industry) does not have a backstop of free reinsurance.

The hypothetical one company today receives approximately $2.3 billion in homeowners premium annually in North Carolina. In comparison, the largest simulated hurricane loss in the AIR standard catalogue model was $42.3 billion. Of course, this would be an extremely rare event with a remote probability of occurrence, but it could occur. If that hypothetical company with premium of $2.3 billion experienced a loss of $42.3 billion, it would first look to its surplus and reinsurance. If there is insufficient surplus and reinsurance, then that hypothetical company would go insolvent. There has been a history of multiple company insolvencies following major hurricanes in the United States. Following Hurricane Hugo that hit Charleston, South Carolina and Hurricane Andrew that hit Florida, there were multiple insolvencies. Unlike the Beach Plan, the hypothetical one company does not have the right to recoup losses from policyholders across the state.

Q. Does the filing in any manner require policyholders in North Carolina to pay the losses or subsidize the rates of policyholders in other states, particularly hurricane prone states such the Gulf Coast states?

A: No. It would not be actuarially appropriate to do so, as each state is evaluated separately and rates are to be based only on its own loss potential. Imposing a subsidy would not be fair to North Carolina policyholders and would not be permitted by North Carolina regulators. There is a greater risk of hurricane losses in Florida and some other Gulf states than in North Carolina, but it would not be fair or actuarially sound for North Carolina policyholders effectively to be asked pay for their losses or subsidize the insurance costs for persons in those areas. For the same reason, it would not be fair or actuarially sound for the Bureau to attempt to spread the hurricane exposure of the hypothetical one company in North Carolina to persons in other states or in the Midwest where there is little hurricane exposure. Policyholders and regulators in Iowa, for example, would not be willing to do that.

Q. Can you identify Exhibit RB-1?

A. Yes. This is a large portion of the filing submitted by the Bureau to the Honorable Wayne Goodwin, Commissioner of Insurance, with respect to revised homeowners insurance rates and territory definitions in North Carolina. Exhibit RB-1 includes numerous exhibits and voluminous data responses and explanations pertaining to the indicated and filed rate level changes and the revised territory definitions. The filing also includes the rate manual and representative policy forms (Exhibit RB-2), as well as the prefiled testimony of four witnesses in addition to mine (Exhibits RB-3 through RB-17). When printed out in hard copy, the filing fills a large three ring binder.

Q. Can you identify the document marked Exhibit RB-2 and entitled "Homeowners Policy Program Manual"?

A. Yes. As I mentioned, Exhibit RB-2 includes the current manual of rules, rates and classifications used to write homeowners insurance in North Carolina. It also includes representative forms and endorsements used in the homeowners program. The forms, manual and any amendments have been approved and are on file with the Department. Copies are maintained at the offices of the Bureau.

Q. Do you have an opinion as to whether the indicated rate level changes and the territorial definition changes in the filing are excessive, inadequate or unfairly discriminatory?

A. Yes.

Q. What is that opinion?

A. First let me note that I have relied upon the accuracy of the data and analysis supplied by the statistical agents, the Bureau and AIR Worldwide as reviewed and checked, and I have also relied on the reinsurance and profit analyses performed by Dr. Appel and Dr. Vander Weide. With these qualifications, it is my opinion that the indicated rates and territorial definition changes in the filing are actuarially sound and meet the legal standard of producing rates that not excessive, inadequate or unfairly discriminatory. I qualify my opinion by noting that the filed rates have been developed by applying territory caps to the indicated rates. The filed rates are a reasonable step toward an adequate level.

Q. Does this conclude your prefiled testimony?

A. Yes.

Exhibit RB-5

PREFILED TESTIMONY of DAVID A. LALONDE

2014 HOMEOWNERS INSURANCE RATE FILING BY THE NORTH CAROLINA RATE BUREAU

1. Q. What is your name and business address?

A. My name is David Lalonde. My business address is 131 Dartmouth St, Boston, MA 02116.

2. Q. What is your occupation?

A. I am Senior Vice President of AIR Worldwide Corporation, a corporation in Boston, Massachusetts.

3. Q. What is AIR Worldwide Corporation?

A. AIR Worldwide Corporation (AIR) is a scientific leader and respected provider of risk modeling software and consulting services. AIR founded the catastrophe modeling industry in 1987 and today models the risk from natural catastrophes and terrorism in more than 90 countries. AIR is headquartered in Boston with additional offices in North America, Europe, and Asia.

4. Q. How many employees does AIR have?

A. AIR has over 400 employees. Of those over 200 have graduate degrees and over 60 have PhDs. Their disciplines include meteorology, wind engineering, actuarial, computer science and statistics.

5. Q. Could you describe your duties as Senior Vice President of AIR?

A. Over the years, I have had multiple duties with AIR. My chief duty currently is to oversee AIR's Consulting and Client Services group, providing Catastrophe Loss

Analysis Services (CLAS™) and Risk Transfer Services (RTS™). This includes responsibility for regulatory work.

6. Q. What is your educational background?

A. I have a Bachelors of Mathematics (Honors) in Actuarial Science with Statistics from University of Waterloo. I am a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries (MAAA). In my capacity as an actuary, I observe the actuarial standards of practice. I volunteer to do work for the actuarial organizations and am in good standing with them. I meet their continuing educational requirements.

7. Q. What has been your work experience since obtaining your degree?

A. I was employed at Economical Group from 1985-89 and became Manager of Actuarial Services. From 1989-1993 I was employed at Insurance Corporation British (ICBC) Colombia where I became Chief Actuary. I was employed at Coopers & Lybrand 1993-95 as Director, Casualty Actuarial Risk Management Consulting.

In 1995 I was employed by Applied Insurance Research, Inc., the predecessor of AIR Worldwide Corporation. I have now been employed by AIR for 19 years, during which time I have had extensive experience with the AIR models.

8. Q. Please describe your technical publications and speaking engagements relating to computer models and insurance.

A. I have co-authored papers dealing with the use of computer models in insurance. These papers have been peer reviewed and published in various journals. These include; (i) “Aggregation and Correlation of Reinsurance Exposures,” CAS Forum, Spring 2003; (ii) “Aggregation and Correlation of Insurance Exposures,” CAS Forum, Summer 2003; and (iii) “The Basis Risk of Catastrophic-loss Index Securities,” Journal of Financial Economics, 2004, Elsevier, vol. 71(1), Pages 77-111. I was also a contributing author of: “Catastrophe Modeling: A New Approach to Managing Risk,” Springer, 2005.

In addition, I present regularly at various continuing education meetings of the Casualty Actuarial Society and at other meetings and seminars on the topic of the use of models in catastrophe risk management. I have presented annually at the AIR Client Conference since 1996 on various catastrophe risk management topics involving modeling. I have made numerous presentations directly to individual insurers, reinsurers, investment bankers, rating agencies and regulators.

9. Q. Please describe your experience with respect to the issue of computer modeling of windstorms, including tornadoes, hurricanes, hailstorms and other storms.

A. I began modeling insurance risk in 1985. While at ICBC I implemented a Stochastic Planning Model to manage overall corporate risk. I began work on the modeling of natural hazard risk including tornadoes, hurricanes, hailstorms and other storms in 1995. Based on my experience and analysis, I have been charged by AIR with the responsibility for explaining the model in external settings such as the Florida Commission on Hurricane Loss Projection Methodology that has performed an extensive scientific review of hurricane models on an annual basis.

10. Q. Could you characterize your familiarity with the AIR hurricane model that is used by the North Carolina Rate Bureau in this filing?

A. As described above, I have worked with AIR's hurricane model since 1995. I am familiar with all aspects of AIR's hurricane model. I work closely with members of AIR's staff involved in the development, maintenance and application of AIR's hurricane model. I feel that I am well-suited to the task of testifying about the model as a result of my actuarial and statistical expertise, my many years of modeling experience and my knowledge of all of the scientific components of the model and how they interrelate with each other.

11. Q. What has been your relationship with the scientific and technical staff at AIR that has allowed you to gain personal knowledge as to AIR's U.S. Hurricane model?

A. Over many years I have had extensive exposure to the technical details of the model components throughout the processes of development and updating the model. I work closely with internal staff members who utilize the model on a day-to-day basis on behalf of AIR clients. As an actuary with experience in catastrophe modeling I understand how the various components of the model interrelate to generate estimates of loss. One of the responsibilities of my regulatory role is that I am responsible for AIR's annual model submission to the Florida Commission. In this capacity, I deal closely with our scientific staff members and with scientific personnel at the Florida Commission. These include meteorologists, wind engineers, programmers and others who develop, implement, enhance and explain AIR's model.

12. Q. What has been your role in explaining the model to regulators?

A. I have presented and explained the AIR hurricane model to numerous regulators in hurricane prone states, either in person or through detailed written presentations and responses. These include various regulatory contexts such as inquiries by insurance departments and ratemaking hearings. The jurisdictions include Texas, Louisiana, Mississippi, Alabama, Florida, Georgia, South Carolina, North Carolina, Maryland, New York, Connecticut, Rhode Island, Massachusetts and Hawaii.

13. Q. Please describe the types of companies and organizations for which you have consulted in connection with the computer modeling of windstorm losses.

A. More than 400 organizations obtain AIR's services. AIR provides catastrophe risk assessment products and services to primary insurance companies, to reinsurers, to intermediaries, to coastal Beach and FAIR plans and other residual market organizations, to state funds, and to other insurance related organizations. We also provide services to investment banks and investors in catastrophe bonds, as well as to bond rating agencies that analyze and rate those bonds.

14. Q. Please explain what those various entities are.

A. "Primary insurers" are the companies with which the members of the public interact when they purchase homeowners insurance policies that cover hurricanes. The members of the Bureau are primary insurers, and they sell homeowners insurance policies to their policyholders.

"Reinsurers" write insurance to cover primary insurers, and that transaction is called reinsurance. Primary insurers purchase reinsurance in part to ensure that they are able to remain solvent in the case of a major industry catastrophe such as a hurricane, and therefore will be able to meet their obligations to their owners and policyholders. The contractual relationship between the primary insurer and reinsurer is typically called a "reinsurance treaty."

"Intermediaries" include reinsurance brokers and other experts in catastrophe risk who assist primary insurers in locating reinsurers that are willing to write reinsurance and in negotiating terms and rates with those reinsurers.

"Residual market organizations" are involuntary market mechanisms that have been set up by state law to write insurance in high risk situations where the primary insurers are unable or unwilling to write policies at the rates that can be charged for the risk involved. Catastrophe losses have to be paid by someone, and complex state laws typically provide that losses will be paid by some combination of insurers, reinsurers, policyholders and others. The so-called "Beach" and "FAIR" plans in North Carolina are residual market mechanisms.

“State funds” are similar to residual market organizations in that they arise by state law to write insurance in high risk situations where the primary insurers are unable or unwilling to write policies. State funds typically involve the situation in which the state ultimately assumes responsibility for payment of catastrophe losses, such as the case of Citizens Property Insurance Corporation in Florida.

“Investment banks” are sophisticated financial advisers that, in the context of hurricane modeling, analyze the risk of catastrophes and provide advice and assistance to entities that issue and purchase bonds covering catastrophes. Catastrophe bonds frequently serve as an alternative to reinsurance.

“Investors” are parties that invest in catastrophe bonds in order to gain a financial return. In the event of a catastrophe triggering the bond, they are responsible for covering the financial loss indicated in the bond’s agreement.

“Rating agencies” are independent organizations such as AM Best, Moody’s, Fitch’s and Standard and Poor’s that analyze the risk of companies and financial instruments. They rate the level of risk involved in instruments such as catastrophe bonds as well as the solvency of primary insurers, reinsurers and investment banks. Investors and issuers of catastrophe bonds rely upon rating agencies in connection with the issuance and purchase of catastrophe bonds.

15. Q. Have these various entities described above relied upon AIR’s hurricane model?

A. Yes, over 400 such entities have relied upon our model and methodology in many different contexts and in many situations over many years.

16. Q. Please explain how primary companies and reinsurers have relied upon your computer simulated hurricane loss estimates?

A. Reinsurers use AIR Software Systems (CATRADER®, CLASIC/2™, CATSTATION™, Touchstone®), which all utilize the same underlying models, such as AIR’s hurricane model that was used for this analysis, to estimate expected and potential large losses on the reinsurance treaties that they write with the primary companies. Based on these expected loss estimates as well as other economic and underwriting information, reinsurers develop the rates that they charge for catastrophe reinsurance treaties with primary companies.

Primary companies use our services and software systems to estimate their loss potential to catastrophic events such as hurricanes and earthquakes for multiple reasons. One reason is to estimate catastrophe pure premiums and loss costs in various geographical areas for the purpose of setting rates. They are also interested in estimating large loss potential in order to help them to decide how much catastrophe reinsurance they need to buy to protect their company's solvency and pay losses. Particularly after Hurricane Andrew, which caused numerous primary companies to become insolvent, primary companies want to make sure that they are not overly exposed to a single catastrophic event.

As a practical matter, reinsurers and primary insurers have competing economic interests with regard to the output of the catastrophe models. A model which overstated hurricane exposure would prejudice primary insurers through the elevation of reinsurance costs. A model which understated hurricane exposure would result in reinsurers collecting inadequate premiums for the risk undertaken. AIR's ability to serve clients with such competing economic interests is dependent on the rigorous peer review and ongoing updates to the model with the most recent scientific and meteorological data available, to maximize the accuracy of outputs from all AIR models.

17. Q. What is a reinsurance treaty?

A. It is a contract negotiated between a primary insurer and a reinsurer. These treaties come in many different forms and are negotiated between the parties often using the AIR hurricane model as an input in the negotiations. The different primary companies choose to expose their surplus to very different levels of risk based upon factors such as the areas where they choose to write insurance, the types and numbers of policies that they write in high risk areas, the policy terms that they employ, the lines of insurance that they write, their ability to cover major losses using their own funds, etc. There are several hundred primary companies writing property insurance in North America, and each has a unique "book of business" as to the policies it writes and its exposure to catastrophes. Catastrophes can occur in many forms, including earthquakes, severe thunderstorms (hail, wind, and tornados), winter storms, flood, terrorism and fires, as well as hurricanes.

When primary insurers analyze their book of business, they use AIR models to assist them in determining their exposure to various catastrophes and their reinsurance needs to protect their financial security and ability to pay losses when a catastrophe occurs. Each primary insurer has unique exposure to catastrophes, and each needs to analyze its own exposure and determine its reinsurance program based upon its examination of that exposure and its ability to take on risk.

A primary insurer's reinsurance program can be written to cover a single hurricane or a season of hurricanes. It can involve other wind events such as a tornado outbreak or a winter storm. It can involve an entire season of all wind events including tornadoes, hurricanes, straight line winds, hail, winter storms, etc.

Of course, catastrophes can be caused by events other than wind. For instance, some areas are more prone to earthquake than others, and some primary companies are therefore more exposed to earthquake losses than others. Primary companies may purchase reinsurance coverage for most or all risks, including earthquakes, terrorism, brush fires, volcanic eruption and other perils in addition to wind. This can all be done in the same reinsurance treaty or in separate treaties.

It is often the case that large primary insurers will have treaties with numerous different reinsurers, and they may also rely upon catastrophe bonds as well. Primary companies may purchase reinsurance for a single region such as North America, the United States, the hurricane-prone southeastern United States, the Mid-Western United States, the West Coast of the United States, a single state, etc.

The financial terms of reinsurance treaties and catastrophe bonds can vary widely and depend on the needs, ingenuity and willingness of the parties. The AIR models are a vital tool when the parties are negotiating the terms of reinsurance treaties. A primary company can enter into a reinsurance treaty that covers the company above a stated dollar amount, a concept that is similar to a deductible in a typical homeowners policy. Primary companies generally must purchase reinsurance that is capped such that there will be no reinsurance payments beyond a certain dollar amount that is negotiated between the primary insurer and the reinsurer. Such a cap involves a concept similar to a maximum policy amount in a typical automobile liability insurance policy. A reinsurance treaty can provide for the purchase of reinsurance on a pro-rata or quota-share basis where the reinsurer pays a percentage of the catastrophe losses and the primary insurer retains the remaining percentage. Such a basis is similar to a percentage copayment in some health insurance policies. There are a virtually infinite number of possibilities, and the AIR models provide consistent detailed information on the risk to both parties, allowing the parties to negotiate and reach agreement.

18. Q. Please explain how coastal residual market plans rely upon your model.

A. These plans typically operate in a manner similar to primary companies, and they often purchase reinsurance to cover some of their catastrophe exposure. As with primary insurers, coastal plans use models in analyzing their risk to catastrophic hurricanes and in placing reinsurance or obtaining catastrophe bonds. The coastal boards then use AIR's analyses to decide on levels of surplus to maintain, reinsurance to purchase and sometimes the rates that should be charged to their policyholders. They also use AIR's analyses to advise primary companies and the public as to potential assessments that they may face in the event that a hurricane exceeds the plan's surplus and reinsurance. The same type of analysis is typically performed with respect to state funds. They sometimes rely on intermediaries to provide some or all of these services.

19. Q. Please explain how the investment community relies upon your model.

A. AIR provides hurricane loss estimation services to the investment community in conjunction with various catastrophe bond offerings that are issued. Both issuers and purchasers of catastrophe bonds are typically advised by investment bankers. As with the analysis that underlies the negotiation and pricing of reinsurance treaties, these parties in the investment community use the probabilistic estimates derived from the AIR catastrophe models as the primary basis for pricing and investing in catastrophe bonds. Bond rating agencies provide objective opinions of the bonds using the results of the AIR models, and those ratings in turn affect the price and terms of those bonds that are issued.

20. Q. Have you been asked by the Bureau to prepare an analysis based on AIR's model of hurricane loss potential for the state of North Carolina?

A. Yes.

21. Q. What reports has AIR prepared for the Bureau relating to North Carolina homeowners insurance?

A. We have prepared a report for the Bureau based on an analysis using a simulated sample of 100,000 "years" of potential hurricane experience based on our standard view of the hurricane risk. A copy of our report is attached hereto as Exhibit RB-6A.

We have also prepared a report using a simulated sample of 100,000 “years” of potential hurricane experience that estimates the potential impact of elevated sea surface temperatures (SSTs) in the North Atlantic on hurricane activity (the Warm Sea Surface Temperature or “WSST” catalog simulation). A copy of that report is attached hereto as Exhibit RB-6B.

A simulated “year” in this context represents a hypothetical year of hurricane experience that could happen in the prospective year. For the Bureau we used exposures for 2011, which was the most recent year available. These large samples of simulated loss experience enabled us to estimate hurricane pure premiums and loss costs as well as the probabilities of losses of various magnitudes.

As will be discussed later in my testimony, AIR has also prepared an additional exhibit of estimated hurricane losses based on notional exposures to assist the Bureau in its analysis of homeowners territorial definitions.

22. Q. In the context of Exhibits RB-6A and RB-6B, what is meant by the term "pure premiums"?

A. Pure premiums are calculated by dividing the estimated long run average annual aggregate losses by the number of risks, i.e., the house years. The resulting pure premium values are a measure of the expected value of loss for each individual risk.

23. Q. In the context of those reports, what is meant by the term "loss costs"?

A. Loss costs are calculated by dividing the estimated long run average annual aggregate losses by the insurance in force, i.e., the insurance years plus the liabilities for contents and other coverages. The resulting values are a measure of the expected value of loss for each dollar of insured value.

24. Q. Please describe the approach that AIR used to develop these reports.

A. Our approach is that of a computer simulation model. Specifically, in the CLASIC/2™ software version 15.0, we ran our Standard Atlantic Tropical Cyclone Model, version 14.0.1("AIR hurricane model" or "AIR model" or "the model"). The Bureau provided exposure information used to generate the loss estimates. The exposure file contained information on the number of risks, coverage, policy form group, construction type, year of construction, geography, and amounts of insurance. This data was reviewed for reasonableness and input into the model. The data was geocoded based on the zip code information present in the exposure file. Finally, the model was run, simulating potential future hurricane losses and in the process applying policy conditions. The output of the model contains information such as average annual loss which is used in developing rates.

25. Q. What is the role of modeling in projecting future hurricane losses in the insurance context?

A. Many years ago modeling became a widely accepted method of analyzing the loss potential of future hurricanes in the insurance context. In recent years it has become the method that is almost exclusively used. AIR was the first company to develop probabilistic catastrophe modeling of hurricanes over 25 years ago as an alternative to the "rule of thumb" approaches on which insurance companies previously had to rely for the estimation of potential catastrophe losses from hurricanes. In 1987, AIR introduced to the insurance industry a modeling methodology based on simulation techniques and mathematical approaches that had been long-accepted in a wide variety of scientific disciplines. Since the inception of this new approach, the AIR hurricane model has undergone a comprehensive and continuous process of refinement, enhancement, validation, and review. The current version of the model contained in this filing was recently updated based on a comprehensive process of scientific review that began in 2007 and continued into 2010. It was further updated in 2013 to account for two additional years of historical hurricane activity that were included in the National Hurricane Center's (NHC) HURDAT database..

Prior actuarial techniques had by necessity relied on loss data on past hurricanes to project future losses, but that methodology was inadequate for many reasons. A prime reason is that the period of time for which insurance data was available was not sufficiently long to be representative of the long term climatology of hurricanes. Significant hurricanes are relatively infrequent events, and the sample was too small to have predictive capability. Insurance data for homeowners policies began in the 1960's when that policy was introduced, and there was data for earlier policies dating back only to about 1950. Further, efforts to use the limited insurance loss data from previous decades required complicated and highly inexact assumptions and other factors that must be considered in order to relate such data to current conditions. The usefulness of the limited loss data that did exist was significantly limited because of the constantly changing landscape of insured properties. Property values change significantly over the years, along with the costs of repair and replacement of buildings and contents. Building materials, design and construction practices change, as do the types and costs of personal property located in those buildings. New structures may be more or less vulnerable to catastrophe events than were the old ones. New properties continue to be built in areas of high hazard. Therefore, the limited loss information that was available from recent hurricanes was not suitable for estimating future losses.

While it was widely recognized that insurance loss information from the limited number of historical hurricanes did not provide a complete indication or adequate sample of what may occur in the future, there was no alternative until modeling became feasible. Modeling became feasible with the advent of high speed computerization and the enhancement of detailed scientific knowledge of how hurricanes work based on radar, satellites and other advancements. Numerous scientific advancements led to modeling becoming a widely accepted method of analyzing the risk of hurricanes. Modeling employs the available historical data as to meteorological characteristics of actual hurricanes and then allows for combinations and permutations of the parameters and locations of such historical data in order to model future events in accordance with their probability. Doing so provides a robust picture of the expected average loss potential in North Carolina and other hurricane prone states. During the period when modeling replaced the prior actuarial techniques, AIR has been a scientific leader in the catastrophe modeling industry.

26. Q. Does the AIR model produce an unbiased estimate of expected hurricane losses in North Carolina?

A. Yes. While the AIR model has been developed and updated by AIR's internal team of scientists and engineers, it has also been peer reviewed by independent experts in the relevant scientific and academic fields. Examination of modeled versus historical losses has validated the model and has revealed no systematic bias in terms of overestimation or underestimation. Our model is relied upon by parties with diametrically opposite financial interests, including both primary insurers and reinsurers, and both catastrophe bond issuers and investors in those bonds.

27. Q. Do you know how many years of homeowners insurance data exist for North Carolina?

A. I am advised that data for homeowners insurance exists only back to approximately 1960.

28. Q. What is your opinion as to whether homeowners insurance data for the period from 1960 to 2011 adequately represents the state's likely exposure to hurricanes?

A. In my opinion, that period of insurance loss data is not sufficient to estimate the true hurricane loss potential in North Carolina for numerous reasons. One reason is that hurricanes, particularly intense hurricanes, are low frequency events. The absence or presence of even one Category 4 or 5 hurricane (under the Saffir-Simpson scale) can dramatically influence the loss potential calculated over the short time horizon in which homeowners insurance rates are examined in connection with non-catastrophe causes of loss. There has been one Category 4 storm that has made a landfall in North Carolina since 1900 (Hazel in 1954). However, several others could easily have done so if slightly different weather conditions had been present to steer those storms into North Carolina.

Furthermore, as stated previously, the validity and utility of the historical loss data that does exist is limited because of the constantly changing landscape of insured properties. For instance, since Hurricane Hazel devastated southeastern North Carolina in 1954, there are many more houses at the coast that may have been built according to more modern construction practices and contain different levels of contents. Policy forms in use today provide different coverage than those in 1954. It is highly questionable whether the cost data for repairing and replacing houses and their contents in 1954 can validly be compared with cost levels today.

For these reasons, the best available measure of North Carolina's current exposure to hurricanes can be gained by using a computer simulation model, which is grounded in a longer period of meteorological history and documented science. Modeling reflects the broad range of events that could occur in the next hurricane season, with those events modeled in accordance with their probability.

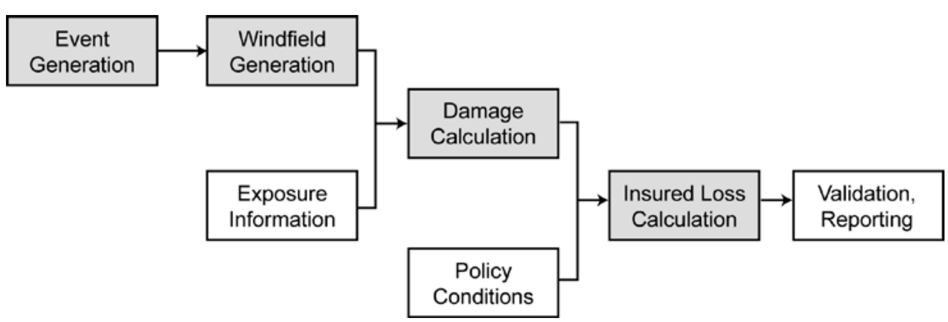
29. Q. What is a computer simulation model?

A. Basically, a computer simulation model is a series of computer programs which describe or model the particular system under study. All of the system's significant variables and interrelationships are included. A high-speed computer then "simulates" the activity of the system and outputs the measures of interest, such as the average expected loss costs.

As is appropriate in probabilistic modeling, AIR's hurricane simulation model incorporates random variables. Numbers are generated from the probability distributions of random variables to assign values to the variables for each model simulation. The probability distributions are usually standard statistical distributions selected on the basis of good fits with empirical data from actual hurricanes and are consistent with and supported by such data and published literature from accepted academic, scientific and governmental sources.

A very large number (100,000) of simulations or iterations of what could happen in the following year are performed in order to derive average loss costs from simulation models. Average values derived from these 100,000 simulations are calculated and put into exhibits RB-6A and RB-6B. Many simulations are necessary so that the output distribution converges to the true distribution and that model-derived estimates are "stable."

The figure below illustrates the component parts of the AIR model (gray boxes). Each component represents both the ongoing efforts of the research scientists and engineers who are responsible for its design and the computer processes that occur as the simulations are run.



30. Q. Is computer modeling commonly used and relied on in meteorology and other fields?

A. Yes. Computer simulation models are universally used and relied upon every day in meteorology and many other fields. They are particularly useful tools for the analysis of complex problems involving the combination of multiple variables whose underlying distributions do not have closed form analytical solutions. In current operational hurricane forecasting practice, experts in the National Hurricane Center (NHC) rely heavily on various kinds of computer models. These models range in complexity from simple statistical models to three-dimensional primitive equation models. The statistical and two-dimensional models are maintained by the Tropical Prediction Center (TPC). The three-dimensional models are maintained by the National Centers for Environmental Prediction's (NCEP) Environmental Modeling Center (EMC), a governmental organization which monitors meteorological conditions.

There are numerous advantages of the computer simulation approach. Such an approach is able to capture the effects on the catastrophe loss distribution of changes over time in population patterns, building codes, amounts insured, construction costs, personal property insured and other factors. Further, since the historical record is limited, the stochastic catalog of events is designed to capture the potential of experiencing loss from events which have not yet happened. These events are nevertheless realistic and possible and are simulated in accordance with their probabilities. Also, simulation models provide a good means to analyze the impact of new scientific understanding.

31. Q. How long have computer simulation models been used in insurance?

A. AIR pioneered the probabilistic catastrophe modeling technology that is used today by the world's leading insurers, reinsurers, regulators and financial institutions. The AIR hurricane model has been in use by clients since 1987.

32. Q. What different sizes of catalogs does AIR have available for hurricane loss estimation?

A. AIR has three different sized catalogs, distinguished by the number of simulated "years" of hurricane activity in the Atlantic Basin. Our catalogs consist of ten thousand, fifty thousand, and one hundred thousand simulated "years." As more simulations are used, the loss estimates become more robust and can be used at an increasingly granular level to provide accurate estimates of hurricane risk.

33. Q. What catalog did you use for your study on North Carolina Homeowners insurance?

We performed two analyses, each using a catalog 100,000 “years” of simulations. The 100,000 year catalog is the most robust catalog, and is commonly used in property insurance rate making. The first analysis is based on a standard view of the hurricane risk. This analysis formed the bases of the prospective hurricane losses employed by the Bureau in its filing.

The second analysis incorporates the impact of warm sea surface temperatures (WSSTs) in the North Atlantic on hurricane activity. This analysis formed the basis of the analyses by Dr. Appel who has noted in his testimony that reinsurers price reinsurance for the forthcoming year based on the existence of warm sea surface temperatures. This comports with my understanding of what reinsurers do.

34. Q. What is a Monte Carlo simulation model and what are its uses?

A. Our approach was based on the Monte Carlo simulation method which is a generally accepted and frequently used mathematical technique. This technique has been used extensively in the fields of operations research, nuclear physics, insurance and many other fields. With the advent of powerful computers that enable many simulations to be run quickly and relatively cheaply, the uses for this technique have expanded greatly.

One of the first uses of a Monte Carlo simulation as a research tool was for work on the atomic bomb during World War II. With the advent of powerful computers, the uses for this technique expanded. Computer simulation models are particularly useful tools for the analysis of problems that involve solutions that are difficult to obtain analytically.

As one noted authority, Law and Kelton, has stated: "Most complex, real-world systems cannot be accurately described by a mathematical model which can be evaluated analytically. Thus, a simulation is often the only type of investigation possible." The natural hazard loss-producing system involving the analysis of potential hurricanes is one such system.

35. Q. What is a natural hazard simulation model?

A. A natural hazard simulation model is a model of the natural disaster "system." The primary variables are meteorological in nature. As to hurricanes, the AIR research team collects the available scientific data pertaining to the meteorological variables critical to the characterization of hurricanes and therefore to the simulation process.

These primary model variables include landfall location, central pressure, radius of maximum winds, gradient wind reduction factor, peak weighting factor, forward speed, and track direction. Data sources used in the development of the AIR hurricane model include the most complete databases available from various agencies of the National Weather Service, including the National Hurricane Center.

Based on a rigorous data analysis of the model variables of all past hurricanes in the data period, AIR researchers develop probability distributions for each of the variables, testing them for goodness-of-fit and robustness. The selection and subsequent refinement of these distributions are based not only on the expert application of standard statistical techniques, but also on well-established scientific principles and the latest scientific studies of how hurricanes behave.

These probability distributions are then used to produce a large catalog of simulated hurricane events. By sampling from the various probability distributions, the model generates simulated "years" of event activity. A simulated year in this context represents a hypothetical year of hurricane experience that could happen in the next hurricane season. The AIR model also allows for the possibility of no hurricane event or of multiple events occurring within a single year. That is, each simulated year may have zero, one, or multiple hurricanes, just as occurs in an actual year. Each of the 100,000 simulated years has an equal probability of occurrence.

By generating 100,000 of these scenario years, the model produces a complete and stable range of potential annual experience of tropical cyclone activity. The pattern and distribution of the simulated years is based upon the pattern of historical years because their derivation is based on a scientific extrapolation of actual historical data. The pattern and distribution represent the broad range of events that could occur in the next hurricane season in accordance with their likelihood of occurrence. Thus, the next season could have no storms affecting North Carolina or multiple storms affecting North Carolina. It could have a Category 1 storm or a rare Category 5 storm. The model simulates these events in proportion to their likelihood based on the underlying science and actual meteorological data as to historical hurricanes.

Once values for each of the important meteorological characteristics have been stochastically assigned, each simulated storm is propagated along its track. Peak wind speeds and wind duration are estimated for each geographical location affected by the storm. Based on peak winds and duration, damages are estimated at each location for different types of structures. Also, policy conditions are applied to estimate the insured losses resulting from each event.

As opposed to purely deterministic simulation models, probabilistic simulation models such as the AIR model enable the estimation of the complete probability distribution of losses from hurricanes. Based on this probability distribution, average annual hurricane losses are derived and provided to the Bureau in the form of loss costs.

36. Q. What are the meteorological data sources that underlie your model?

A. The following are key data sources that underlie the AIR model.

Source	Years of Data
Tropical Cyclone Data Tape for the North Atlantic Basin, HURDAT	1900-2010
NOAA Technical Memorandum NWS NHC-6	1851-2010
Monthly Weather Review	1900-2012
NWS-23	1900-1976
NWS-38	1900-1984
Neumann, Charles J., "Tropical Cyclones of the North Atlantic Ocean, 1871-1998." NCDC, NOAA	1900-1998
National Hurricane Center Preliminary Reports for Specific Hurricanes	1977-2006
National Land Cover Dataset	1999-2001
DeMaria Extended Best Track Dataset	1988-2008
NOAA/AOML/Hurricane Research Division GPS Dropsonde data	2002-2005
http://weather.unisys.com/hurricane/index.html	1900-2012

37. Q. Are all of these sources governmental reports?

A. All are except for the Monthly Weather Review, which is a peer-reviewed journal published by American Meteorological Society; the DeMaria Extended Best Track Dataset, which is an academic dataset maintained by researchers at the University of Colorado; and the Unisys web site which is maintained by Unisys Corporation.

38. Q. Are these sources all generally accepted and relied upon in the meteorological and insurance communities?

A. Yes.

39. Q. Has AIR provided a document that describes the technical aspects of the AIR hurricane model in detail?

A. Yes. Attached as Exhibit RB 6-C is a lengthy document entitled "AIR Hurricane Model for the United States." It explains technical aspects of the AIR model and is incorporated into my testimony.

40. Q. What steps were taken to assure that the meteorological data underlying the model were correctly input into the model?

A. When the meteorological and other data are input into the model, we consistently follow the policy of carefully cross-checking and verifying the numbers for accuracy. We continually review our model and the underlying meteorological data to make sure that the data have been input correctly. We also compare our model-generated data with the actual historical data to make sure that there is a close match. For example, we overlay maps of our simulated wind speeds on maps of the actual wind speeds for actual historical events.

For example, Exhibit RB-6D, pages 1, 2 and 3 consists of three representative maps where we have compared data from actual wind speed measurements of hurricanes that have affected North Carolina with the modeled-generated data to make sure that there is a close match. These maps show the actual wind observations and location points for Hurricanes Charley, Floyd, and Ophelia, overlaid on the modeled wind speed footprint of the same events. Charley made landfall in South Carolina as a Category 1 hurricane after passing through Florida as a Category 4 hurricane. Floyd made landfall in the Cape Fear area as a strong Category 2 storm. Ophelia never made landfall, but bypassed close enough to the North Carolina coast as a Category 1 hurricane to cause damaging winds onshore.

41. Q. Turning to basic meteorological concepts, how do hurricanes form?

A. Hurricanes form when warm ocean water evaporates, is further warmed by the sun, and rises to create a high, thick layer of humid air. This rising of warm, dense air creates an area of low pressure, known as a depression, near the ocean's surface. Surface winds converge to the area of low pressure and, due to the earth's Coriolis force, display a clear cyclonic pattern.

The inward rush of peripheral surface winds toward the central area of low pressure, the rise of warm humid air in the center, and the subsequent outflow away from the system at high altitude, combine to create a self-sustaining heat engine. The warmer the water temperature, the faster the air in the center of the system rises. The faster this air rises, the greater will be the difference between the surface air pressures inside and outside the vortex.

Air flows from areas of relative high pressure to areas of relative low pressure. The greater the difference between peripheral and central pressures, the faster the inflow. When sustained wind speeds reach 40 miles per hour, the depression reaches tropical storm status. When sustained wind speeds reach 74 miles per hour, the storm is designated a hurricane.

42. Q. What is meant by sustained wind speed?

A. The term sustained wind speed refers to the wind speed averaged over a given period of time, such as one or ten minutes, or an hour. Generally for the purpose of this testimony as to hurricanes, a one minute sustained wind speed is used, and surface wind speed is defined as the wind speed at 33 feet (10 meters) above ground. The speed of shorter period gusts or lulls may be considerably higher or lower than the sustained wind speed.

43. Q. What are the categories of hurricanes?

A. Under the Saffir-Simpson Hurricane Wind Scale, there are five categories of hurricanes. These categories are useful to the public in describing the general intensity of storms and in issuing warnings to the public, but they are not relevant to AIR's modeling, which generates a continuous distribution of wind speeds rather than placing hurricanes into categories. Under the Saffir-Simpson scale, hurricanes are categorized according to sustained wind speeds as follows:

Saffir-Simpson Hurricane Wind Scale

Category	Wind Speed (mph)
1	74-95
2	96-110
3	111-129
4	130-156
5	>156

These category definitions were changed by the National Hurricane Center prior to the 2012 hurricane season for ease of calculation between different measures of wind speed. Since modeling uses a continuous distribution, it has not been necessary that these changes in category definition be implemented in the event descriptions in AIR's stochastic catalog, and it should be noted again that the category designations have no bearing on the loss results produced by the model. They are used to categorize one parameter of hurricanes and ignore many more parameters that can also greatly impact the damage caused by hurricanes. Since Saffir-Simpson categories are simply a descriptor for the wind speeds of hurricanes, and there is no change to the underlying wind speeds in AIR's model that are modeled on a continuous distribution, there will be no change to estimated loss costs as a result of the NHC's change to the Saffir-Simpson Category definitions.

The name “hurricane” is commonly employed for tropical cyclones of certain strength in the Atlantic basin. Categories 3, 4 and 5 hurricanes are commonly called "major" hurricanes. It should be noted that various other names and labels are given to tropical cyclones of different intensities when they occur in different parts of the world. For instance, the term “typhoon” is often used in the Pacific basin, and the term “super-typhoon” is used for tropical cyclones that reach maximum sustained 1-minute surface winds of at least 249 km/h, which is the equivalent of a strong Category 4 or Category 5 hurricane in the Atlantic basin.

44. Q. How many hurricanes made landfall in the United States in the historical experience period?

A. A total of 183 hurricanes made landfall in the U.S. during the sample period of 111 years of hurricane experience (1900-2010). A single hurricane may comprise several landfalls. For example hurricane Donna in 1960 had three landfall points including one in North Carolina. When accounting for multiple landfalling events, there were 209 hurricane landfalls in the U.S. during the same period, 25 of which are North Carolina landfalls. By landfall point, I mean the latitude and longitude coordinates of the place where the center of the wind circulation of the hurricane (commonly called the eye) crossed from the ocean to land.

Due to significant advances in satellites and other observational methods, much more is known with certainty about storms in recent years than about storms that occurred many years ago. The tracks and intensities of older storms often have to be pieced together by researchers based on limited data points. Many years ago, there were relatively few locations that measured storm parameters such as wind speed and central pressure, and often the instruments were destroyed in powerful storms. From time to time, governmental and academic researchers have reexamined the underlying data as to past hurricanes. For instance, as part of an organized reanalysis of historical hurricane data performed by government and academic researchers several years ago, it was determined that additional hurricanes had made landfall in North Carolina during the period of 1900-2010, and these storms and their meteorological parameters were therefore added to AIR's historical data base. However, more recent storms like Hurricane Irene or Hurricane Sandy are not yet included in AIR's historical database, because they were not included in the HURDAT database as of August 15, 2011, upon which the current version of the model is based. These storms will be added to the model when more data becomes available as to these storms and the model is updated.

In addition to landfalling hurricanes, scientists have analyzed historical data on the storm tracks of "bypassing" events. In the context of the AIR model, a bypassing event is defined as a hurricane that does not make landfall but causes damaging winds over land. In other words, it is an event where the center of wind circulation does not cross over land but the outlying winds away from the center are strong enough over land to cause damage to structures. Because North Carolina juts out into the Atlantic, bypassing hurricanes are more frequent in North Carolina than many other states. Bypassing hurricanes are generally not counted in the number of landfalling hurricanes; however, hurricanes that make landfall in states other than North Carolina but are strong enough to cause damaging winds in North Carolina as bypassing storms are counted in the number of landfalling hurricanes in U.S.

45. Q. The model results in approximately 58,000 events causing loss in North Carolina during the 100,000 "years" simulated. Does that conform closely with historical meteorological data?

A. Yes. It is important to point out that this number consists of numerous different types of events, many of which are quite small in impact. A small number of those events are "major hurricanes" making landfall in North Carolina and causing significant losses in North Carolina. Historical examples of major hurricanes include Hurricane Hazel, which was a Category 4, and Hurricane Fran, which was a Category 3. Hurricane Floyd was also a large and memorable Category 2 even though it was not a "major" hurricane at landfall in North Carolina. A small number of the approximately 58,000 events are major hurricanes that make landfall elsewhere and then continue on to make an impact in North Carolina. An historical example of this type of event is Hugo, which hit Charleston as a Category 4 before continuing through North Carolina with weakened but still powerful winds. “Famous” historical storms such as Hazel, Fran, Hugo and Floyd caused large losses and deservedly receive a great deal of publicity, but they do not constitute a large percentage of the total number of storms causing loss in North Carolina.

The total number of storms causing loss in North Carolina is predominantly comprised of many other types of events, most of which are small in terms of losses. Some examples of the types of events that can impact North Carolina with relatively modest levels of loss include:

- Storms that make landfall in the Gulf of Mexico and travel north, typically through central or western North Carolina, resulting in minimal wind losses in those areas of North Carolina.
- Storms that make landfall in Florida, Georgia or South Carolina, continue inland and cause losses in various areas throughout North Carolina.
- Storms that make landfall in Florida, go back out to sea and make landfall in North Carolina.
- Storms that bypass North Carolina. These can be of several types. Some are bypassing storms that never make landfall anywhere in the United States. Others can be storms that bypass North Carolina and make landfall in Virginia, New England or some other location to the north of North Carolina. Still others can be storms that made landfall in a state to the south of North Carolina (often in Florida) and then travel north just off the coast of North Carolina.

These examples are not intended to represent the complete list of types of storms that could impact North Carolina, but rather are designed to show the diverse nature of events that result in losses in the state.

In addition, there have been numerous years in which multiple hurricanes caused losses in North Carolina. For instance, in 1955 three storms made a direct landfall in North Carolina, and in 2004 more than three storms made landfall in the Gulf of Mexico or Florida and caused losses in North Carolina as they moved north.

Exhibit RB-6E compares the historical frequency of events that made landfall in North Carolina, that made landfall outside North Carolina and impacted North Carolina inland and that bypassed North Carolina, with the corresponding frequency from the AIR modeled stochastic catalog. As can be seen, there is a close relationship between the model and the historical record, both for the entire period and for the period when warm sea surface temperatures have been in existence. As can be seen, the model simulates fewer hurricanes than have actually affected North Carolina in the historical record.

It is in the very nature of modeling that differences between the model and the historical record are expected. The nature of modeling is to take the limited number of data points in the historical record and apply accepted mathematical distributions to those data points in order to simulate thousands of equally likely events for the following year.

46. Q. What was the most intense hurricane to directly strike North Carolina during the period 1900-2013?

A. Hazel, a Category 4 hurricane, in 1954 was the most intense hurricane to hit North Carolina during this period from a meteorological standpoint. Several other strong hurricanes of intensity similar to Hazel were "near misses" during this period. Of course, North Carolina may experience much more severe storms than Hazel at some point in the future. Hazel was by no means the worst case scenario for the state, even though it was the worst storm during the period during which good records are available.

47. Q. How are bypassing storms handled in the AIR model?

A. As described above, bypassing storms are hurricanes which do not actually make landfall (i.e., where the center of the hurricane eye never actually comes on shore) but which come close enough to the coastline to cause damaging winds over land. For the purpose of categorization, those storms that are identified as North Carolina by-passers are ones that originate in the Atlantic basin and do not make landfall as hurricanes anywhere in the United States. They can, however, make landfall as tropical storms further north along the US coastline and still be counted as bypassing storms.

Recent changes to the AIR model reflect an increase in the number of bypassing storms that have been identified by government and academic researchers, based upon their continuing analysis and reanalysis of the storm frequency in the Atlantic basin. A recent example of a bypassing storm is Hurricane Earl in 2010. Earl had the potential to make a direct landfall in North Carolina. However, in 2010 the location and influence of the so-called “Bermuda High” caused many storm tracks, including Earl, to curve northward without making a landfall. Had conditions been different, Earl could have made a landfall and caused significant loss in North Carolina. There have been numerous other powerful bypassing storms that, if steering currents had been slightly different, could have made landfall in North Carolina and have caused significant losses.

Another example is Hurricane Helene in 1958. Helene was a strong Category 4 hurricane which came very close to making landfall in North Carolina but bypassed the coast. Even though it did not make landfall, it caused damage in some parts of the state in excess of that caused by Hazel four years earlier in those areas.

48. Q. Has AIR produced any comparisons of historical event frequencies to the frequencies that are incorporated in the model?

A. Yes, Exhibit RB-6F to this testimony compares the historical frequency by Saffir-Simpson category of events making landfall in North Carolina to the corresponding frequency from the modeled stochastic catalog. As stated earlier, AIR models a continuous distribution of hurricane wind speeds using a distribution that is based on the actual wind speeds of historical hurricanes, and this procedure does not depend on or employ assumptions as to the Saffir-Simpson categories of past or modeled storms. Analyzing storm data by first placing storms into certain categories and then measuring the number of storms in each such category is not a robust manner to review the validity of the model because the presence or absence of a single storm on the borderline between two categories could affect the review inappropriately; however, even by forcing storms into Saffir-Simpson categories, it can be seen that the AIR model conforms with history using that type of popularized analysis.

As stated above, it is the nature of modeling that the limited amount of historical data can be analyzed and, by the use of mathematical distributions, can be extended to create combinations and permutations that can and will occur but have not occurred in the past. For example, as can be seen from the small bar on Exhibit RB-6F for Category 5 storms, the model simulates a very small number of Category 5 storms even though there has never been a Category 5 storm to strike North Carolina in recorded history. This is appropriate. Scientists know that there is no meteorological reason and no reason in physics that a Category 5 storm cannot strike North Carolina, and there is a mathematical probability that one will strike someday. Academic and governmental sources confirm that a Category 5 storm can strike North Carolina. Accordingly, the model simulates such storms as extremely low probability events even though they have never occurred in the period of time for which consistent historical data has been collected.

49. Q. Are there any climatological factors influencing hurricane frequency and intensity in general and with respect to North Carolina in particular?

A. Yes. There are a number of climate “signals” that are correlated with mechanisms within the earth’s environment that impact hurricane activity in the Atlantic Basin. These include the Atlantic Multidecadal Oscillation (AMO), the El Nino Southern Oscillation (ENSO), the Quasi-Biennial Oscillation (QBO), and the North Atlantic Oscillation (NAO).

The AMO is the oscillation of sea surface temperatures in North Atlantic, which fluctuates over a period of several decades. We are currently in a period of warmer than average sea surface temperatures.

The ENSO is the oscillation of sea surface temperatures in the Eastern Pacific Ocean, which fluctuates over a period of approximately 2.5 to 7 years. “El Nino” conditions result in stronger than average wind shear over the Atlantic Ocean. Wind shear is detrimental to hurricane development. Wind shear is a measure of how much winds vary by height. High wind shear has the effect of preventing hurricane development by disrupting the structure of a tropical cyclone. In contrast to El Nino conditions, “La Nina” conditions are more conducive for hurricane formation due to lower wind shear over the Atlantic.

The QBO is the oscillation in wind directions over the tropics in the upper atmosphere, which fluctuates about every 2 years.

The NAO is the large scale oscillation in atmospheric pressure in the Atlantic Ocean between the subtropical high and the polar low pressure system. The NAO fluctuates over short periods of time, such as days, weeks, or months. The changing location of the high and low pressure systems over the Atlantic has different impacts on hurricane activity in the Atlantic basin. NAO movements can affect steering currents that direct hurricanes to various areas in the Atlantic basin. For instance, the location of the “Bermuda high” can have a significant effect on whether a storm makes landfall along the east coast of the United States.

In addition to these four climate signals, there is always variation in any given hurricane season. The random occurrence of factors such as sandstorms in West Africa, the timing of frontal systems coming across the northern United States and periodic fluctuations in jet stream activity that have been shown to impact the formation, development and landfall of hurricanes in states such as North Carolina.

50. Q. How are these factors incorporated into the AIR model?

A. The four climate signals and other factors are not explicitly accounted for in the standard 100,000 “year” hurricane catalog. The standard catalog is a catalog that is based on the past 111 years of historical hurricane activity which includes multiple observations of each of these climatological signals and oscillations. The 111 year period used in the Standard Catalog captures the effects of all of these factors.

As stated earlier, AIR has developed a WSST hurricane catalog which incorporates the impact of elevated sea surface temperatures (SSTs) in the North Atlantic on hurricane activity. Loss costs from this catalog are contained in Exhibit RB-6B.

A correlation has been drawn between sea surface temperature and hurricane activity in the Atlantic basin. There is an increased probability of hurricane activity during warm periods, and a decreased probability of hurricane activity during cool periods. This correlation is logical because it is known as a matter of physics that warm sea surface temperatures provide the necessary "fuel" for hurricanes. As with many meteorological matters, this correlation is subject to uncertainty and continues to be an area of active research. The WSST Catalog is created by adjusting the frequency and severity of the Standard Catalog based on historical periods of known above-average sea surface temperature.

Exhibit RB-6E shows how the frequency of events in years with warmer than average SSTs differs from the average frequency for the entire historical period in terms of hurricanes affecting North Carolina.

51. Q. Based on this information, what conclusions can be drawn about the probability of hurricane activity in the Atlantic basin in the coming years?

A. As noted above, we are currently in a period of above-average sea surface temperatures. If the warmer than average sea surface temperatures persist into the coming years, the Atlantic hurricane activity is likely to be elevated. While the other three cycles might oscillate to result in either an increased or decreased level of hurricane activity from one season to the next, and while other factors may increase or decrease activity in given years, the SST varies over a much longer period of time and thus results in an overall increased probability of hurricane activity in North Carolina in the coming years.

52. Q. Is the AIR modeling methodology a sound and appropriate method of projecting the prospective hurricane losses used in the filing for homeowners insurance in North Carolina?

A. Yes. AIR's simulation methodology is based on mathematical/statistical models that are derived from and that represent real-world systems. The methodology is founded in and consistent with documented science. As with all models, these representations are not exact; however, simulation methodology is the best available technique for estimating potential hurricane losses and is far superior to referencing actual dollars of losses paid by insurance companies following hurricanes, whether recently or many years ago. The best approach is to consider the longest period of consistently maintained and reported meteorological data available and to use that data to establish the range and probability distributions of events that could occur. That is what AIR's model does for 100,000 iterations, and the results are averaged for the determination of loss costs used by the Bureau.

AIR's standard hurricane catalog incorporates data beginning in 1900, which AIR scientists have concluded is the best and longest period of consistent and reliable data available. While some data is maintained on hurricanes that have occurred prior to 1900, the data is not of the consistency and quality of data following that date.

AIR's analyses using the standard catalog produces the long run average hurricane loss costs for the modeled exposure set. AIR's WSST hurricane catalog also incorporates the best and longest period of data available, with modifiers applied to account for the impact of elevated sea surface temperatures on hurricane activity. The differences in historical hurricane data between periods of warm and cold sea surface temperatures are reflected in the WSST catalog. Analyses using the WSST catalog also yield the average hurricane loss costs, assuming the continuation of elevated sea surface temperatures.

53. Q. What is the sequence in which the AIR model simulates hurricanes affecting the U.S. and North Carolina?

A. For each simulated year, the model first determines the number of landfalls that occur during that year. This frequency variable is based upon and reflects the historical pattern and probability of hurricanes over the long term. In those years in which a landfall occurs, the landfall location is generated using a probability distribution for landfall location. This landfall location also is based upon and reflects the historical probability of landfall locations.

Having simulated the location, values for landfall angle, forward speed, central pressure, radius of maximum wind, gradient wind reduction factor, and peak weighting factor are generated using probability distributions derived from historical data and meteorological knowledge. As a hurricane moves from its landfall location, its track is simulated using probability distributions derived from historical data and meteorological knowledge. This is done by using a Markov procedure with transition probabilities estimated using historical data.

54. Q. How is hurricane frequency modeled?

A. The model uses a negative binomial distribution to generate the number of hurricane landfalls per year. Actual historical data from 1900-2010 is compared to the modeled distribution for the entire Gulf and East Coasts. The modeled distribution fits the historical data very closely. The average number of hurricanes per year making landfall in the U.S. is 1.65. However, considering that a storm may make more than one landfall, the average number of hurricane landfalls is 1.88. Since the negative binomial distribution models individual landfalls, it has a mean of 1.88, reflecting the historical average of hurricane landfalls.

As discussed above, Exhibit RB-6E to this testimony shows comparisons of AIR's modeled event frequency to the corresponding frequency from the historical record for North Carolina.

55. Q. How is landfall location modeled?

A. For the United States, there are 62 potential landfall segments each representing 50 nautical miles of smoothed shoreline along the Gulf and East Coasts, including the Florida Keys. A cumulative distribution of landfall locations within each coastal boundary segment is used to estimate the probability of a hurricane landfall occurring at a point along a segment. Once a segment is chosen in accordance with its probability, the landfall location within that segment is drawn at random from a uniform distribution along that segment; that is, a storm can make landfall anywhere on that segment with equal probability.

56. Q. How is hurricane severity modeled?

A. The AIR hurricane model generates values for the severity variables based on historical meteorological data. There are seven primary variables which account for hurricane severity. These variables are: the minimum central pressure, the gradient wind reduction factor, the peak weighting factor, the radius of maximum winds, the forward speed, the angle at which the storm enters the coast and the track of the storm once on shore. The most recent version of the model reflects new scientific findings as to these variables.

57. Q. What is the central pressure variable?

A. Central pressure is defined as the minimum atmospheric pressure measured in a hurricane. The central pressure distribution is based on the historical database and is determined for each 100-nautical-mile coastline segment, as well as for larger regional segments.

Exhibit RB-6G shows a comparison of the modeled central pressure values in AIR's stochastic catalog to the same values in the historical catalog for events which make landfall in North Carolina.

There is good agreement for the mean central pressure at landfall. The mean central pressure for North Carolina landfalls is 968.5Mb, which falls within the 95% confidence interval based on the historical record. The 95% confidence interval is a range of values in which we can be 95% sure that the true mean lies, based on the observed historical data. The fact that the modeled mean lies within this range means that there is no statistical reason to suspect that the modeled mean is not the true mean.

58. Q. What is meant by the radius of maximum winds?

A. The radius of maximum winds (Rmax) is the radial distance from the storm's center, or center of the eye, to the location in the eye wall where the highest cyclonic wind speeds occur. The radius distribution is based on the historical database and is dependent on the central pressure of the storm. The radius of maximum winds also varies after landfall, in accordance with values in the historical data.

There is uncertainty in the historical data since this storm parameter is a difficult parameter to measure. This was particularly true for storms that made landfall during the first half of the 20th century, before reconnaissance flight data or high-resolution radar data become available. The model is based on widely accepted Rmax values and distributions in the scientific literature.

59. Q. What are the gradient wind reduction and peak weighting factors?

A. These two factors are used to translate the flight-level winds to the land surface. The wind speed of a hurricane varies both with the lateral distance from the eye and the vertical distance from the land surface to the flight level. The gradient wind reduction factor varies by distance from the eye of the storm and translates the flight-level winds horizontally to the land surface where buildings are affected by hurricane winds. The peak weighting factor also adjusts the gradient wind reduction factor for the vertical slant in the hurricane eye. These two factors are generated jointly for each modeled storm based on algorithms founded in historical data and accepted meteorological principles.

60. Q. What is forward speed?

A. Forward speed is the speed at which the center of a hurricane moves from point to point along its track. In general, hurricanes pick up speed as they move further north in latitude. The forward speed distribution is based on the historical database of forward speeds at landfall and is determined for each 100-nautical-mile segment

Exhibit RB-6H shows a comparison of the modeled forward speed values in AIR's stochastic catalog to the same values in the historical catalog for events which make landfall in North Carolina.

There is good agreement for the different bands of forward speed at landfall, and in fact the mean forward speed for North Carolina landfalls is 16.2 mph, which falls within the 95% confidence interval based on the historical record. The 95% confidence interval is a range of values in which we can be 95% sure that the true mean lies, based on the observed historical data. The fact that the modeled mean lies within this range means that there is no statistical reason to suspect that the modeled mean is not the true mean.

61. Q. Does the combination of forward speed and wind speed affect the damage caused by a given hurricane?

A. Yes, this is what is referred to as the "asymmetrical effect" of hurricane winds. Hurricane winds move in a counter clockwise direction around the eye of the hurricane, which means that winds on the right side of the hurricane are moving with the forward direction of the storm, thereby combining to create higher wind speeds at locations on the right side of the hurricane. Conversely, the wind speed at any given location on the left side of the storm is reduced by the combined effect of the hurricanes rotational winds being offset by the translational winds. The faster the forward speed of the hurricane, the greater are the effects of this asymmetry. Also, the faster the forward speed, the less time that damaging winds affect a given location.

62. Q. What is the track angle at landfall?

A. Track angle at landfall is the angle between track direction and due north at landfall location. Track angles at landfall in the model reflect the underlying meteorological data.

63. Q. What is the storm track?

A. Storm track is the path the hurricane takes. AIR has developed a procedure to simulate storm tracks, which is described in more detail under question 70 below This procedure allows the tracks to curve and re-curve in the same way and to the same extent that actual historical storms do.

64. Q. Does the latitude of the hurricane make a difference?

A. Yes. Hurricane intensity and frequency vary by latitude. In general, as latitude increases, average hurricane intensity decreases, and we model this effect accordingly. In general, water tends to be cooler in higher latitudes. When a hurricane moves over cooler waters, its primary source of energy (latent heat from warm water vapor) is reduced so that the intensity of circulation decreases, in the absence of outside forces. For this reason, the parameters of the severity variable probability distributions were estimated separately for each of the thirty-one 100-mile coastal segments using state-of-the-art statistical techniques combined with published scientific information. The result is that the model reflects the historical data that hurricanes tend to lose some of their intensity as they move north. Likewise, the model reflects the historical data that hurricanes tend to have higher land speed as they move north.

65. Q. How does the AIR model generate values for the distribution of hurricane central pressures?

A. The AIR hurricane model utilizes central pressure as the primary hurricane intensity variable. Based on the historical data, Weibull distributions are employed so that the parameters are estimated for each of the thirty-one 100-nautical-mile coastal segments, as well as for larger regional segments, with the final distribution being a mixture of the two. The Weibull form was selected based on "goodness-of-fit" tests with actual historical data. The use of the Weibull distribution for storm central pressure is documented in and supported by the scientific literature.

As discussed earlier, Exhibit RB-6G shows a comparison of the modeled central pressure values in AIR's stochastic catalog to the same values in the historical catalog for events which make landfall in North Carolina.

66. Q. How does the AIR model generate values for the radius of maximum winds?

A. The radius of maximum wind (Rmax) is simulated using a regression model that relates the mean radius to central pressure and latitude. The deviations from the mean in this model are simulated from a Normal distribution. The parameters are estimated using the least squares method, and standard diagnostic tests are used to evaluate the adequacy of the fit. The resulting values are bounded based on central pressure to produce a final distribution for the radius. The radius of maximum wind also varies after landfall, following an autoregressive model.

The model is based on Rmax values and distributions that are widely accepted in the scientific literature.

67. Q. How does the AIR model generate values for the gradient wind reduction factor and the peak weighting factor?

A. The model computes the maximum wind speed at upper levels and then adjusts this wind speed to the surface level (10 meters) via a conversion factor. This factor, called the gradient wind reduction factor, represents a model parameter which varies stochastically by storm. For a particular storm it varies by location as a function of the central pressure and distance from Rmax. The peak weighting factor adjusts the gradient wind reduction factor to reflect the vertical slant in the hurricane eye. The peak weighting factor and gradient wind reduction factor are generated jointly using a bounded bivariate normal distribution. These factors are based on accepted meteorological studies and principles.

68. Q. How does the AIR model generate values for forward speed?

A. Probability distributions are estimated for forward speed for each 100-nautical-mile segment of coastline with bounds based on the historical record. Separate distributions are estimated for each of these segments to capture the dependence of this variable upon geographical location, particularly latitude. Based on the historical record, forward speed varies after landfall according to an autoregressive model. The bounds on forward speed are latitude dependent; i.e., storms tend to pick up speed the further north they travel.

As discussed earlier, Exhibit RB-6H shows a comparison between the modeled forward speed values in AIR's stochastic catalog and the same values in the historical catalog for events which make landfall in North Carolina.

69. Q. How does the AIR model generate values for track angle at landfall?

A. Separate distributions are used for different 50-nautical-mile coastal segments to allow for variation in the coastal orientation of each segment. In the historical record, certain coastal segments seem to be characterized by bimodal track angles. To preserve consistency with the historical distribution, the track angle at landfall is modeled using a mixture of two normal distributions. That is, the track angle at landfall is drawn from the first normal distribution with probability p, or it is drawn from the second normal distribution with probability 1-p. The final distributions are bounded based on the historical record, the coastline orientation, geographical constraints, and meteorological expertise.

70. Q. How does the AIR model generate values for storm tracks?

A. Storm tracks are generated by successively drawing track direction and forward speed. AIR uses a Markov chain model with estimated transition matrices to simulate track direction. Our scientists have analyzed historical data on the tracks of more than 1,000 Atlantic tropical cyclones, both those that made landfall and those that did not. Using this data, AIR has created transition matrices from which successive track directions are generated. There are 16 primary directional probabilities. Within each primary direction there is a uniform, continuous probability distribution, resulting in an infinite number of potential track directions. For each of 16 directional probabilities of storm arrival, these matrices specify the probability of a directional change at each time step. Having determined the new track direction, the next track point is determined by drawing forward speed using a procedure that incorporates time series dependence between successive drawings. The methodology produces realistic tracks that represent the full range of diverse storm tracks that have been observed historically across the Atlantic basin and the U.S. mainland in accordance with their historical probability.

In older versions of the AIR hurricane model, storms were terminated after the tracks evolved for 24 hours after making U.S. landfall. In Version 12 of the model and newer versions, including Version 14.0.1, each storm is terminated only when its wind speed along the path decreases to below 40 mph. The number of storms causing loss in North Carolina has therefore increased because of this change, but the potential for damage is more appropriately reflected than before. The dollar value of losses associated with this increased event persistence is not great.

It is also the case that a single landfalling hurricane may produce multiple landfalls or subsequent bypasses. A number of historical storms that have affected North Carolina fall into these categories. Since the AIR model follows each simulated hurricane from inception until dissipation, multiple landfalls and bypassing hurricanes are included in the simulation. The simulated frequency of these events is consistent with their historical frequency by coastal region.

71. Q. How does the AIR model calculate maximum wind speeds?

A. Once values are obtained for all of the severity variables, the maximum sustained wind speed is calculated using generally accepted meteorological formulas. For each simulated event, the model simulates the storm’s movement along its track. A complete time profile of wind speeds is developed for each location affected by the storm, thus capturing the effect of duration of wind on structures, as well as the effect of peak wind speed. Calculations of local intensity also take into account the effects of the asymmetric nature of the hurricane windfield, the effects of the storm "filling" or dissipating in intensity over land, the directional effects of surface friction, the gustiness effects of surface friction, the effect of wave height on wind speed, and the relative wind speeds as the distance from the radius of maximum winds increases.

In AIR's continuing effort to reflect scientific advancements, recent versions of the model much more accurately reflect these factors. For instance, Version14.0.1 explicitly computes the effects of land cover on windspeed by wind direction. In previous versions (prior to version 12), the model assumed an average land cover and an average frictional effect, but as a result of the ability to geocode actual land cover characteristics, the model is now much more precise. Thus, less deterioration of wind speeds occurs to storms that make landfall in areas that have nearby low dunes or sounds and other bodies of water, as opposed to areas that have tall trees, hilly or mountainous terrain, or tall buildings. This change means that the model now more accurately reflects the deterioration of storms in various locations in North Carolina based on the actual land cover in those locations.

As mentioned previously, Exhibit RB-6D shows the actual wind observations for Hurricanes Charley, Floyd, and Ophelia, which each affected North Carolina, overlaid on the modeled wind speed footprint of the same events. Hurricane Irene is not included in this exhibit because it is not included in the HURDAT database as of August 2011, and is not yet included in AIR's historical catalog.

Additionally, Exhibit RB-6I shows a comparison of the modeled maximum wind speed values at landfall in AIR's stochastic catalog to the same values in the historical catalog for events which make landfall in North Carolina.

There is good agreement for the different bands of maximum wind speed at landfall, and in fact the mean maximum wind speed for North Carolina landfalls is 96.0 mph, which falls within the 95% confidence interval based on the historical record. The 95% confidence interval is a range of values in which we can be 95% sure that the true mean lies, based on the observed historical data. The fact that the modeled mean lies within this range means that there is no statistical reason to suspect that the modeled mean is not the true mean.

72. Q. You have explained how the AIR model generates values determining the frequency and severity of hurricanes. Now please explain how insured damages are computed?

A. AIR scientists and engineers have developed mathematical functions, called damageability relationships, which describe the interaction between buildings (both their structural and nonstructural components as well as their contents) and the local wind intensity to which they are exposed. Damageability functions have also been developed for estimating time element losses (generally, coverage for loss of use which requires the owner to rent elsewhere). These functions relate the mean damage level as well as the variability of damage to the measure of storm intensity at each location. Because different structural types (ex. frame or masonry) will experience different degrees of damage, the damageability relationships vary according to construction materials and occupancy. The AIR model estimates a complete distribution around the mean level of damage at a given intensity and structural type, and from there the model constructs an entire family of probability distributions. Losses are calculated by applying the appropriate damage function to the replacement value of the insured property.

The AIR damageability relationships incorporate the results of well-documented engineering studies, tests, and structural calculations. AIR employs a team of nine engineers who continually survey the engineering literature and state and/or regional building codes and other sources as to wind engineering. They also consult with other experienced engineers to verify our damage functions, and if necessary, they refine these relationships.

AIR engineers perform post-disaster field surveys and analyses for all U.S. landfalling hurricanes. Additionally, AIR has analyzed billions of dollars of actual insurance claims data from hurricanes in order to validate damageability relationships in the model. The loss information is typically reviewed in numerous manners, including by zip code, coverage and construction.

73. Q. How often has the AIR model been updated and refined since it was originally created?

A. The AIR hurricane model was first developed in 1985. Since that time the model has typically been updated in each year. In some years, routine matters such as the zip code database are the only updates performed. On such occasions, for each new zip code centroid, the following are re-estimated: distance from coastline, elevation, surface terrain, and any other special topographical features.

In other years there can be a large number of model updates. As new data and research about hurricanes become available, such information is also added to the model. The probability distributions for all of the meteorological variables have been re-computed approximately every two or three years to reflect additional years of new hurricane experience. Damageability relationships have been continually reviewed and validated as actual hurricanes have occurred and new loss data has become available.

Other revisions to the model represent one-time refinements to various model components, and these typically are undertaken when significant new data or research becomes available. AIR prides itself on keeping up with the newest developments of science.

During the period of 2009-2010 there was a major and comprehensive update of many components of the model to reflect significant new data and research. These updates were implemented into Version 12 and carried through the newer model versions, including Version 14.0.1. Some of these updates are described in detail throughout this testimony. The 2011-2013 update to Version 14.0.1 represents the most recent of the ongoing model update efforts. Over the years these efforts brought about some significant improvements to the model and its output. As will be discussed below, these changes were extensively thought out, peer reviewed and validated.

74. Q. Has the AIR model been independently peer reviewed?

A. Yes, it has been extensively peer reviewed by independent scientists since it was first created in 1985, and it has been subject to periodic peer review thereafter. Independent reviews of the model have been conducted by many experts in multiple fields, including meteorology, engineering, computer science, insurance, statistics, and finance. As a result of this review and scrutiny, it is correct to state that the AIR hurricane model has been extensively vetted by independent, outside parties as well as AIR's own technical staff.

Meteorological components of the model were reviewed in 1986, 1994, 2009 and 2010. The derivation and application of vulnerability functions used in the model have undergone independent review for each of the past ten years, particularly following hurricane loss reports becoming available after analysis of each hurricane. Computer science reviews have been conducted in 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2010 and 2012 to validate that AIR's modeling software complies with the standards of the Florida Commission on Hurricane Loss Projection Methodology.

75. Q. Please describe the peer review process.

A. As described below, over many years, the AIR model has undergone extensive external review by independent scientists, and it has been examined in scientific literature. It has also been reviewed in depth by independent rating agencies and regulators.

The following are independent peer reviews that have been performed, broken down by the components of the AIR model. As will be noted, peer reviews were particularly extensive as to the 2009-2010 changes that are reflected in this filing.

Meteorology – In 2010 the meteorology component of the model was extensively reviewed by three meteorologists, Dr. Kerry Emanuel, Dr. Peter Black, and Dr. Robb Contreras.

Dr. Black has spent over 40 years conducting hurricane research at NOAA's Hurricane Research Division as a research meteorologist using observations provided by aircraft and satellite platforms. Among many other accomplishments, Dr. Black has been a lead project scientist on various NOAA research aircraft, involving over 400 hurricane eye penetrations in 300 hurricane flights. He has been responsible for conducting investigations of the hurricane boundary layer structure, ocean response to a hurricane, microwave remote sensing of surface winds, hurricane convective clusters, and most recently, hurricane air-sea interaction processes.

Dr. Contreras has spent over sixteen years doing research in academic departments such as the University of Massachusetts, Amherst, the University of Washington, Seattle and UC San Diego. Recently Dr. Contreras has worked as a scientist to implement physical models of signatures, environments, and sensors based on first principles. He has developed physics-based algorithms for robust detection and tracking.

Dr. Kerry A. Emanuel has been a professor at the Massachusetts Institute of Technology since 1997 in both the Program in Atmospheres, Oceans, and Climate and the Center for Meteorology and Physical Oceanography, where he was also the director for eight years. Dr. Emanuel has received numerous awards including The Carl-Gustaf Rossby Research Medal and the Louis J. Battan Author's Award, from the American Meteorological Society in 2007.

The WSST catalog generation process has also been reviewed by well-respected meteorological experts. The research used to develop the WSST catalog was peer reviewed and published in the American Meteorological Society’s *Journal of Applied Meteorology and Climatology*. In 2010 the WSST catalog generation process was also reviewed by Dr. Kerry Emanuel of MIT, Dr. James Elsner of Florida State University, and Dr. Timothy Hall of the NASA Goddard Institute for Space Studies.

Vulnerability - The vulnerability functions have been reviewed by Dr. Joseph Minor, P.E. in 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008 and 2009, by Dr. Marc Levitan in 2009 and by Dr. Carol Friedland in 2009 and 2013.

Dr. Friedland has been engaged in wind and hurricane engineering research, practice, and education for over nine years and in civil engineering and construction for over fourteen years. She is an Assistant Professor in the Department of Construction Management and

Industrial Engineering at Louisiana State University. She has been a registered professional engineer since 2003. She has studied wind and hurricane effects on buildings and structures through structural analysis and post-storm investigations. Recent field investigations include documenting performance of buildings and other structures after Hurricanes Isaac, Gustav, Ike, Katrina, and Ivan and the April 2011 tornado outbreaks in Alabama and Mississippi.

Dr. Marc Levitan has been actively engaged in wind and hurricane engineering research, practice, and education for over 27 years. He is currently leading research and development to improve model codes, standards, design guidance, and practices for the construction and rehabilitation of buildings, structures, and lifelines at the National Institute of Standards and Technology. At the time of his review of the model, he was an Associate Professor in the Department of Civil and Environmental Engineering at Louisiana State University. He was the driving force behind the creation of the LSU Hurricane Center. Under his direction for a period of 10 years, that Center became one of the premiere interdisciplinary research facilities, addressing hurricanes and other natural hazards and their impacts on the natural, built, and human environments. He has provided national leadership through: chairing national technical and policy committees; chairing national and international conferences and workshops; serving as President of the American Association for Wind Engineering, and testifying a number of times before Congress and in state legislatures on topics related to wind and hurricane hazards and mitigation. He has several dozen publications in journals, conference proceedings, and other venues.

Computer Science - The software engineering components of the model have undergone independent peer review by Dr. Mark Wolfskehl in 2002, Dr. John Kam in 2003, 2004 and 2005, and by Narges Pourghasemi in 2006, 2007, 2008, 2010 and 2012.

Ms. Pourghasemi has been an independent software consultant for over eight years. She has extensive experience in software engineering, development and testing.

Actuarial - The model underwent an actuarial review in 2010 and 2012 by John Rollins, FCAS, MAAA.

Mr. Rollins is an experienced property-casualty actuary. His qualifications include over twenty-two years of property and casualty insurance experience in a variety of positions including a leading catastrophe modeling firm, Florida property insurers, Florida residual market property insurers, global consulting and software firms, and advisory organizations. He has the highest actuarial qualifications, and has extensive authorship and speaking experience.

76. Q. What are examples of outside reviews that have been performed on behalf of independent third parties?

A. One significant example is the testing conducted by four bond rating agencies in 1996 and 1997 in conjunction with their rating of the USAA catastrophe bond. Those agencies were Duff & Phelps, Fitch, Moody's and Standard & Poor's. Their review was particularly extensive because the USAA catastrophe bond was the first such bond to be assigned a corporate bond rating by all four agencies. The probabilistic estimates derived from the AIR hurricane model formed the primary basis for the assigned ratings.

Over a period of 18 months, AIR staff met with employees and consultants hired by the rating agencies representing many fields, including insurance, statistics, meteorology and finance, to explain the AIR hurricane model in extensive detail. In addition, a number of sensitivity analyses and stress tests were performed at the request of the rating agencies during this period of time.

These tests, performed by outside experts whose primary interest was the protection of prospective investors, confirmed the robustness of the AIR model. Moody's wrote: "Moody's did not simply accept AIR's modeling results at face value. Rather, we followed an examination and calibration procedure, aiming to provide Moody's with a high degree of confidence in the reliability and stability of the simulation results."

Similarly, Fitch wrote in approving the model: "Fitch evaluated the underlying technical integrity of the AIR model on the basis of model specification and model structure."

Due to the first-time nature of such a large catastrophe bond issuance, the rating agencies very carefully scrutinized model assumptions, data, and methodology. These rating agencies have continued their scrutiny of the model in the course of subsequent catastrophe bond transactions, including every property catastrophe bond transaction that came to market in 2011 and 2012 and every property catastrophe bond transaction that has come to market so far in 2013.

77. Q. What information does AIR provide outside reviewers about its methodology?

A. In the review of the AIR model in 1996 and 1997 by the bond rating agencies, review took place as to the probability distributions used in the model and the estimation methods employed to fit the parameters of those distributions. Also the consultants employed by the bond rating agencies reviewed the mathematical functions used in the model to estimate the interactions between simulated storm parameters. For the validation testing and sensitivity analysis, the rating agencies reviewed model output under various distributional assumptions.

For the meteorology peer reviews in 2010, we provided Dr. Emmanuel, Dr. Black and Dr. Contreras the data sources, the references of data and the published research used, as well as detailed explanations of the actual implementation which AIR scientists used to develop and/or update the model. The review was conducted iteratively so that suggestions and feedback from the peer reviewers early on was incorporated in subsequent model updates.

For their review of the vulnerability component of the model in 2010 and 2012, Dr. Friedland and Dr. Levitan were provided the Florida Commission vulnerability standard submissions and comprehensive detail on all changes to the vulnerability component of the model. The peer review team conducted an extensive review of the damage functions and research used in the development of those functions.

The computer science peer reviewers were provided information on the software development and testing processes, including insights into the software and underlying code to ensure that the software complies with the software standards and requirements established by the Florida Commission, as well as current industry-standard software engineering practices.

AIR provided the 2010 and 2011 actuarial peer reviewer with model software, input data, output files, and work papers used in assembling the response document and forms for the Florida Commission. The review proceeded step by step based on these items.

78. Q. You have mentioned on several occasions that the AIR model has been reviewed by the Florida Commission. Please describe what that Commission is and what AIR has done in connection with that Commission.

A. The Florida Commission was established in 1995 by the Florida legislature with the mission to “assess the effectiveness of various methodologies that have the potential for improving the accuracy of projecting insured Florida losses resulting from hurricanes and to adopt findings regarding the accuracy or reliability of these methodologies for use in residential rate filings.” The Commission has established 37 standards that need to be met before a catastrophe model is acceptable for ratemaking purposes in the state of Florida. The AIR hurricane model was the only model approved under the original standards in 1996, and it has consistently been approved under the standards in every subsequent year. Once approved, the model can be used in rate filings in Florida.

In addition, AIR has been working with insurance departments in other states for a number of years in meeting their informational requirements in connection with rate reviews and solvency reviews. No other state legislature has elected to set up and fund a commission that does a comprehensive ongoing review of models as exists in Florida, but it appears that many other states in the hurricane prone southeast rely upon the extensive review and approval process performed in Florida. Some states have performed less extensive and more piecemeal or informal examinations of the AIR model. For instance, representatives of the North Carolina Insurance Department have visited AIR at its headquarters in Boston on several occasions. AIR provided information to a consulting meteorologist retained by the North Carolina Department who visited AIR in Boston in 1993. On two subsequent occasions actuaries from the North Carolina Department traveled to AIR's offices in Boston for a review of the model. Also, AIR responded to numerous questions and provided extensive information to a professor of mathematics from North Carolina State University who was hired by the North Carolina Department to review AIR's methodology. He reviewed the distributions and algorithms underlying AIR's model and how they conformed with historical data and published literature.

79. Q. What sorts of scientists and specialists comprise the Florida Commission's professional team?

A. The Florida Commission's professional team includes two persons from each of the following professions: actuary, computer scientist, statistician, structural engineer, and meteorologist. In each area the Florida Commission requires extensive documentation and explanation of the AIR model prior to approval. It is a very time consuming and expensive undertaking for AIR, but the AIR model has always been approved.

It is important to reiterate that the same model that is certified in Florida is used in North Carolina. Over the years, the Bureau has specifically requested AIR to use model versions that have been approved by the Florida Commission. The loss costs modeled by the model are naturally much lower for North Carolina than for Florida because of the greater level of hazard that Florida is exposed to relative to North Carolina.

80. Q. Does AIR have staff meteorologists, wind engineers, actuaries and software engineers?

A. Yes, as discussed above, AIR has numerous staff meteorologists, wind engineers, actuaries and software engineers.

81. Q. In addition to the outside validation of modeling that you have just described, do AIR's staff scientists internally validate the model on a continuing basis?

A. Yes. AIR scientists and engineers validate the model at every stage of development. We compare model results with actual data from historical events. We ascertain that the simulated event characteristics parallel patterns observed in the historical record and that resulting loss estimates correspond closely to actual claims data provided by clients. Internal peer review is a standard operating procedure and is conducted by the AIR professional staff of scientists and engineers

82. Q. You have described the extensive external and internal review that occurred in the period 2009-2012. Please describe how that review, as well as new data and science led to improvements in the model over what had been available in older Bureau filings.

A. First let me reiterate that the Bureau has specified that AIR use the latest available version of the hurricane model approved by the Florida Commission, and AIR has done so. AIR employs a numbering system to identify different versions of the hurricane model, and it is useful to identify which version of the model was used in older filings. In the 2008 homeowners filing, version 9 of CLASIC/2 and the AIR US Hurricane Model was the latest available version. In the 2012 homeowners filing, version 13 of CLASIC/2 and version 12 of the AIR US Hurricane Model was the latest available version and was used. It incorporated numerous updates that had been made as a result of the extensive external and internal review process that has been described. The current filing uses version 15 of CLASIC/2 and version 14.0.1 of the AIR US Hurricane Model. The main updates to the AIR US Hurricane Model since 2007 are detailed below:

2007 (updates incorporated into version 9):

- Updates to the historical storm set to include storms through 2006
- Revision of the bounds on the distribution governing central pressure in the northeast
- Refinements to the distributions governing the day of hurricane landfall
- Refinements to the damage functions for residential contents
- Updates to secondary risk modifiers for pool enclosures, based on claims data
- Enhancements to the business interruption damage function
- Updates to the demand surge function
- Update to the WSST catalog

2008 (updates incorporated into version 10):

- Updates to ZIP Code databases and population-weighted centroids
- Updates to the historical storm set to incorporate track information from hurricanes through 2007

- Updates to the stochastic catalog, including annual frequency, landfall location and intensity probability distributions.
- Refinements to the inland decay functions

2009 (updates incorporated into version 11):

- Updates to ZIP Code databases and population-weighted centroids
- Updates to the historical storm set to incorporate track information from hurricanes through 2008 for Florida and adjacent states

2010 (incorporated into version 12):

- Significantly more precise risk differentiation based on Geography, Construction, Occupancy, Year Built
- Basin-wide Catalog enables more accurate loss estimates for portfolios spanning over multiple countries
- Model domain includes 29 states to provide complete coverage of inland risk
- Updates to Rmax estimation and addition of Rmax Evolution based on High Resolution Radar Imagery
- Explicit modeling of the influence of wave action on surface roughness
- Refinements in vulnerability relationships and explicit modeling of the evolution of Building Codes

2013 (updates incorporated into version 14.0.1):

- Updates to the Stochastic Catalog based on HURDAT and NOAA Databases valid as of August 2011, which include data from 1900 through 2010

83. Q. Could you please explain in more detail the changes to the wind field and vulnerability components of the model?

A. Recent research in atmospheric science has enabled wind modeling with unprecedented fidelity and accuracy. Improved knowledge of the full 4-D structure of hurricanes – from the temporal evolution of the storm footprint, to the radial wind profile, to the vertical relationship between winds aloft and winds at the surface – was in 2010 integrated into the model to more accurately estimate wind speeds and their distribution.

On the engineering front, the 2010 updates to the model reflect new findings from recent loss experience data, wind engineering studies and damage surveys. The model incorporates the results of a new and exhaustive analysis of the evolution and enforcement of building codes across all states including North Carolina and their impact (as a continuous function of time after the 1990s) on the existing building inventory.

The additional level of detail in both the hazard and vulnerability components of the model enables better differentiation between risks. This differentiation applies to both the location and the structural attributes of properties.

84. Q. With respect to updates to the model that are reflected in –Model Versions 12 and newer, including Version 14.0.1, which is used in this filing, please explain the general effects of those updates on prospective loss costs used in the filing.

A. Different updates had different effects. Also, some of the updates happened to coincide with a period when the Bureau was able to provide more detailed exposure data to AIR for modeling purposes. The combined effect was that loss costs are now more accurately modeled than ever before as a result of these changes. In this connection, let me describe AIR's motivation as to the peer review and resulting updates. The AIR hurricane model has long been considered the industry standard, and AIR desires to maintain that position. To maintain that position, the model must reflect the latest science and engineering research, and take into account recent loss experience.

Over the years leading up to the substantial peer review described above, numerous scientific studies of hurricanes as well as additional and more detailed claims and exposure data became available, and a number of scientific studies of hurricanes had advanced the knowledge of hurricanes significantly in the preceding several years. AIR therefore decided to incorporate those scientific advances in the hurricane model.

We also decided that because so many changes were being considered, we should have the changes peer reviewed by independent experts. A good deal of that peer review has been described earlier in my testimony. Naturally, changes to the model can affect loss costs in different directions. Some of the changes that may have affected loss costs in North Carolina include the following:

- Updates to ZIP Code databases and population-weighted centroids. These updates did not in and of themselves cause significant changes in loss costs in North Carolina, but it should be noted that only in recent years was the Bureau able to provide exposure data by zip code to AIR. Previously, assumptions had to be made as to where houses were located within territories based on AIR's data base. The use of actual exposure data by zip code significantly improved the precision of AIR loss costs. Those loss costs are now more accurate than could be modeled in previous years when simplifying assumptions had to be made because of the absence of detailed data.

- Updates to the historical storm set to incorporate information from the HURDAT database as of August 2011. Over the years, incorporation of this database, which now includes the period 1900-2010, sometimes involved inclusion of additional hurricanes that were determined by governmental sources to have affected North Carolina as well as modified parameters of previously-known hurricanes. The addition of these storms to the data base increased the modeled frequency of North Carolina storms. However, since these storms were relatively weak, they did not have a significant impact on loss costs.

- Updates to the model's wind field formulation. This update incorporated the latest available data and scientific literature, including the latest research on the radial decay of winds from the eye wall to the storm's periphery and the conversion of surface winds from winds aloft. This update improved the model's accuracy as to where damages occur and the extent of those damages.

- Modeling storms longer than 24 hours after landfall. In regard to North Carolina, this improvement in the model meant that more storms that made landfall to the south of North Carolina (such as in the Gulf of Mexico or Florida) are reflected since they typically affect North Carolina more than 24 hours after landfall. Such storms cause relatively modest losses in North Carolina.

- Incorporation of new data from satellites as to ground cover. Such data was incorporated in the wind field calculations. This improvement was significant because there is a large difference in the degradation of hurricane winds depending on the terrain that they are passing over. For instance, storms passing over forests or mountainous terrain dissipate much more quickly than storms passing over flat or marshy areas. The inclusion of accurate ground cover data meant that areas such as the sounds of North Carolina were no longer assumed to have caused storms to dissipate to the same extent as in past model runs for North Carolina. On the other hand, this change reduced wind speeds in areas of North Carolina with extensive tree cover to reflect the fact that trees reduce wind speeds as storms travel over land.

- Updates to the wind damage functions. Such updates were based on the latest findings from AIR's ongoing analysis of detailed claims data from recent hurricane seasons and have improved the accuracy of modeled losses.

- Introduction and updates to the "year built" (age of home) bands. Such updates capture the evolution of North Carolina's building code, changes in construction practices and materials, and other factors affecting vulnerability over time. It should also be noted that the Bureau is now able to provide exposure data including detailed year built data to AIR. Previously, all locations were assumed to be unknown, and their damageability was based on a state-wide weighted average of year built damageability. The provision by the Bureau of exposure data with actual year built information significantly improved the precision of AIR loss costs. Those loss costs are now more accurate than could be modeled in previous years.

- Enhancements to individual risk modifiers (secondary risk characteristics). Such enhancements reflect newly acquired data and analysis.

85. Q. As relates to the current filing, did AIR receive exposure data from Insurance Services Office on which AIR relied in preparing its analyses?

A. Yes, we received data reflecting the number of earned house years and earned insurance years for 2011 for homeowners policies in North Carolina. It was broken down by categories (Voluntary and Beach Plan), policy form group (owners, tenant, and condominium), zip code, construction class, year built and territory. It was furnished to AIR by Insurance Services Office (ISO), which had compiled the data. AIR routinely receives and relies upon data of this type in the ordinary course of its business of modeling and did so in this instance. AIR routinely reviews such data submissions for consistency and reasonableness and notifies the producer of such data if there are questions as to the data.

86. Q. Can you explain what is displayed on Pages 15-25 of RB-6A?

A. Yes, these pages contain the Project Information and Assumptions Form (PIAF) that we prepared before completing our analysis and releasing the reports contained in RB-6A and RB-6B to the Bureau. It contains a summary of the exposures to be modeled as well as the assumptions that are to be used in the course of the analysis.

87. Q. What information is contained on Page 15 of RB-6A?

A. This page shows the contact information for some key personnel responsible for the project, both at AIR and at the Bureau. It shows the version of the software and the model catalogs that are to be used in the analysis. Finally, it shows the reports and loss results that we are going to provide to the Bureau.

88. Q. What information is contained on Page 16 of RB-6A?

A. This page contains a summary of the exposure data that was provided to us by the Bureau, including the date the data was received, and the total values of various aspects of that data. It then provides information on how the various values have been changed based on the assumptions to be made before carrying out the loss analysis. The first four items under the "Added/Excluded Records" section display the changes in total insured value that result from applying assumptions for additional coverages to the data that was provided by the Bureau. The last two items describe changes in the number of records, risks, and insured value due to rounding of records in general and specifically from applying the Beach Split treatment that is described in question 109 of this testimony.

89. Q. What information is contained on Page 17 of RB-6A?

A. This page provides a summary of the geocoding process that occurs in CLASIC/2. As is frequently the case, there are a number of records in the exposure data which are placed in ZIP codes which are no longer valid based on the US Postal Service ZIP code database at the time the model was last updated. These invalid ZIP codes are re-mapped to current valid ZIP codes based on the US Postal Service database. The number of records matched at a postal level is representative of the records that were not subject to the Beach Split treatment described in question 109 of this testimony. Records geocoded based on population grid points are the records that were subject to the Beach Split treatment described in question 109 of this testimony.

90. Q. What information is contained on Page 18 of RB-6A?

A. This page describes the assumptions that are made with regards to replacement value, limits, and deductibles for the various coverages for each line of business individually. For owners (HO) policies, limits were provided for coverage A, and assumptions were made for coverage B, C, and D. For condo (CO) and tenants (TN) policies, limits were provided for coverage C, and assumptions were made for coverage A, B, and D. The Analysis Options section describes the specific analysis options that were utilized when running our models.

91. Q. What information is contained on Page 19 of RB-6A?

A. This page shows the number of records which included information on each of the various secondary modifiers that are able to be modeled in CLASIC/2. For this analysis, 87.6% of the records included information on the year the structure was built.

92. Q. What information is contained on Page 20 of RB-6A?

A. This page describes in detail the specific assumptions that were made in the process of carrying out the analysis.

93. Q. What information is contained on Page 21 of RB-6A?

A. This is a table summarizing the total value and number of risks by construction and occupancy for each line of business.

94. Q. What information is contained on Pages 22-24 of RB-6A?

A. This is a table summarizing the total value, number of risks, and average deductible within each territory for each line of business. The information was provided by ISO.

95. Q. What information is contained on Page 25 of RB-6A?

A. This is a table displaying the total limits factors which are applied to homeowners policies to account for coverage B, C, and D. This methodology is described on Page 18 of RB-6A.

96. Q. Is the information on Pages 15-25 of RB-6A the same information contained in Pages 16-26 of RB-6B?

A. Yes.

97. Q. How is the PIAF used?

A. The PIAF is provided to the Bureau prior to performing the analysis and allows the Bureau the opportunity to examine the data and assumptions that will be used during the course of the AIR analysis to ensure that they comport with the data and assumptions intended to be modeled. The Bureau provides a signed copy back to us so that we can be assured that both parties understand the data and assumptions to be used for the analysis.

98. Q. What use did you make of such data?

A. For each territory, category, policy form group, ZIP code, and construction class, the insurance years were used as the primary insured value (either the building value for owners records or the contents value for the tenant or condominium records). Appropriate adjustments were then applied to account for non-primary coverages (appurtenant structures and contents in the case of the owners forms, building value for the condominium form, and time element for all three forms). Appropriate assumptions were also applied to account for deductibles.

The data was then analyzed in AIR's CLASIC/2™ software application using the model and catalogs referenced previously in order to yield loss estimates. These loss estimates were rolled up to the territory level for reporting purposes.

99. Q. What are the areas of the state with the highest hurricane risk in North Carolina?

A. The highest risk areas are the beach and coastal areas. A hurricane is typically at its maximum force in those areas just as it crosses over land. As it travels inland, the storm dissipates because of the elimination of its primary energy source (heat and moisture from the sea) and because of surface frictional effects.

100. Q. As between portions of the coast of North Carolina, which areas experience the greatest hurricane frequency?

A. The highest frequency of hurricanes occurs in a 100-mile segment which includes Cape Lookout, Cape Hatteras, and Pamlico Sound. The coastline in this area juts out into the Atlantic Ocean where it is exposed as storms move up the coastline. The far northern coast towards Virginia suffers relatively few hurricane landfalls because of the more westerly location of the coastline in this region, but hurricanes frequently come through that area after making landfall to the south.

101. Q. Has AIR examined North Carolina's building code?

A. Yes. AIR engineering experts have undertaken an extensive, peer-reviewed study to understand the large number of building codes and wind standards that exist in hurricane-prone states, specifically including North Carolina. In addition to major code changes, there are continuous changes in vulnerability due to changes in building materials, enforcement, structural aging and upgrading. The model accounts for the spatial and temporal variations in vulnerability for all hurricane states including North Carolina.

102. Q. Are there any changes that you have made to your model just for North Carolina?

A. No. AIR has a single, integrated U.S. hurricane model which reflects historical regional differences in hurricane risk. In the model development and validation process, North Carolina is treated in the same way as all other states in determining regional variations in vulnerability at the state and local level, through examination of both the regional building stock and state and local building regulations, codes and practices. AIR has performed a detailed review of, and continues to monitor, the building codes in North Carolina. AIR's implementation of this information allows its model to accurately estimate the vulnerability of buildings in North Carolina based on the specific nature of the building codes they are subjected to. Additionally, the model adjusts its vulnerability for structures in North Carolina based upon the year in which they were constructed and the codes which were enforced at the time of their construction. While the model looks at each state's building code situation individually, if there were two identical buildings in different states which were both subject to equivalent building codes and enforcement, those two buildings would be subject to the same vulnerability calculation.

As discussed previously, while there is a single hurricane model, each state's prospective losses are computed individually based on the circumstances in that state. While the model version, settings and assumptions used for North Carolina were the same as those accepted by the Florida Commission, Florida's higher vulnerability to losses is not in any way imputed to North Carolina, and losses in Florida are not in any way spread to North Carolina. Florida has higher expected loss costs than North Carolina because it has a greater exposure to hurricanes than North Carolina, but those higher expected losses in Florida do not have the effect of making expected loss costs higher in North Carolina than they otherwise should be.

Inputs to the model include detailed land cover data that affect the wind speeds being calculated at every location in the modeled portfolio, as well as detailed building code examinations for every state which adjust the vulnerability of buildings based on the year of construction and location. The land cover data used in the model reflects, in detail, the currently existing land cover in North Carolina, and the building code information used in the model reflects the actual building codes and practices of North Carolina. The model reflects both the fact that different building code standards apply in different regions of North Carolina and the fact that the building code standards have changed at various times over the years.

Although the model can take into consideration the effects of storm surge and individual building characteristics, these components of the model were not employed at the direction of the Bureau. Modeled loss costs would have been higher if the Bureau had elected to instruct AIR to run the storm surge component. In the case of the Bureau's exposures, the storm surge component would reflect the fact that in the claims settlement process some damage from storm surge losses (which are not covered under homeowners policies) may nevertheless be paid as covered wind losses following a hurricane because storm surge losses sometimes cannot be distinguished from wind losses in the claim settlement process. While this phenomenon has been studied, validated, and can be easily modeled, the Bureau chose not to run the model with this component enabled.

103. Q. What is demand surge and how is it calculated in the AIR model?

A. The results were provided with aggregate demand surge as directed by the Bureau. Demand surge according to actuarial standards is defined as a sudden and usually temporary increase in the cost of materials, services and labor due to the increased demand for them following a catastrophe. Historical evidence from major catastrophic events in past 20 or more years shows that, after a major event, increased demand for materials and services to repair and rebuild damaged property can put pressure on prices, resulting in temporary inflation. This phenomenon is often referred to as demand surge and it results in increased losses to the insurers.

After Hurricane Andrew in 1992, AIR developed a rudimentary demand surge function to allow companies the capability to assess the potential impact on losses due to demand surge. In order to develop an initial demand surge function, AIR reviewed several studies on the impact on prices of material and labor after Hurricane Andrew and the Northridge Earthquake. It was commonly accepted that the demand surge from a Hurricane Andrew sized event ($15.5 billion) was 8-12 %.

AIR continued to review the impact that catastrophic events have had on material and labor prices. We found that in 1989 Hurricane Hugo, for example, caused a significant temporary impact on personal incomes in the construction industry in South Carolina. Analyses performed after the 2004 hurricane season in Florida revealed that demand surge had a significant impact on insured losses. Among other findings, empirical data specifically revealed that roof rebuilding costs increased substantially in the period following the hurricane season, and losses resulting from the additional living expense provisions in the policy (referred to as the “time element” which reflects the need of the policyholder to find alternative lodging after a house has been damaged) were significantly impacted due to the increased amount of time it took to repair damages from the multiple events.

104. Q. Was demand surge used for the analyses you performed for the Bureau?

A. Yes, demand surge was used for both analyses (standard and WSST).

105. Q. How is the demand surge factor calculated, and how is it applied?

A. Demand surge effects do not occur following the majority of hurricanes, and the demand surge component of the model reflects this fact. Small hurricane events are not accompanied by demand surge. AIR's demand surge function relates the level of demand surge to the amount of industry loss. Each event is assigned demand surge factors by coverage based on the amount of industry loss caused by the given event, as well as by other events that occur close to the given event in both time and space. AIR's demand surge begins at an industry loss amount of $5.5 billion. The demand surge factors are applied to losses from the specific exposure set to calculate the loss with demand surge.

106. Q: What is the estimated impact of the application of demand surge on the loss estimates for the Bureau?

A. To quantify the impact of demand surge on the Bureau portfolio, AIR performed a high-level analysis without demand surge in addition to the detailed analysis that was used to generate the results for the Bureau. These analyses showed that there is an increase of 5.7% in gross losses when demand surge is applied.

107. Q. Now let me ask you several questions concerning Exhibit RB-6A to your pre-filed testimony. What is the significance of the figure from the column called "Loss Cost (Per 100)" on pages 11 to 14 of Exhibit RB-6A?

A. The figures show the estimated loss costs per $100 of exposure, including contents and all other coverages.

108. Q. On page 7 of Exhibit RB-6A entitled "Exposure Information and Assumptions," there is reference to "insurance-years by category, ZIP code, line of business, construction class, and territory." Please explain these terms.

A. The term "insurance-years" refers to the insured values under homeowners policies. The source of this data is ISO. The data were provided by each of the elements listed. Category refers to the categories of Voluntary and Beach Plan. The line of business refers to the owners, condominium, or tenant forms. The construction classes provided are Frame, Masonry, Masonry Veneer, Superior, and Aluminum or Plastic siding over frame.

109. Q. On the same page there is reference to "Beach Split ZIP Codes." Please explain this term and its relevance to the modeled losses contained in Exhibit RB-6A.

A. A "Beach Split ZIP Code" is a zip code which is split between two different Bureau territories, where one of the territories intersecting the zip code is categorized as a beach territory. The Beach Split ZIP Code treatment is used to improve the modeled loss estimates for coastal territories in those situations. AIR's determination of prospective loss costs is more accurate as a result of implementing this treatment.

In understanding this treatment, it is important to understand how the model works with respect to the geographic placement of risks. When a risk is analyzed in CLASIC/2, its geocode placement determines the relative severity of each simulated event. Items such as elevation, proximity to the coast and land cover are determined based on the geocode coordinates assigned to the location. If a risk contains only zip code information rather than address information, CLASIC/2 will assign geocode coordinates corresponding to the zip code centroid and will use the average physical characteristics for the zip code to estimate loss.

The information provided to AIR for the Bureau analysis is now at the zip code level, which allows for greater precision in modeling loss costs than could be accomplished in filings prior to the 2011 dwelling filing and the 2012 homeowners filing. The ability to use more detailed data has created a desire to be even more accurate, and it was for this reason that AIR uses the split zip procedure. In several instances coastal area zip codes fall across the boundary between the Beach territory (i.e. Territory 7 or 8) and the inland coastal territories (Territory 48, 49 52A, or 52B). In these cases, without refinement, modeled loss costs for the zip code would be the same whether the territory was beach or inland, when in reality, houses located on or closer to the beach have higher loss costs than equivalent exposures inland, and vice versa. The Beach Split ZIP Code treatment improves the modeled loss estimates for these zip codes by distributing the risks to uniform grid points across the area of the zip code falling in each of the territories. In so doing greater accuracy and fairness are promoted.

110. Q. Page 8 of Exhibit RB-6A shows the long term average annual aggregate losses by territory. Please explain what is shown on this page and how it was computed.

A. Page 8 displays the average annual aggregate loss for each territory. This figure is the sum of all losses caused by all simulated events, divided by the number of simulation years for each territory. It represents the long run average annual hurricane loss potential by territory. As can be seen, the territory with the highest average annual aggregate loss is territory 52A. This fact is a function of the large number of homeowners policies in that territory as well as the territory’s high exposure to hurricanes.

111. Q. What does the table on page 9 of Exhibit RB-6A show?

A. It shows the distribution of exposures and average annual losses by territory. Obviously, coastal territories account for a much higher percentage of losses than exposures because there is a greater hurricane hazard nearer the coast. For instance, the table on page 9 demonstrates that territory 101 in the western part of the state has 30.84% of the statewide insurance in force, but accounts for only 10.08% of total annual hurricane losses. Territory 8 on the beach, on the other hand, accounts for only 0.59% of the statewide insurance in force, but its average annual hurricane loss is 7.61% of the statewide total annual hurricane losses.

112. Q. What is the source of the insured values, risk count and average annual loss on pages 11 to 14 of Exhibit RB-6A?

A. The source of the insured values and Risk Count shown on pages 11 to 14 is provided on pages 22 to 23 of Exhibit RB-6A (the PIAF), and page 8 is the source of the average annual loss.

113. Q. What do the last two columns on pages 11 to 14 of Exhibit RB-6A show?

A. They show the estimated hurricane pure premiums and loss costs per $100 of exposure by territory, both overall for all lines (Exhibit 3) and individually for each policy form group (Exhibits 4 to 6). As can be seen from these exhibits, loss costs are highest in territories 7, 8, and are high in territories 48, 49 and 52A.

114. Q. On page 11 of Exhibit RB-6A, please explain the significance of the number “1,625.16” for territory 7 in the column entitled "Pure Premium."

A. The number $1,625.16 is the amount, exclusive of expenses and provisions for profit and contingencies, that on average needs to be collected each year to cover the long run average hurricane loss potential on each risk on homeowners policies in territory 7. By comparison, only $15.67 needs to be collected to cover that same potential in territory 108.

115. Q. Do the explanations set forth above for Exhibit RB-6A also follow for similar pages in Exhibit RB-6B?

A. Yes. The exhibits and explanations follow the same format. The loss costs and pure premiums in Exhibit RB-6B reflect those appropriate to the view of risk that incorporates the impact of the current elevated sea surface temperatures (SSTs) in the North Atlantic on hurricane activity.

116. Q. In 2011, Hurricane Irene passed through eastern NC and hence caused losses from Hurricane damage. Has AIR been able to do any detailed validation of Hurricane Irene as yet?

A. No. As of the date of preparation of this prefiled testimony in November of 2013, AIR has not yet been able to perform any validation on Hurricane Irene due the lack of necessary claims data resulting from the storm and due to the fact that the meteorological parameters of this storm were not included in the 2011 HURDAT database at the time the model was being updated. Due to this lack of information, Hurricane Irene is not yet in AIR's Historical Storm Catalog. Loss validation information for Hurricane Irene is only available at an aggregate level, meaning on an industry level. It is anticipated that a more detailed validation can be done when state specific claims and exposure data from the event are available. AIR is in the process of collecting this information, but it is not yet clear when this will be completed. Aside from this, AIR did perform a damage survey along coastal North Carolina and Virginia after Hurricane Irene passed. Findings from this survey will be compared to claims and loss data after it becomes available.

117. Q. The current filing proposes revised territory definitions as well as revised rates. Did AIR perform any assistance in support of the Bureau's analysis of revised territory definitions?

A. Yes. The Bureau set up a task force to review territory definitions and contacted AIR in the fall of 2012 for consultation and assistance as to the best manner in which to employ modeling of various wind events to review territorial definitions. The latest available data consisted of the data underlying the Bureau's October 1, 2012 homeowners rate filing. It was concluded that the best manner to examine differing wind exposure across the state, while removing the impact of exposure differences across the state, was to create a "notional" dataset and run AIR models based on the assumption of uniform exposures across the state. Doing so enabled a better review and comparison of the varying risk across the state from wind events. Assuming a uniform exposure set across the state permitted the Bureau to examine regional variations in hazard without the analysis being complicated by the distribution of the actual exposures in the state. It is important to isolate these effects, because the exposure distribution can and will change over time, and the territories should reflect regional differences in risk even after exposure distribution changes.

118. Q. Are the data, information and numbers used in the AIR hurricane model true and accurate to the best of your knowledge, information and belief?

A. Yes. The AIR research team collects the available scientific data pertaining to the meteorological variables critical to the characterization of hurricanes and therefore to the simulation process. Data sources used in the development of the AIR hurricane model include the most complete databases available from various agencies of the National Weather Service, including the National Hurricane Center. All data is cross-verified. If data from different sources conflict, a detailed analysis and the use of expert judgment is applied to prepare the data for modeling purposes. Furthermore, to the extent possible, we cross-check and verify the numbers that go into the AIR model as well as the numbers that come out of the model. To the best of my knowledge, information and belief, the data that we use are the most reliable and accurate data that is publicly available.

119. Q. Are the Exhibits to your pre-filed testimony true and accurate to the best of your knowledge, information and belief?

A. Yes.

120. Q. Do you have an opinion as to whether your model is a reasonable method of projecting the prospective hurricane losses used in the filing to set rates for homeowners insurance in North Carolina that are not excessive, inadequate or unfairly discriminatory, and if so what is that opinion?

A. Yes, I have an opinion. It is a reasonable, consistent, and reliable method of doing so. The prospective hurricane losses in the AIR reports and used in the filing are reasonable and appropriate projections of insured hurricane losses on the policy forms reviewed.

121. Q. Is AIR willing to allow the Insurance Commissioner and/or any personnel from the North Carolina Department of Insurance to visit your offices in Boston and examine any areas of the model that they wish?

A. Yes, subject only to a non-disclosure agreement that will protect the proprietary and confidential information possessed by AIR Worldwide from being used by our competitors, we welcome the Commissioner and/or any associates or consultants appointed by him to again visit our offices, where they can examine any information related to the model that they would like. With the encouragement and permission of AIR, we understand that the Bureau offered the Department the opportunity to make such a visit in the summer of 2012. This offer was also extended in connection with the Dwelling hearing in 2011. If the Commissioner or his Department would like to arrange such a visit, we ask that they contact the Bureau to organize a date and time that is convenient for all parties. We strongly encourage the Commissioner and Department to do so to help educate them on the benefits and validity of the use of hurricane modeling in ratemaking for North Carolina.

Exhibit RB-6A	AIR –	Catastrophe Loss Analysis Service Atlantic Tropical Cyclone
Exhibit RB-6B	AIR –	Catastrophe Loss Analysis Service Atlantic Tropical Cyclone WSST Catalog
Exhibit RB-6C	AIR Hurricane Model for the United States (Technical Report)	
Exhibit RB-6D	AIR –	Modeled and Observed Wind Speeds Hurricane Charley Hurricane Floyd Hurricane Ophelia
Exhibit RB-6E	AIR –	Event Frequency Historical versus Modeled
Exhibit RB-6F	AIR –	NC Landfalls by Saffir-Simpson Category
Exhibit RB-6G	AIR –	Central Pressure at Landfall
Exhibit RB-6H	AIR –	Forward Speed at Landfall Historical versus Modeled
Exhibit RB-6I	AIR –	Maximum Windspeed at Landfall Historical versus Modeled

Exhibit RB-6A

Catastrophe Loss Analysis Service
Atlantic Tropical Cyclone

Prepared for: North Carolina Rate Bureau
September, 2013

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Table of Contents

Introduction

This report contains the results of the Catastrophe Loss Analysis Service (CLAS™) for Homeowners, Tenants and Condominiums policies in the state of North Carolina as requested by the North Carolina Rate Bureau (NCRB). Loss estimates are provided using AIR Worldwide's (AIR) Atlantic Tropical Cyclone model.

The NCRB provided AIR with information that represents the exposures analyzed. AIR reviewed and reformatted the exposure data as necessary and used them as input to the AIR hurricane model, which generated the loss estimates that form the core of this analysis. The AIR model is a system of computer programs that incorporate the fundamental physical characteristics, expressed mathematically, of hurricanes. These characteristics are then overlaid on the geographical distribution of the NCRB's exposures. Building, contents, and time element damage are estimated by applying AIR's proprietary damageability relationships. Finally, insured losses are calculated by applying policy conditions to the total damage estimates.

The AIR model simulated 100,000 years of potential hurricane experience. The results of the model are expressed in terms of probability distributions of event losses. These distributions represent a range of possible losses and the relative likelihood of occurrence of various levels of loss.

All aspects of the AIR hurricane model undergo extensive validation tests. The stochastic model variables have been compared to the actual characteristics of historical hurricanes occurring in North Carolina since 1900. The simulated event characteristics parallel patterns seen in the historical record, and resulting loss estimates correspond closely to actual claims data provided by clients.

The model has also undergone extensive internal and external peer review. Internal peer review is a standard part of AIR's operating process and is conducted by AIR's technical staff of over 200 professionals with graduate degrees, over 60 of whom hold Ph.D. credentials in their fields of expertise. The AIR hurricane model has also undergone extensive external review, beginning with Dr. Walter Lyons' systematic review in 1986. Dr. Lyons, a Certified Consulting Meteorologist, was contracted by the E.W. Blanch Company. A further independent review was conducted by engineer Dr. Joseph E. Minor. During 1996 and 1997, Duff & Phelps, Fitch, Moody's and Standard & Poors reviewed all aspects of AIR's hurricane model in conjunction with their rating of the USAA catastrophe bond.

Probably the most extensive peer review of the AIR hurricane model has been conducted by the Florida Commission on Hurricane Loss Projection Methodology (FCHLPM). The FCHLPM was established in 1995 with the mission to "assess the effectiveness of various methodologies that have the potential for improving the accuracy of projecting insured Florida losses resulting from hurricanes and to adopt findings regarding the accuracy or reliability of these methodologies for use in residential rate filings." The FCHLPM has established more than 40 standards that need to be met before a catastrophe model is acceptable for ratemaking purposes in the state of Florida. The AIR hurricane model has been reviewed and has met the standards of the FCHLPM annually since 1996.

Catastrophe modeling has become widely used and accepted. AIR was the first organization to have its model approved under the rigorous standards of the Florida Hurricane Commission. AIR's simulation methodology is a robust technique for estimating potential hurricane losses. It is based on mathematical/statistical models that represent real-world systems. As with all models, these representations are not intended to represent specific prior or future individual events.

The hurricane model used in this report is Atlantic Tropical Cyclone v.14.0.1, as implemented in CLASIC/2 v15.0.

Executive Summary

To estimate the hurricane loss potential for NCRB, AIR simulated 100,000 years of potential hurricanes. The simulation included aggregate demand surge, which is demand surge caused by a given event as well as by other events that occur close to the given event in both time and space.

The long-term average annual aggregate hurricane loss for the NCRB Homeowners, Tenants and Condominiums policies is $316.1 million including aggregate demand surge. In the 100,000-year sample, 57,754 hurricanes resulted in losses to North Carolina’s insured properties net of deductibles. Given that a hurricane has occurred, the estimated average hurricane loss is $547.3 million.

The largest simulated hurricane loss is $42.3 billion including aggregate demand surge. This loss resulted from a category 4 hurricane with landfall in Brunswick County, North Carolina. Note that higher occurrence losses, that is, losses in excess of $42.3 billion, are possible. They have, however, a very low probability of occurrence. Nevertheless, it should be understood that the largest simulated hurricane losses do not represent the worst possible scenarios.

Hurricane events of specified probabilities of exceedance and estimated return times appear below.

Annual Maximum Occurrence Loss

Hurricane Occurrence Loss ($millions)	Estimated Probability of Exceedance	Estimated Average Return Time (years)
538	10.0%	10
1,443	5.0%	20
3,462	2.0%	50
5,740	1.0%	100
9,888	0.4%	250
13,491	0.2%	500
17,753	0.1%	1,000

Actual hurricane losses are influenced by a number of characteristics, the most important of which is intensity as measured by wind speed, commonly expressed in terms of Saffir-Simpson (SS) category. Given the same landfall point, storms with higher wind speeds typically result in larger losses than do storms with lower wind speeds. Other characteristics that influence loss amounts include radius of maximum winds, forward speed, and storm track.

Actual losses also depend on the geographical distribution of exposures in relation to the area affected by the storm. That is, a severe hurricane could result in a smaller overall loss than a less severe hurricane if the less severe hurricane strikes an area of higher property value.

Exposure Information and Assumptions

The NCRB provided exposure information used to generate the loss estimates. The exposure file contained information on insured value and number of risks by Statistical Agent (Stat Agent), category (Voluntary and Beach Plan), policy form group (Owners, Tenants and Condos), ZIP Code, coverage, construction class, year built, and territory, as defined by NCRB.

When a zip code is split between two territories, and one of the territories intersecting the zip code is categorized as a beach territory, the ZIP is considered a 'Beach Split ZIP'. For 'Beach Split ZIP Codes' the exposure is distributed to uniform grid points across the area of the zip code falling in each of the territories.

The information on house-years and insurance-years by category, ZIP Code, line of business, construction class, and territory was provided by the Insurance Services Office (ISO).

In order to be consistent with the level of coverage provided by NCRB forms, the insurance years provided by NCRB were increased by 20% for Tenants, and by 40% for Condominiums to reflect non-primary coverages. Insurance years for Homeowners were increased by a Total Limit Factor according to territory provided by NCRB (See Appendix A, Exhibit III).

An original data set was provided by ISO and analyzed by AIR in order to yield loss estimates. Appendix A, Exhibit IIa shows total insured values, number of risks (rounded), original number of risks and average values by territory.

Long-Term Average Losses

Exhibit 1 shows the long run average annual hurricane loss potential by territory including aggregate demand surge.

Exhibit 1. Average Annual Loss by Territory in North Carolina

Territory	HO	Tenants	Condominium	Total
7	12,323,530	38,749	40,267	12,402,546
8	23,523,926	112,001	422,254	24,058,180
48	7,596,643	21,372	24,750	7,642,765
49	16,004,277	92,774	34,967	16,132,017
101	31,170,678	440,203	262,741	31,873,623
102	4,855,619	43,612	26,478	4,925,708
103	7,122,915	60,249	15,706	7,198,870
104	189,425	622	1,588	191,635
105	337,427	1,466	42	338,934
106	3,413,345	26,866	2,502	3,442,712
107	4,021,660	62,513	35,338	4,119,511
108	570,450	1,925	1,408	573,782
109	3,316,750	26,621	7,954	3,351,325
110	2,134,166	11,053	78	2,145,297
111	11,687,189	110,252	28,450	11,825,892
112	4,441,838	38,465	725	4,481,028
113	31,024,789	510,366	150,730	31,685,885
114	13,761,899	170,903	33,764	13,966,566
115	7,985,931	68,326	5,853	8,060,110
116	486,078	3,164	0	489,242
117	575,642	2,920	1,805	580,366
118	3,343,854	26,163	14,538	3,384,556
119	588,096	2,445	37	590,577
120	240,909	1,369	182	242,460
52A	108,334,510	759,999	790,191	109,884,699
52B	12,325,077	108,122	53,335	12,486,533
Total	**311,376,623**	**2,742,517**	**1,955,681**	**316,074,821**

Currency: US Dollars

Exhibit 2 shows North Carolina's distribution of all lines combined average annual hurricane losses including aggregate demand surge and total insurance in force by territory. The coastal territories account for much higher shares of loss than exposure due to their vulnerability to the hurricane peril.

Exhibit 2. Distribution of Exposure and Loss by Territory in North Carolina

Territory	Insured Value	Percent of Total	Est. Avg. Annual Loss	Percent of Total
7	3,676,481,048	0.41%	12,402,546	3.92%
8	5,357,170,924	0.59%	24,058,180	7.61%
48	5,941,735,168	0.66%	7,642,765	2.42%
49	21,327,468,648	2.36%	16,132,017	5.10%
101	278,609,828,130	30.84%	31,873,623	10.08%
102	92,366,378,641	10.23%	4,925,708	1.56%
103	58,915,461,808	6.52%	7,198,870	2.28%
104	4,657,905,705	0.52%	191,635	0.06%
105	855,906,722	0.09%	338,934	0.11%
106	7,224,028,445	0.80%	3,442,712	1.09%
107	24,166,196,345	2.68%	4,119,511	1.30%
108	17,870,724,280	1.98%	573,782	0.18%
109	38,561,193,940	4.27%	3,351,325	1.06%
110	2,658,453,506	0.29%	2,145,297	0.68%
111	35,499,125,328	3.93%	11,825,892	3.74%
112	6,502,832,987	0.72%	4,481,028	1.42%
113	147,668,514,025	16.35%	31,685,885	10.02%
114	29,869,288,793	3.31%	13,966,566	4.42%
115	27,042,998,362	2.99%	8,060,110	2.55%
116	1,720,619,347	0.19%	489,242	0.15%
117	16,128,262,561	1.79%	580,366	0.18%
118	16,465,874,201	1.82%	3,384,556	1.07%
119	2,916,584,549	0.32%	590,577	0.19%
120	2,765,902,666	0.31%	242,460	0.08%
52A	40,885,608,752	4.53%	109,884,699	34.77%
52B	13,654,501,781	1.51%	12,486,533	3.95%
Total	**903,309,046,662**	**100.00%**	**316,074,821**	**100.00%**

Currency: US Dollars

Estimated Pure Premiums and Loss Costs

Exhibits 3, 4, 5, and 6 show the estimated hurricane loss costs and pure premiums by territory for all lines combined and for each line separately. The coastal territories are most vulnerable to hurricane losses. The estimated loss costs are highest in coastal territories 7 and 8, as well as territories 48 and 52A. These territories form part of the eastern tip of North Carolina, an area of relatively high hurricane frequency.

For all exhibits, the estimated loss costs are per $100 of exposure. The estimated hurricane pure premiums are calculated by dividing the estimated average annual losses by the number of risks. The estimated hurricane pure premiums show the amounts, exclusive of expenses and provisions for profit and contingencies, which need to be collected each year to cover only the long run hurricane loss potential.

Exhibit 3. North Carolina Loss Costs by Territory – All Lines

Territory	Insured Value	Risk Count	Average Annual Loss	Pure Premium	Loss Cost (Per $100)
7	3,676,481,048	7,632	12,402,546	1,625.16	0.3373
8	5,357,170,924	12,681	24,058,180	1,897.19	0.4491
48	5,941,735,168	12,791	7,642,765	597.49	0.1286
49	21,327,468,648	53,384	16,132,017	302.19	0.0756
101	278,609,828,130	715,533	31,873,623	44.55	0.0114
102	92,366,378,641	225,232	4,925,708	21.87	0.0053
103	58,915,461,808	156,413	7,198,870	46.02	0.0122
104	4,657,905,705	10,577	191,635	18.12	0.0041
105	855,906,722	2,677	338,934	126.62	0.0396
106	7,224,028,445	21,871	3,442,712	157.41	0.0477
107	24,166,196,345	51,782	4,119,511	79.56	0.0170
108	17,870,724,280	36,621	573,782	15.67	0.0032
109	38,561,193,940	101,511	3,351,325	33.01	0.0087
110	2,658,453,506	7,437	2,145,297	288.47	0.0807
111	35,499,125,328	103,128	11,825,892	114.67	0.0333
112	6,502,832,987	19,719	4,481,028	227.25	0.0689
113	147,668,514,025	357,066	31,685,885	88.74	0.0215
114	29,869,288,793	88,887	13,966,566	157.13	0.0468
115	27,042,998,362	74,298	8,060,110	108.48	0.0298
116	1,720,619,347	5,329	489,242	91.81	0.0284
117	16,128,262,561	35,946	580,366	16.15	0.0036
118	16,465,874,201	35,645	3,384,556	94.95	0.0206
119	2,916,584,549	7,496	590,577	78.79	0.0202
120	2,765,902,666	7,654	242,460	31.68	0.0088
52A	40,885,608,752	96,287	109,884,699	1,141.23	0.2688
52B	13,654,501,781	40,559	12,486,533	307.86	0.0914
Total	**903,309,046,662**	**2,288,155**	**316,074,821**	**138.14**	**0.0350**

Currency: US Dollars

Exhibit 4. North Carolina Loss Costs by Territory – Homeowners

Territory	Insured Value	Risk Count	Average Annual Loss	Pure Premium	Loss Cost (Per $100)
7	3,656,612,100	7,189	12,323,530	1,714.16	0.3370
8	5,254,708,007	10,528	23,523,926	2,234.46	0.4477
48	5,916,627,534	12,271	7,596,643	619.09	0.1284
49	21,172,589,703	49,848	16,004,277	321.06	0.0756
101	272,303,681,575	578,037	31,170,678	53.93	0.0114
102	90,890,072,122	197,608	4,855,619	24.57	0.0053
103	58,283,736,209	142,331	7,122,915	50.04	0.0122
104	4,599,724,276	9,588	189,425	19.76	0.0041
105	851,919,126	2,561	337,427	131.75	0.0396
106	7,159,713,208	20,301	3,413,345	168.14	0.0477
107	23,584,933,436	39,413	4,021,660	102.04	0.0171
108	17,766,922,746	34,828	570,450	16.38	0.0032
109	38,169,730,767	92,793	3,316,750	35.74	0.0087
110	2,644,834,573	7,084	2,134,166	301.28	0.0807
111	35,089,775,484	92,820	11,687,189	125.91	0.0333
112	6,444,990,371	18,206	4,441,838	243.98	0.0689
113	144,685,235,468	281,120	31,024,789	110.36	0.0214
114	29,464,156,789	77,775	13,761,899	176.95	0.0467
115	26,809,515,009	68,361	7,985,931	116.82	0.0298
116	1,709,677,411	5,030	486,078	96.63	0.0284
117	15,995,266,838	33,380	575,642	17.24	0.0036
118	16,271,838,515	31,938	3,343,854	104.70	0.0205
119	2,904,888,303	7,181	588,096	81.89	0.0202
120	2,748,361,467	7,212	240,909	33.40	0.0088
52A	40,312,894,352	83,518	108,334,510	1,297.14	0.2687
52B	13,503,063,963	36,802	12,325,077	334.90	0.0913
Total	**888,195,469,352**	**1,947,720**	**311,376,623**	**159.87**	**0.0351**

Currency: US Dollars

Exhibit 5. North Carolina Loss Costs by Territory – Tenants

Territory	Insured Value	Risk Count	Average Annual Loss	Pure Premium	Loss Cost (Per $100)
7	8,654,556	221	38,749	175.02	0.4477
8	20,565,744	594	112,001	188.55	0.5446
48	12,493,872	325	21,372	65.86	0.1711
49	107,442,804	2,922	92,774	31.75	0.0863
101	3,677,781,000	102,661	440,203	4.29	0.0120
102	829,139,544	19,555	43,612	2.23	0.0053
103	479,452,476	12,064	60,249	4.99	0.0126
104	14,689,956	353	622	1.76	0.0042
105	3,852,636	113	1,466	13.02	0.0380
106	58,293,168	1,470	26,866	18.28	0.0461
107	350,440,212	9,560	62,513	6.54	0.0178
108	58,647,804	1,259	1,925	1.53	0.0033
109	292,651,344	7,364	26,621	3.62	0.0091
110	13,517,568	350	11,053	31.58	0.0818
111	311,379,792	8,798	110,252	12.53	0.0354
112	56,572,740	1,498	38,465	25.68	0.0680
113	2,210,655,768	65,378	510,366	7.81	0.0231
114	335,406,360	9,934	170,903	17.20	0.0510
115	213,046,416	5,715	68,326	11.96	0.0321
116	10,941,936	298	3,164	10.61	0.0289
117	79,365,384	1,819	2,920	1.61	0.0037
118	118,689,936	2,651	26,163	9.87	0.0220
119	11,491,368	310	2,445	7.89	0.0213
120	15,305,076	411	1,369	3.34	0.0089
52A	252,893,542	7,552	759,999	100.63	0.3005
52B	93,544,860	2,835	108,122	38.14	0.1156
Total	**9,636,915,862**	**266,008**	**2,742,517**	**10.31**	**0.0285**

Currency: US Dollars

Exhibit 6. North Carolina Loss Costs by Territory – Condominiums

Territory	Insured Value	Risk Count	Average Annual Loss	Pure Premium	Loss Cost (Per $100)
7	11,214,392	221	40,267	182.26	0.3591
8	81,897,173	1,559	422,254	270.83	0.5156
48	12,613,762	196	24,750	126.05	0.1962
49	47,436,141	614	34,967	56.93	0.0737
101	2,628,365,555	34,835	262,741	7.54	0.0100
102	647,166,975	8,069	26,478	3.28	0.0041
103	152,273,122	2,018	15,706	7.78	0.0103
104	43,491,473	637	1,588	2.49	0.0037
105	134,960	3	42	14.08	0.0308
106	6,022,069	100	2,502	24.92	0.0415
107	230,822,696	2,809	35,338	12.58	0.0153
108	45,153,730	534	1,408	2.63	0.0031
109	98,811,829	1,354	7,954	5.88	0.0080
110	101,366	3	78	24.19	0.0770
111	97,970,053	1,510	28,450	18.84	0.0290
112	1,269,877	16	725	46.65	0.0571
113	772,622,789	10,569	150,730	14.26	0.0195
114	69,725,644	1,178	33,764	28.66	0.0484
115	20,436,937	223	5,853	26.30	0.0286
116	0	0	0	0.00	0.0000
117	53,630,339	747	1,805	2.42	0.0034
118	75,345,750	1,056	14,538	13.77	0.0193
119	204,878	5	37	7.80	0.0179
120	2,236,123	32	182	5.76	0.0081
52A	319,820,858	5,217	790,191	151.48	0.2471
52B	57,892,957	922	53,335	57.83	0.0921
Total	**5,476,661,448**	**74,427**	**1,955,681**	**26.28**	**0.0357**

Currency: US Dollars

Appendix A – Project Information & Assumptions Form

Project Information & Assumptions Form

Version 2009061919.1.0

Project Summary & Contact Information

Subscriber: NCRB
Contact: Tim Lucas
Email: ftl@ncrb.org
Phone: 919-582-1021
Fax:

AIR Contact: Peter Bingenheimer
Email: pbingenheimer@air-worldwide.com
Phone: (617) 267-6645
Fax: (617) 267-8284

Contract #:
Analysis Type: Property - Personal
Exposure Summary Sent: September 3, 2013
Report Due: August 21, 2013

☑ Initial Analysis ☐ Follow-up

Perils & Models

#	Peril	Model	Implementation	Version	Simulation Years
1	Tropical Cyclone	U.S. Hurricane Standard - 100K_Standard_ATL_Hur_10 (15.00.409)	CLASIC/2	15.0	100,000
2	Tropical Cyclone	U.S. Hurricane WSST - 100K_WSST_ATL_Hur_11 (15.01.409)	CLASIC/2	15.0	100,000

Reports & Deliverables

Report Options

Report Format: ☑ PDF ☐ Paper Copy/Bound Report ☐ Flat file ☐ CSV

Standard Reports

☑ Distribution of Potential Catastrophe Losses - Exceedance Probability
☑ Portfolio ☐ State ☐ Line of Business

☑ Average Annual Losses
☐ State ☐ County ☐ ZIP ☐ Location ☐ Line of Business
☑ Territory

☑ Loss Costs and Pure Premiums
☐ State ☐ County ☐ ZIP ☐ Location ☐ Line of Business
☑ Territory

☐ Selected Event Scenarios - specific events from a stochastic/historical event set
☐ Rank ☐ Return Period ☐ Line of Business

Customized Reports

☐ Company Loss File (CLF) ☐ UNICEDE/2
☐ UPX

9/3/2013
1

AIR WORLDWIDE

Original Data File Information

Original file name(s): AIR File 2011 Current & New Terr.xlsx
Date Received: July 22, 2013 **Data in-force Date:** December 31, 2011
Date Logged: July 22, 2013 **Data Media:** Excel Attachment

File Format: ☐ MS Access ☑ MS Excel ☐ Text

Level of Location Deta ☐ Geocode ☐ 9-Digit ZIP ☐ Street ☑ 5-Digit ZIP
☐ City ☐ County ☐ State ☐ Territory

Original Value Summary						
Total Deductible Value	Total Records	Total Risks	Total Replacement Value	Total Insured Value	Max. TIV	Avg. TIV
n/a	52,908	2,288,155	477,292,531,512	477,292,531,512	1,768,012	208,593

Added/Excluded Records			
Reason for Addition/Exclusion	**Records**	**Risks**	**Insured Value**
Insured Value increased for modeling due to addition of Time Element (Coverage D) for all exposures. See Exposure Notes and Customized Assumptions for details.	-	-	96,230,254,063
Insured Value increased for modeling due to addition of Contents (Coverage C) for Homeowners records. See Exposure Notes and Customized Assumptions for details.	-	-	283,171,531,965
Insured Value increased for modeling due to addition of Appurtenant Structures (Coverage B) for Homeowners records. See Exposure Notes and Customized Assumptions for details.	-	-	46,540,302,876
Insured Value increased for modeling due to addition of Building Structures (Coverage A) for Condominium records. See Exposure Notes and Customized Assumptions for details.	-	-	74,426,613
Risks increased due to rounding	-	24,108	-
Records increased and Value Rounded due to Beach Split treatment	15,240	-	-366
Total Excluded:	**-**	**-**	**-**
Total Added	**15,240**	**24,108**	**426,016,515,150**
Reduced Number of Records due to Aggregation:	**N/A**	**N/A**	**N/A**
Net Exposures to be Modeled:	**68,148**	**2,312,263**	**903,309,046,662**

#REF!
2

AIR WORLDWIDE

Geocode Record Summary		
Number of zipcodes remapped prior to geocoding:	2	
Book Name:	NCRB_HO_2013	
Geocoded Level of Location Detail	**Records**	
Matched at Exact Address:	-	
Matched at 9-digit Zip:	-	
Matched at Relaxed Address:	-	
Matched at Postal Code:	51,501	
Matched at City:	-	
Matched at County:	-	
Geocoded based on population grid points (Beach Split Zips)	16,647	
Records already geocoded by client:	-	
Total number of records:	**68,148**	

#REF!
3

AIR WORLDWIDE

Line of Business & Coverage Summary														
	Limits	A Building			B Other Structures			C Contents			D Loss of Use		
LOB	Apply	Rep	Lim	Ded	Rep	Lim	Ded	Rep	Lim	Ded	Rep/d*	Lim	Ded
HO	C	L	P	BA	L	LimA*0.1	BA	L	LimA*(TLF-1.3)	BA	$150 / day	LimA*0.2	N/A
CO	C	L	$1,000 * Num of Risks	BA	N/A	N/A	N/A	L	P	BA	$150 / day	LimC*0.4	N/A
TN	C	N/A	N/A	N/A	N/A	N/A	N/A	L	P	BA	$150 / day	LimC*0.2	N/A

* *Loss of Use Replacment (Rep/d) is a per diem value.*

CLASIC/2 Key:

Limit Application Code ("Limits Apply"):
N = None
C = Applies by Coverage
S = Applies to sum of all coverages

Replacement Value ("Rep"):
P = As Provided
L = Equal to limit

Limit Value ("Lim"):
P = As Provided
TLF = Total Limit Factor (see Exhibit III)

Deductible Application Code ("Ded"):
NO = None
AA = Annual Amount
SA = Combined flat
SP = Combined percent of coverage
SL = Combined percent of loss
CA = By coverage flat
CP = By coverage percent
BA = Combined flat, excluding time element loss
BP = Combined percent of coverage, excluding time
MA = Mini-policy flat
MP = Mini-policy percent

Analysis Options

Aggregation of Input Data: ☐ Modeled as provided ☑ Aggregated by: Stat Agent, PFG Code, New Territory (eff. 5/1/2013), Construction Code, Zip Code, Year Built.

Geographic Resolution of Analysis: Postal Code

Analysis Save Results: ☐ Contract ☐ Contract/Summary ☐ Layer ☐ Coverage ☐ Injury

Analysis Specifications:
☐ Reinsurance Quota Share ☐ Reinsurance Per Risk XOL
☐ Reinsurance Surplus Share ☐ Reinsurance Facultative
☐ TC Storm Surge (Flooding, default is 10% of separately modeled surge loss)
☑ Average Properties ☑ Demand Surge (Aggregate)
☐ Uncertainty ☐ Global Overrides

Analysis Notes: Base analyses will be run with aggregate demand surge. Exposures treated as Beach Split Zip (see note 5 on Page 6) will not be run with Average Properties.
An additional analysis will be run without demand surge, results will be provided at the event level

9/3/2013
4

AIR WORLDWIDE

Location Detail Characteristics			
Peril	*Characteristic*	*# Provided*	*% of Total Provided*
	Age	46,346	87.6%
	Appurtenant Structures		
	Avg Height of Adjacent Buildings		
	Bldg Foundation Connection		
	Building Condition		
	Building Orientation		
	Building Shape		
	Exterior Doors		
	Floor of Interest		
	Foundation Type		
	Glass Percent		
	Glass Type		
	Height		
	Internal Partition Walls		
	Large Missile Source		
	Proximity Exposure		
	Retrofit Measures		
	Roof Anchorage		
	Roof Attached Structures		
	Roof Covering		
	Roof Covering Attachment		
	Roof Deck		
	Roof Deck Attachment		
	Roof Geometry		
	Roof Pitch		
	Small Debris Source		
	Soft Story		
	Special Earthquake Resistant Systems		
	Structural Irregularity		
	Terrain Roughness		
	Torsion Elements		
	Tree Exposure		
	Wall Attached Structures		
	Wall Siding		
	Wall Type		
	Window Protection		
	Year Roof Built		
	Total Records	52,908	

Notes: Year Built is provided for Homeowners data only and is divided into the following bands:
- 1994 and prior
- By year for 1995 - 2004
- 2005 and later

Exposure Notes & Customized Assumptions

1) Insured value and number of risks were provided to AIR by Statistical Agent (Agent) category (Voluntary and Beach Plan), policy form group(Owners, Tenants and Condos), zipcode, coverage, construction class, year built and territory, as defined by NCRB.

2) The number of risks in each zip code was rounded to the nearest whole number, except where the number of risks was < 1. In these zip codes, the number of risks was rounded up to 1. As a result, the number of risks to be modeled is different from the number of risks provided. This will not have an impact on the results, as the number of risks is not a field used in the analysis.

3) For HO policies, the Coverage B replacement value and limit were assumed to be 10% of Coverage A; the Coverage C replacement value and limit were assumed to be (Total Limit Factor - 1.3) of Coverage A where Total Limit Factor (TLF) varies by Territory (see Exhibit III); the Coverage D replacement value was assumed to be $150/day, and the Coverage D limit was assumed to be 20% of Coverage A. For CO policies, the Coverage A replacement value and limit were assumed to be $1,000 per risk; the Coverage D replacement value was assumed to be $150/day, and the Coverage D limit was assumed to be 40% of Coverage C. For TN policies, replacement values and limits for Coverages A and B were assumed to be zero. Replacement value and limit for Coverage C was as provided. Replacement Value for Coverage D is assumed to be $150/day and the limit value for Coverage D is assumed to be 20% of Coverage C.

4) For the purposes of modeling, ZIP codes that are not current or do not have geographic boundaries associated with them (i.e. mailing or P.O. Box ZIP codes) are mapped to current, equivalent ZIP codes that are valid for use with CLASIC/2. However, the original zip codes will be retained for reporting purposes.

5) When a zip code is split between two territories, and one of the territories intersecting the zip code is categorized as beach territory by ISO, the ZIP is considered a 'Beach Split ZIP'. For 'Beach Split ZIP Codes' the exposure is distributed to uniform grid points across the area of the zip code falling in each of the territories.

6) A deductible of $250 per risk was used for all lines of business.

Attachments & Exhibits

Construction/Occupancy Information and Data Mapping: ☑

Insured Value Summary by LOB: ☐ State ☐ County ☐ Coverage ☑ Territory

Replacement Value Summary by LOB: ☐ State ☐ County ☐ Coverage

Deductible Summary by LOB: ☐ State ☐ County ☐ Coverage

Premium Summary: ☐ State ☐ County

Deductible by Coverage: ☐ State ☐ County

Construction Summary: ☐

Exposure Summary & Modeling Assumption Approval

Subscriber Signature: ______________________ *Date:* ______________

Print Name: ______________________ *Title:* ______________

7/31/2013

6

AIR WORLDWIDE

Exhibit I.a: US

Construction/Occupancy Information and Data Mapping

LOB	*Client Construction*	*AIR CC*	*AIR OC*	*AIR Construction*	*AIR Occupancy*	*Risks*	*Insured Value*	*Org. Risks*
Owners	1	101	301	Wood Frame	General Residential	1,176,660	502,687,046,862	1,173,001
Owners	2	103	301	Masonry veneer	General Residential	554,205	270,458,704,244	549,555
Owners	3	111	301	Masonry	General Residential	157,525	86,980,653,742	151,309
Owners	4	131	301	Reinforced concrete	General Residential	4,648	1,074,439,144	1,586
Owners	5	101	301	Wood Frame	General Residential	75,536	26,994,625,361	72,269
Tenant	1	101	306	Wood Frame	Apartments/Condos	174,818	6,059,694,766	174,504
Tenant	2	103	306	Masonry veneer	Apartments/Condos	57,801	2,278,176,672	57,366
Tenant	3	111	306	Masonry	Apartments/Condos	18,004	713,443,080	17,496
Tenant	4	131	306	Reinforced concrete	Apartments/Condos	1,545	49,552,200	1,220
Tenant	5	101	306	Wood Frame	Apartments/Condos	15,762	536,049,144	15,423
Condominium	1	101	306	Wood Frame	Apartments/Condos	47,713	3,267,346,027	47,454
Condominium	2	103	306	Masonry veneer	Apartments/Condos	15,380	1,254,169,039	15,099
Condominium	3	111	306	Masonry	Apartments/Condos	8,195	673,287,437	7,923
Condominium	4	131	306	Reinforced concrete	Apartments/Condos	1,095	73,017,603	772
Condominium	5	101	306	Wood Frame	Apartments/Condos	3,376	208,841,342	3,179
					Total Insured Value to be Modeled:	**2,312,263**	**903,309,046,662**	**2,288,155**

Notes:
Currency: US Dollars
Num. Risks are Orig. Risks rounded to whole values
Orig. Risks are client provided original risks.

Exhibit II.a

Insured Value by Territory - All Coverages
Hurricane Peril

North Carolina

Territory	*Homeowners*	*Condo*	*Tenants*	*Total*
7				
Value	3,656,612,100	11,214,392	8,654,556	3,676,481,048
Num. Risks	7,226	225	228	7,679
Org. Risks	7,189	221	221	7,632
Avg Value	508,622	50,759	39,091	481,745
Avg. Ded $	250	250	250	250
8				
Value	5,254,708,007	81,897,173	20,565,744	5,357,170,924
Num. Risks	14,510	1,954	1,143	17,607
Org. Risks	10,528	1,559	594	12,681
Avg Value	499,127	52,528	34,621	422,458
Avg. Ded $	250	250	250	250
48				
Value	5,916,627,534	12,613,762	12,493,872	5,941,735,168
Num. Risks	12,970	204	394	13,568
Org. Risks	12,271	196	325	12,791
Avg Value	482,178	64,241	38,499	464,507
Avg. Ded $	250	250	250	250
49				
Value	21,172,589,703	47,436,141	107,442,804	21,327,468,648
Num. Risks	50,471	632	2,980	54,083
Org. Risks	49,848	614	2,922	53,384
Avg Value	424,745	77,235	36,768	399,510
Avg. Ded $	250	250	250	250
52A				
Value	40,312,894,352	319,820,858	252,893,542	40,885,608,752
Num. Risks	88,365	5,636	7,939	101,940
Org. Risks	83,518	5,217	7,552	96,287
Avg Value	482,687	61,309	33,485	424,624
Avg. Ded $	250	250	250	250
52B				
Value	13,503,063,963	57,892,957	93,544,860	13,654,501,781
Num. Risks	37,186	943	2,857	40,986
Org. Risks	36,802	922	2,835	40,559
Avg Value	366,911	62,770	32,998	336,656
Avg. Ded $	250	250	250	250
101				
Value	272,303,681,575	2,628,365,555	3,677,781,000	278,609,828,130
Num. Risks	579,866	34,932	102,817	717,615
Org. Risks	578,037	34,835	102,661	715,533
Avg Value	471,084	75,452	35,824	389,374
Avg. Ded $	250	250	250	250
102				
Value	90,890,072,122	647,166,975	829,139,544	92,366,378,641
Num. Risks	199,080	8,138	19,646	226,864
Org. Risks	197,608	8,069	19,555	225,232
Avg Value	459,952	80,204	42,401	410,095
Avg. Ded $	250	250	250	250
103				
Value	58,283,736,209	152,273,122	479,452,476	58,915,461,808
Num. Risks	143,233	2,071	12,131	157,435
Org. Risks	142,331	2,018	12,064	156,413
Avg Value	409,495	75,450	39,741	376,665
Avg. Ded $	250	250	250	250
104				
Value	4,599,724,276	43,491,473	14,689,956	4,657,905,705
Num. Risks	9,769	649	370	10,788
Org. Risks	9,588	637	353	10,577
Avg Value	479,762	68,286	41,641	440,373
Avg. Ded $	250	250	250	250

(continued)

105				
Value	851,919,126	134,960	3,852,636	855,906,722
Num. Risks	2,741	5	127	2,873
Org. Risks	2,561	3	113	2,677
Avg Value	332,623	45,690	34,238	319,763
Avg. Ded $	250	250	250	250
106				
Value	7,159,713,208	6,022,069	58,293,168	7,224,028,445
Num. Risks	20,793	106	1,508	22,407
Org. Risks	20,301	100	1,470	21,871
Avg Value	352,674	59,994	39,658	330,295
Avg. Ded $	250	250	250	250
107				
Value	23,584,933,436	230,822,696	350,440,212	24,166,196,345
Num. Risks	39,716	2,822	9,579	52,117
Org. Risks	39,413	2,809	9,560	51,782
Avg Value	598,410	82,159	36,659	466,694
Avg. Ded $	250	250	250	250
108				
Value	17,766,922,746	45,153,730	58,647,804	17,870,724,280
Num. Risks	35,287	558	1,290	37,135
Org. Risks	34,828	534	1,259	36,621
Avg Value	510,139	84,516	46,573	487,989
Avg. Ded $	250	250	250	250
109				
Value	38,169,730,767	98,811,829	292,651,344	38,561,193,940
Num. Risks	93,334	1,398	7,413	102,145
Org. Risks	92,793	1,354	7,364	101,511
Avg Value	411,343	72,999	39,741	379,874
Avg. Ded $	250	250	250	250
110				
Value	2,644,834,573	101,366	13,517,568	2,658,453,506
Num. Risks	7,343	7	368	7,718
Org. Risks	7,084	3	350	7,437
Avg Value	373,369	31,425	38,624	357,467
Avg. Ded $	250	250	250	250
111				
Value	35,089,775,484	97,970,053	311,379,792	35,499,125,328
Num. Risks	93,484	1,536	8,846	103,866
Org. Risks	92,820	1,510	8,798	103,128
Avg Value	378,042	64,880	35,391	344,224
Avg. Ded $	250	250	250	250
112				
Value	6,444,990,371	1,269,877	56,572,740	6,502,832,987
Num. Risks	18,594	26	1,544	20,164
Org. Risks	18,206	16	1,498	19,719
Avg. Value	354,009	81,755	37,774	329,777
Avg. Ded $	250	250	250	250
113				
Value	144,685,235,468	772,622,789	2,210,655,768	147,668,514,025
Num. Risks	281,443	10,595	65,406	357,444
Org. Risks	281,120	10,569	65,378	357,066
Avg Value	514,675	73,102	33,814	413,560
Avg. Ded $	250	250	250	250

(continued)

114				
Value	29,464,156,789	69,725,644	335,406,360	29,869,288,793
Num. Risks	78,443	1,192	10,003	89,638
Org. Risks	77,775	1,178	9,934	88,887
Avg Value	378,840	59,182	33,763	336,037
Avg. Ded $	250	250	250	250
115				
Value	26,809,515,009	20,436,937	213,046,416	27,042,998,362
Num. Risks	68,753	240	5,748	74,741
Org. Risks	68,361	223	5,715	74,298
Avg Value	392,175	91,838	37,281	363,979
Avg. Ded $	250	250	250	250
116				
Value	1,709,677,411	-	10,941,936	1,720,619,347
Num. Risks	5,232	-	320	5,552
Org. Risks	5,030	-	298	5,329
Avg. Value	339,871	-	36,685	322,901
Avg. Ded $	250	250	250	250
117				
Value	15,995,266,838	53,630,339	79,365,384	16,128,262,561
Num. Risks	33,859	785	1,863	36,507
Org. Risks	33,380	747	1,819	35,946
Avg Value	479,180	71,803	43,636	448,678
Avg. Ded $	250	250	250	250
118				
Value	16,271,838,515	75,345,750	118,689,936	16,465,874,201
Num. Risks	32,087	1,062	2,663	35,812
Org. Risks	31,938	1,056	2,651	35,645
Avg Value	509,477	71,364	44,771	461,938
Avg. Ded $	250	250	250	250
119				
Value	2,904,888,303	204,878	11,491,368	2,916,584,549
Num. Risks	7,517	9	328	7,854
Org. Risks	7,181	5	310	7,496
Avg Value	404,503	43,667	37,102	389,096
Avg. Ded $	250	250	250	250
120				
Value	2,748,361,467	2,236,123	15,305,076	2,765,902,666
Num. Risks	7,272	34	419	7,725
Org. Risks	7,212	32	411	7,654
Avg. Value	381,081	70,765	37,283	361,361
Avg. Ded $	250	250	250	250
Total				
Value	888,195,469,352	5,476,661,448	9,636,915,862	903,309,046,662
Num. Risks	1,968,574	75,759	267,930	2,312,263
Org. Risks	1,947,720	74,427	266,008	2,288,155
Avg. Value	456,018	73,585	36,228	394,776
Avg. Ded $	250	250	250	250

Notes:
Currency: US Dollars
Num. Risks are Orig. Risks rounded to whole values
Orig. Risks are client provided original risks.

Exhibit III

Homeowner Total Limit Factors

Territory	*Total Limits Factor*
007	1.857
008	1.900
048	1.857
049	1.868
101	1.905
102	1.904
103	1.900
104	1.928
105	1.870
106	1.895
107	1.923
108	1.920
109	1.909
110	1.933
111	1.943
112	1.896
113	1.925
114	1.908
115	1.909
116	1.890
117	1.916
118	1.943
119	1.899
120	1.910
52A	1.880
52B	1.889

Exhibit RB-6B

Catastrophe Loss Analysis Service
Atlantic Tropical Cyclone
WSST Catalog

Prepared for: North Carolina Rate Bureau
September, 2013

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Table of Contents

Introduction

This report contains the results of the Catastrophe Loss Analysis Service (CLAS™) for Homeowners, Tenants and Condominiums policies in the state of North Carolina as requested by the North Carolina Rate Bureau (NCRB). Loss estimates are provided using AIR Worldwide's (AIR) Atlantic Tropical Cyclone model and the 100,000-year warm sea surface temperature conditioned (WSST) catalog.

The NCRB provided AIR with information that represents the exposures analyzed. AIR reviewed and reformatted the exposure data as necessary and used them as input to the AIR hurricane model, which generated the loss estimates that form the core of this analysis. The AIR model is a system of computer programs that incorporate the fundamental physical characteristics, expressed mathematically, of hurricanes. These characteristics are then overlaid on the geographical distribution of the NCRB's exposures. Building, contents, and time element damage are estimated by applying AIR's proprietary damageability relationships. Finally, insured losses are calculated by applying policy conditions to the total damage estimates.

All aspects of the AIR hurricane model undergo extensive validation tests. The stochastic model variables have been compared to the actual characteristics of historical hurricanes occurring in North Carolina since 1900. The simulated event characteristics parallel patterns seen in the historical record, and resulting loss estimates correspond closely to actual claims data provided by clients.

The model has also undergone extensive internal and external peer review. Internal peer review is a standard part of AIR's operating process and is conducted by AIR's technical staff of over 200 professionals with graduate degrees, over 60 of whom hold Ph.D. credentials in their fields of expertise. In addition to that performed by reviewers for the *Journal of Applied Meteorology and Climatology,* AIR's research into hurricane landfall risk under a regime of warm SSTs has been rigorously peer reviewed by several respected scientists in the field, including MIT's Dr. Kerry Emanuel, Dr. James Elsner at Florida State University and Dr. Timothy Hall from NASA/GISS.

Catastrophe models combine the latest scientific and engineering knowledge with computer simulation technology to develop probability distributions of long-run potential losses. They are not forecasting tools.

Forecasting hurricane activity on a short term time horizon, such as a year or a few years ahead, is difficult because of the many climatological factors that influence hurricane activity—and landfall activity in particular—in the North Atlantic. There are several important mechanisms within the earth's environment that are reported to affect hurricane activity. These mechanisms are correlated with a variety of climate signals, which are measurements of the natural feedback systems of the earth in its effort to maintain equilibrium. Climate signals are typically presented as a measurement of anomalies.

For example, the energy source of the hurricane "engine" is heat and moisture from the ocean's surface. The warmer the ocean, the more heat energy is available to tropical storms. Scientists have observed that sea surface temperatures (SSTs) in the North Atlantic undergo fluctuations above and below their mean values in phases lasting multiple decades. (Some scientists refer to this fluctuation as the Atlantic Multi-Decadal Oscillation, or AMO.)

Other climate signals include the:

- El Niño Southern Oscillation (ENSO), which measures sea surface temperature anomalies in the Pacific Ocean off the coast of Peru. These SSTs alternate over an approximate three- to eight-year cycle with an opposite cold phase known as "La Niña." Certain researchers have concluded that the presence of El Niño has a mitigating effect on the frequency of hurricane activity in the Atlantic and the opposite effect in the Pacific.

- Quasi-Biennial Oscillation (QBO), a signal tracking the direction of the equatorial winds in the stratosphere. One theory hypothesizes that when these winds blow from west to east, they have a positive impact on hurricane formation. The QBO has an approximate two-year cycle.

- North Atlantic Oscillation (NAO), a pressure pattern between the high pressure system near the Azores and the low pressure system near Iceland. Scientists have observed that the large-scale general circulation associated with the NAO steers North Atlantic tropical cyclones in a characteristic pattern to the west and eventually to the north. Informally known as the "Bermuda High," when it is in a more southwesterly position, hurricanes are more likely to make landfall than when it is further north and east, off the northern African Coast. The location of the Bermuda High can change several times during a single hurricane season.

Since 1995, SSTs in the North Atlantic have been in a warm phase characterized by elevated SSTs and above-normal hurricane activity. However, there is significant uncertainty associated with quantifying the time horizon and magnitude of this elevated risk and its impact on insured losses.

While recognizing these challenges, AIR has reviewed current scientific research and conducted extensive internal analyses. Based on this research, AIR has developed an alternative catalog of simulated hurricanes ("warm sea surface temperature conditioned catalog") that incorporates the impact of SST anomalies on hurricane.

Statistical analyses were then performed to assess the impact of warm SST anomalies in the North Atlantic on hurricane landfall frequency and intensity. Although this analysis shows that the correlation between SST anomalies and landfall hurricane frequency is relatively weak, a hurricane index is defined as the ratio of mean frequency of hurricanes under warm SST anomalies relative to mean frequency of hurricanes in all years. The index has been developed by hurricane intensity and for four regions along the U.S. coastline. The final index values are guided by statistical assessment of the impact of SSTs and a physical understanding of the varying regional impact warm SST anomalies have along the coastline. The index values developed by AIR were used to develop a revised landfall frequency distribution by coastal segment, which ultimately results in a warm sea surface temperature conditioned stochastic catalog.

The results presented in this report are provided as one view of the uncertainty in a warm sea surface temperature environment. However, the interaction of other shorter-term climate fluctuations, such as those listed above (ENSO, QBO and NAO), can affect the likelihood that hurricanes will make landfall in any given year. This analysis is limited by a number of other additional factors, including but not limited to:

- Uncertainty in forecasting SST conditions.
- Fewer years of data from periods of warm SST conditions compared to more than 100 years of data used in creating the standard catalog.
- Random events that influence climate (for example, volcanic eruptions) and that cannot be predicted or accounted for.

The AIR model simulated 100,000 years of potential hurricane experience. The results of the model are expressed in terms of probability distributions of event losses. These distributions represent a range of possible losses and the relative likelihood of occurrence of various levels of loss. The hurricane model used in this report is Atlantic Tropical Cyclone v.14.0.1, CLASIC/2 v15.0.

Executive Summary

To estimate the hurricane loss potential for NCRB, AIR simulated 100,000 years of potential hurricanes using AIR Worldwide's warm sea surface temperature conditioned hurricane catalog. The simulation included aggregate demand surge, which is demand surge caused by a given event, as well as by other events that occur close to the given event in both time and space.

The long-term average annual aggregate hurricane loss for the NCRB Homeowners, Tenants and Condominiums policies is $445.6 million including aggregate demand surge. In the 100,000-year sample, 69,904 hurricanes resulted in losses to North Carolina's insured properties net of deductibles. Given that a hurricane has occurred, the estimated average hurricane loss is $637.5 million.

The largest simulated hurricane loss is $42.3 billion including aggregate demand surge. This loss resulted from a category 4 hurricane with landfall in Brunswick County, North Carolina. Note that higher occurrence losses, that is, losses in excess of $42.3 billion, are possible. They have, however, a very low probability of occurrence. Nevertheless, it should be understood that the largest simulated hurricane losses do not represent the worst possible scenarios.

Hurricane events of specified probabilities of exceedance and estimated return times appear below.

Annual Maximum Occurrence Loss

Hurricane Occurrence Loss ($millions)	Estimated Probability of Exceedance	Estimated Average Return Time (years)
934	10.0%	10
2,158	5.0%	20
4,658	2.0%	50
7,343	1.0%	100
11,818	0.4%	250
15,841	0.2%	500
20,091	0.1%	1,000

Actual hurricane losses are influenced by a number of characteristics, the most important of which is intensity as measured by wind speed, commonly expressed in terms of Saffir-Simpson (SS) category. Given the same landfall point, storms with higher wind speeds typically result in larger losses than do storms with lower wind speeds. Other characteristics that influence loss amounts include radius of maximum winds, forward speed, and storm track.

Actual losses also depend on the geographical distribution of exposures in relation to the area affected by the storm. That is, a severe hurricane could result in a smaller overall loss than a less severe hurricane if the less severe hurricane strikes an area of higher property value.

Exposure Information and Assumptions

The NCRB provided exposure information used to generate the loss estimates. The exposure file contained information on insured value and number of risks by Statistical Agent (Stat Agent), category (Voluntary and Beach Plan), policy form group(Owners, Tenants and Condos), ZIP Code, coverage, construction class, year built and territory, as defined by NCRB.

When a zip code is split between two territories, and one of the territories intersecting the zip code is categorized as beach territory by ISO, the ZIP is considered a 'Beach Split ZIP'. For 'Beach Split ZIP Codes' the exposure is distributed to uniform grid points across the area of the zip code falling in each of the territories.

The information on house-years and insurance-years by category, ZIP Code, line of business, construction class, and territory was provided by the Insurance Services Office (ISO).

In order to be consistent with the level of coverage provided by NCRB forms, the insurance years provided by NCRB were increased by 20% for Tenants, and by 40% for Condominiums to reflect non-primary coverages. Insurance years for Homeowners were increased by a Total Limit Factor according to dwelling territory provided by NCRB. The Total Limit Factor was applied prior to remapping of territories (See Appendix A, Exhibit III).

An original data set was provided by ISO and analyzed by AIR in order to yield loss estimates. Appendix A, Exhibit IIa shows total insured values, number of risks (rounded), original number of risks and average values by territory.

Long-Term Average Losses

Exhibit 1 shows the long run average annual hurricane loss potential by territory including aggregate demand surge.

Exhibit 1. Average Annual Loss by Territory in North Carolina

Territory	HO	Tenants	Condominium	Total
7	16,394,877	51,897	54,028	16,500,802
8	32,375,016	154,678	582,770	33,112,464
48	10,286,020	29,175	33,705	10,348,901
49	22,345,018	129,614	49,068	22,523,700
101	46,003,249	650,065	386,865	47,040,180
102	7,135,226	63,839	38,523	7,237,589
103	10,493,868	88,820	23,157	10,605,845
104	284,540	934	2,408	287,882
105	474,526	2,060	58	476,645
106	4,867,860	38,337	3,571	4,909,768
107	5,876,520	91,362	51,691	6,019,573
108	769,976	2,608	1,904	774,488
109	4,854,039	38,981	11,643	4,904,662
110	3,002,633	15,559	110	3,018,301
111	16,912,593	159,726	41,264	17,113,583
112	6,359,166	55,092	1,038	6,415,296
113	45,200,402	743,503	219,833	46,163,739
114	19,767,014	245,574	48,498	20,061,086
115	11,560,248	98,914	8,500	11,667,661
116	667,052	4,354	0	671,406
117	808,302	4,112	2,518	814,932
118	4,866,961	38,087	21,161	4,926,209
119	830,323	3,458	52	833,833
120	361,721	2,056	273	364,050
52A	149,218,155	1,051,698	1,094,334	151,364,186
52B	17,231,859	151,172	74,461	17,457,493
Total	**438,947,164**	**3,915,677**	**2,751,434**	**445,614,275**

Currency: US Dollars

Exhibit 2 shows North Carolina's distribution of Homeowners, Tenants, and Condominiums average annual hurricane losses including aggregate demand surge and total insurance in force by territory. The coastal territories account for much higher shares of loss than exposure due to their vulnerability to the hurricane peril.

Exhibit 2. Distribution of Exposure and Loss by Territory in North Carolina

Territory	Insured Value	Percent of Total	Est. Avg. Annual Loss	Percent of Total
7	3,676,481,048	0.41%	16,500,802	3.70%
8	5,357,170,924	0.59%	33,112,464	7.43%
48	5,941,735,168	0.66%	10,348,901	2.32%
49	21,327,468,648	2.36%	22,523,700	5.05%
101	278,609,828,130	30.84%	47,040,180	10.56%
102	92,366,378,641	10.23%	7,237,589	1.62%
103	58,915,461,808	6.52%	10,605,845	2.38%
104	4,657,905,705	0.52%	287,882	0.06%
105	855,906,722	0.09%	476,645	0.11%
106	7,224,028,445	0.80%	4,909,768	1.10%
107	24,166,196,345	2.68%	6,019,573	1.35%
108	17,870,724,280	1.98%	774,488	0.17%
109	38,561,193,940	4.27%	4,904,662	1.10%
110	2,658,453,506	0.29%	3,018,301	0.68%
111	35,499,125,328	3.93%	17,113,583	3.84%
112	6,502,832,987	0.72%	6,415,296	1.44%
113	147,668,514,025	16.35%	46,163,739	10.36%
114	29,869,288,793	3.31%	20,061,086	4.50%
115	27,042,998,362	2.99%	11,667,661	2.62%
116	1,720,619,347	0.19%	671,406	0.15%
117	16,128,262,561	1.79%	814,932	0.18%
118	16,465,874,201	1.82%	4,926,209	1.11%
119	2,916,584,549	0.32%	833,833	0.19%
120	2,765,902,666	0.31%	364,050	0.08%
52A	40,885,608,752	4.53%	151,364,186	33.97%
52B	13,654,501,781	1.51%	17,457,493	3.92%
Total	**903,309,046,662**	**100.00%**	**445,614,275**	**100.00%**

Currency: US Dollars

Estimated Pure Premiums and Loss Costs

Exhibits 3, 4, 5, and 6 show the estimated hurricane loss costs and pure premiums by territory for all lines combined and for each line separately. The coastal territories are most vulnerable to hurricane losses. The estimated loss costs are highest in coastal territories 7 and 8, as well as territories 48 and 52A. These territories form part of the eastern tip of North Carolina, an area of relatively high hurricane frequency.

For all exhibits, the estimated loss costs are per $100 of exposure. The estimated hurricane pure premiums are calculated by dividing the estimated average annual losses by the number of risks. The estimated hurricane pure premiums show the amounts, exclusive of expenses and provisions for profit and contingencies, which need to be collected each year to cover only the long run hurricane loss potential.

Exhibit 3. Loss Costs by Territory - North Carolina – All Lines

Territory	Insured Value	Risk Count	Average Annual Loss	Pure Premium	Loss Cost (Per $100)
7	3,676,481,048	7,632	16,500,802	2,162.17	0.4488
8	5,357,170,924	12,681	33,112,464	2,611.20	0.6181
48	5,941,735,168	12,791	10,348,901	809.05	0.1742
49	21,327,468,648	53,384	22,523,700	421.92	0.1056
101	278,609,828,130	715,533	47,040,180	65.74	0.0169
102	92,366,378,641	225,232	7,237,589	32.13	0.0078
103	58,915,461,808	156,413	10,605,845	67.81	0.0180
104	4,657,905,705	10,577	287,882	27.22	0.0062
105	855,906,722	2,677	476,645	178.07	0.0557
106	7,224,028,445	21,871	4,909,768	224.48	0.0680
107	24,166,196,345	51,782	6,019,573	116.25	0.0249
108	17,870,724,280	36,621	774,488	21.15	0.0043
109	38,561,193,940	101,511	4,904,662	48.32	0.0127
110	2,658,453,506	7,437	3,018,301	405.85	0.1135
111	35,499,125,328	103,128	17,113,583	165.95	0.0482
112	6,502,832,987	19,719	6,415,296	325.34	0.0987
113	147,668,514,025	357,066	46,163,739	129.29	0.0313
114	29,869,288,793	88,887	20,061,086	225.69	0.0672
115	27,042,998,362	74,298	11,667,661	157.04	0.0431
116	1,720,619,347	5,329	671,406	126.00	0.0390
117	16,128,262,561	35,946	814,932	22.67	0.0051
118	16,465,874,201	35,645	4,926,209	138.20	0.0299
119	2,916,584,549	7,496	833,833	111.24	0.0286
120	2,765,902,666	7,654	364,050	47.56	0.0132
52A	40,885,608,752	96,287	151,364,186	1,572.02	0.3702
52B	13,654,501,781	40,559	17,457,493	430.42	0.1279
Total	**903,309,046,662**	**2,288,155**	**445,614,275**	**194.75**	**0.0493**

Currency: US Dollars

Exhibit 4. Loss Costs by Territory - North Carolina - Homeowners

Territory	Insured Value	Risk Count	Average Annual Loss	Pure Premium	Loss Cost (Per $100)
7	3,656,612,100	7,189	16,394,877	2,280.47	0.4484
8	5,254,708,007	10,528	32,375,016	3,075.19	0.6161
48	5,916,627,534	12,271	10,286,020	838.26	0.1738
49	21,172,589,703	49,848	22,345,018	448.27	0.1055
101	272,303,681,575	578,037	46,003,249	79.59	0.0169
102	90,890,072,122	197,608	7,135,226	36.11	0.0079
103	58,283,736,209	142,331	10,493,868	73.73	0.0180
104	4,599,724,276	9,588	284,540	29.68	0.0062
105	851,919,126	2,561	474,526	185.27	0.0557
106	7,159,713,208	20,301	4,867,860	239.78	0.0680
107	23,584,933,436	39,413	5,876,520	149.10	0.0249
108	17,766,922,746	34,828	769,976	22.11	0.0043
109	38,169,730,767	92,793	4,854,039	52.31	0.0127
110	2,644,834,573	7,084	3,002,633	423.88	0.1135
111	35,089,775,484	92,820	16,912,593	182.21	0.0482
112	6,444,990,371	18,206	6,359,166	349.30	0.0987
113	144,685,235,468	281,120	45,200,402	160.79	0.0312
114	29,464,156,789	77,775	19,767,014	254.16	0.0671
115	26,809,515,009	68,361	11,560,248	169.11	0.0431
116	1,709,677,411	5,030	667,052	132.61	0.0390
117	15,995,266,838	33,380	808,302	24.21	0.0051
118	16,271,838,515	31,938	4,866,961	152.39	0.0299
119	2,904,888,303	7,181	830,323	115.62	0.0286
120	2,748,361,467	7,212	361,721	50.16	0.0132
52A	40,312,894,352	83,518	149,218,155	1,786.66	0.3701
52B	13,503,063,963	36,802	17,231,859	468.23	0.1276
Total	**888,195,469,352**	**1,947,720**	**438,947,164**	**225.36**	**0.0494**

Currency: US Dollars

Exhibit 5. Loss Costs by Territory - North Carolina - Tenants

Territory	Insured Value	Risk Count	Average Annual Loss	Pure Premium	Loss Cost (Per $100)
7	8,654,556	221	51,897	234.41	0.5997
8	20,565,744	594	154,678	260.39	0.7521
48	12,493,872	325	29,175	89.90	0.2335
49	107,442,804	2,922	129,614	44.36	0.1206
101	3,677,781,000	102,661	650,065	6.33	0.0177
102	829,139,544	19,555	63,839	3.26	0.0077
103	479,452,476	12,064	88,820	7.36	0.0185
104	14,689,956	353	934	2.65	0.0064
105	3,852,636	113	2,060	18.31	0.0535
106	58,293,168	1,470	38,337	26.08	0.0658
107	350,440,212	9,560	91,362	9.56	0.0261
108	58,647,804	1,259	2,608	2.07	0.0044
109	292,651,344	7,364	38,981	5.29	0.0133
110	13,517,568	350	15,559	44.46	0.1151
111	311,379,792	8,798	159,726	18.15	0.0513
112	56,572,740	1,498	55,092	36.79	0.0974
113	2,210,655,768	65,378	743,503	11.37	0.0336
114	335,406,360	9,934	245,574	24.72	0.0732
115	213,046,416	5,715	98,914	17.31	0.0464
116	10,941,936	298	4,354	14.60	0.0398
117	79,365,384	1,819	4,112	2.26	0.0052
118	118,689,936	2,651	38,087	14.37	0.0321
119	11,491,368	310	3,458	11.17	0.0301
120	15,305,076	411	2,056	5.01	0.0134
52A	252,893,542	7,552	1,051,698	139.25	0.4159
52B	93,544,860	2,835	151,172	53.33	0.1616
Total	**9,636,915,862**	**266,008**	**3,915,677**	**14.72**	**0.0406**

Currency: US Dollars

Exhibit 6. Loss Costs by Territory - North Carolina – Condominiums

Territory	Insured Value	Risk Count	Average Annual Loss	Pure Premium	Loss Cost (Per $100)
7	11,214,392	221	54,028	244.54	0.4818
8	81,897,173	1,559	582,770	373.78	0.7116
48	12,613,762	196	33,705	171.66	0.2672
49	47,436,141	614	49,068	79.89	0.1034
101	2,628,365,555	34,835	386,865	11.11	0.0147
102	647,166,975	8,069	38,523	4.77	0.0060
103	152,273,122	2,018	23,157	11.47	0.0152
104	43,491,473	637	2,408	3.78	0.0055
105	134,960	3	58	19.75	0.0432
106	6,022,069	100	3,571	35.58	0.0593
107	230,822,696	2,809	51,691	18.40	0.0224
108	45,153,730	534	1,904	3.56	0.0042
109	98,811,829	1,354	11,643	8.60	0.0118
110	101,366	3	110	34.12	0.1086
111	97,970,053	1,510	41,264	27.33	0.0421
112	1,269,877	16	1,038	66.83	0.0817
113	772,622,789	10,569	219,833	20.80	0.0285
114	69,725,644	1,178	48,498	41.16	0.0696
115	20,436,937	223	8,500	38.20	0.0416
116	0	0	0	0.00	0.0000
117	53,630,339	747	2,518	3.37	0.0047
118	75,345,750	1,056	21,161	20.04	0.0281
119	204,878	5	52	11.06	0.0253
120	2,236,123	32	273	8.64	0.0122
52A	319,820,858	5,217	1,094,334	209.78	0.3422
52B	57,892,957	922	74,461	80.73	0.1286
Total	**5,476,661,448**	**74,427**	**2,751,434**	**36.97**	**0.0502**

Currency: US Dollars

Appendix A – Project Information & Assumptions Form

Project Information & Assumptions Form

Version 2009061919.1.0

Project Summary & Contact Information

Subscriber: NCRB
Contact: Tim Lucas
Email: ftl@ncrb.org
Phone: 919-582-1021
Fax:

AIR Contact: Peter Bingenheimer
Email: pbingenheimer@air-worldwide.com
Phone: (617) 267-6645
Fax: (617) 267-8284

Contract #:
Analysis Type: Property - Personal

Exposure Summary Sent: September 3, 2013
Report Due: August 21, 2013

☑ Initial Analysis ☐ Follow-up

Perils & Models

#	Peril	Model	Implementation	Version	Simulation Years
1	Tropical Cyclone	U.S. Hurricane Standard - 100K_Standard_ATL_Hur_10 (15.00.409)	CLASIC/2	15.0	100,000
2	Tropical Cyclone	U.S. Hurricane WSST - 100K_WSST_ATL_Hur_11 (15.01.409)	CLASIC/2	15.0	100,000

Reports & Deliverables

Report Options

Report Format: ☑ PDF ☐ Paper Copy/Bound Report
☐ Flat file ☐ CSV

Standard Reports

☑ Distribution of Potential Catastrophe Losses - Exceedance Probability
☑ Portfolio ☐ State ☐ Line of Business

☑ Average Annual Losses
☐ State ☐ County ☐ ZIP ☐ Location ☐ Line of Business
☑ Territory

☑ Loss Costs and Pure Premiums
☐ State ☐ County ☐ ZIP ☐ Location ☐ Line of Business
☑ Territory

☐ Selected Event Scenarios - specific events from a stochastic/historical event set
☐ Rank ☐ Return Period ☐ Line of Business

Customized Reports

☐ Company Loss File (CLF) ☐ UNICEDE/2
☐ UPX

9/3/2013
1

AIR WORLDWIDE

Original Data File Information			
Original file name(s):	AIR File 2011 Current & New Terr.xlsx		
Date Received:	July 22, 2013	Data in-force Date:	December 31, 2011
Date Logged:	July 22, 2013	Data Media:	Excel Attachment

File Format: ☐ MS Access ☑ MS Excel ☐ Text

Level of Location Det: ☐ Geocode ☐ 9-Digit ZIP ☐ Street ☑ 5-Digit ZIP ☐ City ☐ County ☐ State ☐ Territory

Original Value Summary						
Total Deductible Value	Total Records	Total Risks	Total Replacement Value	Total Insured Value	Max. TIV	Avg. TIV
n/a	52,908	2,288,155	477,292,531,512	477,292,531,512	1,768,012	208,593

Added/Excluded Records			
Reason for Addition/Exclusion	Records	Risks	Insured Value
Insured Value increased for modeling due to addition of Time Element (Coverage D) for all exposures. See Exposure Notes and Customized Assumptions for details.	-	-	96,230,254,063
Insured Value increased for modeling due to addition of Contents (Coverage C) for Homeowners records. See Exposure Notes and Customized Assumptions for details.	-	-	283,171,531,965
Insured Value increased for modeling due to addition of Appurtenant Structures (Coverage B) for Homeowners records. See Exposure Notes and Customized Assumptions for details.	-	-	46,540,302,876
Insured Value increased for modeling due to addition of Building Structures (Coverage A) for Condominium records. See Exposure Notes and Customized Assumptions for details.	-	-	74,426,613
Risks increased due to rounding	-	24,108	-
Records increased and Value Rounded due to Beach Split treatment	15,240	-	-366
Total Excluded:	-	-	-
Total Added	15,240	24,108	426,016,515,150
Reduced Number of Records due to Aggregation:	N/A	N/A	N/A
Net Exposures to be Modeled:	68,148	2,312,263	903,309,046,662

#REF!
2

AIR WORLDWIDE

Geocode Record Summary		
Number of zipcodes remapped prior to geocoding:	2	
Book Name:	NCRB_HO_2013	
Geocoded Level of Location Detail	Records	
Matched at Exact Address:	-	
Matched at 9-digit Zip:	-	
Matched at Relaxed Address:	-	
Matched at Postal Code:	51,501	
Matched at City:	-	
Matched at County:	-	
Geocoded based on population grid points (Beach Split Zips)	16,647	
Records already geocoded by client:	-	
Total number of records:	**68,148**	

#REF!
3

Line of Business & Coverage Summary														
	Limits	A Building			B Other Structures			C Contents			D Loss of Use		
LOB	Apply	Rep	Lim	Ded	Rep	Lim	Ded	Rep	Lim	Ded	Rep/d*	Lim	Ded
HO	C	L	P	BA	L	LimA*0.1	BA	L	LimA*(TLF-1.3)	BA	$150 / day	LimA*0.2	N/A
CO	C	L	$1,000 * Num of Risks	BA	N/A	N/A	N/A	L	P	BA	$150 / day	LimC*0.4	N/A
TN	C	N/A	N/A	N/A	N/A	N/A	N/A	L	P	BA	$150 / day	LimC*0.2	N/A

* *Loss of Use Replacment (Rep/d) is a per diem value.*

CLASIC/2 Key:

Limit Application Code ("Limits Apply"):
N = None
C = Applies by Coverage
S = Applies to sum of all coverages

Replacement Value ("Rep"):
P = As Provided
L = Equal to limit

Limit Value ("Lim"):
P = As Provided
TLF = Total Limit Factor (see Exhibit III)

Deductible Application Code ("Ded"):
NO = None
AA = Annual Amount
SA = Combined flat
SP = Combined percent of coverage
SL = Combined percent of loss
CA = By coverage flat
CP = By coverage percent
BA = Combined flat, excluding time element loss
BP = Combined percent of coverage, excluding time
MA = Mini-policy flat
MP = Mini-policy percent

Analysis Options

Aggregation of Input Data: ☐ Modeled as provided ☑ Aggregated by: Stat Agent, PFG Code, New Territory (eff. 5/1/2013), Construction Code, Zip Code, Year Built.

Geographic Resolution of Analysis: Postal Code

Analysis Save Results: ☐ Contract ☐ Contract/Summary ☐ Layer ☐ Coverage ☐ Injury

Analysis Specifications:
☐ Reinsurance Quota Share ☐ Reinsurance Per Risk XOL
☐ Reinsurance Surplus Share ☐ Reinsurance Facultative
☐ TC Storm Surge (Flooding, default is 10% of separately modeled surge loss)
☑ Average Properties ☑ Demand Surge (Aggregate)
☐ Uncertainty ☐ Global Overrides

Analysis Notes: Base analyses will be run with aggregate demand surge. Exposures treated as Beach Split Zip (see note 5 on Page 6) will not be run with Average Properties.
An additional analysis will be run without demand surge, results will be provided at the event level

9/3/2013
4

AIR WORLDWIDE

Location Detail Characteristics			
Peril	*Characteristic*	*# Provided*	*% of Total Provided*
	Age	46,346	87.6%
	Appurtenant Structures		
	Avg Height of Adjacent Buildings		
	Bldg Foundation Connection		
	Building Condition		
	Building Orientation		
	Building Shape		
	Exterior Doors		
	Floor of Interest		
	Foundation Type		
	Glass Percent		
	Glass Type		
	Height		
	Internal Partition Walls		
	Large Missile Source		
	Proximity Exposure		
	Retrofit Measures		
	Roof Anchorage		
	Roof Attached Structures		
	Roof Covering		
	Roof Covering Attachment		
	Roof Deck		
	Roof Deck Attachment		
	Roof Geometry		
	Roof Pitch		
	Small Debris Source		
	Soft Story		
	Special Earthquake Resistant Systems		
	Structural Irregularity		
	Terrain Roughness		
	Torsion Elements		
	Tree Exposure		
	Wall Attached Structures		
	Wall Siding		
	Wall Type		
	Window Protection		
	Year Roof Built		
	Total Records	52,908	

Notes: Year Built is provided for Homeowners data only and is divided into the following bands:
- 1994 and prior
- By year for 1995 - 2004
- 2005 and later

Exposure Notes & Customized Assumptions

1) Insured value and number of risks were provided to AIR by Statistical Agent (Agent) category (Voluntary and Beach Plan), policy form group(Owners, Tenants and Condos), zipcode, coverage, construction class, year built and territory, as defined by NCRB.

2) The number of risks in each zip code was rounded to the nearest whole number, except where the number of risks was < 1. In these zip codes, the number of risks was rounded up to 1. As a result, the number of risks to be modeled is different from the number of risks provided. This will not have an impact on the results, as the number of risks is not a field used in the analysis.

3) For HO policies, the Coverage B replacement value and limit were assumed to be 10% of Coverage A; the Coverage C replacement value and limit were assumed to be (Total Limit Factor - 1.3) of Coverage A where Total Limit Factor (TLF) varies by Territory (see Exhibit III); the Coverage D replacement value was assumed to be $150/day, and the Coverage D limit was assumed to be 20% of Coverage A. For CO policies, the Coverage A replacement value and limit were assumed to be $1,000 per risk; the Coverage D replacement value was assumed to be $150/day, and the Coverage D limit was assumed to be 40% of Coverage C. For TN policies, replacement values and limits for Coverages A and B were assumed to be zero. Replacement value and limit for Coverage C was as provided. Replacement Value for Coverage D is assumed to be $150/day and the limit value for Coverage D is assumed to be 20% of Coverage C.

4) For the purposes of modeling, ZIP codes that are not current or do not have geographic boundaries associated with them (i.e. mailing or P.O. Box ZIP codes) are mapped to current, equivalent ZIP codes that are valid for use with CLASIC/2. However, the original zip codes will be retained for reporting purposes.

5) When a zip code is split between two territories, and one of the territories intersecting the zip code is categorized as beach territory by ISO, the ZIP is considered a 'Beach Split ZIP'. For 'Beach Split ZIP Codes' the exposure is distributed to uniform grid points across the area of the zip code falling in each of the territories.

6) A deductible of $250 per risk was used for all lines of business.

Attachments & Exhibits

Construction/Occupancy Information and Data Mapping: ☑

Insured Value Summary by LOB: ☐ State ☐ County ☐ Coverage ☑ Territory

Replacement Value Summary by LOB: ☐ State ☐ County ☐ Coverage

Deductible Summary by LOB: ☐ State ☐ County ☐ Coverage

Premium Summary: ☐ State ☐ County

Deductible by Coverage: ☐ State ☐ County

Construction Summary: ☐

Exposure Summary & Modeling Assumption Approval

Subscriber Signature: ______________________ *Date:* ______________

Print Name: ______________________ *Title:* ______________

7/31/2013

6

AIR WORLDWIDE

Exhibit I.a: US

Construction/Occupancy Information and Data Mapping

LOB	*Client Construction*	*AIR CC*	*AIR OC*	*AIR Construction*	*AIR Occupancy*	*Risks*	*Insured Value*	*Org. Risks*
Owners	1	101	301	Wood Frame	General Residential	1,176,660	502,687,046,862	1,173,001
Owners	2	103	301	Masonry veneer	General Residential	554,205	270,458,704,244	549,555
Owners	3	111	301	Masonry	General Residential	157,525	86,980,653,742	151,309
Owners	4	131	301	Reinforced concrete	General Residential	4,648	1,074,439,144	1,586
Owners	5	101	301	Wood Frame	General Residential	75,536	26,994,625,361	72,269
Tenant	1	101	306	Wood Frame	Apartments/Condos	174,818	6,059,694,766	174,504
Tenant	2	103	306	Masonry veneer	Apartments/Condos	57,801	2,278,176,672	57,366
Tenant	3	111	306	Masonry	Apartments/Condos	18,004	713,443,080	17,496
Tenant	4	131	306	Reinforced concrete	Apartments/Condos	1,545	49,552,200	1,220
Tenant	5	101	306	Wood Frame	Apartments/Condos	15,762	536,049,144	15,423
Condominium	1	101	306	Wood Frame	Apartments/Condos	47,713	3,267,346,027	47,454
Condominium	2	103	306	Masonry veneer	Apartments/Condos	15,380	1,254,169,039	15,099
Condominium	3	111	306	Masonry	Apartments/Condos	8,195	673,287,437	7,923
Condominium	4	131	306	Reinforced concrete	Apartments/Condos	1,095	73,017,603	772
Condominium	5	101	306	Wood Frame	Apartments/Condos	3,376	208,841,342	3,179
					Total Insured Value to be Modeled:	**2,312,263**	**903,309,046,662**	**2,288,155**

Notes:
Currency: US Dollars
Num. Risks are Orig. Risks rounded to whole values
Orig. Risks are client provided original risks.

Exhibit II.a

Insured Value by Territory - All Coverages
Hurricane Peril

North Carolina

Territory	Homeowners	Condo	Tenants	Total
7				
Value	3,656,612,100	11,214,392	8,654,556	3,676,481,048
Num. Risks	7,226	225	228	7,679
Org. Risks	7,189	221	221	7,632
Avg Value	508,622	50,759	39,091	481,745
Avg. Ded $	250	250	250	250
8				
Value	5,254,708,007	81,897,173	20,565,744	5,357,170,924
Num. Risks	14,510	1,954	1,143	17,607
Org. Risks	10,528	1,559	594	12,681
Avg Value	499,127	52,528	34,621	422,458
Avg. Ded $	250	250	250	250
48				
Value	5,916,627,534	12,613,762	12,493,872	5,941,735,168
Num. Risks	12,970	204	394	13,568
Org. Risks	12,271	196	325	12,791
Avg Value	482,178	64,241	38,499	464,507
Avg. Ded $	250	250	250	250
49				
Value	21,172,589,703	47,436,141	107,442,804	21,327,468,648
Num. Risks	50,471	632	2,980	54,083
Org. Risks	49,848	614	2,922	53,384
Avg Value	424,745	77,235	36,768	399,510
Avg. Ded $	250	250	250	250
52A				
Value	40,312,894,352	319,820,858	252,893,542	40,885,608,752
Num. Risks	88,365	5,636	7,939	101,940
Org. Risks	83,518	5,217	7,552	96,287
Avg Value	482,687	61,309	33,485	424,624
Avg. Ded $	250	250	250	250
52B				
Value	13,503,063,963	57,892,957	93,544,860	13,654,501,781
Num. Risks	37,186	943	2,857	40,986
Org. Risks	36,802	922	2,835	40,559
Avg Value	366,911	62,770	32,998	336,656
Avg. Ded $	250	250	250	250
101				
Value	272,303,681,575	2,628,365,555	3,677,781,000	278,609,828,130
Num. Risks	579,866	34,932	102,817	717,615
Org. Risks	578,037	34,835	102,661	715,533
Avg Value	471,084	75,452	35,824	389,374
Avg. Ded $	250	250	250	250
102				
Value	90,890,072,122	647,166,975	829,139,544	92,366,378,641
Num. Risks	199,080	8,138	19,646	226,864
Org. Risks	197,608	8,069	19,555	225,232
Avg Value	459,952	80,204	42,401	410,095
Avg. Ded $	250	250	250	250
103				
Value	58,283,736,209	152,273,122	479,452,476	58,915,461,808
Num. Risks	143,233	2,071	12,131	157,435
Org. Risks	142,331	2,018	12,064	156,413
Avg Value	409,495	75,450	39,741	376,665
Avg. Ded $	250	250	250	250
104				
Value	4,599,724,276	43,491,473	14,689,956	4,657,905,705
Num. Risks	9,769	649	370	10,788
Org. Risks	9,588	637	353	10,577
Avg Value	479,762	68,286	41,641	440,373
Avg. Ded $	250	250	250	250

(continued)

105				
Value	851,919,126	134,960	3,852,636	855,906,722
Num. Risks	2,741	5	127	2,873
Org. Risks	2,561	3	113	2,677
Avg Value	332,623	45,690	34,238	319,763
Avg. Ded $	250	250	250	250
106				
Value	7,159,713,208	6,022,069	58,293,168	7,224,028,445
Num. Risks	20,793	106	1,508	22,407
Org. Risks	20,301	100	1,470	21,871
Avg Value	352,674	59,994	39,658	330,295
Avg. Ded $	250	250	250	250
107				
Value	23,584,933,436	230,822,696	350,440,212	24,166,196,345
Num. Risks	39,716	2,822	9,579	52,117
Org. Risks	39,413	2,809	9,560	51,782
Avg Value	598,410	82,159	36,659	466,694
Avg. Ded $	250	250	250	250
108				
Value	17,766,922,746	45,153,730	58,647,804	17,870,724,280
Num. Risks	35,287	558	1,290	37,135
Org. Risks	34,828	534	1,259	36,621
Avg Value	510,139	84,516	46,573	487,989
Avg. Ded $	250	250	250	250
109				
Value	38,169,730,767	98,811,829	292,651,344	38,561,193,940
Num. Risks	93,334	1,398	7,413	102,145
Org. Risks	92,793	1,354	7,364	101,511
Avg Value	411,343	72,999	39,741	379,874
Avg. Ded $	250	250	250	250
110				
Value	2,644,834,573	101,366	13,517,568	2,658,453,506
Num. Risks	7,343	7	368	7,718
Org. Risks	7,084	3	350	7,437
Avg Value	373,369	31,425	38,624	357,467
Avg. Ded $	250	250	250	250
111				
Value	35,089,775,484	97,970,053	311,379,792	35,499,125,328
Num. Risks	93,484	1,536	8,846	103,866
Org. Risks	92,820	1,510	8,798	103,128
Avg Value	378,042	64,880	35,391	344,224
Avg. Ded $	250	250	250	250
112				
Value	6,444,990,371	1,269,877	56,572,740	6,502,832,987
Num. Risks	18,594	26	1,544	20,164
Org. Risks	18,206	16	1,498	19,719
Avg. Value	354,009	81,755	37,774	329,777
Avg. Ded $	250	250	250	250
113				
Value	144,685,235,468	772,622,789	2,210,655,768	147,668,514,025
Num. Risks	281,443	10,595	65,406	357,444
Org. Risks	281,120	10,569	65,378	357,066
Avg Value	514,675	73,102	33,814	413,560
Avg. Ded $	250	250	250	250

(continued)

114				
Value	29,464,156,789	69,725,644	335,406,360	29,869,288,793
Num. Risks	78,443	1,192	10,003	89,638
Org. Risks	77,775	1,178	9,934	88,887
Avg Value	378,840	59,182	33,763	336,037
Avg. Ded $	250	250	250	250
115				
Value	26,809,515,009	20,436,937	213,046,416	27,042,998,362
Num. Risks	68,753	240	5,748	74,741
Org. Risks	68,361	223	5,715	74,298
Avg Value	392,175	91,838	37,281	363,979
Avg. Ded $	250	250	250	250
116				
Value	1,709,677,411	-	10,941,936	1,720,619,347
Num. Risks	5,232	-	320	5,552
Org. Risks	5,030	-	298	5,329
Avg. Value	339,871	-	36,685	322,901
Avg. Ded $	250	250	250	250
117				
Value	15,995,266,838	53,630,339	79,365,384	16,128,262,561
Num. Risks	33,859	785	1,863	36,507
Org. Risks	33,380	747	1,819	35,946
Avg Value	479,180	71,803	43,636	448,678
Avg. Ded $	250	250	250	250
118				
Value	16,271,838,515	75,345,750	118,689,936	16,465,874,201
Num. Risks	32,087	1,062	2,663	35,812
Org. Risks	31,938	1,056	2,651	35,645
Avg Value	509,477	71,364	44,771	461,938
Avg. Ded $	250	250	250	250
119				
Value	2,904,888,303	204,878	11,491,368	2,916,584,549
Num. Risks	7,517	9	328	7,854
Org. Risks	7,181	5	310	7,496
Avg Value	404,503	43,667	37,102	389,096
Avg. Ded $	250	250	250	250
120				
Value	2,748,361,467	2,236,123	15,305,076	2,765,902,666
Num. Risks	7,272	34	419	7,725
Org. Risks	7,212	32	411	7,654
Avg. Value	381,081	70,765	37,283	361,361
Avg. Ded $	250	250	250	250
Total				
Value	888,195,469,352	5,476,661,448	9,636,915,862	903,309,046,662
Num. Risks	1,968,574	75,759	267,930	2,312,263
Org. Risks	1,947,720	74,427	266,008	2,288,155
Avg. Value	456,018	73,585	36,228	394,776
Avg. Ded $	250	250	250	250

Notes:
Currency: US Dollars
Num. Risks are Orig. Risks rounded to whole values
Orig. Risks are client provided original risks.

Exhibit III

Homeowner Total Limit Factors

Territory	*Total Limits Factor*
007	1.857
008	1.900
048	1.857
049	1.868
101	1.905
102	1.904
103	1.900
104	1.928
105	1.870
106	1.895
107	1.923
108	1.920
109	1.909
110	1.933
111	1.943
112	1.896
113	1.925
114	1.908
115	1.909
116	1.890
117	1.916
118	1.943
119	1.899
120	1.910
52A	1.880
52B	1.889

Exhibit RB-6C

AIR Hurricane Model for the United States

AIR WORLDWIDE

Revision History

Revision Date	Description
June 15, 2013	Document release.
June 21, 2013	The model version number was incorrectly stated as 15.0. It is, in fact, Version 14.0.1. This error has been corrected.

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Contact Information

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Table of Contents

List of Figures

List of Tables

1 Facts at a Glance

1.1 Model Facts

Model Name: AIR Hurricane Model for the United States (AIR Model 27)

AIR Model Version: 14.0.1 (released in Version 1.5 of Touchstone and Version 15.0 of CLASIC/2, CATRADER, and CATStation)

Release Date: June 2013

Modeled States: Alabama, Arkansas, Connecticut, Delaware, Washington DC, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Mississippi, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, and West Virginia

Modeled Perils: Hurricane winds and storm surge. The effects of levee failure are not modeled, nor are losses arising from contamination and associated clean-up costs. Precipitation is not explicitly modeled; however, because modeled losses have been calibrated to and validated against actual reported losses, the impact of wind-driven rain and saturated soils on modeled losses is captured implicitly.

Model Abstract: The AIR Hurricane Model for the United States is a fully stochastic model that captures the effects of hurricane winds and storm surge on insured properties in the United States (see list of modeled states above). Wind intensity computations are based on a storm's intensity, size, location, forward speed and direction, as well as the underlying terrain and land use in the region. Storm surge estimation is based on the hurricane's meteorological parameters, coastal elevation and geometry, tide heights, and bathymetry. In the local intensity component of the model, the effects of surface friction, filling, and gustiness on wind intensity and attenuation on storm surge are considered in order to properly calculate damage to onshore properties. The model is designed to meet the wide spectrum of hurricane risk management needs of all stakeholders, including the insurance and reinsurance industries, and accounts for insurance policy conditions specific to the United States.

1.2 United States — Country Facts

Population: 313.8 million (est. 2012)

GDP (purchasing power parity): USD 15.04 trillion (est. 2011)

Per Capita GDP: USD 48,100 (est. 2011)

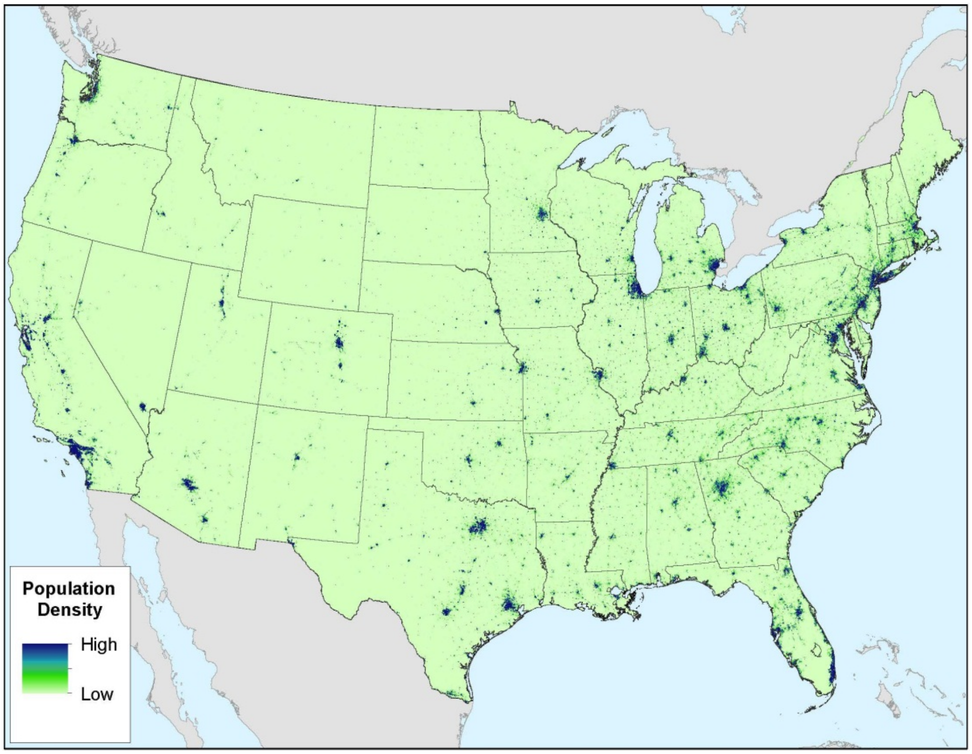

Figure 1. Population density in the United States

Figure 2 illustrates the density of ZIP Codes in the eastern United States, with a zoom of the ZIP Codes in Florida.

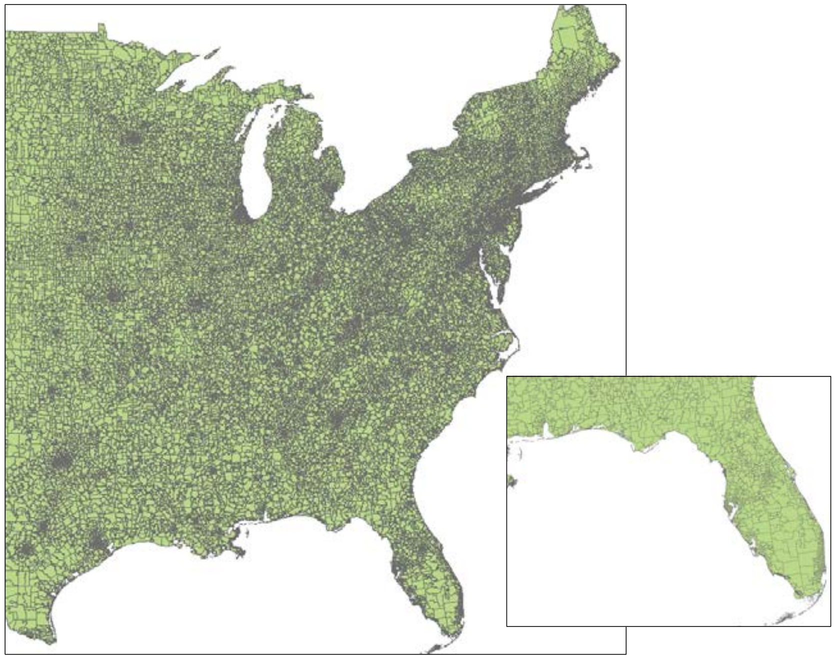

Figure 2. ZIP Code density in the eastern United States with zoom of Florida

Figure 3 shows the counties and county equivalents in the eastern United States. County equivalents include 64 parishes in Louisiana, 42 independent cities (one in MD, one in MO, one in NV, and the remainder in VA, and one district (District of Columbia).

Figure 3. Counties and county equivalents in the eastern United States

1.3 Historical Catalog

Historical data on more than 1,000 storms in the Atlantic basin has been thoroughly analyzed to generate the simulated tracks. The model leverages information from the North Atlantic Hurricane Database (HURDAT), published August 1, 2011, for the period of 1900 to 2010. In addition to hurricanes that bypass land sufficiently close to the coast to cause damage, there were 209 U.S. landfalls during this period[1]. For modeling purposes, landfalling hurricanes are defined as those in which the center of the eye crosses the coastline. Bypassing storms are defined as hurricanes that pass close enough to land to produce damaging winds (≥ 40 mph) onshore, although they do not actually make landfall.

The Atlantic basin includes the Gulf of Mexico and the Caribbean Sea. Henceforth, the North Atlantic, Gulf of Mexico, and Caribbean Sea will be referred to as the Atlantic.

1.4 Stochastic Catalog

The model incorporates a 10,000-year catalog of simulated hurricanes with wind speeds of at least 74 mph.[2] This is a unified catalog covering the Caribbean, Mexico, and the Gulf of Mexico.

Note that two stochastic catalogs are provided with the AIR Hurricane Model for the United States:

- a standard catalog that reflects hurricane risk under average climate conditions
- a warm sea-surface temperature (Warm SST) catalog that reflects hurricane risk under warmer-than-average sea-surface temperature conditions.

Unless otherwise specified, the information provided in this document refers to the standard 10,000-year catalog. For details about the Warm SST catalog and the methodology used to develop it, please refer to *Climatological Influences on Hurricane Activity: The AIR Warm SST Conditioned Catalog*, which is available on the AIR website.

[1] Note that U.S. landfalls include events that make landfall in some portions of northern Mexico.

[2] Note that stochastic catalogs of 50,000 and 100,000 years are also available.

There are 50,011 simulated tropical cyclones in the standard 10,000-year catalog, which the model shares with the AIR Tropical Cyclone Model for the Caribbean, the AIR Tropical Cyclone Model for Mexico, and the AIR U.S. Hurricane Model for Offshore Assets. Of these, 19,067 are U.S.-only events, 17,084 of these make landfall in the United States, and 1,983 bypass the mainland. The maximum number of hurricane landfalls in a single simulated year is thirteen. Note that a single storm can make multiple landfalls.

Table 1 provides summary statistics about the standard and Warm SST 10,000-year stochastic catalog utilized in the model. Each event that makes landfall is indicated in the "U.S. Landfalling Events" row, and each U.S. landfall is indicated by the "U.S. Landfalls" row, which includes multiple landfalls from individual storms. "Total U.S. Events" is the sum of "U.S. Bypassers" and "U.S. Landfalling Events".

Table 1. 10,000-Year stochastic catalog statistics

	Standard Catalog	Warm SST Catalog
U.S. Landfalls	18,989	20,831
U.S. Landfalling Events	17,084	18,823
U.S. Bypassers	1,983	2,199
Total U.S. Events	19,067	21,022

Figure 4 shows the simulated landfall counts by intensity for the standard catalog.

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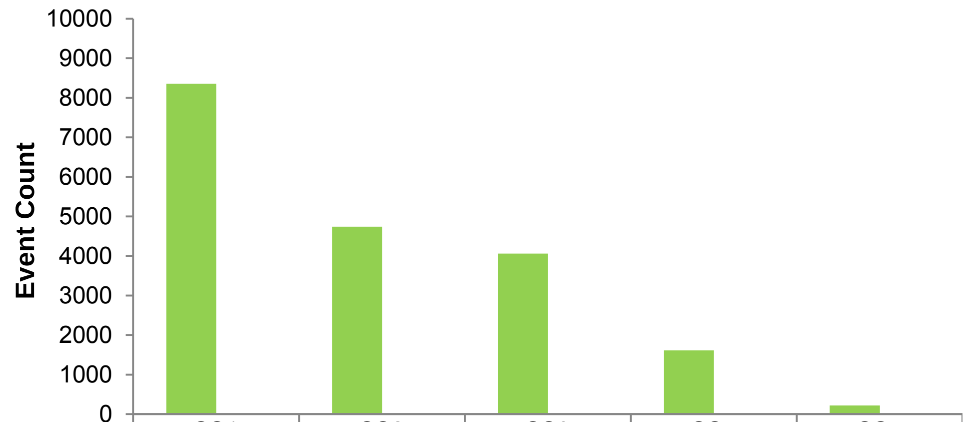
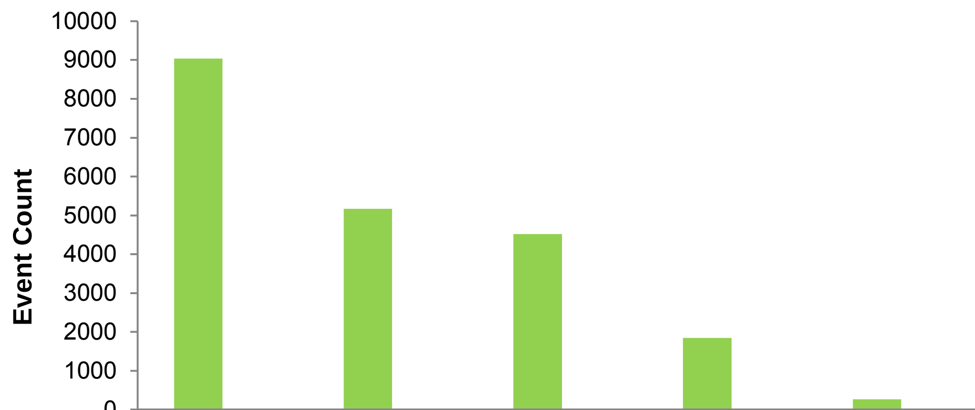


	SS1	SS2	SS3	SS4	SS5
EventCount	8356	4740	4063	1614	216
EventPercentage	44.00%	24.96%	21.40%	8.50%	1.14%

Figure 4. Simulated landfall counts by intensity (Saffir-Simpson) category at landfall (standard catalog)

Figure 5 shows the simulated landfall counts by intensity of the WSST catalog.



	SS1	SS2	SS3	SS4	SS5
EventCount	9035	5166	4517	1849	264
EventPercentage	43.37%	24.80%	21.68%	8.88%	1.27%

Figure 5. Simulated landfall counts by intensity (Saffir-Simpson) category at landfall (WSST catalog)

In the Atlantic basin, July through October is the most active time of year for tropical cyclones. This seasonal frequency, which is reflected in the AIR Hurricane Model for the United States, is derived from historical data. Figure 6 shows the frequency of events by month in the 10,000-year standard stochastic catalog.

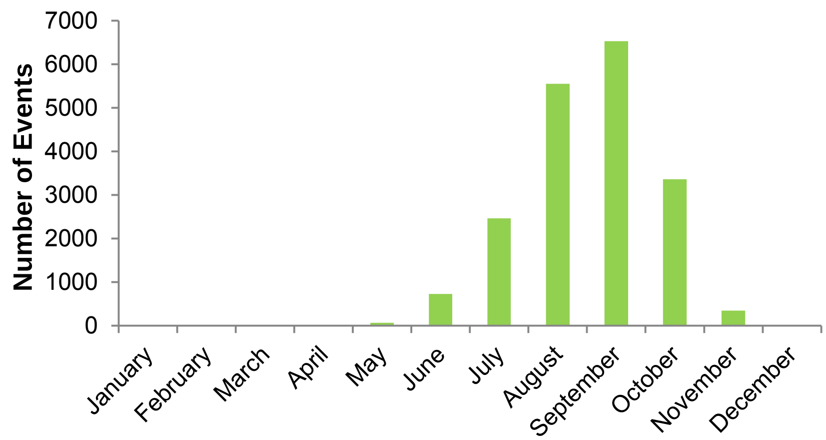


Figure 6. Number of simulated events by month in the 10,000-year catalog

Figure 7 displays the frequency of single-, double- and triple-landfalling events in the 10,000-year standard stochastic catalog.

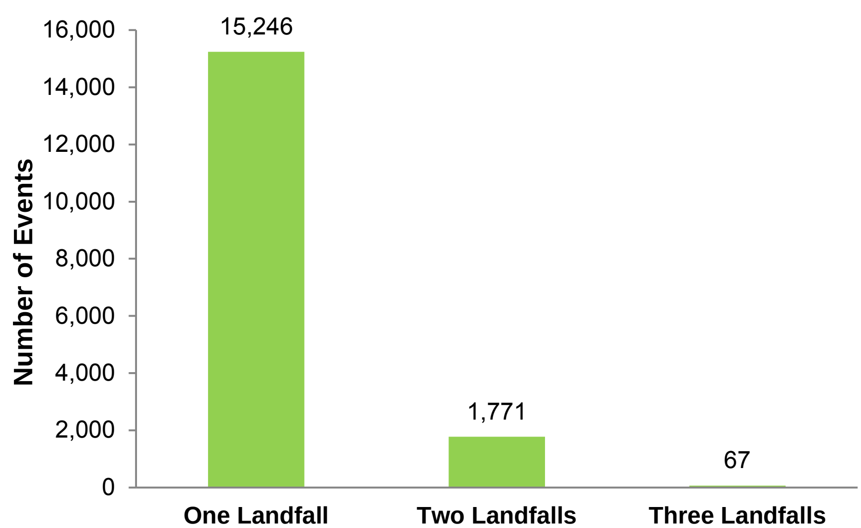


Figure 7. Distribution of simulated single-, double-, and triple-landfalling events in the 10,000-year standard catalog

1.5 Catalog Optimization

To reduce sampling variability among the losses produced by the 10,000-year, 50,000-year, and 100,000-year stochastic catalogs, these catalogs must exhibit highly similar frequency and intensity distributions of tropical cyclones by 100-nautical-mile coastal segment. This similarity is achieved by placing caps on the number of storms in each catalog that are drawn for each coastal segment, and drawn by Saffir-Simpson category. Additional constraints are imposed to expedite the convergence of the total annual landfall frequency for the entire United States coastline.

These caps on central pressure are generated by running the AIR Hurricane Model for the United States for 1 million years with no caps imposed and scaling the resulting frequencies down to a 10,000-year simulation. The result is expected frequencies for each Saffir-Simpson (SS) category, in each coastal segment.

The annual frequency for each year in these 1,000-year periods of the catalog is constrained to be within a small range around the expected value. The frequency for each of these 1,000-year periods is drawn from a negative binomial distribution, and if the total frequency for that set of years doesn't fall within the expected range, the frequency for all 1,000 years is re-drawn from the distribution.

In addition, in cases where the target frequencies are exceeded, the intensity or landfall segments are resampled. In addition, convergence tests on losses are also conducted, to ensure negligible differences among the 10,000-year, 50,000-year, and 100,000-year catalogs.

As shown in **Figure 8**, the exceedance probability curve for the 10,000-year standard catalog is similar to the exceedance probability curve for the 50,000-year catalog.

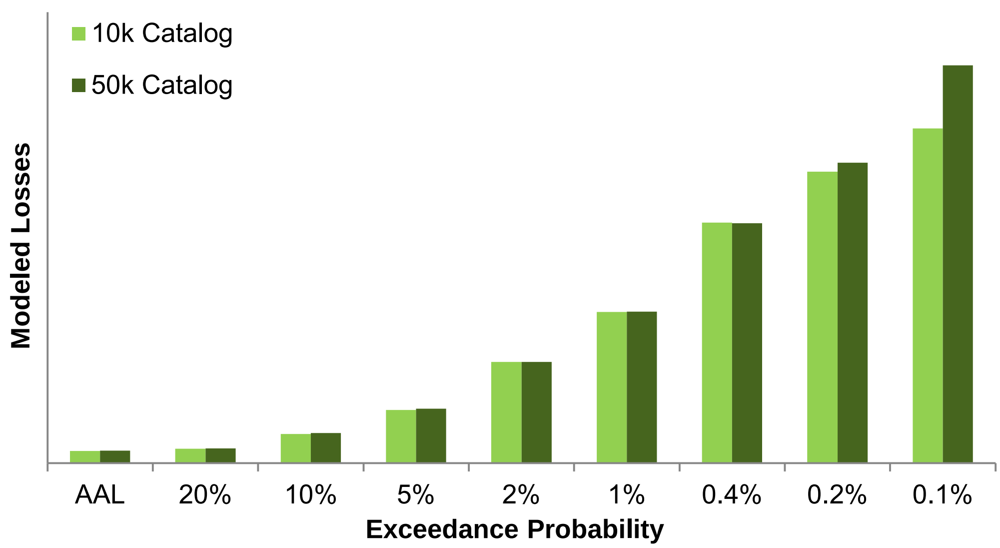


Figure 8. Exceedance probability curves for the 10,000-year and the 50,000-year stochastic catalog

1.6 Model Resolution and Physical Properties

Model resolution is 0.002 degree (220 meters) within five miles of the coastline, 0.01 degree (1 km) five to ten miles from the coastline, and 0.05 degree (5 km) ten or more miles from the coastline.

The AIR model uses United States Geological Survey (USGS) land use/land cover (LULC) classifications by category, and assigns appropriate roughness lengths based upon available scientific literature. The USGS classifications are provided at 30-meter resolution. The data are resampled at 0.002-degree (220 meter) resolution. Local roughness factors are used to define an effective roughness for a given location. The effective roughness is the average surface roughness for an area within a radius of 10 km (6.2 miles) for the time-averaging (gust) factor and 15 km (9.3 miles) for the friction factor, and is representative of the average land-surface acting on the wind field.

The effective roughness is used to develop a time-averaging or gust factor that is used to convert 10-minute sustained winds to one-minute sustained winds, and a friction factor to adjust the wind speed based on the local surface roughness. These conversions are based on accepted engineering relationships. The gust (friction) factor varies from 1.12 to 1.26 (0.69 to 1.00), as a function of LULC (Cook, 1985; Simiu et al., 1996; ESDU, 1994).

A loss cost map for the wind and storm surge perils combined is shown in Figure 9. The AIR modeled hurricane risk extends far inland from the immediate coast, and even to interior states such as Illinois, Oklahoma, Kentucky, and Ohio.

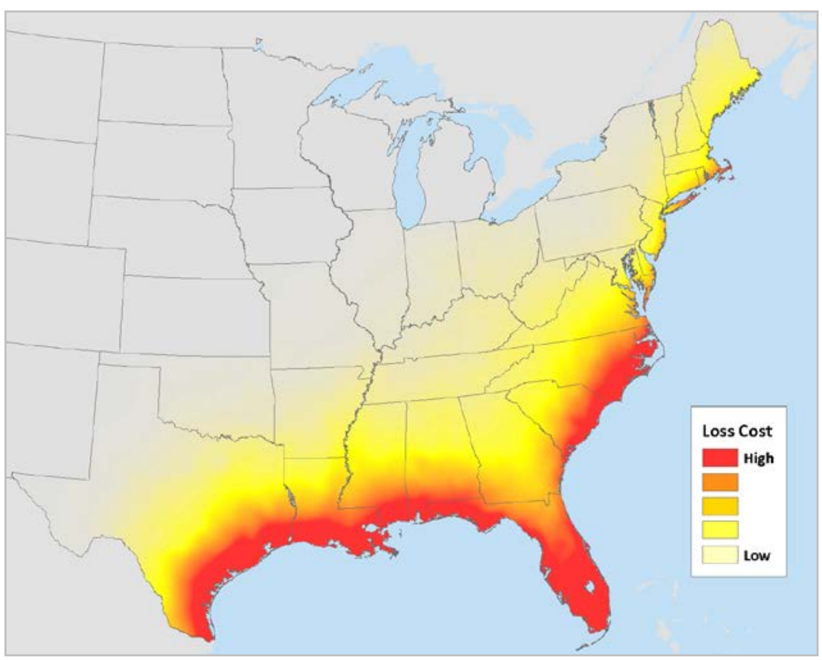


Figure 9. Hurricane risk (loss cost) in the United States

1.7 The U.S. Insurance Market

The following information is derived primarily from an AXCO Non-life Property and Casualty Report, which contains information current through 2010-2011, depending on the type of data.

The United States insurance market is the largest in the world, and property and casualty (P&C) premiums totaled approximately USD 480.7 billion in 2011, an increase from USD 455.9 billion in 2010. The United States non-life insurance market has around 2,402 companies, but the top 150 account for approximately 90% of the market.

As of 2010, the largest non-life line of businesses is motor with 41% of the market share, followed by property with 30% of the market share. Exposure to natural perils is the main feature of the United States property insurance. In 2008, overall P&C market premium income declined due to a soft market and increase in natural catastrophe losses from a collection of events, including Hurricane Ike and Gustav. Only in 2011 did rates finally stabilize, and in some cases, even rise.

Insured losses from catastrophic events totaled approximately USD 35.9 billion in 2011, compared to an average of USD 23.8 billion for the period 2000-2010. These high losses are due to the significant number of severe thunderstorms and associated tornados, winter storms, as well as Hurricane Irene, which alone racked in approximately USD 5 billion in losses.

With respect to the hurricane peril, standard homeowner's policies and most commercial policies include wind coverage. Flood insurance is provided by the National Flood Insurance Program (NFIP), a public program, and there is no plan to privatize it. The risk of insured losses due to hurricanes has increased in recent years due to the ever-increasing insured value of coastal properties. Due to major hurricane losses, insurers are transitioning from imposing a flat-rate deductible for damage to a set percentage, typically 1% of the replacement value. This change is occurring quickly along Gulf and Atlantic coastal areas, where the new norm is for tiered coverage with a percentage-based deductible for hurricane damage, another for other wind, and another deductible for everything else. Coastal counties account for 17% of U.S. land area, but around 53% of the nation's population resides here.

1.8 Navigating the Document

Figure 10 illustrates the components of the AIR Hurricane Model for the United States. Section 2 provides a brief overview of hurricanes and hurricane risk in the United States. Section 3 details the generation of simulated events that populate the stochastic catalog, and Section 4 describes how wind and storm-surge intensity are modeled at each affected site. Section 5 discusses the model's damage functions for both wind and storm surge, and includes information on estimating damage to industrial facilities. Section 6 provides a discussion of the financial module. Section 7 offers selected references and Section 8 provides an overview of AIR Worldwide.

Figure 10. Components of the AIR Hurricane Model for the United States

2 Tropical Cyclones in the United States

2.1 Tropical Cyclones: An Overview

There are six essential elements for tropical cyclone formation. First, the sea surface temperature (SST) must be at least 26° C (78.8° F) to a depth of at least 50 meters (164 ft) below the ocean surface. Warm water provides the necessary heat energy for tropical cyclone development. Second, vertical wind shear, which is a measure of how much winds vary by height, is typically weak. A weak wind shear will not interfere with the structure of a tropical cyclone, thus allowing deep, vertical clouds to develop. Warm ocean temperatures and weak wind shear are critical to the formation and intensification of tropical cyclones.

Third, the atmosphere must have some degree of instability for a tropical cyclone to form. That is, air that is forced upward should continue to rise on its own. In a stable atmosphere, air does not rise and therefore water vapor in the air will not condense into cloud droplets and precipitation. Fourth, there must be a high level of relative humidity from the ocean surface up to at least the mid-levels of the atmosphere, allowing deep clouds to form without being diluted by surrounding dry air. Fifth, a developing tropical cyclone has to be far enough away from the equator so that the Coriolis force can impart spin towards the center of the storm's circulation. Finally, even if all of the conditions previously mentioned are met, a tropical cyclone may not develop unless a pre-existing disturbance in the atmosphere triggers its organization. Disturbances of low air pressure periodically arrive in an area and can trigger the formation of tropical depressions and tropical storms, which can evolve into tropical cyclones.

Many tropical cyclones actually begin as tropical disturbances, which can form without the six elements necessary for tropical cyclone development. Tropical disturbances can arise when other weather features, such as fronts or easterly waves, move across tropical ocean waters. The underlying ocean surface provides a source of heat and moisture, thereby destabilizing air and forcing it directly above the disturbance. Cold fronts act like snow plows, lifting warm, moist air out ahead of the front into an unstable environment. Lifting air in an unstable atmosphere allows for the formation of clouds and showers, but without an organized cyclonic circulation at the surface. Multiple tropical disturbances exist in the tropics at any given time.

Storm intensification depends on environmental conditions just as storm genesis does. Depending on the characteristics of the environment into which a tropical disturbance moves, intensification may occur over several hours or several days. A tropical cyclone is named when it reaches tropical storm strength. At this stage, there is a well-defined cyclonic circulation at the surface with maximum sustained winds exceeding 39 mph, with the sea-level pressure at the center of the tropical storm typically lower than 1,000 millibars (mb).

Further intensification into a tropical cyclone with sustained winds greater than 74 mph may occur if the environment permits deep, moist clouds to form an eyewall surrounding the center of circulation. The formation of an eyewall and a cloud-free eye typically indicates that the maturing storm has achieved tropical cyclone intensity. The eyewall is a region of very heavy precipitation, with rainfall rates often exceeding 2 inches per hour. The eye of a tropical cyclone represents a region of relatively calm weather because the air is actually sinking, not rising as in more unstable parts of the storm. As the air sinks, it becomes warmer and less dense, which further reduces the surface pressure in the center of the storm.

Wind speeds are intensified by the difference between the lower-than-normal surface pressure and the higher pressure of the ambient air around the storm. Air at the periphery of the storm responds to the reduced pressure in the storm center. As the air moves inward, it is deflected to the right by the Coriolis force, resulting in an inward cyclonic spiral of air. Air moves counterclockwise in the Northern Hemisphere and clockwise in the Southern Hemisphere. Just like an ice skater pulling in his or her arms, the spiraling winds in a tropical cyclone spin faster as they approach the storm's center. The strongest winds are typically at the edge of the eye, just prior to being forced up within the most intense thunderstorm cells that encompass the eyewall.

Classifying Hurricanes: The Saffir-Simpson Hurricane Wind Scale

Since the early 1970s, hurricane-strength tropical cyclones that form in the Atlantic and the North Pacific east of the International Date Line have been categorized according to the Saffir-Simpson Hurricane Scale. The scale suggests the potential destruction a hurricane could cause when it makes landfall. The chief causes of damage to onshore properties are high winds and storm surge—the wall-like swell of water that accompanies the storm as it moves onshore. In 2010, the National Hurricane Center revised the scale to better suit its immediate purpose of warning people of the expected threat posed by an approaching hurricane. The wind scale was further revised in 2012, to mitigate rounding errors in wind speeds during unit conversions from knots to mph[3]. The Saffir-Simpson

[3] Note that while the AIR model's reporting of tropical cyclones incorporates the 2010 revision, the 2012 revision of the Saffir-Simpson scale is not yet included in the model. However, the 2012 revision does not affect the SS

Hurricane Wind Scale (Table 2) uses sustained wind speed, the single best predictor of potential danger and damage due to wind from a hurricane[4], to place tropical cyclones into five distinct categories of increasing intensity.

Table 2. The Saffir-Simpson Hurricane Wind Scale

Saffir-Simpson Category	Maximum Sustained Wind Speed (mph)	Potential Damage
Category 1	74-95	Minimal
Category 2	96-110	Moderate
Category 3	111-129	Extensive
Category 4	130-156	Extreme
Category 5	Over 157	Catastrophic

"Maximum Sustained Wind Speed" is defined differently by different agencies and countries around the world. The U.S. National Hurricane Center (NHC) defines it as the mean of multiple wind-speed measurements taken over one-minute time periods at a height of ten meters above the ground.

2.2 United States Tropical Cyclone Risk

The Hazard

Approximately 80 tropical cyclones form each year worldwide, of which more than half develop into hurricanes. Figure 11 shows the average annual frequency of tropical cyclone formation in each of the world's ocean basins.[5]

Tropical cyclones are less likely to intensify into hurricanes in the Atlantic basin than the Pacific because waters in the Atlantic tend to be cooler. Also, the Atlantic has no monsoon trough (a low-pressure channel associated with intense rainfall), which is climatologically preferred for tropical cyclone formation.

Category of any storms of the historical catalog, as described by NOAA here: http://www.nhc.noaa.gov/pdf/sshws_2012rev.pdf

[4] Note that other hurricane-related perils such as precipitation-induced flooding and storm surge can pose significant risks even with lower wind speeds.

[5] Averages are based on the following data: for the North Atlantic Ocean, the North Atlantic Storm Database (HURDAT), 1950-2006; for the Southeast Indian and Southwest Pacific Oceans, the Australia Bureau of Meteorology, the Fiji Meteorological Service, and the Meteorological Service of New Zealand, 1955-2008 (the Australia season extends from July of a given year through June of the following year); for the Northwest Pacific Ocean, the Japanese Meteorological Agency (JMA) and the Shanghai Typhoon Institute (STI), 1951-2005; for the Northeast Pacific Ocean, NOAA and the East Pacific Storm Database (HURDAT), 1949-2006; for the Southwest Indian Ocean, the Joint Typhoon Warning Center (JTWC), 1945-2006; for the North Indian Ocean, the India Meteorological Department and JTWC, 1949-2009.

Although some hurricanes that form off the Pacific coast of Mexico turn north and head toward California, they lose intensity as they enter the colder waters of more northern latitudes. There is no record of a hurricane making landfall in California.

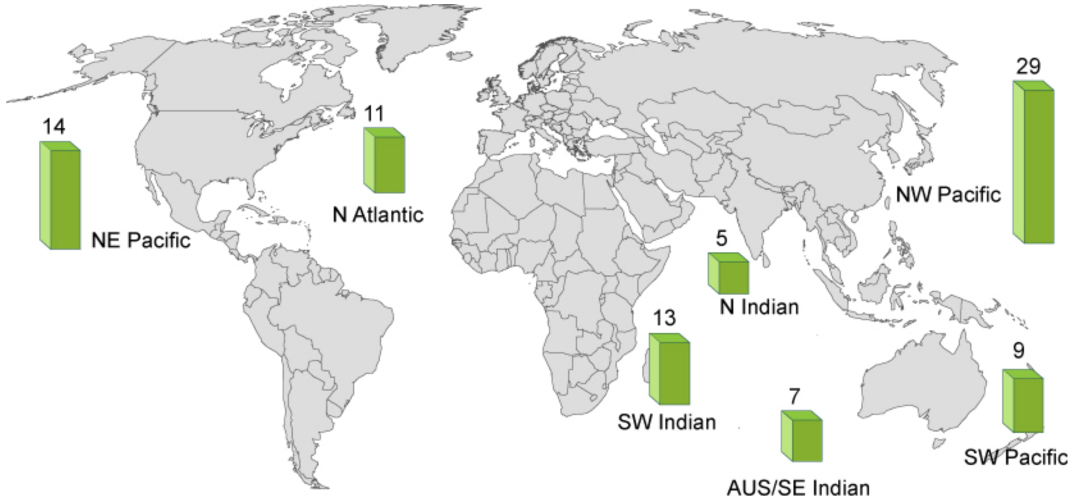


Figure 11. Average number of tropical cyclone worldwide that form annually

The Exposure

Due to topography and population density, hurricanes pose a risk along the Gulf Coast and entire East Coast of the United States, from Texas to Maine. The most at-risk region is the coastline from Texas to North Carolina, which includes the cities of Houston and Galveston, Texas; New Orleans, Louisiana; Tampa, Miami, and Fort Lauderdale, Florida; and Wilmington, North Carolina.

According to the National Hurricane Center, nearly 40% of Category 3 and higher hurricanes that have made landfall in the United States since 1900 have done so in Florida. Of those that made landfall as a Category 4 or higher, 83% have reached either Texas or Florida. The exposure in these areas continues to grow; over the last 50 years, about 25 million people have relocated to these coastal areas, with 15 million moving to the Florida coast.

In Florida, close to 80% of the total insured value is located in coastal counties. In comparison, 38% of the total exposure across the entire Gulf and East Coast states is located in coastal counties, which accounts for 16% of the total value of properties in the United States.

The Northeast is also at considerable risk. AIR estimates that the insured value of properties in the coastal counties of New York alone exceeds USD 2.3 trillion, accounting for 62% of the total insured value statewide. Another USD 770 billion of insured value is located in coastal counties of Massachusetts. Furthermore, it is not only coastal counties that are at risk. Hurricanes at these more northern latitudes tend to be both larger and faster moving, bringing damaging winds far inland.

Since 1900, eleven hurricanes have struck the northeastern United States (New Jersey and coastal states farther north). Scientists studying prehistoric tropical cyclone activity have estimated that the New England coast can expect a Category 3 or higher hurricane to make landfall approximately once every 100 years. Exacerbating the risk in this region is an older building inventory and the lack of stringent building codes for wind resistance, such as those found in Florida.

AIR estimates that property values in coastal areas of the United States have roughly doubled over the last decade, driven primarily by population growth and an increased standard of living. These demographic trends will continue to contribute to rising hurricane losses for insurers.

2.3 Significant Historical United States Hurricanes

Highlighted in this section are ten historical hurricanes that would produce the largest losses of all historical storms since 1900 were they to recur today. These ten are among the historical hurricanes that supplement the model's stochastic catalog. They are: the Galveston, Texas, Hurricane (1900); the Miami, Florida, Hurricane (1926); the Great Okeechobee, Florida, Hurricane (1928); the Great New England Hurricane (1938); the Fort Lauderdale, Florida, Hurricane (1947); Hurricane Donna (1960); Hurricane Betsy (1965); Hurricane Hugo (1989); Hurricane Andrew (1992); Hurricane Katrina (2005); Hurricane Gustav (2008); and Hurricane Ike (2008). Details about each of these storms are provided below.

Galveston Hurricane (1900)

The hurricane that made landfall in Galveston, Texas, on September8, 1900, is the deadliest natural disaster in the history of the United States, with an estimated 8,000 to 12,000 fatalities. The hurricane made landfall with an intensity equivalent to a Category 4 event, with 135 mph winds. The highest wind speed recorded was 150 mph and the lowest central pressure was 936 mb.

The greatest damage stemmed from the 15-foot storm surge that washed over the low-lying harbor , which destroyed over 3,600 homes and wiped out bridges and telegraph lines. On September 12 the storm tracked to New York City, where 65 mph winds were recorded. Before dissipating into the Atlantic, the storm caused over USD 20 million (1900 USD) in damage throughout the United States.

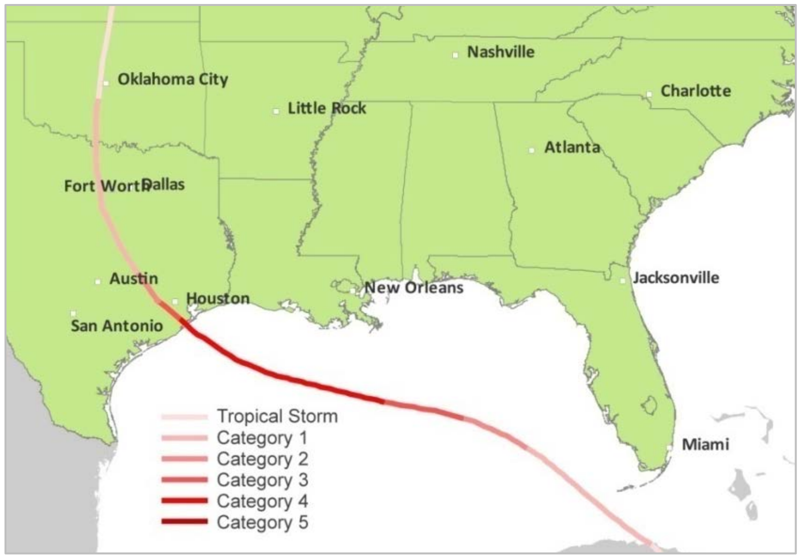


Figure 12. Track of the Galveston Hurricane (1900)

Miami Hurricane (1926)

On September 18, 1926, a hurricane made landfall south of Miami with an intensity equivalent to a Category 4, with winds of 125 mph. The storm generated a storm surge of 15 feet. It devastated Miami and caused extensive damage in the Florida Panhandle, Alabama, and the Bahamas.

The storm had developed near Cape Verde on September 6 and traveled towards St. Kitts and the Bahamas. After making landfall, it crossed Florida, entered the Gulf of Mexico, and made another landfall near Mobile, Alabama, on September 20, as a Category 3. The storm traveled westward over Alabama and Mississippi, eventually dissipating over Louisiana.

Heavy damage from wind, rain, and storm surge were reported along the Florida coast, but the greatest devastation was in Miami. It is estimated that between 25,000 and 50,000 people were left homeless, and nearly 370 people were killed.

Figure 13. Track of the Miami Hurricane (1926)

Great Okeechobee Hurricane (1928)

The Great Okeechobee hurricane remains on record as the second deadliest disaster in U.S. history. It is the first known Atlantic hurricane with an intensity equivalent to a Category 5 and is one of the ten most intense storms known to make landfall in the United States. It is also the only Category 5 storm on record to make landfall in Puerto Rico.

The hurricane was first observed east of Guadalupe on September 10. Two days later it passed over the Leeward Islands causing heavy crop and property damage. The next day it struck Puerto Rico as a Category 5, with winds up to 160 mph. After leaving the Caribbean, the storm moved across the Bahamas as a Category 4 and, on September 16, made landfall in southern Florida with maximum sustained winds near 150 mph and a recorded atmospheric pressure of 929 mb.

Coastal damage in Florida was catastrophic; however, the most extreme destruction occurred inland at Lake Okeechobee. Strong winds generated storm surges that breached the seawall surrounding the lake, and the resulting flood was 20 feet deep in some places and covered hundreds of square miles. The Great Okeechobee Hurricane left thousands homeless and over 4,000 dead.

Figure 14. Track of the Great Okeechobee Hurricane (1928)

The Great New England Hurricane (1938)

Otherwise known as the Long Island Express, this was the first major cyclone to strike the region since 1869. The storm formed off the coast of Africa and developed into what is now known as a Category 5. Navigating through the Atlantic at 70 mph, the storm was able to travel far to the north before weakening over cooler waters. The hurricane made landfall on Long Island, New York, as a Category 3 on September 21. Heavy winds and storm surges resulted in approximately 680 deaths, 700 injuries, and the damage or destruction of 57,000 homes throughout New York, Connecticut, Rhode Island, Massachusetts, New Hampshire, and Vermont.

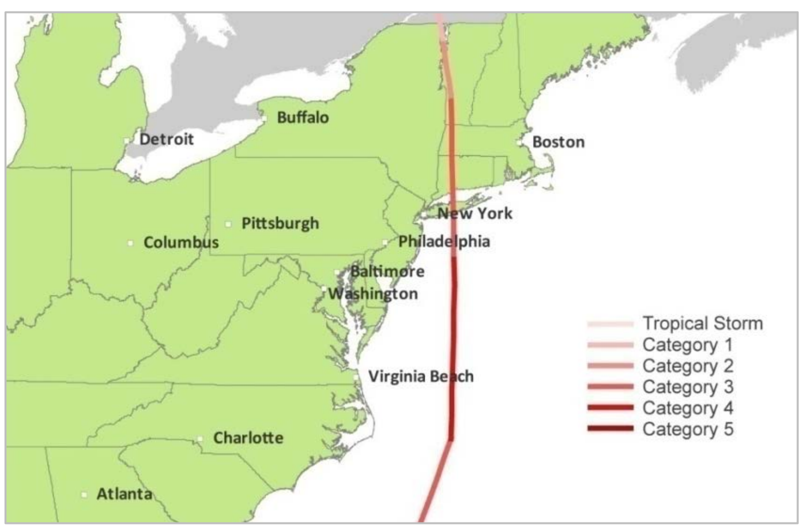


Figure 15. Track of the Great New England Hurricane (1938)

The hurricane destroyed power lines, automobiles, boats, and trees, killed thousands of cattle and chickens, and wiped out half of the region's apple crop. Rainfall and surges submerged communities along the coast in floodwaters that were measured at up to 13 feet high.

Fort Lauderdale Hurricane (1947)

This intense storm, also known as the Pompano Beach Hurricane, affected the Bahamas, Florida, Louisiana, and Mississippi. It developed east of Cape Verde on September 4, and reached peak winds of 160 mph as it passed over the Bahamas.

Figure 16. Track of the Fort Lauderdale Hurricane (1947)

On September 19, it made landfall near Fort Lauderdale as what would later be rated a Category 4, with wind speeds the highest ever recorded in the state of Florida until Hurricane Andrew in 1992. Eleven-foot storm surges along the coast caused extreme flooding, and records for single-month rainfall were set in some areas.

The hurricane traveled in a northwesterly direction into Louisiana and Mississippi, where storm surges and heavy rains caused extensive crop and property damage. In total, 51 people lost their lives and there was over USD 110 million in damage reported.

Hurricane Donna (1960)

Hurricane Donna holds the record for the longest lasting major hurricane in the Atlantic, where it roamed for a total of 17 days. For nine of those days, Donna consistently had sustained wind speeds of at least 115 mph.

Donna formed off the coast of Africa, crossed the Bahamas, and made landfall in Key Marathon, Florida, as a Category 4 on September 10. Gusts up to 180 mph were recorded and 13-foot storm surges destroyed many properties. On September 11, the storm made landfall in southwestern Florida, where 30% of the grapefruit, 10% of the orange and tangerine, and nearly all of the avocado crops were lost.

Figure 17. Track of Hurricane Donna (1960)

The storm continued up the East Coast, landing in North Carolina and then Long Island, New York, on September 12. Hurricane-force winds from Donna affected every state from South Carolina to Maine, and heavy rains caused billions of dollars of damage. A total of 364 people lost their lives during the storm.

Hurricane Betsy (1965)

Hurricane Betsy formed east of the Windward Islands and moved northwestward across the Atlantic, at one point making a complete loop. The storm looked to be heading towards the Carolinas, but instead it made a second loop and passed over the Bahamas. Betsy made landfall in Key Largo, Florida, on September 8 as a Category 3 storm. Winds up to 155 mph were recorded as the storm gained intensity while crossing the Gulf of Mexico. On September 9 the storm made landfall in Grand Isle, Louisiana, just west of the mouth of the Mississippi River.

Betsy, which killed approximately 76 people, destroyed nearly every building in Grand Isle and caused extensive flooding of the Mississippi River and nearby lakes. It was the first hurricane to cause over a billion dollars (1965 USD) in damages, thus earning it the nickname "Billion Dollar Betsy." Devastation from the storm included 164,000 flooded homes and the destruction of eight offshore oil platforms. At the time, Betsy was the costliest hurricane to make landfall in the United States.

Figure 18. Track of Hurricane Betsy (1965)

Hurricane Hugo (1989)

Hurricane Hugo was a destructive storm that killed between 80 and 100 people and left nearly 56,000 homeless. At the time, Hugo was the costliest hurricane to ever make landfall in the United States. Storm surges from Hugo remain the highest ever recorded on the East Coast.

The hurricane developed off the coast of Africa on September 9 and intensified as it tracked west. The storm reached Category 5 status east of Puerto Rico, where heavy rains washed away roads and nearly completely wiped out banana and coffee crops. Hugo tracked north and made landfall as a Category 4 on September 22 on Isle of Palms, South Carolina. Storm surges nearly 20 feet high piled boats on top of one another and washed out bridges, and intense localized winds damaged homes, forestland, and cotton crops.

Hugo damaged beaches and vegetation as it moved through North Carolina. Although the storm weakened as it progressed through the eastern United States and Canada, high winds in New York State toppled a tree onto a passing motorist.

Figure 19. Track of Hurricane Hugo (1989)

Hurricane Andrew (1992)

Hurricane Andrew began as a tropical storm off the coast of Africa on August 14. The storm reached peak winds of 170 mph off the Bahamas, but it weakened after striking the islands on August 23. Andrew regained strength as it moved through the warm waters of the Gulf Stream in the Florida Straits, and by the time it hit Homestead, Florida, it was a Category 5 with the fourth lowest central pressure in U.S. landfall records (922 mb).

Winds of 150 mph at landfall and a 17-foot storm surge created massive damage in the region, including agricultural losses of approximately USD 1.04 billion. On August 26, Hurricane Andrew moved into Louisiana, where storm tides, tornadoes, and winds up to 105 mph damaged crops and property. The storm resulted in 23 deaths in the United States and three in the Bahamas.

Figure 20. Track of Hurricane Andrew (1992)

Insurance claims from the storm contributed to the bankruptcy and closure of 11 companies and drained excessive equity from some 30 more.

Hurricane Katrina (2005)

Hurricane Katrina formed as a tropical depression over the Bahamas on August 23. It reached the intensity of a Category 1 hurricane only two hours before it made landfall in southern Florida on August 25. The storm weakened over land but quickly regained strength and nearly doubled in size as it crossed the Gulf of Mexico.

On August 29 the storm made landfall in southeastern Louisiana, where it caused massive property damage and severe loss of life. A storm surge led to 53 different levee breaches in greater New Orleans, leaving approximately 80% of the city submerged. A third U.S. landfall occurred at the Louisiana/Mississippi border at Category 3 intensity. Storm surges, high winds, and heavy rains caused billions of dollars of damage (2005 USD); officials estimate that 90% of structures within a half-mile of the affected coastline were destroyed.

The effects of Katrina were widespread as well as devastating. As the hurricane circulated towards the northeast, its outer bands spawned some 62 tornadoes, causing damage in eight states. Wind gusts of tropical storm strength were recorded as far north as Kentucky, and high winds damaged trees in New York State. Significant rainfall occurred in 20 states and in regions of Ontario, Canada. An estimated 1,800 Americans lost their lives from the hurricane.

Hurricane Katrina is currently the costliest and one of the deadliest natural disasters in the history of the United States. It is also one of the strongest hurricanes ever recorded in the Atlantic basin. Katrina remains the worst natural disaster the insurance industry has ever handled.

Figure 21. Track of Hurricane Katrina (2005)

Hurricane Ike (2008)

When Hurricane Ike struck the Gulf coast in 2008, it was the third costliest hurricane to ever make landfall in the United States. This event began as a tropical storm, which formed west of the Cape Verde islands on September 1. By September 4, Hurricane Ike was an intense Category 4 storm with 145 mph winds and a central pressure of 935 mbar, the most intense storm of 2008. The hurricane tracked over Turks and Caicos, and Cuba, and made landfall in Galveston, Texas on September 13 as a Category 2 event. At landfall, Hurricane Ike had wind speeds measuring 110 mph and a central pressure of 950 mbar. The storm then tracked to the north-northeast, and on September 14, it interacted with an extratropical system and became a transitioning storm. During this period, Ike underwent a period of re-intensification, and hurricane-force gusts were reported in Ohio and Pennsylvania.

Hurricane Ike left approximately 195 people dead, and caused massive destruction from Louisiana to Texas. Heavy flooding was reported in Louisiana, and high winds knocked over trees and power lines throughout Texas. Widespread flooding resulting from 17- foot-tall storm surge was reported in Galveston, Texas, and some residents in Houston were without power for nearly one month after the storm. Hurricane Ike resulted in the largest evacuation in

Texas history, and left millions without power in Louisiana, Texas, Arkansas, Indiana, Ohio, Pennsylvania, and New York.

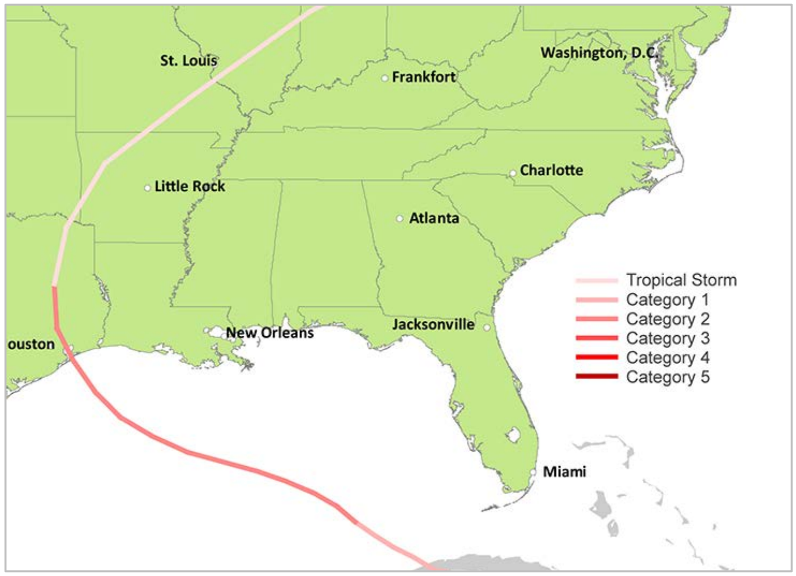


Figure 22. Track of Hurricane Ike (2008)

3 Event Generation

The AIR Hurricane Model for the United States captures the effects of wind and storm surge from landfalling and bypassing hurricanes on properties in Alabama, Arkansas, Connecticut, Delaware, Washington D.C., Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Mississippi, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, and West Virginia.[6]

AIR develops the model's stochastic catalog from data collected on more than 1,000 tropical cyclones that have formed in the North Atlantic basin since 1900. This information comes in the form of barograph traces from land stations and ships, actual wind records from National Weather Service stations, HURDAT data, aircraft reconnaissance flight data, radar data, and other pressure and wind reports.

The primary sources of data are the North Atlantic Basin Hurricane Database (HURDAT), the National Oceanic and Atmospheric Administration (NOAA), the National Hurricane Center (NHC), Purdue University, the U.S. Army Corps of Engineers, the U.S. Department of Commerce, the National Weather Service (NWS), and the National Climatic Data Center (NCDC). The most important technical documents include:

- NOAA Technical Report NWS 23
- NOAA Technical Report NWS 38
- The National Hurricane Center's Tropical Cyclone Reports
- The American Meteorological Society's Monthly Weather Review

When assessing tropical cyclone risk, the main environmental parameters are wind speed and storm surge. Wind speed intensity is logged as the number of hours with winds above a certain threshold. It is computed based on a storm's intensity, size, location, forward speed, and direction, as well as the underlying terrain and land use in the region. In the AIR Hurricane Model for the United States, storm surge is based upon the hurricane's meteorological parameters, coastal elevation and geometry, tide heights, and bathymetry.

Additional model parameters describing a simulated event are the landfall location, the date and hour of landfall, the radius of maximum winds, the landfall

[6] For details about the AIR Tropical Cyclone Model for Hawaii, please refer to the *AIR Tropical Cyclone Model for Hawaii* document available on www.air-worldwide.com (login required).

intensity (based on central pressure), the storm's track angle at landfall, the storm's forward speed, the gradient wind reduction factor, and the storm's duration.

The AIR Hurricane Model for the United States shares a storm catalog with the AIR Tropical Cyclone Model for the Caribbean, the AIR Tropical Cyclone Model for Mexico, and the AIR U.S. Hurricane Model for Offshore Assets. Please refer to AIR's technical documentation available on the Client Access site for more information about these models (http://www.air-worldwide.com).

3.1 Annual Frequency and Location

The modeled frequency, meteorological, and track data are analyzed in the geographical domain depicted in Figure 23. This basinwide model domain includes the Caribbean, United States, U.S offshore regions, and Mexico.

Figure 23. Domain of the AIR Hurricane Model for the United States

Annual Storm Frequency

As discussed in Section 2.2, approximately eleven hurricanes form in an average year in the North Atlantic. The average number of historical U.S. landfalls per year is 1.88, including multiple landfalls by a single hurricane. The average number of hurricanes making at least one landfall per year in the U.S. is 1.65.

AIR scientists develop probability distributions that govern the annual frequency of occurrence for simulated landfalling U.S. hurricanes based on the historical data. Statistical goodness-of-fit tests reveal that the annual landfall frequency of U.S hurricanes is well represented by a negative binomial distribution. The parameters of this distribution are estimated using historical data for the period between 1900 and 2010.

Note that the modeled variable is the number of hurricane landfalls, not the number of landfalling hurricanes. This is an important distinction since some hurricanes can have more than one landfall as, for example, Hurricane Andrew, which made a first landfall in Florida and a second landfall in Louisiana.

Figure 24 shows the modeled distribution of the annual frequency of hurricane landfalls in the United States.

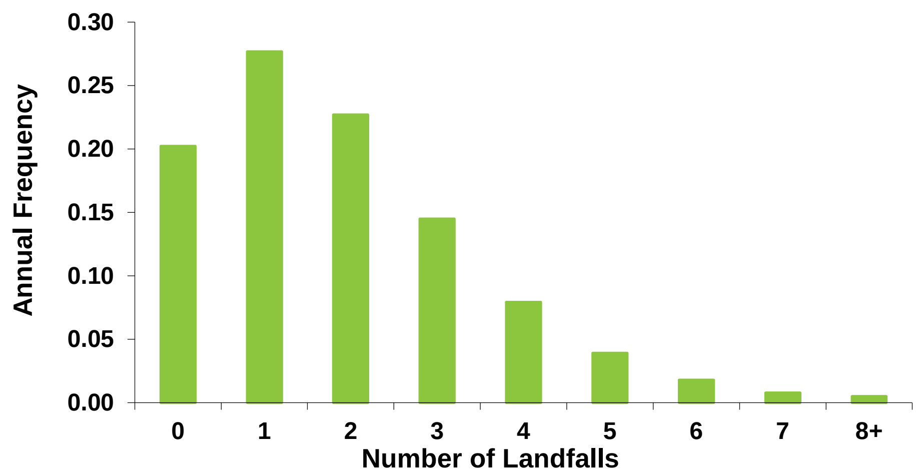


Figure 24. Modeled annual frequency of hurricane landfalls

Please see Section 1.4 for additional information regarding the seasonal and intensity distributions.

Storm Genesis Location and Initial Characteristics

The basinwide catalog is generated by first determining the frequency of storms that appear in each simulated year. For each simulated storm, a corresponding historical event is drawn at random from a record of all Atlantic storms since 1950. All initial storm characteristics such as starting (genesis) location, track angle, forward speed, and initial pressure are determined by stochastically perturbing the corresponding variables for the historical storm drawn. The perturbation is achieved by adding a random deviate drawn from a normal distribution. This process helps ensure that the simulated event characteristics reflect the historical distributions (Figure 25). Future evolution of the stochastic storm is then determined using autoregressive time-series models, as detailed below.

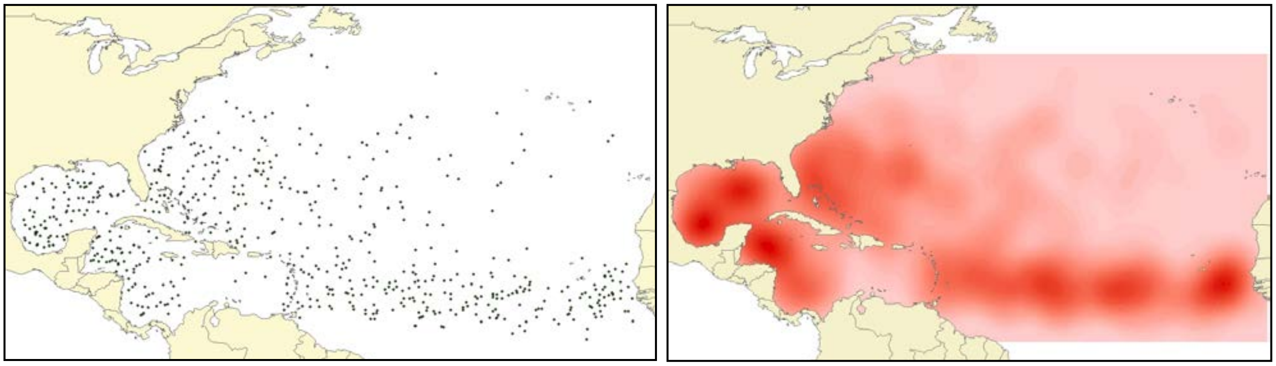


Figure 25. Historical storm genesis locations (left panel) and their smoothed spatial distribution (right panel)

3.2 Storm Tracks

The methodology used to generate basinwide storm tracks is developed using the HURDAT database from 1950-2007. The historical data, reported at successive six-hour time intervals, is used to develop time-series models that describe the track direction, forward speed, and central pressure as the storm moves across the basin. The analysis of the HURDAT data shows that first-order Markov models are appropriate for track direction and forward speed. Autocorrelation that is present in central pressure along the track is represented using a second-order autoregressive time-series model.

Additional information is needed as the storm approaches the U.S. coastline. HURDAT data is available only at six-hour time intervals, and the reported track information rarely corresponds to an exact landfall point. In addition, storm characteristics begin to change once the storm moves over land, so that a report four hours after landfall provides only partial information about circumstances at landfall. A strict linear interpolation is not appropriate. Thus AIR uses the more detailed landfall information available since 1900 in NOAA Technical Reports NWS 23 and NWS 38, and NOAA Technical Memorandum TPC 3 to generate landfall data.

Landfall information, including track angle and forward speed, is also used to generate post-landfall hurricane tracks. The basinwide tracks are integrated with the post-landfall hurricane tracks using a spline smoothing technique that ensures consistency in intensity, radius of maximum winds, and track angle across the tracks. This methodology produces realistic tracks that resemble the historically observed storm tracks across both the Atlantic and the U.S. mainland. However, tracks are fully probabilistic, so any possible storm track is generated, not merely those seen historically.

The model utilizes a 16 x 16 transition matrix for storm motion, which allows storms to move in any direction, including southward, over land. This is explained in some detail in Section 3.2. The model also accurately captures faster storm movement after landfall and extends storm tracks until the storm no longer causes damage.

Again, note that the AIR Hurricane Model for the United States shares a stochastic storm catalog with the AIR Tropical Cyclone Model for the Caribbean, the AIR Tropical Cyclone Model for Mexico, and the AIR U.S. Hurricane Model for Offshore Assets. Please refer to technical documentation available on AIR's website for more information about these models (http://www.air-worldwide.com) (login required).

Landfall Location

In the AIR Hurricane Model for the United States, there are 62 potential landfall segments each representing 50 nautical miles of smoothed shoreline along the Gulf and East Coasts[7], including the Florida Keys. A cumulative distribution of landfall locations within each coastal boundary segment is used to estimate the probability of a hurricane landfall occurring at a point along a segment. Once a segment is chosen, the landfall location is picked from a uniform distribution along that segment; that is, a storm can make landfall anywhere on that segment with equal probability.

The coastline is smoothed for inlets, bays, or other irregularities. The actual number of historical landfalls since 1900 is listed for each of the segments (Figure 26), and that distribution is then smoothed. The smoothing technique maintains areas of high and low risk while accounting for the possibility of future landfalls in segments of the coastline where there have been none historically.

[7] Note that the first three landfall segments are in northern Mexico, and half of the last segment is located in Canada.

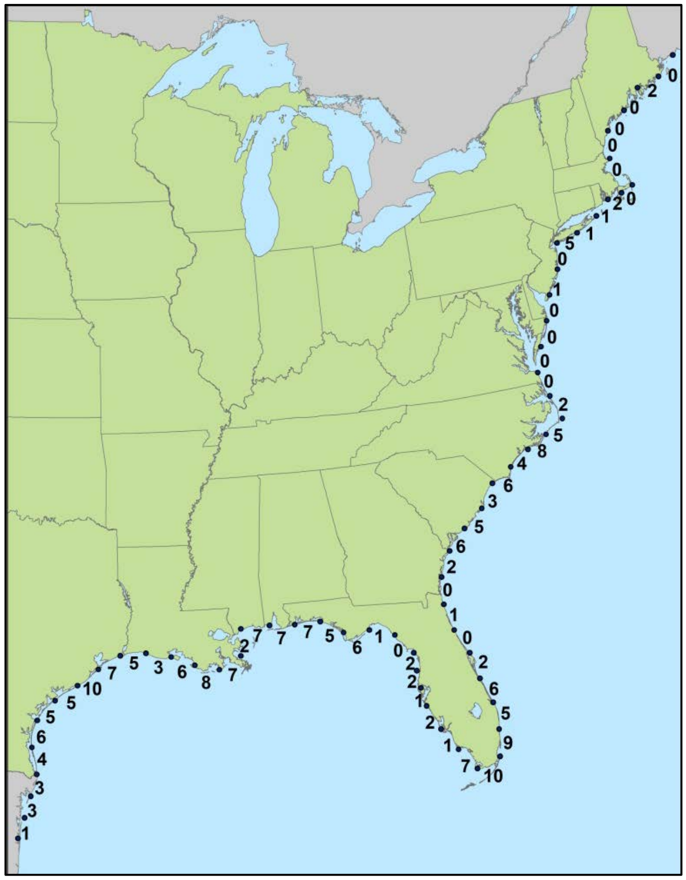


Figure 26. Historical hurricane landfall frequencies by 50-nautical-mile coastal segment, through 2010

The historical distribution is smoothed by setting the number of actual occurrences in each segment equal to the weighted average of seven successive data points centered on that segment. The following averaging formula is employed:

$$F_i = \frac{\sum_{n=-3}^{3} W_n \cdot C_{i+n}}{\sum_{n=-3}^{3} W_n}$$

where

C_i = the number of historical hurricane landfall occurrences for the i^{th} segment

F_i = the smoothed frequency value for the i^{th} segment

W_n = 0.30, 0.22, 0.12, and 0.01, for n = 0, ± 1, ± 2, and ± 3, respectively, as illustrated in Figure 27 below.

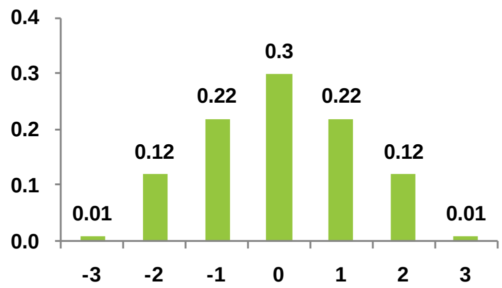


Figure 27. Illustration of W*n*

Smoothing is necessary because the relative scarcity of historical data can result in discontinuities between two adjacent 50-nautical-mile segments. For some segments, however, there may be geographic or climatological reasons for the lack of historical storms, and some modification of the smoothing algorithm is therefore necessary. AIR's technique for determining landfall locations ensures consistency with the historical distribution while disallowing a zero relative frequency for any coastline segment.

Storm Track Angle at Landfall

Track angle at landfall is measured clockwise (+) or counterclockwise (–) with "zero" representing due north. Separate distributions are used for different 50-nautical-mile coastal segments to allow for variation in the coastal orientation of each segment. In the historical record, certain coastal segments seem to be characterized by bimodal track angles. To preserve consistency with the historical distribution, the track angle at landfall is modeled using a mixture of two normal distributions. That is, the track angle at landfall is drawn from the first normal distribution with probability p, or it is drawn from the second normal distribution with probability $1-p$. The final distributions are bounded based on the historical record, the coastline orientation, geographical constraints, and meteorological expertise.

Storm Track Propagation

Simulated storm tracks are generated with time series models, which describe the autocorrelation in parameters such as central pressure, Rmax, and forward speed along the storm track, as observed in historical data. Once landfall location and track angle at landfall are identified, the overland storm track is generated using conditional probability distributions. Historical data on more than 1,000 Atlantic storms was collected and analyzed, and this data was used to create conditional probability matrices with 16 directional probabilities. There is a uniform, continuous probability distribution within each of these 16 directional probabilities, each of which is represented by a slice of the pie charts shown in Figure 28, *a, b, c, d*, etc.

The conditional probability matrices determine the probability that a storm heading to location X (lon, lat) in a direction *a* will next be heading in one of the directions *a, b, c, d*, etc. Storm tracks generated in this manner will closely resemble the curving and recurving hurricane tracks actually observed (Figure 28).

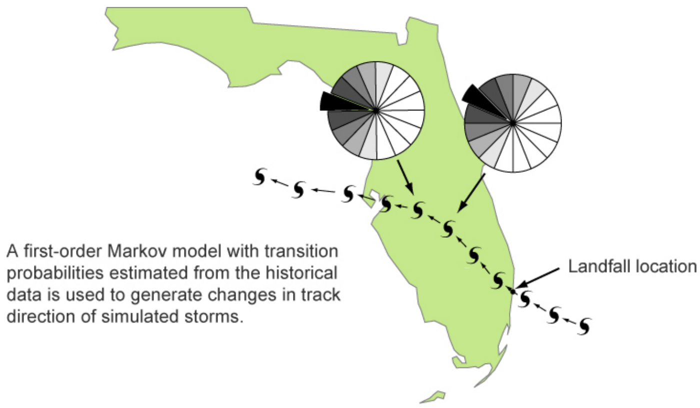


Figure 28. Generation of the model's storm track

Bypassing and Multiple-Landfalling Storms

A single hurricane may produce multiple landfalls or bypasses. Because the AIR Hurricane Model for the United States follows each simulated hurricane from inception until dissipation, multiple landfalls and bypassing hurricanes are included in the simulation. Bypassing hurricanes are defined as those that pass close enough to land to cause damaging winds (≥ 40 mph) onshore, although the center of their eye does not actually cross the coastline. The simulated frequency of these events is consistent with their historical frequency by coastal region.

3.3 Forward Speed

Forward or translational speed is the rate at which a hurricane moves from point to point along its track. In the AIR Hurricane Model for the United States, forward speed at landfall is generated from a lognormal distribution with parameters estimated for each coastal segment. The lower bound on forward speed is three nautical miles per hour, while the upper bound is dependent on latitude. In the AIR model, the wind speeds of fast-moving storms are computed over the course of an hour, rather than the top of the hour, to provide an efficient, accurate wind footprint.

In general, the higher the latitude of a tropical cyclone, the faster the forward speed. There have been observations in the northeastern United States of hurricanes moving at 60 mph. Fast storms result in higher losses further inland, yet they subject buildings to high wind speeds for a shorter duration. The AIR model captures the observed tendency for storms to increase in forward speed as they move inland and reach higher latitudes.

3.4 Central Pressure

The AIR Hurricane Model for the United States utilizes latitude-dependent central pressure as the primary intensity variable. All else being equal, wind speed increases as central pressure decreases. More precisely, wind speed is an increasing function of the difference between the central and peripheral pressures.

The historical data on central pressure are modeled using Weibull distributions where the parameters are estimated for each 100-nautical-mile coastal segment, as well as for larger regional segments. The final distribution is a mixture of the two Weibulls.

The Weibull form was selected based on goodness-of-fit tests with actual historical data, and its appropriateness is documented in the scientific literature. When the Weibull generates a storm that is more intense than what has been observed historically, the central pressure is reset to be no lower than 884 mb[8].

The procedure developed by AIR for modeling central pressure has a number of advantages over other techniques. First, a probability distribution can be derived even if a segment has only a few data points. Second, the modeled distributions can be constrained to change in meteorologically correct ways when moving along the coastline. For example, the probability of an intense storm should decrease when moving north. Upper and lower bounds on the distribution are based on historical experience and meteorological expertise.

Filling Effect

A storm's intensity dissipates as it moves inland. Central pressure rises and the eye of the hurricane begins to "fill" as it moves away from its energy source, the warm ocean water. AIR treats the decay of storms after landfall by applying an exponential filling function to the evolution of the central pressure deficit after landfall. Filling functions are derived based on HURDAT data since 1980.

AIR's modeled overland weakening rates, or filling rates, are a function of time—in particular, of the time elapsed since landfall—as faster moving storms will

[8] 884 mb was the central pressure measured for Hurricane Gilbert in 1988.

cause more damage inland than slower moving storms with the same initial intensity. The filling rates also vary by region, as in general, storms making landfall in Florida are more likely to fill slowly than in other regions, and intensity, as strong storms fill more rapidly than weak storms.

Storm decay in the AIR model is based on a reanalysis of the data in Kaplan and Demaria (1995), Vickery (2005), NWS-38 (1987), and observational data. The model combines 50-nautical-mile segments along the Gulf and East Coasts into four regions: the Gulf of Mexico, the Florida Peninsula, the Southeast, and the Northeast, and two intensity bins, Category 1 and 2 and Category 3, 4, and 5. Smoothing algorithms are used for the transition between adjacent regions.

The functional form of the pressure deficit decay function is:

$\Delta P_t = P_p - P_{eye\text{-}lf}(1 + LF_{offset} * T^{c1} * \exp(-C_2 * T))$

Where

ΔP_t = Pressure deficit at a given time after landfall

P_p = Atmospheric pressure at periphery of storm

$P_{eye\text{-}lf}$ = Central pressure of storm at landfall

LF_{offset} = Initial reduction of pressure deficit at landfall

T = time after landfall (hours)

c_1 = time shaping constant

C_2 = exponential decay rate constant

Reintensification after Landfall

Storms can reintensify after landfall. The remnants of Hurricane Ike (2008), for example, combined with an existing extratropical cyclone and reintensified over the Midwest, producing heavy rainfall and high winds. In addition, approximately 5-10% of all storms experience reintensification after extratropical transition. Typically, reintensification observed in HURDAT occurs 12-16 hours after landfall in the mid-latitude regions.

Simulated storms in the AIR model are also allowed to reintensify; the representation of such storms in the stochastic catalog is in proportion to their numbers in the historical catalog. Note that the central pressure of a storm that has reintensified over land cannot be less than the central pressure measured at landfall (Arndt et al., 2009, Bosart et al., 1995, and Hart et al., 2001).

3.5 Radius of Maximum Winds

The radius of maximum winds, Rmax, is the radial distance from the storm's center, or eye, to the radius where the highest cyclonic wind speeds occur. Rmax tends to be larger at latitudes farther from the equator and smaller for more intense storms.

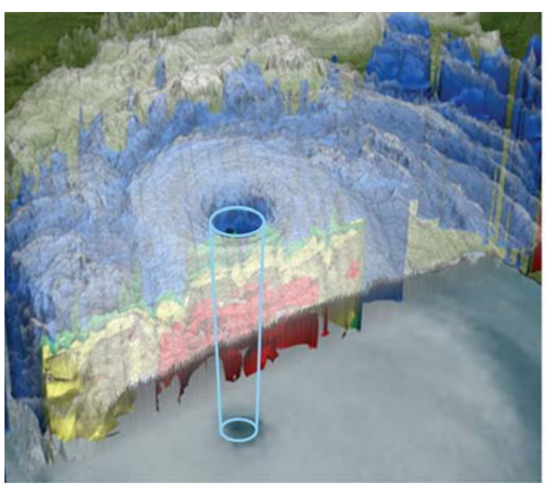
The methodology used to estimate Rmax incorporates the correlation between Rmax, central pressure, and latitude. The procedure uses a regression model that relates the mean value of Rmax to the central pressure and latitude:

Rmax = f(Cp, latitude) + ε

where

f(Cp, latitude) is the mean Rmax for given values of central pressure and latitude and ε is a normally distributed error term. The parameters in this regression model are estimated based on historical data from NOAA Technical Report NWS-38 and the DeMaria Extended Best Track Dataset (EBTRK). The final distribution is truncated using limits that depend on central pressure and are consistent with the range of historically observed values. Note that Rmax is allowed to vary after landfall.

Note, too, that the modeled Rmax varies with height. This reflects research findings that show that hurricanes' eye walls are funnel-shaped (Figure 29). The more slanted the eyewall is, the greater the difference will be between the location of the maximum wind aloft and the location of the maximum winds at the surface. In some cases, this difference can be as much as 10-15 miles, which can make a significant difference in terms of damage and loss estimation. Further details about the transfer of winds aloft to the surface are provided in Section 4.1.



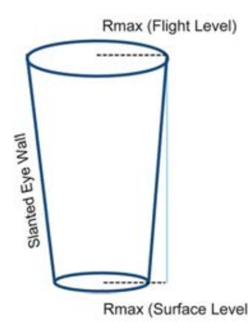


Figure 29. Variation of Rmax with height

3.6 Peak Storm Surge Height

The storm surge module is a fully probabilistic component of the AIR Hurricane Model for the United States. Storm surge is the rise in sea level that accompanies a low-pressure weather system, such as a hurricane. Virtually every hurricane is accompanied by storm surge of some magnitude, and extreme storm surges are capable of causing catastrophic property damage. They are also deadly; according to the Federal Emergency Management Agency (FEMA), nine out of ten hurricane fatalities in the United States can be attributed to the effects of storm surge.

In the AIR model, the peak surge height along the coastline is a function of storm intensity (central pressure), storm size (Rmax), and location along the coast relative to the storm's center and Rmax. The greater the difference between central and peripheral pressure, the higher are hurricane-force winds, which act to force water onshore. In addition, low barometric pressure relative to standard sea-level barometric pressure raises the sea-surface level. This increase in sea-surface level forms as a dome beneath the hurricane and travels with the hurricane.

Figure 30 shows an example of the peak surge height and exponential decay profile associated with a simulated storm having a central pressure of 953 mb and an Rmax of 30 miles. Note the asymmetry around the storm center, which reflects the asymmetric nature of hurricane wind fields, as explained below.

The along-coast surge height profile, as illustrated in Figure 30, is an exponential function, peaking at the coastal location that experiences the maximum wind speed and, from there, tailing to zero beyond a multiple of Rmax. The storm surge profile implemented in the AIR model has been validated with observations from several historical storms. The storm surge profile is then modified to account for forward speed, track angle at landfall, bathymetry, astronomical tide and bay amplification.

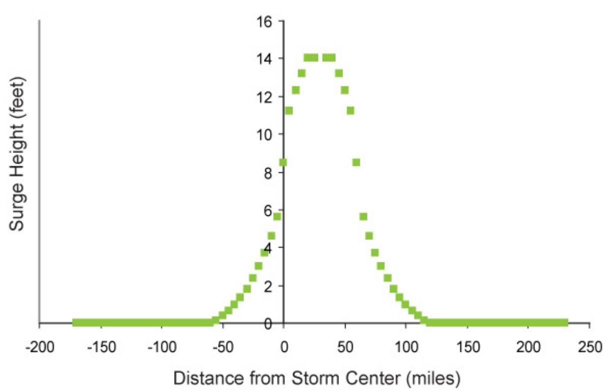


Figure 30. Surge profile for sample storm with central pressure of 953 mb and Rmax of 30 miles

Forward Speed and Storm Surge

Storm surge is not only caused by low barometric pressure in the eye, but also by winds pushing the ocean's surface ahead of the storm. In the Northern Hemisphere, hurricane winds rotate in a counterclockwise direction. The combined effects of hurricane winds and forward motion will produce higher wind speeds and thus higher storm surge on the right side of the storm. The faster the forward speed of the storm, the more pronounced this effect will be.

Track Angle at Landfall and Storm Surge

Hurricanes that make landfall perpendicular to the coastline, sometimes termed "coast-normal," cause greater levels of surge inland than hurricanes that make landfall at more oblique angles or skirt along the coast. Again, following the asymmetry of the hurricane wind field, storm surge is higher on the right of the storm track. A coast-normal track brings this enormous volume of water onshore. The East-Coast-parallel track exposes the coast to the weaker side of the storm system and the effects of storm surge are thus substantially diminished.

Bathymetry

Another factor that significantly affects the potential for destructive storm surge is the depth of the ocean at any particular location along the coast. In general, shallow water enhances surge height, a phenomenon sometimes referred to as the shoaling effect. Thus regions that have a broad, shallow continental shelf offshore have higher shoaling factors in the AIR model.

Water depth is obtained from high-resolution bathymetric maps, such as that shown in Figure 31.

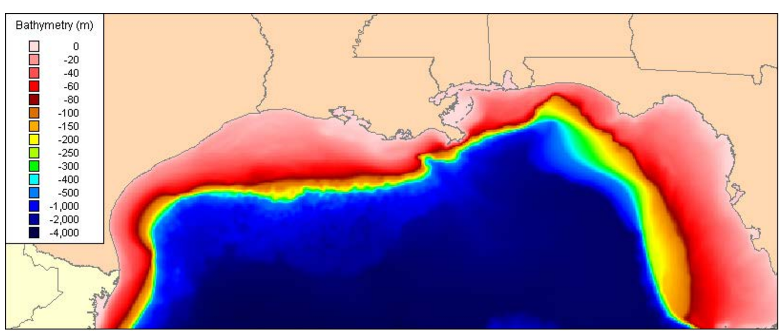


Figure 31. Bathymetry of the Gulf of Mexico

Tide Height

The total sea-surface elevation is an additive function of the surge generated by the hurricane and the height of the astronomical tide. The higher the tide, the greater is the sea-level elevation. This is one reason why some relatively minor hurricanes have nevertheless been accompanied by high storm surge. Tide height is determined probabilistically in the AIR model.

Bay Amplification Factor

The orientation (relative to hurricane track angle) and bathymetry of bays and estuaries can amplify the impact of storm surge. Specifically, the wave heights may be amplified because a larger volume of water is forced into a smaller area, as illustrated in Figure 32.

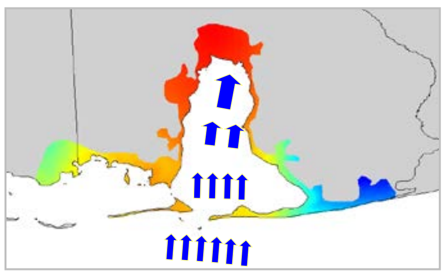


Figure 32. Amplification of surge heights in bays and estuaries

The amplification factor is a function of the bathymetry of the bay, its orientation relative to the dominant hurricane track angle, and its location relative to the track. That is, following the asymmetry of the hurricane wind field, the amplification factor is larger when the bay lies to the right of the storm track and smaller when it is to the left.

The bay amplification factors were derived from an analysis of output from NOAA's SLOSH (Sea, Lake, and Overland Surges from Hurricanes) model for various bays along the U.S. coastline. Ultimately, amplification factors were introduced in the eight bays that were observed to experience the most significant increases in storm surge: Corpus Christi Bay, Texas; Galveston Bay, Texas; Mobile Bay, Alabama; Tampa Bay, Florida; Delaware Bay; New York Bay; Narragansett Bay, Rhode Island; and Buzzards Bay, Massachusetts.

The bay factors have been implemented in the model by positioning the maximum amplification factor for a given bay at the coastal location that has been observed to experience the maximum storm surge height in numerous SLOSH simulations. In the implementation, this location is treated as the center point of a circle. From this maximum amplification at the center of the circle, the bay factor experiences linear decay in all radial directions towards the outer circumference of the circle.

Figure 33 illustrates the bay amplification factor implementation for Galveston Bay, where the maximum amplification factor is 1.6 as seen at the center point, which then decays to a value of 1.0 at the edge of the amplification area.

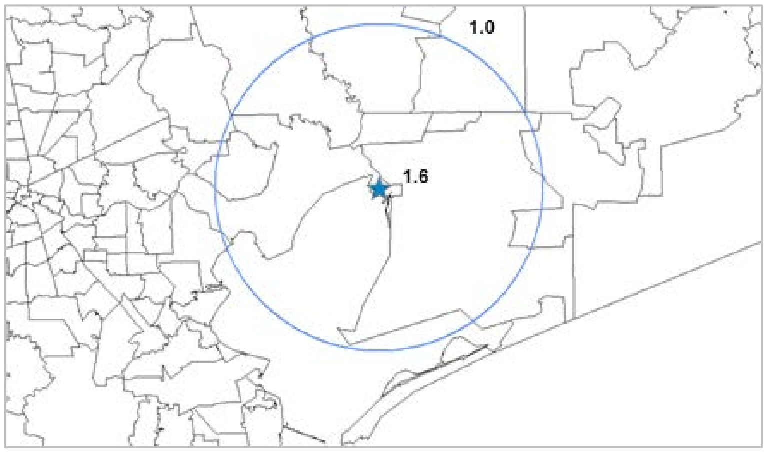


Figure 33. Amplification factor and extent for Galveston Bay

3.7 Stochastic Catalog Summary Statistics

The AIR 10,000-year standard catalog contains 50,011 simulated tropical cyclones, 19,067 of which impact the United States. Of the storms that affect the U.S., 17,084 make landfall while 1,983 bypass the mainland but cause damage to onshore properties. The maximum number of landfalls in a single simulated year is thirteen, including multiple landfalls by a single storm.

3.8 Validating Stochastic Event Generation

AIR catastrophe models are extensively validated. Every component of the model is carefully verified against data obtained from historical events. This section provides a few exhibits illustrating the results of this validation as it pertains to generating the simulated hurricanes that comprise the stochastic catalog.

Validating Frequency

The annual frequency of hurricane landfalls is represented by a negative binomial distribution. Figure 34 shows the historical data from 1900-2010, along with the modeled distribution.

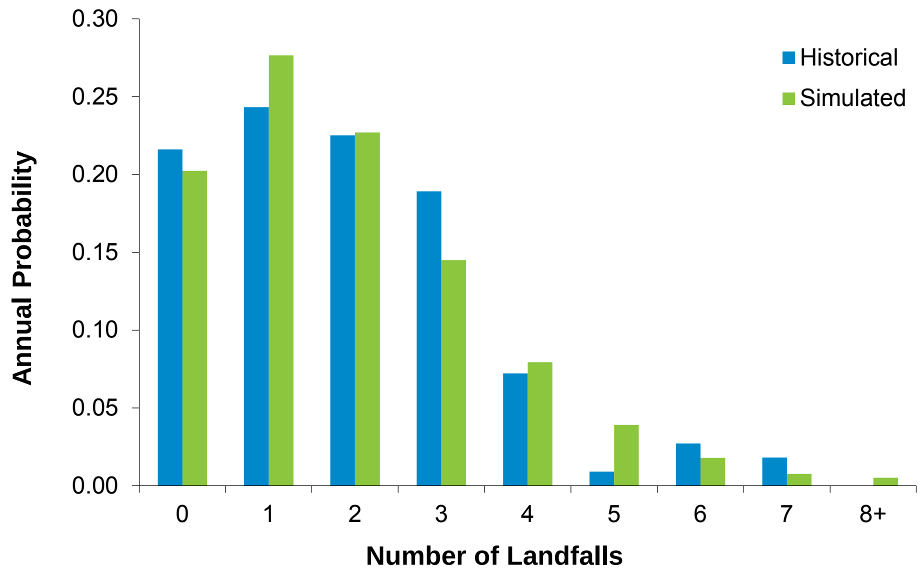


Figure 34. Historical (1900 – 2010) and simulated annual landfall frequency

To determine whether the stochastic catalog's simulated events exhibit appropriate seasonality, the frequency of events in the standard stochastic catalog is compared to the frequency of historical events (obtained from the HURDAT database, 1900-2008), by month, as shown in Figure 35. Note the good agreement between the historical and simulated frequencies.

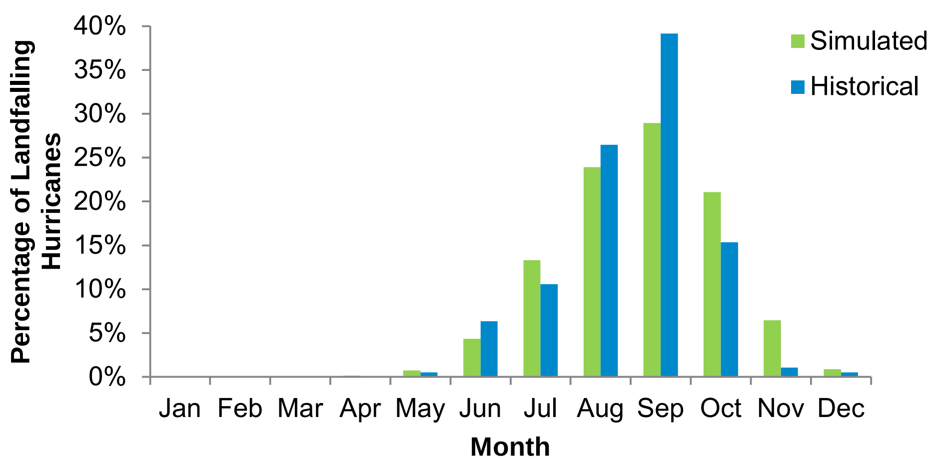


Figure 35. Historical and simulated tropical cyclone frequencies by month, HURDAT 1900-2008

To verify that the model is distributing tropical cyclone risk along the coastline appropriately, comparisons are made between historical and simulated frequencies by 100-nautical-mile coastal segment, which are illustrated for reference in Figure 36.

Figure 36. Modeled 100-Nautical-Mile Coastal Segments

Figure 37 shows the comparison, for each of the segments shown in Figure 36, between modeled and historical landfall frequency.

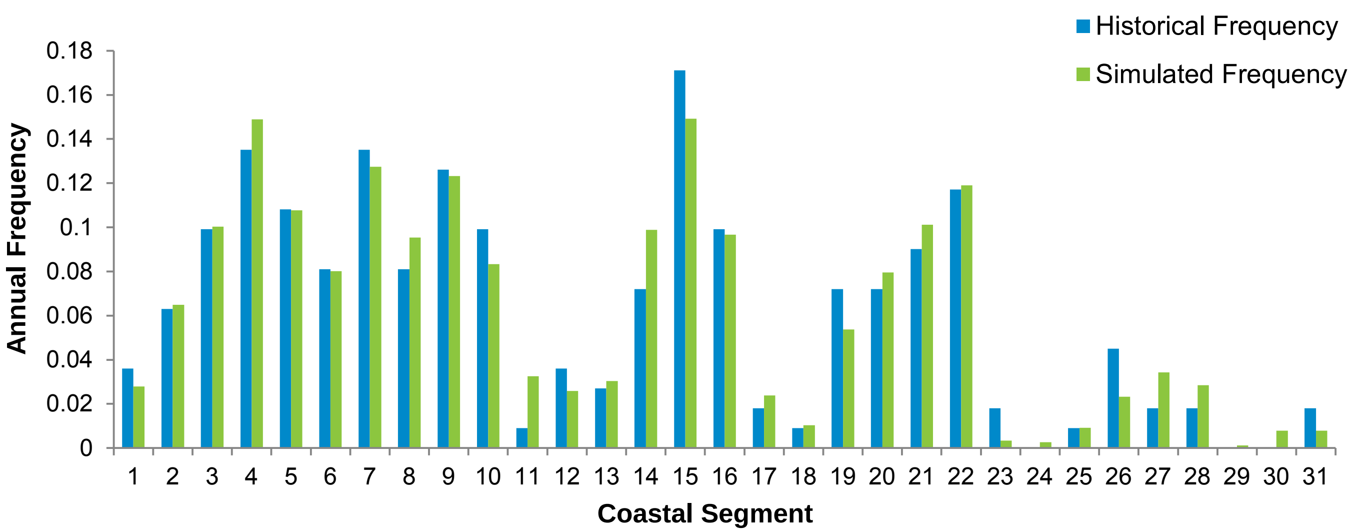


Figure 37. Historical and simulated tropical cyclone landfalls by 100-nautical-mile coastal segment

Validating Storm Tracks

Figure 38 shows both simulated and historical storm tracks in the Atlantic basin for a sample 25-year period. The simulated tracks appropriately capture the tendency for actual storms to move first to the west and then to the north-northeast.

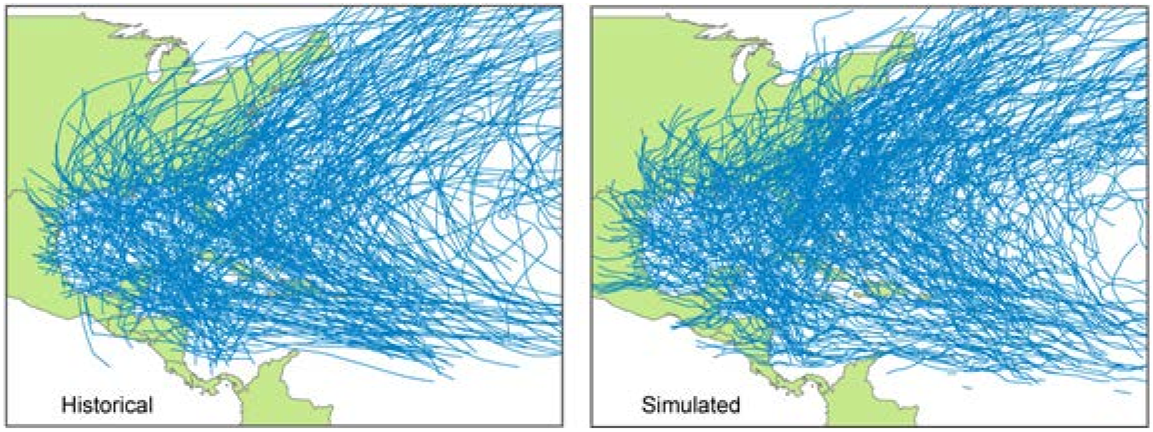


Figure 38. Historical and simulated storm tracks for a sample 25-year period

Validating Meteorological Parameters at Landfall

Figure 39 shows a comparison of historical and simulated storm intensities at landfall, with intensity based on central pressure. The two distributions are reasonably consistent, with the sparsity of the historical catalog accounting for possible discrepancies.

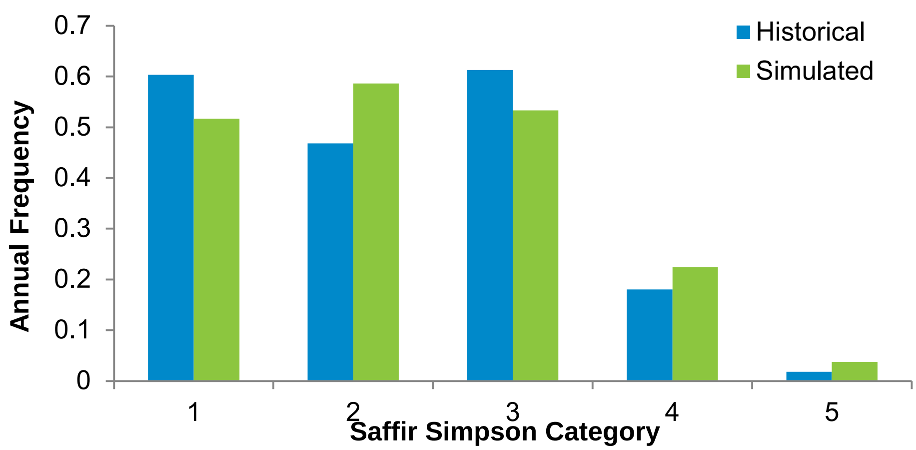


Figure 39. Historical and simulated intensities at landfall

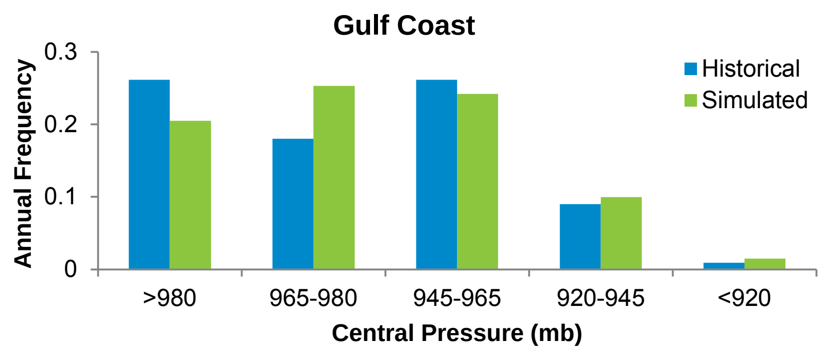
A comparison between the observed and modeled average landfall values of central pressure, radius of maximum winds, and forward speed is provided in Table 3. The agreement between historical and simulated values is quite good.

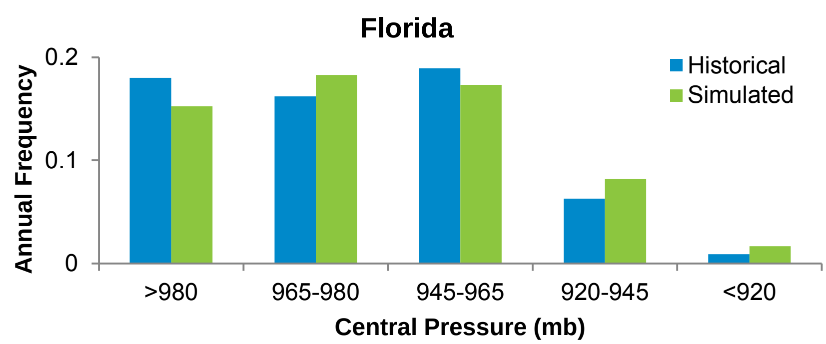
Table 3. Historical vs. Simulated Values at Landfall

Model Variable	Average of Historical Hurricanes, 1900-2008	Average of 10,000 Model Simulations
Central Pressure	967	966
Radius of Maximum Winds	28	27
Forward Speed	15	15

Validating Frequency by Intensity

AIR researchers also validate the distribution of simulated events by intensity. Figure 40 compares the observed and modeled relative annualized frequencies of hurricanes with different central pressures at landfall for four regions of the U.S. coastline[9].





[9] The Gulf Coast includes segments 1-17, Florida includes segments 18-36, the Southeast includes segments 37-49, and the northeast includes segments 50-62.

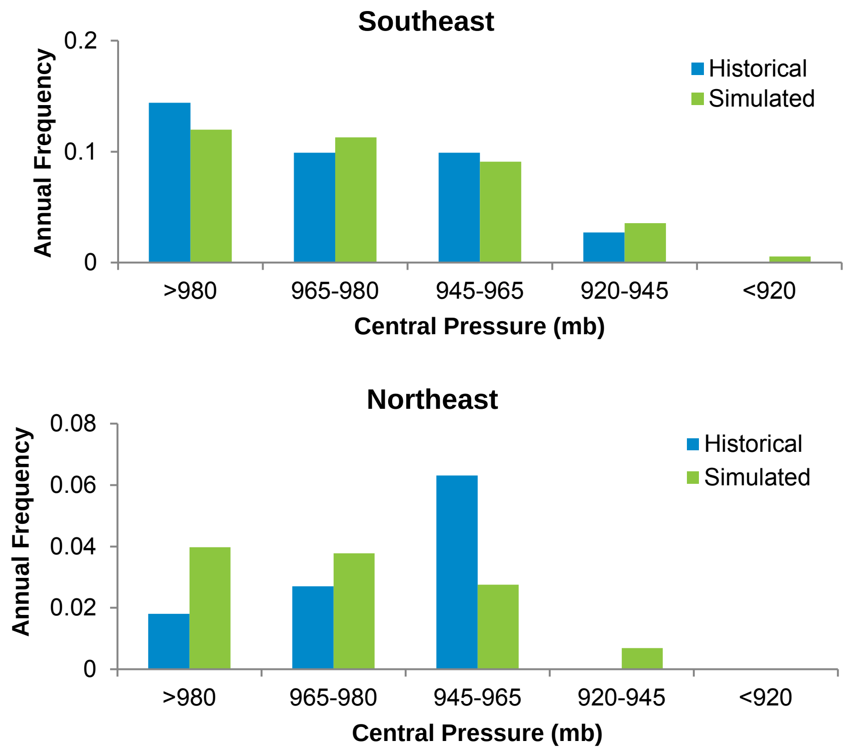


Figure 40. Actual and simulated relative annualized frequencies of central pressures at landfall for four different regions of the U.S. coastline

A critical part of the model development process is to ensure that the model appropriately captures the entire spectrum of potential catastrophe experience, including the most extreme—but still plausible—events that may not be represented in the historical record. Where historical data do not exist, AIR scientists validate the probability of occurrence of the most extreme events by relying on the reasonability and robustness of the science.

For example, modelers must determine the appropriate representation in the stochastic catalog of Saffir-Simpson Category 5 hurricanes in the northeastern United States. Since 1900, the lowest observed central pressure for hurricanes making landfall north of New Jersey was 946 mb, which was the Great New England Hurricane of 1938. Recorded wind speeds at landfall were 120 mph, making the 1938 storm a Category 3. As measured by central pressure, the storm was a borderline Category 3-4. (However, it should be noted that there is limited wind data for this event, most of which consists of wind-gust estimates. This event is likely to be recategorized when HURDAT data is reanalyzed.)

However, the reliable historical record is short; in extending it through stochastic simulation, the question arises whether to include Category 5 hurricanes in the

Northeast. AIR meteorologists used a physics-based intensity model to investigate the upper limits of hurricane strength in the Northeast. The model was used to generate "what if" scenarios by perturbing characteristics of historical storms. For example, historical storms were modified to spend more time over warmer water further south, thereby allowing them to further intensify, but then made to speed up so that they would spend less time before landfall over the colder waters off the Northeast coast. Other "what if" scenarios involved warming the waters off the Northeast coast to the warmest ever observed. The net result of these experiments showed that the probability of a Category 5 hurricane was sufficiently close to zero to warrant their exclusion from the catalog for this region.

Validating Filling Rates

Figure 41 shows observed filling rates for 10 historical hurricanes from the 2004 and 2005 seasons (indicated by the colored dotted lines), including Hurricane Katrina's two landfalls in Florida and Louisiana. On the vertical axis of the graph in Figure 41 is the ratio of the observed central pressure as the storms moved inland and the observed central pressure at landfall. The observations consist of intensity information from HURDAT, supplemented with landfall data from the NOAA Technical Memorandum NWS TPC-5.

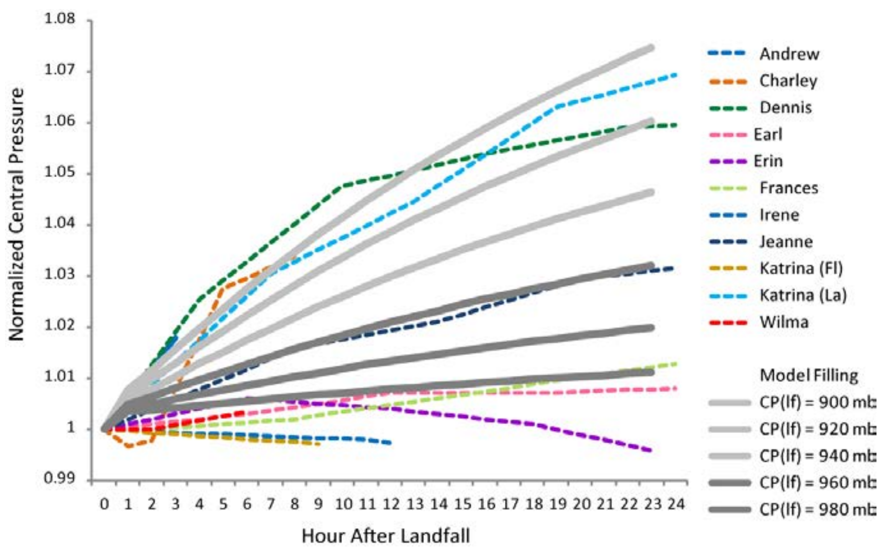


Figure 41. Modeled and historical filling as a function of hour after landfall for several hurricanes

Also shown are the filling equations implemented in the AIR model for the Florida region for a range of storm intensities at landfall. As described in the section on filling above, for each of four regions the model employs two functional forms, one for weaker storms (Categories 1 and 2, as shown in dark gray) and one for major hurricanes (Categories 3, 4, and 5 as shown in light gray).

The inland decay of model-generated winds is consistent with that of observed winds.

4 Local Intensity Calculation

Damage to onshore properties is caused by wind and storm surge. Specifically, the measures of intensity used in the AIR Hurricane Model for the United States are:

- 1-minute sustained winds at 10 meters above the ground
- Water height (from storm surge) in feet

Their derivation and implementation in the model are described in the sections below.

4.1 Local Wind Intensity

Wind speed describes a storm's intensity and indicates how damaging a storm is likely to be. The measure of wind intensity used in the model is the 1-minute sustained wind at 10 meters above ground level. The model first computes the maximum winds at upper levels and then translates these winds to the surface (defined as 10 meters above the ground) via a conversion factor called the gradient wind reduction factor (GWRF).

The wind intensity used in the AIR Hurricane Model for the United States is as follows:

$V_{1min,10m}$ = [Vmax * GF * GWRF * Radial Decay + FwdAdj] *FF

where

Vmax = the upper-level wind at Rmax expressed as a function of central pressure (P_o), peripheral pressure as a function of latitude (P_w), radius of maximum winds (Rmax), and latitude.

GF = the gust factor expressed as a function of the effective roughness length (Z_0) and the averaging time, which translates a 10-minute average wind speed to a 1-minute average wind speed.

GWRF = the gradient wind reduction factor, which translates upper-level wind speeds to surface wind speeds. This is a function of the distance from the eye (r) and the peak weighting factor.

FwdAdj = the forward speed adjustment, which is a function of forward speed and the angle between the direction the storm is moving in and the direction of the wind.

FF = the friction factor expressed as a function of the effective roughness length (Z_0), which takes into account the frictional effects of the surface over which the storm is moving.

The GWRF is a stochastic variable, with an adjustment applied to account for observed differences in the factor as a function of radius from the eye. In general, the dense convection surrounding the eye enables the efficient transfer of winds aloft to the surface. Further from the eye, this efficiency is reduced, and thus so is the GWRF.

The mean GWRF value, the distribution about the mean, and the radial profile are based on dropsonde data from 2002-2005 and the work of Powell et al. (2009) and Franklin et al. (2003). For comparison, Figure 42 below shows the mean GWRF as calculated by AIR, along with data from Powell et al. (2009).

The GWRF is not only variable within a storm; it also differs from storm to storm, is independent of storm intensity, and is dependent on the distance from the eye and the Peak Weighting Factor (PWF) associated with the storm. The PWF, a parameter used to reflect the vertical slant in a hurricane eye as discussed in Section 3.5, was derived from Powell et al. (2009). The GWRF and the PWF are generated jointly from a bounded bivariate normal distribution.

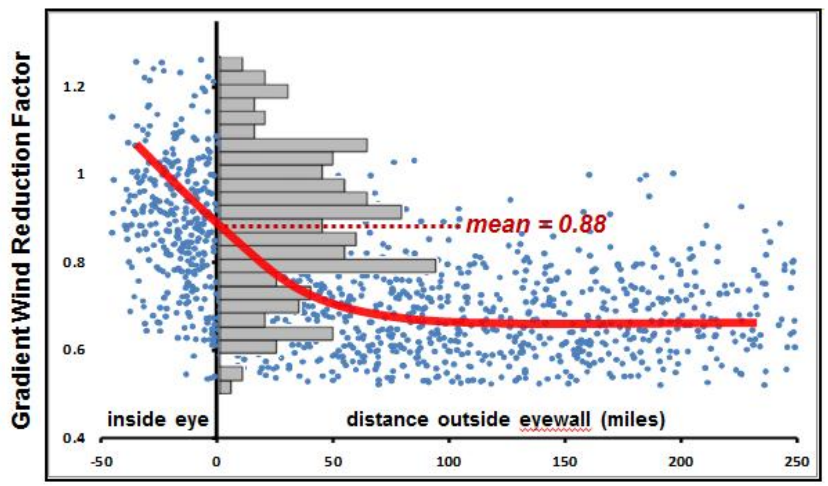


Figure 42. Mean gradient wind reduction factor calculated by AIR (red line) and corresponding GWRF from Powell et al. 2009 (gray bars)

To determine the wind speed at a specific location on the Earth's surface, the maximum wind speed for a storm must first be evaluated at the eyewall, and then a radial profile is used to evaluate how much the wind speed decreases depending on the location with respect to the eyewall. The model's local wind field radial profile is based on the formulation introduced by Willoughby et al. (2006) and depends on Rmax, Vmax, latitude, and distance from the eye. Wind speed increases as a power of the radius inside the eye and decays exponentially with increasing radius outside the eye, following a smooth transition between the two regions (Figure 43). The wind direction at a given location away from the storm's center is included in the asymmetry term, which is proportional to the forward speed of the storm and the cosine of the angle between the wind direction and the storm's forward direction.

Generation of the local wind field involves modulating the gradient wind for frictional and gustiness effects. It also accounts for how these effects are altered by wind direction and fetch (the distance over which a wind of nearly constant direction has blown). For example, wind blowing across a rough surface will behave differently if it has arrived from over water than it will if it has arrived from over an equally rough surface.

Note that after landfall, storm intensity diminishes, and the eye of the storm fills as the barometric pressure increases. Storm filling will be discussed in greater detail below.

As mentioned previously, conversion of 10-minute averaged wind speeds to one-minute sustained winds is based on accepted engineering relationships, including Simiu and Scanlan (1996) and Cook (1985). The conversion factor varies from 1.12 to 1.26, depending on land use/land cover data.

Aspects of the model's wind-field generation process are discussed in greater detail in the subsections below.

Relative Wind Speeds

The wind speed at any particular location is dependent on Rmax, the distance between the eye of the storm and the location of interest, and the Gradient Wind Reduction Factor and Peak Weighting Factor. The AIR model's wind speed profile was developed based on the radial variation of wind speed described in Willoughby et al. (2006).

The radial wind profile is based on historical observations, using reconnaissance data from 493 hurricanes in the Atlantic and eastern Pacific basins from 1977 to 2000. The profile is defined by three equations: one for the area inside the eyewall, one for the eyewall region, and one for the area outside of the eyewall. Figure 43 illustrates the wind profile for an "average" storm.

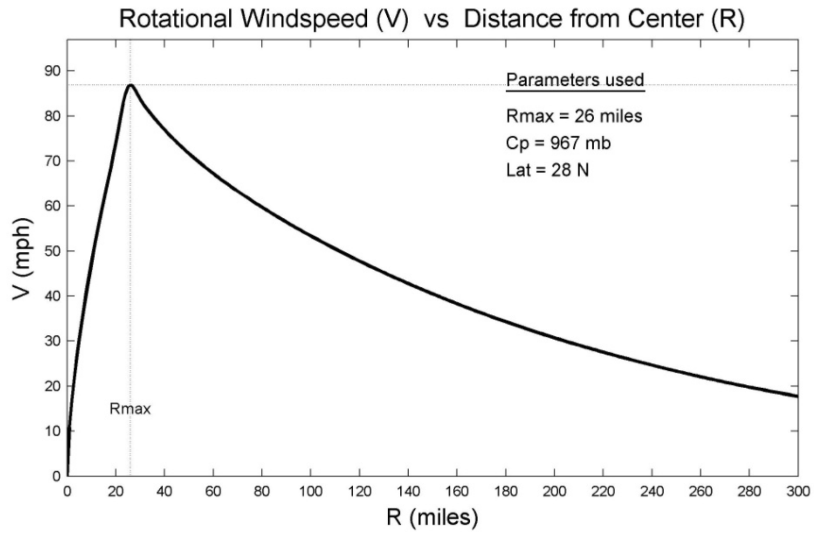


Figure 43. Symmetric gradient wind profile

Asymmetry Effect

In the Northern Hemisphere, hurricane winds rotate in a counterclockwise direction. The combined effects of hurricane winds and forward motion produce higher wind speeds (and higher storm surge) on the right side of the storm, as viewed facing the storm's forward direction. The model accounts for the dynamic interaction of forward (translational) and rotational speeds, as well as the inflow angle.

Surface Friction Effects on Wind Speeds

Differences in surface terrain also affect wind speeds on a smaller scale. Wind velocity profiles (Figure 44) typically show higher wind speeds at higher elevations. At ground level, horizontal drag forces induced by surface roughness are exerted on the wind flow, causing retardation of the wind near the ground. The addition of obstacles such as buildings further reduces wind speed.

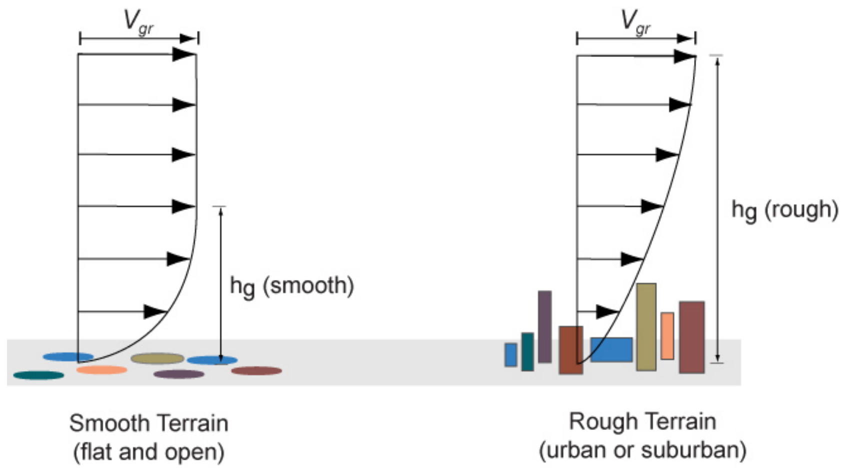


Figure 44. Terrain effects on wind-velocity profiles (adapted from Cook, 1985)

AIR applies a friction coefficient at each location of interest to reflect estimates of surface roughness derived from digital land use/land cover (LULC) data available from the U.S. Geological Survey (USGS). The model uses the 2001 USGS National Land Cover Dataset (NLCD), a digital, satellite-derived database dating from 1999 to 2001 (Homer et al., 2004; Homer et al., 2007). The LULC classifications are provided at 30-meter resolution, which AIR then resampled at 220-meter (0.002°) resolution and aggregated to ZIP Code level.

Each LULC terrain type has a different roughness value that will lead to different frictional effects on wind speeds. In general, the rougher the terrain, the more quickly wind speeds will dissipate.

Figure 45 illustrates the LULC data for South Florida as used in the model. Note that additional quality control was undertaken at AIR to identify and correct the erroneous categorization of land use that would have impacted the hurricane wind speed estimates.

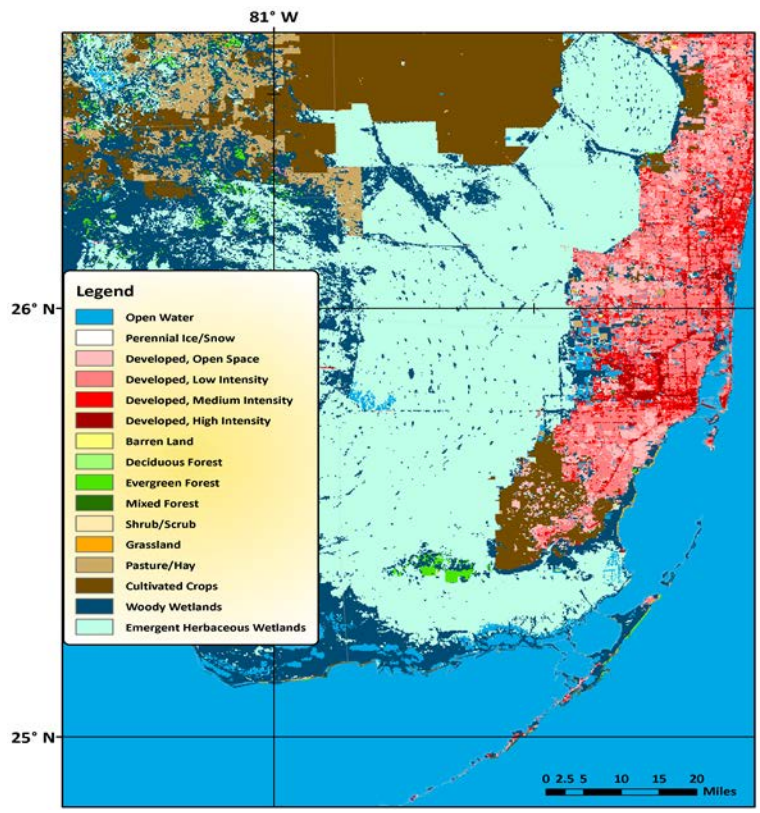


Figure 45. Land use/land cover data used in the AIR model

As a hurricane travels inland and encounters different types of terrain, the hurricane wind speeds do not adjust immediately upon experiencing a new terrain type. In practice, the wind has to blow over a certain distance before the planetary boundary layer (PBL)[10] is in equilibrium with the underlying surface. Downwind of a change in terrain roughness, such as the edge of an urban area, a new boundary layer begins to grow. Within this new layer the flow is not in equilibrium, and the wind profile adjusts.

The boundary layer adjustment is accounted for by adjusting the friction factor according to an "effective" roughness, which is defined in the model as the average surface roughness for an area out to a radius of 10 km (6.2 miles) for the time averaging (gust) factor and 15 km (9.2 miles) for friction from a given location—and is representative of the *mean* land surface acting on the wind field at that location.

[10] The lower layer of the atmosphere—extending vertically from the surface to between 1,000 and 2,000 feet—within which surface roughness has an effect on wind speeds. This height, beyond which surface roughness no longer affects wind speeds, is referred to as the gradient height.

In addition, the direction of the wind at a given time and location is computed along with the wind speed, and the land characteristics upwind of the location are used in making the local wind adjustments.

Wind Field Directionality

The model explicitly includes directional effects of surface friction on locally estimated wind speeds. Rather than using a single friction adjustment that takes into account the average land surface surrounding a location, the wind-field model uses updated LULC data to estimate the roughness in eight wind directions: north, northeast, east, southeast, south, southwest, west, and northwest.

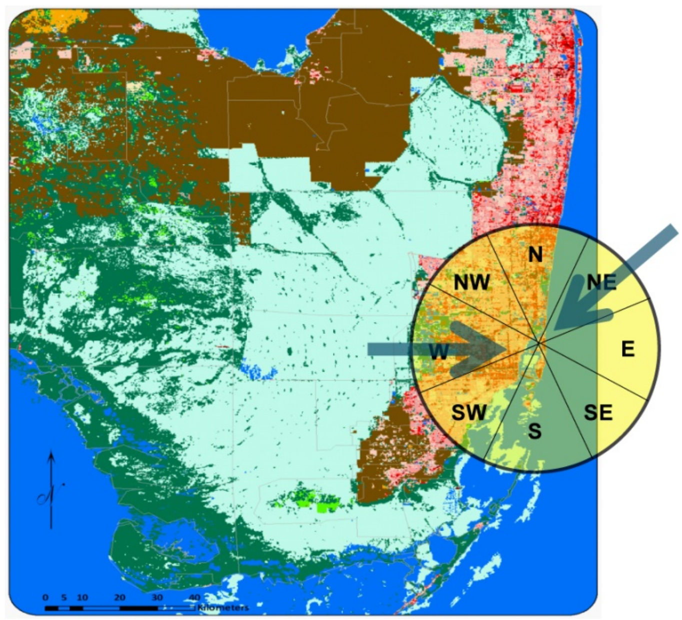


Figure 46. Directional dependence of surface friction is explicitly modeled

In the area of southern Florida shown in Figure 46, for example, a northeast wind coming from the Atlantic Ocean will be relatively unobstructed. On the other hand, a wind from the west will be crossing the city of Miami and undergoing wind-reducing adjustments representative of a built-up urban environment. In the AIR model, the influence of the maritime environment on the wind transition is explicitly quantified, which yields a realistic wind field at a local level for the duration of the event.

Figure 47 demonstrates schematically the impact of directionality on wind speeds. When a hurricane approaches the coastline, winds coming from the water are strong because the hurricane is just beginning to make landfall and has not yet begun to fill. When a hurricane passes a coastal location, winds switch direction and subsequently come from off the land. These winds are weaker than those coming off the water because the hurricane is already dissipating and the rougher land surface is having its effects.

The top panel of Figure 47 shows "unidirectional" friction effects. In this example, half of the surrounding area is land and half water, so the average effect of friction is the average of the water effect (a 5% reduction in wind speeds) and the land effect (a 25% reduction in winds). Thus, for winds entering a location X on the immediate coast from either onshore (100 mph) or offshore (80 mph), the average friction effect would reduce winds by 15% (computed as the average of 5% and 25%). Assuming winds come from the east and the west at the same frequency, the average wind speed would be 76.5 mph (50% from the onshore contribution, and 50% from the offshore contribution).

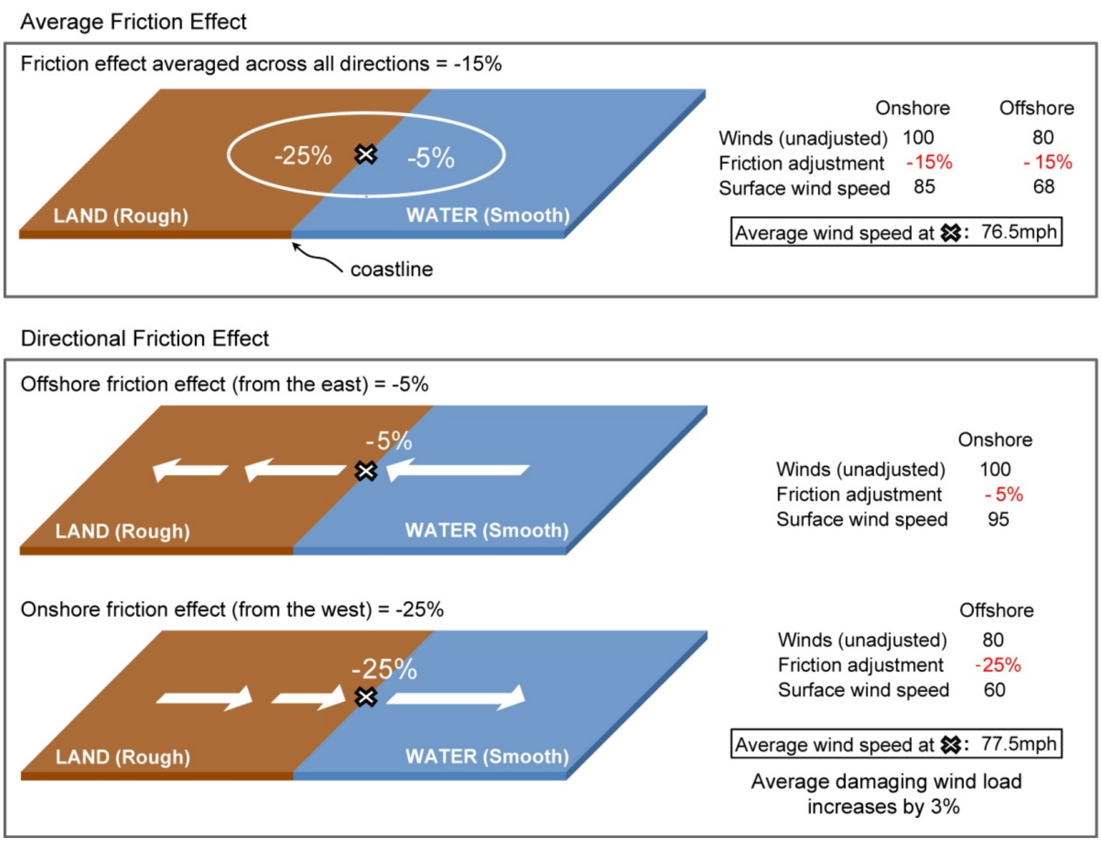


Figure 47. Schematic of the effect of directionality on friction

The lower panel in Figure 47 demonstrates directional friction effects. The different friction effects for winds arriving from water and land are modeled explicitly. Winds coming from the ocean will be reduced by only 5%, resulting in 95 mph winds, as compared to the 85 mph that is calculated when direction is not considered. Similarly, winds passing over land before reaching location X will be reduced by 25%, resulting in weaker winds than would be computed not considering direction. The average for the storm (both onshore and offshore winds) in the simplified example is 77.5 mph—1 mph higher than before.

While 1 mph may seem insignificant, there is a nonlinear relationship between wind speed and damage. That is, increasing wind speeds slightly by some amount increases damage more than reducing wind speeds by the same amount reduces damage. Furthermore, the frequency of strong winds from water directions is higher than the frequency of weak winds from land directions.

Gustiness Effects on Surface Winds

Just as surface roughness exerts a frictional drag on winds, so too can surface roughness enhance gustiness. Gustiness is a measure of how wind speed near the surface varies as a function of time. Winds near the surface—even those in a hurricane that is neither intensifying nor weakening—generally undergo oscillations in time resulting from different sized eddies. These eddies are generated from different types of land use and land cover, and can cause temporary changes in wind speed.

The many different-sized whirls that typically exist at any given time result in different strengths and durations of gusts. These gusts range from the very extreme, which last only several seconds, to weaker ones which may last several minutes. Typically, very rough surfaces can increase gustiness, while smooth surfaces are associated with low levels of gustiness. Scientists at AIR have accounted for the gustiness effects on tropical-cyclone winds not only across different types of surfaces, but also from different directions across those surfaces.

Wind Speed and Wave Height

When a storm is located over open water, high wind speeds result in large ocean waves. In return, larger waves impart more friction on surface wind flow than do smaller waves. In the model, an adjustment is made to modeled wind speeds near the coast to account for this interaction between wind speed and wave height. The adjustment is based both on the modeled wind speed and the percentage of water exposure within the wind octant of interest, and the magnitude of the adjustment is consistent with historical observations as noted by Powell et al. (2003)[11].

[11] The wind octant refers to the way in which directionality is treated in the model. The wind direction spectrum is broken into the eight compass directions: north, northeast, east, southeast, south, southwest, west, and northwest. Local wind adjustment factors are calculated for each of these octants.

Modeled Wind Risk

Figure 48 shows the final modeled 100-year return period hurricane wind speeds in the United States.

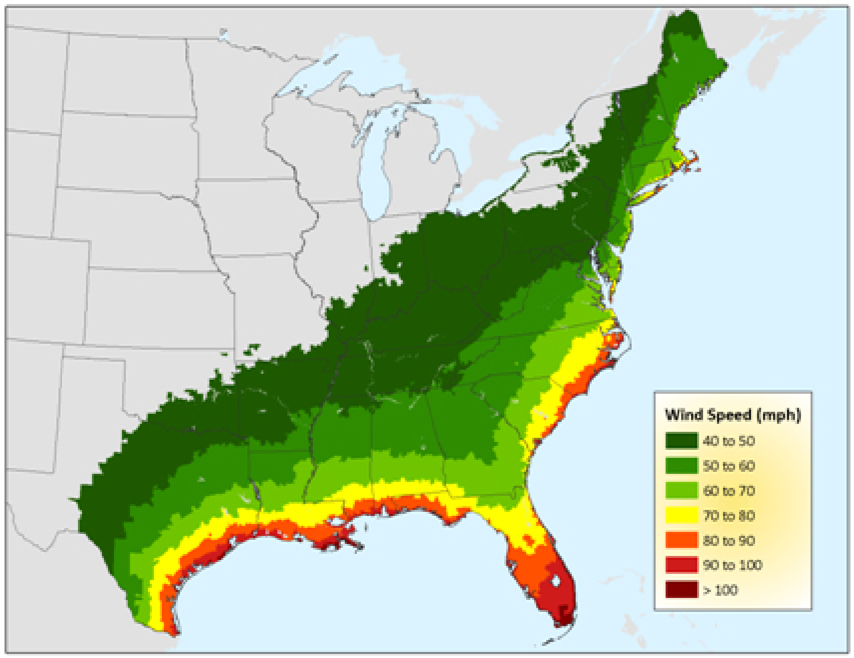


Figure 48. Modeled 100-year return period wind speeds

4.2 Local Storm Surge Intensity

The local intensity parameter used in the storm surge component of the AIR model is water depth in feet. High-resolution elevation data is critical to the calculation; the native horizontal resolution of the USGS elevation data used to model distances within 5 miles from the coast is 30 meters and is aggregated to 220 meters.

As discussed in the previous section, peak storm surge height at the coast is a function of central pressure, storm size and location relative to the storm center, and Rmax. It is then modified to account for track angle at landfall, bathymetry, astronomical tide, and bay amplification.

In order to estimate water depth at each affected location onshore, storm surge is propagated inland using attenuation relationships.

Storm Surge Attenuation

After the storm surge reaches the coastline, its forward travel is impeded by the friction it experiences from the local terrain. This loss of momentum is referred to as attenuation. Steeper slopes and rougher terrain lead to more rapid attenuation;

gradual slopes and smoother terrain lead to slower attenuation. In the regions illustrated in Figure 49, for example, coastal Louisiana has a gentle slope compared to Long Island, New York. The difference is reflected in the attenuation functions through regional modifiers that characterize the coastal terrain as smooth, medium, and rough.

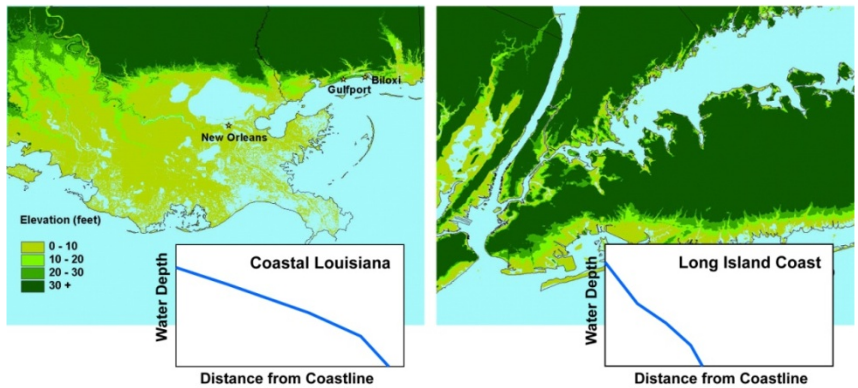


Figure 49. Elevation and surge attenuation relationships capture coastal characteristics at high resolution

Also, while the effect is relatively minor, there is evidence that a slow forward speed reduces the rate of attenuation, as slower storms generally push larger quantities of water onto the coast over longer periods of time. This effect is accounted for in the model.

4.3 Validating Local Intensity

Among the 37 stringent standards set by the Florida Commission on Hurricane Loss Projection Methodology (Florida Commission) are six meteorological standards. To meet these, AIR must demonstrate that the modeled wind field is consistent with the distribution of observed winds for historical storms. The AIR model has consistently met this standard since the Florida Commission was established. Below, we provide sample exhibits demonstrating wind speed validation and wind footprint validation for the AIR model.

Wind Speed Validation

Error! Reference source not found. and **Error! Reference source not found.** provide a comparison between observed and modeled wind speeds for Hurricane Katrina (2005) and Hurricane Wilma (2005), respectively.

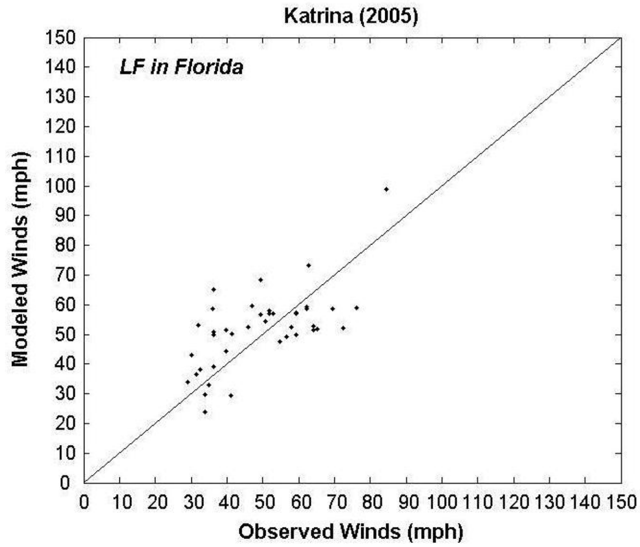


Figure 50. Observed and modeled wind speeds (mph) for Hurricane Katrina

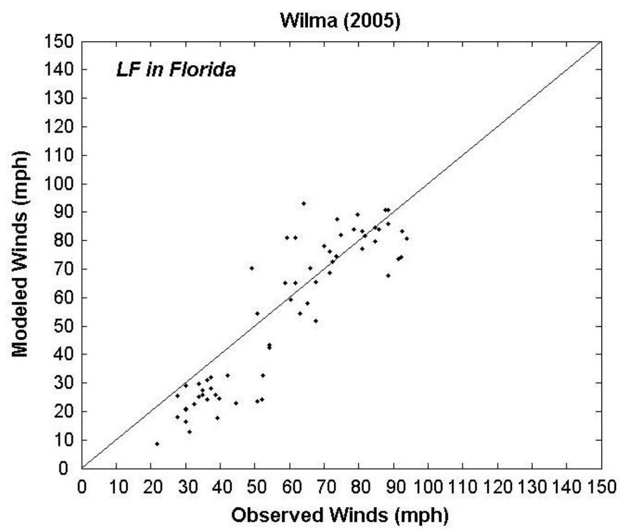


Figure 51. Observed and modeled wind speeds (mph) for Hurricane Wilma

Validation of Wind Footprint

A comparison between observed and modeled wind speeds for Hurricanes Charley (2004) and Dennis (2005) is provided in Figure 52. Note that the colored regions in the figure represent modeled wind footprints, while the colored circles capture the location and intensity of observed wind speeds.

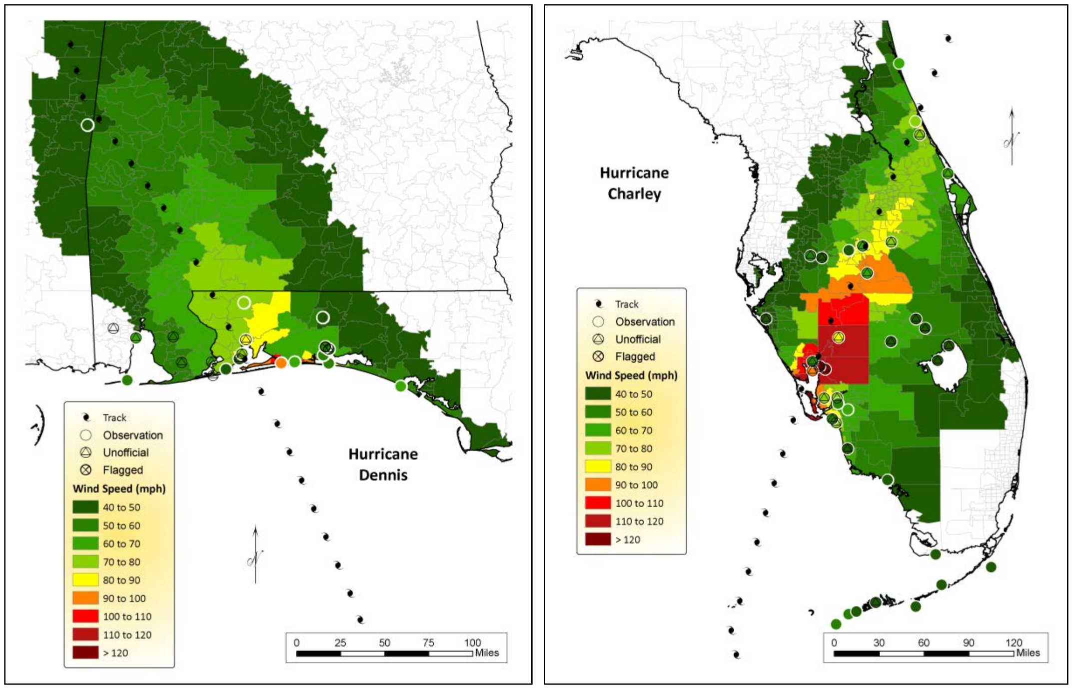


Figure 52. Observed and modeled wind speeds (mph) for Hurricanes Dennis (left) and Charley (right)

AIR modeled hurricane risk extends well inland from the immediate coast, and even to interior states such as Oklahoma, Kentucky, and Ohio. Figure 53 shows claims data from the 2004 and 2005 seasons, illustrating inland loss potential. The AIR modeled wind footprints for the 2004 and 2005 storms are also shown in the figure; the model's wind field appropriately captures inland risk.

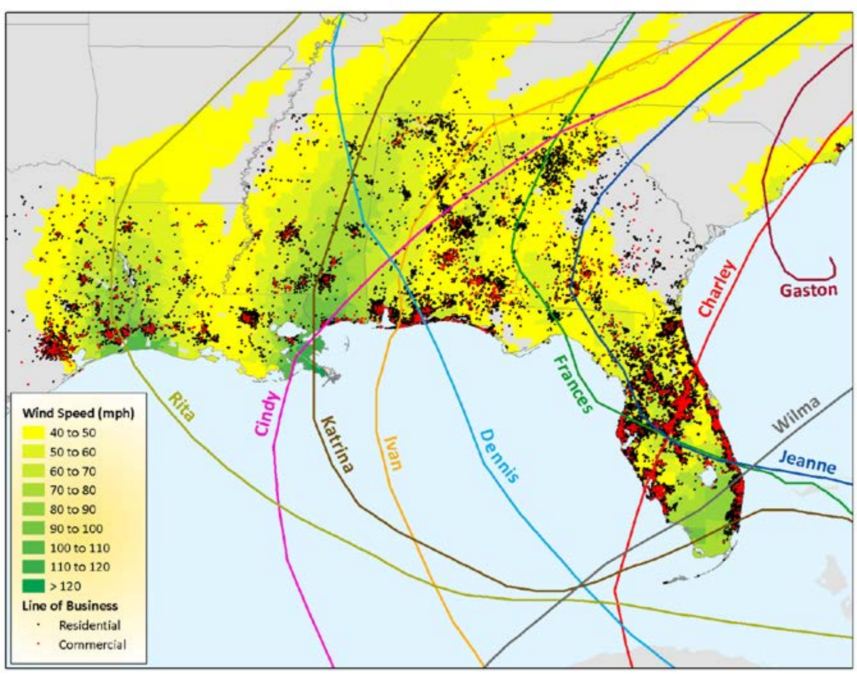


Figure 53. Claims data from the 2004 and 2005 hurricanes on AIR modeled wind fields

Figure 54 compares observed and modeled wind speeds for 36 historical hurricanes, including Gloria, Hugo, Bob, Andrew, Erin, Opal, Bertha, Fran, Danny, Bonnie, Earl, Georges, Bret, Dennis, Floyd, Irene, Lili, Claudette, Isabel, Alex, Charley, Frances, Gaston, Ivan, Jeanne, Cindy, Dennis, Emily, Katrina, Ophelia, Rita, Wilma, Humberto, Dolly, Gustav, and Ike.

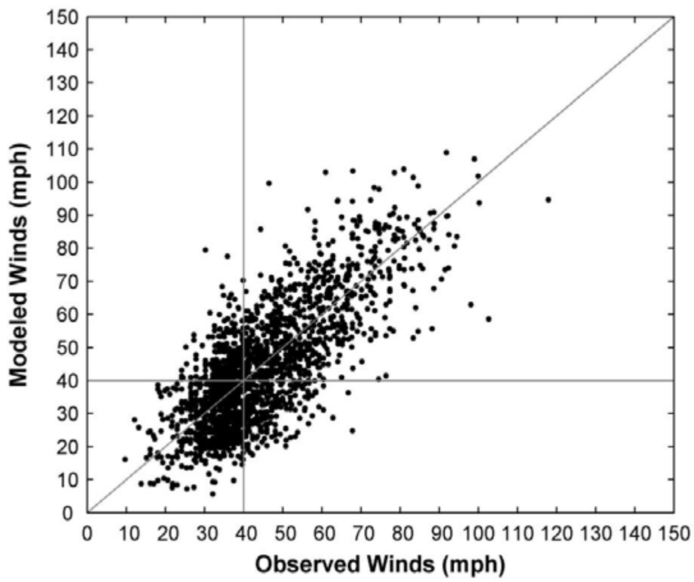


Figure 54. Modeled and observed winds for 36 events, 1982-2008

Figure 55 compares observed and modeled storm surge heights for 2005's Hurricane Rita.

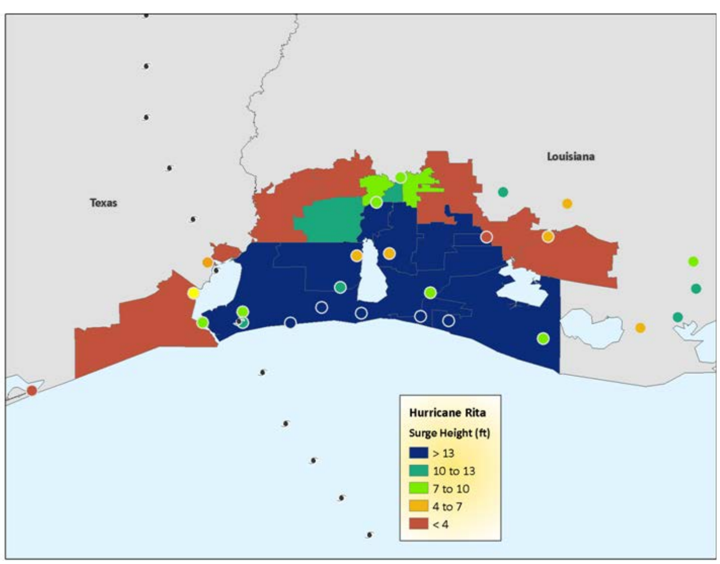


Figure 55. Comparison between observed (colored circles) and modeled (colored zip codes) storm surge heights for Hurricane Rita

5 Damage Estimation

In this component of the model, the local intensities of each simulated event are superimposed onto a database of exposed properties (see Section 5.1 for a discussion of building inventory in the United States, and Section **Error! Reference source not found.** for summary statistics), and the resulting monetary damage is then calculated. This is accomplished by way of damage functions, which have been developed for various types of structures. Damage functions translate the intensity of the hazard affecting a structure or portfolio of structures into monetary loss before any risk sharing arrangements (e.g. insurance contracts) are taken into account.

For the hurricane model, hazard is defined in terms of wind speed (one-minute sustained winds at 10-meter height) or water depth (in feet). Note that damage functions for a structure not only account for the physical response of the structure to a hazard, but also encapsulate the effects of many other macro-level effects such as claims adjustment practices, building codes and their enforcement, the preparedness and response of individuals and communities to hurricane risk, and the representation of the hazard in the model.[12]

The AIR Hurricane Model for the United States provides separate wind and storm surge damage functions by coverage, construction, occupancy, and height. The major occupancy classes are homeowners, apartments/condos, commercial, industrial, and automobiles. These are further broken down into distinct construction classes, including wood frame, unreinforced masonry, reinforced masonry, masonry veneer, reinforced concrete, steel frame, light metal, mobile homes, and pleasure boats and yachts. Details regarding the main construction classes are outlined further in Table 4. AIR's *Unicede® /px Data Exchange Format Preparer's Guide* lists all the occupancies and constructions supported for the AIR Hurricane Model for the United States.

Table 4. Descriptions of selected construction classes

Construction Class	Description
Wood Frame	Mostly structures of 1 to 3 stories. Stud walls constructed of 2" x 4" or 2" x 6" wood members vertically set 16" or 24 "apart. Walls are braced by plywood or by wood or steel diagonals.
Masonry Veneer	Wood frame structures with one width of non-load-bearing concrete, stone, or clay brick attached to the stud wall.

[12] See the AIR Current "Anatomy of a Damage Function," published in March 2010.

Unreinforced Masonry	No steel reinforcing within a load-bearing masonry wall. Floors, roofs, and internal partitions in bearing wall. Usually wood buildings.
Reinforced Masonry	Consists of load-bearing walls of reinforced brick or concrete-block masonry. Floor and roof joists constructed with wood framing common.
Reinforced Concrete	Consists of reinforced concrete columns and beams.
Steel	Consists of steel columns and beams.
Light Metal	Made of light-gauge steel frame and usually clad with lightweight metal or asbestos siding and roof, often corrugated. Typically are low-rise structures.
Unknown	Represents a weighted average of all of the above construction types
Mobile Homes	A weighted average of tie-down types, including no tie-downs, used for mobile homes when tie-down information is unknown.
Pleasure Boats and Yachts, Power Boats	A pleasure boat that is powered only by a motor (no sails).
Pleasure Boats and Yachts, Sail Boats	A pleasure boat that is capable of being powered by wind through the use of sails. Note that boats with both sails and a motor should be modeled under this code.

5.1 Building Classification

Residential

In the AIR Hurricane Model for the United States, residential buildings include single- and multi-family homes, as well as condominiums/apartment buildings. Note that the residential building stock varies regionally across the United States.

The prevalent construction method for United States single-family homes are wood or masonry systems. The relative proportions of these two construction materials changes regionally. For example, single-family homes in Gulf of Mexico states employ a greater percentage of masonry than similar houses in East Coast states[13].

In general, masonry houses are better able to withstand high winds than those made of wood. When masonry is used as the exterior wall material, the walls are normally constructed to full height. Then wood floors and the roof are framed into the masonry, resulting in continuous exterior walls and an overall strong structural frame. Such a structure is more resistant to hurricane winds and the impact of windborne debris as compared to wood frame buildings.

Apartment buildings tend to have a more diversified construction mix than single family homes. In addition to wood and masonry, apartments may comprise steel and concrete. Buildings of concrete and steel construction are generally better able

[13] Gulf Coast states include Texas, Mississippi, Louisiana, Alabama, and Florida, and East Coast states include Connecticut, Delaware, Georgia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Rhode Island, South Carolina, and Virginia.

to withstand high winds than masonry structures. From a structural viewpoint, apartments and condominiums have exterior building components that make them susceptible to wind-related damage. These may include balconies, awnings, and double-sliding glass doors. These exterior features are less engineered at the design and construction stages and are hence more vulnerable than the main building structure.

Typically, Gulf of Mexico states employ greater levels of concrete and masonry, and East Coast states use more wood and steel in apartment buildings.

Commercial

In the United States, the phrase “commercial buildings” is an umbrella term that includes many categories of structures, such as hotels, offices, and restaurants. Overall, the county’s commercial building stock is quite heterogeneous. Low-rise commercial structures are generally similar to single-family homes, involving wood and masonry construction. Mid- and high- rise commercial buildings are engineered structures typically made of reinforced masonry, concrete, or steel. Moreover, building codes are generally stricter for engineered commercial buildings than residential structures.

As with residential buildings, commercial building construction material percentages vary by region. Around the Gulf of Mexico, greater levels of concrete, masonry, and light metal are used. Along the East Coast, higher levels of steel and wood are used.

Industrial

The AIR Hurricane Model for the United States features the capability to assess potential property and business interruption (BI) losses in CLASIC/2 and Touchstone to small industrial plants and large industrial facilities. Small industrial plants are assumed to consist of multiple sets of buildings with different construction types. Most of the equipment is located within the buildings of small industrial plants. Large industrial facilities are plants featuring a diverse suite of structures, including stacks, cooling towers, pipes, and tanks located in a widespread open area.

Small industrial plants should be coded with the AIR occupancy codes 321 to 330. When these occupancy codes are used, the Unknown construction class (code 100) must be used. If the user knows the construction of each building in the small industrial facility, they should use the AIR *commercial* occupancy codes with known construction type in CLASIC/2 and Touchstone. For large industrial facilities, AIR's 400 series of occupancy codes should be used. See Section 5.13 for detailed information about AIR's modeling of large industrial facilities.

Pleasure Boats and Yachts

In the United States, pleasure boats and yachts have historically suffered significant damage during hurricanes. While some boat owners take precautionary measures before a storm, such as moving boats out of the water or into sheltered inland waterways, a number of boats remain in coastal marinas and can be subjected to intense winds and storm surge during a storm.

As boats vary in type and size, so do their risk of damage. In general, smaller marine vehicles are at greater risk of damage than larger boats. Additionally, sail-powered boats are at larger risk of damage than motor-powered boats. For more details on the vulnerability of pleasure boats and yachts, refer to Section 5.10.

Buildings Under Construction

In the United States, a significant portion of buildings are under construction. The buildings in this class include residential and commercial buildings, and account for all height ranges. Buildings under construction are built in phases, and these phases are constant across regions. The first phase includes the substructure, such as the foundation. The second phase involves the construction of a building's superstructure, such as columns, beams, and slabs. The third phase includes the completion of exterior building features (i.e., walls, windows, and doors). Finally, the fourth phase involves the completion of interior finish, electrical, plumbing, and mechanical systems; this phase is similar in vulnerability to completed buildings. A more comprehensive review of buildings under construction vulnerability is provided in Section 5.11.

5.2 Wind Damage Functions

The AIR model's wind damage functions represent the relationship between wind speed and the mean damage ratio (MDR). The MDR is the average ratio between the repair cost of the property and its replacement value for properties subjected to a given wind speed. These damage functions vary by primary building characteristics such as occupancy, construction, and height, as well as year built and region. Also, individual risk features such as roof type can be used to further modify the wind damage functions (see Section **Error! Reference source not found.** for more details.) Total damage is calculated by applying the appropriate damage function to the replacement value of the insured property.

AIR's wind damage functions, developed by experts in wind and structural engineering, are based upon published engineering research and analyses of findings from post-disaster surveys. The resulting functions have been validated by external experts from leading wind-engineering institutions, as well as through extensive analysis of detailed insurance claims data.

Actual damage and loss data is generally not available for all types of structures with various characteristics, and so claims data alone cannot be used to develop damage functions for all structures. For example, loss data is often aggregated at a policy level for various commercial buildings, and location-level loss information of such structures must be investigated. Specifically, details regarding roof-cover or roof-type are commonly not available in claims data. Engineering expertise is thus needed to develop damage functions, along with actual claims and damage data.

There are three key elements in the vulnerability module of the AIR Hurricane Model for the United States:

- The damage functions for basic structural characteristics, such as construction, occupancy, and height.
- The modeling of the regional and temporal variation in the vulnerability of building inventory, due to the evolution of building codes and their enforcement, building construction practices and materials, structural aging, and building upgrades over time. AIR's Individual Risk Module is employed to estimate the regional and temporal variation in vulnerability in the model.
- AIR's Individual Risk Module can be used to modify the default damage functions by using detailed building characteristics, such as glass percentage and roof type, available to the user for input into the model.

In the following sections, these elements are discussed in detail. Note that the second and third elements in the list of key elements interact with each other in the AIR model to avoid double counting these effects, as discussed below.

Historically, users of a catastrophe model did not have detailed information about building characteristics, and catastrophe models used damage functions based only on primary building characteristics, such as construction, occupancy, and height. Over time, temporal and regional modifiers and information accounting for detailed building features have been introduced in catastrophe models. Generally, these modifiers are applied to damage functions independently, on top of one another, without accounting for potential overlap between different modifiers.

The AIR vulnerability module properly accounts for the effects of different vulnerability modifiers and their interactions, and avoids double accounting of their effects. The AIR Individual Risk Module, which is discussed in Sections 5.4 and **Error! Reference source not found.**, is fully integrated within the vulnerability module. Typical, or "model", buildings have been defined in terms of individual risk features – such as roof covering type, roof-to-wall connection, and glass type – for all locations and years-built. For example, while homes built in Miami after the 2001 implementation of the Florida Building Code are likely to have building features such as shutters and high-wind rated shingles, homes built in inland Alabama before 1995 are not likely to have such features. If users have information about individual risk features, it can be input in the model to override the model's default features. Note that the marginal impact of the individual risk features selected by the user will depend on the model building assumptions. For example, the impact of the user-input of engineered shutters on building vulnerability will vary by region and year built.

The development of the damage functions for primary structural characteristics, such as construction, occupancy, and height, are discussed in the following sections.

Residential Damage Functions

A building's response to wind loads depends upon its construction and occupancy classes. Non-engineered buildings are typically more vulnerable than engineered buildings. In general, most residential dwellings are categorized as non-engineered. Post-disaster surveys indicate that low-rise commercial wood frame and masonry buildings have vulnerabilities similar to those of their residential counterparts. Multi-family homes, which are generally 2 to 4 stories tall, are closer to single-family structures than are apartments and condominiums in terms of their vulnerability.

Recent survey findings also indicate that in states with an evolved building code, year built is an important indicator of the vulnerability of residential construction. In Florida, for example, newer homes have been observed to consistently outperform older ones.

Wind damage primarily affects the nonstructural elements of residential properties, such as different components of the building envelope. Failure of houses with wood-framed roofs often occurs first at the roof, and often because of improper fastening between the roof sheathing and building frame. For example, a common failure initiation point on roof systems occurs where the roof membranes are attached to edges and corners; failure is often attributable to the lifting and peeling of metal edge flashings.

Uplift of the roof edges allows the wind to penetrate underneath the roof membrane, resulting in pressure rise beneath the membrane and subsequent removal of the roof covering. At high wind speeds, the integrity of the entire structure can be compromised, particularly in cases where the roof provides the lateral stability by supporting the tops of the building's walls.

Thus, three damage regimes can be identified for residential buildings: (a) a low-damage regime corresponding to wind speeds of less than about 90 mph, where damage is limited to roof covering and cladding; (b) a medium-damage regime where damage propagates to roof sheathing, connections and openings, and; (c) a catastrophic-damage regime corresponding to wind speeds in excess of 130 mph, where the roof framing is severely damaged, resulting in lateral instability of walls, possibly causing their collapse and ultimately the complete destruction of the building. A significant amount of detailed, quality claims data has been used to calibrate and validate the damage functions for single family homes.

Apartments and condominiums frequently receive a degree of engineering attention similar to that given to commercial construction. From a structural viewpoint, therefore, commercial and apartments/condominiums construction is similar. Nevertheless, apartments and condominiums have some building components that make them more susceptible to windstorms than commercial construction. These may include balconies, awnings, and double sliding-glass doors. Because these components are less engineered at the design and construction stages and are hence more vulnerable, AIR engineers have developed separate damage functions for apartments and condominiums.

The vulnerability of mobile (manufactured) homes is much greater than that of other construction types. The AIR model includes four damage functions for mobile homes, as follows: mobile home with no tie-downs, mobile home with partial tie-downs, mobile home with full tie-downs, and mobile homes with unknown tie-down information. This last classification would be used when the tie-down information is unknown and represents a weighted average of tie-down types, including no tie-downs.

Commercial Damage Functions

The development of damage functions for commercial structures is more challenging than for residential structures because of the relative scarcity of detailed loss data. Because commercial structures are generally less vulnerable to wind damage, the absolute amount of industry loss data is smaller. Furthermore, for multi-location policies, losses paid centrally to corporate headquarters often do not include information about the actual damaged property.

Damage to engineered buildings typically occurs to nonstructural components like mechanical equipment, roofing, cladding, and windows; complete structural collapse is extremely rare. Figure 56 is a schematic of AIR's component-based engineering approach for the development of commercial damage functions.

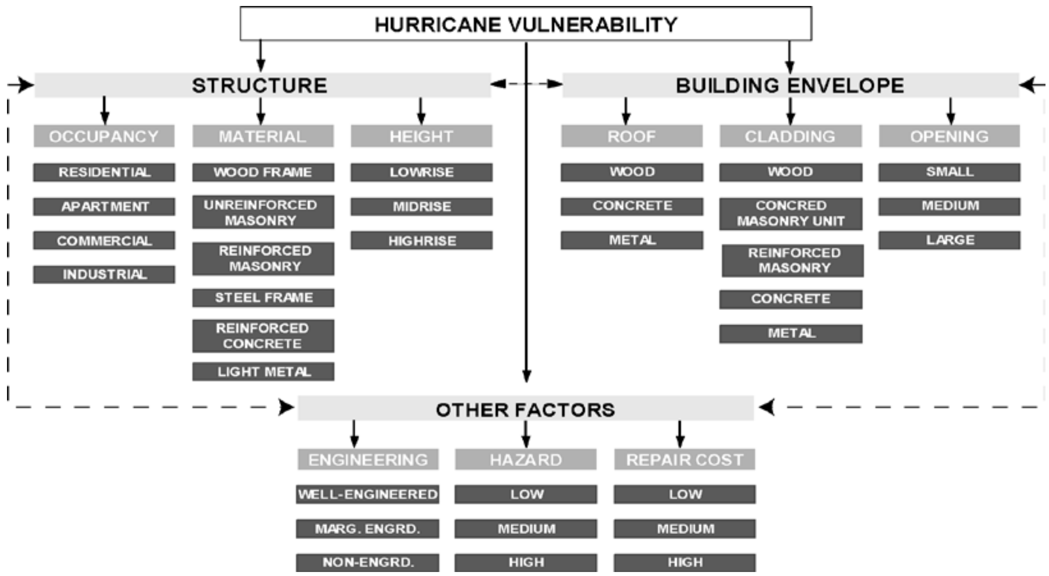


Figure 56. Component-based vulnerability model for commercial structures

Several building components and attributes that affect vulnerability to hurricane winds are considered. These can be divided into three broad categories: (a) the primary attributes regarding the occupancy, material, and height of the building; (b) secondary attributes that define the building envelope, such as the roof, cladding material, and size of openings, and; (c) other attributes, including the amount of engineering attention, wind hazard and repair cost, that indirectly affect building vulnerability. Information on the relative impact each component has on vulnerability is obtained from a variety of sources, including experience gained from post-disaster surveys and input from wind-engineering experts.

AIR wind damage functions for commercial and apartment/condominium buildings explicitly account for building height. Table 5 shows the height bands supported for various occupancy and construction types.

Table 5. Supported height bands for construction and occupancy classes

Occupancy Codes	Construction Class	Construction Codes	Building Height			
			Low	Mid	High	Unknown
301-302	All	All	Same vulnerability for all height bands			
303-373 Excluding 321-330	Wood frame	101-104	1	>1	-	0
	Masonry	111-119	1	2-3	>3	0
	Concrete	131-137	1-3	4-7	>7	0
	Steel	151,153-155	1-3	4-7	>7	0
	Mobile Homes	191-194	Same vulnerability for all height bands			
	Wind Resistive	181-183	1-3	4-7	>7	0
	200 Series	201-261	Same vulnerability for all height bands			
	Unknown	100	1-3	4-7	>7	0
321-330*	Unknown	100	1-3	4-7	>7	0
400-482	All	All	Same vulnerability for all height bands			
300	Wood Frame	101-104	Same vulnerability for all height bands			
	Masonry	111-119	1	2-3	>3	0
	Concrete	131-137	1-3	4-7	>7	0
	Steel	151,153-155	1-3	4-7	>7	0
	Mobile Homes	191-194	Same vulnerability for all height bands			
	Wind Resistive	181-183	1-3	4-7	>7	0
	200 Series[14]	201-261	Same vulnerability for all height bands			
	Unknown	100	1-3	4-7	>7	0

* For the 321-330 series occupancy codes, only the Unknown construction class (100) should be used.

Wind profiles show that wind speeds increase with height; for any given storm, a low-rise building may experience Category 1 wind speeds, while the upper floors of a 20-story building at the same location may experience Category 3 wind speeds. However, while the wind hazard increases with height, vulnerability typically decreases. High-rise buildings are less vulnerable because they are generally well-engineered, built to strict building-code requirements, and have wind-resistant flat-slab roofs. See Section **Error! Reference source not found.** for more information about the height bands supported in this model.

Figure 57 shows AIR wind damage functions for several construction types in the United States.

[14] The 200 series of construction classes includes bridges, storage tanks, pipelines, chimneys, towers, equipment, cranes, compressor stations, and waterfront and offshore structures. Please see Section 9 for a complete list of these classes.

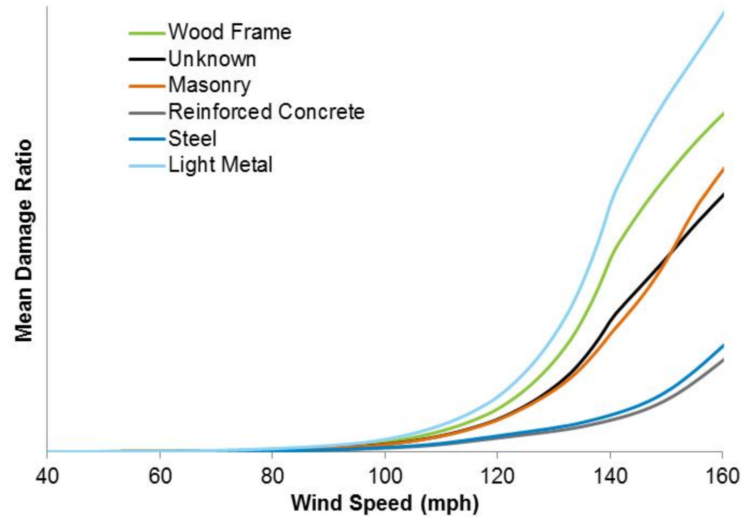


Figure 57. Wind damage functions for selected construction classes

Modeling the Effects of Wind Duration on Damage[15]

The damage estimation module develops a complete time profile of wind speeds for each location affected, thus capturing the effects wind duration and peak wind speed have on structures. Design loads are routinely exceeded in tropical cyclones of even moderate intensity. With no reserve strength, a fastener or connector that has been pulled out from an uplift load can compromise the integrity of the building envelope. Wind damage is manifested at the weak links in a structural system. As each connector is overwhelmed, loads are transferred to the next point of vulnerability. The longer the duration of high winds, the longer this process continues and the greater the resulting damage.

Figure 58(a) shows a sample time profile of wind speeds at a particular location. Note that wind speed peaks at 95 mph and then diminishes as the storm recedes. Figure 58(b) shows the corresponding damage function for the given wind-speed profile. The building damage ratios (δ_1 through δ_5), corresponding to each wind speed as measured in the wind-speed profile, appear on the vertical axis.

[15] See the AIR research paper "Statistical Analysis of 2004 and 2005 Hurricane Claims Data," *Proceedings of the 11th Americas Conference on Wind Engineering*, San Juan, Puerto Rico, June 22-26, 2009. Available at: http://www.iawe.org/Proceedings/11ACWE/11ACWE-Jain.Vineet2.pdf

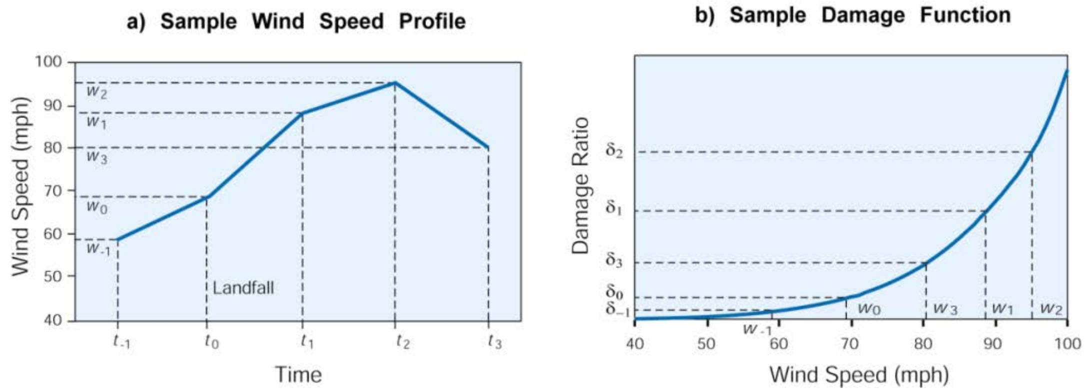


Figure 58. (a) Sample wind speed profile and (b) corresponding damage ratios

Figure 59 highlights the impact of wind duration on the mean building damage ratio. To create the figure, detailed location-level claims data are used to quantify the effect of wind speed duration on building damage. Regression models fit to the data (gray points) capture the mean building damage ratio when a location is subjected to high winds (>40 mph) for more than 10 hours (orange curve) or for less than 10 hours (red curve). Note that at slower wind speeds such as 45 mph, the effect of wind duration on building damage is notable (45-mph winds experienced for > 10 hours produce much more damage than 45-mph winds experienced for < 10 hours). At higher wind speeds such as 90 mph, the effect of wind duration is less noticeable.

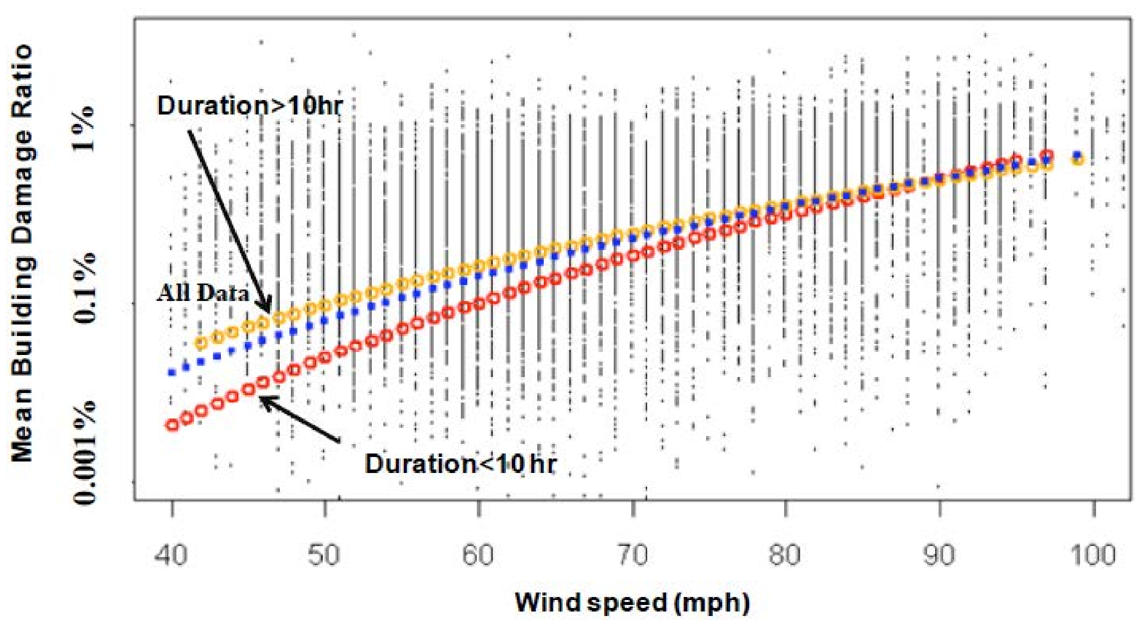


Figure 59. The effect of wind duration on the mean damage ratio (Source: Jain et al. 2009)

The cumulative effects of winds can be examined using a dynamic approach. In order to estimate damage to a property at any point in time, it is important to take into account the extent of the damage that has occurred in the preceding period. Each damage ratio is applied in succession to the remaining undamaged portion of the exposure from the preceding period. Figure 60 illustrates this process.

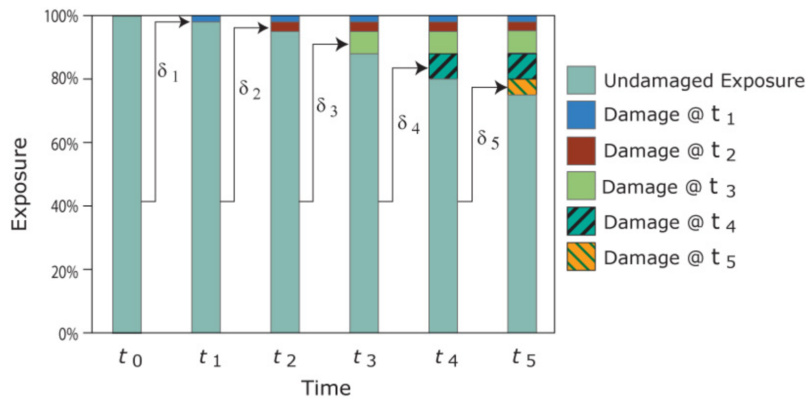


Figure 60. Measuring the cumulative effects of winds

At t_0, before tropical-storm winds have reached the site, there is zero or negligible damage. At time t_1, with wind speeds near 70 mph, the damage ratio δ_1 is calculated as a percentage of the full replacement value. At t_2, the damage ratio δ_2 is applied to the percentage of the property that was left undamaged in the previous period. This process continues until wind speeds once again fall below tropical-storm strength.

Calculating damage only when winds are at their maximum, at t_4, and applying a single damage ratio, δ_4, to the full replacement value would completely miss the cumulative effects of prolonged winds. Therefore the damage estimation module of the AIR Hurricane Model for the United States considers the complete time profile of wind speeds at each location.

5.3 AIR's Comprehensive Methodology for Estimating Regional and Temporal Vulnerability Variation

Engineering studies, claims data, and damage surveys indicate that there can be significant variation in building vulnerability by region and time-period. This variation is due to changes in building codes, construction practices, structural aging, and upgrading.

Reliable loss estimation depends on accurately capturing significant differences in vulnerability between time-periods and regions. AIR undertook a comprehensive, peer-reviewed study to enhance the understanding of the evolution of wind load standards, building codes, and building construction practices for all hurricane-prone regions in the United States. Detailed findings of this study have been incorporated in the model to capture regional and temporal variations in wind vulnerability. For a given occupancy, construction, and height combination, the model features different damage functions for each region and time-period, where a time-period can be as short as a year and regions can be highly localized. *To take full advantage of the new capabilities, it is therefore important that CLASIC/2 and Touchstone users geocode their exposures and avoid bulk-coding Year Built.*

The AIR model takes a comprehensive approach to developing damage functions for each region and year built in the United States, while drawing on many years of experience and research conducted at AIR. The model utilizes a detailed methodology based on engineering analysis and the vulnerability of individual building features. Detailed claims data from recent storms are used to calibrate and validate the damage estimation module and model performance in general.

There are many sets of building codes released in the United States, with varying levels of adoption and enforcement. This, coupled with a lack of historical data, makes it somewhat challenging to assess the regional impact of building codes. AIR takes a top-down approach to incorporate information about building codes at a local level for all regions (Figure 61). First, the evolution over time of the national wind load standards (ASCE 7-98 and ASTM) and their impact was analyzed. Next, the wind design provisions of the model building codes (National Building Code (NBC), Standard Building Code (SBC), and International Council of Codes (ICC)) were evaluated. As state and local authorities may significantly amend codes, their adoption and amendment as related to wind design provisions was then examined. For example, in North Carolina, the wind-debris zone is limited to 1,500 feet within the shoreline, while according to the International Residential Code (IRC), the wind debris zone is all locations where the design wind speed is higher than 120 mph. Mississippi has recently adopted the ICC codes, but in other coastal counties of the United States, these codes are mandatory only if they are adopted by a particular jurisdiction.

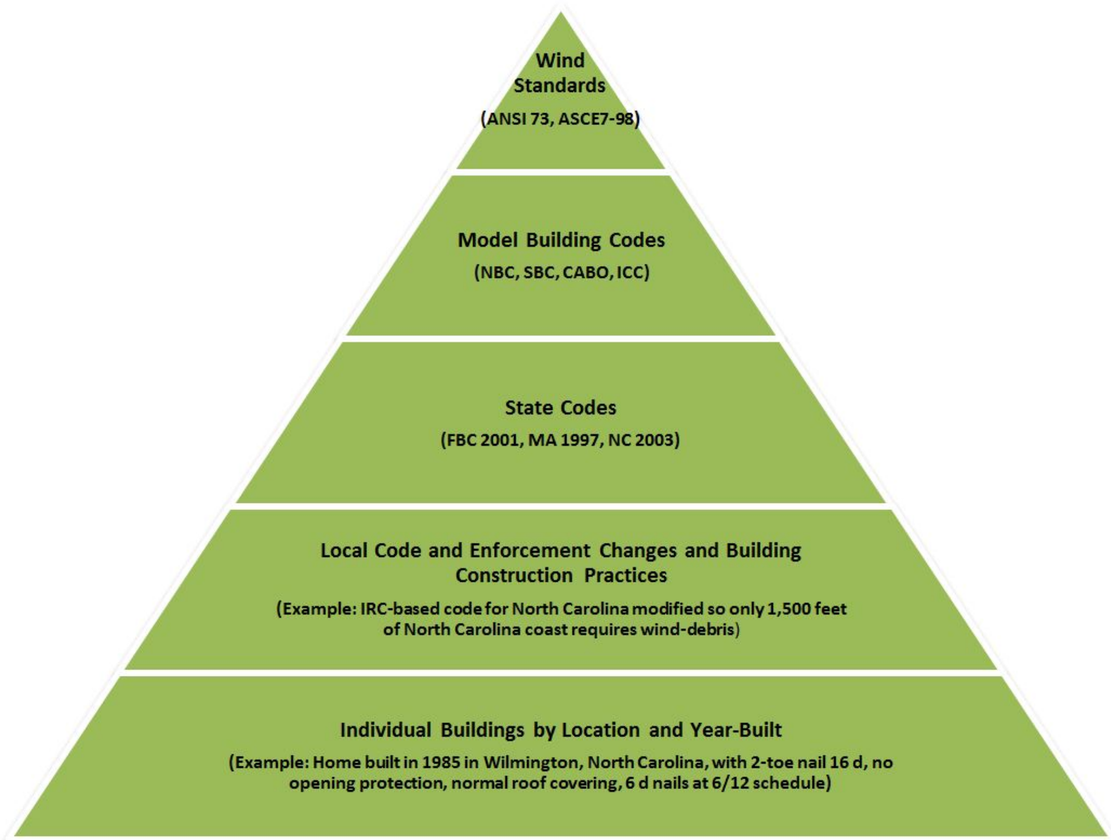


Figure 61. AIR's comprehensive methodology for estimating relative vulnerability by region and time period

A "model" building—in terms of individual risk features such as roof covering, roof sheathing, roof-to-wall connection, and opening protection—that meets the building code requirements for that region and time-period is defined and the degree of code enforcement in the region is analyzed. In some localities, enforcement of building codes is mandatory and changes to instituted codes are not allowed. In other localities, changes may be made to the building codes only if the modifications are more restrictive than the original codes. In some states, a state authority can declare certain codes to be mandatory state-wide. Nonetheless, a locality can determine whether or not to adopt the "mandatory" code, and therefore a mandatory code is only practiced in those localities that choose to adopt it.

The relative vulnerability of different model buildings is assessed based on the AIR Individual Risk Module, which estimates the impact of detailed secondary building features on the overall building vulnerability. By repeating this process for all hurricane-prone regions in the United States, model buildings have been defined for all locations and time-periods.

For example, Table 6 and Table 7 show the key structural characteristics of a typical single-family wood frame home and a typical commercial reinforced concrete building, respectively. These structures have been built according to the code requirements in place in 1998 and in 2005 in Wilmington, North Carolina.

Table 6. Key structural characteristics of non-engineered building built according to building codes in Wilmington, North Carolina, in 1998 and 2005

Location	Year Built	Roof Covering	Roof Sheathing Nailing	Roof to Wall Connection	Window Protection Required	Gable-end Bracing Requirement
Wilmington, NC	1998	Asphalt Shingles or Equivalent	8d @ 6/12	Clips	None	Yes
	2005	Hurricane wind-rated covering	8d @ 6/6	Hurricane Ties	None	Yes

Table 7. Key structural characteristics of engineered buildings built according to code requirements in Wilmington, North Carolina, in 1998 and 2005

Location	Year Built	Roof Covering	Wall Siding	Secondary Water Protection	Window Protection Required
Wilmington, NC	1998	Single Ply or Equivalent	Siding with poor resistance to wind	No	None
	2005	Hurricane wind-rated covering	Siding with strong resistance to wind	Yes	None

Figure 62 shows three regions of vulnerability in North Carolina for buildings built between 1995 and 2002, based on the building code requirements in place during that period. The figure also shows the damage function for structures built in 1998 for these three regions. Vulnerability is higher for inland regions as compared to coastal regions, as building code requirements are typically less stringent inland.

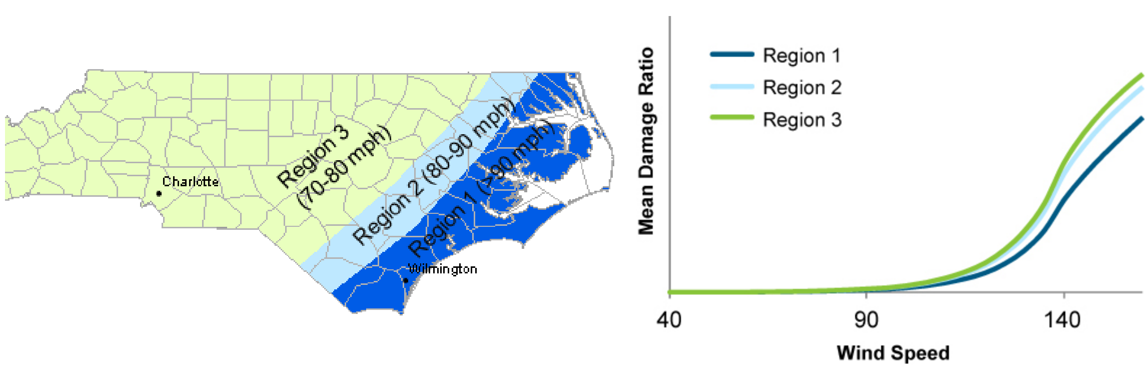


Figure 62. Vulnerability regions for structures built in 1995-2002 in North Carolina and corresponding damage functions

Note that while building code changes occur at discrete points in time as revisions are released, there are generally continual changes in building construction materials and practices, code enforcement, engineering attention regarding the design of a structure, structural aging, and building maintenance. These forces lead to *continual* changes in vulnerability over time. In the AIR model, the impact of individual risk features is explicitly combined with the impact of macro-level changes to estimate the total variation of vulnerability by year built. Figure 63 shows the breakdown of temporal changes in the vulnerability at a location explained by the individual risk features and other macro-level changes. In the current model, the effect of macro-level changes on vulnerability has been applied up to the year 2005.

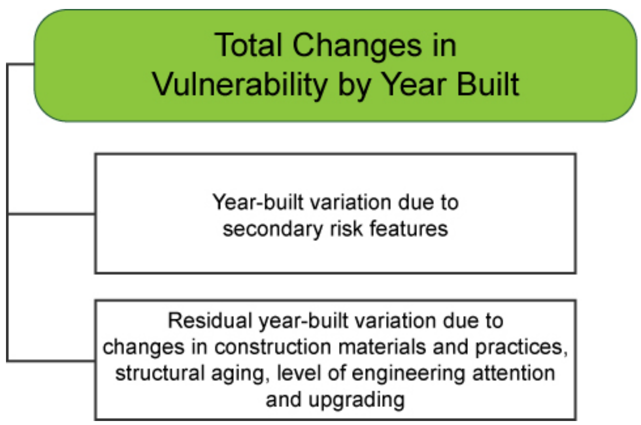


Figure 63. Total temporal changes in vulnerability are explained by key secondary risk features and macro-level changes

Figure 64 and Figure 65 illustrate the vulnerability of non-engineered and engineered structures, respectively, in Wilmington, North Carolina, by year built. Between 1995 and 2002, yearly changes in vulnerability are attributable to adjustments in building materials and practices, structural aging, and upgrading. There is reduction in vulnerability in 2003 due to the implementation of the North Carolina Building Code (2002). Gradual changes in vulnerability are noted until 2005, after which no further change is apparent.

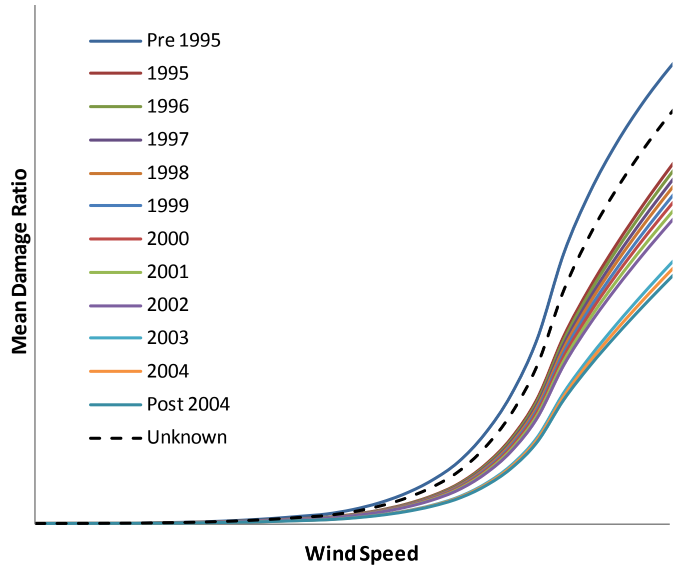


Figure 64. Year built damage functions for a single-family wood-frame structure in Wilmington, North Carolina

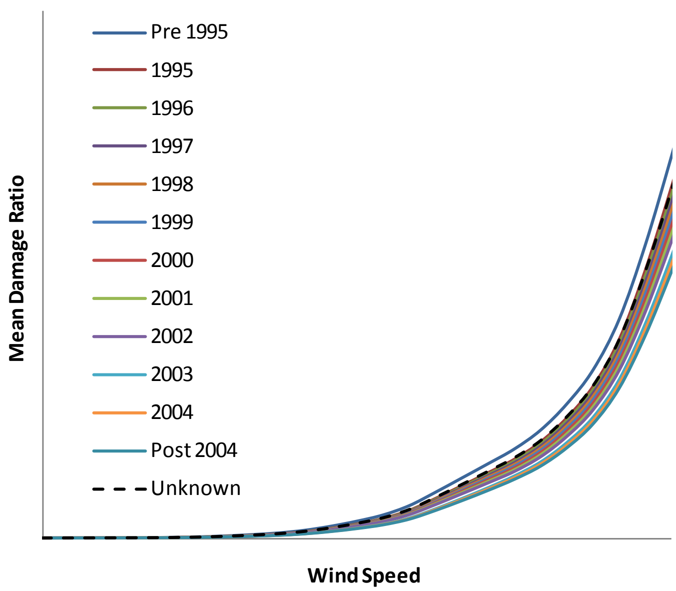


Figure 65. Year built damage functions for a commercial reinforced-concrete structure in Wilmington, North Carolina

Building codes include design wind speed specifications, which may vary by location. For example, wind-debris zone requirements are defined either based on design wind speed (i.e., >110 mph) or distance to coast (i.e., one mile from the coast). To account for this, vulnerability can vary by latitude and longitude in the AIR model; that is, vulnerability may be different for locations within a ZIP Code.

Prior to Hurricanes Hugo (1989) and Andrew (1992), building codes mainly focused on the wind design of the Main Wind Force Resistant System (MWFRS) of a structure. Damage from these events brought attention to the importance of the building envelope, including the roof covering. In the mid-1990s, changes such as roof-shingle testing and roof-sheathing connection testing were introduced. Glazing standards were also updated, but these standards were only used in the South Florida Building Codes until the ICC codes were released in 2000. Prior to 1995, building codes were mandatory in only a few states. Currently, most states have enacted statewide, mandated building codes. However, there is significant variation in the model code adoption over time in different states. To account for this, vulnerability varies by year built and construction for a region in the model (Table 8).

Table 8. Temporal vulnerability changes by region and construction type

		Vulnerability Changes for Non-Engineered Structures			Vulnerability Changes for Engineered Structures		
State	**Counties**	**None***	**Changes Annually**	**None**	**None**	**Changes Annually**	**None**
Florida	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered		
Texas	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered		
Louisiana	St. Tammany, Cameron, Vermilion, Iberia, St. Mary, Terrebonne, Lafourche, Jefferson, Plaquemines, St. Bernard, Orleans Counties	≤ 1994	1995 - 2004	2005 - 2006, ≥ 2007	≤ 1994	1995 - 2004	2005 - 2007, ≥ 2008
	Rest of the State	≤ 1994	1995 - 2004	2005 - 2007, ≥ 2008	Same as Non-Engineered		
Mississippi	Jackson, Harrison, Hancock, Stone and Perl River counties	≤ 1994	1995 - 2004	2005 - 2006, ≥ 2007	Same as Non-Engineered		
	Rest of the State	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered		
Alabama	Mobile	≤ 1994	1995 - 2004	≥ 2005	≤ 1994	1995 - 2004	2005 - 2007, ≥ 2008
	Baldwin	≤ 1994	1995 - 2004	2005 - 2007, ≥ 2008	Same as Non-Engineered		
	Rest of the State	≤ 1994	1995 - 2004	≥ 2005	≤ 1994	1995 - 2004	2005 - 2007, ≥ 2008
Delaware	Sussex County, DE	≤ 1994	1995 - 2005	≥ 2006	Same as Non-Engineered		
	Kent County and New Castle County, DE	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered		
Georgia	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered		
South Carolina	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered		
North Carolina	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered		

Virginia	All	≤ 1994	1995 - 2005	≥ 2006	Same as Non-Engineered
Maryland	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
New Jersey	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
Connecticut	All	≤ 1994	1995 - 2005	≥ 2006	Same as Non-Engineered
Rhode Island	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
Massachusetts	All	≤ 1994	1995 - 2004	2005 - 2008, ≥ 2009	Same as Non-Engineered
New Hampshire	All	≤ 1994	1995 - 2004	2005 - 2006, ≥ 2007	Same as Non-Engineered
Maine	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
New York	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
Illinois	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
Indiana	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
Missouri	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
Arkansas	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
Kentucky	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
Ohio	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
Oklahoma	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
Pennsylvania	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
Tennessee	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
Vermont	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered
West Virginia	All	≤ 1994	1995 - 2004	≥ 2005	Same as Non-Engineered

*None indicates no changes, or no variation in vulnerability for structures built on or before the year indicated.

Non-Engineered and Engineered Structures

Building code requirements depend on the occupancy, construction, and height of a structure. Furthermore, key building features may vary with construction, occupancy, and height class. For example, the roof-to-wall connection is an important feature in a low-rise structure, whereas for a high-rise structure, the roof-to-wall connection is not as important as other features, such as glass type and percentage.

Two types of building classes are used in the model to capture the difference in building code requirements: non-engineered and engineered structures.

Engineered structures are typically high-rise commercial and apartment buildings constructed with reinforced concrete and steel. These structures have typically been designed with a high level of engineering attention. Non-engineered structures are typically low-rise residential and commercial structures that have been designed with a lower level of engineering attention. Table 9 summarizes how non-engineered and engineered structures are defined in the model, based on occupancy, construction, and building height.

Table 9. Definition of non-engineered and engineered construction

Occupancy Codes	Construction Codes	Height Class	Temporal-Spatial Vulnerability	Building Class
300, 301-319, 331-346	101-120	Any Height	Yes	Non-Engineered
	131-140, 151, 153-183	Any Height	Yes	Engineered
	152, > 184, 261	Any Height	No	-
	100	1 – 3 Stories	Yes	Non-Engineered
		> 3 Stories	Yes	Engineered
		Unknown Height	Yes	Non-Engineered
321-330*, > 351	Any Construction Class	Any Height	No	-
All Occupancies	200 Series	Any Height	No	-
400 Series	Any Construction Class	Any Height	No	-

* For the 321-330 series occupancy codes, only the Unknown construction class (100) should be used

5.4 The Individual Risk Module

The AIR Hurricane Model for the United States contains an Individual Risk Module, which identifies key building features or characteristics that may significantly exacerbate or mitigate losses. This module was developed based on structural engineering expertise and building damage observations made in the aftermath of actual hurricanes.

The IRM follows a structured, logical approach that groups building characteristics according to their function to reflect the contribution of each to overall building performance. The AIR model first estimates secondary risk modifiers corresponding to the secondary risk characteristics, and these modifiers are then applied to the base damage functions to reflect the effects that a wide variety of building characteristics have on a building's performance during a hurricane. Weighting factors are used to combine the effects of features whose interaction is complex and not necessarily additive.

Examples of individual risk modifiers in the model include roof pitch, roof anchorage, and roof age. The geometry of a roof affects the wind pressure intensity it is subjected to and its ability to resist uplift; the steeper the slope, the lower the uplift load. Roof anchorage systems, such as hurricane straps, establish a path by which wind loads can be transferred from the roof to the walls. A building that has hurricane straps is likely to experience less damage than a building with no hurricane straps. An older roof would be more prone to damage than a newer one, as older roofs lose their ability to resist wind loads because of weakened attachments between their various components and the presence of older materials that may have deteriorated over time.

Another secondary risk characteristic is the Seal of Approval, which accounts for the level of professional engineering attention given to the construction of a structure. This characteristic accounts for the differing impact the same class of mitigation features may have on the vulnerability of a structure. For example, the impact of a roof-to-wall connection may be much higher for a home where a high level of engineering attention was paid during construction than for a home where there was minimal engineering attention paid during construction. Note that while this feature distinguishes the impact of a mitigation feature, it will not change the vulnerability of a structure with poor building features. Even when building codes are mandatory, the level of engineering participation during the design and construction of a structure can vary by region.

Please refer to the document titled *The AIR U.S. Hurricane Model: Accounting for Secondary Risk Characteristics*, which is available on the AIR website, and Section **Error! Reference source not found.** of this document for more information regarding these secondary modifiers.

Note that the AIR model's builders risk line of business is treated similarly to individual risks in the software. Details about the development of the builders risk line of business are provided in Section 5.11; information about the implementation of this line of business in the software is reviewed in Section **Error! Reference source not found.**.

5.5 Storm Surge Damage Functions

Damage from storm surge can account for a significant portion of total hurricane losses. The AIR Hurricane Model for the United States simulates the abnormal sea-level rise accompanying hurricane activity and estimates the maximum surge depth experienced at each coastal location using high resolution digital elevation data.

While the intensity parameter used in the storm surge component of the AIR model is water depth, the nature of damage from storm surge is quite different from the damage caused by standing water. Therefore, the model's damage functions take into account damage due to the momentum of the water, as well as damage due to the water itself. This is accomplished by calibrating the damage functions to the dynamic forces of the moving water, which is proportional to water velocity squared, while water velocity is proportional to the square root of water height. Observation data available from FEMA and the Army Corps of Engineers was used in the development of the model's surge damage functions. The damage functions have been validated through findings from AIR's post-disaster surveys and loss experience data.

Building damage from storm surge is modeled as a function of construction type, height, and occupancy. Building height is a significant variable in surge damage estimation as lower stories are more vulnerable. AIR's storm surge damage functions explicitly account for building height.

Table 10 shows the height bands supported for selected construction and occupancy types. Both contents and time element damage are functions of construction, height, and occupancy. For time element, the model estimates the effective downtime (days of loss of use) before the facility is restored or usable.

Table 10. Height bands supported for selected construction and occupancy classes

Occupancy Codes	Construction Class	Construction Codes	Building Height			
			Low	Mid	High	Unknown
300-373 (excluding 321-330)	Wood Frame	101-104	Same vulnerability for all height bands			
	Masonry	111-119	1-3	4-7	>7	0
	Concrete	131-135, 137	1-3	4-7	>7	0
	Steel	151,153-155	1-3	4-7	>7	0
	Mobile Homes	191-194	Same vulnerability for all height bands			
	Wind Resistive	181-183	1-3	4-7	>7	0
	200 Series	201-261	Same vulnerability for all height bands			
	Unknown	100	1-3	4-7	>7	0
321-330*	All	All	1-3	4-7	>7	0
400-482	All	All	Same vulnerability for all height bands			

* For the 321-330 series occupancy codes, only the Unknown construction class (100) should be used

Figure 66 shows relativities for AIR storm surge damage functions for the General Commercial occupancy for different height categories and construction types. Note that the damage functions for wood frame structures do not vary by height.

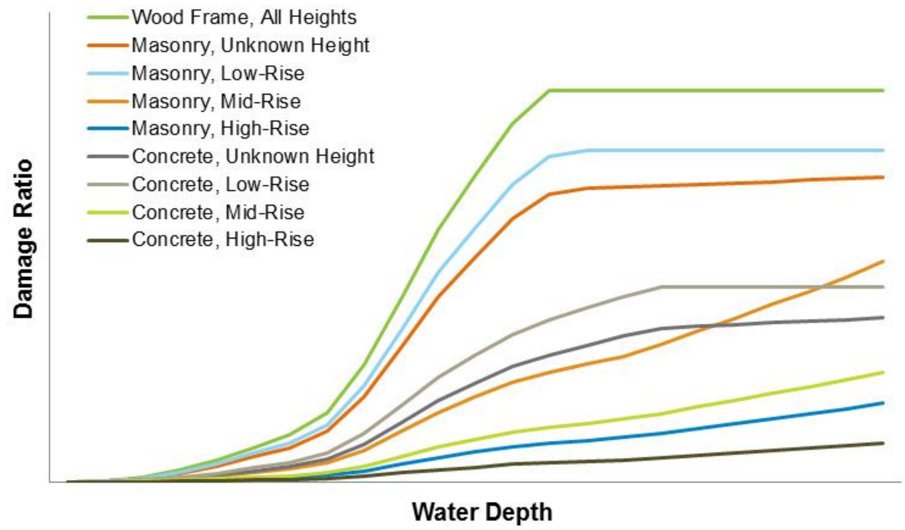


Figure 66. Storm surge damage functions for different height and construction categories, general commercial occupancy

Please note that storm surge damage functions do not vary by region or year built. There are no secondary risk features supported for the storm surge model.

5.6 Damage Functions for Unknown Construction/Occupancy/Height Classes

The AIR model supports buildings of unknown occupancy, construction, and height, and accounts for regional variation in vulnerability when these risk characteristics are unknown. Wind and storm surge damage functions for all combinations of unknown construction, occupancy, and height classes were developed as weighted averages of the damage functions for buildings for which these characteristics are known, with a building-inventory weight derived from the industry exposure database. Different damage functions are used depending on how many variables, and which ones, are unknown.

For example, the damage function for a particular exposure of known construction and occupancy, but unknown height, would be a weighted average of the damage functions, for the same construction and occupancy classes, corresponding to all the different height classes. The damage function for a particular exposure of known occupancy, but unknown construction and height, would be a weighted average of the damage functions for the same occupancy class corresponding to all combinations of construction and height classes.

As discussed earlier, building inventory distribution changes by region; for example, masonry construction dominates the building inventory in Florida, whereas Louisiana has mostly wood frame construction. In developing these damage functions, states with similar building inventory in the industry exposure database were combined, resulting in six regions with distinct inventory breakdowns. These regions are illustrated in Figure 67 and listed in Table 11. These regional building inventory distributions were then utilized to derive region-specific damage functions for buildings of unknown construction, occupancy, or height classes.

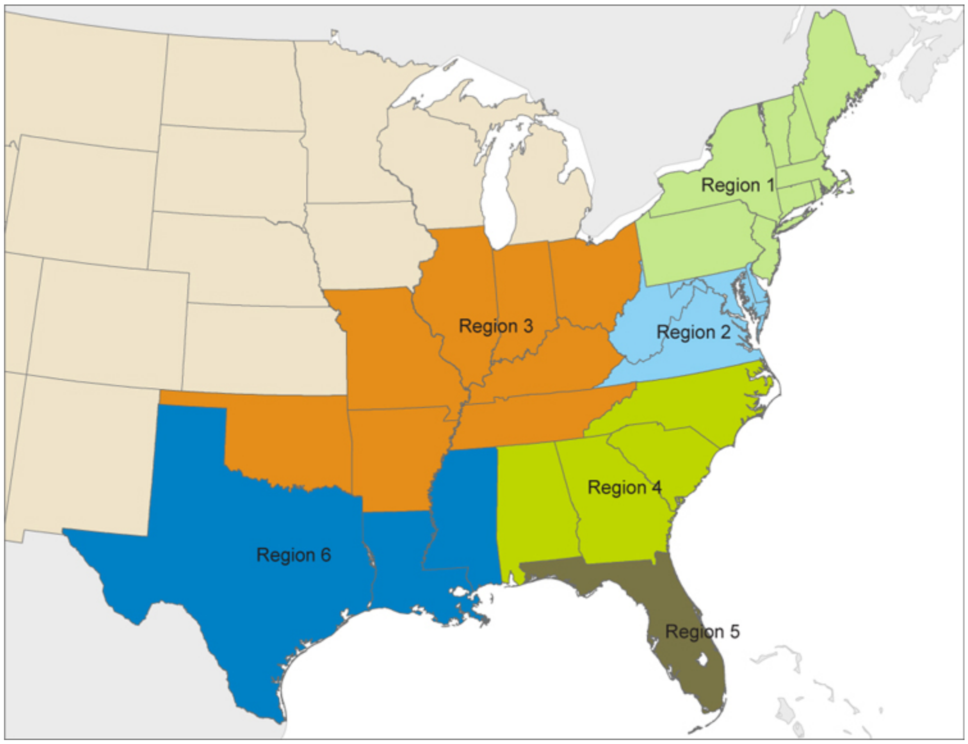


Figure 67. Hurricane-prone regions of similar building inventory in the United States

Table 11. Building Inventory Regions in the United States

Region	States
Region 1	Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New Jersey, New York, and Pennsylvania
Region 2	Delaware, Maryland, Washington D.C., Virginia, and West Virginia
Region 3	Ohio, Kentucky, Tennessee, Arkansas, Oklahoma, Illinois, Indiana, and Missouri
Region 4	North Carolina, South Carolina, Georgia, and Alabama
Region 5	Florida
Region 6	Louisiana, Mississippi, and Texas

The total regional inventory distribution was used to develop these damage functions for each state in a particular region, so all states in that region will have the same damage functions for buildings of unknown construction, occupancy, or height classes. Similarly, these damage functions will differ for two states if they are located in different regions. For the building inventory shown in Figure 68, the unknown construction damage function for the state of Florida is closer to the damage function for masonry construction, whereas for Louisiana, it is closer to the damage function for wood frame construction. For both the wind and storm surge perils, damage functions for any combination of unknown construction/occupancy/height are supported for all states listed in Table 11.

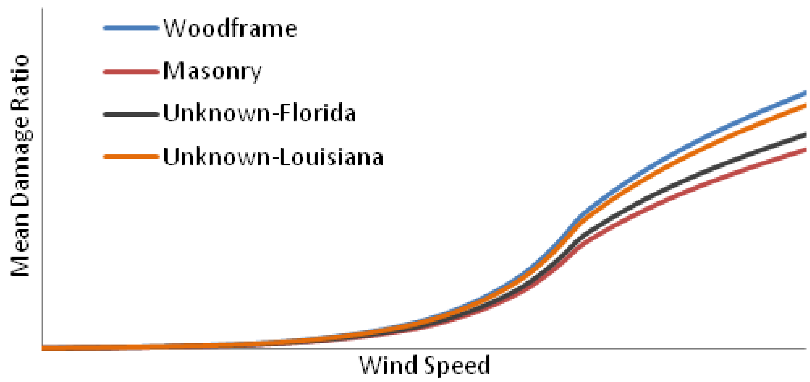


Figure 68. Unknown construction damage function for Florida and Louisiana

When the year built of the structure is not known, the model calculates an unknown year built damage function by applying an exposure-weighted distribution to the corresponding damage functions for each year built. Note that when year built is unknown, data for all states is used and not merely the states listed in Table 11. The exposure distribution varies by state to take into account regional variability in the building stock. For example, construction in the Northeast is typically older than construction in the Southeast. Damage functions for unknown year built are calculated at the ZIP Code centroid and do not vary within a given ZIP Code.

5.7 Contents Damage Functions

The contents damage ratio is the dollar loss to the contents divided by the replacement value of the contents. The AIR model calculates contents damage separately from building damage, since some policies cover contents only and some building policies provide no contents coverage.

The main cause of contents damage is wind-driven rain after the building envelope is breached. Thus significant damage to contents is not likely to occur unless there is significant damage to the roof covering, loss of roof decking panels, or window failure. For most of the wind-speeds observed during hurricanes, the modeled contents damage ratio for single-family homes is lower than the modeled building damage ratio. This is borne out in claims data.

Claims data from the 2004 and 2005 hurricane seasons indicated that contents vulnerability for homeowners has decreased significantly in recent years. There are several possible reasons for the decrease in contents damage, including:

- Advances in hurricane forecasting are giving homeowners more time to secure valuables and take mitigating actions, such as boarding up windows
- Improved claims adjustment practices are reducing hurricane losses
- Post-event mitigation programs, such as the Army Corps of Engineers' "Operation Blue Roof," are helping to prevent further damage to contents after the building envelope has been breached
- Although contents value is typically estimated as a percentage of building value, the value of contents is not increasing at the same rate as building values are increasing

While claims data indicates lower contents vulnerability for homeowners, data and research indicate higher contents vulnerability in apartments and commercial properties. Even if building damage is minimal, water may enter unsealed openings and gaps around windows and doors to damage contents in apartment and commercial properties. Recent damage reports indicate that even relatively small holes in a damaged roof may cause significant damage to contents in commercial properties.

5.8 Time Element (Business Interruption) Damage Functions

In the case of time element, the damage ratio represents per-diem expenses or business interruption losses associated with the expected number of days that the building is uninhabitable (for residential structures) or unusable (for commercial).

Time element damageability for residential construction is a function of the mean building damage and the time it takes to repair or reconstruct the damaged building. Implicit in the time to make repairs is damage to the infrastructure. Published building construction/restoration data and expert engineering judgment have been used to establish the functional relationship between building damage and loss of use.

For major events, business interruption (BI) losses can account for a significant proportion of total commercial losses. Analyses of claims data from clients and ISO confirmed that building damage alone cannot explain total BI losses. Thus the approach implemented in the AIR Hurricane Model for the United States accounts not only for building damage, but also for building characteristics such as size, contents, and complexity of the building system, and business characteristics such as the potential for relocation or for continued operations while repairs are underway (Figure 69). The model also captures complex BI policy features, including extra expense, civil authority, dependent building damage, and extended period coverage.

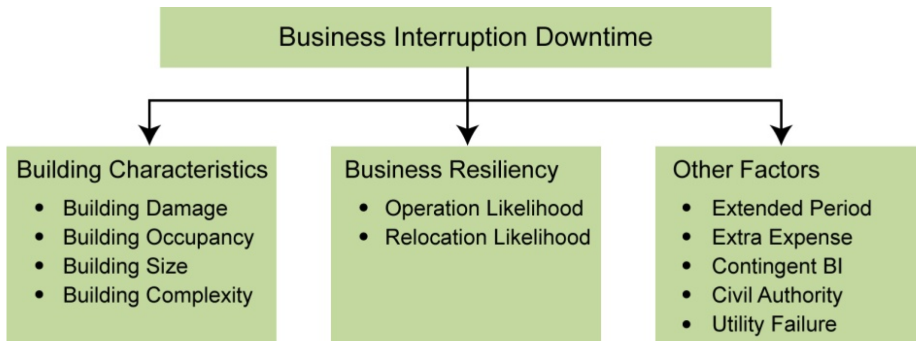


Figure 69. Modeled factors determining business interruption downtime

The methodology does not require any additional input from the user, but instead uses existing input variables such as occupancy and characteristics of typical BI policies to model total BI losses for any given occupancy and the variation in BI losses across different occupancies.

Understanding Business Interruption Coverage and Inputs to the AIR Model

BI coverage is more complex than property coverage from an underwriting perspective. Different ISO policy forms exist for small and large businesses. BI coverage is included in the Business Owner Policy form, which is used by small to mid-sized businesses. For other businesses, the separate business income form CP 00 30 is used. Individual insurance companies may depart to some extent from the standard ISO forms, but fundamentally all of the forms are similar.

Business income has two primary components: (a) net income that a business will lose due to disruption and (b) normal expenses that must be paid even if the business is not operating. Underwriting guidelines recommend the use of business interruption worksheets (e.g. ISO CP 15 15 06 95 or its equivalent) to determine the business income exposure for each covered location in the event of a disaster.

Business interruption at a location can occur for a variety of reasons, and how much is recoverable from insurance depends upon the policy conditions. Direct BI occurs if there is physical damage to the insured building for the covered peril. In fact, these policies require that physical damage must cause the suspension of the business and there must be a loss due to the suspension.

However, business interruption can occur even when there is no physical damage to the insured building. The building may be inaccessible due to curfew, for example, or there may be business interruption at a dependent building such as a supplier of a necessary input, or electrical or water outages may prevent the resumption of operations. Indirect BI (which for purposes of the discussion herein includes BI due to damage to dependent buildings, and civil authority and utility failure) is not automatically covered under all BI polices; these optional coverages are available by endorsement for an extra premium.

Since BI losses can be triggered in a variety of ways and there are complex policy conditions to establish a BI loss, claims settlements can be quite complex. As a result, modeling BI losses is similarly challenging. Certain logical assumptions based on the limited available data are made to model the impact of typical BI coverage features. These assumptions were derived from Applied Technology Council (ATC) documents, construction reports from the U.S. Census Bureau, building size data from the U.S. Department of Energy, insurance and social sciences literature, damage reports, and claims data. Additional references are provided at the end of this document.

Estimating Business Interruption Downtime[16]

Downtime, or the number of days before the business can return to full operation, is the primary parameter in estimating business interruption losses. Figure 70 illustrates the "event tree" approach the model uses to estimate mean business-interruption downtime. For comparison purposes, Figure 70 also highlights hypothetical event paths for an office and hotel. The event tree shows the sequence of events that can occur in a system. For example, an office building is likely to take a different path to recovery than a hotel, and hence it will have a different downtime in the event of interruption hurricane.

The model calculates downtime for each stage of the damage assessment and recovery process. The first stage, pre-repair, is the time before repairs can get underway. The damage must be assessed, the repair cost negotiated with the contractors, and the building permit obtained. The next stage is the repair period. Some businesses choose to relocate rather than wait for repairs, but relocation

[16] See the AIR research paper "Modeling Business Interruption Losses for Insurance Portfolios," *Proceedings of the 11th Americas Conference on Wind Engineering*, San Juan, Puerto Rico, June 22-26, 2009. Available at: http://www.iawe.org/Proceedings/11ACWE/11ACWE-Jain.Vineet1.pdf

takes time as well. Once repairs are completed, revenues may not immediately resume at the pre-disaster level; it may take some time to regain market share, or to rebuild a labor force that may have found employment elsewhere.

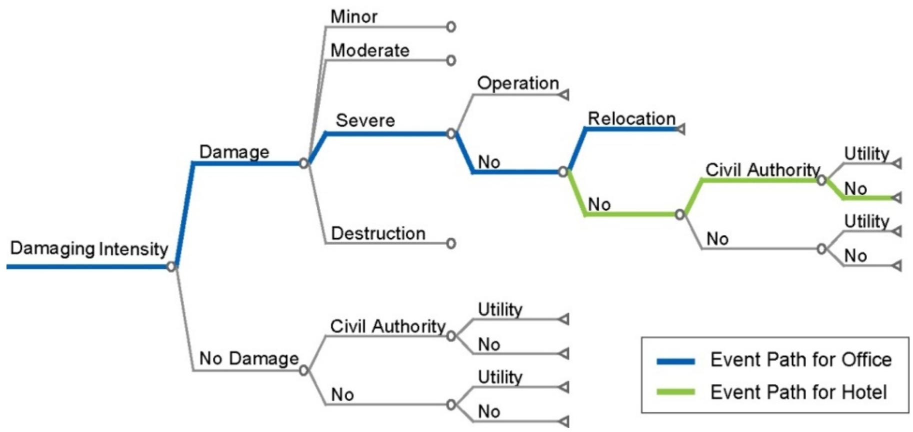


Figure 70. Hypothetical event tree for office building and hotel

The estimated number of days needed to restore the business to full operation depends on a number of key factors, including the level of damage sustained, the size of the building (square footage) and its architectural complexity.

For a given damage ratio, a 25,000-square-foot hotel will take significantly longer to repair than a 5,000-square-foot professional office. For a given square footage, buildings with significant architectural complexity will also take more time to repair. Warehouses can be quite large, but repairs are likely to take place quickly because of their architectural simplicity. Interior finishes must also be taken into account. Hotels are not only typically larger than office buildings, but can take more time to repair due to the higher quality of interior finishing.

Some types of businesses, such as hospitals, are more resilient than others and may be able to restart operations before repairs are complete, or they may have had disaster management plans in place that allow them to relocate quickly. For other businesses, such as hotels, location is critical and relocation is not an option. Since many parameters (e.g., building size, complexity, and business resiliency) that play an important role in determining business interruption are generally not available for input into the model, occupancy class is used as a proxy to determine these parameters.

Occupancy is also used to estimate the probability that there may be business interruption at a dependent building within the storm footprint—such as the supplier of a necessary manufacturing input—that will exacerbate BI losses at the principal building. Estimation of the impact of the dependent building's damage on the principal building requires the knowledge of the location and the degree of interdependence between the dependent and principal buildings. Since this level of detailed information is generally not available, logical assumptions are made to estimate the impact of the dependent building on the principal building's downtime.

Once the damage state of the dependent building is estimated as a function of the principal building's damage state, BI losses are calculated based on the maximum of BI downtime associated with the damage states of the principal and dependent buildings. This assumption implies that the impact of the dependent building damage is more significant at lower principal-building damage states than at higher damage levels of the principal building. A similar logic-based approach is used to estimate the impact of civil authority and utility failure on the downtime of the principal building. Downtime is also adjusted to account for BI policy conditions such as limited ordinary payroll, extra expense, and the extended business income coverages.

Figure 71 shows sample mean BI curves for three occupancies, hotels, offices, and hospitals. Not only is the mean BI downtime different for different occupancies for a given mean building damage ratio, the relativity between occupancies varies as a function of building damage ratio. That is, repair time, which is a function of building size and complexity, determines the shape of the BI curve for all levels of building damage.

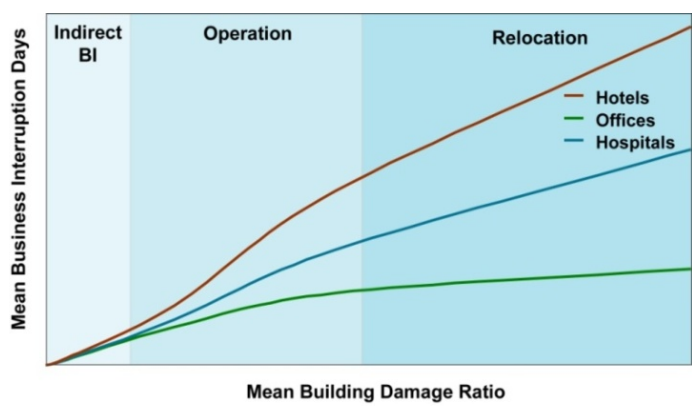


Figure 71. Impact of factors determining business interruption downtime varies with occupancy and severity of building damage

However, the impact of the many determining factors varies with the degree of building damage. For example, the impact of indirect BI and other factors such as extra expense on the shape of the BI curve is particularly important at low levels of damage. At moderate levels of building damage, the likelihood of continued operation while repairs are underway determines the shape of the BI curve. As building damage increases and continued operation becomes less likely, the impact of relocation on the BI curve increases. Office buildings are likely to be relocated at a certain level of building damage, so the BI curve does not change with increasing damage beyond that point. However, as it is unlikely that a hotel or hospital will be relocated, the BI curve increases with increasing levels of building damage for these occupancies. Thus at higher levels of building damage, relocation becomes the determining factor in estimation of the BI curve.

Figure 72 shows, for different mean damage ratios, the modeled BI damageability of selected occupancies relative to the general commercial occupancy.

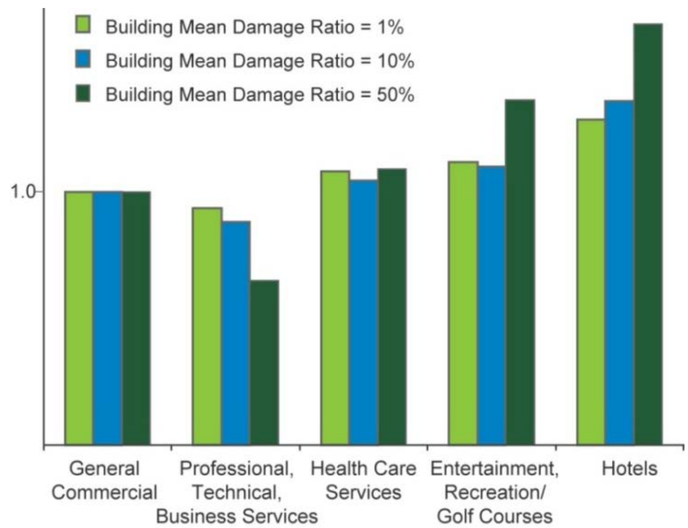


Figure 72. Relativity of business interruption damageability across commercial occupancies

The methodology for calculating BI losses relies in part on expert judgment in the face of limited available exposure data, but it has been rigorously calibrated using detailed claims data from recent hurricane experience.

Note on the Importance of Business Interruption Exposure Data Quality

Two key user inputs are needed to model direct BI losses: BI exposure value and the number of days associated with the exposure. That is, business income exposure is generally defined in terms of dollars per unit of time. For example, a business may generate USD 1 million in business income exposure per year, or 1/365 million USD per day. If USD 1 million is entered as the business income exposure, 365 must be entered for the number of days. If a user enters 1/365 million for business income exposure, 1 day must be entered as the number of days. The per-diem exposure, together with the modeled estimated number of days of downtime, provides an estimate of BI loss.

The model estimates the number of days of downtime as a function of building and contents damage, occupancy, size and complexity, business resiliency and other factors discussed above. Ground-up losses are calculated by multiplying BI exposure per day by the number of downtime days. Note that when calculating BI losses, the occupancy field, and not the gross area, is used as a proxy for building size.

As is the case with building replacement values, high quality BI exposure data is essential for generating reliable loss estimates. In the course of AIR's continuing audits of client exposure data, it has become apparent that large numbers of locations have very low BI/day values. In most cases, business interruption limits have been entered as annual BI exposure. Exacerbating the problem, AIR also found evidence of the use of loose "rules of thumb" to determine the BI limit, rather than the use of BI worksheets for each location in multi-location policies. Finally, AIR found evidence of a general underestimation of the number of locations that may sustain damage in a catastrophe. AIR cautions that these problems with BI exposure data quality will result in significant underestimation of BI losses.

5.9 Automobile Damage Functions

The AIR damage function for automobiles is developed based on actual loss data and expert judgment. The estimation of hurricane losses for the automobile line is challenging due to the nonstationary nature of the exposure and the uncertainty with respect to the public response in advance of hurricane landfall, which can vary by region and over time.

Automobile damage functions take into account peril-specific damage mechanisms, such as the impact of windborne debris. Water damage from storm surge is calculated separately. To the extent that the damage functions have been calibrated to aggregate losses for historical events, the model implicitly captures the evacuation of automobiles prior to a storm's arrival.

5.10 Pleasure Boat and Yacht Damage Functions

The AIR Hurricane Model for the United States explicitly accounts for the effects of tropical cyclone-induced storm surge and winds on pleasure boats and yachts.

Damage to pleasure boats is a function of both wind and storm surge (flood is not included). Damage from high winds can affect components on a boat or force it to break loose from its moorings. Airborne debris can also damage boats. Storm surge can cause water levels to rise to a point where boats float free, sometimes allowing them to be impaled by submerged pilings. Boats that become undocked and are blown further by the wind can collide with anything in their erratic path, including other marine craft, docks, pilings, or the ground. This can damage many components of the boat including the hull, which increases the possibility of sinking. The uncertainty in damage is accounted for by using a hybrid of distributions of the probabilities of given percentages of damage.

Wind and storm surge are highly correlated making it difficult to separate the damage due to each. To account for this, a weighted combination of the wind and surge mean damage ratios is used for boat damage functions, depending on the location. For some locations, no surge is included. In general, as the modeled surge level increases, the surge function attains more weight since it is a more damaging peril than wind.

Boat Characteristics

The size, type, and age of a boat all affect its vulnerability. In terms of boat type, the model includes damage functions for sail and motor-powered pleasure boats and yachts, as well as for those whose source of power is unknown. Different style boats contain distinct components that are vulnerable to damage. For example, sailboats have additional components (i.e. sails, masts, and riggings) as compared to power boats. The addition of these extra components means not only do sailboats have more components at risk of tropical cyclone damage, but also these components increase the force of intense winds on the overall boat structure, further increasing the boats vulnerability compared to power boats.

Boat length is accounted for using four different size, or length, categories included in the damage functions: small (up to 26 feet), medium (26-50 feet), large (over 50 feet), and unknown. While smaller boats are easier to trailer and remove from the water before a storm strikes, they tend to suffer more damage than larger boats when left in place. This is primarily due to the fact that larger boats are more likely to be under the care of a dedicated crew with a reliable procedure for securing the craft.

The year built is factored into the damage functions with different factors for the pre-1991 period, and then for every year from 1991 until 2010. The amount of wear and tear on a boat increases with age, due to exposure to the elements as well as prolonged use. Boat owners also tend to invest more towards protecting newer boats.

Figure 73 illustrates the relative vulnerability for different types, sizes, and ages of boats based on data from pleasure boat and yacht damage in the United States following historical hurricanes.

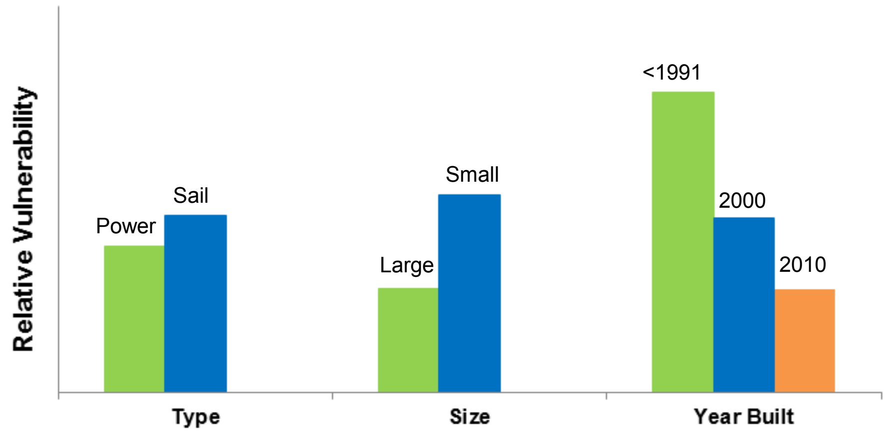


Figure 73. Relative vulnerability for different boat characteristics

Mitigation Factors

Boat damage can be mitigated by transporting the vehicles out of the water and into dry stack storage, or moving them to inland water areas such as canals. Another mitigation technique is to moor boats to a floating dock, as floating docks change height in high waves along with the boat, decreasing the likelihood of boats being torn from their moorings. The effects of mitigation are implicitly captured in the model to the extent that such practices are represented in the actual reported losses used for validation purposes.

5.11 Builders Risk

The builders risk line of business determines potential losses resulting from tropical cyclone wind and storm surge damage to buildings while they are still under construction. Modeling builders risk is supported for the majority of the 100-series construction classes and 300-series occupancy classes included in the model, for all height and age bands. Note that contractor equipment is not modeled under builders risk; it is modeled using existing construction and occupancy classes.

In the AIR Hurricane Model for the United States, builders risk can be modeled as a secondary risk modifier. Users are required to input policy start and end dates to estimate losses for different construction phases, average annualized project loss, and worst-case loss. For more information about user requirements and loss calculation, see Section 9.7.

To develop damage functions for buildings whose replacement value and vulnerability vary during construction, AIR engineers conducted extensive structural analyses of buildings, for each occupancy and construction class, during the four phases of construction (see Table 12). These functions were developed for two classes of construction type: engineered and non-engineered. For these analyses, AIR used statistical data from RS Means 2011 (Reed Business Information), United States Construction 2010 Census, and the National Building Construction Manual for 2009.

Table 12. Building phases during construction

Building Phases	
I Foundation and Substructure	III Walls and Roofing
II Superstructure	IV Finishing, Mechanical and Electrical Installation

Duration of Building Phases

The building phases overlap one another, with the timeline of each dependent on the type of building. For commercial buildings, phase IV will be much longer than it would be for residential ones. To determine the phase duration, AIR engineers used engineering cost estimation data, project duration data, and input from construction management engineers. Figure 74 shows an example of the phase timeline for a mid-rise (four to seven stories) commercial building. The duration for each phase is presented as a percentage of the total amount of time to complete a building.

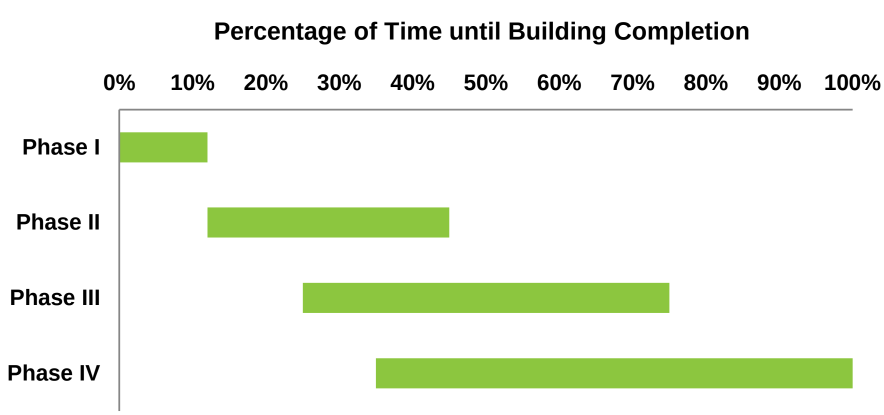


Figure 74. Duration of phases for a mid-rise commercial building

AIR engineers also took into consideration the subcomponents at each phase. For example, to determine the vulnerability curves for phase III, the vulnerability of the roofing, windows, and exterior walls were all considered. Figure 75 illustrates the duration of some of the subphases for a mid-rise commercial building. The figure includes the duration and overlap of the main four phases, illustrating how the many subphases are included in more than one main phase.

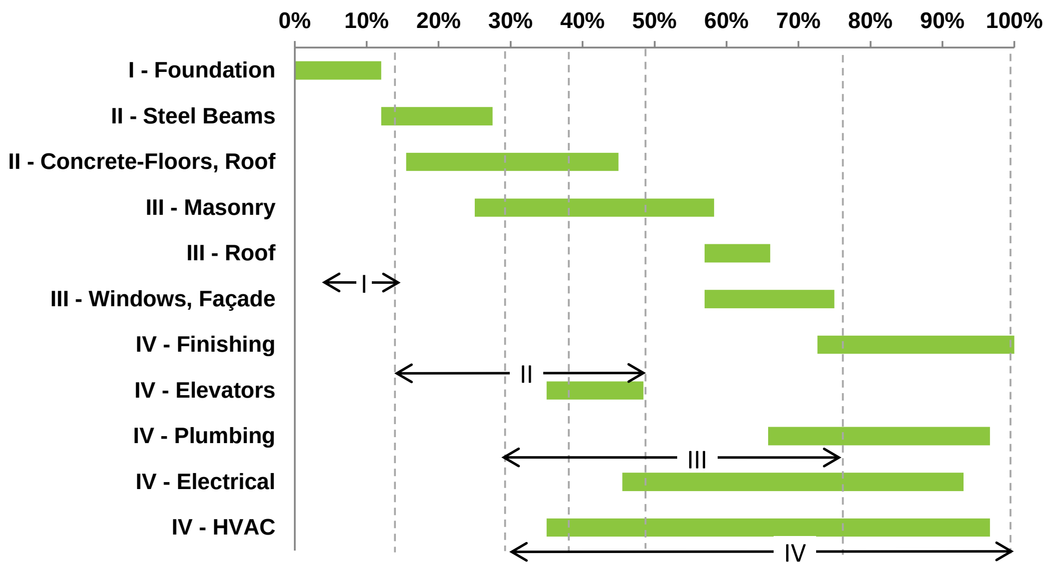


Figure 75. Duration of some sub-phases for a mid-rise commercial building

Variations in the Replacement Value during Construction

The relationship between the building cost, or replacement value, and project duration is captured in a cost ramp-up curve, which shows the evolution of a total project cost over time. The slope of this cost ramp-up curve is largely affected by building height and occupancy class[17] (the effect of construction class is negligible). Note that cost ramp-up curves remain constant across perils.

For example, the effects of height on building costs can be illustrated by examining the percentages of the total cost at each construction phase, for buildings of the same occupancy type at different heights. Table 13 compares the percentage of the total cost at each construction phase between apartment buildings of different heights. For each height band, the cost of each phase is presented as a percentage of the total cost; therefore, a change in the costs at particular phase causes the costs of other phases to be adjusted.

For low-rise buildings, the foundation and substructure account for a larger percentage of the entire building (and its cost) than they would for a mid-rise building. This is because the absolute cost of phase II in mid-rise buildings has a higher increase over phase I than it does for low-rise buildings, making the

[17] Only a subset of the model occupancies is supported in builders risk. The main occupancies modeled with unique phase durations are residential and commercial buildings; they do not include industrial facilities.

percentage of the phase I cost lower. The cost percentage for high-rise buildings is greater since these buildings require a more elaborate foundation than shorter buildings.

The cost percentages at phase II increase steadily with height, with a larger increase from phase I for taller buildings. This is to be expected since the columns and other elements of the superstructure are more elaborate for taller buildings than lower ones. It is also the reason for the decrease in the percentage of cost with height at phases III and IV. Due to the large increase in the costs of phase II for mid-rise and high-rise buildings, the percentages of the total cost at phases III and IV are diminished.

Table 13. Percentage of the total cost at each construction phase for apartment buildings of different heights

Construction Phase	Low-Rise (1-3 Stories)	Mid-Rise (4-7 Stories)	High-Rise (8+ Stories)
I Foundation and Substructure	6%	5%	7%
II Superstructure	9%	12%	13%
III Walls and Roofing	14%	12%	10%
IV Finishing, Mechanical and Electrical Installation	71%	71%	70%
All Phases	**100%**	**100%**	**100%**

The cost ramp-up curve in Figure 76 shows the changes in the replacement value for commercial buildings of different heights. The sharp bend in the curves indicate the beginning of phase IV when the interior work occurs, mechanical and electrical systems are installed, and the finishing touches are applied. The replacement value then levels off slightly once the finishing touches begin since the costliest parts of this phase are complete at that time.

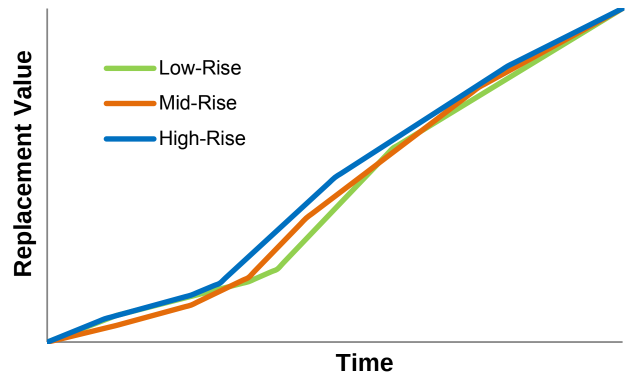


Figure 76. Changes in replacement value during construction of a commercial building, for different heights

Figure 77 compares the cost ramp-up curves for low-rise buildings of different occupancy classes. After phase IV, the curve ramps up more sharply for apartment buildings. Apartment buildings have a larger amount of interior work and finishing, which have to be done in each unit. In addition, the materials used for kitchens and bathrooms are of a higher quality than in commercial and industrial buildings. While commercial and industrial buildings have more wall partitions, facilities, and fixtures, the materials are not as costly as those in apartment buildings.

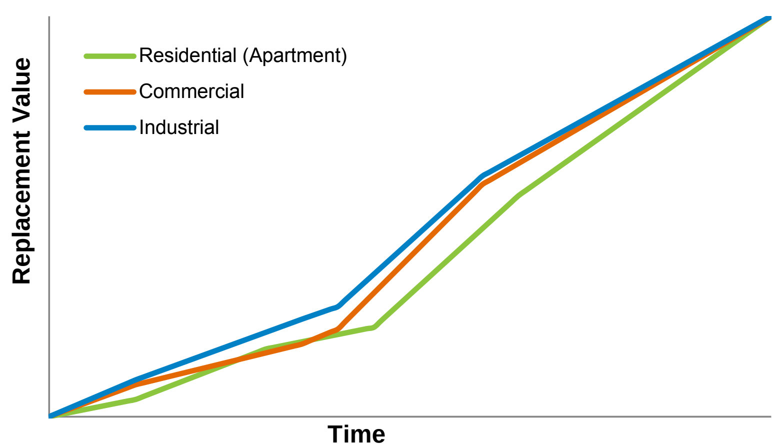


Figure 77. Changes in replacement value during construction of low-rise buildings with different occupancy classes

The various occupancy types within each class can have a significant effect on the variations in replacement value during construction, as shown in Figure 78. For example, phase IV of a hospital can take up a significant percentage of the total cost compared to other buildings, due to the extensive electrical and mechanical fittings that are required for a hospital. For other large structures, such as a wholesale trade centers, costs are more concentrated in phases II and III due to the extensive walls, roofing, and other elements of the superstructure. Phase IV is less important in these cases since the interior walls and fixtures are not as costly as in other buildings.

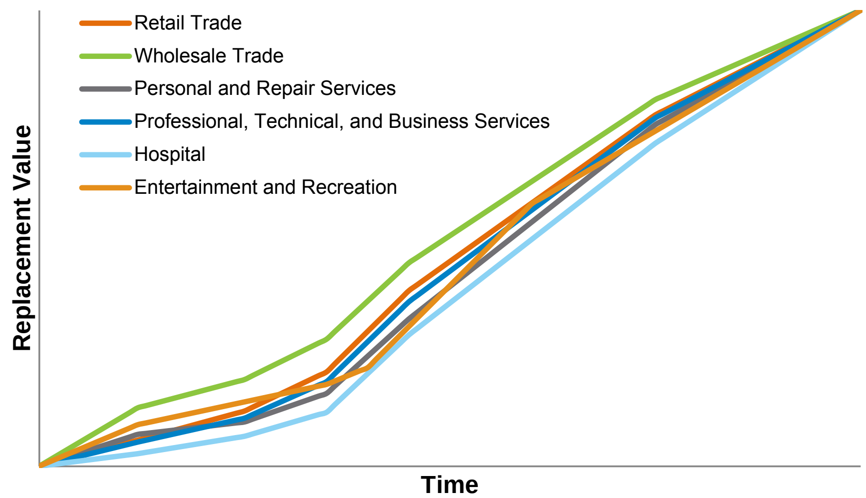


Figure 78. Changes in replacement value during construction of mid-rise commercial buildings with different occupancy types

Variations in Vulnerability during Construction

As building progresses, the changes in vulnerability must be considered along with the replacement value. The specific wind and storm surge effects on the building at the different building phases are detailed below.

Vulnerability to Wind

For each building phase, a structure's vulnerability to intense winds can vary significantly. At phase I, the building foundation is susceptible to wind-stress damage to the structure's columns and walls from high lateral loads. Wind-driven rain can also cause water pooling, debris accumulation, and improper drainage issues within the foundation, as well as subsidence of soil around the building area. At phase II, the building skeleton, from the roof to the flood deck, is at risk of wind damage from up-lift, as well as damage from air-borne debris. At this stage, non-engineered buildings can sustain major damage. It is important to note that a major jump in vulnerability occurs between phase I and phase II, since the most dramatic increase in construction occurs between these initial phases.

Wind damage to external building features such as cladding and windows is common during phase III. The wind damage observed during phase IV is similar to that of a completed building. Additional damage experienced in phase IV, in contrast to a completed building, may occur if exterior work such as installing roof top equipment, including exhaust hoods, is incomplete. Figure 79 shows the damage function for a mid-rise engineered commercial building.

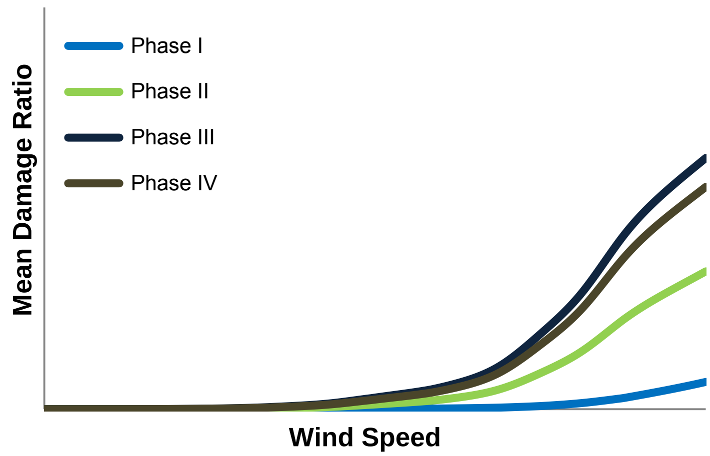


Figure 79. Wind damage functions by building phase for an engineered mid-rise commerical building

Vulnerability to Storm Surge

Similar to wind, the vulnerability of a building under construction to storm surge depth generally increases with building phase. At phase I, storm surge may erode and scour a building foundation, where a shallow foundation is more susceptible to damage. Storm surge can also stress building columns and walls, lead to water pooling, debris accumulation, and soil subsidence. The level of damage experienced at phase II is lower than that of phase I. At this point, storm surge waves are pounding into a building skeleton rather than a more vulnerable incomplete building foundation; phase II damage is largely debris-related. Types of surge damage observed in phase III are similar to that in phase II; one key difference includes damage to completed walls and the building interiors. At phase IV, potential building surge damage is similar to that of a completed building. Figure 80 shows a surge damage function by building phase for an engineered mid-rise commercial building.

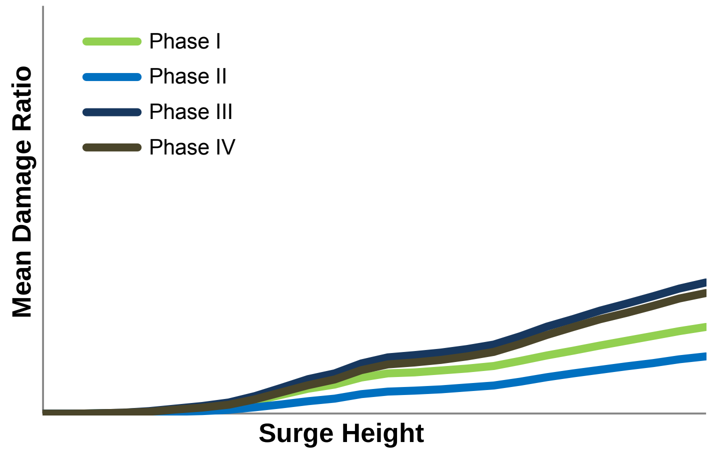


Figure 80. Surge damage functions by building phase for an engineered mid-rise commercial building

Modeling the Effects of Seasonality

To ensure accurate damage calculations for buildings under construction, the AIR Hurricane Model for the United States explicitly accounts for seasonality. In the model, each month in the hurricane season, June to November, has been assigned a hurricane frequency value. Note that all non-hurricane season months have been attributed a frequency of zero.

Using user input policy start and end dates, the model determines which construction phases overlap with the hurricane season for each project and then only calculates losses for those phases. During the loss calculation process, frequency is considered along with building phase, replacement value, and peril vulnerability.

5.12 Validating Damage Functions

The model's damage functions report the mean damage ratio for each level of intensity. Validating the damage-estimation component of the model is closely related to the validation of modeled losses. A discussion of modeled-loss validation can be found in Section 6.3.

Nevertheless, validating the relative vulnerability of different construction types and occupancy classes is a critical component in damage-function development. The AIR Hurricane Model for the United States leverages more than 20 years of experience in developing wind damage functions. The damage functions incorporate findings from published engineering research and analyses, and are validated through the analysis of billions of dollars of detailed claims data.

The analysis of post-disaster surveys conducted in the aftermath of hurricanes provides additional validation. AIR engineers have performed such surveys for every hurricane to make landfall in the United States since Hugo in 1989, and for several major storms in the Caribbean and Asia-Pacific regions. The relative vulnerabilities of different construction/occupancy/height combinations in the AIR damage functions are borne out by survey findings.

Figure 81, Figure 82, and Figure 83 illustrate one type of validation undertaken by AIR wind engineers. The figures compare simulated and actual damage ratios for single-family homes for damage functions for different coverages. The actual and simulated data compare well.

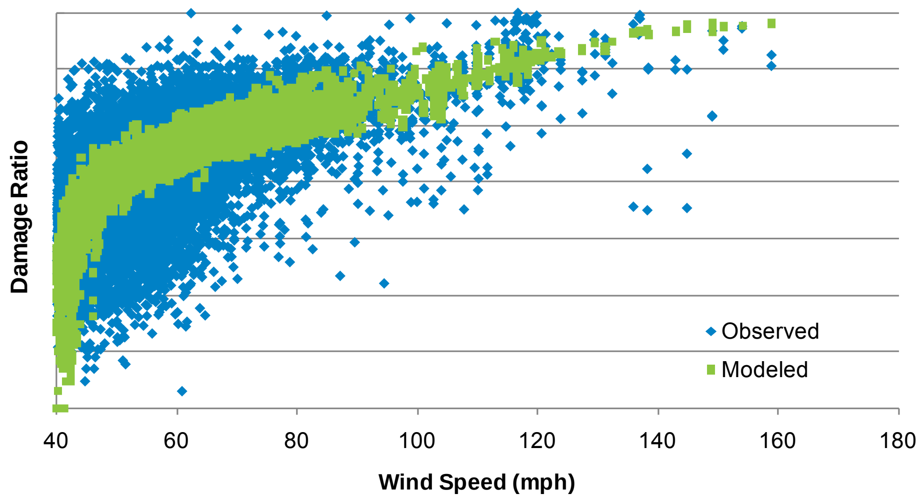


Figure 81. Observed and modeled damage ratios with wind speeds, Coverage A

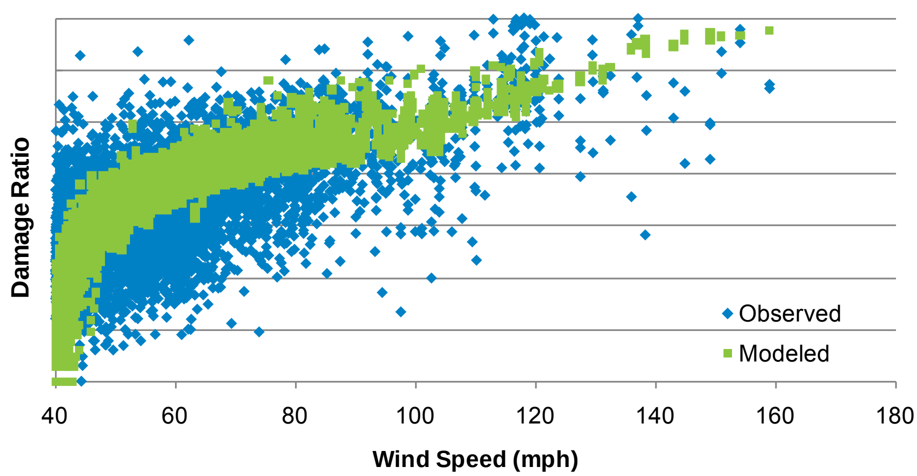


Figure 82. Observed and modeled damage ratios at different wind speeds, Coverage C

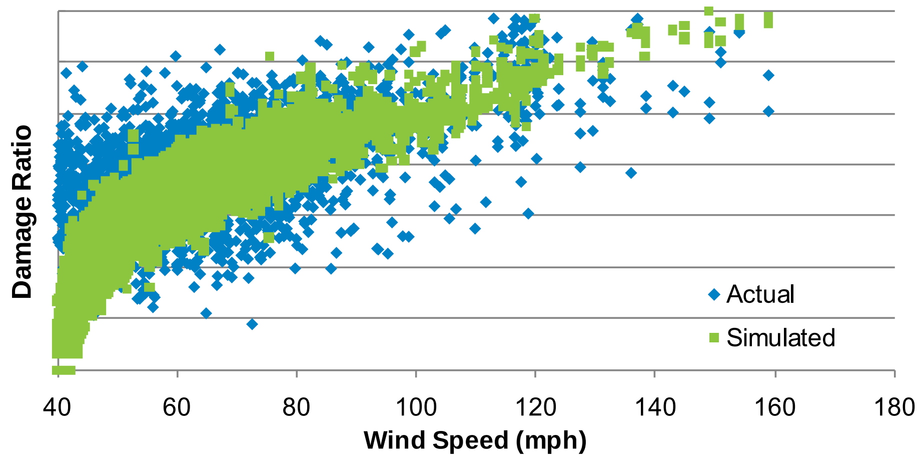


Figure 83. Observed and modeled damage ratios at different wind speeds, Coverage D

Figure 84 and Figure 85 compare the observed and modeled damage distribution around modeled mean damage ratios of 3% and 10%, respectively. The observed and modeled uncertainty around the mean damage ratio is quite similar.

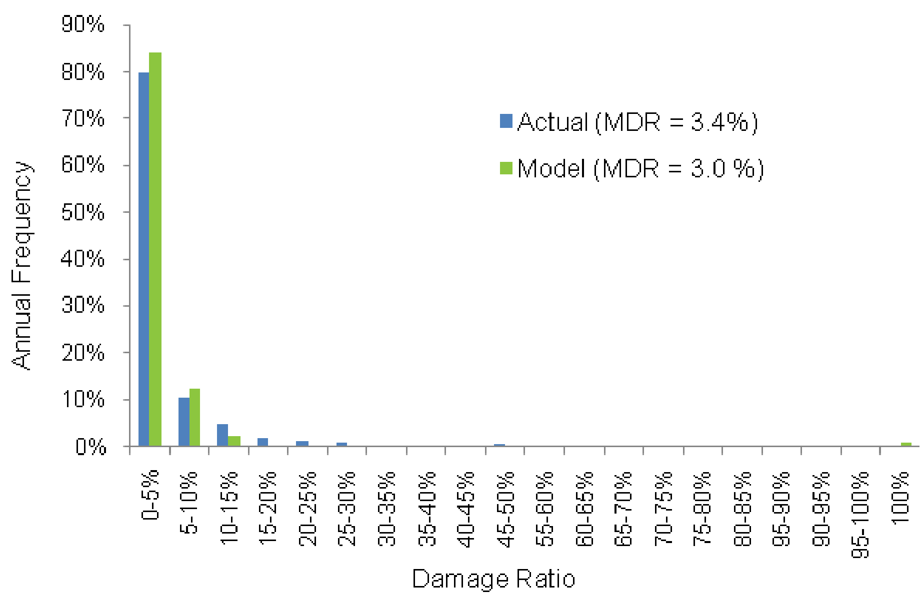


Figure 84. Observed and modeled uncertainty around the mean damage ratio

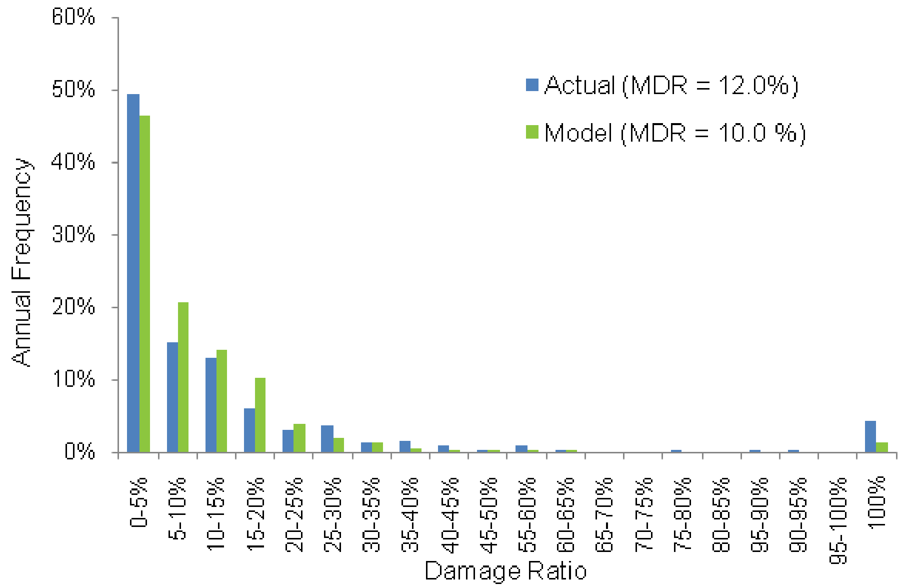


Figure 85. Observed and modeled uncertainty around the mean damage ratio

5.13 Estimating Damage to Industrial Facilities

The AIR Hurricane Model for the United States features the ability to assess potential property and business interruption (BI) losses to industrial facilities from wind or storm surge. More than 400 damage functions were developed for roughly 550 distinct industrial components and subcomponents. Their development was based on findings from detailed, site-specific, engineering-based risk assessments conducted by AIR through AIR's Catastrophe Risk Engineering (CRE) services—assessments that encompassed engineering studies, structural calculations, materials tests and post-disaster field surveys. By developing component-level damage functions based on engineering analysis and hard data, AIR has thus developed a defensible, transparent and reproducible methodology, and damage functions that are realistic and robust.

AIR employs a component-based approach to evaluate the damage and loss to an entire industrial facility, which allows the damage functions to account for the primary components intrinsic to an industrial facility and the interconnectivity between these components. The primary components are categorized into classes and sub-classes to account for variations in vulnerability within each component class.

To develop damage functions for an industrial facility, some assumptions regarding the characteristics of individual components are made. Aggregated functions based on the component and subcomponent damage functions were developed for each industrial facility. Each component and subcomponent damage function was assigned a weighting factor, based on its replacement value relative to the replacement value of the industrial facility, in order to determine the damage function for the industrial facility as a whole.

This approach provides damage estimates that are transparent, realistic, and consistent for a variety of facilities. Furthermore, the component-based approach is also essential for a reliable assessment of business interruption (BI) losses, which depend on the numerous interactions between the various components and lifelines at an industrial facility.

Figure 86 and Figure 87 show examples of industrial facilities and industrial facility components, respectively. Major components are also listed in Table 14.

Figure 86. Examples of industrial facilities

Figure 87. Examples of industrial facility components

Component and industrial facility level damage functions are validated with observational damage data collected during damage after historical hurricanes.

Developing Component-Level Damage Functions for an Industrial Facility

More than 550 industrial components are included in the model, which each have associated subcomponents. Major industrial facility components are listed in Table 14.

Table 14. Industrial facility components in the AIR Hurricane Model for the United States

Components of Industrial Facilities		
Air Handling Units	Distribution Panels	Motor-Driven Pumps
Baffles	Electric Power Backup	Open-Frame Structures
Basins	Electric Transmission Towers	Paddles
Battery Chargers	Elevated Pipes	Pipe Racks
Battery Racks	Engine Generators	Pipes and Pipelines
Boiler/Pressure Vessels	Equipment	Potential Transformers
Boilers	Fans	Pressurized Reactors
Buildings	Filter Gallery	Process Towers
Chillers	Flares	Pumps
Chlorination Equipment	Generators	Scrapers
Circuit Breakers	Equipment	Sediment Flocculation Equipment
Commercial Backup Power	Highways/Runways/Railroads	Silos
Compressors	Large Horizontal Vessels	Stacks/Chimneys
Control Panels	Large Motor-Operated Valves	Switch Gears
Cooling Towers	Large Vertical Vessels with Formed Head	Tanks
Coupling Capacitors	Lightning Arrestors	Transformers
Current Transformers	Loading Structures (Cranes/Cargo Handling/Conveyor Systems)	Tunnels
Dams	Motor Control Centers	Wells
Disconnect Switches	Large Motor-Operated Valves	Valves

A detailed discussion of some major components follows.

Tanks

Storage tanks are probably the most common components found in industrial facilities. Not all tanks are the same, however. They can have different aspect ratios (the ratio of height to diameter), different levels to which they are filled, different methods to anchor them, and so on, all of which affect their vulnerability. Large-diameter storage tanks (which have a relatively low aspect ratio), for example, tend to buckle at lower wind speeds than tanks with higher aspect ratios. Tanks with very high aspect ratios, however, also can fail—by being overturned or caused to slide before their walls ever begin to buckle; however, such tanks are typically anchored at the foundation.

The presence of a foundation anchorage system affects a storage tank's vulnerability to storm surge more so than to the wind peril. Absent a foundation anchorage system, even very large tanks are susceptible to floating at flood depths just greater than the liquid level within the tank.

Reports of wind damage to steel storage tanks during Hurricanes Celia (1970), Alicia (1983), and Georges (1998) indicate that most tanks experience minor damage during Category 3 events. More extensive damage has been reported following Category 4 events, such as Hurricane Hugo in 1989. The primary damage reported was buckling of the tank wall, generally initiated near the top of the tank, perforation of the tank wall by flying debris, and damage to tank insulation.

Figure 88 shows observed tank damage following strong hurricane winds.

Figure 88. Observed Wind Damage to Storage Tanks

AIR engineers undertook a variety of engineering studies in developing damage functions for storage tanks. In one set of tests, structural analytical models of storage tanks were developed using the computer engineering software SAP.

Wind pressure distributions (based on the published results of wind tunnel studies) were applied to the models incrementally, thus simulating increasing wind loads (Figure 89). The loading-factor was raised until elastic buckling developed, indicating a local failure of the tank wall (Figure 90). These tests were repeated with the storage tanks modeled to hold three different levels of liquid (empty, half-full, and full).

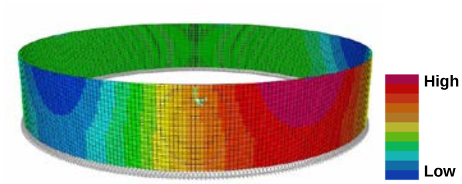


Figure 89. Distribution of Wind Pressure around a Tank Wall

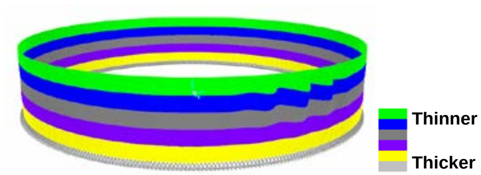


Figure 90. Deflection of Tank Wall at Onset of Elastic Buckling (Colored Bands Represent Different Levels of Tank Shell Thicknesses)

Mean wind damage functions for each aspect ratio and liquid level considered in the analyses were developed, assuming a damage ratio of 100% when buckling of the tank wall occurs. The damage function reflects minimal damage until the onset of wall buckling, and covers such incidental damage as minor deflections, damage associated with flying debris, and damage to the insulation.

Buoyancy calculations over a range of tank dimensions were analyzed, assuming an equal probability of liquid level within the tank for each possible set of tank dimensions. This analysis was performed for tanks with and without anchorage to the foundation. The damage states considered in the analysis are as follows:

- If buoyant forces of floodwaters were less than the resisting force of the tank, including anchor yield capacity: no damage to tanks
- If buoyant forces are greater than the resisting force of the tank, including anchor yield capacity, and flood depth was less than levee height: damage ratio is 50% for unanchored tanks and 75% for anchored tanks
- If buoyant forces are greater than the resisting force of the tank and flood depth is greater than levee height: damage ratio is equal to 100%

A damage ratio of 50% was assigned to unanchored tanks because it’s likely that most floating tanks would experience minimal displacement during a hurricane, and can be reused with minimal repair costs. The damage ratio is 75% for anchored tanks, as anchor failure would likely result in additional repair costs for both the anchor and the tanks. A damage ratio of 100% was assigned to floating tanks to reflect the fact that displacement and impact with floating debris during storm surge could result in extensive damage. Anchored tanks are less susceptible to damage from storm surge than unanchored tanks.

Open-Frame Structures

Open-frame structures are another common component of industrial facilities. These structures support plant equipment and product-loading mechanisms for both rail and marine transport. These steel structures are often assembled using a combination of welded and bolted connections forming open space frames, with little or no exterior cladding. Open-frame structures vary in height, size, bracing details, and in terms of the equipment and processes that they support. Examples of open-frame structures are in Figure 91.

Figure 91. Examples of Open-Frame Structures

Damage reports following Category 3 and 4 hurricanes indicate that open-frame structures have relatively low vulnerability. Damage is generally limited to tall, slender structures such as elevator towers, water towers, and cranes. Wind damage reports in Corpus Christi, Texas, following the Category 3 Hurricane Celia in 1970 and the Category 4 Hurricane Andrew in 1992 indicate that larger construction types fared best, and open-frame structures performed well.

The wind vulnerability of open-frame structures was evaluated using an analytical model developed with the computer program SAP. Wind pressure distributions, based on ASCE-7 guidelines, were utilized to apply incrementally increasing wind loads to the structure. Loading was increased until the onset of elastic buckling at a brace member, at which point the structure's lateral load resistance decreased and partial or complete collapse of the structure occurred.

The results of the analysis indicate that open-frame structures perform well when subjected to hurricane-force winds.

Due to their substantial steel structural members, open-frame structures exhibit low vulnerability to storm surge flooding over a large range of depths. Damage to the open-structure's bare frame is negligible at all flood depths, whereas substantial damage to the embedded equipment is expected.

Cooling Towers

Cooling towers transfer heat produced by industrial processes to the atmosphere. Figure 92 shows typical cooling towers inside of industrial facilities.

Figure 92. Examples of Cooling Towers (Top Left: 9-Cell Wooden Tower; Top Right: 2-Cell Wooden Tower; Bottom Left: 2-Cell Concrete Tower; Bottom Right: 2-Cell Fiber-Reinforced Plastic Tower)

Of all the industrial facility components for which damage data was available following Hurricanes Katrina and Rita in 2004, cooling towers sustained the most damage. According to the Louisiana Chemical Association, 29 cooling towers sustained some damage during these events, including 1 complete collapse, 12 reports of heavy damage, and 12 reports of moderate damage. Observational data suggests that damage to fan shrouds and structural damage occur at wind speeds associated with Category 1 and Category 2 hurricanes. More extensive structural damage to cooling towers, including collapse, was reported following Hurricane Celia in 1970. Figure 93 shows examples of damage to cooling towers following hurricanes.

Figure 93. Observed Hurricane Damage to Cooling Towers

A study of approximately 40 cooling towers in the Galveston Bay area indicates that damage to a cooling tower associated with winds from a Category 1 or 2 hurricane tends to be in the form of damaged fans and fan cylinders or siding and louver loss. Partial or complete collapse of the structural frame and loss of motors and gearboxes is likely during stronger hurricanes.

Cooling towers are likely to sustain minor to moderate amounts of damage at wind speeds corresponding to a Category 2 hurricane. Loss of exterior cladding and fan cylinders, and possible collapse of the tower frame, will likely occur at each end of a tower, before damage progresses inward toward the center of the tower. Hence, some of the interior cells may remain operational even after an extreme wind event. Smaller portable cooling towers typically sustain less damage than larger ones, assuming the base of the tower is securely anchored to its supporting foundation.

Damage from wind speeds associated with Category 2 hurricanes is likely to include minor to moderate damage to louvers, sidewall cladding, fans and fan cylinders, and shrouds. There may be limited instances of partial or complete collapse of cell frame structures, and tower functionality may be lost. Equipment inspection, cleanup, and repair are usually required following a Category 2 event for which the damage ratio in the model is approximately 10-20%.

Wind damage from Category 3 events typically includes moderate to major damage to louvers, sidewall cladding, fans and fan cylinders, motors and gearboxes, and shrouds. Partial or complete collapse of cell-frame structures and the loss of tower functionality may also occur. Equipment inspection, cleanup, and repair are usually required following a Category 3 event. The mean damage ratio in the model is about 20-50%.

Wind damage from Category 4 events includes lost louvers and sidewall cladding, fans and fan cylinders, motors and gearboxes, and shrouds. Partial or complete collapse of cell frame structures and the complete loss of tower functionality are also likely. Demolition and major repairs are typically required. The mean damage ratio in the model is approximately 50%.

Process Towers

Figure 94 shows an example of a process tower, which are typically walled steel cylinders bolted to a concrete foundation and insulated for temperature control. Piping and access decks are often attached at various levels of the process towers, imparting additional wind loading to the structures.

Figure 94. Example of a Process Tower

Historical reports of damage to process towers at wind speeds corresponding to Category 3 and 4 hurricanes indicate that damage is typically limited to the insulation. Isolated accounts of towers leaning due to anchor bolt elongation as well as one overturned tower were reported in Corpus Christi, Texas, following Category 3 Hurricane Celia in 1970.

Figure 95 shows damage to process towers that occurred during historical hurricanes.

Figure 95. Observed Hurricane Damage to Process Towers

Based on a review of historical wind damage reports, structural damage to process towers is usually associated with anchor-bolt yielding or rupture. Wind pressure, as defined by ASCE-7, was computed for three typical process towers with heights ranging from 80-140 feet. Wind pressure was increased incrementally until a wind speed associated with yielding of the first anchor bolt was obtained. Yielding of the bolts corresponds to the onset of anchor-bolt elongation and leaning of the process tower. Wind pressure was further increased until a wind speed associated with rupture of the first anchor bolt was obtained, which corresponds to loss of lateral capacity and subsequent collapse of the process tower. Computed wind speeds associated with anchor-bolt yield and rupture are presented in Table 15 for the three towers.

Table 15. Threshold Wind Speeds for Process Towers

Process Tower Height (ft)	Sustained One-Minute Wind Speed at First Anchor Bolt Yield (mph)	Sustained One-Minute Wind Speed at First Anchor-Bolt Rupture (mph)
86	162	193
129	147	155
138	122	152

The mean damage functions in the model were developed under the assumptions that no damage will occur until the first anchor bolt yields and complete damage will occur when the first anchor bolt ruptures. A low-vulnerability damage function which increases with wind speed was used to represent damage associated with flying debris and damage to process tower insulation.

Process towers exhibit low vulnerability to flooding over a wide range of flood depths, primarily due to their substantial cross sections and sound footing. Process towers subject to storm surge flooding are typically damaged by floating debris.

Flare Towers

Three types of flare towers were modeled and analyzed: freestanding, guyed flare, and derrick-supported, as shown in Figure 96.

Figure 96. Examples of flare towers (left: freestanding flare, middle: guyed flare, and right: derrick-supported flare)

Historical damage reports indicate that flare towers are significantly damaged at wind speeds corresponding to weak hurricanes. During Hurricane Rita in 2005, a guyed flare collapsed in Category 1 wind speeds. At a petrochemical facility in Corpus Christi, Texas, all flare towers at one plant collapsed in Category 3 winds during Hurricane Celia in 1970. Figure 97 illustrates a collapsed flare tower.

Figure 97. Damage to a flare tower

In 1981, a large petrochemical plant operator in Galveston Bay, Texas, performed an engineering assessment of five flare stacks at three different plant sites. The estimated threshold for collapse of these flare stacks, which were all designed prior to 1980, was a sustained one-minute wind speed of approximately 107 mph, equivalent to a Category 2 hurricane. More recently, the same operator performed an analysis of a guyed flare stack that was upgraded to comply with ASCE 7-98 codes. The analysis indicated that its ultimate load capacity would be reached at an estimated sustained one-minute wind speed of approximately 135 mph, or Category 4 hurricane winds. These studies are consistent with observed damage following Hurricane Celia in 1970.

An analytical structural model of a derrick-supported flare tower was developed using the computer program SAP. Wind pressure distributions based on ASCE-7 guidelines were used to apply incrementally increasing wind loads to the structure while deflections were recorded. Loading was increased until the onset of buckling at a tower leg located approximately in the middle of the structure. After this buckling, the capacity of the structure decreases significantly, representing collapse. Figure 98 represents the deflected shape of the derrick-supported flare tower, just prior to collapse.

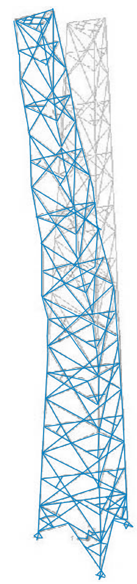


Figure 98. Deflected shape of a derrick-supported flare tower prior to collapse (analytical model)

The wind speeds associated with structure failure correspond to a strong Category 4 or weak Category 5 hurricane. AIR's mean wind damage functions for flare towers demonstrate a steep increase in the damage potential beginning with Category 2 hurricane wind speeds, approaching almost complete damage at Category 3 hurricane wind speeds.

Flare towers exhibit low vulnerability to flooding over a wide range of flood depths, primarily due to their substantial cross sections and sound footing. Flood damage is generally limited to that associated with floating debris.

Developing Damage Functions for an Industrial Facility

For each industrial facility, aggregated damage functions were developed based on the damage functions for the associated component and subcomponent classes. The damage functions for each component and subcomponent were assigned a weighting factor equal to the ratio between the replacement value of the class and the total replacement value of the industrial facility. The weights for different industrial facilities are based on scientific research, the Applied Technology Council report ATC-13 1995, and HAZUS data.

Figure 99 and Figure 100 show damage functions for sample industrial facilities for the wind and storm surge perils, respectively. The figures show the weighting factors for each component and subcomponent class. The facility-level damage function is a weighted average of the damage functions of the individual components.

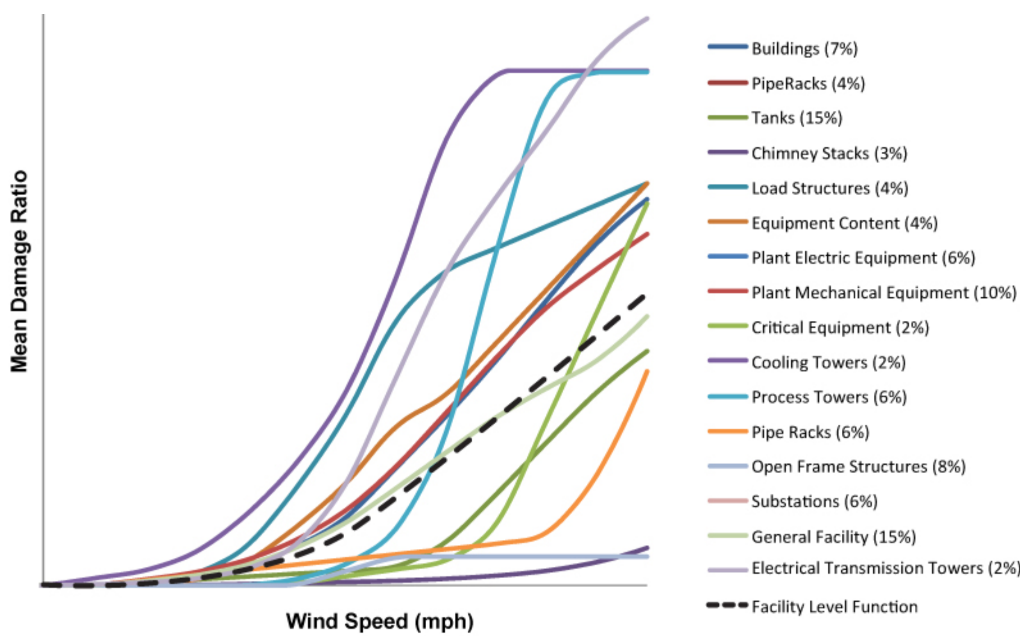


Figure 99. Wind damage functions for a sample industrial facility

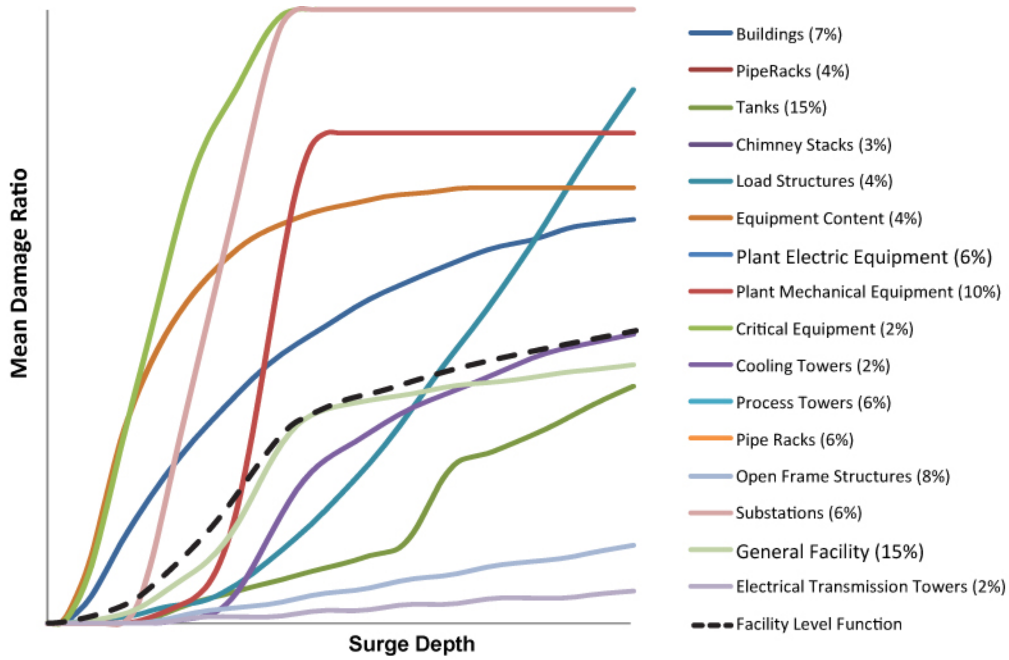


Figure 100. Storm surge damage functions for a sample industrial facility

Damage Functions for Industrial Facility Components

In order to develop damage functions for various components, some reasonable assumptions are made about the typical characteristics of individual subcomponents in an industrial facility. For example, AIR assumes different percentages of anchored and unanchored tanks, and different filling levels and aspect ratios for tanks within a facility.

Figure 101 and Figure 102 show damage functions for selected industrial facility components for the wind and storm surge perils, respectively.

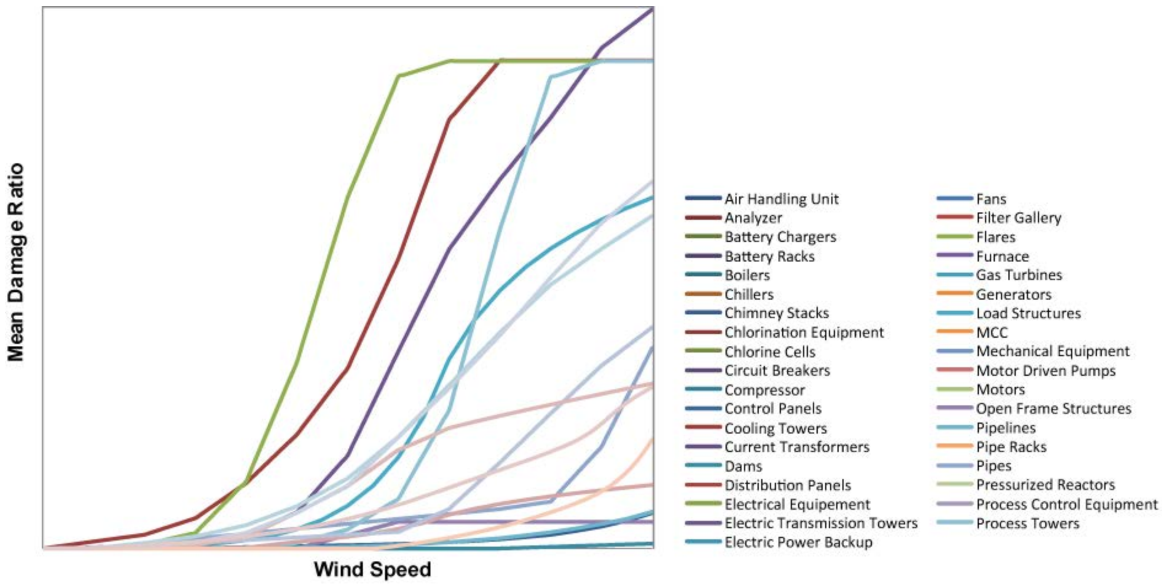


Figure 101. Wind Damage functions for industrial facility components

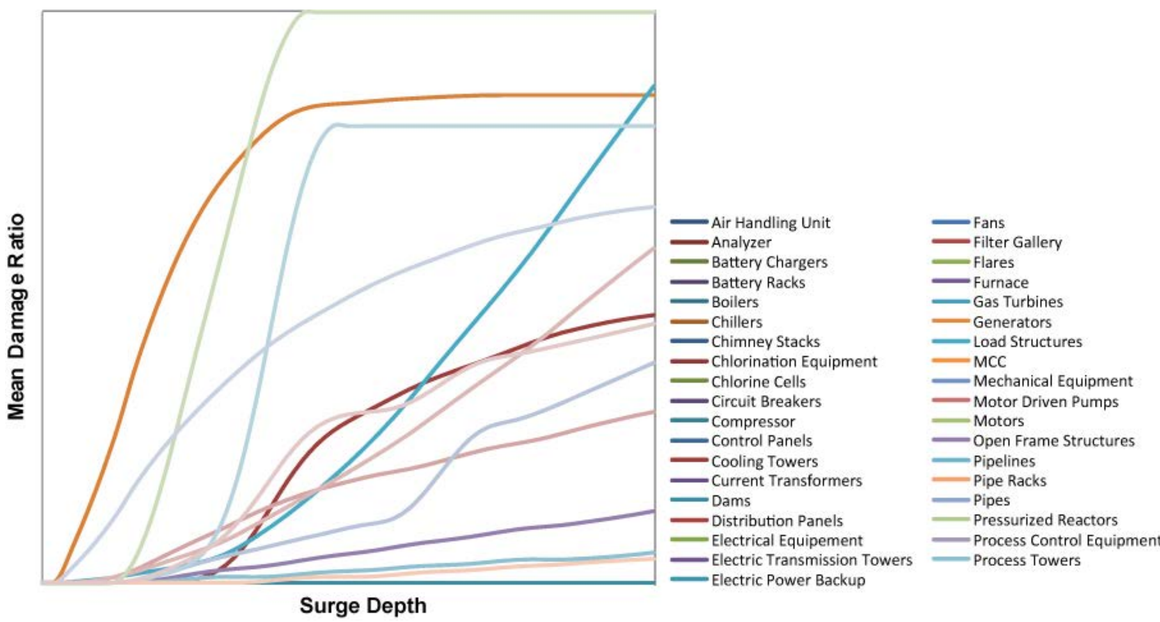


Figure 102. Storm surge damage functions for industrial facility components

For many industrial facility components, there is insufficient damage data or available research to derive accurate damage functions. In such cases, information from many sources, including historical hurricane damage data, scientific literature, site-specific measurements, and structural analyses was incorporated to assign mean damage ratios over a range of wind speeds and storm surge depths. All analysis took into account the complexity of each component and its characteristic response to wind speeds and storm surge levels.

Note that the damage functions for industrial facilities are not applicable to any individual asset at a particular location (e.g., a specific pump or cooling tower). The damage functions have been developed considering a range of characteristics and behaviors within any particular asset class or subclass and are intended to represent the average damage ratio for a group of many individual assets. At any given wind speed or storm surge depth, the actual damage sustained by some assets within a class may be higher or lower than the mean damage ratio specified by the corresponding damage function.

At any given hazard level, the damage ratio for a particular asset may be found within a range of damage ratios corresponding to the hazard level and asset class. This reflects the fact that seemingly identical assets may experience different levels of damage during a particular event. That is, one cooling tower may experience total collapse while another similar cooling tower may experience moderate damage during the same hurricane. Such variation exists due to differences in material properties, wind field patterns, construction quality, building maintenance, and the presence or absence of flying debris.

Information regarding damage to industrial facilities during historical hurricanes and other events was used to develop the industrial facility component of AIR's models. Table 16 lists some of the historical events used as well as the locations of affected industrial facilities.

Table 16. Historical events and locations of affected industrial facilities

Event Name (Year)	Location of Affected Industrial Facilities
Hurricane Celia (1970)	Corpus Christi, Texas
Hurricane Alicia (1983)	Baytown, Texas
Hurricane Hugo (1989)	St. Croix
Hurricane Andrew (1992)	South of Miami, Florida
Hurricane Georges (1998)	Pascagoula, Mississippi, and the Dominican Republic
Hurricane Katrina (2005)	Pascagoula, Mississippi; St. Charles Bay, Texas; St. Louis, Mississippi; Meraux, Louisiana; and Biloxi, Mississippi
Hurricane Rita (2005)	Port Arthur, Louisiana; Orange, Texas; Port Neeches, Texas; and Bridge City, Texas

Customized Composite Damage Functions for a Particular Industrial Facility

The previous sections described the development of plant-level damage functions using generic information for each industrial facility type, such as the type of equipment found in the plant, and the replacement value and secondary characteristics of the associated components. In reality, each industrial facility is unique and complex. For example, not all of the equipment in one plant may be anchored to withstand ground shaking, while in another plant the equipment might all be secured.

Recognizing that each facility is unique, AIR's CLASIC/2 and Touchstone software allows users who have access to facility-specific information to specify the various actual constituent components and subcomponents present, their characteristics (such as whether a particular component is anchored or unanchored, the aspect ratios for tanks, etc.), and their percentage of the total site replacement value. The ability to specify the composition of each facility, when known, will result in better loss estimates when the user has data about the component make-up of a particular facility.

Developing Damage Functions for Unknown Industrial Facility Types

Damage functions for the general or unknown facility type are based on the weighted average of the damage functions for different industrial facility types.

Figure 103 and Figure 104 show industrial facility-level wind and storm surge damage functions, respectively, for selected industrial facilities in the United States. The unknown industrial facility type is represented by the black line labeled "General".

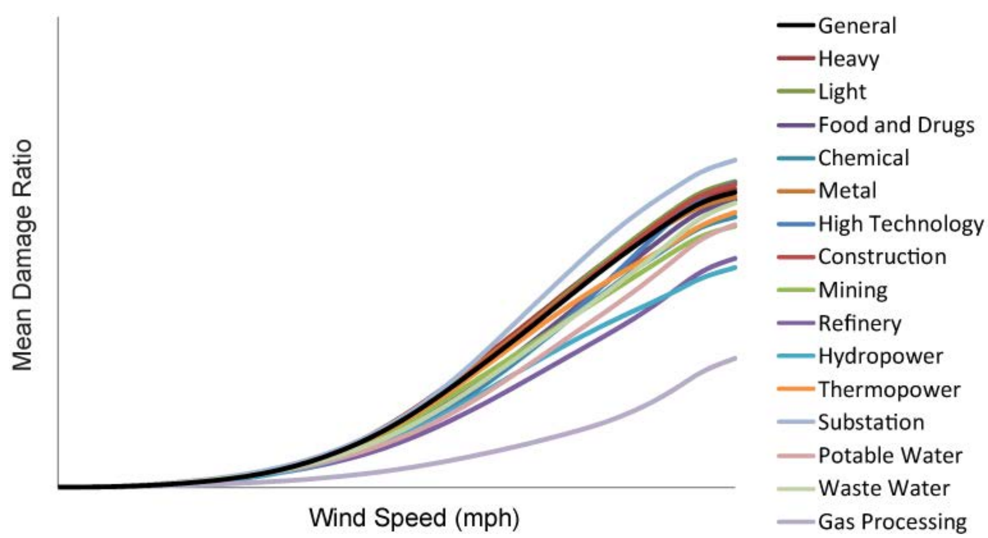


Figure 103. Industrial facility-level wind damage functions

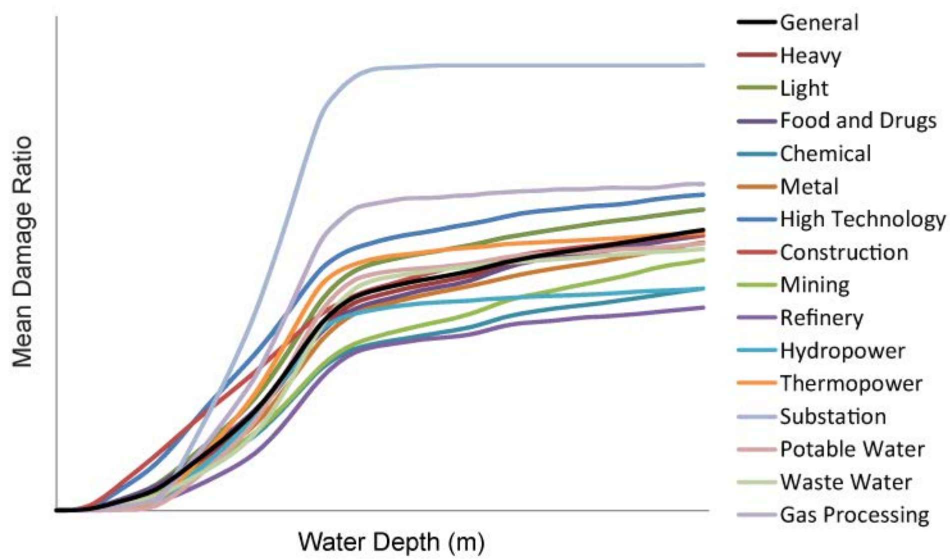


Figure 104. Industrial facility-level storm surge damage functions

Business Interruption Losses for Industrial Facilities

Assessing business interruption (BI) losses for industrial facilities is complex, particularly in the case of highly integrated facilities. The major contribution to BI losses is the loss of revenues incurred when product chains are rendered completely or partially non-functional. Loss of functionality can occur as a result of physical damage to the components, the interconnectivity between components, or lifelines such as electricity and water systems.

Downtime is the primary parameter for assessing BI losses. To assess these losses for an entire industrial facility, time element damage functions are determined for each component for each stage of the damage assessment and repair process. As in any other business interruption assessment, the time before repairs can get underway, or pre-repair, is determined and combined with the time required for the actual repair. Once the time element functions are determined for all of the components, the model aggregates the functions by determining a weighted average of the component functions. Figure 105 illustrates time element damage functions for selected industrial facilities components.

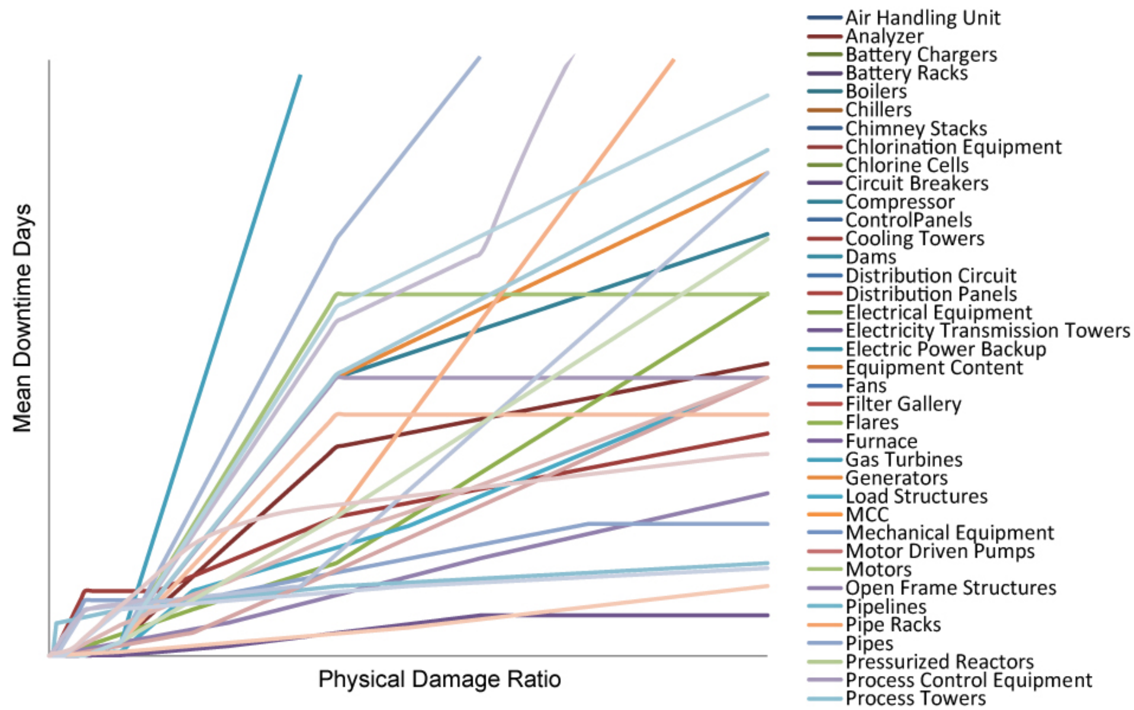


Figure 105. Time element functions for industrial facility components

As described above, time element functions at the facility level are derived from component distribution information and the individual component and subcomponent downtime functions.

Figure 106 and Figure 107 show the time element functions for selected industrial facilities in the Unites States for the wind and storm surge perils, respectively.

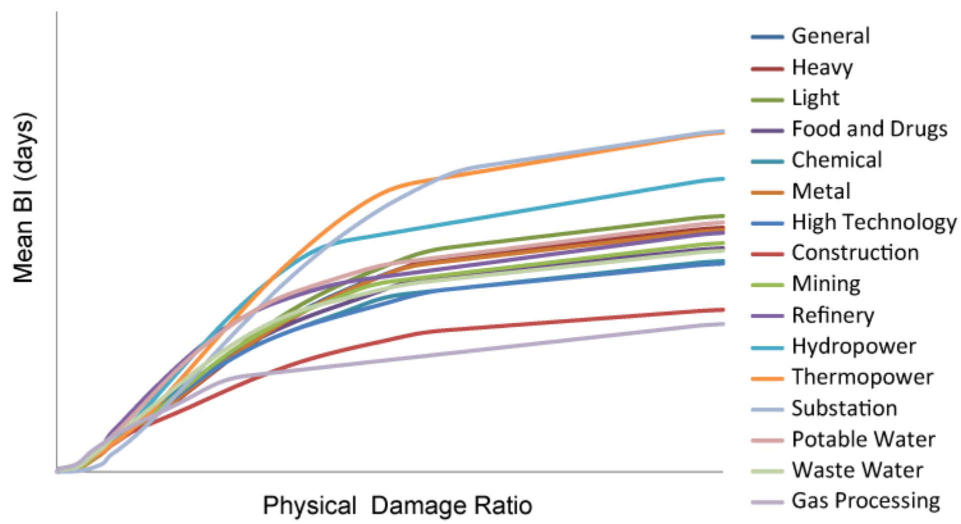


Figure 106. Time element functions for wind damage to industrial facilities

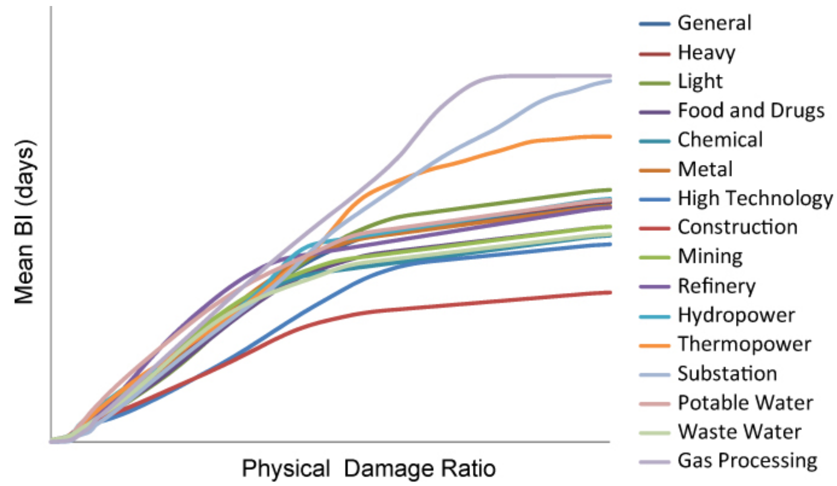


Figure 107. Time element functions for storm surge damage to industrial facilities

A partial correlation between components is utilized to assess modeled BI losses to industrial facilities. The analysis implicitly incorporates the numerous connections between components, lifelines, and product chains. The high degree of site-specific connectivity and the complexity of the product chains that exist at most plants make the estimation of downtime for industrial facilities a challenge. It is a many-faceted calculation involving numerous operations, including evaluations of onsite process interactions, bottlenecks and redundancies, offsite interdependencies, and revenue generators. Downtime estimation is accomplished by building a "network model" that constructs a simulation of the many interconnections between components, processes, lifelines, and product chains, and accounts for components to be idle even if undamaged or already fixed in the event that other components or lifelines remain down.

6 Insured Loss Calculation

The AIR Hurricane Model for the United States uses a comprehensive cost model to estimate the repair cost of each damaged component in order to translate ground-up damage into monetary losses. Insured losses are calculated by applying policy conditions to the damage estimates. A wide variety of policy conditions are supported in this model, including franchise deductibles, coverage limits, loss triggers, and risk-specific reinsurance terms.

6.1 Aggregating Losses Probabilistically

Post-disaster surveys and actual claims data reveal an inherent variability in the damage that results from a given wind speed and storm surge depth. Loss estimates generated by the AIR Hurricane Model for the United States capture this variability by accounting for both primary and secondary uncertainty. Primary uncertainty derives from the uncertainty associated with the stochastic event generation process, while secondary uncertainty describes the uncertainty in damage resulting from a given event. This secondary uncertainty captures the uncertainty in damage and in the local intensity estimation. The uncertainty in building damage arises due to a degree of inherent randomness in the response of buildings of similar construction to a given event intensity, resulting from variability in building characteristics, construction materials, workmanship, etc. The uncertainty in local intensity of the hazard can be attributed to unmodeled phenomena and local site factors.

As was discussed in Section 5, damage is calculated by damage functions that provide, for a given event intensity, a mean damage ratio (MDR) and a probability distribution around the mean that captures the variability in damage. For the AIR Hurricane Model for the United States, a truncated gamma distribution combined with empirically derived probabilities of 0% and 100% damage levels is used to model the uncertainty around the mean damage.

The damage functions are used to produce, for each event, a distribution of ground-up loss by location and coverage. Limits, deductibles, and reinsurance are applied in the financial module to the ground-up loss distribution to produce gross and net loss estimates. Note that insured losses can accumulate even if the mean damage ratio is below the deductible, because some structures are damaged above the mean damage ratio and the deductible. The distributions are applicable to the analysis of a single exposure and in this case usually have a high degree of uncertainty. The individual distributions are combined to obtain the portfolio distribution, where the uncertainty is lower.

In the financial module, there clearly is a need for aggregating losses probabilistically, at various levels. Specifically, computational techniques have been developed for statistically aggregating nonparametric distributions. That is, even though the ground-up, coverage-level damage distributions typically use parametric distributions, after the application of location and policy terms the distributions cannot be represented in a parametric way. Further aggregations of such loss distributions are achieved using numerical algorithms.

Convolution is the statistically correct way of deriving the probability distribution of the sum of multiple loss distributions. The probability density function of the convolution of two random variables F and G with density functions f(x) and g(x), respectively, is represented by the equation,

$$(f * g)(x) = \int_{-\infty}^{\infty} f(x-t)g(t)dt$$

where t is a dummy variable.

The AIR models employ an efficient and accurate numerical algorithm for "convolving" any number of nonparametric loss distributions. Extreme care has to be taken when combining distributions with differing size of loss. The technique used allows the correct representation of the shape of the loss distributions throughout the financial loss estimation process. Preserving the right shape is particularly important when insurance terms apply to the tails of the distributions.

The financial module within AIR's software applications allows for the application of a wide variety of location, policy, and reinsurance conditions. Location terms may be specified to include limits and deductibles by site or by coverage. Supported policy terms include blanket and excess layers, minimum and maximum deductibles, and sublimits. Reinsurance terms include facultative certificates and various types of risk-specific and aggregate treaties with occurrence and aggregate limits. Please see product-specific documentation available from the client support section of AIR's website (http://www.air-worldwide.com) as well as details on the industry standard UNICEDE data format (http://www.unicede.com) for additional information.

6.2 Demand Surge

Market forces generally ensure that the availability of materials and labor in any particular geographical area is sufficient to accommodate a normal level of demand without affecting price. However, demand can increase sharply and unexpectedly after a catastrophe, such as a significant hurricane or earthquake.

The resulting widespread property damage can cause a sharp increase in the need for building materials and labor, which in turn can cause prices to inflate temporarily. Demand for related services and resources, such as transportation, equipment, and storage, might also escalate in the affected area.

Scarce resources can also result in an increase in the time required to repair and rebuild damaged property, which may cause greater business interruption losses and additional living expenses. Infrastructure damage, delayed building-permit processes, and a shortage of available building inspectors also increase time-element loss. These factors can lead to insured losses exceeding expectations for a particular event and portfolio, a phenomenon known as demand surge. The greater and more widespread the damage from an event, the greater the resulting demand surge and insured losses will be.

AIR engineers and statisticians have developed a mathematical function that relates the amount of demand surge to the amount of modeled industry insurable losses from a particular event. This function was developed based on historical data, statistical analysis, economic time-series reviews, and analysis of construction-material and labor-cost data.

The demand surge function currently implemented in the AIR software systems is the result of over 15 years of research and refinement. AIR will continue to make improvements as new data becomes available. For details on the methodology used to develop the AIR demand surge function and its validation, please see the client-confidential technical document *AIR U.S. Demand Surge Function*, which is available on the AIR website.

6.3 Validating Modeled Losses

Perhaps the most distinguishing feature of the AIR Hurricane Model for the United States is the extent to which it has been validated using actual loss data. The model has a long and impressive record of providing reliable, credible loss estimates. The AIR model was estimating that losses from hurricanes in Florida had the potential to exceed USD 40 billion well before Hurricane Andrew; no other source was providing this type of information to the industry at that time. Just four hours after landfall, AIR issued an estimate that industry losses resulting from Andrew could reach USD 13 billion.

AIR has compiled an extensive database of over 20 years of claims data for historical U.S. hurricanes from several major client companies. Experts at AIR have collected and analyzed over USD 6 billion of detailed data in order to validate modeled losses. Further validation is undertaken after each damage survey, which AIR has conducted for every U.S. landfalling hurricane since Hurricane Hugo in 1989.

Comparison of Observed (PCS) and Modeled Losses

Figure 108 and Figure 109 compare the observed (PCS) and modeled losses for selected events. The modeled loss estimates compare well with the PCS losses. Note that in the following figures, the modeled losses are based on 2009 exposure data and the historical losses are normalized to 2009 values for inflation and exposure growth since the time of the actual event.

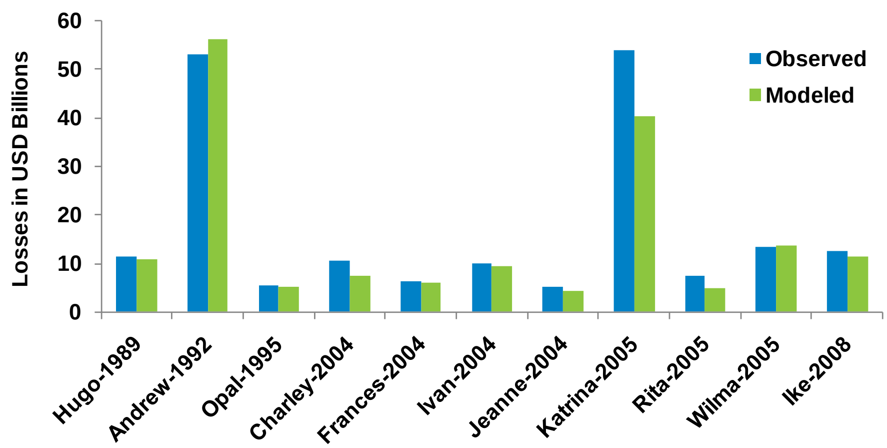


Figure 108. Observed (PCS) and modeled losses for selected events

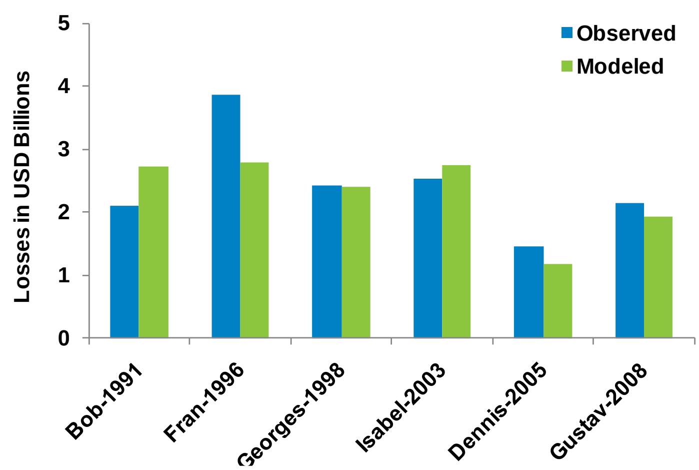


Figure 109. Observed (PCS) and modeled losses for selected events

Figure 110 compares actual loss data from clients and modeled losses for selected events. All losses are multiplied by a constant factor to disguise the identity of the companies whose data was used.

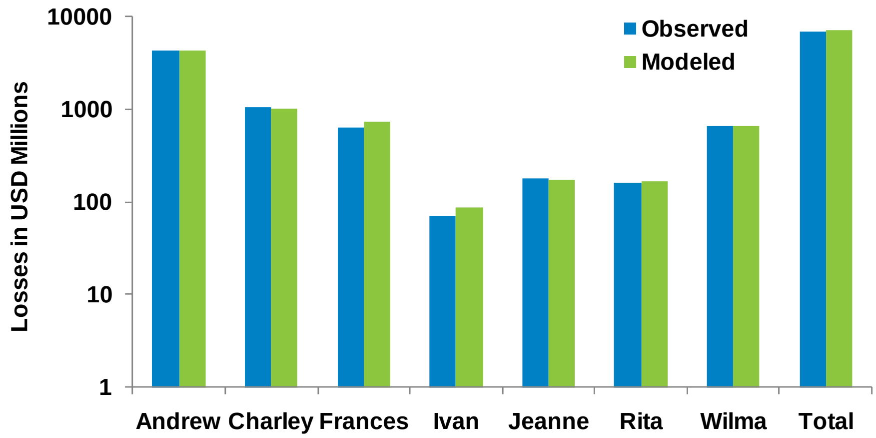


Figure 110. Observed and modeled losses for selected events

Figure 111 through Figure 114 compare actual and modeled insured loss data, obtained from three different insurance companies (A, B, and C) for four hurricanes (Charley, Francis, Ivan, and Jean) for various residential coverages. All losses are multiplied by a constant factor and are provided in event-year currency. Again, actual and simulated losses compare well.

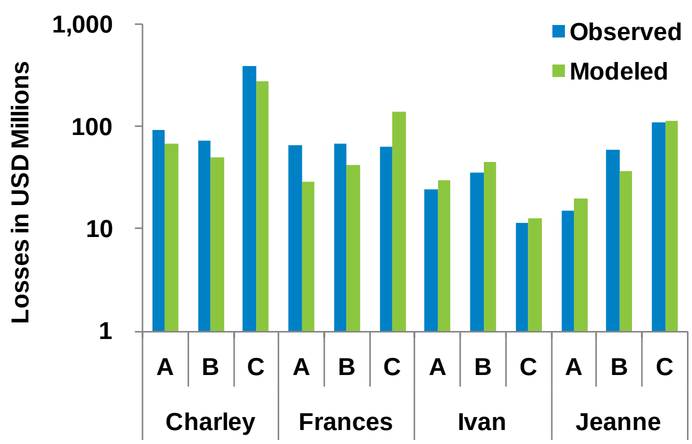


Figure 111. Observed and modeled losses from four hurricanes based on data from three companies, total residential coverage

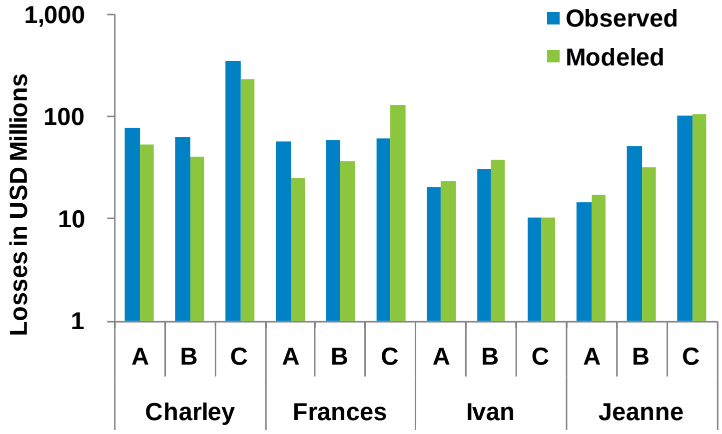


Figure 112. Observed and modeled losses from four hurricanes based on data from three companies, residential building coverage

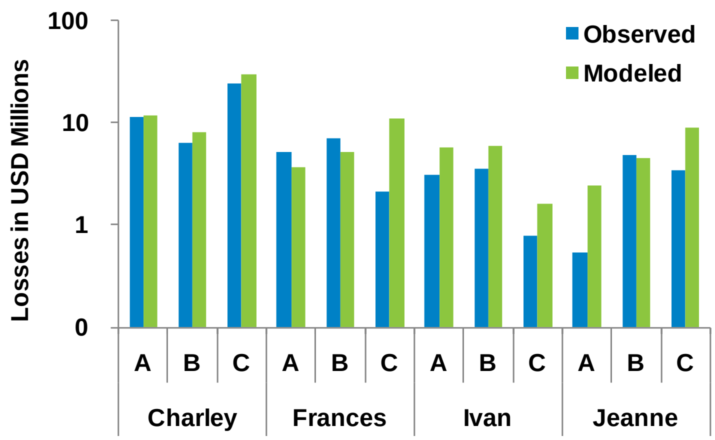


Figure 113. Observed and modeled losses from four hurricanes based on data from three companies, residential contents coverage

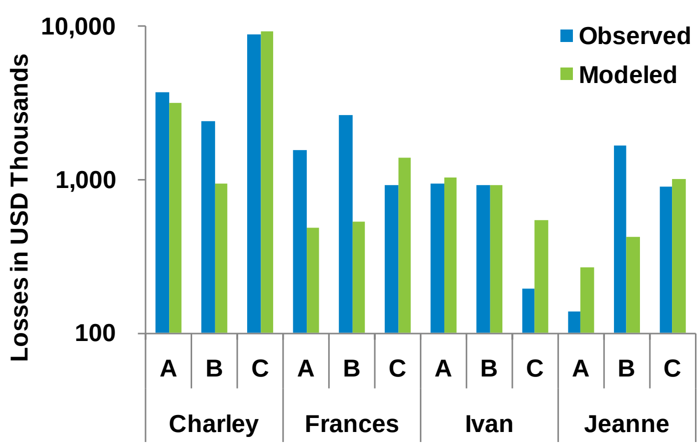


Figure 114. Observed and modeled losses from four hurricanes based on data from three companies, residential additional living expenses (ALE) coverage

Figure 115 compares actual and modeled commercial loss data, obtained from three different insurance companies (X, Y, and Z). All losses were multiplied by a constant factor and are presented in event-year currency.

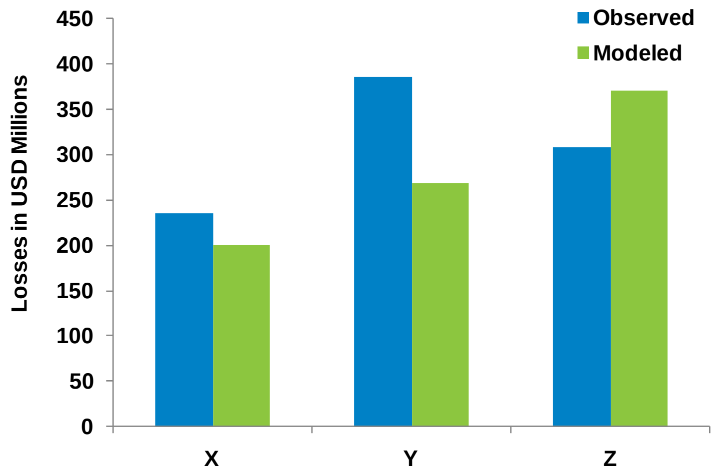


Figure 115. Observed and modeled losses based on data from three companies, total commercial coverage

Figure 116 compares actual and modeled losses for the commercial line of business, by coverage. The modeled losses compare well to the actual loss data.

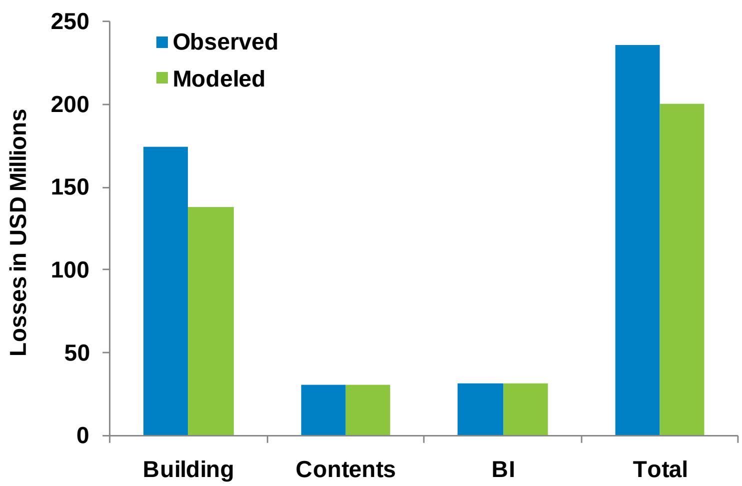


Figure 116. Observed and modeled commercial losses by coverage

Figure 117 compares actual and modeled commercial losses for selected historical events.

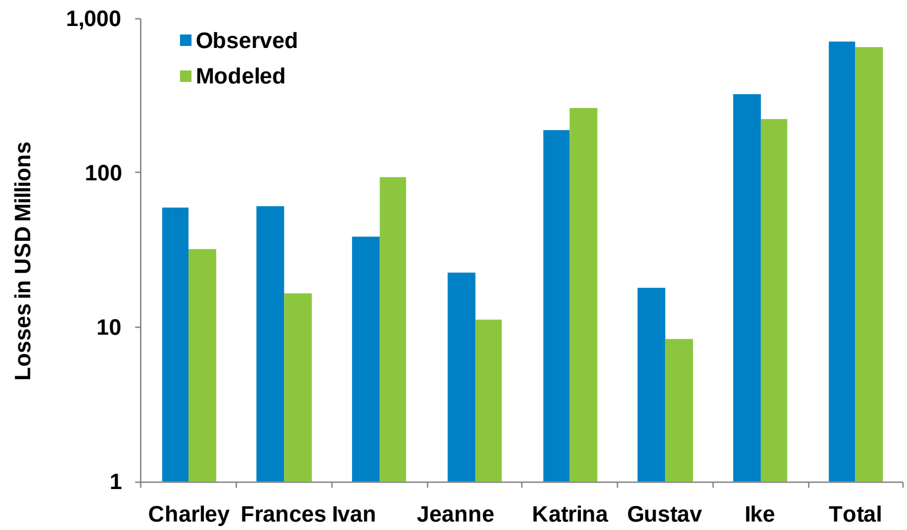


Figure 117. Observed and modeled commercial losses for selected events

Figure 118 compares actual and modeled losses for Hurricane Ike by line of business. Again, AIR's modeled loss estimates compare well to historical losses.

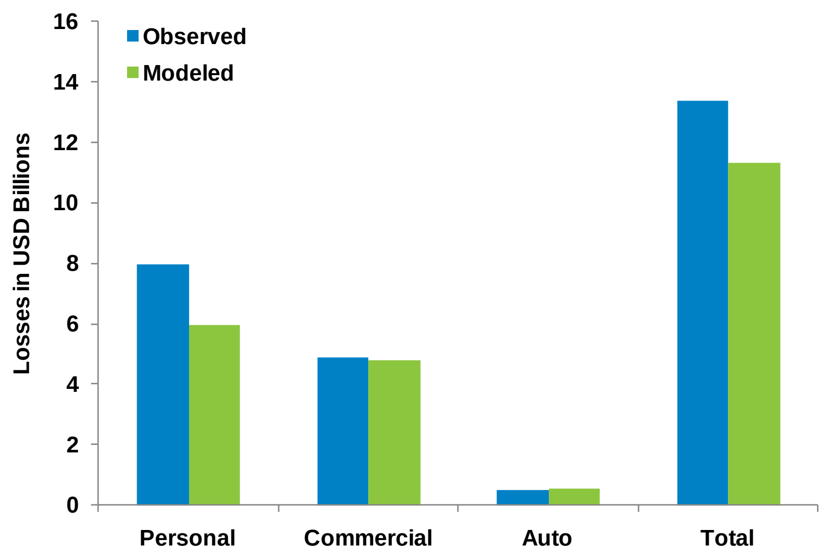


Figure 118. Observed (PCS) and modeled losses for Hurricane Ike (2008) by line of business

Figure 119 compares actual and modeled losses for Hurricane Ike for selected states. AIR's modeled loss estimates compare well to historical losses.

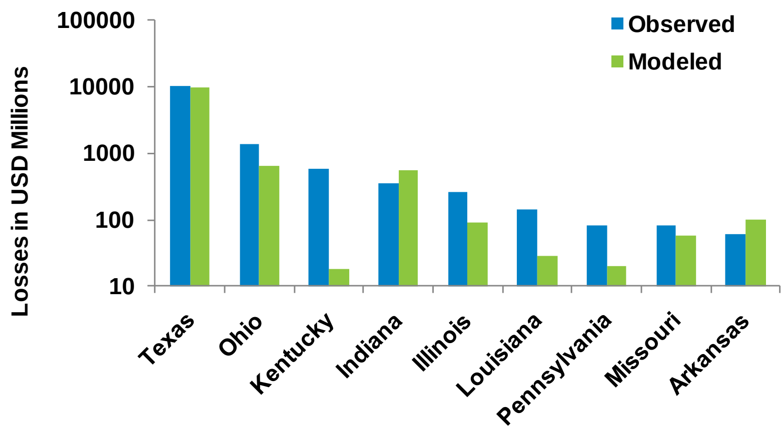


Figure 119. Observed (PCS) and modeled losses for Hurricane Ike (2008) by State

Figure 120 compares AIR modeled losses to trended observed (PCS) losses for a range of historical events, on a log-log scale. Note that the modeled losses compare well to the trended observed losses; most data points fall close to the *y*=*x* line (shown in the figure) that indicates complete agreement between the modeled and observed values. Note, however, that for some historical events, reported losses include losses not covered by the AIR model, such as losses associated with levee failure and clean-up costs. For this reason, some variation in reported losses compared to modeled losses is expected.

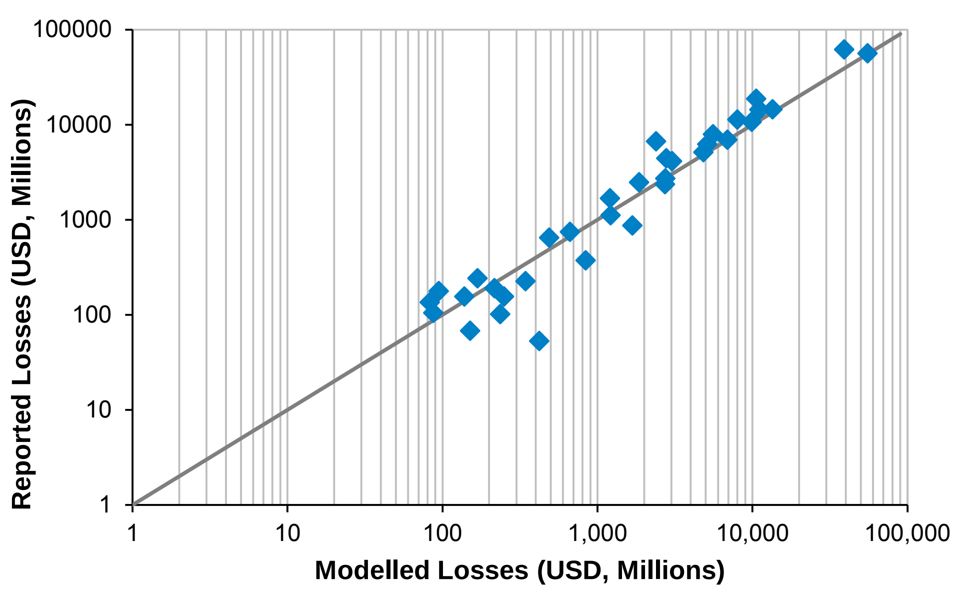


Figure 120. Observed losses (PCS; trended to 2011) and AIR modeled losses for selected historical events, 1989-2009 (log-log plot)

Figure 121 compares AIR modeled losses to trended observed (PCS) losses for a range of historical events, by line of business. Note the good agreement between the modeled losses and the trended observed losses. However, as noted above, the reported losses obtained from PCS included losses that are not modeled by AIR; therefore, reported losses may plot above the *y*=*x* line in Figure 120.

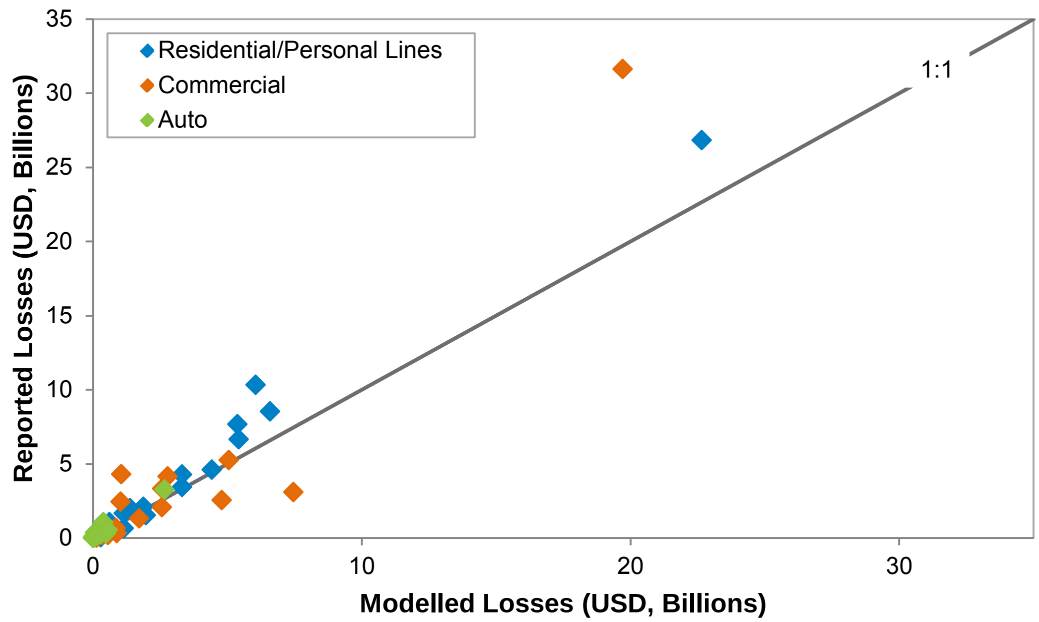


Figure 121. Observed (PCS; trended to 2011) losses and AIR modeled losses, by line of business, for selected historical events, 1998-2008.

Comparison of Estimated Historical Losses and the Stochastic Exceedance Probability Curve

Figure 122 shows the historical loss distribution for hurricanes in the United States and the AIR exceedance probability curve. Note the good agreement between the historical losses and the EP curve.

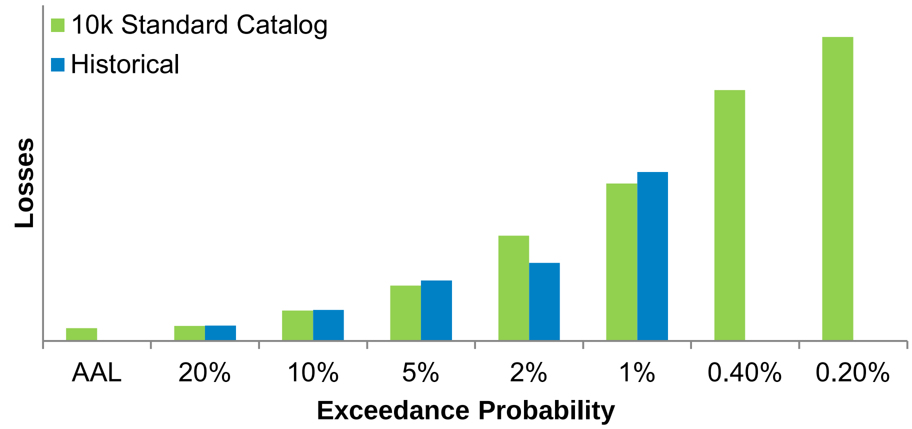


Figure 122. Historical loss distribution for U.S. hurricanes (blue) and the AIR exceedance probability curve (green)

Comparison of Estimated Historical AAL and Stochastic AAL

Figure 123 shows the industry average annual loss (AAL) generated by the AIR Hurricane Model for the United States, as well as the estimated (modeled) AAL for historical events. While the estimated AAL for historical events shows notable variation from year to year (blue solid line), examining these losses over a longer time period, such 1900-2009, yields a more stable AAL estimate (dashed blue line). The estimated AAL of historical events (1900-2009) of approximately USD 9 billion compares well to the AAL of USD 11.3 billion and USD 12.8 billion yielded by the AIR standard 10,000-year stochastic catalog, and the AIR WSST catalog, respectively.

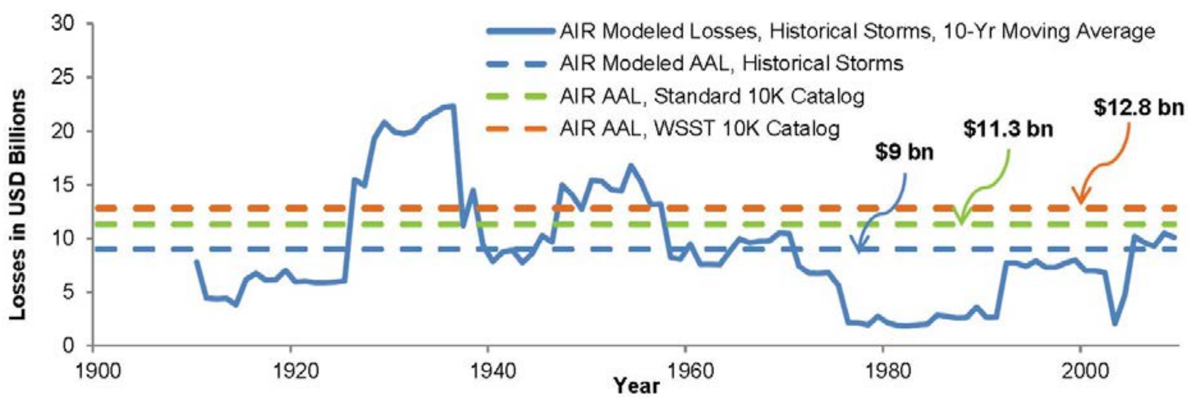


Figure 123. Estimated AAL for historical storms occurring between 1900 and 2009 and the modeled AAL from the standard and WSST catalogs

Comparison of Observed (PCS) and Modeled (AIR ALERT) Losses for Events in Real Time

Figure 124 compares modeled loss estimates produced by AIR in real time (ALERT losses) to the actual losses reported by PCS, for selected historical events. The ALERT losses compare well to the observed (PCS) losses. In addition, note that the AIR loss estimates do not appear biased; for some events, losses were overestimated, while for others, losses were underestimated.

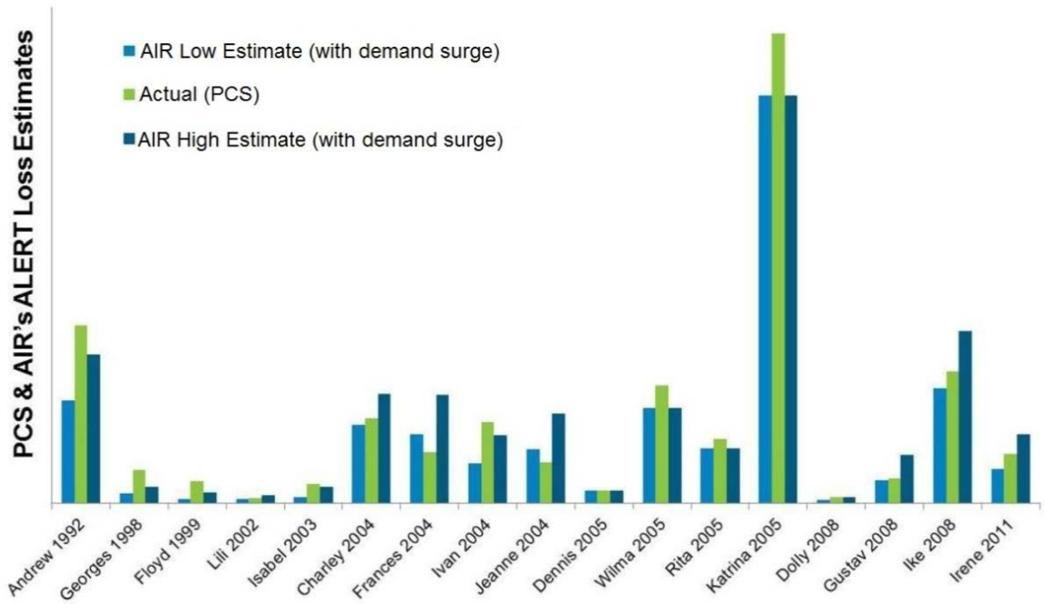


Figure 124. Observed (PCS) losses and AIR ALERT losses (low and high) for selected historical hurricanes (1992-2011)

7 Selected References

The following reference materials have been used in the development and refinement of the AIR Hurricane Model for the United States.

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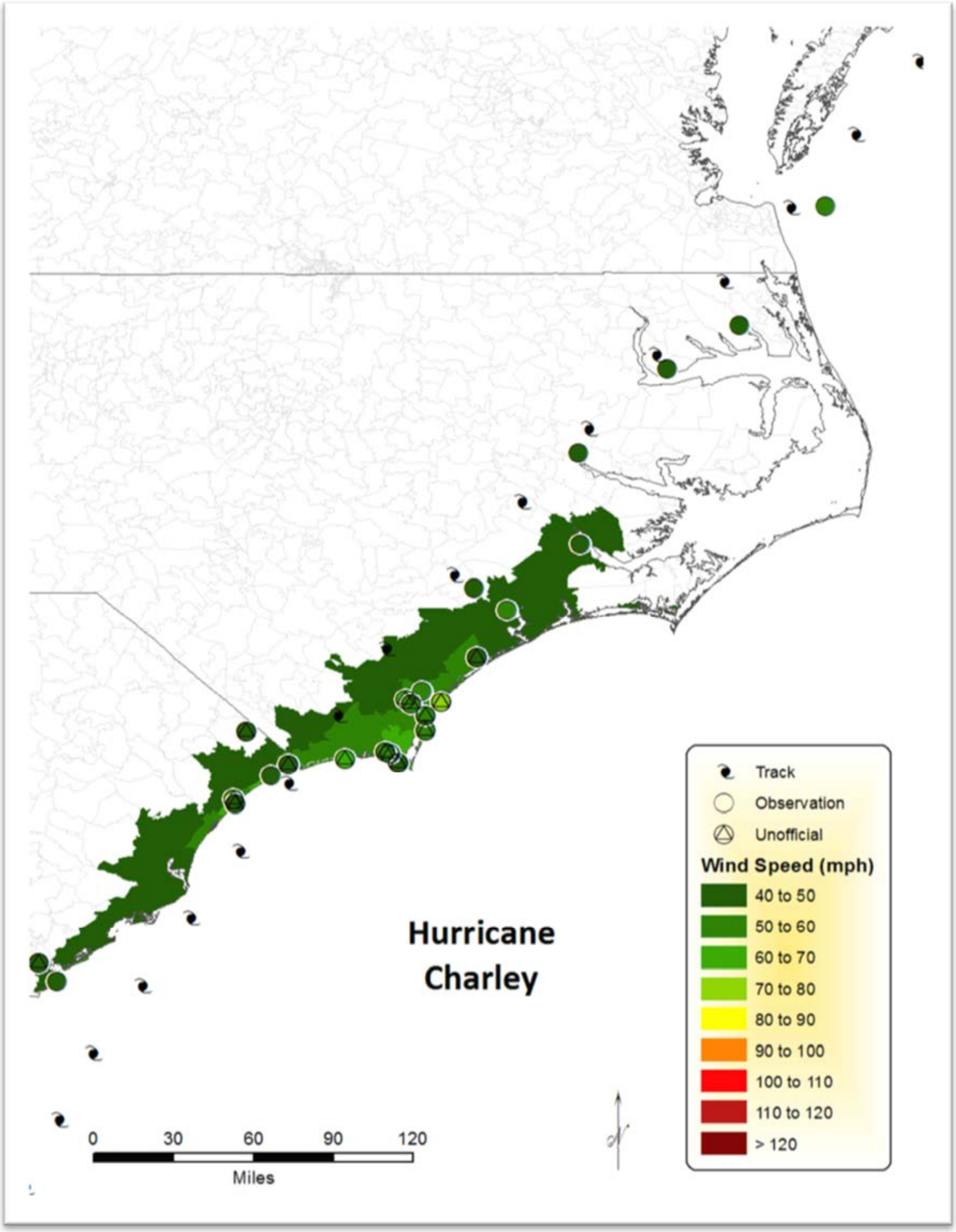
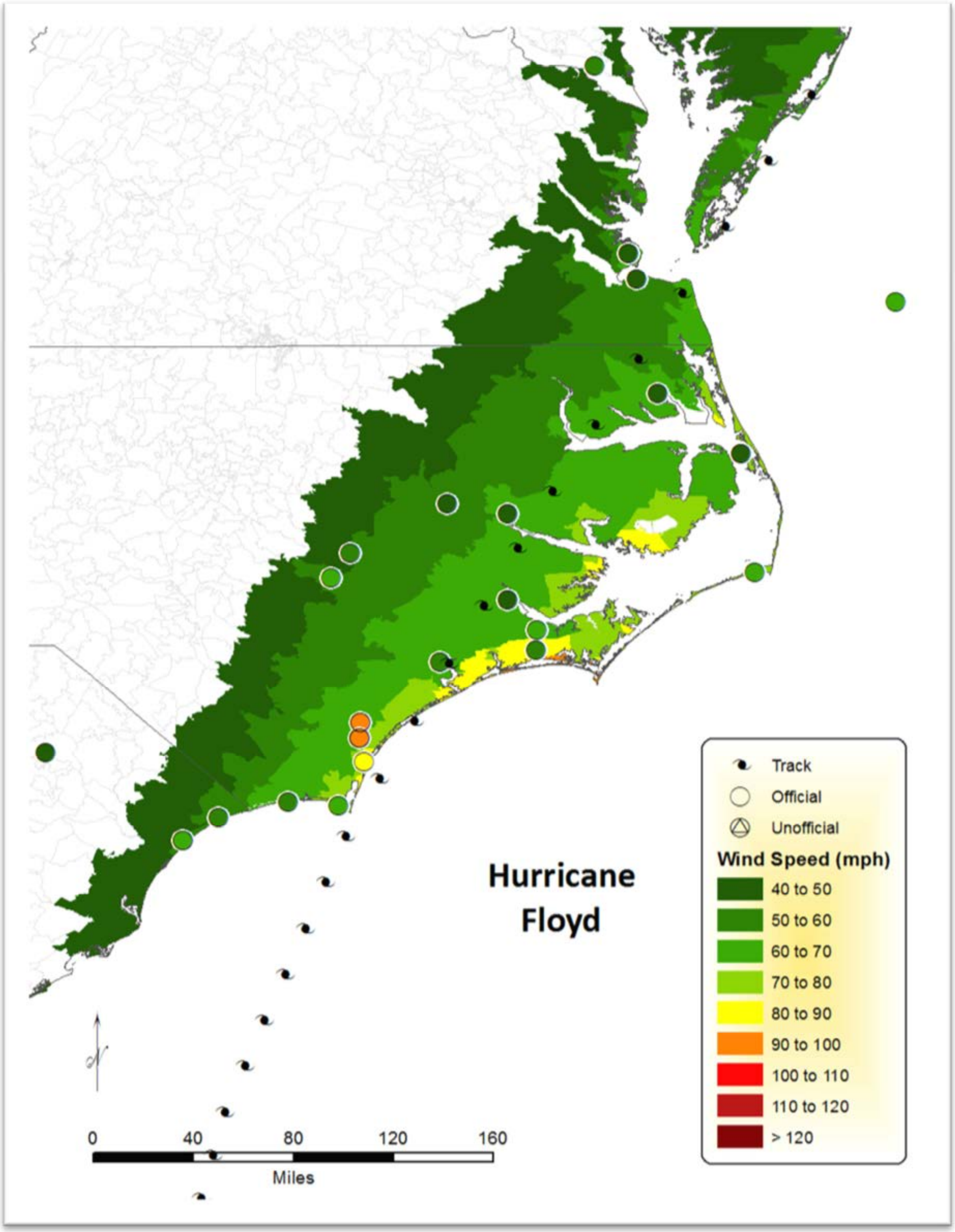
8 About AIR Worldwide

AIR Worldwide (AIR) is the scientific leader and most respected provider of risk modeling software and consulting services. AIR founded the catastrophe modeling industry in 1987 and today models the risk from natural catastrophes and terrorism in more than 90 countries. More than 400 insurance, reinsurance, financial, corporate, and government clients rely on AIR software and services for catastrophe risk management, insurance-linked securities, detailed site-specific wind and seismic engineering analyses, and agricultural risk management. AIR is a member of the Verisk Insurance Solutions group at Verisk Analytics (Nasdaq:VRSK) and is headquartered in Boston with additional offices in North America, Europe, and Asia. For more information, please visit www.air-worldwide.com.

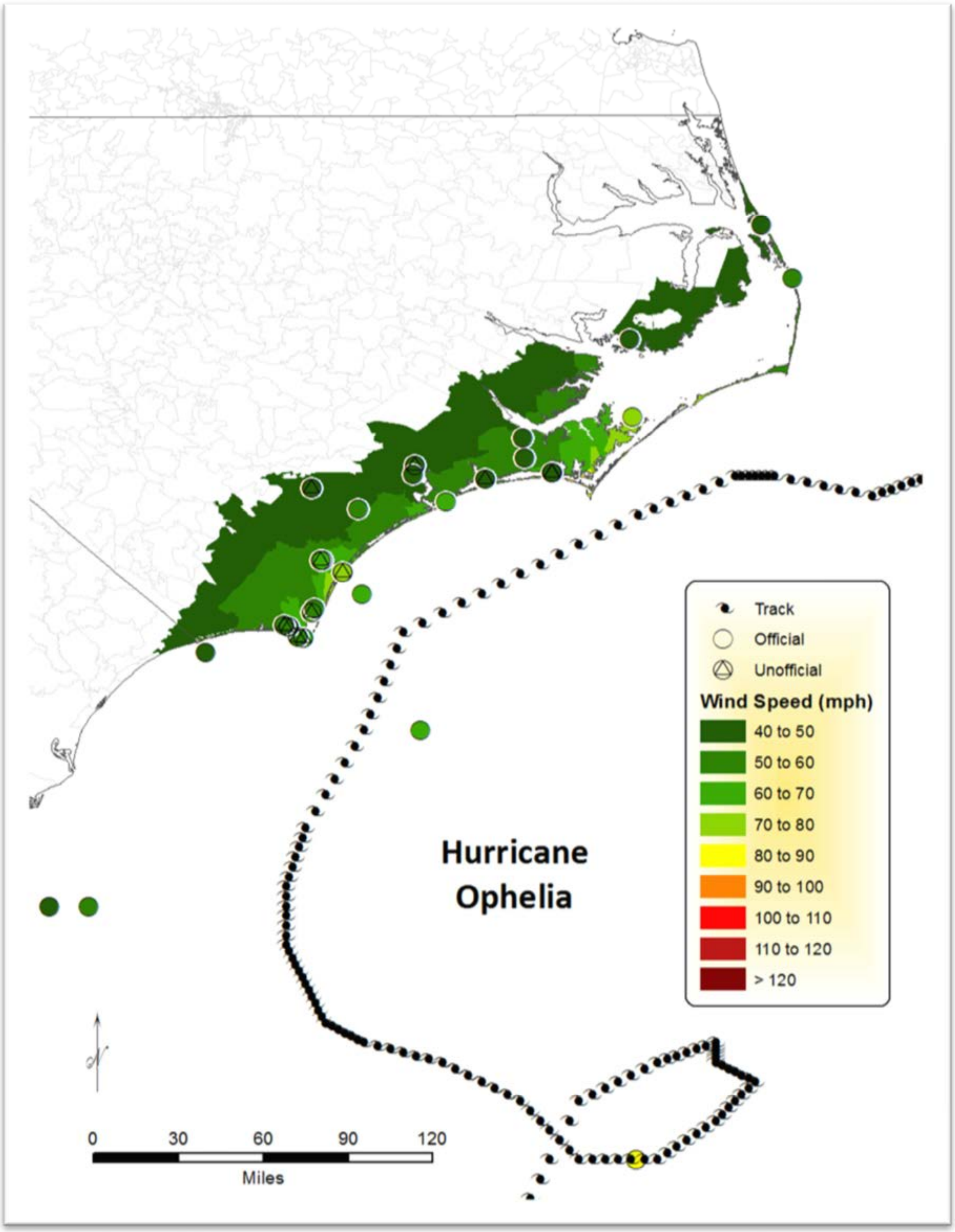
Exhibit RB-6D



Modeled and observed wind speeds from Hurricane Charley (2004)

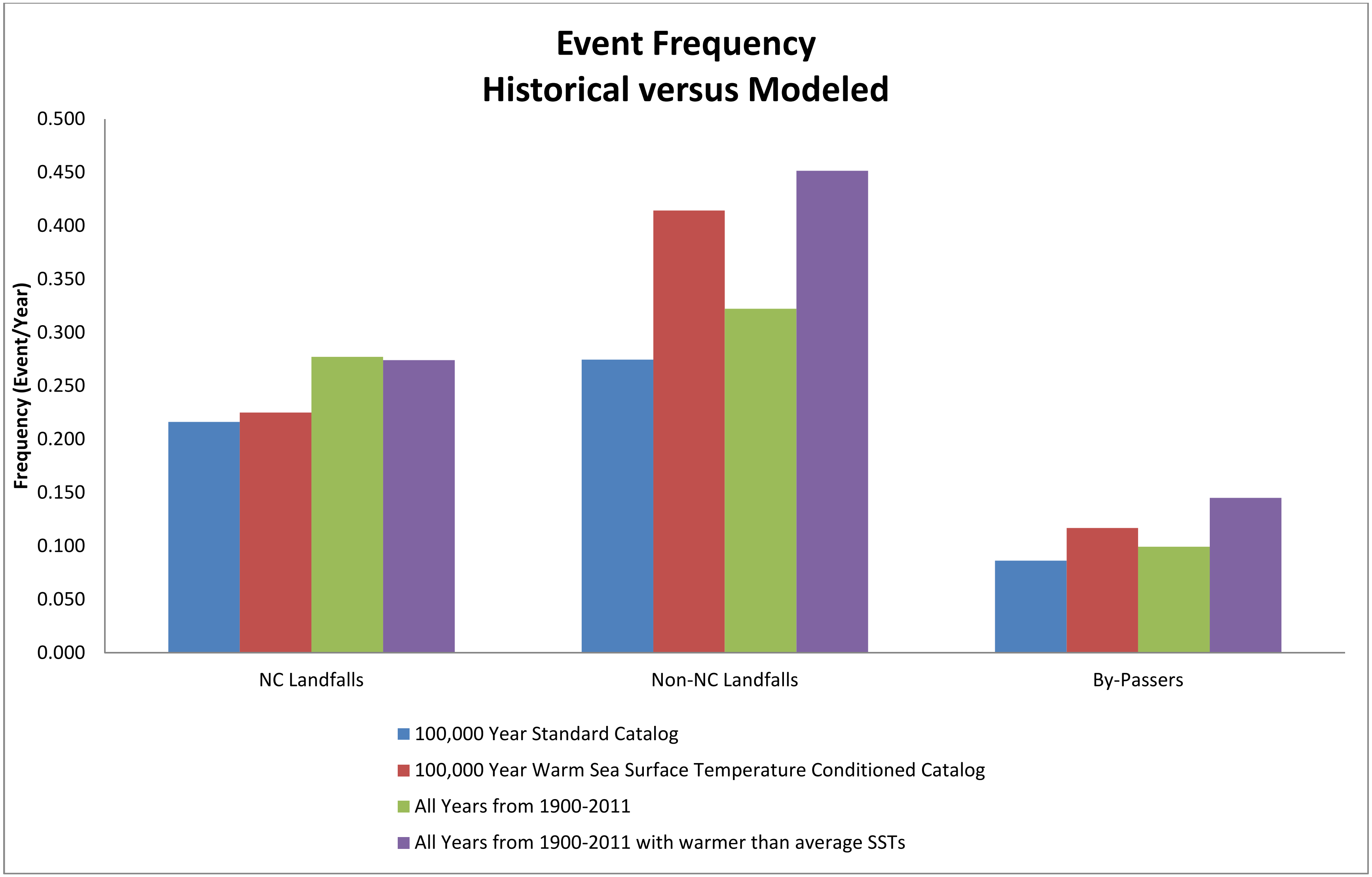


Modeled and observed wind speeds for Hurricane Floyd (1999)



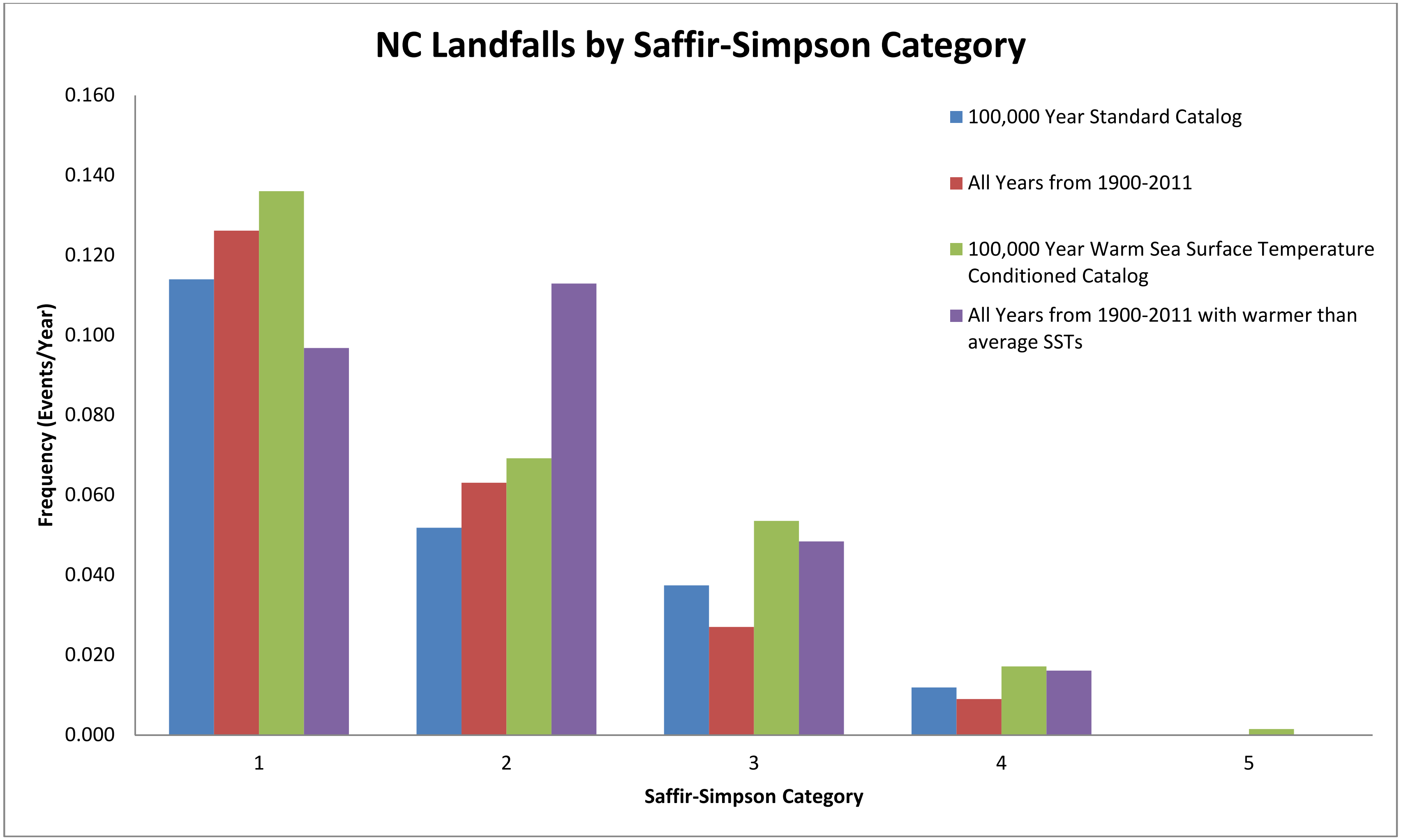
Modeled and observed wind speeds for Hurricane Ophelia (2005)

Exhibit RB-6E



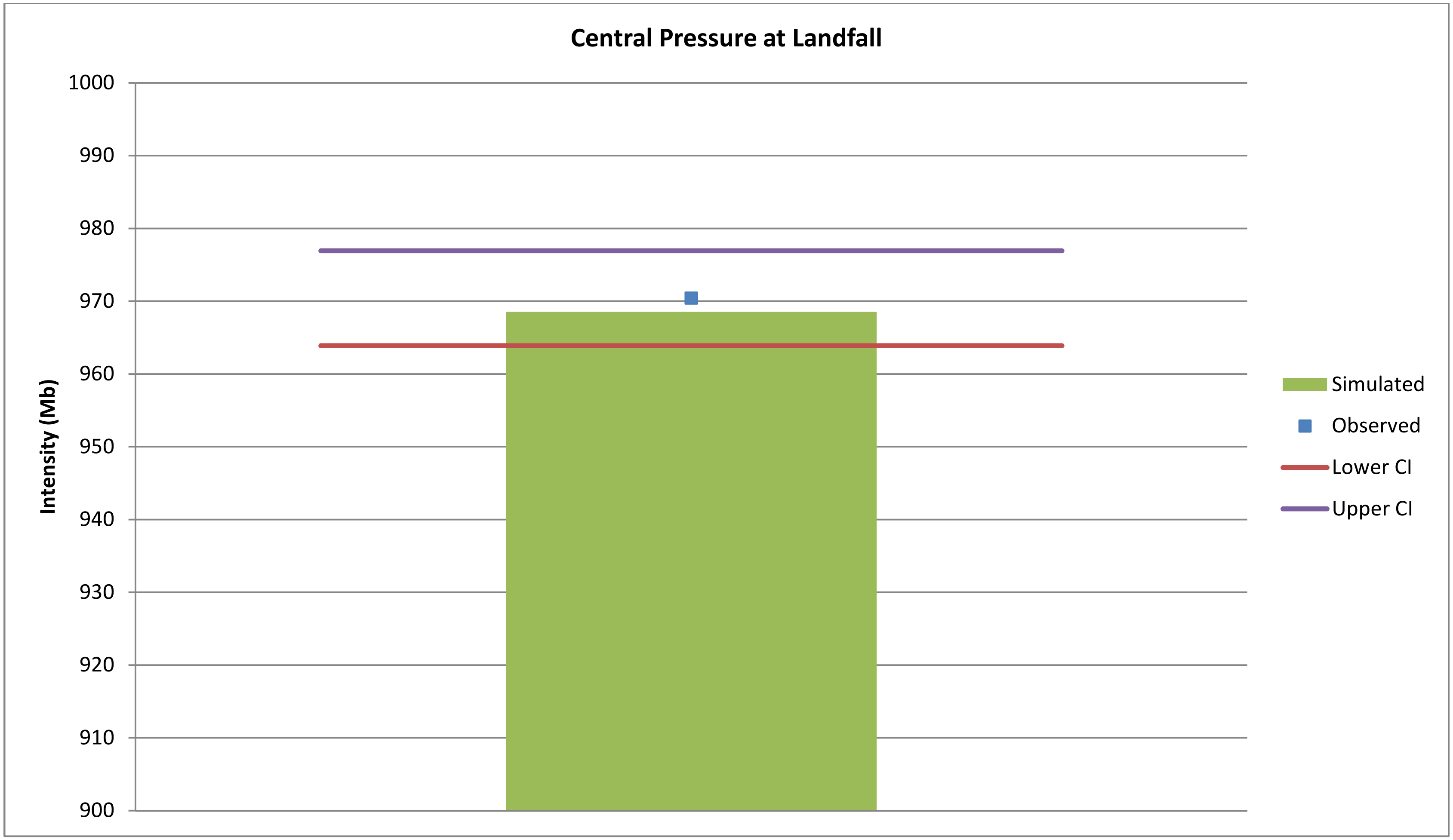
Comparison of the frequency of events of different types which impact North Carolina in AIR's stochastic catalogs and the historical record

Exhibit RB-6F



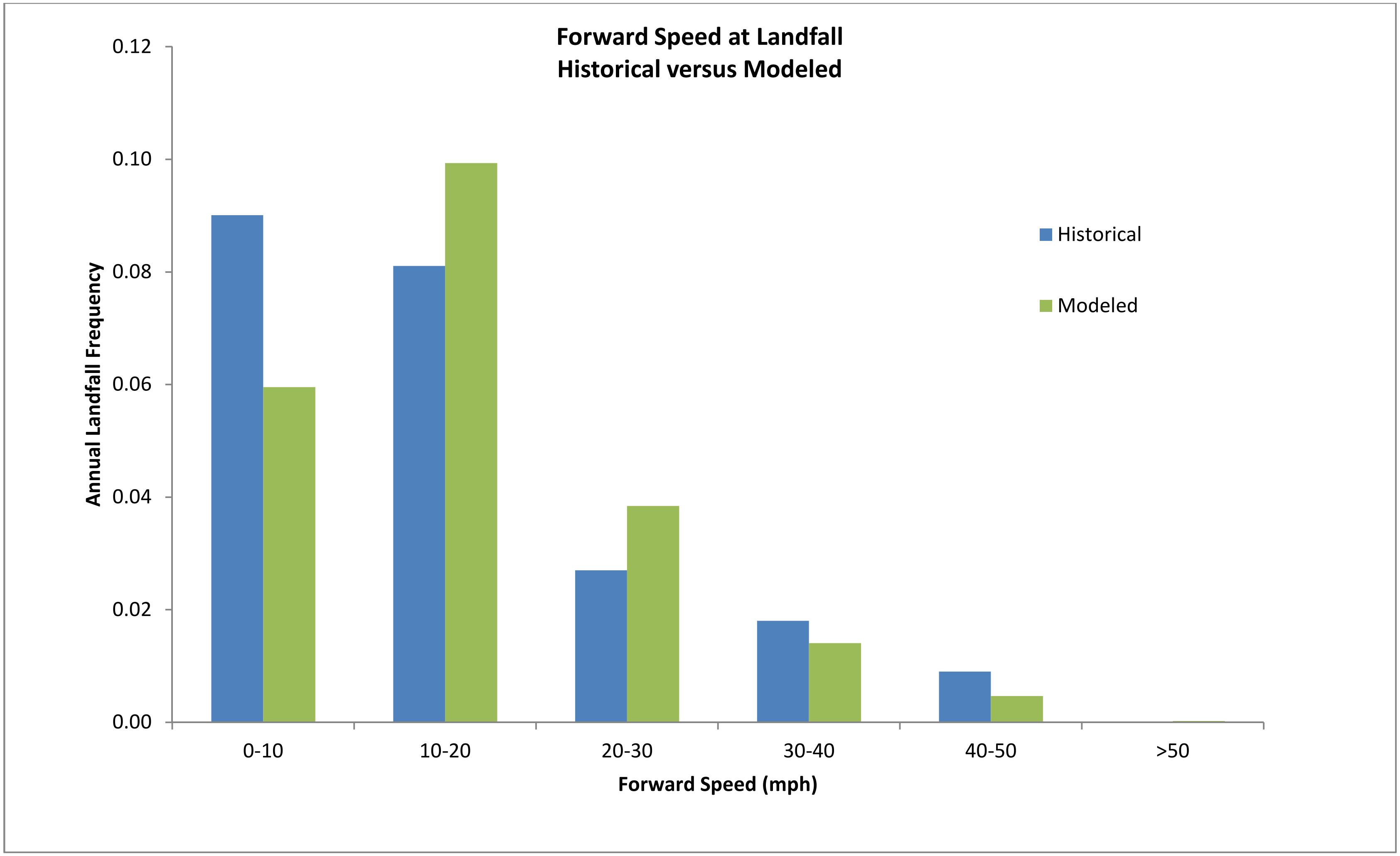
Comparison of the frequency of events of different Saffir-Simpson categories, which make landfall in North Carolina in AIR's stochastic catalogs and the historical record

Exhibit RB-6G



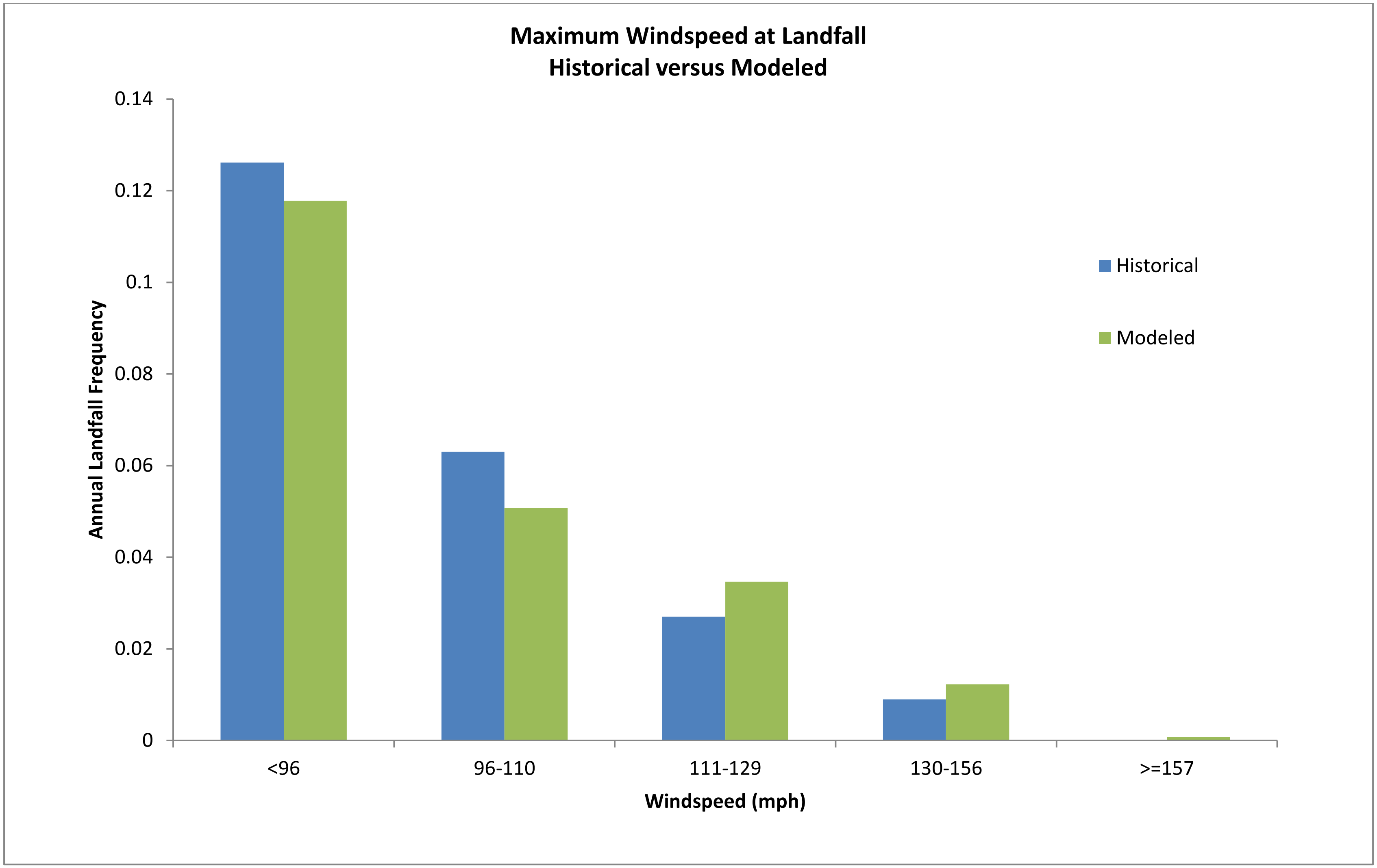
Comparison of historical and modeled central pressure for events which make landfall in North Carolina in AIR's standard stochastic catalog and the historical period from 1900-2011

Exhibit RB-6H



Comparison of historical and modeled forward speed bands for events which make landfall in North Carolina in AIR's standard stochastic catalog and the historical period from 1900-2011

Exhibit RB-6I



Comparison of maximum wind speed at landfall for events in AIR's Standard Modeled Stochastic Catalog and the historical record for all events which make landfall in North Carolina.

PREFILED TESTIMONY
OF
JAMES H. VANDER WEIDE

2013 HOMEOWNERS INSURANCE RATE FILING
BY THE NORTH CAROLINA RATE BUREAU

Q. WHAT IS YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS?

A. My name is James H. Vander Weide. I am Research Professor of Finance and Economics at Duke University, the Fuqua School of Business. I am also President of Financial Strategy Associates, a firm that provides strategic and financial consulting services to corporate clients. My business address is 3606 Stoneybrook Drive, Durham, North Carolina.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PRIOR ACADEMIC EXPERIENCE.

A. I graduated from Cornell University with a Bachelor's Degree in Economics and then attended Northwestern University where I earned a Ph.D. in Finance. I joined the faculty of the School of Business at Duke University where I was subsequently named Assistant Professor, Associate Professor, Professor, and Research Professor. I have published research in the areas of finance and economics and taught courses in these fields at Duke for more than thirty-five years. I am now retired from my teaching duties at Duke.

I have taught courses in corporate finance, investment management, and management of financial institutions. I also taught a graduate seminar on the theory of public utility pricing and lectured in executive development seminars on the cost of capital, financial analysis, capital budgeting, mergers and acquisitions, cash management, short-run financial planning, and competitive strategy.

I have served as Program Director and taught in numerous executive education programs at Duke, including the Duke Advanced Management Program, the Duke Management Challenge, the Duke Executive Program in Telecommunications, Competitive Strategies in Telecommunications, and the Duke Program for Manager Development for managers from the former Soviet Union. I have also taught in tailored programs developed for corporations such as ABB, Accenture, Allstate, AT&T, Progress Energy, GlaxoSmithKline, Lafarge, MidAmerican Energy, Norfolk Southern, The Rank Group, Siemens, TRW, and Wolseley PLC.

In addition to my teaching and executive education activities, I have written research papers on such topics as portfolio management, the cost of capital, capital budgeting, the effect of regulation on the performance of public utilities, and cash management. My articles have been published in *American Economic Review, Financial Management, International Journal of Industrial Organization, Journal of Finance, Journal of Financial and Quantitative Analysis, Journal of Bank Research, Journal of Accounting Research, Journal of Cash Management, Management Science, The Journal of Portfolio Management, Atlantic Economic Journal, Journal of Economics and Business,* and *Computers and Operations Research.* I have written a book titled *Managing Corporate Liquidity: an Introduction to Working Capital Management*, a chapter for *The Handbook of Modern Finance*, "Financial Management in the Short Run," and a chapter for the book, *The Handbook of Portfolio Construction: Contemporary Applications of Markowitz Techniques,* "Principles for Lifetime Portfolio Selection: Lessons from Portfolio Theory."

Q. HAVE YOU PREVIOUSLY PRESENTED EVIDENCE ON THE COST OF CAPITAL AND OTHER REGULATORY ISSUES?

A. Yes. As an expert on financial and economic theory and practice, I have participated in more than four hundred regulatory and legal proceedings before the U.S. Congress, the Canadian Radio-Television and Telecommunications Commission, the Federal Communications Commission, the National Telecommunications and Information Administration, the Federal Energy Regulatory Commission, the National Energy Board (Canada), the public utility commissions of forty-three states and four Canadian provinces, the insurance commissions of five states, the Iowa State Board of Tax Review, the National Association of Securities Dealers, and the North Carolina Property Tax Commission. In addition, I have prepared expert testimony in proceedings before the U.S. Tax Court, the U.S. District Court for the District of Nebraska; the U.S. District Court for the District of New Hampshire; the U.S. District Court for the District of Northern Illinois; the U.S. District Court for the Eastern District of North Carolina; the Montana Second Judicial District Court, Silver Bow County; the U.S. District Court for the Northern District of California; the Superior Court, North Carolina; the U.S. Bankruptcy Court for the Southern District of West Virginia; and the U. S. District Court for the Eastern District of Michigan.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I have been asked by the North Carolina Rate Bureau to make an independent appraisal of the aggregate cost of equity capital for the companies writing homeowners insurance in North Carolina and to recommend a rate of return on equity that is fair, that allows those companies in the aggregate to attract and retain capital on reasonable terms, that is commensurate with returns on investments of comparable risk, and that maintains the financial integrity of those companies in the aggregate.

Q. WHAT DO YOU MEAN BY THE PHRASE “COST OF EQUITY CAPITAL?”

A. A firm's cost of equity capital is the rate of return expectation that is required in the marketplace on equity investments of comparable risk. If an investor does not expect to earn a return on an equity investment in a firm that is at least as large as the return the investor could expect to earn on other investments of comparable risk, then the investor will not invest in that firm’s shares. Thus, a firm’s cost of equity capital is also the rate of return expectation that is required in the marketplace in order to induce equity investors to purchase shares in that firm.

Q. IS THE COST OF EQUITY CAPITAL THE SAME AS THE RETURN ON EQUITY?

A. No. The cost of equity capital is a market-based concept that reflects investors' future expectations, while the return on equity is an accounting concept that measures results of past performance. The return on equity is equal to income available for common equity divided by the book value of common equity.

Q. HAVE YOU FORMED AN OPINION REGARDING THE COST OF EQUITY CAPITAL FOR THE AVERAGE COMPANY WRITING HOMEOWNERS INSURANCE IN NORTH CAROLINA?

A. Yes.

Q. WHAT IS YOUR OPINION IN THAT REGARD?

A. The cost of equity capital for such a company is in the range 9.1 percent to 12.8 percent.

Q. WHAT ECONOMIC PRINCIPLES DID YOU CONSIDER IN ARRIVING AT THAT OPINION?

A. There are two primary economic principles relevant to my appraisal of the cost of equity capital. The first, relating to the demand for capital, states that a firm should continue to invest in its business only so long as the return on its investment is greater than or equal to its cost of capital. In the context of a regulated firm, this principle suggests that the regulatory agency should establish revenue levels which will offer the firm an opportunity to earn a return on its investment that is at least equal to its cost of capital.

The second principle, relating to the supply of capital, states that rational investors are maximizing their total return on capital only if the returns they expect to receive on investments of comparable risk are equal. If these returns are not equal, rational investors will reduce or completely eliminate investments in those activities yielding lower expected returns for a given level of risk and will increase investments in those activities yielding higher expected returns. The second principle implies that regulated firms will be unable to obtain the capital required to expand service on reasonable terms unless they are able to provide investors returns equal to those expected on investments of comparable risk.

Q. DO THESE ECONOMIC PRINCIPLES APPLY TO THE SETTING OF INSURANCE RATES?

A. Yes. These are general economic principles that apply to investing in any business activity, including insurance.

Q. HOW DID YOU GO ABOUT DETERMINING THE COST OF EQUITY CAPITAL FOR THE AVERAGE COMPANY WRITING HOMEOWNERS INSURANCE IN NORTH CAROLINA?

A. I used two generally accepted methods to estimate the cost of equity: (i) the Discounted Cash Flow (DCF) Model, and (ii) the Risk Premium Approach.

Q. PLEASE DESCRIBE THE DCF MODEL.

A. The DCF Model suggests that investors value an asset on the basis of the future cash flows they expect to receive from owning the asset. Thus, investors value an investment in a bond because they expect to receive a sequence of semi-annual coupon payments over the life of the bond and a terminal payment equal to the bond's face value at the time the bond matures. Likewise, investors value an investment in a firm's stock because they expect to receive a sequence of dividend payments and, perhaps, expect to sell the stock at a higher price sometime in the future.

A second fundamental principle of the DCF approach is that investors value a dollar received in the future less than a dollar received today. This is because, if they had the dollar today, they could invest it in an interest earning account and increase their wealth. This principle is called the time value of money.

Applying the two fundamental DCF principles noted above to an investment in a bond suggests that investors should value their investment in the bond on the basis of the present value of the bond's future cash flows. Thus, the price of the bond should be equal to:

Equation 1

$$P_B = \frac{C}{(1 + i)} + \frac{C}{(1 + i)^2} + \ldots + \frac{C + F}{(1 + i)^n}$$

where:

P_B	=	Bond price;
C	=	Cash value of the coupon payment (assumed for notational convenience to occur annually rather than semi-annually);
F	=	Face value of the bond;
i	=	The rate of interest the investor could earn by investing his money in an alternative bond of equal risk; and
n	=	The number of periods before the bond matures.

Applying these same principles to an investment in a firm's stock suggests that the price of the stock should be equal to:

Equation 2

$$P_S = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \ldots + \frac{D_n + P_n}{(1+k)^n}$$

where:

P_S	=	Current price of the firm's stock;
$D_1, D_2 \ldots D_n$	=	Expected annual dividend per share on the firm's stock;
P_n	=	Price per share of stock at the time the investor expects to sell the stock; and
k	=	Return the investor expects to earn on alternative investments of the same risk, i.e., the investor's required rate of return.

Equation (2) is frequently called the Annual Discounted Cash Flow (DCF) Model of stock valuation.

Q. HOW DO YOU USE THE DCF MODEL TO DETERMINE THE COST OF EQUITY CAPITAL?

A. The “k” in the equation is the cost of equity capital. We make certain simplifying assumptions regarding the other factors in the equation and then mathematically solve for “k.”

Q. WHAT ARE THE ASSUMPTIONS YOU MAKE?

A. Most analysts make three simplifying assumptions. First, they assume that dividends are expected to grow at the constant rate (“g”) into the indefinite future. Second, they assume that the stock price at time “n” is simply the present value of all dividends expected in periods subsequent to “n.” Third, they assume that the investors' required rate of return, “k,” exceeds the expected dividend growth rate, “g.”

Q. DOES THE ANNUAL DCF MODEL OF STOCK VALUATION PRODUCE APPROPRIATE ESTIMATES OF A FIRM'S COST OF EQUITY CAPITAL?

A. No. The Annual DCF Model of stock valuation produces appropriate estimates of a firm's cost of equity capital only if the firm pays dividends just once a year. Since most firms pay dividends quarterly, the Annual DCF Model produces downwardly biased estimates of the cost of equity. Investors can expect to earn a higher annual effective return on an investment in a firm that pays quarterly dividends than in one which pays the same amount of dollar dividends once at the end of each year. A complete analysis of the implications of the quarterly payment of dividends on the DCF Model is provided in Exhibit RB-10. For the reasons cited there, I employed the Quarterly DCF Model throughout my calculations.

Q. PLEASE DESCRIBE THE QUARTERLY DCF MODEL YOU USED.

A. The Quarterly DCF Model I used is described by Equation 10 on page 11 in Exhibit RB-10. This equation shows that the cost of equity is: the sum of the dividend yield and the growth rate, where the dividend in the dividend yield is the equivalent dividend at the end of the year, and the growth rate is the expected growth in dividends or earnings per share.

Q. HOW DO YOU APPLY THE DCF APPROACH TO OBTAIN THE COST OF EQUITY CAPITAL FOR THE COMPANIES WRITING HOMEOWNERS INSURANCE IN NORTH CAROLINA?

A. I apply the DCF approach to two groups of companies: Value Line's group of property/casualty insurance companies and the S&P 500.

Q. WHY DO YOU APPLY THE DCF APPROACH TO THE S&P 500 AS WELL AS TO VALUE LINE'S PROPERTY/CASUALTY INSURANCE COMPANIES?

A. As I noted previously, the cost of equity is defined as the rate of return investors expect to earn on investments in other companies of comparable risk. I apply the DCF approach to the S&P 500 because they are a large group of companies that, on average, are typically viewed as being comparable in risk to the property/casualty insurance industry. The use of a larger set of comparable risk companies should provide an accurate estimate of the cost of equity for the companies writing homeowners insurance in North Carolina.

Q. DO YOU INCLUDE ALL THE VALUE LINE PROPERTY/CASUALTY INSURANCE COMPANIES?

A. No. Among the Value Line property/casualty insurance companies, I delete any firm which has recently lowered its dividend and which has fewer than three five-year earnings forecasts available from I/B/E/S (formerly known as the Institutional Brokers Estimate System, now part of Thomson Reuters). The Value Line property/casualty companies I use are shown in Exhibit RB-8.[1]

Q. WHAT CRITERIA DO YOU USE TO SELECT COMPANIES IN THE S&P 500?

A. I include those firms which pay dividends and which have at least three five-year earnings forecasts available from I/B/E/S. I exclude the insurance companies in the S&P 500, as identified by I/B/E/S Thomson Reuters, because I have already calculated DCF results for the Value Line

[1] At this time, my selection criteria produce a group of only five Value Line property/casualty insurance companies. Therefore, I also report DCF results for three additional companies that have at least two I/B/E/S analysts’ five-year earnings growth forecasts, including W. R. Berkley, CNA Financial, and XL Group.

property/casualty insurance companies. The S&P 500 companies I use are shown in Exhibit RB-9.

Q. WHY DO YOU ELIMINATE ANY COMPANY WHICH HAD RECENTLY LOWERED ITS DIVIDEND OR WHICH FAILS TO PAY DIVIDENDS?

A. I eliminate those companies because it is difficult to make a reliable estimate of the future dividend growth rate for companies that have recently lowered their dividends or do not pay dividends. If a company has recently lowered its dividend, investors do not know whether the company will again lower its dividend in the future, or whether the company will attempt to increase its dividend back toward its previous level. If a company does not pay a dividend, one cannot mathematically apply the DCF approach.

Q. HOW DO YOU ESTIMATE THE GROWTH COMPONENT OF THE QUARTERLY DCF MODEL?

A. I use the average of analysts' estimates of future earnings per share (EPS) growth reported by I/B/E/S. As part of their research, financial analysts working at Wall Street firms periodically estimate EPS growth for each firm they follow. The EPS forecasts for each firm are then published. The forecasts are used by investors who are contemplating purchasing or selling shares in individual companies.

Q. WHAT IS I/B/E/S?

A. I/B/E/S is a collection of analysts' forecasts for a broad group of companies expressed in terms of a mean forecast and a standard deviation of forecast for each firm. The mean forecast is used by investors as an estimate of future firm performance.

Q. WHY DO YOU USE THE I/B/E/S GROWTH ESTIMATES?

A. The I/B/E/S growth rates (1) are widely circulated in the financial community, (2) include the projections of a large number of reputable financial analysts who develop estimates of future growth, (3) are reported on a timely basis to investors, and (4) are widely used by institutional and other investors. For these reasons, I believe these estimates represent unbiased estimates of investors' expectations of each firm's long-term growth prospects and, accordingly, are incorporated by investors into their return requirements. Consequently, in my opinion, they provide the best available estimate of investors' long-term growth expectations.

Q. WHY DO YOU RELY EXCLUSIVELY ON ANALYSTS' PROJECTIONS OF FUTURE EPS GROWTH IN ESTIMATING THE INVESTORS' EXPECTED

GROWTH RATE RATHER THAN LOOKING AT PAST HISTORICAL GROWTH RATES?

A. There is considerable empirical evidence that analysts' forecasts are more highly correlated with stock prices than are firms’ historical growth rates, and, thus, that investors actually use these forecasts.

Q. HAVE YOU PERFORMED ANY STUDIES CONCERNING THE USE OF ANALYSTS' FORECASTS AS THE BEST ESTIMATE OF INVESTORS' EXPECTED GROWTH RATE, G?

A. Yes, I prepared a study in conjunction with Willard T. Carleton, Professor of Finance Emeritus at the University of Arizona, on why analysts' forecasts provide the best estimate of investors' expectations of future long-term growth. This study is described in a paper entitled "Investor Growth Expectations: Analysts vs. History," published in *The Journal of Portfolio Management*.

Q. PLEASE SUMMARIZE THE RESULTS OF YOUR STUDY.

A. First, we performed a correlation analysis to identify the historically-oriented growth rates which best described a firm's stock price. Then we did a regression study comparing the historical growth rates with the consensus analysts' forecasts. In every case, the regression equations containing the average of analysts' forecasts statistically outperformed the regression equations containing the historical growth estimates. These results are consistent with those found by Cragg and Malkiel, the early major research in this area. These results are also consistent with the hypothesis that investors use analysts' forecasts, rather than historically-oriented growth calculations, in making buy and sell decisions. They provide overwhelming evidence that the analysts' forecasts of future growth are superior to historically-oriented growth measures in predicting a firm's stock price.

Q. WHAT PRICE DO YOU USE IN YOUR DCF MODEL?

A. I use a simple average of the monthly high and low stock prices for each firm for the three-month period, March, April, and May 2012. These high and low stock prices are obtained from Thomson Reuters.

Q. WHY DO YOU USE THE THREE-MONTH AVERAGE STOCK PRICE, P_0, IN APPLYING THE DCF METHOD?

A. I use a three-month average stock price in applying the DCF method because stock prices fluctuate daily, while financial analysts' forecasts for a given company are generally changed less frequently, often on a quarterly basis. Thus, to match the stock price with an earnings forecast, it is appropriate to average stock prices over a three-month period.

Q. PLEASE EXPLAIN YOUR INCLUSION OF FLOTATION COSTS.

A. All firms that have sold securities in the capital markets have incurred some level of flotation costs, including underwriters' commissions, legal fees, printing expense, etc. These costs are paid from the proceeds of the stock sale and must be recovered over the life of the equity issue. Costs vary depending upon the size of the issue, the type of registration method used and other factors, but in general these costs range between four percent and five percent of the proceeds from the issue. In addition to these costs, for large equity issues there is likely to be a decline in price associated with the sale of shares to the public. On average, the decline due to market pressure has been estimated at two percent to three percent.

These cost ranges have been developed and confirmed in a number of generally accepted studies. I believe a combined five percent allowance for flotation costs and market pressure is a conservative estimate that can be used in applying the DCF Model in this proceeding.

Q. PLEASE SUMMARIZE THE RESULTS OF YOUR APPLICATION OF THE DCF METHOD TO THE PROPERTY/CASUALTY INSURANCE COMPANIES AND THE S&P 500.

A. As shown in Exhibits RB-8 and RB-9, the average DCF cost of equity capital for my group of Value Line property/casualty companies is 12.4 percent; and for the S&P 500 companies, 12.8 percent.

Q. WHAT CONCLUSION DO YOU REACH FROM YOUR DCF ANALYSIS ABOUT THE COST OF EQUITY CAPITAL FOR COMPANIES WRITING HOMEOWNERS INSURANCE IN NORTH CAROLINA?

A. On the basis of my DCF analysis, I would conclude that for companies writing homeowners insurance in North Carolina the cost of equity is in the range 12.4 percent to 12.8 percent.

Q. YOU NOTE THAT THE SECOND METHOD YOU USE TO ESTIMATE THE COST OF EQUITY CAPITAL FOR COMPANIES WRITING HOMEOWNERS INSURANCE IN NORTH CAROLINA IS A RISK PREMIUM APPROACH. PLEASE DESCRIBE THAT APPROACH.

A. I perform a study of the comparable returns received by bond and stock investors over the last eighty-seven years. I estimate the returns on stock and bond portfolios, using stock price and dividend yield data on the S&P 500 stock portfolio and bond yield data on Moody's A–rated utility bonds.

My study consists of analyzing the historically achieved returns on broadly based stock and bond portfolios going back to 1926. For stocks, I use the S&P 500 stock portfolio; and for bonds, I use Moody's A-rated utility bonds. The resulting annual returns on the stock and bond portfolios purchased in each year from 1926 through 2012 are shown on Exhibit RB-11. The difference between the stock return and the bond return over that period of time on an arithmetic average basis is 4.4 percentage points.

Q. WHAT CONCLUSIONS DO YOU DRAW FROM YOUR RISK PREMIUM ANALYSES?

A. My own studies, combined with my analysis of other studies, provide strong evidence for the belief that investors today require an equity return of approximately 4.4 percentage points above the expected yield on A-rated long-term debt issues.

Interest rates on Moody's seasoned A-rated utility bonds during the three months June through August 2013 range from 4.5 percent to 4.7 percent. On the basis of this information and my knowledge of bond market conditions, I conclude that the long-term yield on A-rated utility bonds is approximately 4.6 percent. Adding a 4.4 percentage point risk premium to the 4.6 percent expected yield on A-rated utility bonds, I obtain an expected return on equity of 9.1 percent[2].

Q. ARE THERE REASONS TO BELIEVE THAT THE RESULT OF YOUR EX POST RISK PREMIUM ANALYSIS MAY UNDERESTIMATE THE COST OF EQUITY AT THIS TIME?

A. Yes. The ex post risk premium model may produce an unrealistically low result because the model result is highly sensitive to the estimate of the bond yield. At this time, bond yields are unusually low, reflecting policy decisions of the U.S. government and the U.S. Federal Reserve Bank to keep interest rates low in order to stimulate the economy. Since the ex post risk premium cost of equity result is the sum of the risk premium and the bond yield, the use of an unusually low bond yield in the model may cause the ex post risk premium model result to underestimate the cost of equity. Because the cost of equity is a forward-looking concept, it would be reasonable to apply the ex post risk premium model using a forecast of the expected bond yield, rather than a recent bond yield.

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[2] Apparent discrepancy due to rounding.

Because bond yields are expected to increase over the next several years, the use of a forecasted bond yield would produce a significantly higher ex post risk premium estimate of the cost of equity. Thus, I consider my ex post risk premium model result to be conservative.

Q. BASED ON YOUR ANALYSES, WHAT IS YOUR OPINION AS TO THE COST OF CAPITAL FOR THE AVERAGE INSURANCE COMPANY WRITING HOMEOWNERS INSURANCE IN NORTH CAROLINA?

A. Based on my review and studies, I believe that a conservative estimate of the cost of common equity capital for the average insurance company writing homeowners insurance in North Carolina is in the range 9.1 percent to 12.8 percent.

SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS FOR PROPERTY/CASUALTY INSURANCE COMPANIES

LINE	COMPANY	D_0	P_0	GROWTH	MODEL RESULT	NO. OF I/B/E/S ESTIMATES
1	ACE Limited	0.510	89.845	6.53%	9.1%	3
2	Allstate Corp.	0.250	49.098	9.06%	11.4%	5
3	Berkley (W.R.)	0.100	42.067	9.50%	10.6%	2
4	Chubb Corp.	0.440	85.710	9.97%	12.4%	5
5	CNA Fin'l	0.200	34.078	14.02%	16.8%	2
6	HCC Insurance Hldgs.	0.165	43.729	8.50%	10.3%	3
7	Travelers Cos.	0.500	81.747	8.57%	11.4%	3
8	XL Group plc	0.140	30.911	15.45%	17.5%	2
9	Ave., Cos. with 3 I/B/E/S				12.1%	
10	Average				12.4%	

Notes:

d_0	=	Latest quarterly dividend.
d_1, d_2, d_3, d_4,	=	Expected next four quarterly dividends, calculated by multiplying the last four quarterly dividends by the factor (1 + g).
P_0	=	Average of the monthly high and low stock prices during the three months ending August 2013 per Thomson Reuters.
FC	=	Flotation costs.
g	=	I/B/E/S forecast of future earnings growth August 2013.
k	=	Cost of equity using the quarterly version of the DCF Model and a five percent allowance for flotation costs and market pressure (selling costs) as shown by the formula below:

$$k = \frac{d_1(1+k)^{.75} + d_2(1+k)^{.50} + d_3(1+k)^{.25} + d_4}{P_0(1 - FC)} + g$$

SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS FOR S&P 500 COMPANIES

LINE	COMPANY	P_0	D_0	GROWTH	MODEL RESULT
1	3M	113.14	2.54	10.67%	13.3%
2	ABBOTT LABORATORIES	35.59	0.56	11.87%	13.7%
3	ABERCROMBIE & FITCH 'A'	46.80	0.80	14.18%	16.2%
4	ACCENTURE CLASS A	74.30	1.62	10.12%	12.7%
5	ADT	40.80	0.50	8.60%	10.0%
6	AES	12.34	0.16	6.88%	8.3%
7	AETNA	62.65	0.80	11.57%	13.1%
8	AGILENT TECHS.	45.26	0.48	7.88%	9.1%
9	AIR PRDS.& CHEMS.	99.88	2.84	9.15%	12.5%
10	AIRGAS	100.38	1.92	12.57%	14.9%
11	ALLERGAN	90.04	0.20	12.86%	13.1%
12	ALTERA	34.23	0.60	12.00%	14.1%
13	AMER.ELEC.PWR.	44.93	1.96	4.06%	8.9%
14	AMERICAN EXPRESS	75.19	0.92	11.80%	13.2%
15	AMERISOURCEBERGEN	56.41	0.84	13.63%	15.4%
16	AMGEN	103.73	1.88	8.96%	11.0%
17	ANALOG DEVICES	46.83	1.36	11.00%	14.4%
18	AT&T	35.13	1.80	6.46%	12.3%
19	AUTOMATIC DATA PROC.	70.45	1.74	9.67%	12.5%
20	BALL	43.89	0.52	9.50%	10.9%
21	BAXTER INTL.	71.05	1.96	8.81%	12.0%
22	BB&T	34.49	0.92	8.36%	11.4%
23	BEAM	63.99	0.90	8.87%	10.5%
24	BECTON DICKINSON	99.60	1.98	9.29%	11.6%
25	BEMIS	40.20	1.04	7.53%	10.5%
26	BEST BUY	29.82	0.68	8.05%	10.7%
27	BLACKROCK	268.47	6.72	13.40%	16.4%
28	BOEING	103.11	1.94	12.88%	15.1%
29	BORGWARNER	90.23	1.00	16.55%	17.9%
30	BRISTOL MYERS SQUIBB	44.75	1.40	8.20%	11.8%
31	BROWN-FORMAN 'B'	69.78	1.02	11.63%	13.4%
32	C R BARD	110.96	0.84	10.02%	10.9%
33	CABLEVISION SYS.	17.51	0.60	10.75%	14.8%
34	CAMPBELL SOUP	45.10	1.16	5.76%	8.7%
35	CARDINAL HEALTH	49.09	1.21	10.50%	13.4%
36	CARNIVAL	35.46	1.00	14.58%	18.0%
37	CBS 'B'	50.69	0.48	14.21%	15.4%
38	CENTERPOINT EN.	23.76	0.83	4.50%	8.4%
39	CIGNA	74.14	0.04	10.93%	11.0%
40	CINTAS	46.96	0.64	9.97%	11.6%
41	CISCO SYSTEMS	24.82	0.68	9.10%	12.3%
42	CITIGROUP	49.75	0.04	15.43%	15.5%
43	CME GROUP	73.82	1.80	13.23%	16.2%
44	CMS ENERGY	27.27	1.02	5.87%	10.1%
45	COACH	55.16	1.35	9.79%	12.6%
46	COCA COLA	40.00	1.12	7.90%	11.1%
47	COCA COLA ENTS.	36.62	0.80	9.87%	12.4%

LINE	COMPANY	P_0	D_0	GROWTH	MODEL RESULT
48	COLGATE-PALM.	58.60	1.36	9.00%	11.7%
49	COMERICA	40.73	0.68	6.80%	8.7%
50	CONAGRA FOODS	35.21	1.00	10.58%	13.9%
51	CONOCOPHILLIPS	63.58	2.76	4.30%	9.1%
52	COSTCO WHOLESALE	113.30	1.24	13.47%	14.8%
53	COVIDIEN	59.58	1.04	8.69%	10.7%
54	CSX	24.61	0.60	12.10%	15.0%
55	CVS CAREMARK	59.16	0.90	14.05%	15.9%
56	DANAHER	64.93	0.10	11.37%	11.5%
57	DARDEN RESTAURANTS	49.97	2.20	5.37%	10.3%
58	DEERE	83.41	2.04	8.00%	10.8%
59	DELPHI AUTOMOTIVE	52.80	0.68	14.90%	16.5%
60	DISCOVER FINANCIAL SVS.	48.66	0.80	8.43%	10.3%
61	DOMINION RESOURCES	57.40	2.25	6.88%	11.4%
62	DOVER	82.14	1.50	12.53%	14.7%
63	DOW CHEMICAL	34.78	1.28	7.63%	11.9%
64	DR PEPPER SNAPPLE GROUP	46.43	1.52	7.53%	11.3%
65	DTE ENERGY	67.61	2.62	4.60%	8.9%
66	DUKE ENERGY	68.22	3.12	3.66%	8.7%
67	E I DU PONT DE NEMOURS	56.23	1.80	7.73%	11.4%
68	EASTMAN CHEMICAL	75.12	1.20	9.03%	10.9%
69	EATON	66.08	1.68	11.87%	14.9%
70	ECOLAB	89.07	0.92	15.16%	16.4%
71	EMC	25.29	0.40	13.22%	15.1%
72	EMERSON ELECTRIC	58.49	1.64	9.50%	12.8%
73	EOG RES.	142.48	0.75	12.00%	12.6%
74	ESTEE LAUDER COS.'A'	66.84	0.72	12.57%	13.8%
75	EXPEDIA	54.20	0.60	10.97%	12.3%
76	FAMILY DOLLAR STORES	66.64	1.04	11.32%	13.2%
77	FEDEX	104.08	0.60	13.36%	14.0%
78	FIDELITY NAT.INFO.SVS.	44.39	0.88	12.18%	14.5%
79	FIRSTENERGY	37.68	2.20	1.94%	8.4%
80	FLUOR	61.85	0.64	13.53%	14.8%
81	FMC	64.13	0.54	12.05%	13.0%
82	FORD MOTOR	16.14	0.40	13.80%	16.8%
83	FRANKLIN RESOURCES	47.86	0.39	13.75%	14.7%
84	GAMESTOP 'A'	45.05	1.10	13.93%	16.9%
85	GAP	42.94	0.80	13.56%	15.8%
86	GARMIN	37.57	1.80	5.57%	11.0%
87	GENERAL DYNAMICS	81.53	2.24	6.13%	9.2%
88	GENERAL ELECTRIC	23.80	0.76	9.80%	13.5%
89	GENERAL MILLS	49.74	1.52	7.90%	11.4%
90	HOME DEPOT	77.26	1.56	15.61%	18.1%
91	HONEYWELL INTL.	80.51	1.64	10.40%	12.8%
92	HUMANA	87.17	1.08	9.27%	10.7%
93	ILLINOIS TOOL WORKS	71.28	1.68	11.63%	14.4%
94	INGERSOLL-RAND	58.74	0.84	11.03%	12.7%
95	INTEL	23.64	0.90	11.00%	15.5%
96	INTERNATIONAL BUS.MCHS.	194.66	3.80	9.96%	12.2%
97	INTERPUBLIC GP.	15.47	0.30	12.42%	14.7%
98	INTL.FLAVORS & FRAG.	79.17	1.56	8.03%	10.3%

LINE	COMPANY	P_0	D_0	GROWTH	MODEL RESULT
99	INTUIT	62.03	0.76	14.20%	15.7%
100	J M SMUCKER	105.80	2.32	7.86%	10.4%
101	JOHNSON & JOHNSON	88.35	2.64	6.24%	9.6%
102	JOHNSON CONTROLS	38.55	0.76	12.92%	15.3%
103	JOY GLOBAL	51.04	0.70	10.33%	11.9%
104	JP MORGAN CHASE & CO.	53.58	1.52	6.03%	9.2%
105	KANSAS CTY.STHN.	109.40	0.86	15.00%	16.0%
106	KELLOGG	64.11	1.84	7.40%	10.7%
107	KOHL'S	51.92	1.40	6.50%	9.6%
108	KRAFT FOODS GROUP	55.32	2.00	6.47%	10.6%
109	KROGER	36.44	0.60	9.07%	11.0%
110	L BRANDS	54.04	1.20	11.37%	14.0%
111	LEGG MASON	33.03	0.52	15.83%	17.8%
112	LINEAR TECH.	38.72	1.04	10.49%	13.7%
113	LOCKHEED MARTIN	114.48	4.60	6.20%	10.8%
114	LYONDELLBASELL INDS.CL.A	67.96	2.00	11.10%	14.6%
115	M&T BANK	112.65	2.80	7.74%	10.6%
116	MACY'S	47.75	1.00	12.32%	14.8%
117	MARRIOTT INTL.'A'	40.94	0.68	11.80%	13.8%
118	MCCORMICK & CO NV.	70.64	1.36	8.37%	10.6%
119	MCDONALDS	97.82	3.08	8.45%	12.1%
120	MEAD JOHNSON NUTRITION	76.76	1.36	9.30%	11.4%
121	MEDTRONIC	53.13	1.12	6.45%	8.8%
122	MICROSOFT	33.64	0.92	8.63%	11.8%
123	MOLEX	29.71	0.96	12.02%	15.9%
124	MONDELEZ INTERNATIONAL CL.A	30.38	0.56	11.16%	13.3%
125	MONSANTO	99.89	1.72	13.62%	15.7%
126	MORGAN STANLEY	26.03	0.20	10.60%	11.5%
127	NASDAQ OMX GROUP	32.19	0.52	12.33%	14.2%
128	NATIONAL OILWELL VARCO	70.95	1.04	10.37%	12.1%
129	NETAPP	39.95	0.60	13.18%	15.0%
130	NEWELL RUBBERMAID	26.53	0.60	9.37%	12.0%
131	NEXTERA ENERGY	81.90	2.64	6.38%	10.0%
132	NIKE 'B'	63.20	0.84	11.47%	13.0%
133	NORDSTROM	59.75	1.20	11.08%	13.4%
134	NORFOLK SOUTHERN	74.46	2.08	11.93%	15.3%
135	NORTHEAST UTILITIES	42.24	1.47	7.62%	11.6%
136	NORTHERN TRUST	58.30	1.24	14.77%	17.4%
137	NVIDIA	14.43	0.30	12.00%	14.5%
138	OCCIDENTAL PTL.	89.44	2.56	5.38%	8.6%
139	OMNICOM GP.	63.60	1.60	9.54%	12.5%
140	ORACLE	32.09	0.48	10.68%	12.4%
141	PATTERSON COMPANIES	39.53	0.64	11.33%	13.2%
142	PAYCHEX	38.17	1.40	10.00%	14.3%
143	PEOPLES UNITED FINANCIAL	14.78	0.65	7.41%	12.5%
144	PEPCO HOLDINGS	19.99	1.08	3.82%	9.9%
145	PEPSICO	82.13	2.27	8.30%	11.5%
146	PERKINELMER	34.07	0.28	11.43%	12.4%
147	PETSMART	70.33	0.66	15.19%	16.3%
148	PHILIP MORRIS INTL.	88.33	3.40	10.13%	14.7%
149	PINNACLE WEST CAP.	56.31	2.18	4.73%	9.1%

LINE	COMPANY	P_0	D_0	GROWTH	MODEL RESULT
150	PIONEER NTRL.RES.	158.03	0.08	15.63%	15.7%
151	PNC FINL.SVS.GP.	73.95	1.76	7.84%	10.6%
152	PPG INDUSTRIES	155.03	2.44	8.95%	10.8%
153	PRAXAIR	117.60	2.40	11.10%	13.5%
154	PREC.CASTPARTS	226.94	0.12	13.55%	13.6%
155	PROCTER & GAMBLE	78.20	2.41	8.05%	11.6%
156	PVH	125.42	0.15	11.90%	12.0%
157	QUEST DIAGNOSTICS	59.96	1.20	12.50%	14.9%
158	RALPH LAUREN CL.A	175.82	1.60	11.25%	12.3%
159	REYNOLDS AMERICAN	49.14	2.52	7.70%	13.6%
160	ROBERT HALF INTL.	34.93	0.64	13.90%	16.1%
161	ROCKWELL AUTOMATION	90.73	2.08	12.10%	14.8%
162	ROCKWELL COLLINS	67.82	1.20	9.55%	11.6%
163	ROPER INDS.NEW	125.54	0.66	14.60%	15.2%
164	ROSS STORES	66.11	0.68	12.37%	13.6%
165	SAFEWAY	25.13	0.80	12.93%	16.8%
166	SCRIPPS NETWORKS INTACT. 'A'	70.23	0.60	14.00%	15.0%
167	SHERWIN-WILLIAMS	176.51	2.00	13.00%	14.4%
168	SOUTHERN	43.64	2.03	4.28%	9.5%
169	ST.JUDE MEDICAL	48.43	1.00	8.64%	11.0%
170	STARWOOD HTLS.& RSTS. WORLDWIDE	65.23	1.25	7.68%	9.9%
171	STATE STREET	67.44	1.04	13.40%	15.3%
172	STRYKER	67.51	1.06	8.17%	10.0%
173	SUNTRUST BANKS	33.08	0.40	10.03%	11.4%
174	SYMANTEC	24.31	0.60	8.94%	11.8%
175	T ROWE PRICE GP.	74.47	1.52	13.48%	15.9%
176	TARGET	69.70	1.72	10.71%	13.6%
177	TECO ENERGY	17.15	0.88	2.83%	8.5%
178	TEXTRON	27.15	0.08	8.17%	8.5%
179	THE HERSHEY COMPANY	91.28	1.94	9.85%	12.3%
180	THERMO FISHER SCIENTIFIC	87.93	0.60	8.75%	9.5%
181	TIFFANY & CO	77.10	1.36	12.09%	14.2%
182	TIME WARNER	60.36	1.15	12.81%	15.1%
183	TIME WARNER CABLE	110.02	2.60	11.83%	14.6%
184	TJX COS.	51.27	0.58	11.26%	12.6%
185	TOTAL SYSTEM SERVICES	25.89	0.40	14.10%	16.0%
186	TWENTY-FIRST CENTURY FOX CL.A	30.02	0.25	14.85%	15.9%
187	UNION PACIFIC	157.18	3.16	13.68%	16.1%
188	UNITED PARCEL SER.'B'	87.15	2.48	11.07%	14.4%
189	UNITED TECHNOLOGIES	98.96	2.14	13.70%	16.3%
190	UNITEDHEALTH GP.	68.35	1.12	8.78%	10.7%
191	US BANCORP	36.50	0.92	9.25%	12.2%
192	US.STEEL	17.93	0.20	13.82%	15.2%
193	V F	191.70	3.48	11.04%	13.2%
194	VALERO ENERGY	35.85	0.90	7.80%	10.7%
195	VERIZON COMMUNICATIONS	49.55	2.12	10.22%	15.3%
196	VIACOM 'B'	71.52	1.20	12.64%	14.6%
197	WAL MART STORES	75.63	1.88	9.10%	12.0%
198	WALGREEN	48.03	1.26	12.98%	16.1%
199	WALT DISNEY	64.15	0.75	12.32%	13.7%
200	WELLS FARGO & CO	42.06	1.20	7.30%	10.6%

LINE	COMPANY	P_0	D_0	GROWTH	MODEL RESULT
201	WESTERN UNION	17.45	0.50	8.72%	12.0%
202	WISCONSIN ENERGY	41.45	1.53	5.21%	9.4%
203	WW GRAINGER	257.02	3.72	14.38%	16.1%
204	WYNN RESORTS	133.66	4.00	10.50%	14.0%
205	XCEL ENERGY	28.81	1.12	4.91%	9.3%
206	XEROX	9.59	0.23	7.47%	10.2%
207	XILINX	42.57	1.00	9.80%	12.5%
208	YUM! BRANDS	71.49	1.34	11.32%	13.5%
209	ZIMMER HDG.	79.63	0.80	9.17%	10.3%
210	ZIONS BANCORP.	29.06	0.16	7.75%	8.4%
211	ZOETIS	30.72	0.26	16.25%	17.3%
212	Average				12.8%

Notes: In applying the DCF Model to the S&P 500, I include in the DCF analysis only those companies in the S&P 500 group which pay a dividend, have a positive growth rate, and have at least three analysts' long-term growth estimates. In addition, I exclude all companies in the I/B/E/S group of insurance companies. I also eliminate those companies with DCF results that varied from the mean by one standard deviation or more.

Notes:

D_0 = Latest dividend per Thomson Reuters.
d_0 = Latest quarterly dividend.
P_0 = Average of monthly high and low stock prices June, July, and August 2013 per Thomson Reuters.
FC = Selling and flotation costs.
g = I/B/E/S forecast of future earnings growth August 2013.
k = Cost of equity using the quarterly version of the DCF Model and a five percent allowance for flotation costs and market pressure (selling costs) as shown by the formula below:

$$k = \left[\frac{d_0(1+g)^{\frac{1}{4}}}{P_0(1-FC)} + (1+g)^{\frac{1}{4}} \right]^4 - 1$$

THE QUARTERLY DCF MODEL

The simple DCF Model assumes that a firm pays dividends only at the end of each year. Since firms in fact pay dividends quarterly and investors appreciate the time value of money, the annual version of the DCF Model generally underestimates the value investors are willing to place on the firm's expected future dividend stream. In this appendix, we review two alternative formulations of the DCF Model that allow for the quarterly payment of dividends.

When dividends are assumed to be paid annually, the DCF Model suggests that the current price of the firm's stock is given by the expression:

$$P_0 = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \ldots + \frac{D_n + P_n}{(1+k)^n} \quad \textbf{(1)}$$

where

P_0	=	current price per share of the firm's stock,
$D_1, D_2, \ldots, D_n$	=	expected annual dividends per share on the firm's stock,
P_n	=	price per share of stock at the time investors expect to sell the stock, and
k	=	return investors expect to earn on alternative investments of the same risk, i.e., the investors' required rate of return.

Unfortunately, expression (1) is rather difficult to analyze, especially for the purpose of estimating k. Thus, most analysts make a number of simplifying assumptions. First, they assume that dividends are expected to grow at the constant rate g into the indefinite future. Second, they assume that the stock price at time n is simply the present value of all dividends expected in periods subsequent to n. Third, they assume that the investors' required rate of return, k, exceeds the expected dividend growth rate g. Under the above simplifying assumptions, a firm's stock price may be written as the following sum:

$$P_0 = \frac{D_0(1+g)}{(1+k)} + \frac{D_0(1+g)^2}{(1+k)^2} + \frac{D_0(1+g)^3}{(1+k)^3} + \ldots , \qquad \textbf{(2)}$$

where the three dots indicate that the sum continues indefinitely.

As we shall demonstrate shortly, this sum may be simplified to:

$$P_0 = \frac{D_0(1+g)}{(k-g)}$$

First, however, we need to review the very useful concept of a geometric progression.

Geometric Progression

Consider the sequence of numbers 3, 6, 12, 24,…, where each number after the first is obtained by multiplying the preceding number by the factor 2. Obviously, this sequence of numbers may also be expressed as the sequence 3, 3 x 2, 3 x 2^2, 3 x 2^3, … This sequence is an example of a geometric progression.

Definition: A geometric progression is a sequence in which each term after the first is obtained by multiplying some fixed number, called the common ratio, by the preceding term.

A general notation for geometric progressions is: a, the first term, r, the common ratio, and n, the number of terms. Using this notation, any geometric progression may be represented by the sequence:

$$a, ar, ar^2, ar^3, \ldots, ar^{n-1}.$$

In studying the DCF Model, we will find it useful to have an expression for the sum of n terms of a geometric progression. Call this sum S_n. Then

$$S_n = a + ar + \ldots + ar^{n-1}. \qquad (3)$$

However, this expression can be simplified by multiplying both sides of equation (3) by r and then subtracting the new equation from the old. Thus,

$$rS_n = ar + ar^2 + ar^3 + \ldots + ar^n$$

and

$$S_n - rS_n = a - ar^n \quad ,$$

or

$$(1 - r)\, S_n = a\,(1 - r^n) \quad .$$

Solving for S_n, we obtain:

$$S_n = \frac{a(1 - r^n)}{(1 - r)} \tag{4}$$

as a simple expression for the sum of n terms of a geometric progression. Furthermore, if $|r| < 1$, then S_n is finite, and as n approaches infinity, S_n approaches $a \div (1 - r)$. Thus, for a geometric progression with an infinite number of terms and $|r| < 1$, equation (4) becomes:

$$S = \frac{a}{1 - r} \tag{5}$$

Application to DCF Model

Comparing equation (2) with equation (3), we see that the firm's stock price (under the DCF assumption) is the sum of an infinite geometric progression with the first term

$$a = \frac{D_0(1 + g)}{(1 + k)}$$

and common factor

$$r = \frac{(1+g)}{(1+k)}$$

Applying equation (5) for the sum of such a geometric progression, we obtain

$$S = a \bullet \frac{1}{(1-r)} = \frac{D_0(1+g)}{(1+k)} \bullet \frac{1}{1-\frac{1+g}{1+k}} = \frac{D_0(1+g)}{(1+k)} \bullet \frac{1+k}{k-g} = \frac{D_0(1+g)}{k-g}$$

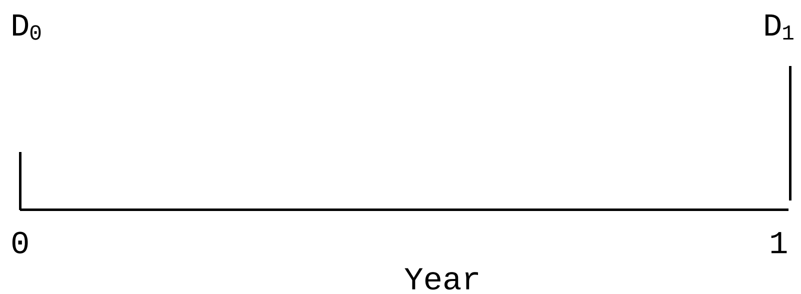
as we suggested earlier.

Quarterly DCF Model

The Annual DCF Model assumes that dividends grow at an annual rate of g% per year (see Figure 1).

Figure 1

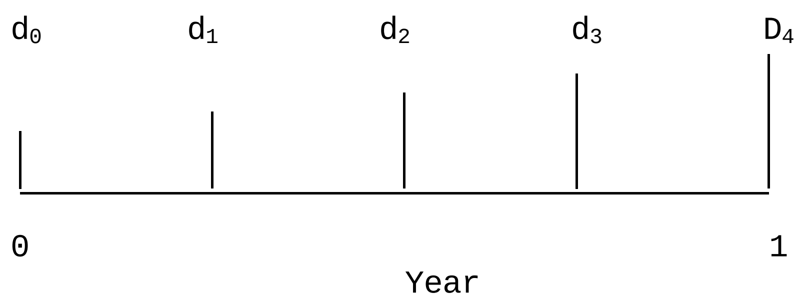
Annual DCF Model



$D_0 = 4d_0$ $\qquad$ $D_1 = D_0(1 + g)$

Figure 2

Quarterly DCF Model (Constant Growth Version)



$d_1 = d_0(1+g)^{.25}$ $\qquad$ $d_2 = d_0(1+g)^{.50}$

$d_3 = d_0(1+g)^{.75}$ $\qquad$ $d_4 = d_0(1+g)$

In the Quarterly DCF Model, it is natural to assume that quarterly dividend payments differ from the preceding quarterly dividend by the factor $(1 + g)^{.25}$, where g is expressed in terms of percent per year and the decimal .25 indicates that the growth has only occurred for one quarter of the year. (See Figure 2.) Using this assumption, along with the assumption of constant growth and ***k*** > ***g***, we obtain a new expression for the firm's stock price, which takes account of the quarterly payment of dividends. This expression is:

$$P_0 = \frac{d_0(1+g)^{\frac{1}{4}}}{(1+k)^{\frac{1}{4}}} + \frac{d_0(1+g)^{\frac{2}{4}}}{(1+k)^{\frac{2}{4}}} + \frac{d_0(1+g)^{\frac{3}{4}}}{(1+k)^{\frac{3}{4}}} + \ldots \qquad \textbf{(6)}$$

where d_0 is the last quarterly dividend payment, rather than the last annual dividend payment. (We use a lower case d to remind the reader that this is not the annual dividend.)

Although equation (6) looks formidable at first glance, it too can be greatly simplified using the formula [equation (4)] for the sum of an infinite geometric progression. As the reader can easily verify, equation (6) can be simplified to:

$$P_0 = \frac{d_0(1+g)^{\frac{1}{4}}}{(1+k)^{\frac{1}{4}} - (1+g)^{\frac{1}{4}}} \qquad \textbf{(7)}$$

Solving equation (7) for ***k***, we obtain a DCF formula for estimating the cost of equity under the quarterly dividend assumption:

$$k = \left[\frac{d_0(1+g)^{\frac{1}{4}}}{P_0} + (1+g)^{\frac{1}{4}} \right]^4 - 1 \qquad \textbf{(8)}$$

<u>An Alternative Quarterly DCF Model</u>

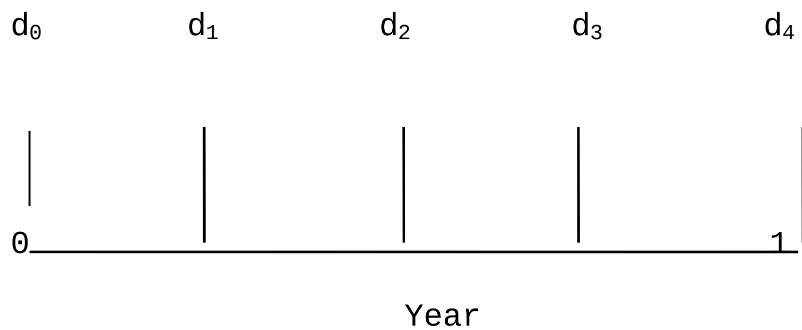
Although the constant growth Quarterly DCF Model [equation (8)] allows for the quarterly timing of dividend payments, it does require the assumption that the firm increases its dividend payments each quarter. Since this assumption is difficult for some analysts to accept, we now discuss a second Quarterly DCF Model that allows for constant quarterly dividend payments within each dividend year.

Assume then that the firm pays dividends quarterly and that each dividend payment is constant for four consecutive quarters. There are four cases to consider, with each case distinguished by varying assumptions about where we are evaluating the firm in relation to the time of its next dividend increase. (See Figure 3.)

Figure 3

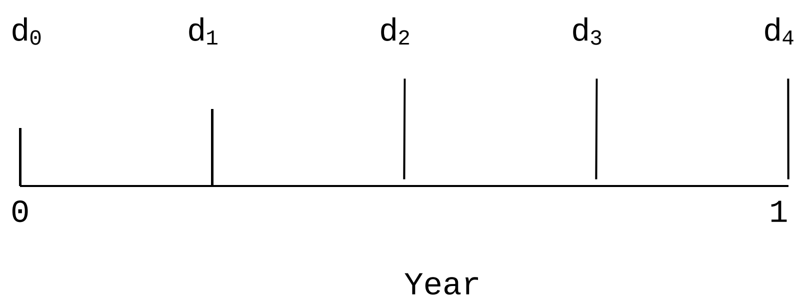
Quarterly DCF Model (Constant Dividend Version)

Case 1



$$d_1 = d_2 = d_3 = d_4 = d_0(1+g)$$

Case 2

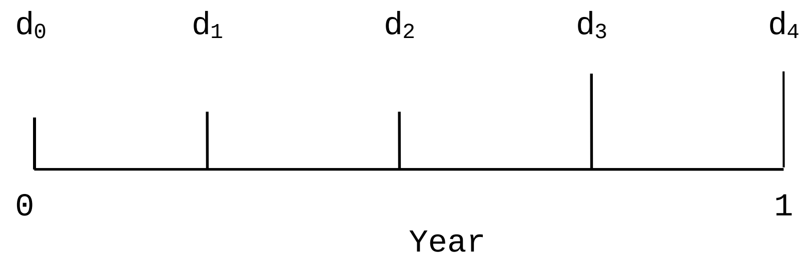


$$d_1 = d_0$$

$$d_2 = d_3 = d_4 = d_0(1+g)$$

Figure 3 (continued)

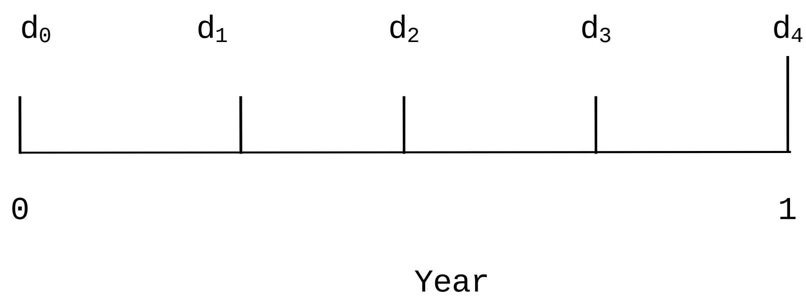
Case 3



$$d_1 = d_2 = d_0$$

$$d_3 = d_4 = d_0(1+g)$$

Case 4



$$d_1 = d_2 = d_3 = d_0$$

$$d_4 = d_0(1+g)$$

If we assume that the investor invests the quarterly dividend in an alternative investment of the same risk, then the amount accumulated by the end of the year will in all cases be given by

$$D_1^* = d_1\ (1+k)^{3/4} + d_2\ (1+k)^{1/2} + d_3\ (1+k)^{1/4} + d_4$$

where d_1, d_2, d_3 and d_4 are the four quarterly dividends. Under these new assumptions, the firm's stock price may be expressed by an Annual DCF Model of the form (2), with the exception that

$$D_1^* = d_1\ (1 + k)^{3/4} + d_2\ (1 + k)^{1/2} + d_3\ (1 + k)^{1/4} + d_4 \qquad \textbf{(9)}$$

is used in place of $D_0(1+g)$. But, we already know that the Annual DCF Model may be reduced to

$$P_0 = \frac{D_0(1+g)}{k-g}$$

Thus, under the assumptions of the second Quarterly DCF Model, the firm's cost of equity is given by

$$k = \frac{D_1^*}{P_0} + g \qquad \textbf{(10)}$$

with D_1^* given by (9).

Although equation (10) looks like the Annual DCF Model, there are at least two very important practical differences. First, since D_1* is always greater than $D_0(1+g)$, the estimates of the cost of equity are always larger (and more accurate) in the Quarterly Model (10) than in the Annual Model. Second, since D_1* depends on k through equation (9), the unknown “k” appears on both sides of (10), and an iterative procedure is required to solve for k.

COMPARATIVE RETURNS ON S&P 500 STOCKS
AND MOODY'S A-RATED UTILITY BONDS 1926-2013

LINE	YEAR	S&P 500 STOCK PRICE	STOCK DIVIDEND YIELD	STOCK RETURN	A-RATED BOND PRICE	BOND RATE OF RETURN	RISK PREMIUM
1	2013	1,481.11	0.0220		$97.45		
2	2012	1,300.58	0.0214	16.02%	$94.36	7.52%	8.50%
3	2011	1,282.62	0.0185	3.25%	$77.36	27.14%	-23.89%
4	2010	1,123.58	0.0203	16.18%	$75.02	8.44%	7.74%
5	2009	865.58	0.0310	32.91%	$68.43	15.48%	17.43%
6	2008	1,378.76	0.0206	-35.16%	$72.25	0.24%	-35.40%
7	2007	1,424.16	0.0181	-1.38%	$72.91	4.59%	-5.97%
8	2006	1,278.72	0.0183	13.20%	$75.25	2.20%	11.01%
9	2005	1,181.41	0.0177	10.01%	$74.91	5.80%	4.21%
10	2004	1,132.52	0.0162	5.94%	$70.87	11.34%	-5.40%
11	2003	895.84	0.0180	28.22%	$62.26	20.27%	7.95%
12	2002	1,140.21	0.0138	-20.05%	$57.44	15.35%	-35.40%
13	2001	1,335.63	0.0116	-13.47%	$56.40	8.93%	-22.40%
14	2000	1,425.59	0.0118	-5.13%	$52.60	14.82%	-19.95%
15	1999	1,248.77	0.0130	15.46%	$63.03	-10.20%	25.66%
16	1998	963.36	0.0162	31.25%	$62.43	7.38%	23.87%
17	1997	766.22	0.0195	27.68%	$56.62	17.32%	10.36%
18	1996	614.42	0.0231	27.02%	$60.91	-0.48%	27.49%
19	1995	465.25	0.0287	34.93%	$50.22	29.26%	5.68%
20	1994	472.99	0.0269	1.05%	$60.01	-9.65%	10.71%
21	1993	435.23	0.0288	11.56%	$53.13	20.48%	-8.93%
22	1992	416.08	0.0290	7.50%	$49.56	15.27%	-7.77%
23	1991	325.49	0.0382	31.65%	$44.84	19.44%	12.21%
24	1990	339.97	0.0341	-0.85%	$45.60	7.11%	-7.96%
25	1989	285.41	0.0364	22.76%	$43.06	15.18%	7.58%
26	1988	250.48	0.0366	17.61%	$40.10	17.36%	0.25%
27	1987	264.51	0.0317	-2.13%	$48.92	-9.84%	7.71%
28	1986	208.19	0.0390	30.95%	$39.98	32.36%	-1.41%
29	1985	171.61	0.0451	25.83%	$32.57	35.05%	-9.22%
30	1984	166.39	0.0427	7.41%	$31.49	16.12%	-8.72%
31	1983	144.27	0.0479	20.12%	$29.41	20.65%	-0.53%
32	1982	117.28	0.0595	28.96%	$24.48	36.48%	-7.51%
33	1981	132.97	0.0480	-7.00%	$29.37	-3.01%	-3.99%
34	1980	110.87	0.0541	25.34%	$34.69	-3.81%	29.16%
35	1979	99.71	0.0533	16.52%	$43.91	-11.89%	28.41%
36	1978	90.25	0.0532	15.80%	$49.09	-2.40%	18.20%
37	1977	103.80	0.0399	-9.06%	$50.95	4.20%	-13.27%
38	1976	96.86	0.0380	10.96%	$43.91	25.13%	-14.17%
39	1975	72.56	0.0507	38.56%	$41.76	14.75%	23.81%
40	1974	96.11	0.0364	-20.86%	$52.54	-12.91%	-7.96%
41	1973	118.40	0.0269	-16.14%	$58.51	-3.37%	-12.77%
42	1972	103.30	0.0296	17.58%	$56.47	10.69%	6.89%
43	1971	93.49	0.0332	13.81%	$53.93	12.13%	1.69%

COMPARATIVE RETURNS ON S&P 500 STOCKS
AND MOODY'S A-RATED UTILITY BONDS 1926-2013

LINE	YEAR	S&P 500 STOCK PRICE	STOCK DIVIDEND YIELD	STOCK RETURN	A-RATED BOND PRICE	BOND RATE OF RETURN	RISK PREMIUM
44	1970	90.31	0.0356	7.08%	$50.46	14.81%	-7.73%
45	1969	102.00	0.0306	-8.40%	$62.43	-12.76%	4.36%
46	1968	95.04	0.0313	10.45%	$66.97	-0.81%	11.26%
47	1967	84.45	0.0351	16.05%	$78.69	-9.81%	25.86%
48	1966	93.32	0.0302	-6.48%	$86.57	-4.48%	-2.00%
49	1965	86.12	0.0299	11.35%	$91.40	-0.91%	12.26%
50	1964	76.45	0.0305	15.70%	$92.01	3.68%	12.02%
51	1963	65.06	0.0331	20.82%	$93.56	2.61%	18.20%
52	1962	69.07	0.0297	-2.84%	$89.60	8.89%	-11.73%
53	1961	59.72	0.0328	18.94%	$89.74	4.29%	14.64%
54	1960	58.03	0.0327	6.18%	$84.36	11.13%	-4.95%
55	1959	55.62	0.0324	7.57%	$91.55	-3.49%	11.06%
56	1958	41.12	0.0448	39.74%	$101.22	-5.60%	45.35%
57	1957	45.43	0.0431	-5.18%	$100.70	4.49%	-9.67%
58	1956	44.15	0.0424	7.14%	$113.00	-7.35%	14.49%
59	1955	35.60	0.0438	28.40%	$116.77	0.20%	28.20%
60	1954	25.46	0.0569	45.52%	$112.79	7.07%	38.45%
61	1953	26.18	0.0545	2.70%	$114.24	2.24%	0.46%
62	1952	24.19	0.0582	14.05%	$113.41	4.26%	9.79%
63	1951	21.21	0.0634	20.39%	$123.44	-4.89%	25.28%
64	1950	16.88	0.0665	32.30%	$125.08	1.89%	30.41%
65	1949	15.36	0.0620	16.10%	$119.82	7.72%	8.37%
66	1948	14.83	0.0571	9.28%	$118.50	4.49%	4.79%
67	1947	15.21	0.0449	1.99%	$126.02	-2.79%	4.79%
68	1946	18.02	0.0356	-12.03%	$126.74	2.59%	-14.63%
69	1945	13.49	0.0460	38.18%	$119.82	9.11%	29.07%
70	1944	11.85	0.0495	18.79%	$119.82	3.34%	15.45%
71	1943	10.09	0.0554	22.98%	$118.50	4.49%	18.49%
72	1942	8.93	0.0788	20.87%	$117.63	4.14%	16.73%
73	1941	10.55	0.0638	-8.98%	$116.34	4.55%	-13.52%
74	1940	12.30	0.0458	-9.65%	$112.39	7.08%	-16.73%
75	1939	12.50	0.0349	1.89%	$105.75	10.05%	-8.16%
76	1938	11.31	0.0784	18.36%	$99.83	9.94%	8.42%
77	1937	17.59	0.0434	-31.36%	$103.18	0.63%	-31.99%
78	1936	13.76	0.0327	31.10%	$96.46	11.12%	19.99%
79	1935	9.26	0.0424	52.84%	$82.23	22.17%	30.66%
80	1934	10.54	0.0336	-8.78%	$66.78	29.13%	-37.91%
81	1933	7.09	0.0542	54.08%	$79.55	-11.03%	65.11%
82	1932	8.30	0.0822	-6.36%	$70.67	18.23%	-24.59%
83	1931	15.98	0.0550	-42.56%	$84.49	-11.63%	-30.93%
84	1930	21.71	0.0438	-22.01%	$81.19	8.99%	-31.00%
85	1929	24.86	0.0336	-9.31%	$83.95	1.48%	-10.79%
86	1928	17.53	0.0431	46.12%	$86.71	1.43%	44.69%

COMPARATIVE RETURNS ON S&P 500 STOCKS
AND MOODY'S A-RATED UTILITY BONDS 1926-2013

LINE	YEAR	S&P 500 STOCK PRICE	STOCK DIVIDEND YIELD	STOCK RETURN	A-RATED BOND PRICE	BOND RATE OF RETURN	RISK PREMIUM
87	1927	13.40	0.0502	35.84%	$83.28	8.92%	26.92%
88	1926	12.65	0.0446	10.39%	$80.81	8.01%	2.38%
89	1926 - 2013			11.31%		6.88%	4.43%

Note: See Page 4 for an explanation of how stock and bond returns are derived and the source of the data presented.

COMPARATIVE RETURNS ON S&P 500 STOCKS
AND MOODY'S A-RATED UTILITY BONDS 1926-2013

RISK PREMIUM APPROACH

SOURCE OF DATA

Stock price and yield information is obtained from Standard & Poor's Security Price publication. Standard & Poor's derives the stock dividend yield by dividing the aggregate cash dividends (based on the latest known annual rate) by the aggregate market value of the stocks in the group. The bond price information is obtained by calculating the present value of a bond due in thirty years with a $4.00 coupon and a yield to maturity of a particular year's indicated Moody's A-rated Utility bond yield. The values shown on the ex post risk premium schedule are the January values of the respective indices.

CALCULATION OF STOCK AND BOND RETURNS

Sample calculation of "Stock Return" column:

$$\text{Stock Return}(2012) = \left[\frac{\text{Stock Price}(2013) - \text{Stock Price}(2012) + \text{Dividend}(2012)}{\text{Stock Price}(2012)}\right]$$

where Dividend (2012) = Stock Price (2012) x Stock Div. Yield (2012)

Sample calculation of "Bond Return" column:

$$\text{Bond Return}(2012) = \left[\frac{\text{Bond Price}(2013) - \text{Bond Price}(2012) + \text{Interest}(2012)}{\text{Bond Price}(2012)}\right]$$

where Interest = $4.00.

Exhibit RB-12

PREFILED TESTIMONY
OF
DAVID APPEL

HOMEOWNERS INSURANCE RATE FILING BY THE NORTH CAROLINA RATE BUREAU JANUARY 2014

I. QUALIFICATIONS AND SUMMARY

Q. Please state your name and present business address.

A. My name is David Appel, and my business address is 1 Pennsylvania Plaza, New York, NY.

Q. What is your occupation?

A. I am Director of Economics Consulting and a Principal with the firm of Milliman, Inc.

Q. What is Milliman, Inc?

A. Milliman (formerly Milliman & Robertson) is one of the nation's largest independently owned firms of actuaries and consultants. The company has more than 2600 employees, and operates offices in over 55 cities in the U.S., Europe, Asia and Latin America. Our clients number in the thousands: they include insurers, self-insured entities, Federal and State Governments, private corporations, non-profit organizations, unions, and many others. I am a Principal with the firm, and I am in charge of its Economics Consulting practice.

Q. Please describe your educational and employment history.

A. A complete statement of my educational, employment and academic credentials is included as Exhibit RB-13 filed with this testimony.

To summarize, I have a B.A. in economics from Brooklyn College, City University of New York, and M.A. and Ph.D. degrees in economics from Rutgers University. Prior to 1980, I was an instructor in economics at Rutgers University. For the following nine years, I was employed by the National Council on Compensation Insurance (NCCI), the nation’s largest workers compensation insurance statistical, research and ratemaking organization. I joined NCCI as Research Economist in 1980, and ultimately became Vice President for Research in 1985. In 1989, I joined Milliman, where I founded the economics consulting practice for the firm.

Q. Would you please describe some of your other professional activities?

A. Yes. Throughout my professional career, I have participated in a variety of academic and business activities related to insurance. I have twice been a member of the Board of Directors of the American Risk and Insurance Association, the leading learned society of insurance academics. I am currently a member of the editorial board of the Journal of Insurance Regulation, the official research publication of the National Association of Insurance Commissioners, and I act as a peer referee for a number of scholarly journals in economics and insurance. I also maintain an active program of research and publication on issues of current interest in insurance economics. In addition, I was, for twelve years, an Adjunct Professor of Economics at Rutgers University.

Q. Have you ever published any papers or books?

A. Yes. I have authored many papers on various aspects of insurance that have been published in refereed books or scholarly journals. In addition, I have published a large number of papers in non-refereed journals as well. I have also co-edited three volumes of research papers dealing with various aspects of workers compensation and property-casualty insurance. My refereed publications are listed in Exhibit RB-13 filed with this testimony.

Q. Are you a member of any professional associations?

A. Yes. I am a member and have served two terms on the Board of Directors of the American Risk and Insurance Association, the leading association of insurance academicians. I am also an elected fellow of the National Academy of Social Insurance, a member of the panel of neutrals of the American Arbitration Association, and a certified arbitrator and umpire of ARIAS, the world's leading insurance and reinsurance arbitration society.

Q. Have you ever testified in insurance rate regulatory proceedings?

A. Yes. I have testified on many occasions in such proceedings, including several occasions in North Carolina in the past several years. A complete list is contained in Exhibit RB-13 filed with this testimony.

Q. What was the general nature of your testimony in these cases?

A. I have addressed a wide variety of insurance issues during public testimony, including such diverse topics as the impact of economic and demographic factors on insurance costs, the effects of regulation on insurance availability, the use of econometric and statistical models in insurance forecasting, and the use of modern financial theory in developing insurance prices. In North Carolina, my testimony has tended to focus on matters relating to the cost of capital and the returns expected from the underwriting profit provisions selected for use in the rates. However, in property rate filings, I have had substantial involvement in issues relating to catastrophe risk and the net cost of reinsurance, hence my testimony has addressed these issues as well.

Q. Have you been retained by the North Carolina Rate Bureau as a consultant in this rate case?

A. Yes. I have been asked to consider the following specific matters in connection with this case:

1. Whether Dr. Vander Weide's analysis provides a reasonable estimate of the cost of capital.

2. Whether other factors – notably interest rate sensitivity and the small firm size typical of homeowners insurers in North Carolina – create additional sources of risk which affect insurers' cost of capital.

3. How the expected costs of reinsurance should be incorporated into the homeowners insurance rates filed by the Rate Bureau and how those costs should be apportioned to regions within the state.

4. How the profits associated with underwriting homeowners insurance in North Carolina should be apportioned to regions within the state.

5. How homeowners insurers in North Carolina should be compensated for bearing the risk to their capital associated with exposure to assessments by the North Carolina Insurance Underwriting Association (commonly called the "Beach Plan") and the FAIR Plan (hereinafter referred to jointly as the "Beach/Fair Plans").

6. The returns insurers would expect to earn from underwriting homeowners insurance in North Carolina, given that the filed underwriting profit provision is realized.

I have performed various studies and analyses on these matters.

Q. Can you please summarize the conclusions you have reached in regard to the matters noted above?

A. Yes. I will summarize them in bullet form here, and then discuss them each more fully later in the testimony.

1. I have reviewed Dr. Vander Weide's cost of capital estimates, which rely on the two most widely recognized models used for this purpose, and find them to be reasonable. However, Dr. Vander Weide's estimates are based on the implicit assumption that insurers present investors with roughly average risk, relative to all possible investment activities. I believe that investors in the property-casualty insurance industry are subject to an above average degree of risk, and therefore I think it would be prudent to view Dr. Vander Weide's estimates as a conservative estimate of the return to which insurers are entitled.

2. I have considered the impact of two other factors on the risk and required return for insurers – interest rate sensitivity and firm size. As regards interest rate sensitivity, because of the high degree of financial leverage and the substantial share of medium and long term bonds in insurer asset portfolios, insurers are particularly subject to interest rate risk that cannot be diversified away. Based on my previous analyses, I have found that investors must be compensated for this risk in the form of an additional risk premium above that required for the average security. As regards firm size, I have on many occasions studied the size distribution of insurers in North Carolina and found that the firms providing insurance coverage in the state tend to be smaller than those used in Dr. Vander Weide's cost of capital analysis. Since there is conclusive evidence that, over the long run, smaller firms have earned higher returns, this finding must be considered evidence that investors expect higher returns from small firms.

   These analyses provide support for my opinion that Dr. Vander Weide's cost of capital estimates should be viewed as a conservative estimate of the return to which insurers are entitled.

3. I have considered the differential risk associated with underwriting homeowners insurance in different regions within North Carolina, and have concluded that the risk due to catastrophe exposure is substantially greater in and around the coastal regions of the state. I have also considered the high cost of catastrophe reinsurance that is regularly purchased by property casualty insurance companies writing homeowners insurance, and have concluded that a provision must be included in the rates to cover the cost of a catastrophe reinsurance program typical of the programs purchased by insurers in hurricane prone regions. Furthermore, I believe that it is appropriate to apportion this provision across regions of the state, proportional to the relative risk by region.

4. Even after the benefits of reinsurance are taken into account, the residual risk of writing homeowners insurance in North Carolina may still differ across regions within the state. As a consequence, I believe that it is appropriate to allocate the statewide profit built into homeowners rates across regions, proportional to the relative risk by region after consideration of reinsurance.

5. In addition to the risks attendant to the homeowners directly written by insurers in North Carolina, there is substantial additional risk to insurers attributable to the exposures insured in the Beach/Fair Plans. This risk is associated with the potential for assessments that can be imposed on insurers in the state, should the Beach/Fair Plans incur a deficit arising from their insurance operations. Insurers must be compensated for bearing this risk and, to address this situation, I have developed a procedure to incorporate a provision in the rates that compensates insurers in the state for this risk.

6. In order to test the underwriting profit provisions selected and filed by the Rate Bureau, I have estimated the returns insurers would expect to earn from North Carolina homeowners insurance assuming the filed underwriting profit provision is fully earned, and assuming all of the other assumptions embedded in the rate calculations actually materialize. I am aware that North Carolina law provides that insurers are entitled to expect to earn a return equal to the returns of industries of comparable risk, and that in calculating that expected return, investment income from capital and surplus funds is not to be considered. I refer to that operating return as the statutory return. However, as is evident from the attached exhibits, I have estimated insurer pro forma returns both including and excluding expected investment income from capital and surplus. (I refer to the return including investment income on surplus as the total return.) I have done this to demonstrate that, if the filed underwriting profit provisions are actually realized, and even if investment income on surplus is considered, insurer returns will not be excessive. Obviously, if returns are not excessive including investment income from capital and surplus, they will be non-excessive excluding such income.

Based on my calculations, the selected underwriting profit provision generates a statutory return on net worth of 7.1% for homeowners insurance in North Carolina. In addition, the total return on net worth (i.e., including investment income on surplus) is 9.7%. Since these returns, even those that include investment income on surplus funds, are near or below the lower bound of Dr. Vander Weide's range for the fair rate of return, I conclude that the underwriting profit provision is clearly not excessive.

II. COST OF CAPITAL REVIEW

Q. You said your first assignment was to review Dr. Vander Weide's estimate of the cost of capital. Are you familiar with Dr. Vander Weide's approach to estimating the cost of capital in insurance rate cases?

A. Yes. I am aware of the methodology upon which Dr. Vander Weide relies to estimate the cost of capital and have reviewed it on a number of occasions in the course of previous rate cases in North Carolina. Dr. Vander Weide has used the most widely recognized and accepted models for this purpose, namely the Discounted Cash Flow (DCF) model and the risk premium method. These models, when taken together and properly applied to a reasonably selected data set, provide acceptable estimates of the cost of capital for regulated insurers.

Q. What has Dr. Vander Weide concluded with respect to the fair rate of return in this case?

A. Dr. Vander Weide has concluded that the fair rate of return for insurers is in the range of 9.1% to 12.8% on net worth as determined under generally accepted accounting principles (GAAP).

Q. In your opinion, is this an appropriate estimate of the required rate of return?

A. Yes, however as I indicated a moment ago, I believe that Dr. Vander Weide may have been conservative in his calculation of the required rate of return. Dr. Vander Weide has assumed that the property-casualty industry presents investors with average risk. However, based on my studies, I conclude the following:

1. There is evidence that the property casualty industry is considerably above average with respect to the volatility of the returns that it provides to investors. This higher volatility of returns makes the property-casualty industry an investment of above average risk.

2. Since investors require higher returns from smaller firms, and since the firms in Dr. Vander Weide's cost of capital analysis are significantly larger than the average property-casualty insurer in North Carolina, his approach tends to underestimate the true cost of capital for North Carolina homeowners insurers.

III. ADDITIONAL FACTORS AFFECTING RISK

Q. Your comments suggest that Dr. Vander Weide’s cost of capital may be understated for insurers writing insurance in North Carolina. Can you please elaborate on this?

A. Certainly. As mentioned in the summary, I have considered whether other factors not addressed in the standard cost of capital analysis conducted by Dr. Vander Weide might indeed affect the risk and therefore the required return in this case. In fact, there were two such factors – interest rate risk and the small size of firms writing homeowners insurance in the state - that I have been studying for a number of years and which clearly increase the cost of capital, or required return, in this case. Based on analyses I have conducted for previous rate hearings in North Carolina, I have concluded that both these factors create additional risks that require additional compensation above that demanded for the average security. I will discuss these issues briefly below.

Q. You have made reference to the term interest rate risk. Can you please define this term?

A. Yes. Interest rate risk refers to the risk that the value of fixed income investments (such as bonds) will fluctuate with changes in interest rates. This means that there is a risk associated with holding bonds, particularly those with a relatively long term to maturity. While investments in equities are still considerably riskier than investments in long term bonds, as evidenced by the fact that returns to large company stocks have had a much higher mean and standard deviation than returns on long term government bonds over the past 80+ years, bonds investments impose risk as well.

Q. Does interest rate risk affect investments in property-casualty insurance stocks?

A. Yes. Property-casualty insurance companies invest large amounts of funds in bonds issued by both corporations and governmental bodies. The risk that investors face is that when interest rates change, the values of the bonds also change, and hence their investments in property-casualty stocks are subject to interest rate risk. This fact is widely recognized by the financial community. Since investors cannot diversify away interest rate risk, only the prospect of higher returns will induce them to purchase interest-sensitive stocks. That is, investors must be compensated for purchasing interest-sensitive stocks because they are increasing their exposure to interest rate risk. This is a risk separate and apart from the market risk investors face.

Q. Why is interest rate risk different from market risk?

A. In general, risk that is not diversifiable is known as systematic risk, or market risk. Systematic risk stems from events that take place on an economy-wide basis. Investors can only diversify away risks that have offsetting factors somewhere else in the economy. For instance, if one company has a bad year due to reasons specific to it alone, it is highly likely that another company will have a good year which will offset the bad performance. That sort of risk is diversifiable. However, the risk associated with events that take place economy-wide without offsetting factors is not diversifiable. It is this risk that is referred to as systematic risk or market risk.

Interest rate risk is a separate source of volatility for insurance stocks. Interest rates often change as a result of changes in expectations of future inflation. These changes primarily affect firms that hold what are called nominal assets and liabilities. Nominal assets and liabilities have cash flows that are fixed in nominal terms (for example, accounts receivable, most contracts, and bonds) and are thus subject to erosion in value due to inflation. On the other hand, the cash flows associated with manufacturing and service operations tend to fluctuate with the price level. Since most non-financial firms hold relatively few nominal assets and liabilities, their stocks are not particularly sensitive to changes in interest rates that are due to changes in expected inflation. Therefore interest rate risk adds additional risk to insurance stocks, above and beyond market risk, that is not diversifiable.

Changes in interest rates that are not associated with changes in expected inflation will affect all stocks. This accounts for the moderate degree of correlation between changes in long term interest rates and returns to common stocks. However, the fact that most stocks are not very sensitive to changes in interest rates that are due to changes in expected inflation means that interest rate risk is not fully captured in measures of market risk.

Q. Is it possible to measure interest rate risk?

A. Yes, and in the past I have conducted a number of studies designed specifically to address this issue. The principal conclusions of those studies is that since insurer assets on average have a substantially longer financial duration than insurance liabilities, when interest rates change, the value of insurer equity is subject to potentially wide fluctuation. While the market risk for insurers as measured by beta is roughly average, the degree of interest rate risk to which the industry is exposed is considerably higher than average. Since this risk cannot be entirely diversified away, the overall risk associated with an investment in property/casualty insurance is greater than average. As a consequence, insurers are entitled to a rate of return above that allowed for the average risk investment in the U.S. economy. I believe that there are three main reasons for this conclusion.

First, as noted, the high degree of financial leverage and mismatched durations of assets and liabilities contributes to the volatility of returns to investors in insurance stocks.

Second, the insurance industry is in the business of bearing risk. Individuals and corporations transfer to property-casualty insurers the potential liability for a wide range of possible adverse events, ranging from property damage to professional liability. In light of the unforeseen events that can occur, and, in the recent past, actually have occurred, investors in property-casualty insurance stocks are subject to considerable risk.

Finally, insurance is in the unique position of being a highly competitive industry that is also subject to a high degree of regulation. This combination of regulation and competition creates an environment in which insurers are subject not only to the demands of the market but also to the pressures of the political process. There is substantial evidence that regulation can increase risk for a regulated enterprise, and when that is combined with an aggressively competitive industrial structure, risk is increased.

Q. You said that the combination of regulation and competition increased risk for insurers. Can you describe what you mean?

A. Yes. Traditionally, direct price and rate of return regulation has been imposed on industries known as "public utilities," such as generation and transmission of electric power, distribution of natural gas, provision of local water and sewer service and the like. Because of the nature of the production process, these industries are characterized as "natural monopolies," meaning that it is most efficient for a single producer to provide the service in question. In such circumstances, the state normally grants a monopoly to a single provider and then regulates that firm directly to prevent abuse of monopoly power.

Property-casualty insurance differs dramatically from this model. Rather than a single firm providing service, there are in most states literally hundreds of firms competing in the market, none of which typically have significant market power. These firms compete aggressively to increase market share and attract the best insureds by offering a variety of price and quality combinations that are best tailored to their business objectives. This vigorous competition provides discipline in the marketplace, and, when combined with direct rate of return regulation, the risk for insurers is increased.

I should note that historically, a number of competitively structured industries (such as airlines, trucking, and telecommunications) were subject to regulation, but in the past several decades there has been a movement to deregulate these activities. This is due in part to the widespread agreement that competition itself is an adequate regulator.

Q. You also said that you considered whether the size distribution of North Carolina insurers should impact the cost of capital in this case. Can you please describe this issue briefly and discuss its implications for this case?

A. Yes. It is a well established fact of empirical finance that small stocks tend to outperform large stocks. Ibbotson Associates, for instance, reports that firms in the ninth and tenth deciles of stocks listed on the principal U.S. stock exchanges have outperformed the market as a whole by approximately 3.8 percentage points over the period 1926 to 2012, even after accounting for the fact that these firms have above average betas. Therefore an adjustment should be made to the cost of capital to the extent that the property-casualty insurance industry is composed of small stocks.

Q. Have you conducted any studies with respect to the significance of the small stock effect?

A. Yes. As with interest rate risk, I have conducted a number of studies of this issue in previous years, and in each instance I found that (1) investors have earned higher returns from small stocks than from large stocks, and (2) the insurers in Dr. Vander Weide's cost of capital analysis are among the largest companies in the U.S. economy. The insurers in Dr. Vander Weide's analysis are larger, on average, than the companies in the property-casualty insurance industry, and they are larger, on average, than the companies writing homeowners insurance in North Carolina.

These facts suggest that the cost of capital for insurers writing homeowners insurance in North Carolina should be higher than for those firms contained in Dr. Vander Weide's cost of capital analysis. This reaffirms my conclusion that the cost of capital Dr. Vander Weide has presented is conservative.

Q. Can you please summarize your testimony on the cost of capital of the property-casualty insurance industry?

A. Yes. Dr. Vander Weide has assumed that the property-casualty insurance industry presents investors with risks comparable to the average investment in equities. My analysis has shown that property-casualty insurance stocks are subject to additional volatility due to interest rate sensitivity, and are relatively small when compared with the broad cross section of publicly traded firms in the U.S. economy. Since these additional risks require compensation in the form of a higher return, I conclude that Dr. Vander Weide has been conservative in his calculation of the required rate of return on property-casualty insurance investments.

IV. NET COST OF REINSURANCE & REGIONAL ALLOCATIONS

Q. In your summary, you said you considered how the net cost of reinsurance should be included in homeowners rates in North Carolina, and how the profit in the rates should be allocated proportional to risk. Can you please discuss your evaluation of these issues?

A. Yes. I have previously addressed these issues in homeowners, mobile homeowners and dwelling fire and extended coverage rate filings in North Carolina, where I have recommended that the indicated rates be developed to include the net cost of reinsurance. I will briefly outline the problem and then discuss each of the issues separately.

To begin with, homeowners is one of several lines of insurance that is subject to the potential for catastrophic loss. In such lines (homeowners, earthquake, allied lines and other property coverages), individual catastrophic events can result in enormous losses, far in excess of what the typical insurer could bear. Thus, in these lines of business, insurers routinely purchase reinsurance to manage their exposure to extreme events, and it is appropriate to provide for the cost of this reinsurance in setting rates for these lines of insurance. Since ratemaking is often done on a direct basis, as compared to a net of reinsurance basis, an explicit adjustment must be made to provide for the cost of reinsurance.

Second, the exposure to catastrophic loss varies substantially by geographic region within North Carolina. It is well known that the coastal counties in the state are subject to severe exposure to the hurricane peril, while the interior regions to the west are subject to considerably less exposure. Since the need for reinsurance is a function of the degree of catastrophe exposure, the cost of reinsurance should reflect such regional differences as exist within the state. Accordingly, in considering the cost of reinsurance in primary rates, I allocate the statewide cost across regions, proportional to risk.

Finally, even after the consideration of reinsurance, substantial differences in risk across regions remain. Therefore, to the extent that the underwriting profit in the rates is intended to compensate the insurer for risk, that profit should also be spread regionally proportional to the risk that remains after the benefits of reinsurance are considered. Similar to the cost of reinsurance, the profit in the statewide rates is also allocated across regions, proportional to the residual risk that remains after the benefits of reinsurance.

Q. You mentioned that direct ratemaking does not include the cost of reinsurance. Can you please explain?

A. Yes. Direct ratemaking is an approach that is sometimes used when making insurance rates on an industrywide basis (where the terminology "direct" refers to an analysis done without consideration of reinsurance). While this approach is reasonable for some lines of insurance (such as auto insurance), it fails to reflect the market realities associated with writing property insurance in catastrophe prone environments such as North Carolina. In these environments, primary insurers are required to purchase reinsurance to manage their exposure to catastrophe risks, and such reinsurance comes at a substantial net cost.

Q. Why does reinsurance come at a substantial net cost?

A. Reinsurers generally cover the riskiest portion of the insurance loss distribution – the events that occur only rarely but impose extremely high costs. In order to provide a credible promise to pay claims resulting from extreme events, reinsurers carry substantially more capital per unit of exposure than primary insurers. This capital has a cost, which is included in the premiums paid for the reinsurance in the market. Since basic economic and actuarial principles require all costs of the risk transfer to be included in the price of insurance, and since reinsurance is required to efficiently manage catastrophe risk, its net cost should be included in the rates charged for homeowners insurance.

Q. Did you perform any analysis to address this issue?

A. Yes. To address this issue and provide for a rate that will cover all the costs of the insurance transaction, I developed a procedure to include the "net cost of reinsurance" as an expense in the direct homeowners rates in North Carolina. (By net cost of reinsurance, I mean the expense and profit components of the reinsurance rate, since the loss costs are already included in the calculation of the direct premium.) This procedure is conceptually identical to that employed in Florida, where insurers make rates using direct losses and expenses, but then add in a provision which covers the cost (to the primary insurer) of the reinsurer's profit and expense.

Q. Please describe your analysis.

A. To implement this procedure, I adopted the standard ratemaking assumption used in North Carolina – i.e., that there is a single aggregate company that is the composite of all carriers in the state. I then assumed that this company maintains a reinsurance program that is typical of property insurers writing in hurricane prone states such as North Carolina, with provisions as follows:

- An attachment point equal to the one in ten year hurricane loss event (i.e., the 90th percentile of the statewide loss distribution from AIR). The attachment point is the loss level at which the reinsurer begins to share in the loss.

- A limit equal to the difference between the attachment point and the one in a hundred year event (the 99th percentile of the statewide loss distribution). The limit is the maximum loss amount which the reinsurer will pay under the contract.

- A 5% coparticipation in the reinsured layer. (Coparticipation refers to a provision where the primary insurers share a specified percentage of the reinsured loss).

- Mandatory reinstatement of the original limit following insured events.

These provisions were based on my experience working with actuaries, risk managers and reinsurance brokers familiar with these types of exposures, and they reflect the types of reinsurance programs that insurers typically purchase to protect against the potentially catastrophic losses that are attendant to the hurricane risk to which the state is exposed.

Given the program described above and the AIR statewide aggregate loss distributions, I then determined the amount of losses that would be subject to reinsurance coverage, as a share of the total hurricane losses in the state. Based on the projected reinsured losses, I then developed a "competitive market" reinsurance premium, following a series of steps that are described below. Before describing the individual steps in that process, however, I should note two considerations in connection with the use of the AIR model in this filing.

First, in developing the hurricane loss estimates for use in this filing, AIR ran two separate models, one based on 100,000 iterations of its model using the full 100+ year history of hurricane activity as the basis for projected hurricane frequency, and the other based on 100,000 iterations of the model using an alternative version known as the warm sea surface temperature (WSST) model. The WSST model reflects the higher frequency and severity of hurricanes in periods of warmer sea surface temperatures such as currently exist.

When calculating the base rates for this filing, the Rate Bureau relied upon the standard AIR model to estimate the level of hurricane losses to be included in the rates. However, reinsurers rely on models that use substantially higher hurricane frequencies and/or severities to estimate expected losses for property exposures, to reflect the widespread recognition that we are currently in a phase of increased activity in the hurricane cycle.

Since it is appropriate to rely on the models used in the reinsurance market in setting the price of reinsurance, and later, in allocating that cost to zone, I relied on the AIR WSST model loss estimates in this portion of my analysis.

Second, I also note that in projecting losses using either model, AIR's estimates reflect the phenomenon of "demand surge." Demand surge refers to the fact that, subsequent to the occurrence of a large natural catastrophe, the prices of labor and materials required to repair or replace damaged property tend to increase because of the surge in demand for such resources. This is exactly what one would expect given the underlying dynamics of supply and demand; with resources (particularly labor) that are relatively fixed in supply in the short run, a rapid increase in demand is expected to increase prices. This phenomenon has been observed following natural disasters such as Hurricane Andrew, the Northridge earthquake, Hurricane Katrina and the like. In estimating the damages attributable to catastrophic events, it is appropriate to include all factors that affect the level of expected losses, including, of course, factors that affect the price of the resources required to respond to those events.

Given the reinsurance program described above and the AIR loss distributions, I then determined the amount of losses that would be subject to reinsurance coverage, as a share of the total hurricane losses in the state. Based on the projected reinsured losses, I then developed a "competitive market" reinsurance premium, as follows:

- I loaded the reinsured loss for LAE, using the Incurred Loss/Incurred LAE ratio from the filing.

- I then loaded the incurred losses and LAE for assumed reinsurer expenses, using an expense factor of 0.70 (which results in a reinsurer expense provision of 19.6% of premium).

- I assumed the reinsurer set an underwriting profit provision that would yield a return on net worth, after consideration of all investment income, of 11.0%. I determined the reinsurer's net worth such that the reinsurer premium to surplus ratio would be .30, a selected value that approximates the historical average ratio for professional reinsurers from Best's Aggregates and Averages over the past several years.

Having determined the reinsurance premium that a competitive reinsurance market would produce under the assumptions described above, I then subtracted expected losses and LAE from the premium to leave the net cost of reinsurance of $569,283,655. In the next step, that amount was added as a fixed expense in the rates. (This value, when divided by projected direct written premium at proposed rates, produces an expected net cost of reinsurance equal to 17.5% of direct premium, comprised of the reinsurance expense cost of 3.4% and the cost of reinsurer capital of 14.1%).

Q. Are the results of your calculations shown in an exhibit?

A. Yes. Exhibit RB-15 shows the calculations giving rise to the estimated net cost of reinsurance of $569,283,655. This exhibit contains two pages; the first page shows the derivation of the reinsurance premium, based on the portion of hurricane losses that are covered by reinsurance, and the reinsurer's capitalization and required return. The end result of that calculation is the net cost of reinsurance, in dollars. (The net cost of reinsurance is the total premium less the primary insurer's loss and LAE recovery, which is equal to the reinsurer's expense cost and the cost of the reinsurer's capital). The second page shows the derivation of the statewide premium given the net cost of reinsurance, along with the net and gross cost of reinsurance displayed as a percent of statewide premium. As can be seen in the second page, the reinsurance premium is 23.9% of statewide direct premium, while the net cost of reinsurance is 17.5% of premium.

Q. Do you believe that your calculations accurately reflect the net cost of reinsurance in North Carolina?

A. Yes. In the past I have compared the estimates based on this methodology to the actual reinsurance costs incurred by insurers, and I have found they are typically consistent with the portions of premium expended by primary insurers in the purchase of reinsurance in catastrophe prone environments. As a consequence I believe that my estimates are reasonable.

Q. In your opinion, it is appropriate to include the net cost of reinsurance in homeowners insurance rates in North Carolina?

A. Yes. Insurers in North Carolina incur a substantial cost for bearing the risk of homeowners insurance in the state. The market cost of bearing that risk (whether the risk is retained by the insurer or transferred to a reinsurer) must be included in the rates. In the analysis described above, I have developed a competitive market reinsurance premium that reasonably reflects the net cost of reinsurance to the primary insurer. Since this is a legitimate cost of the risk transfer inherent in the purchase of homeowners insurance, it should properly be included in the rates.

Q. You said that the next step was to allocate the cost of reinsurance across regions in the state proportional to risk. Can you please discuss your analysis of this issue?

A. Yes. As discussed above, it is widely agreed that homeowners insurance in North Carolina is subject to substantial catastrophe exposure due to the possibility that hurricanes and other serious windstorms may strike the state. However that catastrophe potential differs significantly from region to region within the state; in coastal counties, for example, the hurricane risk is far higher than it is in the interior mountainous regions to the west. As a consequence, the risk to which insurers and reinsurers are exposed differs across the state as well. Since the need for reinsurance arises from the catastrophe exposure, regional differences in relative risk should be taken into account when determining the allocation of reinsurance costs within the state.

Q. How did you analyze the regional differences in risk and allocate reinsurance costs to region?

A. To address this issue, I developed a general simulation model that calculates regional differences in risk within North Carolina. Based on the model results, costs can be allocated to different regions in proportion to the risk each region contributes to the state as a whole. I used this model to allocate the net cost of reinsurance, as well as the underwriting profit and contingency provisions, to the different homeowners territories in the state. As a general rule, since the risk in the coastal areas is far greater than the risk in the interior, the cost of reinsurance and the required profit in those territories is greater, as a percent of premium, than in the less risky territories.

In broad terms, my approach involved the following steps:

(1) Determine appropriate measures of risk;

(2) Build a Monte Carlo simulation model to calculate the risk measures in each territory;

(3) Allocate statewide values proportional to risk.

I describe each of these steps briefly below.

Q. Before discussing these steps, you mentioned allocating costs to different territories in North Carolina, based on measures of relative risk. Was your analysis conducted at the level of the individual territories?

A. No. As in previous years, I did not conduct the analysis at the level of the individual territory, but rather at the "zone" level. That is, I aggregated the territories into four distinct zones for purposes of allocating profit and reinsurance costs: Zone 1a – beach (territories 7, 8, and 52A); Zone 1b – coast (territories 48, 49, 52B, 110 and 112); Zone 2 - central (territories 105, 106, 107, 111, 113, 114, 115, 116, 118 and 119); and Zone 3 - mountains (territories 101, 102, 103, 104, 108, 109, 117 and 120).

I note that this is a different zone configuration than was previously used in North Carolina property rate filings. In prior filings three zones were used for allocation – where a single Zone 1 included all the beach and coastal territories. However, in reviewing more detailed territory level hurricane loss cost estimates, it became clear that there were significant differences in the expected loss costs between some of the territories in the beach and coastal areas, such that combining them into a single zone seemed inappropriate. Therefore, the Property Rating Subcommittee decided to reconsider and ultimately amend the zone definitions to further partition the beach and coastal territories into two separate zones.

Q. Can you please continue with your explanation of the various steps required to implement your allocation model?

A. Yes. As noted, there were three broad steps required to develop an allocation method.

(1) Determine Appropriate Measures of Risk: I selected three bases for measuring risk: standard deviation of losses, variance/covariance of losses, and probability of ruin. Each of these has merit, and support in the literature, as a measure of relative risk across the various zones within the state.

(2) Build a Simulation Model to Calculate Risk by Zone: Calculating risk by zone using the measures noted above involves estimating the distribution of annual aggregate losses by zone. To do this, I built a two part simulation model that separately estimates hurricane and non-hurricane losses. For the hurricane loss estimates, AIR ran its proprietary model, and provided estimated losses by territory, which were then aggregated to the zone level (rather than the territory level of aggregation used elsewhere in ratemaking). For non-hurricane losses, I built a Monte Carlo simulation model to estimate the annual aggregate loss distribution across all non-hurricane perils. I then summed hurricane and non-hurricane losses from each iteration to derive the distribution of total losses by zone. From this distribution, I was able to calculate the variance, covariance and standard deviation of losses, as well as the probability of ruin.

I should note that I applied this model separately to both the reinsurer and the primary insurer, for two distinct purposes. In the case of the reinsurer, my intention was to allocate the net cost of reinsurance – that is, the reinsurance expense cost and the cost of reinsurer capital – to zone proportional to the risk borne by the reinsurer. In the case of the primary insurer, my intention was to allocate the underwriting profit in the rates – that is, the primary insurer's compensation for risk – to zone, proportional to the residual risk retained by the primary insurer after considering the losses ceded to the reinsurer.

(3) Allocate Reinsurance Costs and Statewide Profit Proportional to Risk: For the standard deviation method of measuring risk, I calculated the standard deviation of losses in each zone, and then took the sum across all the zones as an estimate of the statewide total value. (The assumption that the statewide total standard deviation is the sum of the individual zone standard deviations implies that there is perfect correlation of losses across zones.) For the variance method, I calculated the variance of losses at the statewide level, as well as the covariance between the losses in each zone and the statewide total losses. (It can be shown mathematically that the variance of the statewide total losses is identical to the sum of the covariances between the losses in each zone and the statewide total.) Each zone was then allocated a share of the net cost of reinsurance and total profit based on its share of total risk. (These approaches were applied separately for the reinsurer, based on ceded losses, and for the primary insurer, based on net or retained losses). Under the probability of ruin method, I ranked total losses (hurricane plus non-hurricane) across all iterations from largest to smallest, and found the iteration in which actual losses were equal to the losses that would produce ruin (i.e., the level of losses that would just exceed the sum of premium

net of expenses, plus investment income and surplus). I then determined the proportion of those losses attributable to each zone, and allocated reinsurance costs and profit according to those percentages.

As I mentioned earlier, it is important to emphasize that the departure point for the risk based allocation process is the total cost of reinsurance and required profit in the state as a whole. That is, only after these amounts are determined are they then allocated to zone. Thus, there is no additional profit or return resulting from our analysis, and the allocation is independent of the methodology used to determine the cost of reinsurance or the overall profit.

Q. Can you please describe the results of your analysis?

A. The details of the analysis are contained in Exhibit RB-16 attached to this testimony. This exhibit, comprised of three pages, shows the allocation of reinsurance costs and statewide profit to zones depending on the selected allocation method. (The total statewide profit and reinsurance cost are displayed in Exhibit RB-15, described above.)

The underwriting profit, cost of reinsurer capital and reinsurer expenses for each zone, based on the three methods just described, are summarized in the table below. As can be seen, those values are expressed in dollars, consistent with the fact that the net cost of reinsurance is included as a fixed dollar expense when making rates.

Summary: Reinsurance Costs and Profit by Zone

		Zone 1a	*Zone 1b*	*Zone 2*	*Zone 3*	*Sum*
Standard Deviation Method	Underwriting Profit and Contingencies	152,335,175	38,988,414	97,911,569	84,818,200	374,053,359
	Reinsurer Profit (Percent)	178,420,850	48,909,361	128,674,922	101,437,506	457,442,639
	Reinsurer Expenses (Percent)	50,587,973	14,617,472	29,374,532	17,261,039	111,841,016
	Total Profit plus Reinsurance Cost	**381,343,998**	**102,515,248**	**255,961,024**	**203,516,745**	**943,337,014**
Variance/ Covariance Method	Underwriting Profit and Contingencies	168,496,946	37,906,871	100,883,620	66,765,922	374,053,359
	Reinsurer Profit (Percent)	194,837,320	49,200,718	134,480,015	78,924,587	457,442,639
	Reinsurer Expenses (Percent)	50,587,973	14,617,472	29,374,532	17,261,039	111,841,016
	Total Profit plus Reinsurance Cost	**413,922,239**	**101,725,060**	**264,738,167**	**162,951,548**	**943,337,014**
Probability of Ruin Method	Underwriting Profit and Contingencies	118,978,695	42,180,728	110,496,380	102,397,556	374,053,359
	Reinsurer Profit (Percent)	191,301,311	57,581,578	149,171,796	59,387,954	457,442,639
	Reinsurer Expenses (Percent)	50,587,973	14,617,472	29,374,532	17,261,039	111,841,016
	Total Profit plus Reinsurance Cost	**360,867,979**	**114,379,778**	**289,042,708**	**179,046,550**	**943,337,014**

Because each of the aforementioned methods has support in the risk measurement literature, and the results under the various models are reasonably similar, I averaged the per zone total profit and reinsurance cost factors from the three methods. The final values used in the calculations were then selected by the Rate Bureau.

Q. Have you recommended regional profit differentials in any other lines of insurance when you have testified in North Carolina?

A. Yes, but only in mobile homeowners and dwelling extended coverage, since the other lines of insurance subject to the jurisdiction of the Rate Bureau are not subject to such extreme regional variation in risk. In the case of homeowners insurance, however, it is important for reasons of equity and economic efficiency to address this question forthrightly.

Q. Does your methodology result in a higher overall cost than would have been the case without the allocations?

A. No, it does not; the allocation method itself is simply a manner in which to spread the costs across policyholders consistent with risk. Thus, it does not impose any additional costs on North Carolina policyholders in the aggregate; rather it simply apportions the costs in a manner that is consistent with the risks different policyholders impose.

Q. In your opinion, is it appropriate to allocate statewide profit and reinsurance costs proportional to these measures of risk?

A. Yes. It is both intuitively and empirically obvious that the relative risk of homeowners insurance varies geographically. As such, the cost for bearing that risk should be allocated proportional to the measurement of the risk. The three measures selected for this analysis have broad support in the actuarial and economic literature, and in my opinion are quite reasonable for the purpose to which they are put.

V. COMPENSATION FOR RISK OF ASSESSMENTS FROM BEACH/FAIR PLANS

Q. You said earlier that you also considered the risks faced by insurers in North Carolina associated with the exposures insured in the Beach/Fair Plans. Can you please explain this issue?

A. Yes. In addition to the risks attendant to the homeowners insurance directly written by insurers in North Carolina, there is substantial additional risk to insurers attributable to the exposures insured in the Beach/Fair Plans.

The Beach/Fair Plans serve as the so-called "residual market" for residential property insurance in the state. Residual markets exist to provide access to insurance coverage for policyholders who cannot obtain such coverage from insurers in the voluntary market. In states which have significant exposure to catastrophes, property insurance residual markets often grow to represent a very sizable portion of the total insured risk in the exposed regions of the state. This has been the experience in North Carolina, where the exposure growth in the Beach Plan has been very high over the past decade.

The Beach/Fair Plans provide either wind only or full residential property insurance coverage to North Carolina policyholders. The Plans use the premium from those policies to fund the future losses and expenses attributable to the coverages they write (including the purchase of reinsurance, issuance of catastrophe bonds and the like). The Beach/Fair Plans can accumulate surplus and that surplus is available to pay losses in the event that the losses exceed collected premiums plus investment income. However, if their surplus is exhausted, then additional losses (up to a $1 billion limit for the Beach Plan but unlimited for the Fair Plan) are passed through to all insurers in the state in the form of assessments based upon each insurer's total property writings in North Carolina. (Beyond the $1 billion limit, additional losses in the Beach Plan are passed through directly to policyholders statewide.) Even if an insurer does not write property insurance in North Carolina's beach and coastal areas, it is nevertheless subject to any assessment by the Beach/Fair Plans due to its writings in other areas of North Carolina.

This risk of assessment has increased dramatically due to the growth in the Beach Plan in recent years. This growth in the Beach Plan is attributable to numerous factors, including the expansion of the Beach Plan territory, the addition of homeowners coverage to the coverages available in the Beach Plan, the increase in the number and value of insured properties in the beach and coastal areas of North Carolina, and most importantly, the inadequacy of primary property insurance rates in the state.

This risk of assessment is real and substantial, and insurers must be compensated for this additional risk to their capital. To address this situation, I have developed a procedure to incorporate a provision in the rates that compensates insurers for this risk.

Q. Can you please explain the procedure you developed?

A. Yes. The model I developed for this purpose involves two steps; the first is to quantify the magnitude of the exposure itself, and the second is to determine the fair compensation to be paid to insurers for bearing that risk.

To quantify the magnitude of the exposure, it was necessary to estimate the expected value of the assessments on insurers that arise because of catastrophic losses in the Beach/Fair Plans. Since assessments on insurers arise only after the plans have exhausted other resources available to pay losses, I needed to determine both the probability of that occurring as well as the amount by which the losses exceeded those other resources. Therefore, I obtained information from the Beach and Fair Plans regarding the reinsurance program in place for the 2013 storm season, along with assumptions of each plan's accumulated surplus available for the season as well – i.e., the "other resources" that would be available to pay for hurricane losses during the 2013 storm season. I then obtained the AIR hurricane model runs used by the Beach/Fair Plans, and for each iteration of the AIR model, I determined the amount of losses that would be covered by reinsurance and the remaining losses that would have to be funded either from the plans' accumulated surplus, through assessments on property insurers in the state, or ultimately through assessments on North Carolina property insurance policyholders. I then subtracted the accumulated surplus of the plans from the losses remaining after reinsurance, limited the assessable losses due to Beach Plan exposures to $1 billion, and calculated the average assessment on property insurers across all iterations of the model (which is the expected value of the losses that would have to be funded through assessments on North Carolina property insurers).

As noted, this is a measure of the magnitude of the exposure – i.e., it represents the risk to insurers' capital associated with the exposure to Beach/Fair Plans assessments. The next step is to develop a method of measuring the fair compensation to insurers for bearing this risk.

Q. Can you please explain how you measured the compensation for bearing this risk?

A. Yes. To measure the fair compensation for bearing this risk, I relied on data regarding the market price of catastrophe risk, taken from the market for insurance linked securities. Insurance linked securities (ILS) are securities (bonds, warrants and the like) that have conditional payoffs that are virtually identical to reinsurance. Investors purchase such securities at significant yield premiums to risk free bonds, because they are exposed to loss of principal and interest if certain "insured events" occur.

Q. Can you explain how such securities work in practice?

A. Certainly. As an example, consider an insurer that issues $100 million of a bond with a provision that, for every dollar of loss from an Atlantic hurricane in excess of $1 billion, one dollar of the bond would not have to be repaid. Since the investor in that bond would effectively be paying for up to $100 million of hurricane losses, such a security would be the functional equivalent of a reinsurance contract that provides $100 million in coverage excess of a $1 billion attachment point.

Now, with respect to the interest to be paid by the insurer on this bond, assume investors demand a premium of 10% in excess of the risk free rate in order to purchase such a security (because of the high degree of risk associated with the potential loss of principal and interest). This risk premium implies that the insurer would have to pay $10 million in interest in excess of the risk free rate to induce investors to purchase such securities, which is equivalent to paying a premium of $10 million for $100 million of reinsurance. This kind of information can be very illuminating in connection with evaluating the risk premiums required to bear catastrophe risk.

Q. What kind of information is available in these markets that can help you to assess the fair compensation for bearing catastrophe risk?

A. Markets for ILS have been growing in recent years, as they provide a financially efficient method of transferring risk. While smaller than reinsurance markets, they can provide extremely useful data about the cost of risk, because they reflect estimates of the pure cost of risk transfer, unencumbered by insurance specific issues (such as expenses, capital requirements, required returns, regulation and the like).

Lane Financial, LLC is a firm that specializes in and is the most prominent analyst of insurance linked securities. In April of each year, Lane publishes a data base that accumulates a variety of useful information that can help to evaluate the fair compensation for bearing catastrophe risk. For each ILS in the market, Lane publishes the following data: the yield on the security; the excess return over LIBOR (the risk free rate); the probability that the security will suffer a loss; and the expected value (or average) loss anticipated on the security. These data provide the foundation for my analysis of the proper compensation for bearing the risk of Beach/Fair Plans assessments.

Q. How are these data used to determine the compensation for assessment risk?

A. Before describing the mechanics of the analysis, I first define several terms that will prove useful in this discussion. The "*yield spread*" is simply the difference between the yield on the particular ILS and LIBOR. (LIBOR, or the London Interbank Offered Rate, is one traditional measure of the risk free rate in finance.) For example, in the case I cited above (where a $100 million bond had a provision that, for every dollar of hurricane loss in excess of $1 billion, one dollar of the bond would not have to be repaid) investors demanded a premium of 10% in excess of the risk free rate. In that case, the yield spread was 10% (or 1000 basis points), which implies that the insurer would have to pay $10 million in interest in excess of the risk free rate to induce investors to purchase such securities.

Now assume that the expected distribution of hurricane losses is such that this security had an average annual loss of $1 million, meaning that, based on the probability and amount of hurricane losses of varying sizes, an investor would anticipate having an average loss of $1 million per year. This is termed the "*expected loss*." Since the investor in this example receives compensation of $10 million in excess of the risk free rate for bearing the risk of loss, the "expected profit" to the investor is $9 million (the yield in excess of the risk free rate minus the expected losses).

Finally, I define a term known as the "*profit multiple*," which is the ratio of expected profit to expected loss – in this case $9 million divided by $1 million, or a profit multiple of 9.0. The profit multiple provides an estimate of the compensation investors require to bear catastrophe risk, insofar as it tells us what returns investors require in order to take on the risk of loss from a catastrophic event. One particularly important feature of this variable is that it is a measure of compensation per dollar of expected loss; given the Beach/Fair Plans assessments to which insurers are exposed, the profit multiple can be used to develop an estimate of the fair compensation for bearing such risk. This is the measure of risk I rely upon in evaluating the fair compensation for property insurers whose capital is exposed to Beach/Fair Plans assessments.

Q. Before you explain exactly how you used this information, is it true that all ILS have yield spreads that are 10.0 times, or profit multiples that are 9.0 times, their expected loss?

A. No. This value fluctuates depending on the risk characteristics of the particular securities in question. In my example there was a bond with an attachment point of $1 billion and an expected loss of $1 million, but each of the securities traded in capital markets has different attachment points and amounts of coverage, and different probabilities and amounts of expected loss. As you would expect, those securities that have more volatile exposures have larger risk premiums relative to expected loss than those with less volatility.

Q. Generally speaking, which securities are more volatile, and hence have higher risk premiums and profit multiples?

A. For exposures such as these, securities that have "higher" attachment points – meaning those which have a lower probability of incurring a loss – have greater volatility and larger risk premiums. While it is true that such securities have a lower probability of incurring a loss, it is also the case that the variability of the losses on such securities is greater than those with a higher probability of incurring a loss (i.e., those that attach at lower points on the loss distribution). As a result, ILS's with very low probabilities of attachment will have the highest risk premiums and profit multiples.

Q. How do you use the data on ILS's to develop the fair compensation to insurers for bearing the risk of Beach/Fair Plans assessments?

A. First, to get a more precise estimate of the risk premia in capital markets, I compiled the data on profit multiples for all ILS's issued on U.S. catastrophe exposures in the last six years. However, as I mentioned earlier, each ILS has a different profit multiple based on its specific risk characteristics. Therefore, to determine the profit multiples that are appropriate for the risks imposed by the Beach/Fair Plans exposures, I fit a curve which relates the profit multiple on each bond to the probability of loss occurring on that bond. This curve permits the measurement of profit multiples at any probability level

Next, I obtained information from the Beach/Fair Plans on the distribution of hurricane losses, based on the AIR hurricane model runs using the most current exposures for the plans. For each iteration of the AIR model, I estimated the hurricane losses that would be ceded to reinsurers (using the actual reinsurance purchased by the Plans for the 2012 storm season) and the amount of those losses that would be retained by the Beach/Fair Plans. Based on this analysis I was able to determine the expected value of hurricane losses retained by the Beach/Fair Plans, as well as the distribution of those losses within the various probability layers.

Finally, to determine the fair compensation for bearing this risk, I determined the amount of losses that would exceed the Beach/Fair Plans' capacity, and thus would be assessed to voluntary insurers in the state. For each dollar of such assessments, I multiplied the expected loss by the appropriate profit multiple (given the probability interval in which the losses reside). The product of the expected losses by interval or layer and the appropriate profit multiple for the layer represents the fair compensation insurers should receive for bearing such risk.

Q. Have you developed any exhibits that provide the details of these calculations?

A. Yes. Exhibit RB-17 contains eight pages of information required to develop projections of the fair compensation for bearing Beach and Fair Plans assessment risk.

The first page of Exhibit RB-17 shows a summary of the Beach/Fair Plans reinsurance program for the 2013 storm season, including the various layers of reinsurance purchased and the coverage levels within those layers. Although the Beach and Fair Plan are separate legal entities they purchase their reinsurance together in the same contracts, and the contracts apply to the combined losses of all Beach Plan accounts and the Fair Plan.

Page 2 of Exhibit RB-17 shows the curve I fit to the ILS profit multiples based on all ILS issued in the last six years, and the equation of the fitted curve that is used to determine the profit multiples for each layer to which insurer capital is exposed.

Page 3 of Exhibit RB-17 displays the profit multiples calculated for each layer of the Plans' loss distribution, based on the equation on page 2. In order to determine the fair compensation to voluntary insurers for bearing the risk of assessments, I need to determine which layers contain losses that will be funded by such assessments, and the appropriate compensation per dollar of expected loss within those layers. The profit multiples are the appropriate compensation per dollar of expected loss in each layer.

Pages 4 and 6 of Exhibit RB-17 illustrate how potential losses for the Beach Plan Residential Account and Fair Plan are funded. (The Beach Plan determines losses and assesses voluntary insurers separately for each account, while the Fair Plan has only one account.) The Beach Plan can assess voluntary insurers a maximum of $1 billion for any deficits resulting from a single calendar year across all accounts, while the Fair Plan assessments are unlimited. Any amounts needed to pay claims in excess of the assessable amounts are to be collected through surcharges to property insurance policyholders statewide.

The mechanics of the funding analysis are as follows. First, for each iteration of the AIR model, losses are segregated into loss layers separately by account (Beach Plan Residential, Beach Plan Commercial, and Fair Plan). Then, the losses by layer for each account are disaggregated based on the source of funding for those losses - Beach/Fair Plan surplus, the next $1 billion of Beach Plan losses to be covered by assessments on voluntary insurers, private reinsurance and ultimately any additional amounts in the Beach Plan to be covered by surcharges on property policyholders' premiums. Finally, the losses associated with each event are then accumulated in these categories for each of the loss layers. (Although I apply the reinsurance contracts and the $1 billion limit to commercial losses, no expected commercial hurricane losses are included in my calculations of the fair compensation for exposure to assessments for residential lines of business.)

While pages 4 and 6 illustrate the funding of potential losses within each layer, the purpose of this analysis is to determine the fair compensation for the risk of assessments on private insurers. As such, the analysis must take into account the probability of losses occurring within each layer and calculate the expected value (or annual average) loss that will be borne by private insurers. Pages 5 and 7 of RB-17 provides that analysis; they show the expected value of the losses that would be covered by the Beach Plan Residential and Fair Plan accounts, and the annual average amount of those losses that would be assessed to private insurers. In addition, these pages display the profit multiples associated with each layer of the loss distribution, and the product of the indicated profit multiple times the expected losses within the layer. The sum of those values is the indicated compensation for assessment risk for each account. (For example, the total cost of providing reinsurance to the Beach Plan Residential Account is $92.98 million.)

The final step in this calculation is to determine the appropriate provision to be included in the rates to compensate insurers for the risk of Beach and Fair Plans assessments. This provision, expressed as a percent of premium, is developed on page 8 of Exhibit RB-17. (I note that these calculations reflect only the residential portion of the Plans' deficits.) Since assessments for Beach/Fair Plans losses are applied to all property insurance lines in the state, the bottom table on Exhibit RB-17, page 8 shows the development of a charge that will produce an amount of revenue equal to the total required compensation of $120.68 million. As shown therein, that charge amounts to 4.4% of total property insurance premium in the state.

Q. In your opinion, is it appropriate to include the 4.4% compensation for assessment risk provision in homeowners insurance rates in North Carolina?

A. Yes, not only is it appropriate, it is necessary in order that homeowners insurance rates are fair and reasonable to insurers. Since insurers are exposed to the risk of Beach/Fair Plans assessments as a result of writing voluntary market homeowners insurance in the state, they are entitled to receive fair compensation for bearing that risk. The model I have developed relies on a well established and widely accepted measure of compensation to determine a provision that will fairly reward insurers for bearing this additional risk to their capital.

VI. PROJECTED RETURN ATTRIBUTABLE TO INSURANCE OPERATIONS

Q. Earlier you said that you had calculated the statutory return insurers would expect from underwriting homeowners insurance in North Carolina. Have you conducted such an analysis?

A. Yes, I have. I developed a model using traditional insurance profitability analyses and have calculated the statutory returns on equity that would be expected to arise assuming that actual underwriting and investment results materialize exactly as projected in this filing. The results are contained in Exhibits RB-14 filed with this testimony.

Q. What do you mean when you use the term pro forma in that exhibit in connection with rate of return?

A. I use this term to indicate that the rate of return presented in the exhibit is based on a series of assumptions regarding such inputs as underwriting profit, investment gain, leverage and the like. If these assumptions actually materialize, then the “pro forma” rates of return calculated in the exhibit will prevail. However, to the extent that these assumptions are not realized, the rate of return will differ from that calculated in the exhibit.

Q. Can you please now describe the components of the model you developed?

A. Yes. The model really consists of a single page that calculates the rate of return on equity attributable to undertaking the insurance activity. It sets forth estimates of income derived from underwriting, installment fees and investment of reserves and estimates of costs, comprised of losses, expenses and taxes. This exhibit is supported by several other exhibits which provide calculations of investment yield rates, tax rates, premium to surplus and net worth to surplus ratios, and installment fee income.

Q. Can you please describe the principal elements of the rate of return analysis?

A. Yes.

1. Underwriting profit is the difference between earned premiums and projected incurred losses and expenses. This provision was selected by the appropriate committees of the Rate Bureau.

2. Installment fee income is projected based on historical installment revenues over the past five years.

3. Taxes are calculated assuming that the regular corporate tax rate applies to statutory underwriting (plus installment fee) income, and that an additional tax liability applies due to the reserve discounting and revenue offset provisions that are applicable to property casualty insurers. Taxes on investment income are calculated assuming that the current statutory tax rates apply to the various classes of investment income earned.

4. Investment gain on the insurance transaction is estimated as the product of an investment yield rate and the investible funds available from loss, loss adjustment expense and unearned premium reserves (i.e., policyholder supplied funds). The investment yield rate is derived as the average of the "embedded yield" and the "current yield," based on the actual portfolios of securities held by insurers. This estimated yield rate includes income from interest, dividends, real estate, and other assets, as well as realized capital gains. The investible funds in this calculation are estimated using the well known ISO State-X model, with one modification as described below.

Q. In previous testimony in North Carolina, you identified certain changes you made to the traditional rate of return analysis that is performed using this model. Did you continue these changes for this year's filing?

A. Yes. I removed the reduction of investible funds by the amount of agents' balances from the ISO State-X calculation. However, it continues to be true that the funds represented by agents' balances are not available for investment by insurers. Therefore, in the rate of return calculation, the investment income from this modified State-X calculation is reduced by the investment income attributable to agents' balances. This calculation recognizes (1) that the majority of agents' balances represents premiums not yet paid by insureds because of installment payment plans, and hence is unavailable for investment and (2) that, for the small minority of agents' balances that is premiums collected by agents but not yet remitted to the companies, the investment income on that premium is additional compensation to the agents and a cost to the companies as part of the insurance transaction.

In addition, I adjusted the trended loss, LAE and fixed expense ratios to reflect the proposed rate change. That is to say, I have divided the trended loss and expense ratios at present rates by one plus the proposed rate change to reflect the change in these ratios that occur when rates are changed.

Q. Could you please clarify how the underwriting profit provision contained in the rate filing was determined?

A. Yes. The issue of how the Rate Bureau determines the underwriting profit and contingency factor has routinely arisen in rate hearings in North Carolina over the past several years. Although it is evident from my exhibits that the Rate Bureau selects an underwriting profit and contingency provision to be included in the rates, there has been lengthy cross examination on this issue in a number of rate hearings. Therefore, to clarify this matter, I will briefly discuss the procedure used by the Rate Bureau to determine the underwriting profit and contingency factor that is included in the proposed rates.

As part of the process of preparing a property insurance rate filing, the Property Rating Sub-Committee of the Rate Bureau meets to review data and determine values for a number of the important components of the proposed rates. One of these components is the underwriting profit factor. To determine this value, a procedure is followed in which I provide the committee with the estimated returns on equity (both statutory returns as well as returns adjusted to include investment income on surplus) associated with alternative underwriting profit provisions, and the committee then selects a provision after considering the cost of capital that has been developed by Prof. Vander Weide. Thus, the process is best described as one in which I test alternative underwriting profit provisions, and the committee selects a value based on these tests.

Q. How do you know what values of the underwriting profit provision to test?

A. I have been performing this type of analysis on behalf of the Rate Bureau for many years, and I am quite familiar with the dynamics of these models. Therefore, it is relatively easy to know the general range of values around which the underwriting profit is likely to fall. Normally, I will select approximately five or six values of the underwriting profit provision to test, that comprise a range of perhaps two to three percentage points, and the committee typically selects a value within that range. (For example, for this filing, I tested underwriting profit provisions for homeowners in one half percentage point increments ranging from 9.0% to 12.0%, and the committee selected a value of 10.5%.) Of course, if the committee is not satisfied with the range of values I propose, I provide the returns associated with alternative values proposed by the committee.

Q. From what you've said, it appears that the Rate Bureau *selects* an underwriting profit provision, rather than *deriving* such a provision from the cost of capital. Is that correct?

A. It is correct that the Rate Bureau committee selects an underwriting profit provision and then tests whether that provision results in an expected rate of return on net worth that is consistent with the cost of capital. This manner of developing an underwriting profit provision is addressed explicitly in Actuarial Standard Of Practice (ASOP) #30, entitled "Treatment of Underwriting Profit and Contingency Factors and the Cost of Capital in Property/Casualty Insurance Ratemaking." Section 3.1 of that ASOP states the following:

> <u>Estimating the Cost of Capital and the Underwriting Profit Provision</u> – Property/casualty insurance rates should provide for all expected costs, including an appropriate cost of capital associated with the specific risk transfer. This cost of capital can be provided

> for by estimating that cost and translating it into an underwriting profit provision, after taking leverage and investment income into account. Alternatively, the actuary may develop an underwriting profit provision and test that profit provision for consistency with the cost of capital. The actuary may use any appropriate method, as long as such method is consistent with the considerations in this standard.

The procedure utilized by the Rate Bureau is exactly the approach articulated in this section (i.e., "the actuary may develop an underwriting profit provision and test that profit provision for consistency with the cost of capital").

Q. Could you please clarify how you selected your investment yield rate and premium to surplus ratio?

A. Yes. To select the investment yield rate, I was asked by the Rate Bureau to compute the average of what are known as the "embedded" and "current" yields, where each was based on the actual asset portfolios insurers currently hold. There has been a long-standing debate regarding the choice between embedded and current yields in insurance profitability calculations. Since the Commissioner himself adopted an approach of averaging the embedded and current yields in his 1994 automobile decision (and in his decision in the 1996 case, he selected a yield which approximated the yield obtained from this approach), the Rate Bureau has chosen to follow that methodology since that time.

To estimate the embedded yield, I calculated the ratio of investment income divided by average invested assets and added to that an estimate of the ten year average ratio of realized capital gains to invested assets. The sum of these two is the estimated embedded yield.

To estimate the current yield, I determined the yields available in today's capital markets for the portfolio of securities currently held by the property-casualty insurance industry. I then calculated a weighted average of these yield rates based on the proportion of assets held by the industry in each of the various securities such as stocks, bonds, real estate and the like.

As far as the premium to surplus ratio is concerned, I also relied on information which reflects the actual degree of leverage for insurers writing homeowners insurance in North Carolina. The premium to surplus ratio I used is the ten year average premium to surplus ratio for the top 30 company groups which wrote homeowners insurance in North Carolina in each of those years.

Q. Can you please provide the results of your calculations regarding the projected rate of return to the insurance transaction if your underlying assumptions are realized?

A. Yes. I estimate that insurers in North Carolina should expect to earn statutory returns on net worth of 7.1% for homeowners insurance in the state. In addition, the total return on net worth (i.e., including investment income on surplus) is 9.7%. While the statutory return is below the lower bound of Dr. Vander Weide's range for the cost of capital, the total return falls within (albeit towards the lower end of) that range.

Q. Are there any factors that might impact the realization of these projected returns?

A. Yes. In order for the aggregate industry to achieve the returns projected in these exhibits, every assumption in the model must be realized exactly. However, even if every other projection in the filing is exactly realized, the industry will still not realize these projected returns because the filing does not reflect the current surplus position of the aggregate industry. For the sake of stability in the ratemaking process, the premium to surplus ratios used in my calculations are based on long term historical data. The most recent data show that the aggregate industry writing homeowners insurance in North Carolina has more surplus in relation to premiums that the historical averages used in my calculations. Therefore, even if all other assumptions were realized exactly, the calculated rate of return would overstate the returns the aggregate industry would reasonably expect.

VII. CONCLUSION

Q. Based on the studies and analyses you have performed, have you come to any conclusions regarding the underwriting profit provision, net cost of reinsurance provision and compensation for assessment risk provision that have been filed by the Rate Bureau as part of the filing in this case?

A. Yes. Based on my evaluation of Dr. Vander Weide's cost of capital estimates, my consideration of insurer specific risk characteristics, and my estimation of projected and expected returns, I believe that the filed underwriting profit provision complies with North Carolina law and that the return expected to be realized by insurers will not be excessive. In addition, based on my analyses of the cost of reinsurance and the required compensation for the risk of Beach/Fair Plan assessments, I believe that my specific estimates of the net cost of reinsurance and the required compensation for assessment risk are both reasonable and not excessive. Finally, assuming that the actuarial estimates in the filing are reasonable, it is my opinion that including the filed underwriting profit provision, net cost of reinsurance provision, and compensation for assessment risk provision will produce rates that are just, reasonable and not excessive, inadequate or unfairly discriminatory.

Q. Does this conclude your testimony?

A. Yes, it does.

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PROFESSIONAL EXPERIENCE:

1989 to present	**MILLIMAN, INC.** Principal & Director - Economics Consulting Responsible for the formation, development and management of a national consulting practice in insurance economics.
1980 to 1989	**NATIONAL COUNCIL ON COMPENSATION INSURANCE** Economic and Social Research Division
1985 to 1989	Vice President
1983	Assistant Vice President Responsible for all economic and social research of NCCI
1982	Director of Economic and Social Research
1981	Senior Research Economist
1980	Associate Research Economist
1976 to 1997	**RUTGERS UNIVERSITY**
1981-97	Associate of the Graduate Faculty, Department of Economics, Newark, New Jersey
1981-93	Teach variety of graduate courses including: Microeconomic Theory, Industrial Organization, Public Finance
1978-80	Instructor, Department of Economics, New Brunswick, New Jersey
1976-78	Adjunct Instructor, Department of Economics, Newark, New Jersey

EDUCATION:

1980	Ph.D., Economics, Rutgers University
1976	M.A., Economics, Rutgers University
1972	B.A., Economics, Brooklyn College, CUNY
	Certified ARIAS Arbitrator and Umpire
	Member: AAA Panel of Neutrals
	Fellow: National Academy of Social Insurance

PAPERS AND PUBLICATIONS

"Comment on Jaffee and Russell" in Deregulating Property-Liability Insurance, J. David Cummins, Editor, Brookings Institution Press, Washington, DC, 2002

"Dynamic Financial Analysis of a Workers Compensation Insurer", CAS Call Papers Program, 1997 (with Susan Witcraft and Mark Mulvaney)

"The Impact of Managed Care on Workers Compensation Claim Costs," in a volume of conference proceedings published by the Workers' Compensation Research Institute, September 1994, (with Philip Borba).

"Health Care Costs in Workers' Compensation", Benefits Quarterly, Vol. 9, No. 4, Fourth Quarter, 1993

"The Transition From Temporary to Permanent Disability: A Longitudinal Analysis" in Workers' Compensation Insurance: Claims Costs, Prices and Regulation, David Durbin and Philip Borba, Editors, Kluwer Academic Publishers, Boston, 1992, (with Richard Butler, David Durbin and John Worrall)

"Leverage, Interest Rates and Workers' Compensation Survival" in Workers' Compensation Insurance: Claims Costs, Prices and Regulation, David Durbin and Philip Borba, Editors, Kluwer Academic Publishers, Boston, 1992, (with Richard Butler, David Durbin and John Worrall)

Benefits, Costs and Cycles in Workers' Compensation, Kluwer Academic Publishers, Boston, 1990, (co-editor with Philip Borba)

"Benefit Increases in Workers' Compensation", Southern Economics Journal, January 1990, (with Richard J. Butler)

"Internal Rate of Return Criteria in Ratemaking", NCCI Digest, Vol. IV, Issue III, September 1990, (with Richard J. Butler).

"Social Inflation in Workers' Compensation: The Phenomenon of Benefit Utilization", Proceedings of the Casualty Loss Reserve Seminar, 1988. Also in Contingencies, Nov./Dec., 1989.

Workers' Compensation Insurance Pricing: Current Programs and Proposed Reforms, Kluwer Academic Publishers, Boston, 1988,(co-editor with Philip Borba)

"Prices and Costs of Workers' Compensation" in Workers' Compensation Insurance Pricing: Current Programs and Proposed Reforms, Kluwer Academic Publishers, Boston, 1988, (with Philip Borba)

"1986 Tax Reform Act: Effects on Workers' Compensation Profitability", NCCI Digest, Vol. II, Issue II, July 1987 (with James Gerofsky)

"The Propensity for Permanently Disabled Workers' to Hire Legal Services" , Industrial and Labor Relations Review, April 1987, (with Philip Borba)

"Sex, Marital Status, and Medical Utilization by Injured Workers'", Journal of Risk and Insurance, Vol. LIV, No. 1, March 1987, (with John Worrall and Richard Butler)

"The Impact of Workers' Compensation Benefits on Low Back Claims" in Clinical Concepts in Regional Musculoskeletal Illness, Nortin M. Hadler, ed. (Boston: 1986, Grune and Stratton), (with John Worrall)

"Workers' Compensation and Employment: An Industry Analysis" in Disability and the Labor Market: Economic Problems, Policies and Programs, M. Anne Hill and Monroe Berkowitz, eds., (Ithaca:1986 ILR Press), (with James Lambrinos)

"Some Benefit Issues in Workers' Compensation", in Workers' Compensation Benefits: Adequacy, Equity, Efficiency. (Ithaca:1985 ILR Press), (with John Worrall)

Workers' Compensation Benefits: Adequacy, Equity, Efficiency. (co-editor with John Worrall), (Ithaca:1985 ILR Press)

"Survivorship and the Size Distribution of the Property-Liability Insurance Industry", Journal of Risk and Insurance, October 1985, (with John Worrall and Richard Butler).

"Regulating Competition-The Case of Workers' Compensation Insurance", Journal of Insurance Regulation, (with James Gerofsky), June 1985.

"The Wage Replacement Rate and Benefit Utilization in Workers" Compensation Insurance", Journal of Risk and Insurance, September 1982 (with John Worrall)

"Property Damages", in Joseph Seneca and Peter Asch, The Benefits of Air Pollution Control in New Jersey, Center for Coastal and Environmental Studies, Rutgers University, 1979

WORKING PAPERS

"Workers' Compensation Pricing: The Role of Policyholder Dividends" (with David Durbin)

"The Impact of Lifetime Work on Mortality: Do Unisex Pensions Matter?" (with Richard J. Butler)

"Regulatory Survival: Rate Changes in Workers' Compensation" (with Richard J. Butler and John D. Worrall)

"Framing, Firm Size and Financial Incentives in Workers' Compensation Insurance" (with Richard J. Butler and John D. Worrall)

"Application of NAIC Profitability Models to Long Tailed Lines of Insurance" (with James Gerofsky)

INVITED PRESENTATIONS

Huntington Beach, California, March 11, 2013
CAS RPM Seminar
"Risk Loads for Property Catastrophe Covers: Primary and Reinsurer Perspectives"

Huntington Beach, California, March 11, 2013
CAS RPM Seminar
"The Actuary as Expert Witness"

Philadelphia, Pennsylvania, March 20, 2012
CAS Ratemaking Seminar
"How Reinsurers Consider Risk Loads and Cost of Capital for Property Cat Covers"

Chicago, IL , March 17, 2010
CAS Ratemaking Seminar
"Logic, Fallacies and Paradoxes in Risk/Profit Loading in Ratemaking: A Socratic Dialogue"

Chicago, IL , March 16, 2010
CAS Ratemaking Seminar
"Quantifying Risk Loads for Property Catastrophe Exposure"

Las Vegas, NV, March 10, 2009
CAS Ratemaking Seminar
"Using Catastrophe Bonds to Infer Risk Loads/Profit Margins/Reinsurance Costs"

Boston, MA, March 17, 2008
CAS Ratemaking Seminar
"Using Catastrophe Bonds to Infer Risk Loads/Profit Margins/Reinsurance Costs"

Pinehurst, North Carolina, May 21, 2007
Workers Compensation Insurance Organizations Annual Meeting
"Enterprise Risk Management: What Is It and Why Is It Important?"

Salt Lake City, Utah, March 13, 2006
CAS Ratemaking Seminar
"Including Reinsurance Costs in Primary Insurance Rates"

New Orleans, Louisiana, March 11, 2005
CAS Ratemaking Seminar
"Including Reinsurance Costs in Primary Insurance Rates"

Philadelphia, Pennsylvania, March 11, 2004
CAS Ratemaking Seminar
"The Consideration of Risk Loads and Reinsurance Costs in Primary Insurance Ratemaking"

New York, New York, December 12, 2003
Goldman Sachs Insurance Conference
"Interest Rate Changes and Insurance Underwriting"

San Antonio, Texas, March 28, 2003
CAS Ratemaking Seminar
"The Consideration of Risk Loads and Reinsurance Costs in Primary Insurance Ratemaking"

San Antonio, Texas, March 27, 2003
CAS Ratemaking Seminar
"Rate of Return Models in Insurance Ratemaking"

San Diego, California, May 20, 2002
CAS Annual Meeting
“The Actuary as an Expert Witness”

Tampa, Florida, March 7, 2002
CAS Ratemaking Seminar
"Parameterizing Rate of Return Models in Insurance Ratemaking"

Chicago, Illinois, December 10, 2001
NAIC Meeting
“The Impact of Proposition 103 in California”

Kansas City, Missouri, April 30, 2001
NAIC Meeting
“Personal Lines Regulation”

Las Vegas, Nevada, March 12, 2001
CAS Ratemaking Seminar
"Parameterizing Rate of Return Models in Insurance Ratemaking"

Washington DC, January 18, 2001
Brookings Institution Conference on Insurance Regulation
“Auto Insurance Experience in California”

Bermuda, September 14, 2000
Ace Insurance Worldwide Actuarial Conference
“Rate of Return Models In Property Casualty Insurance Ratemaking”

Orlando, Florida, June 9, 1998
Florida Managed Care Institute Annual Conference
"Issues in Integrated Health Care"

Seattle, Washington, July 21, 1997
CAS Dynamic Financial Analysis Seminar
"Dynamic Financial Analysis of a Workers Compensation Insurer"

Boston, Massachusetts, March 14, 1997
CAS Ratemaking Seminar
"Discounted Cash Flow Models in Insurance Ratemaking"

East Lansing, Michigan, July 15, 1996
National Symposium on Workers Compensation
"Managed Care in Workers Compensation"

New Orleans, Louisiana, March 20, 1996
Global Business Research Seminar: Partnerships Between Insurers and Providers
"Integrating the Data Systems"

Orlando, Florida, November 15, 1995
Global Business Research Seminar: Documenting Savings From Managed Care
"Evaluating Savings From Managed Care"

Orlando, Florida, October 27, 1995
Self Insurance Association of America Annual Meeting
"Managed Care in Workers Compensation: A Magic Act or Humbug?"

San Diego, California, October 16, 1995
Global Business Research Seminar: Documenting Savings From Managed Care
"Technical Issues in Measuring Savings From Managed Care"

Durham, North Carolina, September 6, 1995
North Carolina HMO Association Annual Meeting
"Workers Compensation in North Carolina: Risks and Opportunities for HMO's"

Washington, DC, May 22, 1995
Global Business Research Seminar: Outcomes for Workers' Compensation Managed Care
"Measuring and Reporting the Savings"

Orlando, Florida, April 13, 1995
NCCI Annual Meeting
"Managed Care in Workers Compensation"

Phoenix, Arizona, April 3, 1995
Casualty Actuarial Society Seminar on Profitability
"Rate of Return Models - Selecting the Parameters"

New Orleans, Louisiana, March 16, 1995
Casualty Actuarial Society Ratemaking Seminar
"Discounted Cash Flow Models for Insurance Ratemaking"

Orlando, Florida, March 14, 1995
Standard & Poor's Rating Conference
"Consolidation in the Property/Casualty Insurance Industry"

Minneapolis, Minnesota, October 11, 1994
Casualty Actuarial Society Seminar on Medical Cost Containment
"Managed Care and Workers' Compensation"

Toronto, Ontario, August 22, 1994
American Risk and Insurance Association Annual Meeting
"Current Issues in Workers' Compensation"

Boston, Massachusetts, May 17, 1994
Casualty Actuarial Society Annual Meeting
"Standard Of Practice on Profit and Contingency"

Hartford, Connecticut, April 20, 1994
University of Connecticut Blue Cross/Blue Shield Symposium
"24 Hour Coverage - What Will It Involve"

Atlanta, Georgia, March 10, 1994
Casualty Actuarial Society Ratemaking Seminar
"Cash Flow Models for Insurance Ratemaking"

Cambridge, Massachusetts, March 2, 1994
Workers' Compensation Research Institute Health Care Reform Conference
"Early Results of the Florida Pilot Project"

Phoenix, Arizona, November 15, 1993
Casualty Actuarial Society Annual Meeting
"The Use Of Managed Care in Workers' Compensation"

New York, New York, October 20, 1993
Insurance Information Institute/Reinsurance Association of America Research Conference
The Impact of Health Care Reform on Casualty Insurance"

Somerset, New Jersey, July 13, 1993
National Symposium on Workers' Compensation
"Economic Analysis of Workers' Compensation Issues"

Boston, Massachusetts, June 30, 1993
Institute of Actuaries of Japan Special Meeting
"Health Care Costs in Workers' Compensation"

Dallas, Texas, June 15, 1993
Stirling-Cooke Workers' Compensation Seminar
"Workers' Compensation Medical Costs: Trends, Causes and Solutions"

New York, New York, June 3, 1993
New York Business Group On Health
"The Crisis in Workers' Compensation Health Care"

Mauna Lani Bay, Hawaii, May 3, 1993
Western Association of Insurance Brokers Annual Meeting
"Trends in Insurance Insolvency"

Kingston, Ontario, April 28, 1993
Queen's University Workers' Compensation Conference
"Exposure Bases for Workers' Compensation: Equity vs. Practicality"

Sanibel Island, Florida, March 29, 1993
Workers' Compensation Reinsurance Bureau Annual Meeting
"The Use of Managed Care in Workers' Compensation"

Baltimore, Maryland, March 23, 1993
CAMAR Annual Meeting
"Estimating the Cost of Capital in Insurance Ratemaking"

Philadelphia, Pennsylvania, December 1, 1992
Economic Issues in Workers' Compensation Seminar,
"Rate of Return Regulation in Workers' Compensation"

Seattle, Washington, October 16, 1992
Casualty Actuarial Society Seminar on Profitability
"Risk Based Capital Standards for Property Casualty Insurers"

Washington, DC, August 18, 1992
American Risk and Insurance Association Annual Meeting
"The Crisis in Workers' Compensation"

New York, New York, May 19, 1992
Executive Enterprises Institute Seminar: Winning Approval of Rate and Form Filings
"Determining a Fair Rate of Return for Property/Casualty Insurers"

Palm Beach, Florida, April 23, 1992
NCCI Annual Meeting
"Is the Workers' Compensation Industry Competitive?"

Philadelphia, Pennsylvania, March 20, 1992
University of Pennsylvania/Duncanson & Holt Special Seminar
"Current Issues in Workers' Compensation"

Dallas, Texas, March 12, 1992
Casualty Actuarial Society Ratemaking Seminar
"Profitability Models in Insurance Ratemaking: Estimating the Parameters"

Houston, Texas, December 11, 1991
NCCI/NAIC Commissioners Symposium
"Rate Adequacy: Solvency and Safety Implications"

New York, New York, November 17, 1991
Executive Enterprises Institute Seminar: Winning Approval of Rate and Form Filings
"Determining a Fair Rate of Return for Property/Casualty Insurers"

Philadelphia, Pennsylvania, November 12, 1991
Casualty Actuarial Society Annual Meeting
"The Impact of Medical Costs on Casualty Coverages"

New York, New York, May 17, 1991
Executive Enterprises Institute Seminar: Winning Approval of Rate and Form Filings
"Determining a Fair Rate of Return for Property/Casualty Insurers"

Kiawah Island, South Carolina, April 15 & 16, 1991
Casualty Actuarial Society Seminar on Profitability
"Cost of Capital Estimation: Lessons From Public Utilities"

Chicago, Illinois, March 14, 1991
Casualty Actuarial Society Ratemaking Seminar
"The Use of Profitability Models in Insurance Ratemaking"

Orlando, Florida, October 24, 1990,
Financial Management Association Annual Meeting,
"Current Issues in Insurance Rate Regulation: California Prop. 103 and Pennsylvania Act 6"

New Brunswick, New Jersey, May 18, 1990,
Joint Conference on Workers' Compensation,
"Current State Issues and Benefit Reforms"

Orlando, Florida, May 8, 1990,
National Association of Insurance Commissioners Southeast Zone Raters Conference,
"Loss Cost Rating for Workers' Compensation"

Orlando, Florida, April 3, 1990,
Workers' Compensation Reinsurance Bureau Annual Meeting,
"Medical Costs in Workers' Compensation: Recent Trends in Cost Containment"

Philadelphia, Pennsylvania, March 15, 1990,
CAS Ratemaking Seminar,
"Rate of Return Models in Insurance Regulation: Return on Sales vs. Return on Equity"

Chicago, Illinois, November 10, 1989,
Alliance of American Insurers Research Committee,
"Recent Developments in Rate Regulation: California Proposition 103"

New York, New York, October 5, 1989,
NCCI Legal Trends Seminar,
"Medical Cost Containment in Workers' Compensation"

Philadelphia, Pennsylvania, September 7, 1989,
Workers' Compensation Congress,
"Medical Cost Containment in Workers' Compensation"

Denver, Colorado, August 21, 1989,
American Risk and Insurance Association Annual Meeting,
"Regulatory Survival: Rate Changes in Workers' Compensation" (with Richard J. Butler)

Hilton Head, South Carolina, April 4,1989,
Workers' Compensation Reinsurance Bureau Annual Meeting,
"Prospects for Workers' Compensation in the 1990's"

Mountain Lakes, New Jersey, March 29, 1989,
St. Clares-Riverside Medical Center,
"Stress in the Workplace"

Dallas, Texas, March 16, 1989,
Casualty Actuarial Society Ratemaking Seminar,
"The Impact of Tax Reform on Insurance Profitability"

New Orleans, Louisiana, December 15, 1988,
NAIC-NCCI Commissioners School,
"A Forecast for Workers' Compensation"

Philadelphia, Pennsylvania, November 17,1988,
Economic Issues in Workers' Compensation Seminar,
"The Impact of Regulation on the Probability of Insolvency" (with John D. Worrall and David Durbin)

Boston, Massachusetts, November 14, 1988,
American Public Health Association Annual Meeting,
"Stress in the Workplace"

Atlanta, Georgia, September 14, 1988,
Casualty Loss Reserve Seminar,
"Estimating the Cost of Social Inflation in Workers' Compensation"

Reno, Nevada, August 15, 1988,
American Risk and Insurance Association Annual Meeting,
"Benefit Increases in Workers' Compensation"

New York, New York, June 13, 1988,
National Association Of Insurance Commissioners Annual Meeting,
"Alternative Rate of Return Models for Insurance Regulation"

Syracuse, New York, May 5, 1988,
Current Issues in Workers' Compensation Symposium,
"Workers' Compensation Stress Claims"

Hilton Head, South Carolina, April 22, 1988,
Workers' Compensation Reinsurance Bureau Annual Meeting,
"A Forecast for Workers' Compensation Insurers"

Absecon, New Jersey, April 19, 1988,
Pennsylvania Coal Mine Rating Bureau Annual Meeting,
"The Use of Rate of Return Models in Insurance Rate Regulation"

Philadelphia, Pennsylvania, November 17, 1987,
Economic Issues in Workers' Compensation Seminar,
"The Transition to Permanent Disability Status" (with John D. Worrall and David Durbin)

Charlotte, North Carolina, October 20, 1987,
American Insurance Association Government Affairs Conference,
"Prospects for Workers' Compensation in 1988"

Minneapolis, Minnesota, September 29, 1987,
Minnesota Workers' Compensation Reinsurance Association Annual Meeting,
"Economic and Demographic Characteristics of Workers' Compensation Claims"

Airlie, Virginia, July 7, 1987,
National Symposium on Workers' Compensation,
"Forecasting Workers' Compensation Experience"

Santa Clara, California, June 30, 1987,
Symposium on Recent Advances in Ratemaking,
"Econometric Models of Workers' Compensation Losses"

Storrs, Connecticut, May 1, 1987,
University of Connecticut Symposium on Current Issues in Workers' Compensation,
"Current Research in Workers' Compensation"

Philadelphia, Pennsylvania, April 16, 1987,
Wharton School Graduate Seminar Series,
"Impact of Tax Reform on Workers' Compensation Profitability"

Boca Raton, Florida, December 4, 1986,
National Association of Insurance Commissioners/NCCI Commissioners School,
Panel Discussion on Current Issues in Workers' Compensation

Philadelphia, Pennsylvania, November 7, 1985,
Wharton School, University of Pennsylvania, Graduate Seminar Series,
"Litigation in Workers' Compensation"

Vancouver, British Columbia, August 19, 1985,
American Risk and Insurance Association Annual Meeting,
"Earnings Loss and Permanent Disability"

Washington, D.C., April 23, 1985,
Washington Conference on the Economics of Disability,
"Employment Effects of Workers' Compensation Insurance"

Schenectady, New York, January 18, 1985,
Union University Graduate Business Seminar Series,
"The Use of Modern Portfolio Theory in Insurance Regulation"

EXPERT TESTIMONY

Santa Fe, New Mexico, November 7, 2013
Biennial Title Insurance Rate Hearing

New York, New York, July 10, 2013
Larry Arnett and Ronda Arnett, *et. al.* v. Bank of America, N.A., *et. al.*, Deposition

Austin, Texas, April 25, 2013
State Farm Lloyds Homeowners Rate Hearing

Tallahassee, Florida, October 4, 2012
NCCI Workers Compensation Insurance Rate Hearing

Boston, Massachusetts, May 14, 2012
Massachusetts Workers Compensation Rate Hearing

New York, New York, February 17, 2012
Temporary Services, Inc. *et. al.* v. American International Group, *et. al.*, Deposition

San Francisco, California, January 19, 2012
Mercury Insurance Company Homeowners Insurance Rate Hearing

Santa Fe, New Mexico, November 16, 2011
Biennial Title Insurance Rate Hearing

Tallahassee, Florida, October 11, 2011
NCCI Workers Compensation Insurance Rate Hearing

Tampa, Florida, September 13, 2011
Citizens Property Insurance Corporation Homeowners Insurance Hearing

Raleigh, North Carolina, July 25, 2011
Dwelling Fire and Extended Coverage Insurance Rate Hearing

Tallahassee, Florida, October 6, 2010
NCCI Workers Compensation Insurance Rate Hearing

Irvine, CA, April 21, 2010
Eastwood Insurance Services, Inc. *et. al.*, vs. Titan Auto Insurance of NM, *et. al.* Deposition

San Francisco, California, March 9, 2010
Century National Insurance Company Proposition 103 Rollback Hearing

Santa Fe, New Mexico, November 18, 2009
Annual Title Insurance Rate Hearing

Tallahassee, Florida, October 29, 2009
NCCI Workers Compensation Insurance Rate Hearing

Austin, Texas, September 14, 2009
Biennial Title Insurance Rate Hearing

Austin, Texas, April 1, 2009
State Farm Lloyds Homeowners Rate Hearing

Santa Fe, New Mexico, November 19, 2008
Annual Title Insurance Rate Hearing

New York, New York, November 13, 2008
Georgia Hensley, *et. al*., vs. Computer Sciences Corp. *et. al*., Deposition

Tallahassee, Florida, October 29, 2008
State Farm Florida Homeowners Insurance Hearing

Raleigh, North Carolina, July 1, 2008
Auto Insurance Rate Hearing

San Francisco, California, May 5, 2008
GeoVera Insurance Company Earthquake Rate Hearing

Tallahassee, Florida, January 23, 2008
Hartford Insurance Group Homeowners Insurance Rate Hearing

Boston, Massachusetts, January 9, 2008
Commerce Insurance Group Auto Insurance Rate Hearing

San Francisco, California, November 29, 2007
Explorer Insurance Company Automobile Rate Hearing

Santa Fe, New Mexico, November 19, 2007
Annual Title Insurance Rate Hearing

Reno, Nevada, June 14, 2007
Public Hearing Regarding Merger Between UnitedHealth Group and Sierra Health Systems

Austin, Texas, May 31, 2007
State Farm Lloyds Homeowners Rate Hearing

Reno, Nevada, October 26, 2006
Public Hearing Regarding Demutualization of Employers Insurance Group

San Francisco, California, August 30, 2006
Hearing on Proposed Title Insurance Rate Regulations

Austin, Texas, August 14, 2006
Biennial Title Insurance Rate Hearing

Raleigh, North Carolina, September 28, 2005
Auto Insurance Rate Hearing

Providence, Rhode Island, September 27, 2005
Norcal Medical Malpractice Insurance Rate Hearing

San Francisco, California, August 23, 2005
Safeco Insurance Company Earthquake Rate Hearing

Boston, Massachusetts, April 15, 2005
Massachusetts Workers Compensation Rate Hearing

Lawrence, Massachusetts, February 14, 2005
Highground, Inc. v. Mazonson

New York, NY, January 21, 2005
NFHA v. Prudential Deposition

Austin, Texas, July 13, 2004
Medical Protective Insurance Company Medical Malpractice Insurance Rate Hearing

Austin, Texas, December 16, 2003
Biennial Title Insurance Rate Hearing

Providence, Rhode Island, November 17, 2003
Norcal Medical Malpractice Insurance Rate Hearing

San Francisco, California, September 16, 2003
Century National Proposition 103 Rollback Hearing

Austin, Texas, September 11, 2003
Farmers Insurance Exchange Homeowner Rate Rollback Hearing

Austin, Texas, September 2, 2003
State Farm Lloyds Homeowners Rate Rollback Hearing

Austin, Texas, May 21, 2003
Farmers Insurance Group Settlement Hearing

Boston, Massachusetts, April 29, 2003
Massachusetts Workers Compensation Rate Hearing

Los Angeles, California, March 12, 2003
SCPIE Medical Malpractice Rate Hearing

Raleigh, North Carolina, July 17, 2002
Auto Insurance Rate Hearing

Tallahassee, Florida, February 25, 2002
NCCI Workers Compensation Insurance Rate Hearing

Austin, Texas, February 5, 2002
Biennial Title Insurance Rate Hearing

Raleigh, North Carolina, September 24, 2001
Auto Insurance Rate Hearing

Boston, Massachusetts, August 14, 2001
Massachusetts Auto Insurance Bureau Rate Hearing

Austin, Texas, March 6, 2001
Texas Auto Benchmark Rate Hearing

Boston, Massachusetts, August 23, 2000
Massachusetts Auto Insurance Bureau Rate Hearing

Austin, Texas, December 7, 1999
Texas Auto Insurance Plan Association Rate Hearing

Raleigh, North Carolina, December 3, 1999
Auto Insurance Rate Hearing

Austin, Texas, November 3, 1999
Biennial Title Insurance Rate Hearing

Austin, Texas, September 8, 1999
Texas Auto Benchmark Rate Hearing

Boston, Massachusetts, August 13, 1999
Massachusetts Auto Insurance Bureau Rate Hearing

Austin, Texas, June 22, 1999
Texas Property Benchmark Rate Hearing

Honolulu, Hawaii, December 16, 1998
NCCI Workers Compensation Insurance Rate Hearing

Richmond, Virginia, November 15, 1998
NCCI Workers Compensation Insurance Rate Hearing

Boston, Massachusetts, October 9, 1998
Massachusetts Auto Insurance Bureau Rate Hearing

Austin, Texas, May 19, 1998
Texas Auto Insurance Plan Association Rate Hearing

Austin, Texas, April 7, 1998
Auto Insurance Benchmark Rate Hearing

Austin, Texas, February 17, 1998
Property Insurance Benchmark Rate Hearing

Austin, Texas, November 18, 1997
Biennial Title Insurance Rate Hearing

Tallahassee, Florida, September 8, 1997
NCCI Workers Compensation Insurance Rate Hearing

Austin, Texas, April 8, 1997
Texas Auto Insurance Plan Association Rate Hearing

Austin, Texas, March 10, 1997
Auto Insurance Benchmark Rate Hearing

San Francisco, California, March 4, 1997
Insurance Department Hearing on Rating Factors

Raleigh, North Carolina, July 16, 1996
Auto Insurance Rate Hearing

San Francisco, California, March 11, 1996
Century National Proposition 103 Rollback Hearing

Sacramento, California, January 30, 1996
Hartford Steam Boiler Proposition 103 Rollback Hearing

San Francisco, California, January 8, 1996
SAFECO Insurance Company Earthquake Rate Hearing

Austin, Texas, December 21, 1995
Residential Property Insurance Benchmark Rate Hearing

Clearwater, Florida, December 8, 1995
Florida Windstorm Underwriting Association Rate Hearing

Austin, Texas, November 28, 1995
Private Passenger Auto Insurance Benchmark Rate Hearing

Austin, Texas, October 31, 1995
Texas Automobile Insurance Plan Association Rate Hearing

Sacramento, California, April 18, 1995
California Insurance Department Hearing on Auto Insurance Rating Factors

Portland, Maine, April 13, 1995
Workers Compensation Assigned Risk Pool Fresh Start Hearing

San Francisco, California, February 6, 1995
Farmers Insurance Group Earthquake Insurance Rate Hearing

Austin, Texas, January 6, 1995
Special Hearing on Classification Rules for Automobile Insurance

Austin, Texas, December 15, 1994
Residential Property Insurance Benchmark Rate Hearing

Austin, Texas, October 4, 1994
Texas Automobile Insurance Plan Association Rate Hearing

Austin, Texas, September 27, 1994
Private Passenger Auto Insurance Benchmark Rate Hearing

Raleigh, North Carolina, July 19, 1994
Private Passenger Auto Insurance Rate Hearing

San Francisco, California, December 22, 1993
Century National Homeowner's Insurance Rate Hearing

Raleigh, North Carolina, October 13, 1993
Homeowners/Farmowners Insurance Rate Hearing

Tallahassee, Florida, October 4, 1993
Workers' Compensation Insurance Rate Hearing

Boston, Massachusetts, September 9, 1993
Automobile Insurance Rate Hearing

Austin, Texas, March 4, 1993
Residential Property Insurance Benchmark Rate Hearing

Austin, Texas, February 10, 1993
Automobile Insurance Benchmark Rate Hearing

Honolulu, Hawaii, November 18, 1992
Liberty Mutual Insurance Automobile Rate Hearing

Raleigh, North Carolina, November 13, 1992
Workers' Compensation Insurance Rate Hearing

Tallahassee, Florida, October 29, 1992
Workers' Compensation Insurance Rate Hearing

San Francisco, California, October 14, 1992
Workers' Compensation Insurance Rate Hearing

Atlanta, Georgia, September 24, 1992
Workers' Compensation Insurance Rate Hearing

Nashville, Tennessee, May 27, 1992
Workers' Compensation Insurance Rate Hearing

San Francisco, California, May 13, 1992
Workers' Compensation Insurance Rate Hearing

Los Angeles, California, April 10, 1992
Mercury General Proposition 103 Rollback Proceedings

Austin, Texas, January 27, 1992
Texas Automobile Insurance Plan Rate Hearing

Austin, Texas, December 17, 1991
Automobile Insurance Rate Hearing

Raleigh, North Carolina, December 16, 1991
Workers' Compensation Insurance Rate Hearing

San Francisco, California, October 22, 1991
Workers' Compensation Rate Hearing

Los Angeles, California, May 23, 1991,
Proposition 103 RCD-2 Proceedings

San Francisco, California, April 9, 1991
California Workers' Compensation Rate Study Commission

Nashville, Tennessee, March 20, 1991
Workers' Compensation Insurance Rate Hearing

Los Angeles, California, March 12, 1991,
California Workers' Compensation Rate Study Commission

Olympia, Washington, February 26, 1991,
House Financial Institutions/Insurance Committee Hearing on Rules for Insurance Regulatory Legislation

Olympia, Washington, November 27, 1990,
Insurance Department Public Hearing on Proposed Rules for Ratemaking

Harrisburg, Pennsylvania, November 12, 1990,
Allstate Insurance Company Automobile Insurance Rate Hearing

Tallahassee, Florida, November 1, 1990,
Scanlan v. Martinez, et.al., Superior Court of Leon County

San Bruno, California, October 1, 1990,
SAFECO Insurance Group Proposition 103 Rate Rollback Hearing

Austin, Texas, July 23, 1990,
Texas State Board of Insurance Special Hearing on Investment Income in Ratemaking

Harrisburg, Pennsylvania, July 18, 1990,
Pennsylvania National Mutual Insurance Company Automobile Insurance Rate Hearing

Harrisburg, Pennsylvania, June 28, 1990,
Harleysville Mutual Insurance Company Automobile Insurance Rate Hearing

Columbia, South Carolina, March 30, 1990,
Workers' Compensation Insurance Rate Hearing

San Bruno, California, March 19, 1990,
California Proposition 103 Generic Hearing

Denver, Colorado, December 12, 1989,
Workers' Compensation Insurance Rate Hearing

Tampa, Florida, October 23, 1989,
Workers' Compensation Insurance Rate Hearing

Austin, Texas, October 17, 1989,
Workers' Compensation Insurance Rate Hearing

Los Angeles, California, September 25, 1989,
SAFECO Insurance Company of America Proposition 103 Rate Hearing

Austin, Texas, August 29, 1989,
Texas Insurance Advisory Association Property Insurance Rate Hearing

Providence, Rhode Island, April 13, 1989,
Workers' Compensation Insurance Rate Hearing

Augusta, Maine, January 24, 1989,
Workers' Compensation Insurance Rate Hearing

Hartford, Connecticut, November 14, 1988,
Workers' Compensation Insurance Rate Hearing

Tallahassee, Florida, November 3, 1988,
Workers' Compensation Insurance Rate Hearing

Austin, Texas, November 2, 1988,
Workers' Compensation Insurance Rate Hearing

Montgomery, Alabama, June 30, 1988,
Workers' Compensation Insurance Rate Hearing

Augusta, Maine, March 24, 1988,
Workers' Compensation Insurance Rate Hearing

Austin, Texas, October 27, 1987,
Workers' Compensation Insurance Rate Hearing

Tallahassee, Florida, October 9, 1987,
Workers' Compensation Insurance Rate Hearing

Atlanta, Georgia, August 6, 1987,
Workers' Compensation Insurance Rate Hearing

Augusta, Maine, February 24, 1987,
Workers' Compensation Insurance Rate Hearing

Tallahassee, Florida, November 14, 1986,
Workers' Compensation Insurance Rate Hearing

Austin, Texas, November 18, 1986,
Workers' Compensation Insurance Rate Hearing

Augusta, Maine, May 28, 1986,
Workers' Compensation Insurance Rate Hearing

Tallahassee, Florida, December 6, 1985,
Workers' Compensation Insurance Rate Hearing

Oklahoma City, Oklahoma, October 10, 1985,
Workers' Compensation Insurance Rate Hearing

Austin, Texas, July 23, 1985,
Workers' Compensation Insurance Rate Hearing

Austin Texas, June 14, 1985,
Workers' Compensation Insurance Rate Hearing

Tallahassee, Florida, November 18, 1984,
Workers' Compensation Insurance Rate Hearing

Austin, Texas, August 29, 1984,
Workers' Compensation Insurance Rate Hearing

Portland, Oregon, March 6, 1984,
NA IC Public Hearing on Investment Income and Insurance Profitability

Tallahassee, Florida, February 25, 1984,
Workers' Compensation Insurance Rate Hearing

Tallahassee, Florida, August 18, 1983,
Workers' Compensation Insurance Rate Hearing

Austin Texas, July 13, 1983,
Workers' Compensation Insurance Rate Hearing

Oklahoma City, Oklahoma, March 6, 1983,
Workers' Compensation Insurance Rate Hearing

Baton Rouge, Louisiana, March 16, 1982,
Louisiana Insurance Commission Public Hearing on Investment Income

Providence, Rhode Island, February 3, 1982,
Workers' Compensation Insurance Rate Hearing

Augusta, Maine, October 1, 1981,
Workers' Compensation Insurance Rate Hearing

NCRB - PRO FORMA STATUTORY RATE OF RETURN

HOMEOWNERS INSURANCE

	Pre-Tax	Tax Liability	Post-Tax
1. Premiums	100.00%		
Loss & Loss Adjustment Expense	48.94%		
Commission & Brokerage	12.80%		
General Expense	3.14%		
Other Acquisition Expense	4.52%		
Taxes, Licenses and Fees	2.60%		
Net Cost of Reinsurance	17.50%		
2. Pro-Forma Underwriting Profit	10.50%		
3. Installment Fee Income	0.53%		
4. Regular tax		3.86%	
5. Additional tax due to TRA		0.30%	
6. Total Return from Underwriting (post-tax)			6.87%
7. Investment Gain on Insurance Transaction	1.55%		
Less Investment Income on Agents Balances	0.48%		
Net Investment Gain on Insurance Transaction	1.07%	0.27%	0.80%
8. Total Return as a % of Premium (post-tax)			7.67%
9. Premium-to-Net Worth Ratio			0.921
10. Total Return as a % of Net Worth (post-tax)			7.06%

Note: Lines (1) to (8) are all expressed as a % of premium.

Assumptions

(a) UW Tax Rate =	35.00%
(b) Inv. Income Tax Rate =	25.47%
(c) Inv. Yield =	3.32%
(d) P/S Ratio =	1.07
(e) NW/S Ratio =	1.16
(f) Installment Fee Income=	0.53%
(g) Additional TRA tax=	0.30%
(h) Net Cost of Reinsurance=	17.50%

NOTES TO EXHIBIT RB-14, Page 1

1. The expense provisions are those used on page C-1, C-2 and C-3 of Exhibit RB-1, as adjusted for the proposed rate change

2. Selected by Rate Bureau.

3. See assumption (f) below.

4. [(2.)+(3.)] x (a.).

5. See assumption (g) below.

6. (2.) + (3.) - [(4.) + (5.)].

7. Pages 7-13. Investment income on agents' balances equals 0.140 x 1.031 x (c) x [1 - (h)], where 0.140 is agents balances for premiums due less than 90 days and 1.031 is the factor to include the effect of agents' balances or uncollected premiums overdue for more than 90 days.

8. (6.) + (7.).

9. (d.)/(e.).

10. (8.) x (9.).

ASSUMPTIONS

(a) Internal Revenue Code.

(b) See RB-14, pp. 11-13; 1-avg post-tax yield/avg pre-tax yield.

(c) See RB-14, pp. 11-13; average of current and embedded yields.

(d) See RB-14, p. 14

(e) See RB-14, pp. 15

(f) See RB-14, p. 3

(g) See RB-14, pp. 4-6

(h) See prefiled testimony

NCRB - PRO FORMA TOTAL RATE OF RETURN
INCLUDING INVESTMENT INCOME ON SURPLUS
HOMEOWNERS INSURANCE

		Pre-Tax	Tax Liability	Post-Tax
1.	Premiums	100.00%		
	Loss & Loss Adjustment Expense	48.94%		
	Commission & Brokerage	12.80%		
	General Expense	3.14%		
	Other Acquisition Expense	4.52%		
	Taxes, Licenses and Fees	2.60%		
	Net Cost of Reinsurance	17.50%		
2.	Pro-Forma Underwriting Profit	10.50%		
3.	Installment Fee Income	0.53%		
4.	Regular tax		3.86%	
5.	Additional tax due to TRA		0.30%	
6.	Total Return from Underwriting (post-tax)			6.87%
7.	Investment Gain on Insurance Transaction	1.55%		
	Less Investment Income on Agents Balances	0.48%		
	Net Investment Gain on Insurance Transaction	1.07%	0.27%	0.80%
8.	Investment Gain on Surplus (Including Prepaid Expense Adjustment)	3.84%	0.98%	2.86%
9.	Total Return as a % of Premium (post-tax)			10.53%
10.	Premium-to-Net Worth Ratio			0.921
11.	Total Return as a % of Net Worth (post-tax)			9.70%

Note: Lines (1) to (9) are all expressed as a % of premium.

Assumptions

(a)	UW Tax Rate =	35.00%
(b)	Inv. Income Tax Rate =	25.47%
(c)	Inv. Yield =	3.32%
(d)	P/S Ratio =	1.07
(e)	NW/S Ratio =	1.16
(f)	Installment Fee Income=	0.53%
(g)	Additional TRA tax=	0.30%
(h)	Net Cost of Reinsurance=	17.50%

NOTES TO EXHIBIT RB-14, Page 1A

1. The expense provisions are those used on page C-1, C-2 and C-3 of Exhibit RB-1, as adjusted for the proposed rate change

2. Selected by Rate Bureau.

3. See assumption (f) below.

4. [(2.)+(3.)] x (a.).

5. See assumption (g) below.

6. (2.) + (3.) - [(4.) + (5.)].

7. Pages 7-13. Investment income on agents' balances equals 0.140 x 1.031 x (c) x [1 - (h)], where 0.140 is agents balances for premiums due less than 90 days and 1.031 is the factor to include the effect of agents' balances or uncollected premiums overdue for more than 90 days.

8. (c.) x [1/(d.) + (0.4266 x 0.5237)], where 0.4266 is the prepaid expense ratio from page 7 . and 0.5237 is the unearned premium reserve to premium ratio from page 7.

9. (6.) + (7.) + (8.).

10. (d.)/(e.).

11. (9.) x (10.).

ASSUMPTIONS

(a) Internal Revenue Code.

(b) See RB-14, pp. 11-13; 1-avg post-tax yield/avg pre-tax yield.

(c) See RB-14, pp. 11-13; average of current and embedded yields.

(d) See RB-14, p. 14

(e) See RB-14, pp. 15

(f) See RB-14, p. 3

(g) See RB-14, pp. 4-6

(h) See prefiled testimony

NORTH CAROLINA
HOMEOWNERS INSURANCE
INSTALLMENT PAYMENT INCOME

Year	Inst. Charges	Statutory P. 14 Written Premium	Inst. Charges as a % of Prem.
2012	10,406,288	1,995,366,994	0.52%
2011	9,533,662	1,960,416,648	0.49%
2010	8,938,737	1,896,791,800	0.47%
2009	10,678,098	1,811,110,646	0.59%
2008	10,055,100	1,720,123,475	0.58%
Selected Value			0.53%

Source: ISO.

NORTH CAROLINA
HOMEOWNERS INSURANCE
CALCULATION OF TAXABLE INCOME

1	Collected Earned Premium for current year	100.00%
2	UEPR 12/31/current	53.17%
3	UEPR 12/31/prior	49.11%
4	Increase = (2) - (3)	4.07%
5	20% of Increase = Taxable Income	0.81%
6	Tax Liability = (5)x.35	0.28%
7	Unpaid Losses current yr.	13.66%
8	Discounted unpaid losses current yr.	13.07%
9	Unpaid Losses prior yr	12.62%
10	Discounted unpaid losses prior yr.	12.07%
11	Additional Income	0.05%
12	Tax Liability	0.02%
	Other Tax Liabilities	
13	UEP	0.28%
14	Discounting of Loss Reserves	0.02%
15	Total	**0.30%**

NORTH CAROLINA
HOMEOWNERS INSURANCE
CALCULATION OF TAXABLE INCOME

(1) AY Avg Acc Date	(2) AY Pay Pattern	(3) Percent Unpaid	(4) Total Losses	(5) Unpaid Losses
0.5	78.51%	21.49%	48.941	10.5
1.5	95.24%	4.76%	45.199	2.2
2.5	98.48%	1.52%	41.743	0.6
3.5	99.43%	0.58%	38.552	0.2
4.5	99.76%	0.24%	35.604	0.1
5.5	99.89%	0.11%	32.882	0.0
6.5	99.95%	0.05%	30.368	0.0
7.5	100.00%	0.00%	28.046	0.0
8.5	100.00%	0.00%	25.902	0.0
9.5	100.00%	0.00%	23.921	0.0
10.5	100.00%	0.00%	22.092	0.0
11.5	100.00%	0.00%	20.403	0.0
12.5	100.00%	0.00%	18.843	0.0
13.5	100.00%	0.00%	17.402	0.0
14.5	100.00%	0.00%	16.072	0.0
15.5	100.00%	0.00%	14.843	0.0
16.5	100.00%	0.00%	13.708	0.0
17.5	100.00%	0.00%	12.660	0.0
18.5	100.00%	0.00%	11.692	0.0
19.5	100.00%	0.00%	10.798	0.0
20.5	100.00%	0.00%	9.973	0.0
21.5	100.00%	0.00%	9.210	0.0
22.5	100.00%	0.00%	8.506	0.0
23.5	100.00%	0.00%	7.856	0.0
24.5	100.00%	0.00%	7.255	0.0
25.5	100.00%	0.00%	6.700	0.0
26.5	100.00%	0.00%	6.188	0.0
27.5	100.00%	0.00%	5.715	0.0
28.5	100.00%	0.00%	5.278	0.0
29.5	100.00%	0.00%	4.874	0.0
30.5	100.00%	0.00%	4.502	0.0
31.5	100.00%	0.00%	4.157	0.0
32.5	100.00%	0.00%	3.840	0.0
33.5	100.00%	0.00%	3.546	0.0
34.5	100.00%	0.00%	3.275	0.0
35.5	100.00%	0.00%	3.024	0.0
36.5	100.00%	0.00%	2.793	0.0
37.5	100.00%	0.00%	2.580	0.0
38.5	100.00%	0.00%	2.382	0.0
39.5	100.00%	0.00%	2.200	0.0
40.5	100.00%	0.00%	2.032	0.0
41.5	100.00%	0.00%	1.877	0.0
42.5	100.00%	0.00%	1.733	0.0
43.5	100.00%	0.00%	1.601	0.0
44.5	100.00%	0.00%	1.478	0.0
45.5	100.00%	0.00%	1.365	0.0
46.5	100.00%	0.00%	1.261	0.0
47.5	100.00%	0.00%	1.164	0.0
48.5	100.00%	0.00%	1.075	0.0
49.5	100.00%	0.00%	0.993	0.0
50.5	100.00%	0.00%	0.917	0.0
51.5	100.00%	0.00%	0.847	0.0
52.5	100.00%	0.00%	0.782	0.0
53.5	100.00%	0.00%	0.723	0.0
54.5	100.00%	0.00%	0.667	0.0
55.5	100.00%	0.00%	0.616	0.0
56.5	100.00%	0.00%	0.569	0.0
57.5	100.00%	0.00%	0.526	0.0
58.5	100.00%	0.00%	0.485	0.0
59.5	100.00%	0.00%	0.448	0.0
60.5	100.00%	0.00%	0.414	0.0
61.5	100.00%	0.00%	0.382	0.0
62.5	100.00%	0.00%	0.353	0.0
63.5	100.00%	0.00%	0.326	0.0
64.5	100.00%	0.00%	0.301	0.0
65.5	100.00%	0.00%	0.278	0.0
66.5	100.00%		0.257	0.0
Sum				13.66

(6) AY at 12/31/yr. t	(7) Discount Factor	(8) Discounted Weight
2012	0.960690	10.1
2011	0.943843	2.0
2010	0.936585	0.6
2009	0.942233	0.2
2008	0.937836	0.1
2007	0.924675	0.0
2006	0.916740	0.0
2005	0.921637	0.0
2004	0.927462	0.0
2003	0.937231	0.0
2002	0.947155	0.0
2001	0.957250	0.0
2000	0.957250	0.0
1999	0.957250	0.0
1998	0.957250	0.0
1997	0.957250	0.0
1996	0.957250	0.0
1995	0.957250	0.0
1994	0.957250	0.0
1993	0.957250	0.0
1992	0.957250	0.0
1991	0.957250	0.0
1990	0.957250	0.0
1989	0.957250	0.0
1988	0.957250	0.0
1987	0.957250	0.0
1986	0.957250	0.0
1985	0.957250	0.0
1984	0.957250	0.0
1983	0.957250	0.0
1982	0.957250	0.0
1981	0.957250	0.0
1980	0.957250	0.0
1979	0.957250	0.0
1978	0.957250	0.0
1977	0.957250	0.0
1976	0.957250	0.0
1975	0.957250	0.0
1974	0.957250	0.0
1973	0.957250	0.0
1972	0.957250	0.0
1971	0.957250	0.0
1970	0.957250	0.0
1969	0.957250	0.0
1968	0.957250	0.0
1967	0.957250	0.0
1966	0.957250	0.0
1965	0.957250	0.0
1964	0.957250	0.0
1963	0.957250	0.0
1962	0.957250	0.0
1961	0.957250	0.0
1960	0.957250	0.0
1959	0.957250	0.0
1958	0.957250	0.0
1957	0.957250	0.0
1956	0.957250	0.0
1955	0.957250	0.0
1954	0.957250	0.0
1953	0.957250	0.0
1952	0.957250	0.0
1951	0.957250	0.0
1950	0.957250	0.0
1949	0.957250	0.0
1948	0.957250	0.0
1947	0.957250	0.0
1946	0.957250	0.0
Sum		13.07

(9) AY at 12/31/yr. t-1	(10) Weight	(11) Discount Factor	(12) Discounted Weight
2011	9.713	0.960690	9.3
2010	1.987	0.943843	1.9
2009	0.588	0.936585	0.6
2008	0.205	0.942233	0.2
2007	0.079	0.937836	0.1
2006	0.033	0.924675	0.0
2005	0.014	0.916740	0.0
2004	0.000	0.921637	0.0
2003	0.000	0.927462	0.0
2002	0.000	0.937231	0.0
2001	0.000	0.947155	0.0
2000	0	0.957250	0.0
1999	0	0.957250	0.0
1998	0	0.957250	0.0
1997	0	0.957250	0.0
1996	0	0.957250	0.0
1995	0	0.957250	0.0
1994	0	0.957250	0.0
1993	0	0.957250	0.0
1992	0	0.957250	0.0
1991	0	0.957250	0.0
1990	0	0.957250	0.0
1989	0	0.957250	0.0
1988	0	0.957250	0.0
1987	0	0.957250	0.0
1986	0	0.957250	0.0
1985	0	0.957250	0.0
1984	0	0.957250	0.0
1983	0	0.957250	0.0
1982	0	0.957250	0.0
1981	0	0.957250	0.0
1980	0	0.957250	0.0
1979	0	0.957250	0.0
1978	0	0.957250	0.0
1977	0	0.957250	0.0
1976	0	0.957250	0.0
1975	0	0.957250	0.0
1974	0	0.957250	0.0
1973	0	0.957250	0.0
1972	0	0.957250	0.0
1971	0	0.957250	0.0
1970	0	0.957250	0.0
1969	0	0.957250	0.0
1968	0	0.957250	0.0
1967	0	0.957250	0.0
1966	0	0.957250	0.0
1965	0	0.957250	0.0
1964	0	0.957250	0.0
1963	0	0.957250	0.0
1962	0	0.957250	0.0
1961	0	0.957250	0.0
1960	0	0.957250	0.0
1959	0	0.957250	0.0
1958	0	0.957250	0.0
1957	0	0.957250	0.0
1956	0	0.957250	0.0
1955	0	0.957250	0.0
1954	0	0.957250	0.0
1953	0	0.957250	0.0
1952	0	0.957250	0.0
1951	0	0.957250	0.0
1950	0	0.957250	0.0
1949	0	0.957250	0.0
1948	0	0.957250	0.0
1947	0	0.957250	0.0
1946	0	0.957250	0.0
Sum			12.07

NOTES TO PAGES 4 AND 5

Page 4

1-3 Annual Statement, Statutory page 14, for all companies writing homeowners insurance in North Carolina.

4 Line (2) - line (3)

5 Line (4) x .20.

6 Line (5) x .35.

7 Unpaid current-year losses at year-end as a percent of premium. Sum of Page 5, Column (5).

8 Discounted unpaid current-year losses at year-end as a percent of premium. Sum of Page 5, Column (8).

9 Unpaid prior-year losses at year-end as a percent of premium. Sum of Page 5, Column (5) divided by 5% assumed growth rate.

10 Discounted unpaid current-year losses at year-end as a percent of premium. Sum of Page 5, Column (12).

11 Line (7) - Line (8) - {Line (9) - Line (10)]

12 Line (11) x .35

13 Line (6)

14 Line (12)

15 Line (13) + Line (14)

Page 5

1 Midpoint of number of years since end of accident period.

2 Accident year payout pattern developed from policy year developed losses.

3 1 - Column (2)

4 Losses, given historical growth rate.

5 Column (3) x Column (4)

6 Accident Year at current year end

7 Discount factor per IRS Regulations.

8 Column (5) x Column (7)

9 Accident Year at prior year end

10 Column (3), previous period x Column (4), current period

11 Discount factor per IRS Regulations.

12 Column (10) x Column (11)

NCRB INVESTMENT INCOME CALCULATION
HOMEOWNERS INSURANCE
Projected Investment Earnings on Loss, Loss
Adjustment Expense and Unearned Premium Reserves

A. UNEARNED PREMIUM RESERVES		
1. Direct Earned Premiums		1,000,000
2. Mean UEPR	52.37%	523,651
3. Deductions for prepaid expenses:		
Commissions & Brokerage	12.80%	
Taxes, Licenses & Fees (5/6)	2.17%	
Other Acquisition (1/2)	2.26%	
General Expense (1/2)	1.57%	
Cost of Reinsurance	23.87%	
Total	42.66%	
4. Deduction for Prepaid Expenses: (2) x (3)		223,400
5. Net UEPR Subject to Inv (2) - (4)		300,251
B. Loss and Loss Expense Reserves		
1. Direct Earned Premium		1,000,000
2. Expected Inc L & LAE to Premium Ratio	48.94%	489,409
3. Expected Mean L&LAE Reserve to Inc. L & LAE Ratio	34.31%	167,933
C. Net PH Funds Subj to Inv (A5 + B3)		468,184
D. Average Rate of Return		3.32%
E. Investment Earnings from Net Reserves (C) x (D)		15,531
F. Average Rate of Return as a Percent of Direct Earned Premium (E) / (A1)		1.55%

ESTIMATED INVESTMENT EARNINGS ON UNEARNED PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line A-1
All calculations are displayed per $1,000,000 direct earned premiums.

Line A-2
The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the ratio of the mean unearned premium reserve to the collected earned premium for calendar year ended 12/31/current year for all companies writing homeowners insurance in North Carolina. These data are from statutory page 14 of the Annual Statement.

1. Collected Earned Premium for Calendar Year ended 12/31/current year	1,963,847,789
2. Unearned Premium Reserve as of 12/31/current year	1,044,199,426
3. Unearned Premium Reserve as of 12/31/prior year	1,012,541,780
4. Mean Unearned Premium Reserve 1/2 [(2) + (3)]	1,028,370,603
5. Ratio (4) ÷ (1)	52.37%

Line A-3
Deduction for prepaid expenses:
Production costs and a large part of the other company expenses in connection with the writing and handling of homeowners policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. The deduction for these expenses is determined from data provided by the NCRB.

ESTIMATED INVESTMENT EARNINGS ON UNEARNED PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

<u>Line B-2</u>
The expected loss and loss adjustment expense ratio reflects the expense provisions utilized in the filing.

<u>Line B-3</u>
The mean loss reserve is determined by multiplying the incurred losses in line (2) by the North Carolina ratio of mean loss reserves to incurred losses. This ratio is based on North Carolina companies' statutory page 14 annual statement data and has been adjusted to include loss adjustment expense reserves.

6	Incurred Losses	2008	899,893,114
7	Incurred Losses	2009	999,404,213
8	Incurred Losses	2010	1,105,609,944
9	Incurred Losses	2011	2,278,286,771
10	Incurred Losses	2012	1,022,998,770
11	Loss Reserves	2007	270,743,911
12	Loss Reserves	2008	308,814,619
13	Loss Reserves	2009	347,761,190
14	Loss Reserves	2010	270,743,911
15	Loss Reserves	2011	494,064,017
16	Loss Reserves	2012	369,147,458
17	Mean Loss Reserve	2008	289,779,265
18	Mean Loss Reserve	2009	328,287,905
19	Mean Loss Reserve	2010	362,006,730
20	Mean Loss Reserve	2011	435,158,144
21	Mean Loss Reserve	2012	431,605,738
22	Ratio	2008	32.20%
23	Ratio	2009	32.85%
24	Ratio	2010	32.74%
25	Ratio	2011	19.10%
26	Ratio	2012	42.19%
27	Average Loss Reserve		31.82%
28	Ratio of LAE Reserves to Loss Reserves		0.242
29	Ratio of Incurred LAE to Incurred Losses		0.152
30	Loss and LAE Reserve [((27)x(1.0+(28)))/(1.0+(29))]		0.343

ESTIMATED INVESTMENT EARNINGS ON UNEARNED PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line E

The average rate of return is calculated as the arithmetic mean of the embedded and current yields. The embedded yield is the sum of two ratios: the most recent ratio of investment income to invested assets (see page 12), plus the ten year average ratio of capital gains to invested assets (see page 13). The current yield is the estimated, currently available rate of return (including income and expected capital gains) on the property/casualty industry investment portfolio (see page 11).

Embedded Yield =	3.65% + 0.29% =	3.94%
Current Yield =		2.69%
Average =		3.32%

PORTFOLIO YIELD AND TAX RATE - CURRENT YIELD

(1) Investable Asset	(2) Percent of Assets	(3) Estimated Prospective Pre-Tax Return	(4) Tax Rate	(5) Estimated Prospective Post-Tax Return
Bonds				
U.S. Govt	10.24%	1.01%	35.00%	0.66%
States & territories	11.21%	1.72%	5.25%	1.63%
Special revenue	21.45%	1.81%	5.25%	1.71%
Industrial	28.82%	1.82%	35.00%	1.18%
Preferred stock	0.91%	4.93%	14.18%	4.23%
Common stock	19.59%	8.86%	30.73%	6.14%
Mortgage Loans	0.43%	4.30%	35.00%	2.80%
Real estate	0.80%	3.98%	35.00%	2.59%
Cash & short-term invs.	6.55%	0.04%	35.00%	0.03%
Rate of Return Pre-Inv Exp	100.00%	3.04%	26.58%	2.23%
Investment Expenses		0.35%	35.00%	0.23%
Portfolio Rate of Return		**2.69%**	25.49%	**2.01%**

Sources:
- Various issues of Federal Reserve Statistical Release, H.15(519).
- Mergent Bond Record.
- Standard & Poor's CreditWeek.
- Value Line Investment Survey, Part II.
- Ibbotson Associates, SBBI Valuation Edition 2013 Yearbook.
- Ibbotson and Siegel, AREUEA Journal, 1984.
- A.M. Best's Aggregates & Averages, 2013 edition.

PORTFOLIO YIELD AND TAX RATE
EMBEDDED YIELD

	Income	Tax Rate
Bonds		
Taxable	24,976,829	35.00%
Non-Taxable	12,612,176	5.25%
Stocks		
Taxable	5,584,133	14.18%
Non-Taxable	562,545	5.25%
Mortgage Loans	307,795	35.00%
Real Estate	1,780,449	35.00%
Contract Loans	1,080	35.00%
Cash / Short Term Inv.	175,985	35.00%
All Other	8,194,901	35.00%
Total	54,195,893	25.62%
Inv. Expenses	4,958,989	35.00%
Net Inv. Income	49,236,904	24.68%
Mean Invested Assets	1,350,656,619	
Inv. Inc. Yield Rate	3.65%	24.68%
Capital Gains (10 yr. avg) (% Of Inv. Assets)	0.29%	35.00%
Invest. Yield Rate (pre-tax)	**3.94%**	**25.45%**
Invest. Yield Rate (post-tax)	**2.94%**	

Source: Best's Aggregates and Averages, 2013 Edition, p. 12 (Exhibit of Net Investment Income, Col. 2 (Earned During Year)). Capital Gains, Exhibit RB-14, page 13

CAPITAL GAINS OR LOSSES
AS A PERCENT OF MEAN ASSETS
(All amounts in thousands of dollars)

Calendar Year	Mean Total Admitted Invested Assets	Realized Capital Gains	
		Amount	Percent
2003	908,024,056	6,280,196	0.69%
2004	1,018,810,319	9,113,199	0.89%
2005	1,120,112,663	12,194,908	1.09%
2006	1,217,432,187	3,587,228	0.29%
2007	1,297,478,130	9,031,778	0.70%
2008	1,288,393,875	(21,018,623)	-1.63%
2009	1,274,678,809	(8,079,575)	-0.63%
2010	1,330,998,082	8,100,143	0.61%
2011	1,366,568,026	7,563,305	0.55%
2012	1,350,656,619	9,035,405	0.67%
Total	12,173,152,763	35,807,964	0.29%

*Mean total invested assets is the average of the current year and prior year values of total invested assets (annual statement page 2)

Source: "Best's Aggregates & Averages--Property-Casualty," various editions

NORTH CAROLINA
HOMEOWNERS INSURANCE

PREMIUM-TO-SURPLUS RATIOS

Year	Homeowners Insurance
2012	0.97
2011	1.02
2010	0.93
2009	0.97
2008	1.04
2007	0.94
2006	0.97
2005	1.20
2004	1.26
2003	1.37
Five-Year Average	0.98
Ten - Year Average	1.07

Notes:
1 Data from Best's Data Service
and Best's Aggregates & Averages, various editions
2 Top 30 groups writing in each year

NORTH CAROLINA HOMEOWNERS INSURANCE
CALCULATION OF GAAP NET WORTH TO SURPLUS RATIO

	2007	2008	2009	2010	2011
Policyholder Surplus	517,875,621,253	457,293,555,877	511,396,566,997	559,247,073,797	553,794,328,471
+ Deferred Acquisition Costs	27,556,696,928	27,267,204,493	26,770,216,415	27,142,965,854	27,670,594,098
+ Non-Admitted DTA Provision	20,970,760,003	34,146,635,006	24,344,929,355	17,507,669,410	16,898,320,478
+ Non-admitted Assets (non-tax part)	28,591,349,752	28,634,028,619	31,004,819,190	33,948,822,530	34,839,553,748
+ Provision for Reinsurance	4,619,150,713	4,002,703,029	3,457,351,496	3,217,305,985	2,981,599,506
+ Provision for FASB 115(after-tax)	6,555,479,760	(14,840,617,729)	16,691,215,237	19,411,210,713	35,148,765,987
- Surplus Notes	(10,147,724,269)	(12,270,695,235)	(13,916,580,127)	(15,935,710,149)	(14,704,469,032)
GAAP-adjusted Net Worth	596,021,334,139	524,232,814,060	599,748,518,562	644,539,338,140	656,628,693,256
Ratio of GAAP Net Worth to Statutory Surplus	1.15	1.15	1.17	1.15	1.19
Five Year Average	1.16				

Source: ISO

NORTH CAROLINA RATING BUREAU
EXHIBIT RB-15, Sheet 1

Calculation of Reinsurance Cost
Statewide Total
Reinsurer Amounts

	Total
(1) Hurricane Losses	520,840,435
(2) Loss Adjustment Expense Factor	1.120
(3) Hurricane Losses and Loss Expenses (1) x (2)	583,460,028
(4) Percent Reinsured	0.447
(5) Reinsured Losses and Loss Expenses [(3) x (4)]	260,962,372
a. Losses& LAE Included in Base Rate	207,019,793
b. Additional WSST Losses & LAE	53,942,579
(6) Reinsurance Expense Factor	0.70
(7) Reinsurance Loss+Expenses [(5) / (6)]	372,803,388
(8) Reinsurance Premium to Surplus Ratio	0.30
(9) Reinsurer Underwriting Return Percent of Surplus	15.6%
(10) Reinsurer Underwriting Return Percent of Premium[(9) / (8)]	52.0%
(11) Reinsurance Premium [(7) / (1.000-(10))]	776,303,448
(12) Reinsurance Expense Cost [(7)-(5)]	111,841,016
(13) Cost of Reinsurer Capital [(11) - (5a) -(12)]	457,442,639
(14) Reinsurer Expenses plus Cost of Reinsurer Capital [(12) + (13)]	569,283,655

Notes:
(1), (4), (5) from Simulation.
(2) From ISO.
(4) Assumes hurricane losses reinsured from 1/10 year to 1/100 year event with 95% placement.
(6) Judgment based on Professional Reinsurers Expenses.
(8) Milliman Analysis.
(9) Underwriting return that produces reasonable after-tax return on surplus.

NORTH CAROLINA RATING BUREAU
EXHIBIT RB-15, Sheet 2

Calculation of Reinsurance Cost
Statewide Total
Direct Writer Amounts

	Total
(1) Expected Value of Net Losses	1,207,186,035
(2) Expected Value of Ceded Losses	184,801,484
(3) Expected Value of All Losses [(1)+(2)]	1,391,987,519
(4) Commission and Brokerage	12.80%
(5) Taxes Licenses and Fees	2.60%
(6) Fixed Expenses (Other Acquisition & General)	249,051,286
(7) Reinsurer Expenses plus Cost of Reinsurer Capital	569,283,655
(8) Underwriting Profit	10.50%
(9) Contingencies	1.00%
(10) Loss Adjustment Expense Factor	1.120
(11) Total Indicated Premium [((3) x (10) + (6) + (7)) / (1.0 - (4) - (5) - (8) - (9))]	3,252,637,902
(12) Total Indicated Underwriting Profit [Profit from (8) x (11)]	341,526,980
(13) Investment Income on Reserves as a Percentage of Losses & LAE	2.19%
(14) Total Indicated Investment Income on Reserves [(1) x (10) x (13)]	29,602,363
(15) Total Profit excluding Investment Income on Surplus [(12) + (14)]	371,129,343
(16) Reinsurance Expense Cost as % of Direct Premium [Exhibit RB-15, Sheet 1, (12) / (11)]	3.44%
(17) Cost of Reinsurer Capital as % of Direct Premium [Exhibit RB-15, Sheet 1, (13) / (11)]	14.06%
(18) Reinsurance Premium as % of Direct Premium [Exhibit RB-15, Sheet 1, (11)/ (11)]	23.87%

Notes:

1. (1)-(3) From Simulation
2. (4)-(6), (8), (9), (10) from ISO
3. (7) See Exhibit RB-15, Sheet 1, (14)
4. (13) Milliman Analysis

NORTH CAROLINA RATING BUREAU

EXHIBIT RB-16, Sheet 1

Using Standard Deviation to Allocate Profit

	Zone 1a	*Zone 1b*	*Zone 2*	*Zone 3*	*Sum*
Allocation of Primary Company Amounts					
(1) Standard Deviation of Net Losses	586,588,132	149,691,540	374,316,153	321,460,598	1,432,056,422
(2) Allocation Percent [(1) / Sum(1)]	41.0%	10.5%	26.1%	22.4%	100.0%
(3) Expected Profit to Allocate	152,019,197	38,793,809	97,007,147	83,309,190	371,129,343
(4) Expected Contingencies to Allocate (Allocated with (7))	3,514,897	2,164,769	10,060,679	16,786,034	32,526,379
(5) Expected Losses	130,452,091	80,343,376	373,392,663	622,997,905	1,207,186,035
(6) Loss Adjustment Expense Factor	1.120	1.120	1.120	1.120	1.120
(7) Expected Losses and Loss Expenses [(5) x (6)]	146,136,082	90,002,898	418,284,908	697,899,684	1,352,323,572
(8) Expected Investment Income on Policy Reserves Percent	2.2%	2.2%	2.2%	2.2%	2.2%
(9) Underwriting Profit and Contingencies [(3) + (4) - (7) x (8)]	152,335,175	38,988,414	97,911,569	84,818,200	374,053,359
(10) General and Other Acquisition Expense	26,913,218	16,575,425	77,033,630	128,529,013	249,051,286
(11) Variable Expense Percent	15.40%	15.40%	15.40%	15.40%	15.40%
Allocation of Reinsurer Amounts					
(12) Standard Deviation of Ceded Losses	481,062,596	134,669,710	341,145,930	276,827,469	1,233,705,705
(13) Allocation Percent [(12) / Sum(12)]	39.0%	10.9%	27.7%	22.4%	100.0%
(14) Expected Profit to Allocate	160,290,430	44,872,051	113,670,088	92,239,127	411,071,696
(15) Expected Ceded Loss & LAE	93,639,274	27,057,212	54,372,803	31,950,503	207,019,793
(16) Additional WSST Ceded Losses & LAE	21,470,240	4,966,454	17,077,926	10,427,959	53,942,579
(17) Expected Losses and Loss Expenses [(15) + (16)]	115,109,515	32,023,666	71,450,729	42,378,463	260,962,372
(18) Expected Investment Income on Policy Reserves Percent	2.9%	2.9%	2.9%	2.9%	2.9%
(19) Cost of Reinsurer Capital [(14) - (17) x (18) + (16)]	178,420,850	48,909,361	128,674,922	101,437,506	457,442,639
(20) Reinsurer Expenses [Total (20) allocated with (15)]	50,587,973	14,617,472	29,374,532	17,261,039	111,841,016
Summary of Expense Provisions					
(21) Indicated Premium [((7) + (9) + (10) + (15) + (19) + (20)) / (1.0 - (11))]	765,995,948	279,138,041	952,307,760	1,255,196,153	3,252,637,902
(22) Underwriting Profit and Contingencies (Percent) [(9) / (21)]	19.9%	14.0%	10.3%	6.8%	11.5%
(23) Cost of Reinsurer Capital (Percent) [(19) / (21)]	23.3%	17.5%	13.5%	8.1%	14.1%
(24) Reinsurer Expenses (Percent) [(20) / (21)]	6.6%	5.2%	3.1%	1.4%	3.4%

Notes:

1. (1), (5), (12), (15), (16) From Simulation.
2. Sum(3) from Exhibit RB-15, Sheet 2, (15). Zone amounts from Sum and Allocation Percentage (2).
3. (4), (6), (8), (10), (11) From Exhibit RB-15, Sheet 2.
4. Sum(14) from Exhibit RB-15, Sheet 1, [(13) - (5b) + (5) x Exhibit RB-16, Sheet 1, (18)]
5. Zone amounts (14) from Sum (14) and Allocation Percentage (13).
6. Sum(20) from Exhibit RB-15, Sheet 1, (12). Zone amounts from Sum and Allocation based on (17).

NORTH CAROLINA RATING BUREAU

EXHIBIT RB-16, Sheet 2

Using Covariance to Allocate Profit

	Zone 1a	*Zone 1b*	*Zone 2*	*Zone 3*	*Sum*
Allocation of Primary Company Amounts					
(1) Covariance of Zone Net Losses with Total Net Losses (in billions)	597,872,900	134,064,760	355,419,840	231,984,270	1,319,341,770
(2) Allocation Percent [(1) / Sum(1)]	45.3%	10.2%	26.9%	17.6%	100.0%
(3) Expected Profit to Allocate	168,180,968	37,712,265	99,979,198	65,256,912	371,129,343
(4) Expected Contingencies to Allocate (Allocated with (7))	3,514,897	2,164,769	10,060,679	16,786,034	32,526,379
(5) Expected Losses	130,452,091	80,343,376	373,392,663	622,997,905	1,207,186,035
(6) Loss Adjustment Expense Factor	1.120	1.120	1.120	1.120	1.120
(7) Expected Losses and Loss Expenses [(5) x (6)]	146,136,082	90,002,898	418,284,908	697,899,684	1,352,323,572
(8) Expected Investment Income on Policy Reserves Percent	2.2%	2.2%	2.2%	2.2%	2.2%
(9) Underwriting Profit and Contingencies [(3) + (4) - (7) x (8)]	168,496,946	37,906,871	100,883,620	66,765,922	374,053,359
(10) General and Other Acquisition Expense	26,913,218	16,575,425	77,033,630	128,529,013	249,051,286
(11) Variable Expense Percent	15.40%	15.40%	15.40%	15.40%	15.40%
Allocation of Reinsurer Amounts					
(11) Covariance of Zone Ceded Losses to Total Ceded Losses (in billions)	408,876,740	104,502,240	276,450,000	161,337,360	951,166,340
(13) Allocation Percent [(12) / Sum(12)]	43.0%	11.0%	29.1%	17.0%	100.0%
(14) Expected Profit to Allocate	176,706,900	45,163,408	119,475,181	69,726,208	411,071,696
(15) Expected Ceded Loss & LAE	93,639,274	27,057,212	54,372,803	31,950,503	207,019,793
(16) Additional WSST Ceded Losses & LAE	21,470,240	4,966,454	17,077,926	10,427,959	53,942,579
(17) Expected Losses and Loss Expenses [(15) + (16)]	115,109,515	32,023,666	71,450,729	42,378,463	260,962,372
(18) Expected Investment Income on Policy Reserves Percent	2.9%	2.9%	2.9%	2.9%	2.9%
(19) Cost of Reinsurer Capital [(14) - (17) x (18) + (16)]	194,837,320	49,200,718	134,480,015	78,924,587	457,442,639
(20) Reinsurer Expenses [Total (20) allocated with (15)]	50,587,973	14,617,472	29,374,532	17,261,039	111,841,016
Summary of Expense Provisions					
(21) Indicated Premium [((7) + (9) + (10) + (15) + (19) + (20)) / (1.0 - (11))]	804,504,508	278,204,013	962,682,635	1,207,246,747	3,252,637,902
(22) Underwriting Profit and Contingencies (Percent) [(9) / (21)]	20.9%	13.6%	10.5%	5.5%	11.5%
(23) Cost of Reinsurer Capital (Percent) [(19) / (21)]	24.2%	17.7%	14.0%	6.5%	14.1%
(24) Reinsurer Expenses (Percent) [(20) / (21)]	6.3%	5.3%	3.1%	1.4%	3.4%

Notes:

1. (1), (5), (12), (15), (16) From Simulation.
2. Sum(3) from Exhibit RB-15, Sheet 2, (15). Zone amounts from Sum and Allocation Percentage (2).
3. (4), (6), (8), (10), (11) From Exhibit RB-15, Sheet 2.
4. Sum(14) from Exhibit RB-15, Sheet 1, [(13) - (5b) + (5) x Exhibit RB-16, Sheet 1, (18)]
5. Zone amounts (14) from Sum (14) and Allocation Percentage (13).
6. Sum(20) from Exhibit RB-15, Sheet 1, (12). Zone amounts from Sum and Allocation based on (17).

NORTH CAROLINA RATING BUREAU

EXHIBIT RB-16, Sheet 3

Using Losses at Probability of Ruin to Allocate Profit

	Zone 1a	Zone 1b	Zone 2	Zone 3	Sum
Allocation of Primary Company Amounts					
(1) Net Losses at Probability of Ruin	930,091,138	329,091,741	858,993,546	790,775,274	2,908,951,699
(2) Allocation Percent [(1) / Sum(1)]	32.0%	11.3%	29.5%	27.2%	100.0%
(3) Expected Profit to Allocate	118,662,717	41,986,122	109,591,957	100,888,546	371,129,343
(4) Expected Contingencies to Allocate (Allocated with (7))	3,514,897	2,164,769	10,060,679	16,786,034	32,526,379
(5) Expected Losses	130,452,091	80,343,376	373,392,663	622,997,905	1,207,186,035
(6) Loss Adjustment Expense Factor	1.120	1.120	1.120	1.120	1.120
(7) Expected Losses and Loss Expenses [(5) x (6)]	146,136,082	90,002,898	418,284,908	697,899,684	1,352,323,572
(8) Expected Investment Income on Policy Reserves Percent	2.2%	2.2%	2.2%	2.2%	2.2%
(9) Underwriting Profit and Contingencies [(3) + (4) - (7) x (8)]	118,978,695	42,180,728	110,496,380	102,397,556	374,053,359
(10) General and Other Acquisition Expense	26,913,218	16,575,425	77,033,630	128,529,013	249,051,286
(11) Variable Expense Percent	15.40%	15.40%	15.40%	15.40%	15.40%
Allocation of Reinsurer Amounts					
(11) Ceded Losses at Probability of Ruin	1,747,795,934	540,416,769	1,354,133,306	506,558,212	4,148,904,221
(13) Allocation Percent [(12) / Sum(12)]	42.1%	13.0%	32.6%	12.2%	100.0%
(14) Expected Profit to Allocate	173,170,891	53,544,268	134,166,962	50,189,576	411,071,696
(15) Expected Ceded Loss & LAE	93,639,274	27,057,212	54,372,803	31,950,503	207,019,793
(16) Additional WSST Ceded Losses & LAE	21,470,240	4,966,454	17,077,926	10,427,959	53,942,579
(17) Expected Losses and Loss Expenses [(15) + (16)]	115,109,515	32,023,666	71,450,729	42,378,463	260,962,372
(18) Expected Investment Income on Policy Reserves Percent	2.9%	2.9%	2.9%	2.9%	2.9%
(19) Cost of Reinsurer Capital [(14) - (17) x (18) + (16)]	191,301,311	57,581,578	149,171,796	59,387,954	457,442,639
(20) Reinsurer Expenses [Total (20) allocated with (15)]	50,587,973	14,617,472	29,374,532	17,261,039	111,841,016
Summary of Expense Provisions					
(21) Indicated Premium [((7) + (9) + (10) + (15) + (19) + (20)) / (1.0 - (11))]	741,792,616	293,162,308	991,411,406	1,226,271,572	3,252,637,902
(22) Underwriting Profit and Contingencies (Percent) [(9) / (21)]	16.0%	14.4%	11.1%	8.4%	11.5%
(23) Cost of Reinsurer Capital (Percent) [(19) / (21)]	25.8%	19.6%	15.0%	4.8%	14.1%
(24) Reinsurer Expenses (Percent) [(20) / (21)]	6.8%	5.0%	3.0%	1.4%	3.4%

Notes:

1. (1), (5), (12), (15), (16) From Simulation.
2. Sum(3) from Exhibit RB-15, Sheet 2, (15). Zone amounts from Sum and Allocation Percentage (2).
3. (4), (6), (8), (10), (11) From Exhibit RB-15, Sheet 2.
4. Sum(14) from Exhibit RB-15, Sheet 1, [(13) - (5b) + (5) x Exhibit RB-16, Sheet 1, (18)]
5. Zone amounts (14) from Sum (14) and Allocation Percentage (13).
6. Sum(20) from Exhibit RB-15, Sheet 1, (12). Zone amounts from Sum and Allocation based on (17).

NCIUA & NCJUA - North Carolina Beach Plan & Fair Plan

Summary of 2013 Catastrophe Reinsurance

Contract	Attachment Point ($ Millions)	Exhaustion Point ($ Millions)	Coverage	Reinstatement
Reinsurance Layers [1] :				
Layer 1	$1,700.0	$2,025.0	100.0%	No
Layer 3	2,525.0	3,145.0	100.0%	No
Layer 4	3,145.0	3,399.0	100.0%	Yes
Layer 5	3,399.0	3,831.0	67.271%	Yes
Cat Bonds [2] :				
Layer 2 - Tar Heel Re	$2,025.0	$2,525.0	100.000%	No
Johnston Re - Class A	3,399.0	4,042.0	10.886%	No
Johnston Re - Class B	3,831.0	4,450.0	21.300%	No
Combined Reinsurance & Cat Bond Layers:				
Tar Heel Re	$2,025.0	$2,525.0	100.000%	
Layer 5 & Johnston Re A	3,399.0	3,831.0	78.157%	
Johnston Re A & B	3,831.0	4,042.0	32.186%	
Johnston Re B	4,042.0	4,450.0	21.300%	

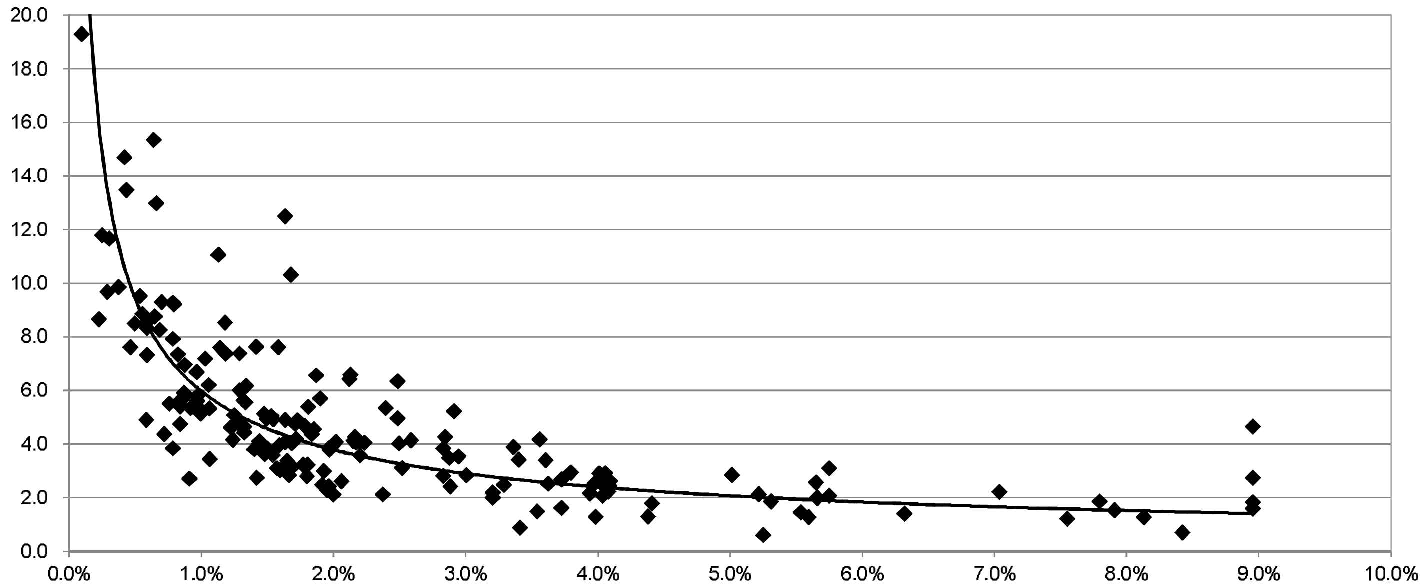
Notes: The above reinsurance covers aggregate loss in the Beach & Fair plans combined, and for all accounts combined (Residential & Commercial)
The Johnston Re cat bonds require the NCIUA & NCJUA to retain at least 5% of losses in a covered layer

(1) Reinsurance Layers 1 and 3 provides Annual Aggregate coverage; Reinsurance Layers 4 and 5 provide Occurrence coverage with 1 reinstatement
(2) Johnston Re-Class A provides 10.9% coverage of the layer attaching at $3.40B and exhausting at $4.04B, thus reflecting $70 million of coverage.
Johnston Re-Class B provides 21.3% coverage of the layer attaching at $3.83B and exhausting at $4.45B, thus reflecting $132 million of coverage.

NCIUA & NCJUA - North Carolina Beach Plan & Fair Plan

Catastrophe Bond Profit Multiples

Profit Multiples by Probability of Loss



Source: Lane Financial LLC, Annual Securitization Reviews

Notes: Based on near-term cat bonds issued from January, 2006 to March, 2013

Includes all U.S. bonds with a probability of loss between 0.05% and 20.0%; excludes bonds with no stated profit multiples

Equation of the fitted curve: $y = 0.28708\ x^{-0.65925}$

Equation to determine average Profit Multiple over specific interval: $\text{Avg PM} = \int_a^b 0.28708\ x^{-0.65925} dx \,/\, (b-a)$

NCIUA & NCJUA - North Carolina Beach Plan & Fair Plan

Catastrophe Bond Profit Multiples

	Total Beach Plan & Fair Plan				
Annual Aggregate Layer [1]	Layer Attachment	Layer Exhaustion [2]	Attachment Probability	Exhaustion Probability	Profit Multiple
$0 to 1,700	$0.0	$1,700.0	49.4%	5.4%	0.80
$0 to 802	*0.0*	*802.0*	*49.4%*	*10.1%*	*0.70*
$802 to 1,700	*802.0*	*1,700.0*	*10.1%*	*5.4%*	*1.58*
$1,700 to 2,025	1,700.0	2,025.0	5.4%	4.6%	2.07
$2,025 to 2,525	2,025.0	2,525.0	4.6%	3.6%	2.37
$2,525 to 3,145	2,525.0	3,145.0	3.6%	2.8%	2.81
$3,145 to 3,399	3,145.0	3,399.0	2.8%	2.5%	3.18
$3,399 to 4,450	3,399.0	4,450.0	2.5%	1.6%	3.76
$4,450 & Higher	4,450.0	20,121.5	1.6%	0.0%	12.71

(1) The first layer (up to $802 million) was selected to be equal to an event that would exhaust the BP-Residential allocated surplus of $640.8 million.
The allocated surplus of $640.8 million is the BP-Residential's portion of $700 million, which is based on Guy Carpenter's estimate of the NCIUA's & NCJUA's Retained Earnings during a covered event.
The $700 million of surplus is allocated to each account based on the following amounts of members equity as of 12/31/12:
Current surplus: BP-Residential = $676.9 million; BP-Commercial = $62.5 million; FP = -$5.0 million
Allocated surplus: BP-Residential = $640.8 million; BP-Commercial = $59.2 million; FP = $0.0 million

(2) The Exhaustion Amount for the highest layer was selected to be equal to the largest event in the modeled hurricane losses.

NCIUA - North Carolina Beach Plan
Residential Accounts Only

Illustration of How Hurricane Losses are Funded

Voluntary Market Assessments Limited to $1 Billion on All Beach Plan Accounts Combined
($ in Millions)

	Total Beach Plan & Fair Plan			Beach Plan:	Hurricane Losses Funded by:			
Annual Aggregate Layer	Layer Attachment	Layer Exhaustion	Total Loss in Layer	Residential Portion	Beach Plan Surplus	Private Reinsurance	Assessments on Member Companies (1)	Policyholder Surcharges
$0 to 802	$0.0	$802.0	$802.0	$640.8	$640.8	-	-	-
$802 to 1,700	802.0	1,700.0	898.0	714.7	-	-	$714.7	-
$1,700 to 2,025	1,700.0	2,025.0	325.0	259.3	-	$259.3	0.0	$0.0
$2,025 to 2,525	2,025.0	2,525.0	500.0	399.1	-	399.1	0.0	0.0
$2,525 to 3,145	2,525.0	3,145.0	620.0	495.4	-	495.4	0.0	0.0
$3,145 to 3,399	3,145.0	3,399.0	254.0	203.1	-	121.4	33.3	48.4
$3,399 to 4,450	3,399.0	4,450.0	1,051.0	842.3	-	378.7	59.5	404.1
$4,450 & Higher	4,450.0	20,121.5	15,671.5	12,663.5	-	358.2	27.0	12,278.3
TOTAL					$640.8	$2,012.2	$834.4	$12,730.8

(1) Total losses paid by Member Companies ($834.4 M) reflects the Residential portion of the $1 Billion Beach Plan assessment on the total Voluntary Market

NCIUA - North Carolina Beach Plan
Residential Accounts Only

Determination of the Cost of Reinsurance Provided to the NCIUA by the Voluntary Market
Voluntary Market Assessments Limited to $1 Billion on All Beach Plan Accounts Combined
($ in Millions)

Annual Aggregate Layer	Beach Plan: Residential Losses in Layer	Assessments Paid by Member Companies [1]	Expected Losses [2] Total	Expected Losses [2] Exposed [3]	Indicated Profit Multiple [4]	Cost of Providing Reinsurance [5]
$0 to 802	$640.8	-	$111.66	$0.00	0.70	$0.00
$802 to 1,700	714.7	$714.7	51.74	51.74	1.58	81.75
$1,700 to 2,025	259.3	0.0	12.93	0.00	2.07	0.00
$2,025 to 2,525	399.1	0.0	16.22	0.00	2.37	0.00
$2,525 to 3,145	495.4	0.0	15.47	0.00	2.81	0.00
$3,145 to 3,399	203.1	33.3	5.34	0.87	3.18	2.78
$3,399 to 4,450	842.3	59.5	16.94	1.96	3.76	7.36
$4,450 & Higher	12,663.5	27.0	40.05	0.09	12.71	1.08
TOTAL		$834.4	$270.34	$54.66		$92.98

(1) See Exhibit RB-17, Page 4
(2) From AIR model
(3) Expected loss subject to Beach Plan assessments of Voluntary Market
(4) See Exhibit RB-17, Page 3
(5) = Exposed Expected Losses x Profit Multiple (from Cat Bond data)

NCJUA - North Carolina Fair Plan
Residential & Commercial Accounts

Illustration of How Hurricane Losses are Funded
Reflecting Unlimited Industry Exposure to Fair Plan Assessments
($ in Millions)

	Total Beach Plan & Fair Plan				Hurricane Losses Funded by:		
Annual Aggregate Layer	Layer Attachment	Layer Exhaustion	Total Loss in Layer	Fair Plan Portion	Fair Plan Surplus	Private Reinsurance	Assessments on Member Companies
$0 to 1,700	$0.0	$802.0	$802.0	$79.2	-	-	$79.2
$1,700 to 2,025	1,700.0	2,025.0	325.0	15.0	-	$15.0	0.0
$2,025 to 2,525	2,025.0	2,525.0	500.0	23.2	-	23.2	0.0
$2,525 to 3,145	2,525.0	3,145.0	620.0	28.9	-	28.9	0.0
$3,145 to 3,399	3,145.0	3,399.0	254.0	11.9	-	7.1	4.8
$3,399 to 4,450	3,399.0	4,450.0	1,051.0	49.5	-	22.3	27.2
$4,450 & Higher	4,450.0	20,121.5	15,671.5	753.5	-	20.0	733.5
TOTAL					$0.0	$116.4	$844.7

NCJUA - North Carolina Fair Plan
Residential & Commercial Accounts

Determination of the Cost of Reinsurance Provided to the NCJUA by the Voluntary Market
Reflecting Unlimited Industry Exposure to Fair Plan Assessments
($ in Millions)

Annual Aggregate Layer	Fair Plan Losses in Layer	Assessments Paid by Member Companies [1]	Expected Losses [2]		Indicated Profit Multiple [4]	Cost of Providing Reinsurance [5]
			Total	Exposed [3]		
$0 to 1,700	$79.2	$79.2	$9.54	$9.54	0.80	$7.63
$1,700 to 2,025	15.0	0.0	0.75	0.00	2.07	0.00
$2,025 to 2,525	23.2	0.0	0.94	0.00	2.37	0.00
$2,525 to 3,145	28.9	0.0	0.90	0.00	2.81	0.00
$3,145 to 3,399	11.9	4.8	0.31	0.13	3.18	0.40
$3,399 to 4,450	49.5	27.2	1.00	0.55	3.76	2.06
$4,450 & Higher	753.5	733.5	2.38	2.32	12.71	29.48
TOTAL		$844.7	$15.82	$12.54		$39.58

(1) See Exhibit RB-17, Page 6
(2) From AIR model
(3) Expected loss subject to Fair Plan assessments of Voluntary Market
(4) See Exhibit RB-17, Page 3
(5) = Exposed Expected Losses x Profit Multiple (from Cat Bond data)

NCIUA & NCJUA - North Carolina Beach Plan & Fair Plan
Residential Accounts Only

Determination of the Compensation for Bearing the Risk of Beach Plan & Fair Plan Assessments
($ in Millions)

(1) Cost of Reinsurance Provided by the Voluntary Market to the Residential Accounts in the NCIUA (Beach Plan):	$92.98
(2) Cost of Reinsurance Provided by the Voluntary Market to the NCJUA (Fair Plan):	$39.58
(3) Residential Premium as % of Total Fair Plan Assessment Base:	70%
(4) Cost of Reinsurance Provided by the Voluntary Market to the Residential Accounts in the NCJUA (Fair Plan):	$27.70
(5) Total Cost of Reinsurance Provided by the Voluntary Market to the Residential Accounts in the NCIUA & NCJUA:	$120.68

Policy Form	(6) Estimated 2013 Industry Written Premium @ Manual Rates	(7) = (6) / Total (6) % of Total Industry Premium	(8) = (5) x (7) Allocated Compensation for Risk of Assessment	(9) = (8) / (6) Compensation for Assessment Risk as % of 2013 Manual Premium
Homeowners	$2,242.1	82.1%	$99.06	4.4%
Dwelling Fire & EC	347.8	12.7%	15.36	4.4%
MobileHome	141.6	5.2%	6.26	4.4%
Total	$2,731.5	100.0%	$120.68	4.4%

(1) From Exhibit RB-17, Page 5
(2) From Exhibit RB-17, Page 7
(4) = (2) x (3)
(5) = (1) + (4)
(6) 2012 Industry Premium includes NCIUA and NCJUA