



November 20, 2007

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Introduction of Insurance Services Office (ISO)
Dwelling Policy Program (2002 Edition)

The North Carolina Commissioner of Insurance has approved the 2002 Dwelling Policy Program for use by all member companies in North Carolina. This new Dwelling Policy Program will replace the current Dwelling 1989 Policy Program. This Program will become effective June 1, 2008 in accordance with the following Rule of Application:

These changes are applicable to all new and renewal policies written on or after June 1, 2008.

OBTAINING COPIES

The Program can be accessed through the Department of Insurance web site, but it is available only in a PDF format. However, if member companies would like to access the forms and endorsements in a Word format, please access the Insurance Services Office (ISO) web site through [ISONet](#). When accessing the forms and endorsements through ISONet, please indicate the effective date of June 1, 2008 to access the appropriate forms. At the present time, only the multi-state forms are available at ISONet, however, the North Carolina Specific endorsements will be available in the near future. With regard to the manual rule revision related to the Dwelling 2002 Policy Program, there is only one manual rule revision that is related to the Assisted Living Care and it can be accessed only through the NCDOI website at the following link <http://infoportal.ncdoi.net/filingdetail.jsp?div=2&fid=987995>.

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NOTIFICATION TO POLICYHOLDERS

G.S. 58-36-45 provides in part that whenever an insurer changes the coverage in a policy, it shall give the policyholder notice of such coverage change at least 15 days in advance of the effective date and provide a copy of such notice to the agent. Further, case law in North Carolina has held that when an insurer renews a policy, the policyholder may assume that the renewal policy will be the same as the earlier policy unless reductions in coverage are clearly, conspicuously and unambiguously called to the policyholder's attention. North River Insurance v. Young, 117 N.C. App. 663, 453 S.E. 2d 205 (1995). The necessity and manner of notifying policyholders of coverage revisions is an individual company responsibility. However, the Rate Bureau will be sending out, for your consideration, within the next few weeks a sample Notice To Policyholders prepared by ISO. You may also want to consider the advisability of notifying the policyholder that the DP 2002 is a new contract rather than a renewal of the prior contract. It is suggested that you consult with your attorney as to the necessity, method, detail and language of your policyholder notification.

COINSURANCE CONTRACT

Under G.S. 58-3-15 the term "coinsurance contract" must be appropriately printed or stamped on policies that constitute coinsurance. The North Carolina Court of Appeals held in Surratt v. Grain Dealers, 74 N.C. App. 288, 328 S.E. 2d 16 (1985) that the language in certain policies and endorsements rendered them coinsurance contracts, and this interpretation would likely apply to the DP 2002 Program. The Department of Insurance has previously directed that the term "coinsurance contract" should be the size or type sufficient to comply with G.S. 58-38-20; i.e., in a typeface "at least as large as 10 point modern type, 1 point leaded...". The Department also has suggested that the term be located (1) on the Declarations Page or policy jacket and (2) also on any applicable endorsement attached to the policy. Placement of the term is the responsibility of each member company. You are advised to consult with your counsel to assure compliance.

Please make sure that this information is brought to the attention of interested personnel within your Company.

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dp

Enclosures

P-07-13