

January 17, 2017

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Dwelling Insurance Policy Program Revisions –  
North Carolina

By Circular Letter to All Member Companies P-16-3 dated April 4, 2016, the Rate Bureau announced revisions to the Dwelling Policy Program. Those revisions included (1) for the Fire portion of the policy, revisions to the protection/construction relativities and deductibles; (2) for the Extended Coverage portion of the policy, revisions to the policy form (seasonal and non-seasonal) relativities and to the deductible options and deductible factors; (3) revised base rates (because the relativity changes were filed on an overall revenue-neutral basis); (4) revised Windstorm or Hail exclusion credits; (5) revised Windstorm mitigation credits; and (6) Dwelling manual rule revisions related to the revised deductible options. These revisions became effective January 1, 2017.

In December, 2016, a data error was discovered that affected the calculation of the base rates associated with the revised relativities. This error did not have an effect on the relativity factors themselves and only affected the base rates that were implemented in territories 7, 8, 48, 49 and 52.

As a result of this error, the North Carolina Insurance Underwriting Association (Beach Plan) requested from the Commissioner of Insurance (Commissioner) an extension of the effective date of the new relativities and base rates from January 1, 2017 to a later date. The Commissioner granted the extension and, as of January 1, 2017, the Beach Plan is continuing to use the relativities and base rates that were in effect prior to January 1, 2017.

The Governing Committee of the Rate Bureau voted on January 11, 2017 to revise the base rates associated with the new relativities in order to correct for this data error. As a result, the Rate Bureau will be preparing and filing revised base rates with the Commissioner with a proposed effective date of June 1, 2017. The Rate Bureau will distribute the new base rates as soon as they are approved. We realize this is a tight timeline for implementation by our member companies; however, we believe with this advance notice member companies will have sufficient time to implement the newly revised base rates in these territories. Until that time, the relativities and base rates that became effective January 1, 2017 continue to be the approved relativities and base rates for the Rate Bureau's member companies.

On November 30, 2016, the Rate Bureau filed with the Department a Dwelling Insurance rate level filing. This filing proposed further revisions to the base rates for fire and extended coverage as well as proposed modifications to the wind exclusion credits and mitigation factors. We have determined that the data error described above also impacts certain portions of the Dwelling Insurance rate filing. As a result, the Governing Committee voted on January 11, 2017 to withdraw the rate filing and re-file at a later date.

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

Very truly yours,

F. Timothy Lucas

Director, Personal Lines

FTL:dms

P-17-1