



November 2, 2004

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Introduction of Homeowners Blanket
Policy Program (2000 Edition)

The North Carolina Commissioner of Insurance has approved the Homeowners Blanket Property Policy Program (HB) for use by all member companies in North Carolina. This new program will replace the current Homeowners Blanket Property Policy Program (HB). This Program will become effective April 1, 2005 in accordance with the following Rule of Application:

These changes are applicable to all new and renewal policies written on or after April 1, 2005.

In that regard, please find attached a complete copy of the Homeowners Blanket Policy Program.

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The program as filed in North Carolina may be used only by members of the North Carolina Rate Bureau, may be used only in North Carolina, and may not be used outside this state.

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. 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 HO 2000 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. Based on a study by a Rate Bureau Subcommittee, at least the following policies and endorsements in the HO 2000 and Homeowners Blanket Policy Program (2000 Edition) are, or may be construed to contain, coinsurance provisions under the court's definition:

<u>Policy Forms</u>	<u>Endorsements</u>
HB 00 03 Special Form	HO 04 78 Multi Company Insurance
HB 00 05 Comprehensive Form	HB 32 11 Additional Limits for Liability Coverages A, B, C & D
	HB 32 20 Specified Additional Limits for Coverage A

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

P-04-15

HB FORMS LIST

HB 00 03 08 04	Blanket Property Limit Endorsement
HB 00 04 08 04	Blanket Property Limit Endorsement
HB 00 05 08 04	Blanket Property Limit Endorsement
HB 00 06 08 04	Blanket Property Limit Endorsement
HB 03 12 08 04	Windstorm or Hail Percentage Deductible
HB 04 46 08 04	Inflation Guard
HB 04 54 08 04	Earthquake
HB 04 77 08 04	Ordinance or Law - Increased Amount of Coverage
HB 04 84 09 04	Water Back Up and Sump Overflow
HB 04 98 08 04	Refrigerated Property Coverage
HB 05 46 08 04	Landlord's Furnishings
HB 32 11 08 04	Additional Blanket Property Limit Coverage
HB 32 20 08 04	Specified Additional Blanket Property Limit Cov.
HB 32 32 08 04	Special Provisions - North Carolina

**BLANKET PROPERTY LIMIT ENDORSEMENT
(For Use With HO 00 03)**

It is agreed that the policy is amended as follows:

DEFINITIONS

The following definition is added to Paragraph B:

- 13. "Blanket Property Limit" means the total limit of liability available for all covered property under Section I Coverage A - Dwelling, Coverage B - Other Structures, Coverage C - Personal Property and Coverage D - Loss of Use. The "Blanket Property Limit" is shown on the Declarations page.

SECTION I - PROPERTY COVERAGES

B. Coverage B - Other Structures

Paragraph 3. is deleted.

C. Coverage C - Personal Property

2. Limit For Property At Other Residences

Paragraph 2. is deleted and replaced by the following:

Our limit of liability for personal property usually located at an "insured's" residence, other than the "residence premises", is \$5,000 or 10% of the "Blanket Property Limit", 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

Items f. and g. are deleted in this Form and replaced by the following:

- f. 4% of the "Blanket Property Limit", subject to a maximum of \$10,000 for loss by theft of firearms and related equipment.
- g. 10% of the "Blanket Property 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 pewter-

ware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.

D. Coverage D - Loss of Use

The first sentence is deleted.

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 does not increase the "Blanket Property Limit".

- 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) 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.

BLANKET PROPERTY LIMIT ENDORSEMENT

The \$500 limit is the most we will pay in any one loss regardless of the number of fallen trees.

3. Trees, Shrubs and Other Plants

The limit of liability is amended as follows:

The limit of liability for this additional coverage will be no more than 5% of the "Blanket Property Limit". No more than \$1,000 will be paid for any one tree, shrub or plant. We do not cover property grown for business purposes.

11. Ordinance or Law

The first paragraph of **11.a.** is deleted and replaced by the following:

You may use up to 5% of the "Blanket Property Limit" for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:

The following Additional Coverage is added:

13. Lock Replacement Coverage

We will pay, up to \$500, for the replacement of locks or cylinders, which are:

- a. Used to lock the dwelling or other structure on the "residence premises", and
- b. Replaced due to the theft of keys.

The \$500 limit is the most we will pay in any one loss, regardless of the number of locks or cylinders.

No deductible applies to the coverage.

SECTION I CONDITIONS

C. Loss Settlement

Under **C. Loss Settlement**, paragraph **2.** is deleted and 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 "Blanket Property Limit" in this policy is 160% 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 "Blanket Property Limit" under this policy.
- (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.

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 "Blanket Property Limit" in this policy is less than 160% 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 "Blanket Property Limit" under this policy:

- (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 the "Blanket Property Limit" in this policy on the damaged building bears to 160% of the replacement cost of the building.

- c. To determine the amount of the "Blanket Property Limit" required to equal 160% 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;

BLANKET PROPERTY LIMIT ENDORSEMENT

- (2) Those supports in (1) above which are below the surface of the ground inside the foundation walls, if there is not 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 according to the provisions of **2.a.** and **2.b.** above.
- However, if the cost to repair or replace the damage is both:
- (a) Less than 3% of the amount of the "Blanket Property Limit"; and
 - (b) Less than \$2,500;
- we will settle the loss according to the provisions of **2.a.** and **2.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.

The following Condition is added:

S. "Blanket Property Limit"

The "Blanket Property Limit" shown in the Declarations for the "residence premises" is the most we will pay for a covered loss. This "Blanket Property Limit" applies in the aggregate for all coverages under Section **I** – Property Coverages. It also includes these Section **I** – Additional Coverages:

- a. Debris Removal;
- b. Reasonable Repairs;
- c. Property Removed; and
- d. Collapse.

The other Section **I** – Additional Coverages apply in addition to the "Blanket Property Limit".

All other provisions of this policy apply.

**BLANKET PROPERTY LIMIT ENDORSEMENT
(For use with HO 00 04)**

It is agreed that the policy is amended as follows:

DEFINITIONS

The following definition is added to Paragraph **B.**:

- 13.** "Blanket Property Limit" means the total limit of liability available for all covered property under Section I Coverage **C** - Personal Property and Coverage **D** - Loss of Use. The "Blanket Property Limit" is shown on the Declarations page.

SECTION I - PROPERTY COVERAGES

A. Coverage C - Personal Property

2. Limit For Property At Other Residences

Paragraph **2.** is deleted and replaced by the following:

Our limit of liability for personal property usually located at an "insured's" residence, other than the "residence premises", is \$5,000 or 10% of the "Blanket Property Limit", 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

Items **f.** and **g.** are deleted in this Form and replaced by the following:

- f.** 8.5% of the "Blanket Property Limit", subject to a maximum of \$10,000 for loss by theft of firearms and related equipment.
- g.** 21% of the "Blanket Property 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.

B. Coverage D - Loss of Use

The first sentence is deleted.

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 does not increase the "Blanket Property Limit".

- 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)** 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 \$500 limit is the most we will pay in any one loss regardless of the number of fallen trees.

BLANKET PROPERTY LIMIT ENDORSEMENT - HO 00 04

3. Trees, Shrubs and Other Plants

The limit of liability is amended as follows:

The limit of liability for this additional coverage will not be more than 8.5% of the "Blanket Property Limit" or more than \$1,000 for any one tree, shrub or plant. We do not cover property grown for business purposes.

This coverage is additional insurance.

10. Building Additions And Alterations

The limit of liability is amended as follows:

The limit of liability for this coverage will not be more than 8.5% of the "Blanket Property Limit".

11. Ordinance or Law

The words "covered property" used in **Section 11.** refer to the property covered under Additional Coverage **10.**

The first paragraph of **11.a.** is deleted and replaced by the following:

You may use up to 1% of the "Blanket Property Limit" for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:

SECTION I - CONDITIONS

The following Condition is added:

R. "Blanket Property Limit"

The "Blanket Property Limit" shown in the Declarations for the "residence premises" is the most we will pay for a covered loss. This "Blanket Property Limit" applies in the aggregate for all coverages under Section I - Property Coverages. It also includes these Section I - Additional Coverages:

- a. Debris Removal;
- b. Reasonable Repairs;
- c. Property Removed; and
- d. Collapse.

The other Section I Additional Coverages apply in addition to the "Blanket Property Limit".

All other provisions of this policy apply.

It is agreed that the policy is amended as follows:

DEFINITIONS

The following definition is added to Paragraph B.:

13. "Blanket Property Limit" means the total limit of liability available for all covered property under Section I Coverage **A** - Dwelling, Coverage **B** - Other Structures, Coverage **C** - Personal Property and Coverage **D** - Loss of Use. The "Blanket Property Limit" is shown on the Declarations page.

SECTION I - PROPERTY COVERAGES

B. Coverage B - Other Structures

Paragraph 3. is deleted.

C. Coverage C - Personal Property

2. Limit For Property At Other Residences

Paragraph 2. is deleted and replaced by the following:

Our limit of liability for personal property usually located at an "insured's" residence, other than the "residence premises", is \$5,000 or 10% of the "Blanket Property Limit", 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

Items **f.** and **g.** are deleted in this Form and replaced by the following:

- f. 4% of the "Blanket Property Limit", subject to a maximum of \$10,000 for loss by theft of firearms and related equipment.
- g. 10% of the "Blanket Property 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 tro-

phies made of or including silver, gold or pewter.

D. Coverage D - Loss of Use

The first sentence is deleted.

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 does not increase the "Blanket Property Limit".

- 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) 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 \$500 limit is the most we will pay in any one loss regardless of the number of fallen trees.

3. Trees, Shrubs and Other Plants

The limit of liability is amended as follows:

The limit of liability for this additional coverage will not be more than 5% of the "Blanket Property Limit" or more than \$1,000 for any one tree, shrub or plant. We do not cover property grown for business purposes.

This coverage is additional insurance.

11. Ordinance or Law

The first paragraph of **11.a.** is deleted and replaced by the following:

You may use up to 5% of the "Blanket Property Limit" for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:

The following Additional Coverage is added:

13. Lock Replacement Coverage

We will pay, up to \$500, for the replacement of locks or cylinders, which are:

- a. Used to lock the dwelling or other structure on the "residence premises"; and
- b. Replaced due to the theft of keys.

The \$500 limit is the most we will pay in any one loss, regardless of the number of locks or cylinders.

No deductible applies to this coverage.

SECTION I - CONDITIONS**C. Loss Settlement**

Under **C. Loss Settlement**, paragraph **2.** is deleted and 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 "Blanket Property Limit" in this policy is 160% 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 "Blanket Property Limit" under this policy;
- (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.

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 "Blanket Property Limit" in this policy is less than 160% 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 "Blanket Property Limit" under this policy:

- (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 the "Blanket Property Limit" in this policy on the damaged building bears to 160% of the replacement cost of the building.

- c. To determine the amount of the "Blanket Property Limit" required to equal 160% 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 in (1) above which are below the surface of the ground inside the foundation walls, if there is not 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 according to the provisions of **2.a.** and **2.b.** above.
- However, if the cost to repair or replace the damage is both:
- (a) Less than 3% of the amount of the "Blanket Property Limit"; and
 - (b) Less than \$2,500;
- we will settle the loss according to the provisions of **2.a.** and **2.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.

The following Condition is added:

S. "Blanket Property Limit"

The "Blanket Property Limit" shown in the Declarations for the "residence premises" is the most we will pay for a covered loss. This "Blanket Property Limit" applies in the aggregate for all coverages under Section **I** - Property Coverages. It also includes these Section **I** - Additional Coverages:

- a. Debris Removal;
- b. Reasonable Repairs;
- c. Property Removed; and
- d. Collapse.

The other Section **I** - Additional Coverages apply in addition to the "Blanket Property Limit."

All other provisions of this policy apply.

**BLANKET PROPERTY LIMIT ENDORSEMENT
(For Use With HO 00 06)**

It is agreed that the policy is amended as follows:

DEFINITIONS

The following definition is added to Paragraph B.:

- 13. "Blanket Property Limit" means the total limit of liability available for all covered property under Section I Coverage **A** - Dwelling, Coverage **C** - Personal Property and Coverage **D** - Loss of Use. The "Blanket Property Limit" is shown on the Declarations page.

SECTION I - PROPERTY COVERAGES

B. Coverage C - Personal Property

2. Limit For Property At Other Residences

Paragraph 2. is deleted and replaced by the following:

Our limit of liability for personal property usually located at an "insured's" residence, other than the "residence premises", is \$5,000 or 10% of the "Blanket Property Limit", 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

Items **f.** and **g.** are deleted in this Form and replaced by the following:

- f. 7% of the "Blanket Property Limit", subject to a maximum of \$10,000 for loss by theft of firearms and related equipment.
- g. 17% of the "Blanket Property 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.

C. Coverage D - Loss of Use

The first sentence is deleted.

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 does not increase the "Blanket Property Limit".

- b. We will also pay your reasonable expense, up to \$500, 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 \$500 limit is the most we will pay in any one loss regardless of the number of fallen trees.

3. Trees, Shrubs and Other Plants

The limit of liability is amended as follows:

The limit of liability for this additional coverage will not be more than 6.5% of the "Blanket Property Limit" or more than \$1,000 for any one tree, shrub or plant. We do not cover property grown for business purposes.

This coverage is additional insurance.

11. Ordinance or Law

The first paragraph of **11.a.** is deleted and replaced by the following:

You may use up to 2% of the "Blanket Property Limit" for the increased costs

BLANKET PROPERTY LIMIT ENDORSEMENT

you incur due to the enforcement of any ordinance or law which requires or regulates:

The following Additional Coverage is added:

12. Lock Replacement Coverage

We will pay, up to \$500, for the replacement of locks or cylinders, which are:

- a. Used to lock the dwelling or other structure on the "residence premises"; and
- b. Replaced due to the theft of keys.

The \$500 limit is the most we will pay in any one loss, regardless of the number of locks or cylinders.

No deductible applies to this coverage.

SECTION I - CONDITIONS

The following Condition is added:

S. "Blanket Property Limit"

The "Blanket Property Limit" shown in the Declarations for the "residence premises" is the most we will pay for a covered loss. This "Blanket Property Limit" applies in the aggregate for all coverages under Section I - Property Coverages. It also includes these Section I - Additional Coverages:

- a. Debris Removal;
- b. Reasonable Repairs;
- c. Property Removed; and
- d. Collapse.

All other provisions of this policy apply.

WINDSTORM OR HAIL PERCENTAGE DEDUCTIBLE
All Forms Except HO 00 04 and HO 00 06

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY

Windstorm or Hail Deductible Percentage Amount: _____

We will pay only that part of the total of all loss payable under Section I – Property Coverages that exceeds the windstorm or hail percentage deductible stated in this endorsement. The dollar amount of the windstorm or hail deductible is determined by multiplying the percentage amount shown above to the “Blanket Property Limit” amount at the time of the loss or damages. No other deductible provision in the policy applies to loss caused by windstorm or hail.

* Entries may be left blank if shown elsewhere in this policy for this coverage.

All other provisions of this policy apply.

INFLATION GUARD

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

The "Blanket Property Limit" will be increased annually by %*, applied pro rata during the policy period.

*Entries may be left blank if shown elsewhere in this policy for this coverage.

EARTHQUAKE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

A. Coverage

1. We insure for direct physical loss to property covered under Section I caused by earthquake including land shock waves or tremors before, during or after a volcanic eruption.

One or more earthquake shocks that occur within a seventy-two hour period constitute a single earthquake.

2. This coverage does not increase the limits of liability stated in this policy.

B. Special Deductible

The following replaces any other deductible provision in this policy with respect to loss covered under this endorsement:

We will pay only that part of the total of all loss payable under Section I Property Coverages, except:

1. Coverage D - Loss of Use; and
2. The Additional Coverages;

that exceeds the earthquake deductible.

In determining the amount, if any, that we will pay for loss, we will deduct an amount equal to the following, depending on the Form.

Calculate the earthquake deductible as follows:

For all Forms except HO 00 04 and HO 00 06: an earthquake deductible of %* applies to 50% of the "Blanket Property Limit".

For Form HO 00 04: an earthquake deductible of %* applies to 83% of the "Blanket Property Limit".

For Form HO 00 06: an earthquake deductible of %* applies to 62% of the "Blanket Property Limit".

The total deductible amount will not be less than \$250.

C. Special Exclusions

1. Exterior Masonry Veneer

The following exclusion applies ()*
does not apply ()*

We do not cover loss to exterior masonry veneer caused by earthquake. The value of exterior masonry veneer will be deducted before applying the earthquake deductible described above. For purposes of this exclusion, stucco is not considered masonry veneer.

2. Flood

We do not cover loss resulting directly or indirectly from flood of any nature or tidal wave, whether:

- a. caused by;
- b. resulting from;
- c. contributed to; or
- d. aggregated by earthquake.

3. Filling Land

This coverage does not include the cost of filling land.

D. Exception To The Earth Movement Exclusion

The Section I - Earth Movement exclusion does not apply to loss caused by earthquake including land shock waves or tremors before, during or after a volcanic eruption.

- * Entries may be left blank if shown elsewhere in this policy for this coverage.

All other provisions of this policy apply.

ORDINANCE OR LAW - INCREASED AMOUNT OF COVERAGE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

The percentage applied to the "Blanket Property Limit", under Additional Coverage, Ordinance or Law, is increased to the percentage shown below.

New Total Percentage %*

*Entry may be left blank if shown elsewhere in the policy for this coverage.

All other provisions of this policy apply.

WATER BACK UP AND SUMP OVERFLOW - NORTH CAROLINA

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

1. We insure for direct physical loss not caused by the negligence of an "insured", to property covered under Section I caused by:
 - a. Water or water-borne material, which backs up through sewers or drains; or
 - b. Water or water-borne material, which overflows or is discharged from a sump, sump pump or related equipment even if such overflow or discharge results from the mechanical breakdown of the sump pump or related equipment. This coverage does not apply to direct physical loss of the sump pump, or related equipment, which is caused by mechanical breakdown.

This endorsement does not increase the amount of insurance that applies to the covered property.

2. Special Deductible

The following deductible provision replaces any other deductible provision in the policy with respect to loss covered under this endorsement.

We will pay only that part of the total of all loss payable under Section I which exceeds \$250. No other deductible applies to this coverage. This deductible does not apply with respect to Coverage D - Loss of Use.

3. Limit of Liability

The maximum limit of liability payable under this endorsement shall be calculated as follows:

For all Forms except HO 00 04 and HO 00 06: 50% of the Blanket Property Limit.

For Form HO 00 04: 83% of the Blanket Property Limit.

For Form HO 00 06: 62% of the Blanket Property Limit.

4. Section I - Perils Insured Against

In Form **HO 00 03**, paragraph **3.f.(2)** under Coverage A - Dwelling and Coverage B - Other Structures is deleted, with respect to coverage for loss caused by discharge or overflow of water, or water-borne material, from sumps, sump pumps or related equipment and replaced by the following:

- (2) Latent defect, inherent vice, or any quality in property that causes it to damage or destroy itself;

In Form **HO 00 05**, this is subparagraph **1.b.(4)(b)**; in **HO 32 35**, this is subparagraph **3.d.(2)**; in **HO 32 34**, this is subparagraph **2.e.(2)**.

5. Section I - Exclusions

3. **Water Damage** is deleted and replaced by the following:

3. Water Damage, meaning:

- 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; or
- 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 which is the direct or indirect result of flood; 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 or explosion resulting from water damage is covered.

(In Form **HO 00 03**, this is item **1.c.**)

All other provisions of this policy apply.

REFRIGERATED PROPERTY COVERAGE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

A. Definitions

The following definition is added:

“Loss of power” means the complete or partial interruption of electric power due to conditions beyond an “insured’s” control.

B. Coverage

1. We insure, up to \$500, covered property stored in freezers or refrigerators on the "residence premises" for direct loss caused by:
 - a. “Loss of power” to the refrigeration unit. “Loss of power” must be caused by damage to:
 - (1) Generating equipment; or
 - (2) Transmitting equipment; or
 - b. Mechanical failure of the unit storing the property.
2. Coverage will apply only if you have maintained the refrigeration unit in proper working condition immediately prior to the loss.

3. This endorsement does not increase the “Blanket Property Limit”.

C. Special Deductible

The following will replace any other deductible provision in this policy with respect to loss covered under this endorsement:

We will pay only that part of the loss that exceeds \$100. No other deductible applies to this coverage.

D. Exception To Power Failure Exclusion

Power Failure exclusion does not apply to this coverage.

All other provisions of this policy apply.

LANDLORD'S FURNISHINGS

FORMS HO 00 03 AND HO 00 05 ONLY

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SCHEDULE*

Description of Rented Property	Increase in Limit of Liability*	Total Limit of Liability*
1.	\$	\$
2.		
3.		

* Entries may be left blank if shown elsewhere in this policy for this coverage.

Additional Coverage **E. 10.** Landlord's Furnishings under Section I – Property Coverage is extended:

1. As indicated in the Schedule above; and
- 2, Subject to the "Blanket Property Limit" that applies at the time of the loss

All other provisions of this policy apply.

ADDITIONAL BLANKET PROPERTY LIMIT COVERAGE HO 00 03 AND HO 00 05 ONLY

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

To the extent that coverage is provided, we agree to the present "Blanket Property Limit" indicated on the Declarations page, if the amount of the loss to the building is 45% or more of the "Blanket Property Limit". This will be done in accordance with the following provisions:

A. If you have:

1. Allowed us to adjust the "Blanket Property Limit" and the premium in accordance with:
 - a. The property evaluations we make; and
 - b. Any increases in inflation; and
2. Notified us, within 30 days of completion, of any improvements, alterations or additions to the building insured under Coverage **A** which increase the replacement cost of the building by 5 % or more;

the provisions of this endorsement will apply after a loss, provided you elect to repair or replace the damaged building.

B. We will:

1. Pay for a covered loss to property under Coverage **A** – Dwelling up to the current replacement cost of the dwelling.
2. Pay for a covered loss to property under:
 - a. Coverage **B** - Other Structures;
 - b. Coverage **C** - Personal Property; and
 - c. Coverage **D** -Loss of Use;

up to an amount equal to 100% of the current replacement cost of the building. This is the most we will pay for all covered losses in items **(a)**, **(b)** and **(c)** above.

This amount also includes the Additional Coverages:

- a. Debris Removal;
- b. Reasonable Repairs;
- c. Property Removed; and
- d. Collapse.

Coverage will not be less than the Blanket Property Limit shown on the Declarations page.

3. We will adjust the policy premium from the time of loss for the remainder of the policy term based on the increased Blanket Property Limit; and

C. For the purpose of settling that loss only, Section **I** – Condition **C**. Loss Settlement, paragraph **2**. Is deleted and replaced by paragraphs **2.**, **3.**, and **4.** As follows:

2. Buildings covered under Coverage **A** and **B** at replacement cost without deduction for depreciation. We will pay no more than the smallest of the following amounts:
 - a. The replacement cost of that part of the building damaged or destroyed with material of like kind and quality and for like use;
 - b. The necessary amount actually spent to repair or replace the damaged or destroyed building on the "residence premises" or some other premises within the state of North Carolina; or
 - c. The limit of liability under this policy that applies to the building, increased in accordance with paragraphs **B.1.** and **B.2.** of this endorsement.

If the building is rebuilt at a new premises, the cost described in **a.** above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.

3. We will pay no more than the actual cash value of the damage until actual repair or replacement is complete.
4. 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 on a re-placement cost basis, provided you notify us of your intent to do so within 180 days after the date of loss.

All other provisions of this policy apply.

SPECIFIED ADDITIONAL BLANKET PROPERTY LIMIT COVERAGE

HO 00 03 AND HO 00 05 ONLY

THIS ENDORSMENT CHANGES YOUR POLICY PLEASE READ IT CAREFULLY.

SCHEDULE

Additional Amount Of Insurance:

_____ % of the "Blanket Property Limit"

The Additional Amount Of Insurance is determined by multiplying the "Blanket Property Limit" of liability shown in the Declarations by the percentage amount shown above.

*Entry may be left blank if shown elsewhere in this policy for this coverage.

To the extent that coverage is provided, we agree to amend the "Blanket Property Limit" indicated on the Declarations page, if the amount of the loss to the building is 45% or more of the "Blanket Property Limit". This will be done in accordance with the following provisions:

- A.** If you have:
 - 1.** Allowed us to adjust the "Blanket Property Limit" and the premium in accordance with:
 - a.** The property evaluations we make; and
 - b.** Any increases in inflation; and
 - 2.** Notified us, within 30 days of completion, of any improvements, alterations or additions to the building insured under Coverage **A** which increase the replacement cost of the building by 5% or more;

the provisions of this endorsement will apply after a loss, provided you elect to repair or replace the damaged building.
- B.** We will provide an additional amount of insurance, up to the amount described in the Schedule above. This amount also includes Additional Coverages:
 - a.** Debris Removal;
 - b.** Reasonable Repairs;
 - c.** Property Removed; and
 - d.** Collapse.
- C.** Section **I** – Condition **C**. Loss Settlement, paragraph **2**. Is deleted and replaced by paragraphs **2**., **3**., and **4**. As follows:
 - 2.** The building insured under Coverage **A** at replacement cost without deduction for depreciation. We will pay no

more than the smallest of the following amounts:

- a.** The replacement cost of that part of the building damaged with material of like kind and quality and for like use;
- b.** 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; or
- c.** The limit of liability under this policy that applies to the building, plus any additional amount by this endorsement.

If the building is rebuilt at a new premises, the cost described in **a.** above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.
- 3.** We will pay no more than the actual cash value of the damage until actual repair or replacement is complete.
- 4.** 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 on a replacement cost basis, provided you notify us of your intent to do so within 180 days after the date of loss.

All other provisions of this policy apply.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DEFINITIONS

Definition **B. 3.** Is deleted and 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 COVERAGE

C. Coverage C – Personal Property

4. Property Not Covered

Paragraph **c.(2)(a)** is deleted and replaced by the following:

- (a) Used to service an "insured's" residence; or

E. Additional Coverages

10. Landlord's Furnishings

k. Accidental Discharge Or Overflow Of Water Or Steam

Paragraph **2.(d)** is deleted and 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 \$5000 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 is 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.

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- 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**.)

SECTION I - PERILS INSURED AGAINST

In Form **HO 00 03**:

A. Coverage A – Dwelling And Coverage B – Other Structures

Paragraph 2.c.(5) is deleted and 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 deleted and 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 deleted and 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 deleted and replaced by the following:

- (3) Smog, rust, or other corrosion;

In Forms **HO 00 04** and **HO 00 06**:

12. Accidental Discharge Or Overflow Of Water Or Steam

Paragraph **b.(5)** in Form **HO 00 06** and paragraph **b.(4)** in Form **HO 00 04** is deleted and 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

8. Intentional Loss is deleted and 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 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.

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(This is Exclusion **A.10.** in Forms **HO 00 03** and **HO 00 05**).

SECTION I – CONDITIONS

E. Appraisal is deleted and 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 deleted and 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 deleted and 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 deleted and 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 deleted and 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 deleted and replaced by the following:

2. "Business"

- a. "Bodily injury" or "property damage" arising out of or in connection

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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 under-

taken 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.

SECTION 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.