



March 18, 2005

CIRCULAR LETTER TO ALL MEMBER COMPANIES

IMMEDIATE
ATTENTION REQUIRED

Re: Revised Homeowners Insurance Rates

On February 25, 2005, the Rate Bureau filed with the Commissioner of Insurance proposed revised homeowners insurance rates for coverages subject to the Rate Bureau's jurisdiction. The Rate Bureau's rate filing proposed (1) a statewide average rate level change of +12.1% for all homeowner forms, with changes varying by form and by territory; and (2) revised Windstorm or Hail Exclusion Credits.

The Bureau and the Department of Insurance have negotiated an agreement as to this filing, and on March 18, 2005, the Commissioner signed a Settlement Agreement and Consent Order approving settlement of this filing. The Settlement Agreement and Consent Order approves the filing subject to certain modifications which include (1) an approved overall statewide average rate level increase of +2.2% and (2) modified Windstorm or Hail Exclusion Credits to track the revised base rates.

Enclosed are final exhibits which set forth (1) the rate level changes by territory; (2) the revised Windstorm or Hail Exclusion Credits; and (3) the revised base rates for all forms.

Since these changes have been approved by the Commissioner, no portion of the premiums on applicable policies is required to be escrowed. The approved changes are to be implemented in accordance with the following Rule of Application:

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

The enclosed exhibits are intended to enable you to implement the approved revisions in accordance with the above Rule of Application. Reprinted manual pages will be distributed in the usual manner as soon as possible. In the meantime, notice of the changes should be

sent as soon as possible to your Company's North Carolina agents to make them aware of the revisions.

In connection with the implementation of the revised rates, your attention is further directed to G.S. 58-36-30(a) which provides in part as follows:

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

Your attention is also directed to G.S. 58-36-45 which provides in part as follows:

"Whenever an insurer changes the coverage other than at the request of the insured or changes the premium rate, it shall give the insured written notice of such coverage change or premium rate change at least 15 days in advance of the effective date of such change or changes with a copy of such notice to the agent. This section shall apply to all policies and coverages subject to the provisions of this Article"

In the past, some insurers have given notice of premium rate changes by providing to an insured and agent, at least 15 days in advance of the effective date, a renewal policy, renewal certificate, billing or endorsement showing revised rates, together with a written notice substantially as follows:

NOTICE OF RATE CHANGE - NORTH CAROLINA

The premium for this policy reflects changes in rates applicable to North Carolina placed into effect under the provisions of Article 36, Chapter 58 of the North Carolina General Statutes.

The form of this notice has varied at the option of the insurer (printed notice, stamp, stick-on label, etc.). Companies should consult legal counsel with respect to the appropriateness of their own procedures under this statute. It is important that each Company establish procedures that will insure continued compliance with the 15 day advance notice requirement.

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

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dp

Enclosures

P-05-11

NORTH CAROLINA
HOMEOWNERS INSURANCE
STATEWIDE AND TERRITORY RATE LEVEL CHANGES

<u>Territory</u>	<u>Forms 2, 3, 5 & 8</u>	<u>Form 4</u>	<u>Form 6</u>
05	+15.0%	+10.0%	+10.0%
06	+15.0%	+10.0%	+10.0%
32	+0.0%	-10.0%	-10.0%
34	+10.0%	+10.0%	-10.0%
36	+0.0%	-10.0%	-10.0%
38	+0.0%	-8.3%	-10.0%
39	-1.5%	-10.0%	-10.0%
41	+10.0%	+2.5%	-9.8%
42	+10.0%	+2.2%	-3.4%
43	+10.0%	+2.2%	-3.4%
44	+5.0%	-5.9%	-10.0%
45	+5.0%	-8.8%	-10.0%
46	+0.0%	-7.6%	-10.0%
47	+5.0%	-10.0%	-10.0%
53	+0.0%	-10.0%	-10.0%
57	+0.0%	-10.0%	-10.0%
60	-1.0%	-0.2%	-10.0%
Statewide	+2.5%	-6.2%	-7.8%

Combined Overall Statewide Change of +2.2% for all Forms

Windstorm or Hail Exclusion Credit

Owners Forms (Forms 2, 3, 5 & 8)

Territories 05, 06	\$847
Territories 42, 43	\$417

Tenants Form (Form 4)

Territories 05, 06	\$51
Territories 42, 43	\$37

Condominium Form (Form 6)

Territories 05, 06	\$73
Territories 42, 43	\$35

NORTH CAROLINA
HOMEOWNERS INSURANCE
APPROVED BASE CLASS PREMIUMS

<u>Territory</u>	<u>Form 3</u>	<u>Form 4</u>	<u>Form 6</u>
05	1036	117	108
06	1036	117	108
32	398	47	44
34	492	69	50
36	354	40	38
38	358	43	35
39	345	39	38
41	503	55	41
42	647	74	67
43	647	74	67
44	383	45	39
45	465	49	39
46	393	48	41
47	429	48	38
53	390	44	40
57	357	41	32
60	316	37	29

Approved base class premiums for Forms 2, 5 and 8 are determined by applying the approved forms relativities to the Form 3 base class premiums.