June 2, 2005

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Jewelry, Watches and Furs Sub Limit
Homeowners Policy Program

The Commissioner of Insurance recently approved revised Endorsements HO 32 27, HO 32 88 and HO 32 89 amending the per article sub-limit for Jewelry, Watches and Furs from $1,000 per article to $1,500 per article with the option to increase the sub-limit to either $2,000 or $2,500 and to amend the corresponding manual rule and rate. This change occurs in Endorsements HO 32 27 Additional Coverages – Unscheduled Jewelry and Furs Endorsement and HO 32 88 or HO 32 89 Coverage C Increased Special Limits of Liability Endorsements.

Currently, the sub-limit in these Endorsements is $1,000 with the option to increase the sub-limit to $1,500, $2,000 or $2,500. However, with the implementation of the Homeowners 2000, the base contract already provides $1,500 of coverage for Jewelry, Watches and Furs.

Attached are revised copies of endorsements HO 32 27 12 05, HO 32 88 12 05 and HO 32 89 12 05 and North Carolina Exception Page HO-E-15 and Rate Page HO-R-4 for your convenience.

It is proposed that this revision becomes effective in accordance with the following Rule of Application:

This change is applicable to all new and renewal policies written on or after the December 1, 2005.

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

Very truly yours,

F Timothy Lucas

Personal Lines Manager

FTL:dp
ADDITIONAL COVERAGES – NORTH CAROLINA
UNSCHEDULED JEWELRY AND FURS

SCHEDULE*

Limit of Liability:

Amount to be paid for any one article caused by the peril of Theft:

☐ $1,500  ☐ $2,000  ☐ $2,500

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

The Section I – Perils Insured Against for Coverage C and the applicable Limit of Liability are increased with respect to jewelry, watches, furs, precious and semi-precious stones, as described below:

A. We insure against risks of direct physical loss to the property listed above, however, we do not insure against loss:

1. Excluded under Section I – Exclusions, except that:
   a. The Earth Movement exclusion does not apply to coverage under this endorsement; and
   b. The Water Damage exclusion does not apply to property which is covered under this endorsement if the loss occurs away from a premises or location owned, rented, occupied or controlled by an "insured";

2. Caused by:
   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. Birds, vermin, rodents, or insects; or
   d. Animals owned or kept by an "insured".

B. The Limit of Liability, shown in the Schedule above, applies as follows:

For loss caused by:

1. A Coverage C peril named in the policy, other than Theft, the limit of liability under this endorsement is in addition to the Coverage C limit of liability.

2. The peril of Theft, the limit of liability under this endorsement is the total limit of liability and therefore includes the limit of liability granted under Section I – Property Coverages, Paragraph C.3. Special Limits of Liability. (For Forms HO 00 04 and HO 00 06, this is Paragraph A.3. and A.4. respectively).

However, the most we will pay for any one article is $1,000 $1,500 or, if selected, the amount checked in the Schedule above.

3. Any peril other than those in Paragraph 1. or 2. above, the limit of liability shown in the Schedule is the total limit of liability. However, we will not pay more than $1,000 $1,500 for any one article.

For any one loss event, our total limit of liability will not exceed the limit for the applicable Category 1., 2., or 3.

All other provisions of this policy apply.
SECTION I – PROPERTY COVERAGEs
Coverage C – Personal Property
3. Special Limits Of Liability

The special limits of liability are increased as noted below:

<table>
<thead>
<tr>
<th>Property</th>
<th>Increase In Limit Of Liability</th>
<th>Total Limit Of Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Money, bank notes, bullion, gold other than gold-ware, silver other</td>
<td>$1,500</td>
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</tr>
<tr>
<td>than silverware, platinum other than platinumware, coins, medals, scrip,</td>
<td></td>
<td></td>
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<tr>
<td>stored value cards and smart cards.</td>
<td>$2,000</td>
<td></td>
</tr>
<tr>
<td>b. Securities, accounts, deeds, evidences of debt, letters of credit,</td>
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<td>notes other than bank notes, manuscripts, personal records, passports,</td>
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<td>by theft.</td>
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<td>power from the &quot;motor vehicle's&quot; electrical system while still capable</td>
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<td>of being operated by other power sources.</td>
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All other policy provisions apply.

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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 514.
OTHER STRUCTURES

Paragraph B.1. does not apply.

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:

<table>
<thead>
<tr>
<th>Personal Property</th>
<th>Limit In Form</th>
<th>Maximum Limit Allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Jewelry, Watches and Furs</td>
<td>$1,500*</td>
<td>$6,500*</td>
</tr>
<tr>
<td>2. Money</td>
<td>200</td>
<td>1,000</td>
</tr>
<tr>
<td>3. Securities</td>
<td>1,500</td>
<td>3,000</td>
</tr>
<tr>
<td>4. Silverware, Goldware and Pewterware</td>
<td>25% of Coverage C</td>
<td>10,000**</td>
</tr>
<tr>
<td>5. Firearms</td>
<td>10% of Coverage C</td>
<td>10,000***</td>
</tr>
<tr>
<td>6. Electronic Apparatus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. In or upon a motor vehicle or motorized land conveyance</td>
<td>1,500</td>
<td>6,000**</td>
</tr>
<tr>
<td>b. Not in or upon a motor vehicle that is away from the residence premises and used for business</td>
<td>1,500</td>
<td>6,000**</td>
</tr>
</tbody>
</table>

* Not exceeding the $1,000 $1,500 sub-limit for any one article. However, the $1,000 $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

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 $1,000 $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.

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.
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 for per $1,000 – $18
      Increased sub-limit per article:
      Rate for $1,500 – $9
      Rate for $2,000 – $18
      Rate for $2,500 – $27
   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 $1,500 – $7.50
      Rate for $2,000 – $15
      Rate for $2,500 – $22.50

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

C. Premium
   Charge per policy – Up to the policy limits of liability
   – $25

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