June 21, 2005

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Homeowners Policy Program
Inflation Cost Index

The Commissioner of Insurance has recently approved RSMeans CostWorks Valuator as an additional Inflation Cost Index to be used with the Homeowners Policy Program in North Carolina.

For your convenience, attached is a revised copy of the Inflation Cost Index Rule A9.B.5. for use with the Homeowners Policy Program.

This change becomes effective in accordance with the following Rule of Application:

This change becomes effective with respect to all new and renewal policies written on or after June 9, 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

Enclosures

P-05-20
RULE A9.
OPTIONAL INFLATION GUARD ENDORSEMENTS

Subject to the provisions noted in Paragraphs B. and C., the inflation guard endorsements referenced in this rule may be used instead of the endorsement noted in General Rule 405.

A. Eligible Forms

The limits of liability for the following forms and coverages may be adjusted, automatically, to respond to inflation as recognized by the indexes named in Paragraph B.:

1. Forms HO 00 02, HO 00 03 and HO 00 05 – Coverages A, B, C and D; and
2. Forms HO 00 04 and HO 00 06 – Coverages C and D.

These limits will be adjusted at the same rate as the change in the Index shown on the Declarations, billing notice or named on the form.

B. Approved Inflation Cost Indexes

The following Indexes have been approved by the Department of Insurance and may be used with the Inflation Guard Endorsements listed in Paragraph C.

A Company that elects to use one of these indexes must use it exclusively and notify the Rate Bureau of its election.

2. Composite Construction Cost Index published by the U.S. Department of Commerce.
5. RSMeans CostWorks Valuator Published by RSMeans