August 16, 2005

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Homeowners Policy Program
Other Structures On Premises – Windstorm or Hail Exclusion
Rules A3 and Rule 514

The Commissioner of Insurance has recently approved a revision to Rule A3 and Rule 514 when coverage for Specific Structures or Structures Rented To Others “On-Premises” exclude the peril of windstorm or hail in territories 05, 06, 42 and 43 for use in North Carolina with the Homeowners Policy Program.

For your convenience, attached is a copy of the revised Rules and Rates.

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

This revision becomes effective with respect to all new and renewal policies effective on or after January 1, 2006.

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
Attachment
P-05-23
Rule A3. is revised as follows:

RULE A3.
WINDSTORM OR HAIL EXCLUSION – TERRITORIES 05, 06, 42 AND 43 ONLY

A. The peril of Windstorm or Hail may be excluded if:
   1. The property is located in an area eligible for such coverage from the North Carolina Underwriting Association; and
   2. A Windstorm or Hail Rejection Form is secured and maintained by the company.

   Use Absolute Windstorm Or Hail Exclusion Endorsement HO 32 94.

B. To compute the Base Premium:
   1. Determine the appropriate Key Premium as described in Rule 301.
   2. Subtract the Windstorm or Hail Exclusion credit shown on the state rate pages from the Key Premium.
   3. Multiply the Key Premium excluding Windstorm or Hail Coverage developed in Step 2. by the Key Factor for the desired limit of liability.
   4. For example:
      Form HO 00 02 Key Premium = $640
      Windstorm or Hail Exclusion Credit = $427
      Key Factor for $100,000 = 1.109
      Step 1. Determine the Key Premium
               Key Premium = $640
      Step 2. Subtract Windstorm or Hail Exclusion Credit from Key Premium
               $640 – $427 = $213
      Step 3. Multiply Key Factor for desired limit by amount in Step 2. $213 x 1.109 = $236.22, round to $236 = Base Premium

C. When Endorsement HO 32 94 is attached to the policy, enter the following on the Declarations page:
   "This policy does not provide coverage for the peril of Windstorm or Hail".

D. When coverage for other specific structures or other structures rented to others is requested, refer to Rules 514.A.1.a. and 514.A.2.a.(1) in the state rate pages for the rates excluding windstorm or hail coverage.
Rule 514. is revised as follows:

RULE 514.
OTHER STRUCTURES

A. On-Premises Structures
1. Specific Structure – Increased Limits
   a. Premium
      Rate per $1,000 for policies with windstorm or hail coverage – $4
      Territories 05, 06, 42 And 43 Only – Rate per $1,000 for policies excluding windstorm or hail coverage – $2

2. Structure On The Residence Premises Rented To Others
   a. Premium
      (1) Rate per $1,000 for policies with windstorm or hail coverage – $5
      Territories 05, 06, 42 And 43 Only – Rate per $1,000 for policies excluding windstorm or hail coverage – $3

B. Structures Off The Residence Premises
1. Forms HO 00 02, HO 00 03 And HO 00 05
   b. Premium
      Off premises structures charge per policy – $15

2. All Forms
   a. Premium
      (2) Specific structures – Off-Premises Rate per $1,000 – $5