

September 1, 2011

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Introduction of Optional Higher Deductibles  
Homeowners Policy Program

The Commissioner of Insurance has recently approved optional higher deductibles for the Homeowners Policy Program. With this change, we are introducing optional deductible factors for \$5,000, \$7,500 and \$10,000 for the “all perils” deductible as well as factors for the corresponding Windstorm and Hail deductibles and Named Storm deductibles.

In that regard, please find attached revised deductible factor tables that introduce the new deductible factors.

These changes become effective in accordance with the following Rule of Application:

These changes become effective for all policies written to become effective immediately.

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

Sincerely,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

Attachments

P-11-2

**RULE 406.  
DEDUCTIBLES**

Paragraph **B.3.** is replaced by the following:

**B. Optional Deductibles**

**3. \$250 Theft Deductible**

All forms except **HO 00 05**, **HO 00 04** with Special Personal Property Coverage Endorsement **HO 32 95** and **HO 00 06** with Unit-Owners Coverage **C** Special Coverage Endorsement **HO 32 35**.

- a. The theft deductible applies to Coverage **C** – Personal Property and is available only when:
  - (1) A \$100 deductible applies to All Other Perils; or
  - (2) A higher deductible applies to the peril of Windstorm or Hail, as described in Paragraph **C.3.**, and a \$100 deductible applies to All Other Perils.
- b. When the \$100 deductible applies to All Other Perils, compute the premium by multiplying the Base Premium by a factor of:
  - (1) 1.09 for all forms except **HO 00 04** and **HO 00 06**; or
  - (2) 1.05 for Forms **HO 00 04** or **HO 00 06**.
- c. When a higher Windstorm or Hail and \$100 All Other Perils deductible applies, subtract a factor of .01 from the factors shown in Paragraph **C.3.a.(6)** or **C.3.b.(5)** for policies applicable to a higher windstorm or hail deductible.

Paragraph **C.1.** is replaced by the following:

**C. Optional Higher Deductibles**

**1. All Perils Deductibles**

To compute the premium for this deductible type, multiply the Base Premium by the factors selected from the following table:

| All Forms Except HO 00 04 And HO 00 06 |                    |         |         |         |         |         |          |
|--|--------------------|---------|---------|---------|---------|---------|----------|
| Coverage A Limit                       | Deductible Amounts |         |         |         |         |         |          |
|  | \$500              | \$1,000 | \$1,500 | \$2,500 | \$5,000 | \$7,500 | \$10,000 |
| Up to \$59,999                         | .91                | .79     | .73     | .62     | .57     | N/A     | N/A      |
| \$60,000 to 99,999                     | .91                | .79     | .73     | .62     | .57     | N/A     | N/A      |
| 100,000 to 200,000                     | .92                | .79     | .73     | .62     | .57     | N/A     | N/A      |
| 200,001 and Over                       | .96                | .89     | .84     | .75     | .65     | .60     | .56      |
| HO 00 04                               |                    |         |         |         |         |         |          |
| Coverage C Limit                       | \$500              | \$1,000 | \$1,500 | \$2,500 |         |         |          |
| Up to \$25,000                         | .91                | .77     | N/A     | .59     |         |         |          |
| \$25,001 and Over                      | .93                | .84     | N/A     | .68     |         |         |          |
| HO 00 06                               |                    |         |         |         |         |         |          |
| Coverage C Limit                       | \$500              | \$1,000 | \$1,500 | \$2,500 |         |         |          |
| Up to \$40,000                         | .90                | .76     | N/A     | .56     |         |         |          |
| \$40,001 and Over                      | .92                | .81     | N/A     | .63     |         |         |          |

**Table 406.C.1. All Perils Deductibles Factors**

Paragraph **C.3.a.(6)** is replaced by the following:

**3. Windstorm Or Hail Deductibles (All Forms Except HO 00 04 And HO 00 06)**

**a. Percentage Deductibles**

**(6) Deductible Factors**

In Territories 07, 08, 48, 49 and 52 only, when the property is located in an area serviced by the North Carolina Insurance Underwriting Association (NCIUA), additional calculations must be performed to ensure that the premium credit applied to the deductible is **not** greater than the premium credit that would be applied if the peril of Windstorm or Hail were excluded from the policy.

**(a) Property Not Located In Area Serviced By NCIUA**

To compute the premium for this provision, multiply the Base Premium by the factor selected from the following tables for the deductible amounts desired.

**(b) Property Is Located in Area Serviced by NCIUA**

To determine if an "adjusted deductible credit" or the calculated deductible credit applies, complete each of the following steps:

- Step 1. Multiply the windstorm or hail exclusion credit shown in the state rate pages, under Additional Rule **A3**. Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49 And 52 Only Base Credit, by the Key Factor, for the same amount of insurance used to determine the Base Premium.
- Step 2. Multiply the result determined in Step 1. by .9 to determine the "adjusted deductible credit".
- Step 3. Select the factor for the desired windstorm or hail deductible option from the following tables and subtract that factor from unity (1.00).
- Step 4. Multiply the factor determined in Step 3. by the Base Premium. The result is the windstorm or hail deductible credit.
- Step 5. Compare the results in Steps 2. and 4. If the result in:  
Step 2. is **less** than the result in Step 4., to compute the premium, subtract the "adjusted deductible credit" from the Base Premium.  
Step 2. is **greater than or equal to** the result in Step 4., multiply the Base Premium by the factor for the desired windstorm or hail deductible option.

| 1% Windstorm Or Hail Deductible       |                                    |                     |                          |                   |
|---------------------------------------|------------------------------------|---------------------|--------------------------|-------------------|
| All Other<br>Perils<br>Ded.<br>Amount | Coverage A Limit (Expressed In \$) |                     |                          |                   |
|                                       | Up To<br>59,999                    | 60,000 To<br>99,999 | 100,000<br>To<br>200,000 | 200,001 &<br>Over |
| \$ 100                                | 1.05                               | 1.04                | 1.04                     | 1.04              |
| 250                                   | .96                                | .96                 | .96                      | .96               |
| 500                                   | .89                                | .89                 | .89                      | .93               |
| 1,000                                 | –                                  | –                   | .78                      | .88               |
| 1,500                                 | –                                  | –                   | .73                      | .84               |
| 2,500                                 | –                                  | –                   | –                        | .74               |
| 5,000                                 | –                                  | –                   | –                        | .63               |
| 7,500                                 | –                                  | –                   | –                        | .58               |
| 10,000                                | –                                  | –                   | –                        | .54               |

Table 406.C.3.a.(6)#1 1% Windstorm Or Hail Deductible

| 2% Windstorm Or Hail Deductible       |                                    |                     |                          |                   |
|---------------------------------------|------------------------------------|---------------------|--------------------------|-------------------|
| All Other<br>Perils<br>Ded.<br>Amount | Coverage A Limit (Expressed In \$) |                     |                          |                   |
|                                       | Up To<br>59,999                    | 60,000 To<br>99,999 | 100,000<br>To<br>200,000 | 200,001 &<br>Over |
| \$ 100                                | 1.02                               | 1.02                | 1.02                     | 1.02              |
| 250                                   | .93                                | .93                 | .94                      | .95               |
| 500                                   | .86                                | .86                 | .87                      | .91               |
| 1,000                                 | .76                                | .76                 | .76                      | .85               |
| 1,500                                 | –                                  | .71                 | .71                      | .80               |
| 2,500                                 | –                                  | –                   | .60                      | .72               |
| 5,000                                 | –                                  | –                   | –                        | .61               |
| 7,500                                 | –                                  | –                   | –                        | .56               |
| 10,000                                | –                                  | –                   | –                        | .53               |

Table 406.C.3.a.(6)#2 2% Windstorm Or Hail Deductible

| 5% Windstorm Or Hail Deductible       |                                    |                     |                          |                   |
|---------------------------------------|------------------------------------|---------------------|--------------------------|-------------------|
| All Other<br>Perils<br>Ded.<br>Amount | Coverage A Limit (Expressed In \$) |                     |                          |                   |
|                                       | Up To<br>59,999                    | 60,000 To<br>99,999 | 100,000<br>To<br>200,000 | 200,001 &<br>Over |
| \$ 100                                | .97                                | .97                 | .99                      | 1.00              |
| 250                                   | .89                                | .89                 | .91                      | .93               |
| 500                                   | .82                                | .82                 | .84                      | .89               |
| 1,000                                 | .72                                | .72                 | .73                      | .83               |
| 1,500                                 | .67                                | .67                 | .68                      | .78               |
| 2,500                                 | .59                                | .59                 | .59                      | .70               |
| 5,000                                 | –                                  | –                   | .55                      | .59               |
| 7,500                                 | –                                  | –                   | –                        | .55               |
| 10,000                                | –                                  | –                   | –                        | .51               |

Table 406.C.3.a.(6)#3 5% Windstorm Or Hail Deductible

Paragraph **C.3.b.(5)** is replaced by the following:

**b. Higher Fixed-Dollar Deductibles**

**(5) Deductible Factors**

In Territories 07, 08, 48, 49 and 52 only, when the property is located in an area serviced by the NCIUA, additional calculations must be performed to ensure that the premium credit applied to the deductible is **not** greater than the premium credit that would be applied if the peril of Windstorm or Hail were excluded from the policy.

**(a) Property Not Located In Area Serviced By NCIUA**

To compute the premium for this provision, multiply the Base Premium by the factor selected from the following tables for the deductible amounts desired.

**(b) Property Is Located In Area Serviced By NCIUA**

To determine if an "adjusted deductible credit" or the calculated deductible credit applies, complete each of the following steps:

- Step 1. Multiply the windstorm or hail exclusion credit shown in the state rate pages, under Additional Rule **A3**. Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49 And 52 Only Base Credit, by the Key Factor, for the same amount of insurance used to determine the Base Premium.
- Step 2. Multiply the result determined in Step 1. by .9 to determine the "adjusted deductible credit".
- Step 3. Select the factor for the desired windstorm or hail deductible option from the following tables and subtract that factor from unity (1.00).
- Step 4. Multiply the factor determined in Step 3. by the Base Premium. The result is the windstorm or hail deductible credit.
- Step 5. Compare the results in Steps 2. and 4. If the result in:  
Step 2. is **less** than the result in Step 4., to compute the premium, subtract the "adjusted deductible credit" from the Base Premium.  
Step 2. is **greater than or equal to** the result in Step 4., multiply the Base Premium by the factor for the desired windstorm or hail deductible option.

| <b>\$1,000 Windstorm Or Hail Deductible</b> |   |                         |                           |                           |
|---|---|-------------------------|---------------------------|---------------------------|
| <b>All Other Perils Ded. Amount</b>         | <b>Coverage A Limit (Expressed In \$)</b> |                         |                           |                           |
|   | <b>Up To 59,999</b>                       | <b>60,000 To 99,999</b> | <b>100,000 To 200,000</b> | <b>200,001 &amp; Over</b> |
| \$ 100                                      | 1.02                                      | 1.03                    | 1.05                      | 1.06                      |
| 250   | .95                                       | .95                     | .97                       | .98                       |
| 500   | .88                                       | .88                     | .90                       | .95                       |

**Table 406.C.3.b.(5)#1 \$1,000 Windstorm Or Hail Deductible**

| <b>\$2,000 Windstorm Or Hail Deductible</b> |   |                         |                           |                           |
|---|---|-------------------------|---------------------------|---------------------------|
| <b>All Other Perils Ded. Amount</b>         | <b>Coverage A Limit (Expressed In \$)</b> |                         |                           |                           |
|   | <b>Up To 59,999</b>                       | <b>60,000 To 99,999</b> | <b>100,000 To 200,000</b> | <b>200,001 &amp; Over</b> |
| \$ 100                                      | .98                                       | 1.00                    | 1.03                      | 1.04                      |
| 250   | .91                                       | .92                     | .95                       | .96                       |
| 500   | .85                                       | .85                     | .88                       | .93                       |
| 1,000                                       | .75                                       | .75                     | .77                       | .88                       |
| 1,500                                       | .70                                       | .70                     | .72                       | .84                       |

**Table 406.C.3.b.(5)#2 \$2,000 Windstorm Or Hail Deductible**

| <b>\$5,000 Windstorm Or Hail Deductible</b> |   |                         |                           |                           |
|---|---|-------------------------|---------------------------|---------------------------|
| <b>All Other Perils Ded. Amount</b>         | <b>Coverage A Limit (Expressed In \$)</b> |                         |                           |                           |
|   | <b>Up To 59,999</b>                       | <b>60,000 To 99,999</b> | <b>100,000 To 200,000</b> | <b>200,001 &amp; Over</b> |
| \$ 100                                      | .96                                       | .97                     | 1.01                      | 1.02                      |
| 250   | .88                                       | .89                     | .92                       | .94                       |
| 500   | .82                                       | .82                     | .85                       | .91                       |
| 1,000                                       | .72                                       | .72                     | .75                       | .86                       |
| 1,500                                       | .67                                       | .67                     | .70                       | .82                       |
| 2,500                                       | .58                                       | .59                     | .60                       | .74                       |

**Table 406.C.3.b.(5)#3 \$5,000 Windstorm Or Hail Deductible**

The following is added to Rule 406.:

**D. Named Storm Percentage Deductible – Territories 07, 08, 48, 49 And 52 Only**

**1. Deductible Amounts**

The Named Storm Percentage Deductible option is used in conjunction with a deductible applicable to All Other Section I Perils.

A percentage amount of 1%, 2% or 5% of the Coverage A or C limit of liability, whichever is greater, is available when the dollar amount of the percentage deductible selected exceeds the amount of the deductible applicable to All Other Section I Perils.

**2. Endorsement**

Use Named Storm Percentage Deductible – North Carolina Endorsement **HO 03 63**.

**3. Schedule Instructions**

Enter on the Endorsement **HO 03 63** or the policy Declarations the percentage amount that applies to Named Storm.

**4. Loss By Windstorm That Is A Named Storm**

In the event of Named Storm loss to covered property, the dollar amount is deducted from the total of the loss for all coverages.

## 5. Deductible Factors

The factors displayed below incorporate the factors for the All Perils Deductibles shown in Paragraph **C.1**. Do **not** use the factors for the All Perils Deductibles when rating a policy with a higher Named Storm deductible.

Additional calculations must be performed to ensure that the premium credit applied for the deductible is not greater than the premium credit that would be applied if the peril of Windstorm or Hail were excluded from the policy.

To determine if an "adjusted deductible credit" or the calculated deductible credit applies, complete each of the following steps:

- Step 1. Multiply the windstorm or hail exclusion credit shown in the state rate pages, under Additional Rule **A3**. Windstorm Or Hail Exclusion – Territories 07, 08, 48, 49 And 52 Only Base Credit, by the Key Factor, for the same amount of insurance used to determine the Base Premium.
- Step 2. Multiply the result determined in Step 1. by .9 to determine the "adjusted deductible credit".
- Step 3. Select the factor for the desired named storm deductible option from the following table and subtract that factor from unity (1.00).
- Step 4. Multiply the factor determined in Step 3. by the Base Premium. The result is the named storm deductible credit.
- Step 5. Compare the results in Steps 2. and 4. If the result in:  
Step 2. is **less** than the result in Step 4., to compute the premium, subtract the "adjusted deductible credit" from the Base Premium.  
Step 2. is **greater than or equal to** the result in Step 4., multiply the Base Premium by the factor for the desired named storm deductible option.

| Territories 07, 08, 48, 49 & 52   |                                    |   |          |          |
|-----------------------------------|------------------------------------|---|----------|----------|
| Named Storm Deductible Percentage | All Other Perils Deductible Amount | HO 00 02, HO 00 03, HO 00 05 And HO 00 08 | HO 00 04 | HO 00 06 |
| 1%                                | \$ 100                             | 1.06                                      | –        | –        |
|                                   | 250                                | .97                                       | –        | –        |
|                                   | 500                                | .94                                       | .92      | .91      |
|                                   | 1,000                              | .89                                       | .83      | .80      |
|                                   | 1,500                              | .85                                       | –        | –        |
|                                   | 2,500                              | .75                                       | .67      | .62      |
|                                   | 5,000                              | .64                                       | –        | –        |
|                                   | 7,500                              | .59                                       | –        | –        |
| 2%                                | 10,000                             | .55                                       | –        | –        |
|                                   | 100                                | 1.03                                      | –        | –        |
|                                   | 250                                | .96                                       | –        | –        |
|                                   | 500                                | .92                                       | .91      | .90      |
|                                   | 1,000                              | .86                                       | .82      | .79      |
|                                   | 1,500                              | .81                                       | –        | –        |
|                                   | 2,500                              | .73                                       | .66      | .61      |
|                                   | 5,000                              | .62                                       | –        | –        |
| 5%                                | 7,500                              | .57                                       | –        | –        |
|                                   | 10,000                             | .54                                       | –        | –        |
|                                   | 100                                | 1.01                                      | –        | –        |
|                                   | 250                                | .94                                       | –        | –        |
|                                   | 500                                | .90                                       | .90      | .89      |
|                                   | 1,000                              | .84                                       | .81      | .78      |
|                                   | 1,500                              | .79                                       | –        | –        |
|                                   | 2,500                              | .71                                       | .65      | .60      |
| 5,000                             | .60                                | –   | –        |          |
| 7,500                             | .56                                | –   | –        |          |
| 10,000                            | .52                                | –   | –        |          |

Table 406.D.5. Named Storm Percentage Deductible