



February 24, 2005

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Homeowners 2000 Manual Supplement (Correction)  
Homeowners Enhancement Coverage

The Commissioner of Insurance has recently approved a minor revision to the Homeowners 2000 Manual Supplement designed for use in North Carolina with the Homeowners 2000 Policy Program.

Under Optional Coverages of the Homeowners Enhancement Program, Page MS-7, G.3.c. Property Coverage Enhancement, the premium calculation should read "\$20" in lieu of "To develop the premium for this option, refer to H. Base Premium Computation below." Under G.4.c. Blanket Property Limit Coverage, the premium calculation should read "To develop the premium for this option, refer to H. Base Premium Computation below." in lieu of "\$20". Under table 3.H.2., in the last two lines of the table, "HE 32 45" should read "HE 32 40".

For your convenience, attached is a copy of Page MS-7 with these corrections and the complete revised Homeowners 2000 Manual Supplement.

These changes become 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 April 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  
Enclosures  
P-05-6

**HOMEOWNERS 2000 MANUAL SUPPLEMENT**

**RULE 3.**

**HOMEOWNERS ENHANCEMENT PROGRAM (Cont'd)**

**G. Optional Coverages**

**1. Specified Additional Amount of Insurance for Coverage A - Dwelling**

**a. Coverage**

The enhancement policy may be endorsed to provide a limitation on the replacement cost loss settlement provision. This endorsement is designed to provide a replacement cost limit of 125% or 150% of Coverage A – Dwelling including the increased costs incurred due to the enforcement of any ordinance or law.

**b. Endorsement**

Specified Additional Amount of Insurance for Coverage A – Dwelling **HE 32 22**

**c. Premium**

The premium for this option is computed by multiplying the base premium by the appropriate factor selected from the following table:

Additional Amount of Insurance Options	Factor
125%	.96
150%	.97

**Table 3.G.1. Additional Amount of Insurance Options**

**2. Debris Removal–Broadened Tree Removal**

**a. Coverage**

The enhancement policy may be endorsed to provide up to \$2,000 to remove trees from the residence premises that are felled by a covered peril.

The fallen tree does not have to damage a covered structure on the residence premises.

The most paid for removal of any one tree is \$1,000.

**b. Endorsement**

Debris Removal Broadened Tree Removal Endorsement **HE 32 30**

**c. Premium – \$30**

**3. Property Coverage Enhancement**

**a. Coverage**

The following enhanced coverages are included in HE 32 45:

- (1) Witness Reimbursement - Pays up to \$100 per day for lost earnings and \$50 for reimbursement of expenses as a result of appearing as a witness in a claim under the policy. Maximum aggregate limit is \$600.
- (2) Accidental Death Benefit - \$1,000.

(3) Personal Records - \$250 available to reproduce, restore or replace personal records damaged as a result of a covered peril.

(4) Cost of Preparing Proof of Loss - \$250 available for reasonable expenses incurred for an outside service to prepare a proof of loss or other exhibits required by the policy.

**b. Endorsement**

Use Property Coverage Enhancement Endorsement **HE 32 45.**

~~d. Premium – To develop the premium for this option, refer to H. Base Premium Computation below. \$20.~~

**4. Blanket Property Limit Coverage**

**a.Coverage**

The enhancement policy may be endorsed to be written on a Blanket Property Limit Basis.

**b.Endorsement**

Blanket Property Limit Coverage Endorsement **HE 32 40**

~~c.Premium – \$20 To develop the premium for this option, refer to H. Base Premium Computation below.~~

**5 .Other Optional Coverages**

Optional Section I and II coverages available for the standard Homeowners policy are available for an enhancement policy.

Compare the desired standard Homeowners options with the coverages and limits in the Homeowners Enhancement form and endorsements to avoid duplication.

**H. Base Premium Computation**

1. Develop the 1, 2, 3 or 4 family Base Premium for Form **HO 00 03** in accordance with Rule **301**. Base Premium Computation in the standard Homeowners manual; and

2. Multiply the **HO 00 03** Base Premium developed above by the factor for the desired level of coverage:

Level Of Enhancement	Factor
<b>HE 00 07</b>	1.25
<b>HE 00 07 with HE 32 20</b>	1.30
<b>HE 00 07 with HE 32 21</b>	1.35
<b>HE 00 07 with HE 32 20 &amp; HE 32 450</b>	1.35
<b>HE 00 07 with HE 32 21 &amp; HE 32 450</b>	1.40

**Table 3. H.2. Enhancement Coverage Rating Factors**

**MANUAL SUPPLEMENTAL RULES****RULE 1.****OPTIONAL INFLATION GUARD ENDORSEMENTS**

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

**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 **B.** below:

1. **HO 00 02, 03, 05** and **HE 00 07** – Coverages **A, B, C** and **D**; and

2. **HO 00 04** and **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 Indexes noted below have been approved by the Department of Insurance and may be used with the Inflation Guard Endorsements listed in **C.** below.

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

1. Marshall & Swift Boeckh (MS/B) Residential Cost Index published by the American Appraisal Company, Inc.
2. Composite Construction Cost Index published by the U.S. Department of Commerce.
3. Consumer Price Index published by the U.S. Department of Labor.
4. Marshall & Swift Boeckh Construction Cost Index published by Marshall & Swift Boeckh (MS/B).

**C. Endorsements**

A Company that elects to use one or both of the endorsements noted below must use it exclusively and notify the Rate Bureau of its election.

**1. Inflation Guard Endorsement HO 32 18**

**A. Use this endorsement with Forms HO 00 02, HO 00 03, HO 00 05 and HE 00 07.**

**2. Inflation Guard Endorsement HO 32 19**

Use this endorsement with Forms **HO 00 04** and **HO 00 06.**

The Rate Bureau or Insurance Services Office will not furnish supplies of these endorsements.

**D. Premium**

There is **no** additional charge for these optional endorsements.

**RULE 2.**

**HISTORIC HOME PROGRAM**

The following rules are in addition to, modify or replace rules in the standard Homeowners manual and apply only to the North Carolina Homeowners Historic Home Program.

For rules not accommodated below, refer to the standard Homeowners manual.

**A. Introduction**

A Homeowners Form **HO 00 03** policy may be issued for an historic home as long it meets the eligibility and other requirements in this Additional Rule 2.

**B. Endorsements**

<b>HH 32 03</b>	Historic Home Endorsement
<b>HH 32 10</b>	Scheduled Architectural Features Endorsement

**Table 2. B. Historic Home Endorsements**

**C. Eligibility**

**1. Historic Home Defined**

A historic home is one that is architecturally or historically significant to the area in which it is located. It must be:

- a. Listed, or nominated for listing, in the National Register of Historic Places; or
- b. In a historic district so designated by Federal, State or Local Government.

A new home in a designated historic district is eligible if built to match the surrounding architecture.

**2. Occupancy**

The dwelling must be occupied by the owner, have no more than four families and used exclusively for private residential purposes. The term "residential purposes":

- a. Includes incidental farming or incidental office, professional, private school and studio occupancies, provided the premises is occupied principally for dwelling purposes and no other business is conducted on the premises; and
- b. Does not include the business of public viewing, which means the charging of admission fees for viewing all or part of the home during regularly scheduled viewing hours announced to the general public.

**3. Dwelling Condition**

The dwelling must have the items noted below in good repair. These conditions must be verified by a proper inspection service report.

a. Roof	d. Electrical Wiring
b. Plumbing	e. Heating Plant
c. Tuckpointing	f. Gas Lines And Fixtures (if not disconnected)

**Table 2. C.3. Dwelling Condition Criteria**

**4. Scheduled Architectural Features**

If disclosed by the required inspection, special architectural features that add to the historic value of the dwelling must be separately insured at the agreed values.

**D. Limits Of Liability And Coverage Relationships**

The limits of liability for the Historic Home Program are as follows:

**1. Section I – Property Damage**

**a. Coverage A – Dwelling**

The Coverage **A** limit may be set at 80%, 70%, 60% or 50% of the reproduction cost of the dwelling building, exclusive of Scheduled building features.

The limit may not be less than 50% of the full reproduction cost or \$30,000, whichever is greater.

**b. Coverage B – Other Structures**

Coverage for other structures is available by option. See Rule **G.1.** below.

**c. Coverage C – Personal Property**

The Coverage **C** limit may be set at 40% of the full reproduction cost of the dwelling building exclusive of Scheduled building features.

This limit may be reduced to not less than 30% of the full reproduction cost.

**d. Coverage D –Loss of Use**

The Coverage **D** limit shall be 20% of the Coverage **A – Dwelling** limit.

**2. Section II – Liability**

**a. Coverage E–Personal Liability**

\$100,000 Each Occurrence

**b. Coverage F –Medical Payments to Others**

\$1,000 Each Person

**E. Mandatory Coverages**

It is mandatory that insurance be written on all coverages provided under Sections **I** and **II** of the Historic Home policy except as follows:

- 1. Under Section **I – Property Coverages**, Coverage **B** does not automatically apply.

Coverage for Other Structures is available for an additional premium. See Rule **G.1.** below.

- 2. Under Section **I – Conditions, Loss Settlement** provides for reproduction of damaged property using building materials of like kind and quality that are available in the USA without deduction for depreciation.

- 3. Under Section **II Exclusions**, Coverage **E – Liability** and Coverage **F – Medical Payments To Others** do not apply to bodily injury or property damage arising out of public viewing of the insured residence premises for a fee.

This exclusion may be waived for an additional premium. See Rule **G.2.** below.

**RULE 2.**

**HISTORIC HOME PROGRAM (Cont'd)**

**F. Deductibles**

The Historic Home policy is subject to a deductible that applies to loss from all Section I Perils, except Earthquake. A separate deductible provision applies to Earthquake Coverage. See Earthquake Rule 505. in the standard Homeowners manual

**1. \$250 Deductible**

This amount is the base and minimum amount available for a historic home policy.

**2. Higher Deductibles**

Higher deductible amounts are optionally available. See Rule H.1.b. below for the amounts and rating instructions.

**G. Optional Coverages**

**1. Other Structures On The Residence Premises (Section I – Property Coverages)**

- a. Other Structures on the residence premises may be insured under a historic home policy. Separately identify each structure insured in the endorsement noted in b. below.
- b. Use Historic Home Other Structures Endorsement HH 32 11.

**2. Public Viewing Of Residence Premises (Section II – Liability)**

- a. The Coverages E and F exclusion pertaining to loss arising out of the public viewing of the residence premises may be deleted for an additional premium.  
Public viewing means the charging of admission fees for viewing all or part of the home during regularly scheduled viewing hours announced to the public.
- b. Use Historic Home Special Endorsement HH 32 03.

**H. Premiums**

**1. Base Premium Computation**

**a. Base Deductible**

- (1) In accordance with Rule 301. Base Premium Computation in the standard Homeowners manual, develop the Base Premium for Form HO 00 03 for the Coverage A – Dwelling limit that contemplates 80% of the dwelling's replacement cost.
- (2) Multiply the premium developed in (1) above by the factor for the **Full Reproduction Cost** percentage amount desired:

<b>Percentage Of Full Reproduction Cost Amount</b>	80%	70%	60%	50%
<b>Historic Home Rating Factor</b>	.90	.88	.86	.84

**Table 2. H.1.a. Historic Home Factors**

**b. Higher Deductibles**

Multiply the Base Premium developed in a. above by the factor for the deductible amount desired.

<b>Coverage A</b>	<b>Deductible Amount &amp; Factor</b>		
	<b>\$500</b>	<b>\$1,000</b>	<b>\$2,500</b>
Limit Of Liability			
Up to \$59,999	.91	.83	.75
\$ 60,000 to \$ 99,999	.93	.85	.75
100,000 to 200,000	.95	.88	.75
200,001 to 250,000*	.95	.88	.85

\*Refer to Co. for credits for higher limits.

**Table 2. H.1.b. Higher Deductible Factors**

**2. Scheduled Building Features (Coverage A – Dwelling)**

- a. Develop the rate per \$1,000 of insurance as follows:
  - (1) Select the Key Premium used to compute the Base Premium;
  - (2) Develop the Key Factor as follows:  
.115 x .10 x the rating factor from 1.a. above; and
  - (3) Multiply the result computed in (2) above by the Key Premium determined in (1) above.
- b. Multiply the rate per \$1,000 computed in a. (3) above by the total amount of insurance for all building features that are scheduled.

**3. Coverage B – Other Structures**

Rate Per \$1,000 Of Insurance: **\$2.00**

**4. Waiver Of Public Viewing Exclusion (Section II – Liability)**

**a. Coverages E (\$100,000) And F (\$1,000)**

<b>Tours Per Year</b>	<b>Premium</b>
Less Than 4	\$12
4 to 10	17
11 or more	32

**Table 2.H.4.a. Public Viewing Basic Limits Premium**

**b. Increased Limit – Coverage E**

Multiply the premium selected in a. above by the factor for the desired limit of liability:

<b>Limit Of Liability</b>	<b>Factor</b>
\$200,000	1.14
300,000	1.26

**Table 2.H.4.b. Public Viewing Increased Limit Factors**

**c. Increased Limit – Coverage F**

To increase the limit of liability from \$1,000 to \$2,000, add **\$3.00**.

**RULE 3.**

**HOMEOWNERS ENHANCEMENT PROGRAM**

The following rules are in addition to, modify or replace the rules in the standard Homeowners manual and apply only to the Homeowners Enhancement Program.

For rules not accommodated below, refer to the standard Homeowners manual.

**A. Introduction**

The North Carolina Homeowners Enhancement Program provides enhanced property and liability coverages using the form and endorsements specified in **C.** below.

**B. Eligibility**

Each Company shall determine which changes, if any, to Eligibility Rule **103.** in the standard Homeowners manual are necessary to accommodate the class of risk eligible for an enhancement policy.

**C. Available Form and Endorsements**

**1. Enhancement Coverage Form HE 00 07**

Attach this form to all enhancement policies.

This form is based on the October 2000 edition of Homeowners Comprehensive Form **HO 00 05** of the Insurance Services Office, Inc. The enhancements made to Form **HO 00 05** are described in Rule **F.**

**2. Expanded Enhancement Coverage Endorsements HE 32 20**

This endorsement adds more enhancements to the policy. The coverage enhancements are outlined in **F.** below.

**3. Extended Enhancement Coverage Endorsements HE 32 21**

This endorsement includes the enhancements in **HE 32 20** plus other enhancements. The extended enhancements are also outlined in **F.** below.

**4. Optional Coverages**

The endorsements noted below add to or modify the enhancements in the form or endorsements noted above. Refer to Rule **G.** for coverage details.

<b>HE 32 22</b>	Specified Additional Amount Of Insurance For Coverage <b>A</b>
<b>HE 32 30</b>	Debris Removal–Broadened Tree Removal Coverage
<b>HE 32 40</b>	Blanket Property Limit Coverage
<b>HE 32 45</b>	Property Coverage Enhancement

**Table 3. C.4. Other Coverage Endorsements**

**D. Deductibles**

The Homeowners Enhancement policy is subject to a deductible that applies to loss from all Section **I** Perils, except Earthquake. A separate deductible provision applies to Earthquake Coverage. See Earthquake Rule **505.** in the standard Homeowners manual

This Section **I** All Perils Deductible is **waived** when a covered loss exceeds \$50,000 **for all covered perils except Windstorm or Hail.**

**1. \$250 Deductible**

This amount is the base and minimum amount available for an enhancement policy.

**2. Higher Deductibles**

The higher deductible options in the standard Homeowners manual are available for an enhancement policy.

**E. Limits Of Liability And Coverage Relationships**

The limits of liability required for an enhancement policy are as follows:

**1. Section I – Property Damage**

**a. Coverage A – Dwelling**

Refer to Company.

**b. Coverage B – Other Structures**

**Coverage C – Personal Property**

**Coverage D – Loss Of Use**

Number Of Families	Percent Of Coverage A Limit		
	Cov. B	Cov. C	Cov. D
1 or 2	10%	70%	20%
3	5%	50%	20%
4	5%	45%	20%

**Table 3. E.1.b. Cov. B & C. Limit Of Liability**

**2. Section II – Liability**

**a. Coverage E – Personal Liability**

\$100,000 Each Occurrence

**b. Coverage F – Medical Payments**

\$1,000 Each Person

**3. Optional Higher Limits**

**a. Coverages C, D, E and F**

The limit of liability for these coverages may be increased.

**b. Coverage B**

An additional amount of insurance may be written on a specific structure.

**RULE 3.**

**HOMEOWNERS ENHANCEMENT PROGRAM (Cont'd)**

**F. Mandatory Coverages**

It is mandatory that insurance be written for all coverages provided under Sections I and II of the enhancement policy.

The following enhanced coverages and limits are included in Form HE 00 07 and Endorsements HE 32 20 and HE 32 21:

**1. Section I Coverages**

**a. Coverage A – Dwelling And Coverage B – Other Structures**

- (1) Special Coverage;
- (2) Ordinance Or Law Coverage for buildings up to the policy limits;
- (3) Guaranteed Replacement Cost Loss Settlement for buildings;
- (4) Coverage B limit:
  - (a) 10% of Coverage A in form HE 00 07; and
  - (b) 20% of Coverage A in endorsements HE 32 20 and HE 32 21.

**b. Coverage C – Personal Property**

- (1) Special Coverage;
- (2) Replacement Cost Loss Settlement;
- (3) Agreed Value Loss Settlement for scheduled personal property up to the limits shown in the schedule;
- (4) Personal Property at a New Residence covered for up to 30 days in form HE 00 07 and 60 days in endorsements HE 32 20 and HE 32 21; and
- (5) Personal Property At Other Residence covered up to 10% of the Coverage C limit or \$1,000, whichever is greater in form HE 00 07 and 10% of the limit of liability for Coverage C, or \$10,000 whichever is greater in endorsements HE 32 20 and HE 32 21.

**c. Coverage C – Enhanced Special Limits**

Special Limits	HE 00 07	With Endt HE 32 20	With Endt HE 32 21
Money, bank notes	\$1,000	\$1,000	\$1,000
Securities, accounts	\$5,500	\$5,500	\$5,500
Firearms	\$10,000	\$10,000	\$10,000
Silverware, goldware	\$10,000	\$10,000	\$10,000
Jewelry, watches, furs	\$5,500	\$5,500	\$5,500
Watercraft	\$1,500	\$2,500	\$2,500
Trailers or Semitrailers not used with watercraft of all types	\$1,500	\$3,500	\$3,500
Business property used on the "residence premises"	\$2,500	\$2,500	\$5,000
Business property used away from the "residence premises"	\$500	\$500	\$1,500
Electronic apparatus			
a. In or upon a motor vehicle or motorized land conveyance.	\$1500	\$1500	\$1500
b. Not in or upon a motor vehicle away from the residence premises and used for business.	\$1,500	\$1,500	\$1,500
Jewelry, securities if lost or stolen from a safe deposit box	N/A	\$50,000	\$50,000

**Table 3.F.1.c. Special Limits**

**RULE 3.****HOMEOWNERS ENHANCEMENT PROGRAM (Cont'd)****d. Coverage D – Loss of Use**

- (1) If a civil authority prohibits use of the residence premises:
  - (a) Because a covered peril damages a neighboring premises, additional living expense and fair rental value coverages are extended for up to 30 days; or
  - (b) Because life or health is endangered from a covered peril, earth movement or contaminants or pollutants, up to \$1,000 is provided for additional living expense and fair rental value loss incurred by an insured.
- (2) Additional Living Expense coverage is extended to pay the monthly payment of an existing primary mortgage, for up to 12 months, while the residence premises is not fit to live in. Use endorsement **HE 32 21**.

**e. Additional Coverages**

- (1) Personal property loss due to temperature change covered if it results from power interruption at the residence premises which is caused by a covered peril;
- (2) Additional Living Expense and Fair Rental Value loss covered if due to power interruption that occurs away from the residence premises and caused by a covered peril;
- (3) Trees, Shrubs & Other Plants subject to a per tree minimum of \$1,000;
- (4) Up to \$2,000 available for removal of fallen tree(s) subject to a per tree maximum of \$1,000;
- (5) Up to \$1,000 available for loss under Fire Department Service Charge coverage;
- (6) Up to \$500 available for loss to Refrigerated Property;
- (7) Property Removed from a premises endangered by a covered peril covered for up to 30 days in form **HE 00 07** and for up to 90 days in endorsement **HE 32 20** and **HE 32 21**;
- (8) Witness Reimbursement Expenses covered up to \$250 a day for wages and \$50 a day for expenses subject to a \$3,000 maximum limit. Use endorsement **HE 32 21**;
- (9) Up to \$5,000 available for loss under Loss Assessment coverage. Use endorsement **HE 32 21**;
- (10) Up to \$500 available for replacement of door lock(s) when house key(s) are stolen. Use endorsement **HE 32 20** or **HE 32 21**;
- (11) Up to \$10,000 for the cost to replace, stabilize or rebuild land necessary to support the dwelling or other structure. Use endorsement **HE 32 21**.

**F. Mandatory Coverages (Cont'd)**

- (12) The policy provides up to \$500 for loss under Credit Card and Electronic Fund Transfer Card Or Access Device coverage in form **HE 00 07** and increased to \$5,000 in endorsement **HE 32 20** and **HE 32 21**;
- (13) Up to \$2,500 available to reward person(s) for information leading to arrest & conviction of person(s) committing a crime that involved loss to insured property; Use endorsement **HE 32 21**;
- (14) Up to \$5,000 available to reward person(s) for return of stolen covered property; Use endorsement **HE 32 21**; and
- (15) Up to \$20,000 available for loss caused by water or water-borne material that backs up through sewers or drains or discharges or overflows from a sump. This coverage does not apply to direct physical loss of the sump pump, or related equipment, which is caused by mechanical breakdown. Use endorsement **HE 32 21**.

**2. Section II Coverages****a. Coverage E – Personal Liability**

\$ 100,000 per occurrence

**b. Coverage F – Medical Payments**

\$ 1,000 per person

**c. Additional Coverages**

- (1) Prejudgement Interest;
- (2) Water Damage Legal Liability;
- (3) Personal Injury;
- (4) Business Pursuits of Minors;
- (5) Liability Coverage for Directors and Officers of Not-For-Profit Organizations;
- (6) Watercraft Liability – the horsepower threshold for outboard motors is increased from 25 to 50 horsepower or less. Use endorsement **HE 32 20** or **HE 32 21**;
- (7) Damage to Property of Others – Up to \$1,500 is available. Use endorsement **HE 32 20** or **HE 32 21**;
- (8) Loss Assessment Coverage – Up to \$1,000 is available in form **HE 00 07** and up to \$5,000 is available in endorsement **HE 32 21**;
- (9) Reasonable Expenses incurred by insured to assist insurer to investigate or defend a liability claim. The most we will pay for such expense is \$250.



**RULE 3.**

**HOMEOWNERS ENHANCEMENT PROGRAM (Cont'd)**

**G. Optional Coverages**

**1. Specified Additional Amount of Insurance for Coverage A - Dwelling**

**a. Coverage**

The enhancement policy may be endorsed to provide a limitation on the replacement cost loss settlement provision. This endorsement is designed to provide a replacement cost limit of 125% or 150% of Coverage A – Dwelling including the increased costs incurred due to the enforcement of any ordinance or law.

**b. Endorsement**

Specified Additional Amount of Insurance for Coverage A – Dwelling **HE 32 22**

**c. Premium**

The premium for this option is computed by multiplying the base premium by the appropriate factor selected from the following table:

Additional Amount of Insurance Options	Factor
125%	.96
150%	.97

**Table 3.G.1. Additional Amount of Insurance Options**

**2. Debris Removal–Broadened Tree Removal**

**a. Coverage**

The enhancement policy may be endorsed to provide up to \$2,000 to remove trees from the residence premises that are felled by a covered peril.

The fallen tree does not have to damage a covered structure on the residence premises.

The most paid for removal of any one tree is \$1,000.

**b. Endorsement**

Debris Removal Broadened Tree Removal Endorsement **HE 32 30**

**c. Premium – \$30**

**3. Property Coverage Enhancement**

**a. Coverage**

The following enhanced coverages are included in **HE 32 45**:

(1) Witness Reimbursement - Pays up to \$100 per day for lost earnings and \$50 for reimbursement of expenses as a result of appearing as a witness in a claim under the policy. Maximum aggregate limit is \$600.

(2) Accidental Death Benefit - \$1,000.

(3) Personal Records - \$250 available to reproduce, restore or replace personal records damaged as a result of a covered peril.

(4) Cost of Preparing Proof of Loss - \$250 available for reasonable expenses incurred for an outside service to prepare a proof of loss or other exhibits required by the policy.

**b. Endorsement**

Use Property Coverage Enhancement Endorsement **HE 32 45**.

**c. Premium – \$20.**

**4. Blanket Property Limit Coverage**

**a. Coverage**

The enhancement policy may be endorsed to be written on a Blanket Property Limit Basis.

**b. Endorsement**

Blanket Property Limit Coverage Endorsement **HE 32 40**

**c. Premium – To develop the premium for this option, refer to H. Base Premium Computation below.**

**5. Other Optional Coverages**

Optional Section I and II coverages available for the standard Homeowners policy are available for an enhancement policy.

Compare the desired standard Homeowners options with the coverages and limits in the Homeowners Enhancement form and endorsements to avoid duplication.

**H. Base Premium Computation**

1. Develop the 1, 2, 3 or 4 family Base Premium for Form **HO 00 03** in accordance with Rule **301**. Base Premium Computation in the standard Homeowners manual; and

2. Multiply the **HO 00 03** Base Premium developed above by the factor for the desired level of coverage:

Level Of Enhancement	Factor
<b>HE 00 07</b>	1.25
<b>HE 00 07 with HE 32 20</b>	1.30
<b>HE 00 07 with HE 32 21</b>	1.35
<b>HE 00 07 with HE 32 20 &amp; HE 32 40</b>	1.35
<b>HE 00 07 with HE 32 21 &amp; HE 32 40</b>	1.40

**Table 3. H.2. Enhancement Coverage Rating Factors**

**RULE 4.**

**BLANKET PROPERTY LIMIT COVERAGE**

The following rules are in addition to, modify or replace the rules in the standard Homeowners manual and apply only to this Blanket Property Limit coverage.

For rules not accommodated below, refer to the standard Homeowners manual.

**A. Introduction**

A Homeowners Policy may be written on a Blanket Property Limit basis. The Blanket Property Limit provides for a single amount of coverage for covered losses under Coverages **A, B, C** and **D**.

**B. Eligibility**

A Blanket Property Limit policy may be issued for:

1. An owner-occupied one or two family dwelling;
2. A person who occupies an apartment in a one through four family dwelling or other residential building; and
3. A person who owns a residential unit in a building owned by a condominium association.

**C. Basic Coverage Forms And Endorsements**

**1. Special Provisions Endorsement HB 32 32**

Use this endorsement instead of **HO 32 32**.

**2. Special Form HO 00 03 And Blanket Property Limit End. HB 00 03**

Use this form and endorsement for a one or two family dwelling occupancy.

**3. Contents Broad Form HO 00 04 and Blanket Property Limit End. HB 00 04**

Use this form and endorsement for apartment occupancy.

**4. Condominiums Unit Owners Form HO 00 06 And Blanket Property Limit End. HB 00 06**

Use this form and endorsement for an owner occupied unit in a building owned by a condominium association.

**5. Comprehensive Form HO 00 05 And Blanket Property Limit End. HB 00 05**

Use this form and endorsement for a one or two family dwelling occupancy.

**6. Personal Property Replacement Cost Endorsement HO 04 90**

Use this endorsement on all policies.

The Coverage **C** limit shall be 100% of replacement value. An additional 'endorsement' charge that varies by form applies but no additional charge is made for increasing the Coverage **C** limit.

The Coverage **C** limit may not be reduced.

**D. Optional Coverages**

**1. Ordinance or Law Coverage**

**a. Basic Amount Of Coverage**

The policy automatically provides coverage to pay for the increased costs necessary to comply with the enforcement of an ordinance or law up to the following amounts:

Form	Amount Of Coverage
<b>HO 00 03 or 05</b>	5% Of The Blanket Property Limit
<b>HO 00 04</b>	1% Of The Blanket Property Limit
<b>HO 00 06</b>	2% Of The Blanket Property Limit

**Table 4.D.1.a, Ordinance Or Law Basic Limits**

**b. Increased Amount of Coverage**

**(1) Coverage**

The policy may be endorsed to increase the basic amount of coverage to accommodate increased costs known or estimated by the insured for materials and labor to repair or replace the damaged property; demolish the undamaged portion of damaged property; and clear the site of resulting debris to comply with an ordinance or law.

**(2) Premium**

Refer to Rule **F.2.** below.

**2. Other Optional Coverages**

If any of the following optional coverages are selected, use the endorsements specified below:

<b>HB 03 12</b>	Windstorm or Hail Percentage Deductible
<b>HB 04 46</b>	Inflation Protection ( <b>HO 00 03 or 05</b> Only)
<b>HB 04 54</b>	Earthquake Coverage (apply the earthquake rates to the Blanket Property rating limit to determine the premium.)
<b>HB 04 77</b>	Ordinance or Law Coverage
<b>HB 04 84</b>	Water Back Up and Sump Overflow
<b>HB 04 98</b>	Refrigerated Property Coverage
<b>HB 05 46</b>	Landlord's Furnishings ( <b>HO 00 03 or 05</b> Only)
<b>HB 32 11</b>	Additional Blanket Property Limit Coverage ( <b>HO 00 03 or 05</b> Only)
<b>HB 32 20</b>	Specified Additional Blanket Property Limit Coverage ( <b>HO 00 03 or 05</b> Only)

**Table 4. D.2. Optional Coverage Endorsements**

**RULE 4.**

**BLANKET PROPERTY LIMIT COVERAGE (Cont'd)**

**E. Developing The Blanket Policy Limit**

Establish the appropriate limit for **each** of the principal coverage components included in the form taking into account any coverage increases the insured may need.

**1. Form HO 00 03 And Endorsement HB 00 03 or Form HO 00 05 And Endorsement HB 00 05**

Add together the limits for Coverages **A, B, C** and **D** to determine the Blanket Property Limit.

The Blanket Property Limit must be at least **200%** of the dwelling replacement cost for a Primary Residence or **170%** of the dwelling replacement cost for a Secondary Residence.

Since any increase in Coverage **B, C** or **D** limits must be factored into Blanket Property Limit, the rules in the standard Homeowners manual for the following coverage increases do not apply:

- a. Coverage **B** – Other Structures, Increased Limits End. **HO 04 48**;
- b. Coverage **C** – Personal Property, Increased Limits; and
- c. Coverage **D** – Loss of Use.

**2. Form HO 00 04 And Endorsement HB 00 04**

Add together the limits for Coverages **C** and **D** to determine the Blanket Property Limit.

The Blanket Property Limit must be at least **120%** of the replacement cost value of the personal property.

Since any increases in Coverage **D** must be factored into the Blanket Property Limit, the rule in the standard Homeowners manual for Coverage **D** – Loss of Use Increased Limit does not apply.

**3. Form HO 00 06 And Endorsement HB 00 06**

Add together the limits for Coverages **A, C** and **D** to determine the Blanket Property Limit.

The Blanket Property Limit must be at least **160%** of the replacement cost value of the personal property.

Coverage **A** named perils coverage may be broadened to cover additional risks of loss (Special Coverage) for an additional premium.

Since any increases in Coverage **A** or **D** must be factored into the Blanket Property Limit, the rule regarding Coverage **D** – Loss of Use Increased Limit does not apply.

**F. Premium Development**

**1. Basic Coverage Premium Computation**

- a. Divide the Blanket Property Limit by the appropriate factor in the table below and round to the nearest \$100. The result is the rating amount.

Form	Rating Amount Factors
<b>HO 00 03 or HO 00 05</b>	2.00 Primary Residence 1.70 Secondary Residence
<b>HO 00 04</b>	1.20
<b>HO 00 06</b>	1.60

**Table 4.F.1.a. Rating Amount Factors**

- b. Using the rating amount developed in **a.** above, compute the Base Premium in accordance with **Rule 301.** in the standard Homeowners manual.
- c. To account for the personal property replacement cost coverage automatically included in the policy, multiply the Blanket Property Limit Base Premium computed in **b.** above by the appropriate factor below:

Form	Rating Factors
<b>HO 00 03 &amp; HO 00 05</b>	.05
<b>HO 00 04 &amp; HO 00 06</b>	.40

**Table 4.F.1.c. Personal Property Replacement Cost Rating Factors**

**2. Optional Coverage Premium Computation**

**a. Ordinance Or Law Increased Limit**

When the limit for ordinance or law coverage is increased, develop the adjusted base premium or additional premium as follows:

**(1) Form HO 00 03 And HO 00 05 – Adjusted Base Premium**

Multiply the Blanket Property Limit Base Premium computed in **1.b.** above by the appropriate factor below:

Ordinance Or Law		Blanket Property Limit Rating Factors	
Increase In % Amount	Total % Amount	\$120,000 to \$280,000	All Other
7.5%	12.5%	1.13	1.05
20.0%	25.0%	1.35	1.14
32.5%	37.5%	1.51	1.20
45.0%	50.0%	1.67	1.27

**Table 4.F.2.a.(1) Ordinance Or Law Rating Factors**

**RULE 4.**

**BLANKET PROPERTY LIMIT COVERAGE (Cont'd)**

**(2) Forms HO 00 04 And 06 – Additional Premium**

(a) From the Key Factor and Key Premium tables used to develop the Blanket Property Limit Base Premium for Form HO 00 04 or HO 00 06, multiply the Key Factor for "Each Add'l \$1,000 Of Insurance" by the Key Premium.

The result is the premium per \$1,000 of insurance.

(b) Multiply the amount of increase by the premium per \$1,000 of insurance developed in (a) above.

**b. Building Additions and Alterations Increased Limit - Form HO 00 04 Only**

The limit of liability of 8.5% may be increased.

To develop the additional premium, follow the instructions in 2.a.(2) above.

**c. Special Coverage - Coverage A Form HO 00 06 Only**

Multiply the amount of increase by the following premium per \$1,000 of insurance: **\$7.00**

**G. Windstorm Or Hail Percentage Deductibles**

In Territories 05, 06, 42, and 43, when the property is located in an area serviced by the North Carolina Insurance Underwriting Association (NCIUA), additional calculations must be performed.

These calculations 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

**1. Property NOT Located in Area Serviced by the NCIUA**

To compute the premium for this provision, multiply the BASE PREMIUM by the **factor** selected for the desired windstorm or hail deductible option for the deductible amounts desired.

**2. Property IS located in Area Serviced by the 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, in the HO 2000 Manual Windstorm Or Hail Exclusion – Territories 05, 06, 42 And 43 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.

**3. Windstorm or Hail Deductible Rating Factor Tables**

**a. Table 1 – 0.5% Windstorm or Hail Deductible**

Blanket Property Limit	Up To \$119,999	\$120,000 To \$199,999	\$200,000 To \$400,000	\$400,000 And Over	Factors				
					All Other Perils Ded. Amt.	\$ 100	250	500	1,000
					1.05	1.04	1.04	1.04	1.04
					.96	.96	.96	.96	.96
					.89	.89	.89	.93	.93
					–	–	.78	.88	.88
					–	–	–	.74	.74

**Table 4.G.3.a. 0.5% Windstorm or Hail Ded. Rating Factors**

**b. Table 2 – 1% Windstorm or Hail Deductible**

Blanket Property Limit	Up To \$119,999	\$120,000 To \$199,999	\$200,000 To \$400,000	\$400,000 And Over	Factors				
					All Other Perils Ded. Amt.	\$ 100	250	500	1,000
					1.02	1.02	1.02	1.02	1.02
					.93	.93	.94	.95	.95
					.86	.86	.87	.91	.91
					.76	.76	.76	.85	.85
					–	–	.60	.72	.72

**Table 4.G.3.b. 1% Windstorm or Hail Ded. Rating Factors**

**RULE 4.**

**BLANKET PROPERTY LIMIT COVERAGE (Cont'd)**

**c. Table 3 – 2.5% Windstorm or Hail Deductible**

Blanket Property Limit	Up To \$119,999	\$120,000 To \$199,999	\$200,000 To \$400,000	\$400,000 And Over	
<b>Factors</b>					
<b>All Other Perils Ded. Amt.</b>	\$ 100	.97	.97	.99	1.00
	250	.89	.89	.91	.93
	500	.82	.82	.84	.89
	1,000	.72	.72	.73	.83
	2,500	.59	.59	.59	.70

**Table 4.G.3.c. 2.5% Windstorm or Hail Ded. Rating Factors**

**H. Windstorm Or Hail Higher Fixed-Dollar Deductibles**

In Territories 05, 06, 42, and 43, when the property is located in an area serviced by the North Carolina Insurance Underwriting Association (NCIUA), additional calculations must be performed.

These calculations 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

**1. Property NOT Located in Area Serviced by the NCIUA**

To compute the premium for this provision, multiply the BASE PREMIUM by the **factor** selected for the desired windstorm or hail deductible option for the deductible amounts desired.

**2. Property IS located in Area Serviced by the 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**, in the HO 2000 Manual Windstorm Or Hail Exclusion – Territories 05, 06, 42 And 43 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.

**d. Table 4 – \$1,000 Windstorm or Hail Deductible**

Blanket Property Limit	Up To \$119,999	\$120,000 To \$199,999	\$200,000 To \$400,000	\$400,000 And Over	
<b>Factors</b>					
<b>All Other Perils Ded. Amt.</b>	\$ 100	1.02	1.03	1.05	1.06
	250	.95	.95	.97	.98
	500	.88	.88	.90	.95
	1,000	–	–	–	–
	2,500	–	–	–	–

**Table 4.G.3.d. \$1,000 Windstorm or Hail Ded. Rating Factors**

**e. Table 5 – \$2,000 Windstorm or Hail Deductible**

Blanket Property Limit	Up To \$119,999	\$120,000 To \$199,999	\$200,000 To \$400,000	\$400,000 And Over	
<b>Factors</b>					
<b>All Other Perils Ded. Amt.</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 4.G.3.e. \$2,000 Windstorm or Hail Ded. Rating Factors**

**f. Table 6 – \$5,000 Windstorm or Hail Deductible**

Blanket Property Limit	Up To \$119,999	\$120,000 To \$199,999	\$200,000 To \$400,000	\$400,000 And Over	
<b>Factors</b>					
<b>All Other Perils Ded. Amt.</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 4.G.3.f. \$5,000 Windstorm or Hail Ded. Rating Factors**