

NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA

BEFORE THE COMMISSIONER

IN THE MATTER OF THE FILING
DATED DECEMBER 8, 2008 BY THE
NORTH CAROLINA RATE BUREAU
FOR REVISED HOMEOWNERS
INSURANCE RATES.

DOCKET NO. 1434

IN THE MATTER OF THE FILING
DATED DECEMBER 11, 2008 BY THE
NORTH CAROLINA RATE BUREAU
FOR REVISED HOMEOWNERS
TERRITORY DEFINITIONS.

DOCKET NO. 1435

CONSOLIDATED SETTLEMENT AGREEMENT
AND CONSENT ORDER

On December 8, 2008, the North Carolina Rate Bureau ("Rate Bureau") filed with the Department of Insurance ("Department") a proposal for Revised Homeowners Insurance Rates (Owners, Tenants and Condominiums) (the "2008 Rate Filing"). This 2008 Rate Filing was assigned Docket No. 1434 and proposes a statewide overall increase in homeowners insurance rates of 19.5% with changes varying by form and territory.

On December 11, 2008, the Rate Bureau filed for Revised Homeowners Territory Definitions (the "2008 Territory

Filing"). This 2008 Territory Filing was assigned Docket No. 1435. It proposes revised territorial definitions and contains pages amending the 2008 Rate Filing with respect to such revised territorial definitions. It proposes an effective date that is concurrent with the next homeowners rate level revision.

The Rate Bureau and the Department have agreed to settle the 2008 Rate Filing and the 2008 Territory Filing. The proposed settlement would approve the revised territorial definitions and would provide for an overall statewide rate increase of 3.9%, with changes varying by form and territory (using the revised territorial definitions) as set forth on Exhibit A.

It appearing to the Commissioner that the Rate Bureau and the Department have, after consultation with their respective legal, actuarial and economic advisors and subject to approval by the Commissioner and to the conditions hereinafter set forth, entered into a settlement of all matters and things in dispute in connection with the 2008 Rate Filing and the 2008 Territory Filing; and it appearing that the 2008 Territory Filing should be consolidated with and implemented with the negotiated settlement of the 2008 Rate Filing; and it appearing to the Commissioner that settlement under the circumstances set forth above is fair and reasonable and should be approved:

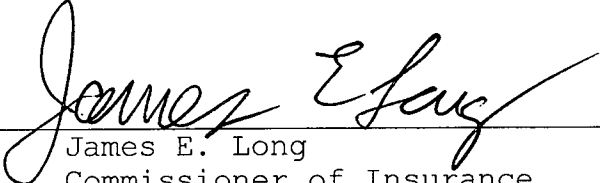
NOW, THEREFORE, IT IS ORDERED AND AGREED as follows:

1. The 2008 Rate Filing is approved subject to the modification set forth in paragraph 3, below.
2. The revised territorial definitions contained in the 2008 Territory Filing are approved.
3. The approved overall rate level increase is 3.9%. The approved territory rate level changes by form are set forth on the attached Exhibit A. The approved windstorm or hail exclusion credits by form are set forth on the attached Exhibit A. The resulting approved territory base class premiums by form (after the effects of rounding to the nearest whole dollar) are set forth on the attached Exhibit B. Exhibits A and B are incorporated herein by reference.
4. The revised rates are to become effective in accordance with the following Rule of Application:

These changes are applicable to all policies becoming effective on or after May 1, 2009.
5. The parties acknowledge that by entering into this Consent Order neither is condoning, validating, accepting or agreeing to the other's theories, methodologies or calculations regarding or pertaining to profit, dividends and deviations, catastrophe loadings, territory profit load, territory risk load, and/or any other theory, methodology or calculation not specifically enumerated herein. The parties further acknowledge that by entering into this Consent Order neither is bound or limited in filing, reviewing or contesting any future rate filings in any line of insurance subject to the Bureau's jurisdiction by the theories, methodologies or calculations contained in the 2008 Rate Filing.
6. The Bureau acknowledges the Department's position that by entering into this Consent Order the Department is not validating or accepting the computer model used in the 2008 Rate Filing and is not committing to use computer modeling in future rate filings. The parties agree that they will diligently meet and consult with each other to analyze data with respect to areas of the state with chronically high loss costs, will review

computer models of North Carolina's vulnerability to hurricanes and other wind losses and will generally analyze the data as to this line of insurance in an effort to resolve their remaining differences, all to the end that rates be set and maintained both statewide and by territory that are neither excessive, inadequate nor unfairly discriminatory, and that the availability of insurance at actuarially appropriate rate levels is enhanced.

This 19th day of December, 2008.


James E. Long
Commissioner of Insurance

WE CONSENT:

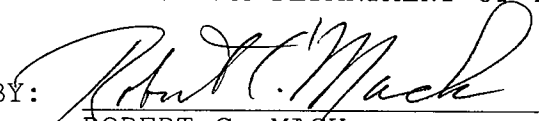
NORTH CAROLINA RATE BUREAU

BY: 
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BY: 
ROBERT C. MACK
DEPUTY COMMISSIONER, PROPERTY AND CASUALTY

ATTORNEYS FOR THE NORTH CAROLINA
DEPARTMENT OF INSURANCE

BY: 
SHERRI L. HUBBARD

HOMEOWNERS INSURANCE

STATEWIDE AND TERRITORY RATE LEVEL CHANGES

| <u>Territory</u> | <u>Forms 2,3,5,7,8</u> | <u>Form 4</u> | <u>Form 6</u> |
|--|----------------------------|---------------|---------------|
| 05* | 6.5% | -25.0% | -20.0% |
| 06* | 17.5% | -25.0% | -20.0% |
| 32 | 5.0% | -6.0% | -4.0% |
| 34 | 4.0% | -14.0% | -10.0% |
| 36 | 3.0% | 7.0% | 1.0% |
| 38 | -4.0% | 5.0% | 6.0% |
| 39 | -6.0% | 1.0% | 1.0% |
| 41 | 12.0% | -9.0% | 2.0% |
| 42* | 29.8% | -4.0% | -3.0% |
| 43 East* | 22.0% | -15.0% | -2.0% |
| 43 West* | 6.5% | -15.0% | -2.0% |
| 44 | 6.0% | -2.0% | -4.0% |
| 45 | 7.0% | -3.0% | 3.0% |
| 46 | -3.0% | -13.0% | -5.0% |
| 47 | 2.0% | -6.0% | -3.0% |
| 53 | 2.0% | -6.5% | -2.0% |
| 57 | 2.0% | 2.0% | 11.0% |
| 60 | -1.2% | 3.0% | 7.0% |
| Statewide | 4.05% | -2.5% | 0.0% |
| Combined Statewide Change for all Forms: | | 3.9% | |

Windstorm or Hail Exclusion Credits

| | <u>Territory 05*</u> | <u>Territory 06*</u> | <u>Territory 42*</u> | <u>Territory 43 East*</u> | <u>Territory 43 West*</u> |
|--------------------|--------------------------|--------------------------|--------------------------|-------------------------------|-------------------------------|
| Forms 2,3,5,7,8 | 1131 | 1270 | 810 | 747 | 626 |
| Form 4 | 47 | 46 | 45 | 37 | 37 |
| Form 6 | 59 | 60 | 40 | 40 | 40 |

*These territories reflect the revised territory definitions as approved in the 2008 Territory Filing. The numeric labels for these territories will be revised for administrative purposes prior to implementation of the approved rate level changes.

NORTH CAROLINA
 HOMEOWNERS INSURANCE
APPROVED BASE-CLASS PREMIUMS

| <u>Territory</u> | <u>Form 3</u> | <u>Form 4</u> | <u>Form 6</u> |
|------------------|---------------|---------------|---------------|
| 5* | \$1,379 | \$105 | \$101 |
| 6* | \$1,522 | \$105 | \$101 |
| 32 | \$431 | \$42 | \$44 |
| 34 | \$552 | \$63 | \$49 |
| 36 | \$365 | \$36 | \$34 |
| 38 | \$344 | \$39 | \$34 |
| 39 | \$324 | \$33 | \$30 |
| 41 | \$688 | \$52 | \$45 |
| 42* | \$1,050 | \$80 | \$76 |
| 43 East* | \$987 | \$71 | \$76 |
| 43 West* | \$862 | \$71 | \$76 |
| 44 | \$439 | \$46 | \$37 |
| 45 | \$554 | \$46 | \$41 |
| 46 | \$381 | \$42 | \$40 |
| 47 | \$455 | \$43 | \$37 |
| 53 | \$406 | \$37 | \$42 |
| 57 | \$364 | \$36 | \$32 |
| 60 | \$312 | \$32 | \$28 |

Approved base-class premiums for Forms 2, 5, 7 and 8 are determined by applying the approved form relativities to the Form 3 base-class premium.

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