



NORTH CAROLINA RATE BUREAU
5401 Six Forks Road • Raleigh NC • 27609
(919) 783-9790 • www.ncrb.org

June 2, 2003

CIRCULAR LETTER TO ALL MEMBER COMPANIES
VIA E-MAIL

Re: Homeowners Enhancement Policy Program

On May 1, 2003 the Commissioner of Insurance approved a revised HE 32 32 04 03 Special Provisions - North Carolina designed to track the Homeowners Policy Program Endorsement HO 32 32 04 03 Special Provisions - North Carolina that became effective August 15, 2002. Inadvertently, Section I - Exclusions was omitted from the revised Endorsement HE 32 32 04 03.

Attached is a revised HE 32 32 04 03 Special Provisions - North Carolina which includes the omitted Section I - Exclusions. This revised endorsement also includes several editorial changes.

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

P-03-12

Material underlined is new.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SPECIAL PROVISIONS - NORTH CAROLINA

DEFINITIONS

Item 2. Is deleted and is replaced by the following:

2. "Business" includes any full or part time activity of any kind engaged in for economic gain, including the use of any part of any premises for such purposes.

The following definition is added to all forms:

10. "Fungi"

- a. "Fungi" means any type or form of fungus, including mold or mildew and any mycotoxins, spores, scents or byproducts produced or released by fungi.
- b. Under Section II, this does not include any fungi that are, are on, or are contained in any good or product intended for consumption.

ADDITIONAL COVERAGES

The following **ADDITIONAL COVERAGE** is added:

13. "Fungi", Wet Or Dry Rot, Or Bacteria

We will pay up to a total of \$5000 for:

- a. Direct physical loss to property covered under Coverage A - Dwelling, Coverage B - Other Structures and Coverage C - Personal Property caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria if the direct result of a Peril Insured Against; and
- b. Necessary increase in costs which you incur to maintain your normal standard of living when the Described Location is uninhabitable due to a loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria which is the direct result of a Peril Insured Against.

The coverage provided above is the only coverage under Coverage A - Dwelling, Coverage B - Other Structures, Coverage C - Personal Property, and if provided in this policy, Coverage D - Loss of use for damage or loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria caused directly or indirectly regardless of any other cause or event contributing concurrently or in any sequence.

- a. The \$5000 limit is the most we will pay for the cost:
 - (1) To remove "fungi", wet or dry rot, or bacteria from covered property;
 - (2) To tear out and replace any part of the building or other covered property as needed to gain access to the "fungi", wet or dry rot, or bacteria; and
 - (3) Of any testing of air or property to confirm the absence, presence or level of "fungi", wet or dry rot, or bacteria whether performed prior to, during or after removal, repair, restoration or replacement. The cost of such testing will be provided only to the extent that there is a reason to believe that there is the presence of "fungi", wet or dry rot, or bacteria.

The coverage provided above applies only when such loss, costs or expenses are the result of a Peril Insured Against that occurs during the policy period and only if all reasonable means were used to save and protect the property from further damage at or after the time of the occurrence of that Peril Insured Against.

If there is covered loss or damage to covered property, not caused, in whole or in part, by "fungi", wet or dry rot, or bacteria, loss payment will not be limited by the terms of this **Additional Coverage**, except to the extent that "fungi", wet or dry rot, or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this **Additional Coverage**.

This is additional insurance and is the most we will pay for the total of all loss, costs or expenses payable under this Additional Coverage regardless of the number of locations insured or the number of claims made. No deductible applies to this coverage.

b. Bear the other expenses of the appraisal and umpire equally.

In no event will an appraisal be used for the purpose of interpreting any policy provision, determining causation or determining whether any item or loss is covered under this policy. If there is an appraisal, we still retain the right to deny the claim.

SECTION I – PERILS INSURED AGAINST

Item 1.b.(4)(c) is deleted and replaced by the following:

(c) Smog, rust, or other corrosion;

Item 1.b.(4)(i) is added:

(i) Constant or repeated discharge, seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years.

SECTION II - EXCLUSIONS

1. Coverage E - Personal Liability and Coverage F - Medical Payments to Others do not apply to bodily injury or property damage:

Paragraph b.(1) is deleted and replaced by the following:

b.(1) Arising out of or in connection with a “business” engaged in by an “insured”. This exclusion applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the “business”. However, this exclusion does not apply to an insured minor involved in part-time, self-employed “business” pursuits normally undertaken by minors, unless the minor is employed by a “business”. A minor means a person who has not attained his or her 19th birthday (or age 23 if a full-time student).

The following exclusion is added:

l. arising directly or indirectly, in whole or in part, out of the actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of or presence of any "fungi", wet or dry rot, or bacteria.

3. Coverage E - Personal Liability, does not apply to personal injury arising out of:

Paragraph d. is deleted and replaced by the following:

d. Arising out of or in connection with a “business” engaged in by an “insured”. This exclusion applies but is not limited to an act or omission, regardless of its nature or

SECTION I – EXCLUSIONS

The following exclusion is added:

1.h. "Fungi", Wet Or Dry Rot, Or Bacteria, meaning the presence, growth, proliferation, spread or any activity of "fungi", wet or dry rot, or bacteria other than as provided in ADDITIONAL COVERAGE, "Fungi", Wet Or Dry Rot, Or Bacteria.

SECTIONS I – CONDITIONS

8. Appraisal is deleted and replaced by the following:

8. Appraisal. If you and we fail to agree on the value or amount of any item or loss, either may demand an appraisal of such item or loss. In this event, each party will choose a competent and disinterested appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that a choice be made by a judge of a court of record in the state where the “residence premises” is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss. Each party will:

a. Pay its own appraiser: and

circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the “business”. However, this exclusion does not apply to an insured minor involved in part-time, self-employed “business” pursuits normally undertaken by minors, unless the minor is employed by a business”. A minor means a person who has not attained his or her 19th birthday (or age 23 if a full-time student).

SECTION I and II – CONDITIONS

The following Condition is added:

10. Choice of Law

This policy is issued in accordance with the laws of North Carolina and covers property or risks principally located in North Carolina. Any and all claims or disputes in any way related to this policy shall be governed by the laws of North Carolina.

All other provisions of this policy apply.