



NORTH CAROLINA RATE BUREAU
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April 30, 2003

CIRCULAR LETTER TO ALL MEMBER COMPANIES
VIA E-MAIL

Re: Homeowners Policy Program
HO 32 32 04 03 - Special Provisions -
North Carolina

The Commissioner of Insurance has recently approved revisions to Endorsement HO 32 32 Special Provisions - North Carolina which is designed for use on a mandatory basis in North Carolina with the Homeowners Policy Program. Attached is an Explanatory Memorandum which explains the changes. As a result of the revisions to Endorsement HO 32 32, Endorsement HO 32 33 Amendatory Endorsement - North Carolina has been withdrawn and is no longer available for use in North Carolina.

In addition, please find attached manual rules which have been revised to eliminate the reference to the HO 32 33.

In that regard, please click on the link to obtain a copy of the approved [Endorsement HO 32 32 04 03](#) - Special Provisions - North Carolina designed for use in connection with the Homeowners Policy Program. If you are a current member of Insurance Service Offices, Inc. (ISO) and subscribe to ISOnet, you may use your current login. If you are a member of ISO and do not subscribe to ISOnet, please contact ISO Customer Service at 800-888-4476 to obtain information regarding a login. If you are not a member of ISO and do not subscribe to ISOnet, please e-mail the Rate Bureau at isonet@ncrb.org and we will provide you with information on how to access ISOnet. This service is available only to member companies of the Rate Bureau and is provided at no additional charge by ISO.

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

These changes become effective with respect to new and renewal business effective on or after September 1, 2003.

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-03-7

EXPLANATORY MEMORANDUM

HO 32 32 04 03 - Special Provisions - North Carolina

We are proposing several changes in the North Carolina Homeowners Policy Program. It is proposed that these changes be implemented through amendments to the Special Provisions - North Carolina Endorsement HO 32 32 (Ed. 04 03).

The following outlines the amendments included in Endorsement HO 32 32 04 03.

Clarification of the Policy regarding Mold

The HO 32 32 has been revised to incorporate the change with regard to mold that became effective August 15, 2002.

Appraisal Provision

The Appraisal Provision was intended to provide an expeditious and inexpensive means of resolving simple disagreements on the value of an insured loss. However, attorneys and appraisers have begun trying to expand the use of this provision as a means to arbitrate insurance coverage disputes including the cause of loss. Therefore, we are proposing changes to the provision to emphasize its original intent to simply resolve disagreements as to the value of an insured loss.

Choice of Law

A new Condition is being added to indicate that this policy is being issued in accordance with the laws in North Carolina and that all claims and disputes related to this policy shall be governed by the laws in North Carolina.

Editorial Changes

The HO 32 32 has been amended to incorporate editorial changes as a result of several endorsements changing from "country-wide" endorsements to "North Carolina" specific endorsements.

EXCEPTION PAGES

701. OTHER EXPOSURES – PERSONAL LIABILITY INCREASED OR REDUCED LIMITS

This rule is replaced by the following:

Apply the appropriate factor shown below to the basic limits premium for each exposure.

Limit	Code	Factor
\$25,000	1	.67
50,000	2	.83
200,000	4	1.15
300,000	5	1.24
400,000	6	1.30
500,000	7	1.35
750,000	8	1.41
1,000,000	8	1.47

SPECIAL STATE REQUIREMENTS

Special Provisions Endorsement – **HO 32 32**

Use this endorsement with all Homeowners policies.

No Coverage For Home Day Care Business – **HO 04 96**

This endorsement details the exclusions and restrictions of the policy with respect to a home day care exposure. Use this endorsement with all Homeowners policies.

Windstorm Exterior Paint and Waterproofing Exclusion – **HO 04 86**

Use this endorsement with all Homeowners policies in Territories 05 and 06.

~~Amendatory Endorsement – North Carolina – **HO 32 33**~~

~~This endorsement details the limited coverages, exclusions and restrictions with respect to a fungi, wet or dry rot, or bacteria exposure. Use this endorsement with all Homeowners policies.~~

The following special notice must be furnished with each new policy and upon each renewal:

FLOOD INSURANCE NOTICE

The North Carolina Department of Insurance has requested all companies to advise their policyholders that the homeowners policy program does not provide coverage for floods. You will not have coverage for property damage from floods unless you take steps to purchase a separate policy of flood insurance at an additional premium from the National Flood Insurance Program, 42 U.S.C. Section 4001, et seq.

This Notice does not expand or increase coverage in any homeowners policy or endorsement. That policy and accompanying endorsements remain subject to all exclusions, limitations and condition.

If you would like more information about obtaining coverage under the National Flood Insurance Program, please contact your agent or this company.

Notification may be included with other materials sent to the policyholders and may be sent in the manner normally used by the company to notify policyholders of such matters. Notification should contain, at a minimum, the attached language but may contain further information not inconsistent with the attached language at the option of the individual member company.

North Carolina Joint Underwriting Association

Section XVI of the Plan of Operation of the Joint Underwriting Association (Fair Plan) sets forth the following as to "Responsibility with Respect to Cancellation or Nonrenewals":

As respects risks eligible under the Plan of Operation, each participating Insurer agrees that with respect to cancellation or nonrenewals initiated by it, it will give to policyholders, except in cases of nonpayment of premium, material misrepresentation, or evidence of incendiarism, thirty days to avail themselves of the Plan of Operation and the Insurer shall, in writing, explain to the policyholder the procedures for making application under the Plan of Operation.

ADDITIONAL RULE(S)

THREE OR FOUR FAMILY DWELLING

Use No. of Family Code 6 for Three and Four Family Dwellings except as provided in **E.** below.

A. A Homeowners Policy may be issued to the owner-occupant of a 3 or 4 family dwelling in the same manner as a 1 or 2 family dwelling under General Rule **104**. Eligibility.

Endorsement **HO 04 44**, Residence Premises – Three or Four Family Dwelling must form a part of every policy covering such a dwelling.

B. The limits of liability, under General Rule **101**., applying to Coverage **B** – Other Structures and Coverage **C** – Personal Property, are revised as follows:

- Coverage **B** – Other Structures; 5% of Coverage **A** for a 3 or 4 family dwelling.
- Coverage **C** – Personal Property; 30% of Coverage **A** for a 3 family dwelling and 25% of Coverage **A** for a 4 family dwelling.

C. To develop the BASE PREMIUM, multiply the One and Two Family Dwelling BASE PREMIUM by a factor of 1.04.

D. Refer to Rule **601**. in the state rate pages for the liability rates.

E. The premium for an eligible 3 or 4 family dwelling unit in a town or row house structure is computed by multiplying the BASE PREMIUM determined above by the appropriate factor below.

Total No. of Individual Family Units Within the Fire Division*	No. of Family Code	Protection Class	
		1-8	9 & Over
5-8	(4)	1.15	1.20
9 & Over	(4)	Refer to Company	

* An eligible four family dwelling attached to a three family dwelling but not separated by a fire wall would be considered 7 individual family units within a fire division.