



August 14, 2019

Honorable Mike Causey
Commissioner of Insurance
North Carolina Department of Insurance
Raleigh, North Carolina

Re: Revision of Dwelling Insurance Rates

Dear Sir:

Enclosed herewith for filing on behalf of all member companies of the North Carolina Rate Bureau are revised premium rates and relativities for dwelling insurance subject to the jurisdiction of the North Carolina Rate Bureau.

The enclosed memoranda and exhibits set forth and explain the calculations for needed rate level changes that have been capped by coverage and by territory to produce an overall filed statewide average rate level change of +19.2% for dwelling insurance. The filing shows revised rate levels varying by territory, revised relativities for amount of insurance, a new rating variable for age of construction, revised windstorm and hail exclusion credits, and revised wind mitigation credits.

The foregoing changes were calculated based on rates currently in force and reflect consideration, duly given, to data for the experience period set forth herein. In preparing this filing, due consideration has been given to the factors specified in G.S. 58-36-10(2).

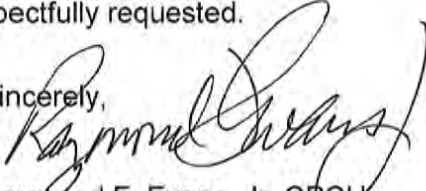
Information and statistical data required pursuant to G.S. 58-36-15 and 11 NCAC 10.1105 are shown and referenced in Section E. Additionally, the prefiled testimony of (a) Paul Ericksen, ISO; (b) Matthew Berry, Chairman, Property Rating Subcommittee; (c) Elizabeth Henderson, Aon; (d) Stephen Fiete, Aon; (e) Paul Anderson, Milliman; (f) Dr. James Vander Weide – Financial Strategy Associates; and (g) Dr. George Zanjani, University of Alabama are submitted herewith.

We propose that the revised rates and territory definitions become effective according to the following rule of application:

These changes are applicable to all new and renewal policies becoming effective on or after July 1, 2020.

Your approval of these changes is respectfully requested.

Sincerely,


Raymond F. Evans, Jr. CRCU
General Manager

RFE:ko
Enclosures

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

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NORTH CAROLINA
DWELLING PROPERTY INSURANCE
STATEWIDE RATE LEVEL CHANGES

<u>Coverage</u>	<u>Latest-Year Earned Premium</u> ^(a)	<u>Indicated Change</u>	<u>Filed Change</u> ^(b)
Fire	\$83,923,771	+13.0%	+4.6%
Extended Coverage	\$241,506,295	+60.6%	+24.3%
Combined	\$325,430,066	+48.3%	+19.2%

^(a) Year-ended 12/31/2017 aggregate earned premiums at current manual rates.

^(b) The filed statewide changes are the result of weighting the filed territory changes shown on page A-3.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

INDICATED AND FILED RATE LEVEL CHANGES BY TERRITORY

Territory	Latest-Year Earned Premium		Indicated Rate Level Change				Filed Rate Level Change			
	Fire	Extended Coverage	Fire		Extended Coverage		Fire ^(a)		Extended Coverage ^(b)	
			Buildings	Contents	Buildings	Contents	Buildings	Contents	Buildings	Contents
110	2,486,611	27,881,935	+13.3%	-2.4%	+110.2%	+71.3%	+5.0%	-2.4%	+30.0%	+30.0%
120	2,639,630	35,217,357	+16.6%	+0.5%	+124.1%	+82.7%	+5.0%	+0.5%	+30.0%	+30.0%
130	897,166	3,994,752	+7.0%	-7.8%	+72.1%	+40.2%	+5.0%	-7.8%	+30.0%	+30.0%
140	4,475,092	28,701,372	+12.7%	-2.9%	+106.3%	+68.1%	+5.0%	-2.9%	+30.0%	+30.0%
150	2,819,321	14,167,834	+17.9%	+1.6%	+15.1%	-6.2%	+5.0%	+1.6%	+15.1%	-6.2%
160	3,038,461	15,320,519	+18.1%	+1.8%	+25.0%	+1.9%	+5.0%	+1.8%	+25.0%	+1.9%
170	443,325	777,162	+13.9%	-1.9%	+16.3%	-5.2%	+5.0%	-1.9%	+16.3%	-5.2%
180	3,760,796	7,959,178	+12.0%	-3.5%	+50.2%	+22.4%	+5.0%	-3.5%	+30.0%	+22.4%
190	1,411,362	2,696,308	+20.3%	+3.6%	+103.6%	+65.9%	+5.0%	+3.6%	+30.0%	+30.0%
200	1,108,651	1,637,784	+12.5%	-3.1%	+110.9%	+71.8%	+5.0%	-3.1%	+30.0%	+30.0%
210	1,058,580	2,037,315	+22.4%	+5.4%	+50.6%	+22.8%	+5.0%	+5.0%	+30.0%	+22.8%
220	5,786,484	11,751,818	+12.7%	-2.9%	+53.7%	+25.2%	+5.0%	-2.9%	+30.0%	+25.2%
230	2,438,682	3,652,543	+17.7%	+1.4%	+72.0%	+40.1%	+5.0%	+1.4%	+30.0%	+30.0%
240	3,502,061	6,324,740	+22.7%	+5.7%	+37.6%	+12.1%	+5.0%	+5.0%	+30.0%	+12.1%
250	2,591,707	5,779,356	+14.3%	-1.5%	+14.2%	-6.9%	+5.0%	-1.5%	+14.2%	-6.9%
260	1,798,547	2,480,160	+10.2%	-5.1%	+8.5%	-11.6%	+5.0%	-5.1%	+8.5%	-11.6%
270	5,675,969	12,522,249	+10.7%	-4.7%	+23.0%	+0.2%	+5.0%	-4.7%	+23.0%	+0.2%
280	974,823	2,083,630	+16.3%	+0.2%	+13.0%	-7.9%	+5.0%	+0.2%	+13.0%	-7.9%
290	1,376,188	3,020,500	+5.8%	-8.8%	+7.0%	-12.8%	+5.0%	-8.8%	+7.0%	-12.8%
300	1,184,087	1,301,319	+20.9%	+4.1%	+54.2%	+25.6%	+5.0%	+4.1%	+30.0%	+25.6%
310	8,762,082	12,771,403	+11.3%	-4.1%	+22.5%	-0.2%	+5.0%	-4.1%	+22.5%	-0.2%
320	4,058,276	6,645,057	+21.6%	+4.7%	+15.3%	-6.0%	+5.0%	+4.7%	+15.3%	-6.0%
330	309,022	426,051	+18.1%	+1.8%	+12.1%	-8.6%	+5.0%	+1.8%	+12.1%	-8.6%
340	8,443,664	14,007,398	+8.4%	-6.7%	+21.8%	-0.8%	+5.0%	-6.7%	+21.8%	-0.8%
350	3,672,609	4,986,161	+18.6%	+2.2%	+12.5%	-8.3%	+5.0%	+2.2%	+12.5%	-8.3%
360	6,276,893	9,624,037	+14.7%	-1.2%	+6.7%	-13.1%	+5.0%	-1.2%	+6.7%	-13.1%
370	447,969	593,109	+14.3%	-1.5%	+5.3%	-14.2%	+5.0%	-1.5%	+5.3%	-14.2%
380	1,208,010	1,560,536	+9.4%	-5.8%	+11.0%	-9.5%	+5.0%	-5.8%	+11.0%	-9.5%
390	1,277,703	1,584,712	+11.3%	-4.1%	+8.8%	-11.3%	+5.0%	-4.1%	+8.8%	-11.3%
Statewide ^(c)	83,923,771	241,506,295	+14.1%	-1.7%	+61.5%	+31.6%	+5.0%	-1.8%	+24.4%	+13.6%

^(a) For Fire, rate level changes were capped at +5.0%.

^(b) For Extended Coverage, rate level changes were capped at +30.0%.

^(c) The filed statewide changes are the result of weighting the filed territory changes. The territory weights are the latest-year earned premiums at current manual rates.

NORTH CAROLINA
DWELLING PROPERTY INSURANCE
CURRENT AND FILED BASE RATES
FIRE

Territory	(1) Current Manual Base Rate ^(a)		(2) Rebasing Factor ^(b)		(3) Off-Balance Factor ^(c)		(4) Filed Rate Level Change ^(d)		(5) =(1)x(2)x(4)/(3) Filed Base Rate ^(e)	
	Buildings	Contents	Buildings	Contents	Buildings	Contents	Buildings	Contents	Buildings	Contents
110	\$17	\$4	4.400	2.170	0.769	1.000	1.050	0.976	\$102	\$8
120	\$17	\$4	4.400	2.170	0.784	1.000	1.050	1.005	\$100	\$9
130	\$31	\$9	4.400	2.170	0.884	1.000	1.050	0.922	\$162	\$18
140	\$28	\$9	4.400	2.170	0.856	1.000	1.050	0.971	\$151	\$19
150	\$29	\$9	4.400	2.170	0.913	1.000	1.050	1.016	\$147	\$20
160	\$32	\$11	4.400	2.170	0.874	1.000	1.050	1.018	\$169	\$24
170	\$44	\$13	4.400	2.170	0.975	1.000	1.050	0.981	\$208	\$28
180	\$45	\$14	4.400	2.170	0.935	1.000	1.050	0.965	\$222	\$29
190	\$46	\$14	4.400	2.170	0.980	1.000	1.050	1.036	\$217	\$31
200	\$62	\$16	4.400	2.170	1.008	1.000	1.050	0.969	\$284	\$34
210	\$41	\$13	4.400	2.170	0.966	1.000	1.050	1.050	\$196	\$30
220	\$41	\$12	4.400	2.170	0.872	1.000	1.050	0.971	\$217	\$25
230	\$64	\$17	4.400	2.170	1.020	1.000	1.050	1.014	\$290	\$37
240	\$42	\$13	4.400	2.170	0.945	1.000	1.050	1.050	\$205	\$30
250	\$38	\$12	4.400	2.170	0.829	1.000	1.050	0.985	\$212	\$26
260	\$47	\$13	4.400	2.170	0.979	1.000	1.050	0.949	\$222	\$27
270	\$30	\$10	4.400	2.170	0.832	1.000	1.050	0.953	\$167	\$21
280	\$28	\$9	4.400	2.170	0.866	1.000	1.050	1.002	\$149	\$20
290	\$35	\$11	4.400	2.170	0.845	1.000	1.050	0.912	\$191	\$22
300	\$47	\$15	4.400	2.170	1.014	1.000	1.050	1.041	\$214	\$34
310	\$35	\$11	4.400	2.170	0.926	1.000	1.050	0.959	\$175	\$23
320	\$34	\$11	4.400	2.170	0.917	1.000	1.050	1.047	\$171	\$25
330	\$36	\$12	4.400	2.170	0.979	1.000	1.050	1.018	\$170	\$27
340	\$31	\$9	4.400	2.170	0.869	1.000	1.050	0.933	\$165	\$18
350	\$35	\$11	4.400	2.170	0.930	1.000	1.050	1.022	\$174	\$24
360	\$29	\$9	4.400	2.170	0.901	1.000	1.050	0.988	\$149	\$19
370	\$32	\$10	4.400	2.170	0.911	1.000	1.050	0.985	\$162	\$21
380	\$29	\$9	4.400	2.170	0.886	1.000	1.050	0.942	\$151	\$18
390	\$30	\$10	4.400	2.170	0.888	1.000	1.050	0.959	\$156	\$21

^(a) The current Base Class is Protection Class 5 with Frame construction; \$15,000 Coverage A, \$6,000 Coverage C.

^(b) The rebasing factor for Buildings is the key factor for \$100,000 Coverage A. The rebasing factor for Contents is the key factor for \$15,000 Coverage C.

^(c) The off-balance factors are applied to introduce the proposed Amount of Insurance and Age of Construction relativities on a revenue-neutral basis.

^(d) For Fire, the territory rate level changes were capped at +5.0%.

^(e) The filed Base Class is Protection Class 5 with Frame construction; \$100,000 Coverage A, \$15,000 Coverage C.

NORTH CAROLINA
DWELLING PROPERTY INSURANCE
CURRENT AND FILED BASE RATES
EXTENDED COVERAGE

Territory	(1) Current Manual Base Rate ^(a)		(2) Rebasing Factor ^(b)		(3) Off-Balance Factor ^(c)		(4) Filed Rate Level Change ^(d)		(5) =(1)x(2)x(4)/(3) Filed Base Rate ^(e)	
	Buildings	Contents	Buildings	Contents	Buildings	Contents	Buildings	Contents	Buildings	Contents
110	\$156	\$22	5.290	2.500	0.962	0.993	1.300	1.300	\$1,115	\$72
120	\$174	\$26	5.290	2.500	0.957	0.994	1.300	1.300	\$1,250	\$85
130	\$128	\$19	5.290	2.500	0.951	0.995	1.300	1.300	\$926	\$62
140	\$134	\$19	5.290	2.500	0.940	0.995	1.300	1.300	\$980	\$62
150	\$126	\$12	5.290	2.500	0.960	0.995	1.151	0.938	\$799	\$28
160	\$130	\$14	5.290	2.500	0.942	0.995	1.250	1.019	\$913	\$36
170	\$62	\$5	5.290	2.500	0.973	0.995	1.163	0.948	\$392	\$12
180	\$62	\$6	5.290	2.500	0.964	0.994	1.300	1.224	\$442	\$18
190	\$62	\$7	5.290	2.500	0.974	0.995	1.300	1.300	\$438	\$23
200	\$77	\$10	5.290	2.500	0.973	0.996	1.300	1.300	\$544	\$33
210	\$52	\$4	5.290	2.500	0.975	0.995	1.300	1.228	\$367	\$12
220	\$46	\$3	5.290	2.500	0.964	0.992	1.300	1.252	\$328	\$9
230	\$73	\$9	5.290	2.500	0.966	0.996	1.300	1.300	\$520	\$29
240	\$51	\$3	5.290	2.500	0.967	0.995	1.300	1.121	\$363	\$8
250	\$52	\$3	5.290	2.500	0.921	0.994	1.142	0.931	\$341	\$7
260	\$50	\$2	5.290	2.500	0.977	0.995	1.085	0.884	\$294	\$4
270	\$37	\$2	5.290	2.500	0.952	0.992	1.230	1.002	\$253	\$5
280	\$37	\$2	5.290	2.500	0.970	0.993	1.130	0.921	\$228	\$5
290	\$46	\$2	5.290	2.500	0.945	0.993	1.070	0.872	\$276	\$4
300	\$39	\$4	5.290	2.500	0.980	0.996	1.300	1.256	\$274	\$13
310	\$31	\$1	5.290	2.500	0.982	0.993	1.225	0.998	\$205	\$3
320	\$34	\$1	5.290	2.500	0.977	0.994	1.153	0.940	\$212	\$2
330	\$37	\$1	5.290	2.500	0.985	0.995	1.121	0.914	\$223	\$2
340	\$29	\$1	5.290	2.500	0.966	0.993	1.218	0.992	\$193	\$2
350	\$30	\$1	5.290	2.500	0.978	0.994	1.125	0.917	\$183	\$2
360	\$29	\$2	5.290	2.500	0.977	0.994	1.067	0.869	\$168	\$4
370	\$31	\$2	5.290	2.500	0.974	0.994	1.053	0.858	\$177	\$4
380	\$27	\$1	5.290	2.500	0.969	0.993	1.110	0.905	\$164	\$2
390	\$27	\$1	5.290	2.500	0.972	0.994	1.088	0.887	\$160	\$2

^(a) The current Base Class is Form DP-001; \$15,000 Coverage A, \$6,000 Coverage C.

^(b) The rebasing factor for Buildings is the key factor for \$100,000 Coverage A. The rebasing factor for Contents is the key factor for \$15,000 Coverage C.

^(c) The off-balance factors are applied to introduce the proposed Amount of Insurance and Age of Construction relativities on a revenue-neutral basis.

^(d) For Extended Coverage, the territory rate level changes were capped at +30.0%.

^(e) The filed Base Class is Form DP-001; \$100,000 Coverage A, \$15,000 Coverage C.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DETERMINATION OF RATES TO BE CHARGED INDIVIDUAL INSUREDS

The filed base rates by territory are shown on pages A-4 and A-5. These are the filed manual rates for the classification carrying a unity differential. The revised rates for the remaining classifications are determined by applying the established classification rate differentials to the base rates by territory.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

SECTION B - MATERIAL TO BE IMPLEMENTED

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NORTH CAROLINA

DWELLING PROPERTY INSURANCE

REVISED RULES

1. The base rates underlying the Rule 301. Key Premium tables have been revised to reflect the filed rate level changes, the changes in the base amounts of insurance, and the introduction of age of construction credit factors. See page B-3 for the revised base rates.
2. The Windstorm or Hail Exclusion Credits have been revised to reflect the filed rates. See page B-4 for the Windstorm or Hail Exclusion Credits.
3. Rule A9. Windstorm Mitigation Program has been reformatted to simplify the structure of the rule. See pages B-5-7 for the revised rule.
4. The Windstorm Loss Mitigation Credits have been revised to reflect the filed rates. See pages B-8-9 for the Windstorm Loss Mitigation Credits.
5. The Key Factors for Fire - Coverage A have been revised and rebased to \$100,000. The Key Factors for Extended Coverage - Coverage A have also been rebased to \$100,000. The Key Factors for Fire - Coverage C and Extended Coverage - Coverage C have been rebased to \$15,000. See pages B-10-13 for the Key Factors.
6. Age of Construction Factors have been introduced for Fire - Coverage A and Extended Coverage - Coverage A. See page B-14 for the Age of Construction Factors.

NORTH CAROLINA
DWELLING PROPERTY INSURANCE
FILED TERRITORY BASE RATES

<u>Territory</u>	Filed Base Rate			
	<u>Fire</u> ^(a)		<u>Extended Coverage</u> ^(b)	
	<u>Buildings</u>	<u>Contents</u>	<u>Buildings</u>	<u>Contents</u>
110	\$102	\$8	\$1,115	\$72
120	\$100	\$9	\$1,250	\$85
130	\$162	\$18	\$926	\$62
140	\$151	\$19	\$980	\$62
150	\$147	\$20	\$799	\$28
160	\$169	\$24	\$913	\$36
170	\$208	\$28	\$392	\$12
180	\$222	\$29	\$442	\$18
190	\$217	\$31	\$438	\$23
200	\$284	\$34	\$544	\$33
210	\$196	\$30	\$367	\$12
220	\$217	\$25	\$328	\$9
230	\$290	\$37	\$520	\$29
240	\$205	\$30	\$363	\$8
250	\$212	\$26	\$341	\$7
260	\$222	\$27	\$294	\$4
270	\$167	\$21	\$253	\$5
280	\$149	\$20	\$228	\$5
290	\$191	\$22	\$276	\$4
300	\$214	\$34	\$274	\$13
310	\$175	\$23	\$205	\$3
320	\$171	\$25	\$212	\$2
330	\$170	\$27	\$223	\$2
340	\$165	\$18	\$193	\$2
350	\$174	\$24	\$183	\$2
360	\$149	\$19	\$168	\$4
370	\$162	\$21	\$177	\$4
380	\$151	\$18	\$164	\$2
390	\$156	\$21	\$160	\$2

^(a) The Base Class is Protection Class 5 with Frame construction; \$100,000 Coverage A, \$15,000 Coverage C.

^(b) The Base Class is Form DP-001; \$100,000 Coverage A, \$15,000 Coverage C.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DWELLING POLICY PROGRAM MANUAL CHANGES WINDSTORM OR HAIL EXCLUSION CREDITS

RULE A3.**WINDSTORM OR HAIL EXCLUSION – TERRITORIES 110, 120, 130, 140, 150 AND 160 ONLY**

Territory	Const.*	Building Credit	Contents Credit
110	M	\$ 940	\$ 55
	F	989	58
	MH	1,236	73
120	M	1,064	71
	F	1,120	75
	MH	1,400	94
130	M	736	54
	F	775	57
	MH	969	71
140	M	789	48
	F	831	51
	MH	1,039	64
150	M	649	22
	F	683	23
	MH	854	29
160	M	747	28
	F	786	29
	MH	983	36

* M = Masonry, F = Frame. MH = Mobile Homes.
Masonry Veneer is rated as masonry. Aluminum or plastic siding over frame is rated as frame.

Table A3.B.2.(R) Windstorm Or Hail Exclusion – Territories 110, 120, 130, 140, 150 and 160 Only

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DWELLING POLICY PROGRAM MANUAL CHANGES WINDSTORM MITIGATION PROGRAM

RULE A9. WINDSTORM MITIGATION PROGRAM

A. Introduction

With respect to risks located in Territories 110, 120, 130, 140, 150 and 160, premium credits shall be made available for insureds who build, rebuild or retrofit certain residential dwellings, in accordance with specified standards, to better resist hurricanes and other catastrophic windstorm events.

B. Eligibility

1. A dwelling may be eligible for a premium credit if:
 - a. The dwelling has been designed and constructed in conformity with, and has been certified as meeting, the Hurricane, Tornado and Hail and High Wind requirements of the Hurricane Fortified for Safer Living® (Fortified) program promulgated by the Institute for Business and Home Safety® (IBHS) prior to March 31, 2019;
 - b. The dwelling has been certified as meeting either the Bronze, Silver or Gold hurricane mitigation measures in the Hurricane Fortified for Existing Homes® program promulgated by the IBHS prior to March 31, 2019;
 - c. The dwelling has been designed and constructed in conformity with, and has been certified as meeting, the Hurricane, Tornado and Hail and High Wind requirements of the FORTIFIED for Safer Living® program promulgated by the IBHS for use on or after March 31, 2019;
 - d. The dwelling has been certified as meeting either the Roof, Silver or Gold hurricane mitigation measures in the FORTIFIED Home™ program promulgated by the IBHS for use on or after March 31, 2019;
 - e. The dwelling contains Opening Protection in accordance with the qualification requirements set forth in Paragraph **D.1.c.**; or
 - f. The dwelling contains a Total Hip Roof.
2. The provisions of this rule do not apply:
 - a. To condominiums or tenant policies.
 - b. If the policy excludes the peril of Windstorm or Hail.
 - c. To dwellings under construction.
 - d. To Coverage **C** – Personal Property unless the policy also provides Coverage **A** – Dwelling.
 - e. To mobile homes certified under the Hurricane Fortified for Safer Living® or Hurricane Fortified for Existing Homes® programs promulgated by the IBHS prior to March 31, 2019.
3. To be eligible for a premium credit, mitigation features are not required for adjacent structures including, but not limited to, detached garages, storage sheds, barns, apartments, etc. located on the insured premises.

C. Proof of Compliance

The named insured must submit proof that the windstorm loss mitigation features and/or construction techniques have been implemented for each of the following:

1. IBHS Hurricane Fortified for Safer Living®
The named insured shall provide a copy of the proper designation certificate from the IBHS issued for the dwelling.
2. IBHS Hurricane Fortified for Existing Homes®
The named insured shall provide a copy of the proper designation certificate from the IBHS issued for the dwelling. The credit will apply for five years from the date of designation. In order to continue receiving the mitigation credit after five years, the dwelling must be re-inspected and re-designated by the IBHS. If the IBHS designation expires, the applicable mitigation credit will expire upon renewal.
3. IBHS FORTIFIED for Safer Living®
The named insured shall provide a copy of the proper designation certificate from the IBHS issued for the dwelling.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DWELLING POLICY PROGRAM MANUAL CHANGES WINDSTORM MITIGATION PROGRAM

RULE A9.

WINDSTORM MITIGATION PROGRAM (Cont'd)

4. IBHS FORTIFIED Home™

The named insured shall provide a copy of the proper designation certificate from the IBHS issued for the dwelling. The credit will apply for five years from the date of designation. In order to continue receiving the mitigation credit after five years, the dwelling must be re-inspected and re-designated by the IBHS. If the IBHS designation expires, the applicable mitigation credit will expire upon renewal.

5. Opening Protection

The existence of Opening Protection may be verified by proof of installation.

6. Total Hip Roof

The existence of a hip roof may be verified through photographs of the roof.

D. Description of Mitigation Credit Tables

With respect to dwellings to which this rule applies and subject to all other provisions of this Windstorm Mitigation Program, the following approved and properly maintained windstorm mitigation features shall be recognized for a premium credit.

1. Mitigation Features

a. IBHS Hurricane Fortified Homes (designations prior to March 31, 2019):

- (1) A home designated by the IBHS as Hurricane Fortified for Safer Living®.
- (2) A home designated by the IBHS as Hurricane Fortified for Existing Homes®, including:
 - (i) Hurricane Fortified for Existing Homes Bronze, Option 1
 - (ii) Hurricane Fortified for Existing Homes Bronze, Option 2
 - (iii) Hurricane Fortified for Existing Homes Silver, Option 1
 - (iv) Hurricane Fortified for Existing Homes Silver, Option 2
 - (v) Hurricane Fortified for Existing Homes Gold, Option 1
 - (vi) Hurricane Fortified for Existing Homes Gold, Option 2

b. IBHS FORTIFIED programs (designations on or after March 31, 2019):

- (1) A home designated by the IBHS as FORTIFIED for Safer Living®.
- (2) A home designated by the IBHS as FORTIFIED Home™, including:
 - (i) FORTIFIED Roof – Hurricane – Existing Roof
 - (ii) FORTIFIED Roof – Hurricane – New Roof
 - (iii) FORTIFIED Home – Hurricane – Silver – Existing Roof
 - (iv) FORTIFIED Home – Hurricane – Silver – New Roof
 - (v) FORTIFIED Home – Hurricane – Gold – Existing Roof
 - (vi) FORTIFIED Home – Hurricane – Gold – New Roof

c. Opening Protection

- (1) Building opening protective features must have been certified as having met the Large Missile Test (Missile D) of the American Society for Testing and Materials ASTM E 1886 (standard test method) and ASTM E 1996 (standard specification) or other standards that are determined to be equivalent, including the American Architectural Manufacturers Association (AAMA), AAMA 506 or the Florida Building Code Testing Application Standards TAS 201 and 203. Such opening protective features shall be considered qualified.

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RULE A9.

WINDSTORM MITIGATION PROGRAM (Cont'd)

- (2) Qualifying opening protection must be present at all exterior envelope openings (such as windows, garage doors, sliding doors, swinging doors, glass block, door sidelights, and skylights) on the dwelling structure. For the credit to apply, the following conditions must be met:
- (i) In accordance with the qualification requirements set forth in Paragraph **D.1.c.(1)**:
 - (a) All exterior building envelope openings with glazing (e.g. glass) shall have qualified impact-resistant and wind pressure-resistant opening protection;
 - (b) All exterior building envelope openings without glazing shall have qualified wind pressure-resistant opening protection; and
 - (c) All garage doors (with and without glazing) shall meet or exceed a qualified minimum pressure resistance.
 - (ii) Opening protection must be installed by a qualified contractor, according to the manufacturer's specifications.
 - (iii) Impact-resistant protective devices must not be made of wood structural panels, such as OSB or plywood, or be homemade.

d. Total Hip Roof

A Total Hip Roof is a roof that slopes in four directions such that the end formed by the intersection of slopes is a triangle.

E. Premium Determination

1. To compute the Extended Coverage Non-seasonal or Seasonal Base Premium or the Broad or Special Form Non-seasonal Base Premium:
 - a. Determine the Extended Coverage, Broad or Special Form Key Premium as described in Rule **301**.
 - b. Subtract the Coverage **A** Windstorm Loss Mitigation Credit shown on the state rates from the Coverage **A** Extended Coverage, Broad or Special Form Key Premium. If applicable, also subtract the Coverage **C** Windstorm Loss Mitigation Credit, shown on the state rates from the Coverage **C** Extended Coverage, Broad or Special Form Key Premium.
 - c. Multiply the Extended Coverage, Broad or Special Form Key Premium excluding Windstorm Loss Mitigation Coverage developed in Paragraph **E.1.b.** by the Key Factor for the desired limit of liability.
2. To compute the Seasonal Broad or Special Form Base Premium:
 - a. Determine the **DP 00 01** Extended Coverage Key Premium as described in Rule **301**.
 - b. Multiply the **DP 00 01** Extended Coverage Key Premium by the appropriate Seasonal factor shown in Table **301.A.#42(R)** or Table **301.A.#45(R)** to determine the Seasonal Broad or Special Form Key Premium.
 - c. Subtract the Coverage **A** Windstorm Loss Mitigation Credit shown in the state rates from the Coverage **A** Seasonal Broad or Special Form Key Premium determined in Paragraph **E.2.b.** If applicable, also subtract the Coverage **C** Windstorm Loss Mitigation Credit, shown on the state rates from the Coverage **C** Seasonal Broad or Special Form Key Premium.
 - d. Multiply the Seasonal Broad or Special Form Key Premium excluding Windstorm Loss Mitigation Coverage developed in Paragraph **E.2.c.** by the Key Factor for the desired limit of liability.
3. Mitigation Feature credits cannot be combined, except for Total Hip Roof and Opening Protection.
4. If mitigation measures are installed midterm, premium adjustment is required on a pro rata basis.

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**DWELLING POLICY PROGRAM MANUAL CHANGES
WINDSTORM LOSS MITIGATION CREDITS**

**RULE A9.
WINDSTORM MITIGATION PROGRAM**

Mitigation Feature	Const.	Territory 110	Territory 120	Territory 130	Territory 140	Territory 150	Territory 160
Total Hip Roof	M	\$ 49	\$ 51	\$ 32	\$ 32	\$ 35	\$ 30
	F	52	54	34	34	37	32
Opening Protection	M	49	51	32	32	35	30
	F	52	54	34	34	37	32
Total Hip Roof and Opening Protection	M	98	102	73	73	63	69
	F	103	107	77	77	66	73
IBHS Designation prior to March 31, 2019: <i>Hurricane Fortified for Safer Living®</i>	M	168	189	82	130	84	124
	F	177	199	86	137	88	130
<i>Hurricane Fortified for Existing Homes® Bronze Option 1</i>	M	35	36	25	25	28	23
	F	37	38	26	26	29	24
<i>Hurricane Fortified for Existing Homes® Bronze Option 2</i>	M	63	66	32	48	35	47
	F	66	69	34	51	37	49
<i>Hurricane Fortified for Existing Homes® Silver Option 1</i>	M	98	117	49	82	42	77
	F	103	123	52	86	44	81
<i>Hurricane Fortified for Existing Homes® Silver Option 2</i>	M	119	139	57	98	48	92
	F	125	146	60	103	51	97
<i>Hurricane Fortified for Existing Homes® Gold Option 1</i>	M	126	139	73	98	63	92
	F	133	146	77	103	66	97
<i>Hurricane Fortified for Existing Homes® Gold Option 2</i>	M	141	167	82	123	69	116
	F	148	176	86	129	73	122
IBHS Designation on or after March 31, 2019: <i>FORTIFIED for Safer Living®</i>	M	168	189	82	130	84	124
	F	177	199	86	137	88	130
FORTIFIED Roof – Hurricane – Existing Roof	M	35	36	25	25	28	23
	F	37	38	26	26	29	24
FORTIFIED Roof – Hurricane – New Roof	M	63	66	32	48	35	47
	F	66	69	34	51	37	49
FORTIFIED Home – Hurricane – Silver – Existing Roof	M	98	117	49	82	42	77
	F	103	123	52	86	44	81
FORTIFIED Home – Hurricane – Silver – New Roof	M	119	139	57	98	48	92
	F	125	146	60	103	51	97
FORTIFIED Home – Hurricane – Gold – Existing Roof	M	126	139	73	98	63	92
	F	133	146	77	103	66	97
FORTIFIED Home – Hurricane – Gold – New Roof	M	141	167	82	123	69	116
	F	148	176	86	129	73	122

Table A9.E.#1(R) – Windstorm Loss Mitigation Credit – Coverage A – Dwelling

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WINDSTORM LOSS MITIGATION CREDITS

**RULE A9.
WINDSTORM MITIGATION PROGRAM**

Mitigation Feature	Const.	Territory 110	Territory 120	Territory 130	Territory 140	Territory 150	Territory 160
Total Hip Roof	M	\$ 3	\$ 4	\$ 5	\$ 4	\$ 2	\$ 2
	F	3	4	5	4	2	2
Opening Protection	M	3	4	5	4	2	2
	F	3	4	5	4	2	2
Total Hip Roof and Opening Protection	M	3	8	5	4	2	2
	F	3	8	5	4	2	2
IBHS Designation prior to March 31, 2019: <i>Hurricane Fortified for Safer Living®</i>	M	13	14	10	12	4	7
	F	14	15	10	13	4	7
<i>Hurricane Fortified for Existing Homes® Bronze Option 1</i>	M	3	4	5	4	2	2
	F	3	4	5	4	2	2
<i>Hurricane Fortified for Existing Homes® Bronze Option 2</i>	M	3	8	5	4	2	2
	F	3	8	5	4	2	2
<i>Hurricane Fortified for Existing Homes® Silver Option 1</i>	M	7	8	5	9	2	5
	F	7	8	5	9	2	5
<i>Hurricane Fortified for Existing Homes® Silver Option 2</i>	M	7	10	5	9	2	5
	F	7	11	5	9	2	5
<i>Hurricane Fortified for Existing Homes® Gold Option 1</i>	M	10	10	5	9	2	5
	F	10	11	5	9	2	5
<i>Hurricane Fortified for Existing Homes® Gold Option 2</i>	M	10	10	10	9	4	5
	F	10	11	10	9	4	5
IBHS Designation on or after March 31, 2019: <i>FORTIFIED for Safer Living®</i>	M	13	14	10	12	4	7
	F	14	15	10	13	4	7
FORTIFIED Roof – Hurricane – Existing Roof	M	3	4	5	4	2	2
	F	3	4	5	4	2	2
FORTIFIED Roof – Hurricane – New Roof	M	3	8	5	4	2	2
	F	3	8	5	4	2	2
FORTIFIED Home – Hurricane – Silver – Existing Roof	M	7	8	5	9	2	5
	F	7	8	5	9	2	5
FORTIFIED Home – Hurricane – Silver – New Roof	M	7	10	5	9	2	5
	F	7	11	5	9	2	5
FORTIFIED Home – Hurricane – Gold – Existing Roof	M	10	10	5	9	2	5
	F	10	11	5	9	2	5
FORTIFIED Home – Hurricane – Gold – New Roof	M	10	10	10	9	4	5
	F	10	11	10	9	4	5

Table A9.E.#2(R) – Windstorm Loss Mitigation Credit – Coverage C – Personal Property

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KEY FACTORS

**RULE 301.
BASE PREMIUM COMPUTATION**

Fire – Coverage A – All Forms Owner And Non-owner-occupied – Non-seasonal And Seasonal			
Key Factors			
Limit Of Liability (000's)	Coverage A	Limit Of Liability (000's)	Coverage A
\$ 1*	.087	\$ 60	.703
2	.101	70	.780
3	.116	80	.855
4	.129	90	.928
5	.144	100	1.000
6	.157	125	1.175
7	.173	150	1.346
8	.186	175	1.514
9	.201	200	1.679
10	.214	225	1.843
11	.227	250	2.006
12	.243	275	2.168
13	.257	300	2.328
14	.271	325	2.488
15	.284	350	2.648
16	.297	375	2.807
17	.309	400	2.965
18	.322	425	3.123
19	.334	450	3.281
20	.345	475	3.438
25	.399	500	3.594
30	.449		
35	.495		
40	.540		
45	.582	Each Addi-	
50	.623	tional \$1,000	.006

* Use this limit of liability to develop premiums for policy amounts less than \$1,000.

Table 301.A Fire – Coverage A – All Forms Owner And Non-owner-occupied – Non-seasonal And Seasonal Key Factors

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KEY FACTORS

**RULE 301.
BASE PREMIUM COMPUTATION**

Fire – Coverage C – All Forms Owner And Non-owner-occupied – Non-seasonal And Seasonal			
Key Factors			
Limit Of Liability (000's)	Coverage C	Limit Of Liability (000's)	Coverage C
\$ 1*	.161	\$ 27	1.719
2	.221	28	1.779
3	.281	29	1.839
4	.341	30	1.899
5	.401	31	1.959
6	.461	32	2.018
7	.521	33	2.078
8	.581	34	2.138
9	.641	35	2.198
10	.700	36	2.258
11	.760	37	2.318
12	.820	38	2.378
13	.880	39	2.438
14	.940	40	2.498
15	1.000	41	2.558
16	1.060	42	2.618
17	1.120	43	2.677
18	1.180	44	2.737
19	1.240	45	2.797
20	1.300	46	2.857
21	1.359	47	2.917
22	1.419	48	2.977
23	1.479	49	3.037
24	1.539	50	3.097
25	1.599	Each Addi-	
26	1.659	tional \$1,000	.060

* Use this limit of liability to develop premiums for policy amounts less than \$1,000.

Table 301.A Fire – Coverage C – All Forms Owner And Non-owner-occupied – Non-seasonal And Seasonal Key Factors

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KEY FACTORS

**RULE 301.
BASE PREMIUM COMPUTATION**

Extended Coverage, Broad And Special Forms – Coverage A			
Key Factors			
Limit Of Liability (000's)	Coverage A	Limit Of Liability (000's)	Coverage A
\$ 1*	.050	\$ 60	.616
2	.060	70	.712
3	.069	80	.808
4	.079	90	.904
5	.089	100	1.000
6	.098	125	1.240
7	.108	150	1.480
8	.117	175	1.720
9	.127	200	1.959
10	.137	225	2.199
11	.146	250	2.439
12	.156	275	2.679
13	.165	300	2.919
14	.175	325	3.159
15	.185	350	3.399
16	.194	375	3.638
17	.204	400	3.878
18	.213	425	4.118
19	.223	450	4.358
20	.232	475	4.598
25	.280	500	4.838
30	.328		
35	.376		
40	.424		
45	.472	Each Addi-	
50	.520	tional \$1,000	.010

* Use this limit of liability to develop premiums for policy amounts less than \$1,000.

Table 301.A Extended Coverage, Broad And Special Forms – Coverage A Key Factors

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KEY FACTORS

**RULE 301.
BASE PREMIUM COMPUTATION**

Extended Coverage, Broad And Special Forms – Coverage C			
Key Factors			
Limit Of Liability (000's)	Coverage C	Limit Of Liability (000's)	Coverage C
\$ 1*	.064	\$ 27	1.803
2	.131	28	1.869
3	.197	29	1.936
4	.264	30	2.003
5	.331	31	2.070
6	.398	32	2.137
7	.465	33	2.204
8	.532	34	2.271
9	.599	35	2.338
10	.666	36	2.404
11	.732	37	2.471
12	.799	38	2.538
13	.866	39	2.605
14	.933	40	2.672
15	1.000	41	2.739
16	1.067	42	2.806
17	1.134	43	2.873
18	1.201	44	2.939
19	1.268	45	3.006
20	1.334	46	3.073
21	1.401	47	3.140
22	1.468	48	3.207
23	1.535	49	3.274
24	1.602	50	3.341
25	1.669	Each Addi-	
26	1.736	tional \$1,000	.067

* Use this limit of liability to develop premiums for policy amounts less than \$1,000.

Table 301.A Extended Coverage, Broad And Special Forms – Coverage C Key Factors

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AGE OF CONSTRUCTION FACTORS

RULE Axx.**AGE OF CONSTRUCTION**

- A. Determine the age of construction based on the calendar year that the dwelling was completed and first occupied. If the year first occupied is different than the year completed, the later year would apply.
- B. Multiply the Coverage A Base Premium by the appropriate factor selected from the following table:

Age Of Construction	Fire	E.C., Broad & Special Forms
0 *	.685	.778
1	.696	.786
2	.706	.794
3	.717	.802
4	.728	.810
5	.739	.818
6	.750	.826
7	.762	.835
8	.773	.843
9	.785	.851
10	.797	.860
11	.809	.869
12	.822	.878
13	.834	.886
14	.847	.895
15	.860	.904
16	.873	.914
17	.886	.923
18	.900	.932
19	.913	.941
20	.927	.951
21	.941	.961
22	.956	.970
23	.970	.980
24	.985	.990
25 +	1.000	1.000

* Age "0" applies to homes built within the last year as well as homes still under construction.

+ Applies to dwellings built at least 25 years ago.

Table Axx.B. Age Of Construction Factors

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SECTION C - SUPPORTING MATERIAL

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CALCULATION OF INDICATED STATEWIDE RATE LEVEL CHANGE

FIRE

Accident Year Ended	(1) Adjusted Incurred Losses ^(a)	(2) Adjusted Incurred Losses Including LAE ^(b)	(3) Current Cost/Amount Factor ^(c)	(4) Earned House Years
2013	43,325,869	47,181,871	1.036	662,128
2014	45,727,708	49,797,474	1.033	685,588
2015	45,999,860	50,093,848	1.040	713,116
2016	54,958,191	59,849,470	1.040	729,146
2017	45,821,162	49,899,245	1.036	738,742

Accident Year Ended	(5) Trended Loss Cost ^(d) <u>(2)×(3)×CPF/(4)</u>	(6) Average Rating Factor ^(e)	(7) Trended Base Class Loss Cost <u>(5) / (6)</u>	(8) Accident Year Weights
2013	75.96	4.259	17.84	0.10
2014	77.21	4.332	17.82	0.15
2015	75.17	4.400	17.08	0.20
2016	87.84	4.350	20.19	0.25
2017	72.01	4.387	16.41	0.30

(9)	Weighted Trended Base Class Loss Cost ^(f)	17.84
(10)	Credibility (3,528,720 House Years) ^(g)	1.00
(11)	Fixed Expense per Policy ^(h)	3.94
(12)	Base Class Loss Cost with Fixed Expense, (9) + (11)	21.78
(13)	Expected Loss and Fixed Expense Ratio ⁽ⁱ⁾	0.764
(14)	Base Class Rate Excluding Comp. for Assess. Risk & Dev., (12) / (13)	28.51
(15)	Compensation for Assessment Risk per Policy ⁽ⁱ⁾	1.03
(16)	Base Class Rate Excluding Deviations, (14) + (15)	29.54
(17)	Selected Deviation ^(k)	0.0000
(18)	Deviation Amount per Policy, [(16) / (1.0 - (17))] - (16)	0.00
(19)	Required Base Class Rate per Policy, (16) + (18)	29.54
(20)	Current Average Base Class Rate	26.14
(21)	Indicated Rate Level Change, (19) / (20) - 1	+13.0%
(22)	Filed Rate Level Change ^(l)	+4.6%

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CALCULATION OF INDICATED STATEWIDE RATE LEVEL CHANGE
FIRE

- (a) Incurred losses have been adjusted by the following loss development factors:

<u>Year Ended</u>	<u>Loss Development Factor</u>
12/31/2013	1.000
12/31/2014	1.000
12/31/2015	0.999
12/31/2016	0.996
12/31/2017	0.970

- (b) The trended loss adjustment expenses have been calculated to be 8.9% of the incurred losses for Fire. This factor is developed on pages D-26 and D-29.
- (c) The development of the Current Cost/Amount Factors is shown on page D-18.
- (d) The development of the Composite Projection Factor (CPF) is shown on page D-19.
- (e) The Average Rating Factor is the ratio of average rate at current manual level and average current base class rate.
- (f) The Weighted Trended Base Class Loss Cost is the sum of the products, by year, of the Trended Base Class Loss Costs and the accident year weights.
- (g) The standard for full credibility is 500,000 house years for Fire. This review is fully credible. The statewide credibility procedure is based on the "frequency with severity modification" model discussed in "Credibility of the Pure Premium" by Mayerson, Bowers and Jones. The full credibility standard is based on a normal distribution with a 90% probability of meeting the test and a 10% maximum departure from the expected value, translated to house year standards. Partial credibility (Z_p) is calculated as follows:
- $$Z_p = \sqrt{\frac{\text{Five-Year House Years}}{\text{Full Credibility Standard}}} \text{ (truncated to the nearest tenth)}$$
- (h) The development of the Fixed Expense per Policy is shown on page D-29.
- (i) The development of the Expected Loss and Fixed Expense Ratio is shown on page D-25.
- (j) The Compensation for Assessment Risk loading is 3.4% of premium and is based on an analysis done by P. Anderson. The provision per policy is calculated as $(0.034 \times \text{Current Average Base Class Rate}) / (1 - \text{Provisions for Commission \& Taxes})$. The commission and tax provisions are those shown on page D-25 for Fire.
- (k) A 0% deviation loading was selected by the North Carolina Rate Bureau.
- (l) The filed rate level change is the weighted average of the filed territory rate level changes weighted by latest-year earned premium at present rates. For Fire, the territory rate level changes have been capped at +5.0%.

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CALCULATION OF INDICATED STATEWIDE RATE LEVEL CHANGE
EXTENDED COVERAGE

Accident Year Ended	(1) Non-Modeled Adjusted Incurred Losses ^{(a) *}	(2) Non-Modeled Adjusted Excess Losses ^(b)	(3) Losses Including LAE Adjusted for Excess [(1)-(2)] × LAE × Excess Factor ^{(c) (d)}	(4) Current Cost/Amount Factor ^(e)	(5) Earned House Years
2013	37,729,915	0	44,382,642	1.052	660,085
2014	47,705,324	0	56,116,965	1.046	688,942
2015	47,537,446	0	55,919,486	1.049	718,460
2016	49,255,283	0	57,940,221	1.047	735,537
2017	57,518,715	0	67,660,702	1.042	744,286

Accident Year Ended	(6) Trended Loss Cost (3)×(4)×CPF/(5) ^(f)	(7) Average Rating Factor ^(g)	(8) Trended Base Class Loss Cost (6) / (7)	(9) Accident Year Weights
2013	75.61	7.086	10.67	0.20
2014	91.08	7.197	12.66	0.20
2015	87.28	7.324	11.92	0.20
2016	88.17	7.322	12.04	0.20
2017	101.26	7.370	13.74	0.20

(10)	Weighted Trended Non-Hurricane Base Class Loss Cost ^(h)	12.21
(11)	Credibility (3,547,310 House Years) ⁽ⁱ⁾	1.00
(12)	Trended Modeled Hurricane Base Class Loss Cost ^(j)	17.50
(13)	Total Base Class Loss Cost (10) + (12)	29.71
(14)	Fixed Expense per Policy ^(k)	4.45
(15)	Base Class Loss Cost with Fixed Expense, (13) + (14)	34.16
(16)	Expected Loss and Fixed Expense Ratio ^(l)	0.775
(17)	Base Rate Excluding Comp. for Assess. Risk, Net Reins. & Dev., (15) / (16)	44.07
(18)	Compensation for Assessment Risk per Policy ^(m)	1.72
(19)	Net Cost of Reinsurance per Policy ⁽ⁿ⁾	25.48
(20)	Base Class Rate Excluding Deviations, (17) + (18) + (19)	71.27
(21)	Selected Deviation ^(o)	0.000
(22)	Deviation Amount per Policy, [(20) / (1.0 - (21))] - (20)	0.00
(23)	Required Base Class Rate per Policy, (20) + (22)	71.27
(24)	Current Average Base Class Rate	44.37
(25)	Indicated Rate Level Change, (23) / (24) - 1	+60.6%
(26)	Filed Rate Level Change ^(p)	+24.3%

* Actual Hurricane losses of \$3,250,532 were removed from 2014, \$3,874,157 were removed from 2015, \$65,758,824 were removed from 2016, and \$259,435 were removed from 2017.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF INDICATED STATEWIDE RATE LEVEL CHANGE
EXTENDED COVERAGE

- (a) Incurred losses excluding hurricane have been adjusted by the following loss development factors:

<u>Year Ended</u>	<u>Loss Development Factor</u>
12/31/2013	1.000
12/31/2014	1.001
12/31/2015	1.001
12/31/2016	1.003
12/31/2017	1.028

- (b) Excess losses are calculated on pages D-32-34.
- (c) The trended loss adjustment expenses have been calculated to be 11.5% of the non-hurricane incurred losses for Extended Coverage. This factor is developed on pages D-28 and D-29.
- (d) The excess factor is calculated on pages D-32-33.
- (e) The development of the Current Cost/Amount Factors is shown on page D-21.
- (f) The development of the Composite Projection Factor (CPF) is shown on page D-22.
- (g) The Average Rating Factor is the ratio of average rate at current manual level and average current base class rate.
- (h) The Weighted Trended Base Class Loss Cost is the sum of the products, by year, of the Trended Base Class Loss Costs and the accident year weights.
- (i) The standard for full credibility is 330,000 house years for Extended Coverage. This review is fully credible. The statewide credibility procedure is based on the "frequency with severity modification" model discussed in "Credibility of the Pure Premium" by Mayerson, Bowers and Jones. The full credibility standard is based on a normal distribution with a 90% probability of meeting the test and a 10% maximum departure from the expected value, translated to house year standards. Partial credibility (Z_p) is calculated as follows:
- $$Z_p = \sqrt{\frac{\text{Five-Year House Years}}{\text{Full Credibility Standard}}} \text{ (truncated to the nearest tenth)}$$
- (j) The modeled hurricane base class loss cost is calculated by dividing modeled losses of \$99,073,353 by the product of latest year Earned House Years, Average Rating Factor, Current Amount Factor and Premium Projection Factor. Using the latest year exposures, Aon developed modeled losses by blending the results of the AIR and RMS hurricane models. The resulting losses are adjusted by Aon for trend and hurricane-specific LAE. The development of the Trended Modeled Hurricane Base Class Loss Cost is shown on page D-37.
- (k) The development of the Fixed Expense per Policy is shown on page D-29.
- (l) The development of the Expected Loss and Fixed Expense Ratio is shown on page D-27.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF INDICATED STATEWIDE RATE LEVEL CHANGE
EXTENDED COVERAGE

- (m) The Compensation for Assessment Risk loading is 3.4% of premium and is based on an analysis done by P. Anderson. The provision per policy is calculated as $(0.034 \times \text{Current Average Base Class Rate}) / (1 - \text{Provisions for Commission \& Taxes})$. The commission and tax provisions are those shown on page D-27 for Extended Coverage.
- (n) The derivations of the statewide Net Cost of Reinsurance per Policy provisions are provided on page D-39. These loadings are based on an analysis done by Aon.
- (o) A 0% deviation loading was selected by the North Carolina Rate Bureau.
- (p) The filed rate level change is the weighted average of the filed territory rate level changes weighted by latest-year earned premium at present rates. For Extended Coverage, the territory rate level changes have been capped at +30.0%.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF INDICATED CLASS RATE LEVEL CHANGES

FIRE

	(1)	(2)	(3)	(4)	(5)	(6)
	Trended	Five-Year	Trended	Base Class		Credibility-
	Adjusted	Earned	Average	Loss Cost		Weighted
<u>Class</u>	<u>Incurred Losses</u>	<u>House Years</u>	<u>Rating Factor</u>	<u>(1) / [(2) × (3)]</u>	<u>Credibility</u>	<u>Loss Cost</u>
Buildings	251,931,121	2,317,599	4.989	21.79	1.00	21.79
Contents	14,383,057	1,211,121	2.228	5.33	1.00	5.33
Total	266,314,178	3,528,720	4.622	16.33		16.33
	(7)	(8)	(9)	(10)	(11)	(12)
	Indicated	Current Latest-	Expected	Indicated	Compensation	Base Class
	Base Class	Year Average	Loss and	Base Class	for	Rate Excluding
	Loss Cost ^(a)	Base Class Rate	Fixed	Rate ^(b)	Assessment	Deviations
<u>Class</u>	<u>Loss Cost ^(a)</u>	<u>Base Class Rate</u>	<u>Expense Ratio</u>	<u>Rate ^(b)</u>	<u>Risk per Policy</u>	<u>(10) + (11)</u>
Buildings	23.80	34.53	0.764	38.02	1.36	39.38
Contents	5.82	10.30	0.764	9.67	0.40	10.07
Total	17.84	25.90	0.764	28.50	1.03	29.53
	(13)	(14)	(15)	(16)	(17)	(18)
	Selected	Deviation	Required	Current Five-	Indicated	Indicated
	Deviation	Amount	Base Class	Year Average	Base Class	Rate Change
		per Policy	Rate	Base Class Rate	Rate Change	Balanced to
<u>Class</u>	<u>Deviation</u>	<u>(12) / [1.0 - (13)] - (12)</u>	<u>(12) + (14)</u>	<u>Base Class Rate</u>	<u>(15) / (16) - 1</u>	<u>Statewide Level ^(c)</u>
Buildings	0.000	0.00	39.38	34.45	+14.3%	+14.0%
Contents	0.000	0.00	10.07	10.23	-1.6%	-1.8%
Total	0.000	0.00		26.14	+13.3%	+13.0%

^(a) Column (7) = (6) / Total (6) × Statewide Indication page row (9)

^(b) Column (10) = [(7) + (8) × Trended fixed expense ratio] / (9). Trended fixed expense ratio is shown in on page D-29.

^(c) Column (18) = [1 + (17)] / [1 + (17) total] × (1 + Statewide indicated rate level change) - 1

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF INDICATED CLASS RATE LEVEL CHANGES
EXTENDED COVERAGE

<u>Class</u>	(1) Trended Adjusted Incurred <u>Non-Modeled Losses</u>	(2) Five-Year Earned <u>House Years</u>	(3) Trended Average <u>Rating Factor</u>	(4) Base Class Loss Cost <u>≡ (1) / [(2) × (3)]</u>	(5) <u>Credibility</u>	(6) Credibility- Weighted <u>Loss Cost</u>
Buildings	270,667,351	2,458,747	7.790	14.13	1.00	14.13
Contents	6,636,261	1,088,563	4.198	1.45	1.00	1.45
Total	277,303,612	3,547,310	7.594	10.29		10.29

<u>Class</u>	(7) Modeled Base Class <u>Loss Cost</u>	(8) Total Base Class <u>Loss Cost</u>	(9) Indicated Base Class <u>Loss Cost</u> ^(a)	(10) Current Latest- Year Average <u>Base Class Rate</u>	(11) Expected Loss and Fixed <u>Expense Ratio</u>
Buildings	24.06	38.19	40.83	60.17	0.775
Contents	2.53	3.98	4.25	7.86	0.775
Total	17.50	27.79	29.71	44.03	0.775

<u>Class</u>	(12) Indicated Net Base Class Rate ^(b)	(13) Compensation for Assessment Risk <u>per Policy</u>	(14) Net Cost of Reinsurance <u>per Policy</u>	(15) Base Class Rate Excluding Deviations <u>(12)+(13)+(14)</u>	(16) Selected <u>Deviation</u>
Buildings	60.53	2.34	35.05	97.92	0.000
Contents	6.51	0.31	3.64	10.46	0.000
Total	44.07	1.72	25.48	71.27	0.000

<u>Class</u>	(17) Deviation Amount per Policy <u>(15) / [1.0 - (16)] - (15)</u>	(18) Required Base Class Rate <u>(15) + (17)</u>	(19) Current Five- Year Average <u>Base Class Rate</u>	(20) Indicated Base Class Rate Change <u>(18) / (19) - 1</u>	(21) Indicated Rate Change Balanced to Statewide Level ^(c)
Buildings	0.00	97.92	60.50	+61.9%	+61.5%
Contents	0.00	10.46	7.93	+31.9%	+31.6%
Total	0.00		44.37	+61.0%	+60.6%

^(a) Column (9) = (8) / Total (8) × Statewide Indication page row (13).

^(b) Column (12) = [(9) + (10) × Trended fixed expense ratio] / (11). Trended fixed expense ratio is shown on page D-29.

^(c) Column (21) = [1 + (20)] / [1 + (20) total] × (1 + Statewide indicated rate level change) - 1

NORTH CAROLINA
DWELLING PROPERTY INSURANCE

CALCULATION OF INDICATED TERRITORY RATE LEVEL CHANGES
FIRE

Territory	(1) Latest-Year Earned Premium at Current Level	(2) Current Average Base Class Rate	(3) Five-Year Experience Base Class Loss Cost	(4) Five-Year Earned House Years	(5) Credibility	(6) Credibility- Weighted Base Class Loss Cost ^(a)	(7) Indicated Relativity (6) / SW (6)	(8) Indicated Base Class Loss Cost (7) × 17.84 ^(b)	(9) Trended Fixed Expense per Policy ^(c)	(10) Trended Loss and Fixed Expense (8) + (9)
110	2,486,611	10.79	6.06	113,670	0.40	6.23	0.407	7.26	1.66	8.92
120	2,639,630	10.64	5.66	154,876	0.50	5.96	0.389	6.94	2.13	9.07
130	897,166	22.54	7.44	38,751	0.20	12.10	0.790	14.09	3.48	17.57
140	4,475,092	20.62	10.36	243,911	0.60	11.07	0.723	12.90	4.06	16.96
150	2,819,321	21.84	12.40	143,678	0.50	12.63	0.824	14.70	4.13	18.83
160	3,038,461	24.51	15.10	136,139	0.50	14.76	0.963	17.18	3.98	21.16
170	443,325	32.63	19.89	16,984	0.10	19.27	1.258	22.44	4.70	27.14
180	3,760,796	34.06	19.42	145,647	0.50	19.73	1.288	22.98	4.86	27.84
190	1,411,362	34.92	24.35	60,369	0.30	21.69	1.416	25.26	5.45	30.71
200	1,108,651	43.08	27.86	38,976	0.20	25.85	1.687	30.10	5.28	35.38
210	1,058,580	31.97	22.79	47,941	0.30	20.00	1.305	23.28	5.36	28.64
220	5,786,484	31.25	19.27	185,731	0.60	18.92	1.235	22.03	3.68	25.71
230	2,438,682	46.07	30.01	101,486	0.40	28.27	1.845	32.91	6.76	39.67
240	3,502,061	32.67	22.68	144,892	0.50	20.95	1.367	24.39	4.94	29.33
250	2,591,707	29.46	18.81	88,064	0.40	17.92	1.170	20.87	3.72	24.59
260	1,798,547	36.86	20.35	64,600	0.30	21.29	1.390	24.80	4.83	29.63
270	5,675,969	23.25	13.40	204,084	0.60	13.51	0.882	15.73	3.04	18.77
280	974,823	21.37	13.71	42,205	0.20	12.80	0.836	14.91	3.26	18.17
290	1,376,188	27.00	12.45	49,444	0.30	14.86	0.970	17.30	3.51	20.81
300	1,184,087	36.14	25.17	54,102	0.30	22.44	1.465	26.14	5.82	31.96
310	8,762,082	27.94	15.90	358,725	0.80	16.01	1.045	18.64	4.05	22.69
320	4,058,276	27.71	19.18	164,853	0.50	17.74	1.158	20.66	3.99	24.65
330	309,022	28.22	18.66	15,434	0.10	16.81	1.097	19.57	4.82	24.39
340	8,443,664	24.07	13.24	337,846	0.80	13.42	0.876	15.63	3.37	19.00
350	3,672,609	28.64	18.66	153,586	0.50	17.76	1.159	20.68	4.17	24.85
360	6,276,893	22.29	12.72	298,892	0.70	12.84	0.838	14.95	3.73	18.68
370	447,969	23.78	12.81	19,854	0.10	13.87	0.905	16.15	3.71	19.86
380	1,208,010	22.09	10.41	52,316	0.30	12.22	0.798	14.24	3.37	17.61
390	1,277,703	22.81	12.27	51,664	0.30	13.08	0.854	15.24	3.28	18.52
Statewide:	83,923,771	26.14	15.38	3,528,720		15.32			3.94	

^(a) Column (6) = (5) × (3) + [1.00 - (5)] × Statewide (3) × (2) / Statewide (2)

^(b) Column (8) = (7) × Indicated Statewide Base Class Loss Cost

^(c) The derivation of the territory Trended Fixed Expense per Policy is on page D-30.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF INDICATED TERRITORY RATE LEVEL CHANGES

FIRE

Territory	(11) Expected Loss and Fixed Expense Ratio	(12) Indicated Net Base Class Rate (10) / (11)	(13) Compensation for Assessment Risk Cost per Policy	(14) Base Class Rate Excluding Deviations (12) + (13)	(15) Selected Deviation	(16) Deviation Amount per Policy (14) / (1.0 - (15)) - (14)	(17) Indicated Required Base Class Rate (14) + (16)	(18) Indicated Rate Level Change (17) / (2) - 1	(19) Indicated Rate Level Change Balanced to Statewide Indicated Level ^(d)	(20) Indicated Buildings Rate Level Change ^(e)	(21) Indicated Contents Rate Level Change ^(f)
110	0.764	11.68	0.43	12.11	0.000	0.00	12.11	+12.2%	+12.3%	+13.3%	-2.4%
120	0.764	11.87	0.42	12.29	0.000	0.00	12.29	+15.5%	+15.6%	+16.6%	+0.5%
130	0.764	23.00	0.89	23.89	0.000	0.00	23.89	+6.0%	+6.1%	+7.0%	-7.8%
140	0.764	22.20	0.81	23.01	0.000	0.00	23.01	+11.6%	+11.7%	+12.7%	-2.9%
150	0.764	24.65	0.86	25.51	0.000	0.00	25.51	+16.8%	+16.9%	+17.9%	+1.6%
160	0.764	27.70	0.97	28.67	0.000	0.00	28.67	+17.0%	+17.1%	+18.1%	+1.8%
170	0.764	35.52	1.29	36.81	0.000	0.00	36.81	+12.8%	+12.9%	+13.9%	-1.9%
180	0.764	36.44	1.34	37.78	0.000	0.00	37.78	+10.9%	+11.0%	+12.0%	-3.5%
190	0.764	40.20	1.38	41.58	0.000	0.00	41.58	+19.1%	+19.2%	+20.3%	+3.6%
200	0.764	46.31	1.70	48.01	0.000	0.00	48.01	+11.4%	+11.5%	+12.5%	-3.1%
210	0.764	37.49	1.26	38.75	0.000	0.00	38.75	+21.2%	+21.3%	+22.4%	+5.4%
220	0.764	33.65	1.23	34.88	0.000	0.00	34.88	+11.6%	+11.7%	+12.7%	-2.9%
230	0.764	51.92	1.82	53.74	0.000	0.00	53.74	+16.6%	+16.7%	+17.7%	+1.4%
240	0.764	38.39	1.29	39.68	0.000	0.00	39.68	+21.5%	+21.6%	+22.7%	+5.7%
250	0.764	32.19	1.16	33.35	0.000	0.00	33.35	+13.2%	+13.3%	+14.3%	-1.5%
260	0.764	38.78	1.45	40.23	0.000	0.00	40.23	+9.1%	+9.2%	+10.2%	-5.1%
270	0.764	24.57	0.92	25.49	0.000	0.00	25.49	+9.6%	+9.7%	+10.7%	-4.7%
280	0.764	23.78	0.84	24.62	0.000	0.00	24.62	+15.2%	+15.3%	+16.3%	+0.2%
290	0.764	27.24	1.06	28.30	0.000	0.00	28.30	+4.8%	+4.9%	+5.8%	-8.8%
300	0.764	41.83	1.42	43.25	0.000	0.00	43.25	+19.7%	+19.8%	+20.9%	+4.1%
310	0.764	29.70	1.10	30.80	0.000	0.00	30.80	+10.2%	+10.3%	+11.3%	-4.1%
320	0.764	32.26	1.09	33.35	0.000	0.00	33.35	+20.4%	+20.5%	+21.6%	+4.7%
330	0.764	31.92	1.11	33.03	0.000	0.00	33.03	+17.0%	+17.1%	+18.1%	+1.8%
340	0.764	24.87	0.95	25.82	0.000	0.00	25.82	+7.3%	+7.4%	+8.4%	-6.7%
350	0.764	32.53	1.13	33.66	0.000	0.00	33.66	+17.5%	+17.6%	+18.6%	+2.2%
360	0.764	24.45	0.88	25.33	0.000	0.00	25.33	+13.6%	+13.7%	+14.7%	-1.2%
370	0.764	25.99	0.94	26.93	0.000	0.00	26.93	+13.2%	+13.3%	+14.3%	-1.5%
380	0.764	23.05	0.87	23.92	0.000	0.00	23.92	+8.3%	+8.4%	+9.4%	-5.8%
390	0.764	24.24	0.90	25.14	0.000	0.00	25.14	+10.2%	+10.3%	+11.3%	-4.1%
Statewide:								+12.9%	+13.0%	+14.1%	-1.7%

^(d) Column (19) = [1 + (18)] / [1 + Statewide (18)] × [1 + Statewide indicated rate level change] - 1

^(e) Column (20) = [1 + (19)] × [1 + Class page Buildings (18)] / [1 + Class page Total (18)] - 1

^(f) Column (21) = [1 + (19)] × [1 + Class page Contents (18)] / [1 + Class page Total (18)] - 1

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF INDICATED TERRITORY RATE LEVEL CHANGES
EXTENDED COVERAGE

Territory	(1) Latest-Year Earned Premium at Current Level	(2) Current Average Base Class Rate	(3) Five-Year Non-Modeled Experience Base Class Loss Cost	(4) Five-Year Earned House Years	(5) Credibility	(6) Credibility- Weighted Base Class Loss Cost ^(a)	(7) Modeled Hurricane Base Class Loss Cost	(8) Total Base Class Loss Cost (6) + (7)	(9) Indicated Relativity (8) / SW (8)	(10) Indicated Base Class Loss Cost (9) × 29.71 ^(b)	(11) Trended Fixed Expense per Policy ^(c)	(12) Trended Loss and Fixed Expense (10) + (11)	Territory
110	27,881,935	92.90	5.85	113,979	0.50	7.39	57.80	65.19	2.715	80.65	2.42	83.07	110
120	35,217,357	105.63	5.65	163,033	0.70	6.63	64.31	70.94	2.955	87.78	3.17	90.95	120
130	3,994,752	86.33	7.36	38,585	0.30	8.45	38.65	47.10	1.962	58.29	5.72	64.01	130
140	28,701,372	90.77	6.98	252,200	0.80	7.37	49.17	56.54	2.355	69.96	5.47	75.43	140
150	14,167,834	85.51	10.51	142,442	0.60	9.87	21.24	31.11	1.296	38.50	6.08	44.58	150
160	15,320,519	89.32	7.77	138,690	0.60	8.23	24.72	32.95	1.372	40.76	5.54	46.30	160
170	777,162	41.64	6.89	17,003	0.20	8.51	7.53	16.04	0.668	19.84	6.53	26.37	170
180	7,959,178	42.90	7.95	147,004	0.60	8.34	11.95	20.29	0.845	25.10	5.58	30.68	180
190	2,696,308	43.51	8.44	60,498	0.40	8.73	17.85	26.58	1.107	32.89	6.81	39.70	190
200	1,637,784	49.76	9.66	38,878	0.30	9.14	22.22	31.36	1.306	38.80	7.93	46.73	200
210	2,037,315	37.74	8.12	48,370	0.30	8.68	9.38	18.06	0.752	22.34	6.34	28.68	210
220	11,751,818	34.48	13.89	182,362	0.70	12.40	7.42	19.82	0.825	24.51	3.76	28.27	220
230	3,652,543	49.00	8.38	101,996	0.50	8.65	16.27	24.92	1.038	30.84	9.15	39.99	230
240	6,324,740	36.83	10.35	146,689	0.60	9.78	7.32	17.10	0.712	21.15	5.94	27.09	240
250	5,779,356	37.19	10.23	89,222	0.50	9.58	5.74	15.32	0.638	18.95	4.03	22.98	250
260	2,480,160	37.41	9.13	64,214	0.40	9.00	4.56	13.56	0.565	16.78	6.80	23.58	260
270	12,522,249	27.17	10.63	203,769	0.70	10.12	3.33	13.45	0.560	16.64	3.13	19.77	270
280	2,083,630	26.45	7.48	42,052	0.30	8.49	2.97	11.46	0.477	14.17	3.57	17.74	280
290	3,020,500	32.41	9.28	49,365	0.30	9.03	3.97	13.00	0.541	16.07	3.68	19.75	290
300	1,301,319	27.65	9.37	54,679	0.40	9.10	5.02	14.12	0.588	17.47	7.70	25.17	300
310	12,771,403	23.79	9.41	357,744	1.00	9.41	2.01	11.42	0.476	14.14	4.57	18.71	310
320	6,645,057	26.69	10.17	164,091	0.70	9.80	2.39	12.19	0.508	15.09	4.48	19.57	320
330	426,051	27.26	8.92	15,612	0.20	8.92	1.99	10.91	0.454	13.49	6.48	19.97	330
340	14,007,398	21.82	9.18	336,627	1.00	9.18	1.92	11.10	0.462	13.72	3.63	17.35	340
350	4,986,161	23.97	9.09	154,767	0.60	9.02	1.65	10.67	0.444	13.19	4.98	18.17	350
360	9,624,037	21.41	8.16	300,010	0.90	8.24	0.96	9.20	0.383	11.38	4.52	15.90	360
370	593,109	21.72	6.20	20,167	0.20	8.38	0.70	9.08	0.378	11.23	5.01	16.24	370
380	1,560,536	19.38	7.49	51,874	0.30	8.49	0.57	9.06	0.377	11.20	4.42	15.62	380
390	1,584,712	19.00	6.84	51,388	0.30	8.30	0.50	8.80	0.367	10.90	4.22	15.12	390
Statewide:	241,506,295	44.37	8.92	3,547,310		9.00		24.01			4.45		Statewide:

^(a) Column (6) = (5) × (3) + [1.00 - (5)] × Statewide (3)

^(b) Column (10) = (9) × Indicated Statewide Base Loss Cost

^(c) The derivation of the territory Trended Fixed Expense per Policy is on page D-31.

^(d) Column (

^(e) Column (

^(f) Column (

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF INDICATED TERRITORY RATE LEVEL CHANGES
EXTENDED COVERAGE

(13) Expected Loss and Fixed Expense Ratio	(14) Indicated Net Base Class Rate (12)/(13)	(15) Compensation for Assessment Risk Cost per Policy	(16) Net Cost of Reinsurance per Policy	(17) Base Class Rate Excluding Deviations (14) + (15) + (16)	(18) Selected Deviation	(19) Deviation Amount per Policy (17) / (1.0 - (18)) - (17)	(20) Indicated Required Base Class Rate (17) + (19)	(21) Indicated Rate Level Change (20) / (2) - 1	(22) Indicated Rate Level Change Balanced to Statewide Indicated Level ^(d)	(23) Indicated Buildings Rate Level Change ^(e)	(24) Indicated Contents Rate Level Change ^(f)
0.775	107.19	3.60	83.23	194.02	0.000	0.00	194.02	+108.8%	+109.0%	+110.2%	+71.3%
0.775	117.35	4.09	113.85	235.29	0.000	0.00	235.29	+122.7%	+122.9%	+124.1%	+82.7%
0.775	82.59	3.34	61.68	147.61	0.000	0.00	147.61	+71.0%	+71.1%	+72.1%	+40.2%
0.775	97.33	3.52	85.28	186.13	0.000	0.00	186.13	+105.1%	+105.2%	+106.3%	+68.1%
0.775	57.52	3.31	37.04	97.87	0.000	0.00	97.87	+14.5%	+14.5%	+15.1%	-6.2%
0.775	59.74	3.46	47.79	110.99	0.000	0.00	110.99	+24.3%	+24.3%	+25.0%	+1.9%
0.775	34.03	1.61	12.50	48.14	0.000	0.00	48.14	+15.6%	+15.7%	+16.3%	-5.2%
0.775	39.59	1.66	22.80	64.05	0.000	0.00	64.05	+49.3%	+49.4%	+50.2%	+22.4%
0.775	51.23	1.68	35.12	88.03	0.000	0.00	88.03	+102.3%	+102.5%	+103.6%	+65.9%
0.775	60.30	1.93	42.04	104.27	0.000	0.00	104.27	+109.5%	+109.7%	+110.9%	+71.8%
0.775	37.01	1.46	18.02	56.49	0.000	0.00	56.49	+49.7%	+49.8%	+50.6%	+22.8%
0.775	36.48	1.34	14.84	52.66	0.000	0.00	52.66	+52.7%	+52.8%	+53.7%	+25.2%
0.775	51.60	1.90	30.25	83.75	0.000	0.00	83.75	+70.9%	+71.0%	+72.0%	+40.1%
0.775	34.95	1.43	13.96	50.34	0.000	0.00	50.34	+36.7%	+36.8%	+37.6%	+12.1%
0.775	29.65	1.44	11.14	42.23	0.000	0.00	42.23	+13.5%	+13.6%	+14.2%	-6.9%
0.775	30.43	1.45	8.48	40.36	0.000	0.00	40.36	+7.9%	+7.9%	+8.5%	-11.6%
0.775	25.51	1.05	6.66	33.22	0.000	0.00	33.22	+22.3%	+22.3%	+23.0%	+0.2%
0.775	22.89	1.02	5.80	29.71	0.000	0.00	29.71	+12.3%	+12.4%	+13.0%	-7.9%
0.775	25.48	1.26	7.72	34.46	0.000	0.00	34.46	+6.3%	+6.4%	+7.0%	-12.8%
0.775	32.48	1.07	8.80	42.35	0.000	0.00	42.35	+53.2%	+53.3%	+54.2%	+25.6%
0.775	24.14	0.92	3.90	28.96	0.000	0.00	28.96	+21.8%	+21.8%	+22.5%	-0.2%
0.775	25.25	1.03	4.32	30.60	0.000	0.00	30.60	+14.6%	+14.7%	+15.3%	-6.0%
0.775	25.77	1.06	3.54	30.37	0.000	0.00	30.37	+11.4%	+11.5%	+12.1%	-8.6%
0.775	22.39	0.84	3.18	26.41	0.000	0.00	26.41	+21.1%	+21.1%	+21.8%	-0.8%
0.775	23.45	0.93	2.42	26.80	0.000	0.00	26.80	+11.8%	+11.9%	+12.5%	-8.3%
0.775	20.52	0.83	1.35	22.70	0.000	0.00	22.70	+6.0%	+6.1%	+6.7%	-13.1%
0.775	20.95	0.84	0.95	22.74	0.000	0.00	22.74	+4.7%	+4.7%	+5.3%	-14.2%
0.775	20.15	0.75	0.49	21.39	0.000	0.00	21.39	+10.4%	+10.4%	+11.0%	-9.5%
0.775	19.51	0.74	0.30	20.55	0.000	0.00	20.55	+8.2%	+8.2%	+8.8%	-11.3%
								+60.5%	+60.6%	+61.5%	+31.6%

22) = [1 + (21)] / [1 + Statewide (21)] × (1 + Statewide indicated rate level change) - 1

23) = [1 + (22)] × [1 + Class page Buildings (21)] / [1 + Class page Total (21)] - 1

24) = [1 + (22)] × [1 + Class page Contents (21)] / [1 + Class page Total (21)] - 1

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF FILED TERRITORY BASE CLASS RATES

In order to mitigate the effects of large rate changes on policyholders, the Governing Committee selected maximum Fire and Extended Coverage rate changes for each class in each territory as follows:

- For each territory, the Fire change was capped at +5.0%.
- For each territory, the Extended Coverage change was capped at +30.0%.

In addition to the filed rate level changes, the filed base class rates are being adjusted to reflect the new base Amounts of Insurance and off-balanced to introduce the new Amount of Insurance and Age of Construction rating factors on a revenue-neutral basis.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF FILED TERRITORY BASE CLASS RATES

BUILDINGS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	Fire							Extended Coverage							Combined
	Latest-Year Earned Premium at Current Level	Current Base Class Rate	Rebasing Factor ^(a)	Off-Balance Factor ^(b)	Indicated Buildings Rate Change	Capped at: 5.0% Selected Rate Change	Filed Base Class Rate	Latest-Year Earned Premium at Current Level	Current Base Class Rate	Rebasing Factor ^(a)	Off-Balance Factor ^(b)	Indicated Buildings Rate Change	Capped at: 30.0% Selected Rate Change	Filed Base Class Rate	Indicated Rate Level Change ^(c)
110	2,486,611	\$17	4.400	0.769	+13.3%	+5.0%	\$102	27,881,935	\$156	5.290	0.962	+110.2%	+30.0%	\$1,115	+28.0%
120	2,639,630	\$17	4.400	0.784	+16.6%	+5.0%	\$100	35,217,357	\$174	5.290	0.957	+124.1%	+30.0%	\$1,250	+28.3%
130	897,166	\$31	4.400	0.884	+7.0%	+5.0%	\$162	3,994,752	\$128	5.290	0.951	+72.1%	+30.0%	\$926	+25.4%
140	4,475,092	\$28	4.400	0.856	+12.7%	+5.0%	\$151	28,701,372	\$134	5.290	0.940	+106.3%	+30.0%	\$980	+26.6%
150	2,819,321	\$29	4.400	0.913	+17.9%	+5.0%	\$147	14,167,834	\$126	5.290	0.960	+15.1%	+15.1%	\$799	+13.4%
160	3,038,461	\$32	4.400	0.874	+18.1%	+5.0%	\$169	15,320,519	\$130	5.290	0.942	+25.0%	+25.0%	\$913	+21.7%
170	443,325	\$44	4.400	0.975	+13.9%	+5.0%	\$208	777,162	\$62	5.290	0.973	+16.3%	+16.3%	\$392	+12.2%
180	3,760,796	\$45	4.400	0.935	+12.0%	+5.0%	\$222	7,959,178	\$62	5.290	0.964	+50.2%	+30.0%	\$442	+22.0%
190	1,411,362	\$46	4.400	0.980	+20.3%	+5.0%	\$217	2,696,308	\$62	5.290	0.974	+103.6%	+30.0%	\$438	+21.4%
200	1,108,651	\$62	4.400	1.008	+12.5%	+5.0%	\$284	1,637,784	\$77	5.290	0.973	+110.9%	+30.0%	\$544	+19.9%
210	1,058,580	\$41	4.400	0.966	+22.4%	+5.0%	\$196	2,037,315	\$52	5.290	0.975	+50.6%	+30.0%	\$367	+21.5%
220	5,786,484	\$41	4.400	0.872	+12.7%	+5.0%	\$217	11,751,818	\$46	5.290	0.964	+53.7%	+30.0%	\$328	+21.8%
230	2,438,682	\$64	4.400	1.020	+17.7%	+5.0%	\$290	3,652,543	\$73	5.290	0.966	+72.0%	+30.0%	\$520	+20.0%
240	3,502,061	\$42	4.400	0.945	+22.7%	+5.0%	\$205	6,324,740	\$51	5.290	0.967	+37.6%	+30.0%	\$363	+21.1%
250	2,591,707	\$38	4.400	0.829	+14.3%	+5.0%	\$212	5,779,356	\$52	5.290	0.921	+14.2%	+14.2%	\$341	+11.4%
260	1,798,547	\$47	4.400	0.979	+10.2%	+5.0%	\$222	2,480,160	\$50	5.290	0.977	+8.5%	+8.5%	\$294	+7.0%
270	5,675,969	\$30	4.400	0.832	+10.7%	+5.0%	\$167	12,522,249	\$37	5.290	0.952	+23.0%	+23.0%	\$253	+17.4%
280	974,823	\$28	4.400	0.866	+16.3%	+5.0%	\$149	2,083,630	\$37	5.290	0.970	+13.0%	+13.0%	\$228	+10.5%
290	1,376,188	\$35	4.400	0.845	+5.8%	+5.0%	\$191	3,020,500	\$46	5.290	0.945	+7.0%	+7.0%	\$276	+6.4%
300	1,184,087	\$47	4.400	1.014	+20.9%	+5.0%	\$214	1,301,319	\$39	5.290	0.980	+54.2%	+30.0%	\$274	+18.1%
310	8,762,082	\$35	4.400	0.926	+11.3%	+5.0%	\$175	12,771,403	\$31	5.290	0.982	+22.5%	+22.5%	\$205	+15.4%
320	4,058,276	\$34	4.400	0.917	+21.6%	+5.0%	\$171	6,645,057	\$34	5.290	0.977	+15.3%	+15.3%	\$212	+11.4%
330	309,022	\$36	4.400	0.979	+18.1%	+5.0%	\$170	426,051	\$37	5.290	0.985	+12.1%	+12.1%	\$223	+9.1%
340	8,443,664	\$31	4.400	0.869	+8.4%	+5.0%	\$165	14,007,398	\$29	5.290	0.966	+21.8%	+21.8%	\$193	+15.5%
350	3,672,609	\$35	4.400	0.930	+18.6%	+5.0%	\$174	4,986,161	\$30	5.290	0.978	+12.5%	+12.5%	\$183	+9.3%
360	6,276,893	\$29	4.400	0.901	+14.7%	+5.0%	\$149	9,624,037	\$29	5.290	0.977	+6.7%	+6.7%	\$168	+6.0%
370	447,969	\$32	4.400	0.911	+14.3%	+5.0%	\$162	593,109	\$31	5.290	0.974	+5.3%	+5.3%	\$177	+5.2%
380	1,208,010	\$29	4.400	0.886	+9.4%	+5.0%	\$151	1,560,536	\$27	5.290	0.969	+11.0%	+11.0%	\$164	+8.4%
390	1,277,703	\$30	4.400	0.888	+11.3%	+5.0%	\$156	1,584,712	\$27	5.290	0.972	+8.8%	+8.8%	\$160	+7.1%
Statewide	83,923,771				+14.1%	+5.0%		241,506,295				+61.5%	+24.4%		+19.4%

^(a) The rebasing factor for Buildings is the key factor for \$100,000 Coverage A.

^(b) The off-balance factors are applied to introduce the proposed Amount of Insurance and Age of Construction relativities on a revenue-neutral basis.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF FILED TERRITORY BASE CLASS RATES

CONTENTS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	Fire							Extended Coverage							Combined
	Latest-Year Earned Premium at Current Level	Current Base Class Rate	Rebasing Factor ^(a)	Off-Balance Factor ^(b)	Indicated Contents Rate Change	Capped at: 5.0% Selected Rate Change	Filed Base Class Rate	Latest-Year Earned Premium at Current Level	Current Base Class Rate	Rebasing Factor ^(a)	Off-Balance Factor ^(b)	Indicated Contents Rate Change	Capped at: 30.0% Selected Rate Change	Filed Base Class Rate	Indicated Rate Level Change ^(c)
110	2,486,611	\$4	2.170	1.000	-2.4%	-2.4%	\$8	27,881,935	\$22	2.500	0.993	+71.3%	+30.0%	\$72	+27.3%
120	2,639,630	\$4	2.170	1.000	+0.5%	+0.5%	\$9	35,217,357	\$26	2.500	0.994	+82.7%	+30.0%	\$85	+27.9%
130	897,166	\$9	2.170	1.000	-7.8%	-7.8%	\$18	3,994,752	\$19	2.500	0.995	+40.2%	+30.0%	\$62	+23.1%
140	4,475,092	\$9	2.170	1.000	-2.9%	-2.9%	\$19	28,701,372	\$19	2.500	0.995	+68.1%	+30.0%	\$62	+25.6%
150	2,819,321	\$9	2.170	1.000	+1.6%	+1.6%	\$20	14,167,834	\$12	2.500	0.995	-6.2%	-6.2%	\$28	-4.9%
160	3,038,461	\$11	2.170	1.000	+1.8%	+1.8%	\$24	15,320,519	\$14	2.500	0.995	+1.9%	+1.9%	\$36	+1.9%
170	443,325	\$13	2.170	1.000	-1.9%	-1.9%	\$28	777,162	\$5	2.500	0.995	-5.2%	-5.2%	\$12	-4.0%
180	3,760,796	\$14	2.170	1.000	-3.5%	-3.5%	\$29	7,959,178	\$6	2.500	0.994	+22.4%	+22.4%	\$18	+14.1%
190	1,411,362	\$14	2.170	1.000	+3.6%	+3.6%	\$31	2,696,308	\$7	2.500	0.995	+65.9%	+30.0%	\$23	+20.9%
200	1,108,651	\$16	2.170	1.000	-3.1%	-3.1%	\$34	1,637,784	\$10	2.500	0.996	+71.8%	+30.0%	\$33	+16.6%
210	1,058,580	\$13	2.170	1.000	+5.4%	+5.0%	\$30	2,037,315	\$4	2.500	0.995	+22.8%	+22.8%	\$12	+16.7%
220	5,786,484	\$12	2.170	1.000	-2.9%	-2.9%	\$25	11,751,818	\$3	2.500	0.992	+25.2%	+25.2%	\$9	+15.9%
230	2,438,682	\$17	2.170	1.000	+1.4%	+1.4%	\$37	3,652,543	\$9	2.500	0.996	+40.1%	+30.0%	\$29	+18.5%
240	3,502,061	\$13	2.170	1.000	+5.7%	+5.0%	\$30	6,324,740	\$3	2.500	0.995	+12.1%	+12.1%	\$8	+9.6%
250	2,591,707	\$12	2.170	1.000	-1.5%	-1.5%	\$26	5,779,356	\$3	2.500	0.994	-6.9%	-6.9%	\$7	-5.2%
260	1,798,547	\$13	2.170	1.000	-5.1%	-5.1%	\$27	2,480,160	\$2	2.500	0.995	-11.6%	-11.6%	\$4	-8.9%
270	5,675,969	\$10	2.170	1.000	-4.7%	-4.7%	\$21	12,522,249	\$2	2.500	0.992	+0.2%	+0.2%	\$5	-1.3%
280	974,823	\$9	2.170	1.000	+0.2%	+0.2%	\$20	2,083,630	\$2	2.500	0.993	-7.9%	-7.9%	\$5	-5.3%
290	1,376,188	\$11	2.170	1.000	-8.8%	-8.8%	\$22	3,020,500	\$2	2.500	0.993	-12.8%	-12.8%	\$4	-11.5%
300	1,184,087	\$15	2.170	1.000	+4.1%	+4.1%	\$34	1,301,319	\$4	2.500	0.996	+25.6%	+25.6%	\$13	+15.4%
310	8,762,082	\$11	2.170	1.000	-4.1%	-4.1%	\$23	12,771,403	\$1	2.500	0.993	-0.2%	-0.2%	\$3	-1.8%
320	4,058,276	\$11	2.170	1.000	+4.7%	+4.7%	\$25	6,645,057	\$1	2.500	0.994	-6.0%	-6.0%	\$2	-1.9%
330	309,022	\$12	2.170	1.000	+1.8%	+1.8%	\$27	426,051	\$1	2.500	0.995	-8.6%	-8.6%	\$2	-4.2%
340	8,443,664	\$9	2.170	1.000	-6.7%	-6.7%	\$18	14,007,398	\$1	2.500	0.993	-0.8%	-0.8%	\$2	-3.0%
350	3,672,609	\$11	2.170	1.000	+2.2%	+2.2%	\$24	4,986,161	\$1	2.500	0.994	-8.3%	-8.3%	\$2	-3.8%
360	6,276,893	\$9	2.170	1.000	-1.2%	-1.2%	\$19	9,624,037	\$2	2.500	0.994	-13.1%	-13.1%	\$4	-8.4%
370	447,969	\$10	2.170	1.000	-1.5%	-1.5%	\$21	593,109	\$2	2.500	0.994	-14.2%	-14.2%	\$4	-8.7%
380	1,208,010	\$9	2.170	1.000	-5.8%	-5.8%	\$18	1,560,536	\$1	2.500	0.993	-9.5%	-9.5%	\$2	-7.9%
390	1,277,703	\$10	2.170	1.000	-4.1%	-4.1%	\$21	1,584,712	\$1	2.500	0.994	-11.3%	-11.3%	\$2	-8.1%
Statewide	83,923,771				-1.7%	-1.8%		241,506,295				+31.6%	+13.6%		+9.7%

^(a) The rebasing factor for Contents is the key factor for \$15,000 Coverage C.

^(b) The off-balance factors are applied to introduce the proposed Amount of Insurance relativities on a revenue-neutral basis.

^(c) Column (15) = [(1) × (6) + (8) × (13)] / [(1) + (8)]

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DERIVATION OF WIND EXCLUSION CREDITS

The filed wind exclusion credits on page B-4 are based on the following formula:

$$C_x = \left[I - \frac{\frac{Ldi' + Fi}{(1-V)} + d'R + dB}{(1-D)} \right] * r_x$$

C_x = Indicated credit for construction type x (Frame, Masonry or Mobile Home)

I = Indicated rate

F = Provision in filed rates for fixed expenses (territory trended fixed expense ratio divided by the filed territory buildings or contents rate level change)

V = Provision in filed rates for variable expenses

L = Provision in filed rates for losses and loss adjustment expenses = 1.0-V-F

d = Percentage of losses remaining after wind losses are excluded

i = Indicated rate excluding compensation for assessment risk and deviations

i' = Indicated rate excluding compensation for assessment risk, deviations and the net cost of reinsurance

B = Compensation for assessment risk

D = Deviation loading

d' = The portion of the reinsurance cost attributable to non-wind related perils

R = Reinsurance provision

r_x = The construction relativity (Frame = 1.00, Masonry = 0.95, Mobile Homes = 1.25)

The d value is calculated as:

$$\frac{N}{N + X + Y}$$

Where N = 5-year average annual non-wind losses; X = latest-year modeled hurricane losses and Y = 5-year average annual non-hurricane wind losses.

The d' value is calculated as:

$$\frac{W}{W + O + H}$$

Where each variable represents the reinsurance cost attributable to a particular peril (W = Winter Storm, O = Other Wind, and H = Hurricane Wind).

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DERIVATION OF WIND EXCLUSION CREDITS

The following displays the variables described above and the indicated credit, C:

	Territory 110		Territory 120		Territory 130		Territory 140		Territory 150		Territory 160	
	Buildings	Contents	Buildings	Contents	Buildings	Contents	Buildings	Contents	Buildings	Contents	Buildings	Contents
C	\$305.09	\$32.40	\$366.48	\$43.84	\$192.78	\$25.05	\$249.52	\$27.78	\$123.99	\$8.87	\$140.46	\$11.19
I	\$328	\$38	\$390	\$48	\$220	\$27	\$276	\$32	\$145	\$11	\$163	\$14
F	0.020	0.020	0.023	0.023	0.052	0.052	0.047	0.047	0.063	0.077	0.050	0.062
V	0.225	0.225	0.225	0.225	0.225	0.225	0.225	0.225	0.225	0.225	0.225	0.225
L	0.755	0.755	0.752	0.752	0.723	0.723	0.728	0.728	0.712	0.698	0.725	0.713
d	0.080	0.218	0.062	0.115	0.106	0.014	0.071	0.140	0.116	0.154	0.142	0.214
i	\$322.00	\$37.00	\$383.00	\$46.00	\$215.00	\$26.00	\$271.00	\$31.00	\$140.00	\$11.00	\$157.00	\$14.00
i'	\$181.00	\$21.00	\$195.00	\$24.00	\$124.00	\$15.00	\$145.00	\$17.00	\$85.00	\$7.00	\$88.00	\$8.00
B	\$6.04	\$0.85	\$6.74	\$1.01	\$4.96	\$0.74	\$5.19	\$0.74	\$4.88	\$0.46	\$5.03	\$0.54
D	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
d'	0.000055	0.000056	0.000035	0.000035	0.000061	0.000053	0.000048	0.000049	0.000083	0.000083	0.000072	0.000074
R	\$141.00	\$16.00	\$188.00	\$22.00	\$91.00	\$11.00	\$126.00	\$14.00	\$55.00	\$4.00	\$69.00	\$6.00
N	1,484,672	126,436	1,391,928	95,958	218,552	707	1,222,441	67,298	584,286	17,507	769,488	19,469
X	16,865,464	451,975	20,715,335	723,705	1,761,185	48,306	15,313,154	411,038	3,494,382	69,133	4,237,205	66,558
Y	125,305	577	309,093	11,740	83,081	706	690,273	3,392	941,340	27,322	416,139	5,100
W	1,074	27	1,029	26	138	3	1,028	26	402	10	466	12
O	34,905	869	19,737	491	915	23	18,436	459	15,063	375	25,920	645
H	19,428,122	483,532	29,604,171	736,796	2,252,952	56,072	21,270,459	529,384	4,835,287	120,342	6,469,180	161,007

In order to derive the filed dollar credit, the indicated non-wind frame rate is subtracted from filed base rate.

	Territory 110		Territory 120		Territory 130		Territory 140		Territory 150		Territory 160	
	Buildings	Contents	Buildings	Contents	Buildings	Contents	Buildings	Contents	Buildings	Contents	Buildings	Contents
(1) Indicated Frame Credit	\$305	\$32	\$366	\$44	\$193	\$25	\$250	\$28	\$124	\$9	\$140	\$11
(2) Indicated Frame Base Rate	\$328	\$38	\$390	\$48	\$220	\$27	\$276	\$32	\$145	\$11	\$163	\$14
(3) Indicated Non-Wind Frame Base Rate = (2) - (1)	\$23	\$6	\$24	\$4	\$27	\$2	\$26	\$4	\$21	\$2	\$23	\$3
(4) Rebasing Factor	5.290	2.500	5.290	2.500	5.290	2.500	5.290	2.500	5.290	2.500	5.290	2.500
(5) Off-Balance Factor	0.962	0.993	0.957	0.994	0.951	0.995	0.940	0.995	0.960	0.995	0.942	0.995
(6) Indicated Rebased Non-Wind Frame Base Rate = (3) × (4) / (5)	\$126	\$14	\$130	\$10	\$151	\$5	\$149	\$11	\$116	\$5	\$127	\$7
(7) Filed Frame Base Rate	\$1,115	\$72	\$1,250	\$85	\$926	\$62	\$980	\$62	\$799	\$28	\$913	\$36
(8) Filed Frame Credit = (7) - (6)	\$989	\$58	\$1,120	\$75	\$775	\$57	\$831	\$51	\$683	\$23	\$786	\$29
(9) Filed Masonry Credit = (8) × 0.95	\$940	\$55	\$1,064	\$71	\$736	\$54	\$789	\$48	\$649	\$22	\$747	\$28
(10) Filed Mobile Home Credit = (8) × 1.25	\$1,236	\$73	\$1,400	\$94	\$969	\$71	\$1,039	\$64	\$854	\$29	\$983	\$36

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DWELLING PROPERTY INSURANCE

DERIVATION OF WINDSTORM LOSS MITIGATION CREDITS
BUILDINGS

	Territory					
	110	120	130	140	150	160
(1) Current Wind Exclusion Credit	134	146	90	97	93	97
(2) Filed Wind Exclusion Credit	989	1,120	775	831	683	786
(3) Ratio of Filed and Current Wind Credits = (2)/(1) ^(a)	7.381	7.671	8.611	8.567	7.344	8.103
(4) Current Windstorm Loss Mitigation Credits - Frame						
Total Hip Roof	7	7	4	4	5	4
Opening Protection	7	7	4	4	5	4
Total Hip Roof and Opening Protection	14	14	9	9	9	9
<u>IBHS Designation on or after March 31, 2019:</u>						
FORTIFIED for Safer Living®	24	26	10	16	12	16
FORTIFIED Roof - Hurricane - Existing Roof	5	5	3	3	4	3
FORTIFIED Roof - Hurricane - New Roof	9	9	4	6	5	6
FORTIFIED Home - Hurricane - Silver - Existing Roof	14	16	6	10	6	10
FORTIFIED Home - Hurricane - Silver - New Roof	17	19	7	12	7	12
FORTIFIED Home - Hurricane - Gold - Existing Roof	18	19	9	12	9	12
FORTIFIED Home - Hurricane - Gold - New Roof	20	23	10	15	10	15
(5) Revised Windstorm Loss Mitigation Credits - Frame = (4)×(3)						
Total Hip Roof	52	54	34	34	37	32
Opening Protection	52	54	34	34	37	32
Total Hip Roof and Opening Protection	103	107	77	77	66	73
<u>IBHS Designation on or after March 31, 2019:</u>						
FORTIFIED for Safer Living®	177	199	86	137	88	130
FORTIFIED Roof - Hurricane - Existing Roof	37	38	26	26	29	24
FORTIFIED Roof - Hurricane - New Roof	66	69	34	51	37	49
FORTIFIED Home - Hurricane - Silver - Existing Roof	103	123	52	86	44	81
FORTIFIED Home - Hurricane - Silver - New Roof	125	146	60	103	51	97
FORTIFIED Home - Hurricane - Gold - Existing Roof	133	146	77	103	66	97
FORTIFIED Home - Hurricane - Gold - New Roof	148	176	86	129	73	122
(6) New Windstorm Loss Mitigation Credits - Masonry = (5)×0.95						
Total Hip Roof	49	51	32	32	35	30
Opening Protection	49	51	32	32	35	30
Total Hip Roof and Opening Protection	98	102	73	73	63	69
<u>IBHS Designation:</u>						
FORTIFIED for Safer Living®	168	189	82	130	84	124
FORTIFIED Roof - Hurricane - Existing Roof	35	36	25	25	28	23
FORTIFIED Roof - Hurricane - New Roof	63	66	32	48	35	47
FORTIFIED Home - Hurricane - Silver - Existing Roof	98	117	49	82	42	77
FORTIFIED Home - Hurricane - Silver - New Roof	119	139	57	98	48	92
FORTIFIED Home - Hurricane - Gold - Existing Roof	126	139	73	98	63	92
FORTIFIED Home - Hurricane - Gold - New Roof	141	167	82	123	69	116

(a) This ratio includes the effect of the rebasing and off-balance factors applied to (2).

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DERIVATION OF WINDSTORM LOSS MITIGATION CREDITS

CONTENTS

	Territory					
	110	120	130	140	150	160
(1) Current Wind Exclusion Credit	17	20	12	12	11	12
(2) Filed Wind Exclusion Credit	58	75	57	51	23	29
(3) Ratio of Filed and Current Wind Credits = (2)/(1) ^(a)	3.412	3.750	4.750	4.250	2.091	2.417
(4) Current Windstorm Loss Mitigation Credits - Frame						
Total Hip Roof	1	1	1	1	1	1
Opening Protection	1	1	1	1	1	1
Total Hip Roof and Opening Protection	1	2	1	1	1	1
<u>IBHS Designation on or after March 31, 2019:</u>						
FORTIFIED for Safer Living®	4	4	2	3	2	3
FORTIFIED Roof - Hurricane - Existing Roof	1	1	1	1	1	1
FORTIFIED Roof - Hurricane - New Roof	1	2	1	1	1	1
FORTIFIED Home - Hurricane - Silver - Existing Roof	2	2	1	2	1	2
FORTIFIED Home - Hurricane - Silver - New Roof	2	3	1	2	1	2
FORTIFIED Home - Hurricane - Gold - Existing Roof	3	3	1	2	1	2
FORTIFIED Home - Hurricane - Gold - New Roof	3	3	2	2	2	2
(5) Revised Windstorm Loss Mitigation Credits - Frame = (4)×(3)						
Total Hip Roof	3	4	5	4	2	2
Opening Protection	3	4	5	4	2	2
Total Hip Roof and Opening Protection	3	8	5	4	2	2
<u>IBHS Designation on or after March 31, 2019:</u>						
FORTIFIED for Safer Living®	14	15	10	13	4	7
FORTIFIED Roof - Hurricane - Existing Roof	3	4	5	4	2	2
FORTIFIED Roof - Hurricane - New Roof	3	8	5	4	2	2
FORTIFIED Home - Hurricane - Silver - Existing Roof	7	8	5	9	2	5
FORTIFIED Home - Hurricane - Silver - New Roof	7	11	5	9	2	5
FORTIFIED Home - Hurricane - Gold - Existing Roof	10	11	5	9	2	5
FORTIFIED Home - Hurricane - Gold - New Roof	10	11	10	9	4	5
(6) New Windstorm Loss Mitigation Credits - Masonry = (5)×0.95						
Total Hip Roof	3	4	5	4	2	2
Opening Protection	3	4	5	4	2	2
Total Hip Roof and Opening Protection	3	8	5	4	2	2
<u>IBHS Designation:</u>						
FORTIFIED for Safer Living®	13	14	10	12	4	7
FORTIFIED Roof - Hurricane - Existing Roof	3	4	5	4	2	2
FORTIFIED Roof - Hurricane - New Roof	3	8	5	4	2	2
FORTIFIED Home - Hurricane - Silver - Existing Roof	7	8	5	9	2	5
FORTIFIED Home - Hurricane - Silver - New Roof	7	10	5	9	2	5
FORTIFIED Home - Hurricane - Gold - Existing Roof	10	10	5	9	2	5
FORTIFIED Home - Hurricane - Gold - New Roof	10	10	10	9	4	5

(a) This ratio includes the effect of the rebasing and off-balance factors applied to (2).

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DWELLING PROPERTY INSURANCE

DERIVATION OF WINDSTORM LOSS MITIGATION CREDITS

The filed credits displayed on pages C-18 and C-19 apply to the current IBHS designations effective on or after March 31, 2019. The same filed credits apply to the previous IBHS designations according to the following mappings:

Current IBHS Designation:

FORTIFIED for Safer Living®
FORTIFIED Roof - Hurricane - Existing Roof
FORTIFIED Roof - Hurricane - New Roof
FORTIFIED Home - Hurricane - Silver - Existing Roof
FORTIFIED Home - Hurricane - Silver - New Roof
FORTIFIED Home - Hurricane - Gold - Existing Roof
FORTIFIED Home - Hurricane - Gold - New Roof

Previous IBHS Designation:

Hurricane Fortified for Safer Living®
Hurricane Fortified for Existing Homes® Bronze Option 1
Hurricane Fortified for Existing Homes® Bronze Option 2
Hurricane Fortified for Existing Homes® Silver Option 1
Hurricane Fortified for Existing Homes® Silver Option 2
Hurricane Fortified for Existing Homes® Gold Option 1
Hurricane Fortified for Existing Homes® Gold Option 2

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DWELLING PROPERTY INSURANCE

EXPLANATORY MEMORANDUM

This memorandum supplements the filing letter and supporting exhibits setting forth a revision of dwelling insurance rates in the State of North Carolina. It is the purpose of this memorandum to describe the source data used and to set forth in detail the insurance ratemaking procedures reflected in the filing. Certain pages in the filing and accompanying material contain a notation “all carriers” or other similar wording. This indicates that the data are combined ISO, ISS and NISS data. Data for certain companies are not included, as noted in Section E.

Premium and Loss Experience

This revision is based upon the combined premium and loss experience of all licensed companies writing residential dwelling insurance in this State, except as noted in Section E. In order to have this experience available in all detail necessary for rate review and ratemaking in accordance with accepted standards, all such companies are required to file each year their total dwelling insurance experience with the official statistical agents. Experience is recorded pursuant to the officially approved statistical plans and reported by the companies in accordance with instructions issued by the statistical agents under the Official Calls for Experience.

The Commissioner appointed the following statistical agents for the collection of dwelling insurance experience in North Carolina: Insurance Services Office (ISO), Independent Statistical Service, Inc. (ISS), American Association of Insurance Services, Inc. (AAIS), and National Independent Statistical Service (NISS).

Experience utilized in the filing was collected under the Personal Lines Statistical Plan (Other Than Automobile), Personal Lines Statistical Agent Plan (Other Than Automobile) and the 2017 Official Statistical Programs of ISO, the Personal Lines Statistical Plan and the 2017 Statistical Programs of ISS, and the Dwelling Statistical Plan and the 2017 Statistical Programs of the NISS. In substance, the statistical plans of all statistical agents are similar in North Carolina, and provide for the recording and reporting of the experience in the detail required for ratemaking and in such form that the experience of all companies can be combined. The experience collected by AAIS and in the ISO Statistical Agent Plan is collected in lesser detail and has not been used in this review.

The licensing of an organization and its appointment as a statistical agent in North Carolina is predicated upon demonstration by the organization of its ability to perform this function. Moreover, the performance of the statistical agents is reviewed periodically through examination by personnel of state insurance departments under the convention examinations of the National Association of Insurance Commissioners. From time to time such organizations are called upon by Insurance Department examiners to verify, and do verify, the data consolidated by them as statistical agents.

The insurance companies likewise are subject to a variety of checks and controls. Effective controls are maintained within the company over the activities of company employees connected with the company's statistics. Companies are required by statute to submit directly to the Insurance Department statistical and accounting information to be found in the Annual Statement and the Insurance Expense Exhibit. These documents are scrutinized by experienced Insurance Department personnel throughout the country. The insurance companies are also subject to examination by the Insurance Department, which examinations extend into the statistical records of the companies.

NORTH CAROLINA
DWELLING PROPERTY INSURANCE
EXPLANATORY MEMORANDUM

Tabulations of experience reported to the ISS and NISS are provided to ISO. ISO combines the experience and develops the analysis included in this filing. This work is performed at the direction of the North Carolina Rate Bureau.

Statewide Rate Level Exhibits (pages C-2-6)

1. Experience

Dwelling insurance experience was compiled on a calendar accident year basis for the years ended December 31, 2017, 2016, 2015, 2014, and 2013. For any twelve-month period, the accident year experience brings together the losses resulting from accidents occurring during that period with the premiums and number of dwellings “earned” during the same period. Since this filing utilizes catastrophe models to measure losses attributable to hurricanes, actual hurricane losses have been removed from the ratemaking experience.

2. Average Rating Factors

Earned premiums at present rates are used to determine average rating factors. The average rating factor is the ratio of the average rate (earned premium at manual level divided by corresponding house-years) and the average current manual base rate. The average rating factor is used to convert the pure-premiums incurred during the experience period to the base-class level.

For data which was available in sufficient detail, the earned premiums at present manual rates for the Dwelling insurance coverages are calculated by multiplying the number of insured dwellings earned during the experience period by the rates in effect at the time of review.

3. Losses

Losses compiled for any accident year include paid losses as well as loss reserves. The amounts that will ultimately be required as payments of claims on open cases are carefully determined by the claim departments of the companies, and experience has shown that these determinations are highly accurate in the aggregate. Since, however, there are differences between the total incurred losses so determined and the amounts ultimately paid, the ratemaking procedure provides for a “development” of the incurred losses to a basis which, for all practical purposes, can be considered as the ultimate basis. This development is accomplished as follows:

Each year the experience is compiled for the latest five years, all valued as of three months after the close of the latest accident year period. Thus, the experience is reported for the latest year as of 15 months, the preceding year as of 27 months, the next preceding year as of 39 months, the third preceding year as of 51 months and the fourth preceding year as of 63 months all measured from the beginning of each accident year respectively.

From reports of prior years, similarly aged experience was obtained so that there are available five successive reports for the earliest year, four successive reports for the next earliest year, three successive reports for the middle year and two successive reports for the second most recent year.

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EXPLANATORY MEMORANDUM

Dwelling claims generally are settled at, and are therefore sufficiently matured, as of 87 months, by which time nearly all incurred losses have been paid. From a comparison of the incurred losses for each year at successive valuation dates, it is determined what the rate of development has been in the past in order to calculate the development of less mature losses. This development is reflected in the incurred losses for the less mature years by the application of loss development factors. In this filing, loss development factors have been calculated based on the statewide experience of companies reporting to ISO, and are as follows:

<u>Accident Year Ended</u>	<u>Factor to Develop to 87 Months</u>	
	<u>Fire</u>	<u>Extended Coverage</u>
December 31, 2013	1.000	1.000
December 31, 2014	1.000	1.001
December 31, 2015	0.999	1.001
December 31, 2016	0.996	1.003
December 31, 2017	0.970	1.028

The derivation of the factors shown above is shown on pages D-12 and D-13. By applying these factors, the reported incurred losses have been adjusted to the amounts at which it is believed they will ultimately be settled.

In order to insure stability in rate levels while maintaining adequacy in the event of wide swings in hurricane and other losses, an excess procedure and hurricane loss models have been utilized for Extended Coverage. Hence, extreme shifts in rate level (both upward and downward), which might result from reflecting large hurricane and other losses only in the year in which they occur will be avoided. The incurred non-modeled excess losses are those losses which result from unusually severe loss activity (other than hurricane). They are removed from the experience used in developing rates. In order to reflect the impact of excess losses (that are not related to hurricanes and not accounted for in the hurricane models) on a long-term basis, the non-modeled losses are multiplied by an excess factor of 1.055. The derivation of the excess factor is shown on pages D-32 and D-33. The derivation of the excess non-modeled losses is shown on page D-34. The modeled losses used in this filing are based on analysis performed by Aon on behalf of the North Carolina Rate Bureau. See page D-37 for details.

4. Loss Adjustment Expense

The dwelling loss adjustment expenses, prior to trend considerations, are determined as an average percentage of the North Carolina incurred losses for calendar accident years 2013-2017 for Fire and Extended Coverage, based on a North Carolina expense call. The average is calculated using the five year period, removing the high and low values, and averaging the remaining three years. See pages D-26 and D-28.

A separate Loss Adjustment Expense factor was used for modeled hurricane losses. (See testimony of S. Fiete.)

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5. Fixed Expense

The fixed expense (general expenses and other acquisition expenses) loading is determined as an average percentage of North Carolina earned premiums for calendar accident years 2015-2017, based on a North Carolina expense call. See pages D-25 and D-27. The development of fixed expense per policy is shown on page D-29.

6. Loss Trend

Loss Trend is based on two indices; the CoreLogic Residential Index and the Modified Consumer Price Index. These indices are averaged (weighted 95% and 5%, respectively) and comprise the Current Cost Index.

The loss trending procedure is accomplished in two steps. In the first step, Current Cost Factors are applied to each year's losses. The Current Cost Factors are derived from the external indices and, when applied to a given year's losses, translate these losses to a cost level which represents November 15, 2018. In order to trend losses from November 15, 2018 to one year beyond the assumed trend effective date of July 1, 2020, a Loss Projection Factor is applied. This projection factor is based on the annual change inherent in the latest twelve quarterly points of the Current Cost Index.

Since the external indices necessarily ignore the effect of policy deductibles, a First Dollar procedure to trend from the first dollar of loss is incorporated into the calculation of the Loss Projection Factor.

While the index trend constitutes part of the loss trend methodology, the information provided by the historical experience is not ignored. To incorporate the historical information, pure-premiums are calculated by year for Fire and Extended Coverage and fitted least-squares annual rates of change are computed. Based on a comparison of the external index rates of change and the fitted changes for the historical pure-premiums, "Loss Trend Adjustment" factors of -1% and 0% were selected for Fire and Extended Coverage, respectively, and incorporated into the projection calculations.

The procedures described above are displayed on pages D-14, D-15, D-16, D-19 and D-22.

7. Expense Trend

The average annual change in expenses is based on an average of the All Items Consumer Price Index, the All Items - Less Energy Consumer Price Index and the Compensation Cost Index. The expected average annual change in expenses has been selected to be 2.0% by the Property Rating Subcommittee based on analysis and review of these data, which are displayed on pages D-23 to D-24.

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EXPLANATORY MEMORANDUM

8. Premium Trend

The historical average relativities are used to calculate an average annual change. This change is not based on a consistent set of insureds, since some of the growth is due to the addition of new homes. This rate of change is used to estimate the average relativity at the point in time corresponding to the midpoint of the latest quarter of the Current Cost Index (November 15, 2018). The Current Amount Factor for a given year is calculated as the ratio of the November 15, 2018 average relativity and the given year's average relativity. In order to calculate the Premium Projection Factor, the adjusted annual rate of change is compounded over the time period between November 15, 2018 and January 1, 2021 (six months beyond the assumed trend effective date). The calculation is shown on pages D-17-18 and D-20-21.

9. Trend Period

The effective date assumed in this filing for trend purposes is July 1, 2020¹. Given this trend effective date, the trend periods for premiums, losses and expenses are as follows:

- premiums are trended from January 1 of the given year to January 1, 2021.
- losses are trended from July 1 of the given year to July 1, 2021.
- general expense and other acquisition expense percentages, since they are based on 2015-2017 data, are trended from July 1, 2016 to January 1, 2021.
- loss adjustment expense percentages, since they are based on 2013-2017 data, are trended from July 1, 2015 to July 1, 2021.

10. Expected Loss and Fixed Expense Ratio

These quantities represent the portion of the premium income available for losses, loss adjustment expenses, general expenses and other acquisition expenses. They are determined from special calls for North Carolina expense experience and reflect the 2015, 2016, and 2017 results as reported by all companies licensed in North Carolina during those years. The breakdown of the expected loss and fixed expense ratios is set forth on page D-25 for Fire and page D-27 for Extended Coverage.

11. Net Cost of Reinsurance per Policy

The provision for the net cost of reinsurance is based on an analysis provided by Aon. This analysis generates the total dollars required by territory based on latest-year house years. The conversion to the required base-class level is shown on page D-39. (See testimony of S.Fiete.)

¹ The effective date of implementation of these rates may differ from the trend effective date.

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Class Rate Level Exhibits - Fire and Extended Coverage (pages C-7 and C-8)

1. Trended Adjusted Incurred Losses (column 1)

Incurred losses for the latest five years, trended by year using Current Cost Factors and a Loss Projection Factor. For Extended Coverage, the excess loss procedure is incorporated into the indication through column (21).

2. Trended Average Rating Factor (column 3)

The Average Rating Factor trended by Current Amount Factors and a Premium Projection Factor.

3. Credibility (column 5)

The five year loss cost by class is assigned a credibility value based on the number of house years underlying this loss cost. The standard for full credibility is 500,000 house years for Fire and 330,000 house years for Extended Coverage, with partial credibility equal to

$$\sqrt{\text{five year house years} / \text{full credibility standard}}$$

truncated to the nearest tenth. The complement of credibility is assigned to the statewide five year base loss cost adjusted by the ratio of the class' current base rate and the statewide average current base rate.

4. Modeled Base Class Loss Cost (column 7 - Extended Coverage)

The modeled hurricane base-class loss cost is derived by dividing trended modeled class hurricane losses by the product of the average rating factor, house-years for the latest year, 2017 Current Amount Factors and Premium Projection Factors by class.

5. Indicated Base Class Loss Cost (column 7 - Fire, column 9 - Extended Coverage)

The indicated base-class loss cost by class is the statewide base-class loss cost (computed on the statewide indications pages) adjusted by the class relativity indicated by the credibility-weighted loss cost (ratio of class to statewide of column 6 for Fire or column 8 for Extended Coverage).

6. Indicated Net Base Class Rate (column 10 - Fire, column 12 - Extended Coverage)

The indicated net base-class rate is the sum of the loss cost and fixed expense divided by the expected loss and fixed expense ratio derived on page D-25 for Fire and page D-27 for Extended Coverage. The fixed expense is calculated as the average current base-class rate multiplied by the fixed expense ratio developed on page D-29.

7. Compensation for Assessment Risk per Policy (column 11 - Fire, column 13 - Extended Coverage)

The compensation for assessment risk is reflected as a percentage of the base-class rate by class and is loaded for the effects of taxes and commission.

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8. Net Cost of Reinsurance per Policy (column 14 - Extended Coverage)

The net cost of reinsurance was allocated to class in proportion to modeled hurricane losses.

9. Indicated Base Class Rate Change (column 17 - Fire, column 20 - Extended Coverage)

The indicated base-class rate level change is the ratio of required base-class rate and current base-class rate, minus 1.

10. Indicated Rate Change Balanced to Statewide (column 18 - Fire, column 21 - Extended Coverage)

These are indicated base-class rate level changes adjusted to balance to the statewide indicated change.

Territory Rate Level Exhibits - Fire (pages C-9-10)

1. Latest-Year Earned Premium at Current Level (column 1)

Earned premium for the latest year (2017), adjusted to the manual rate level currently in effect.

2. Five-Year Experience Base Class Loss Cost (column 3)

A five-year experience base-class loss cost by territory is derived by dividing five year territory losses by the product of the five-year average rating factor and five-year house years.

3. Credibility (column 5)

The five-year loss cost is assigned a credibility value based upon the number of house years underlying this loss cost. The standard for full credibility is 500,000 house years, with partial credibility equal to

$$\sqrt{\text{five year house years} / \text{full credibility standard}}$$

truncated to the nearest tenth. The complement of credibility is assigned to the statewide five-year experience base-class loss cost adjusted by the ratio of the territory's current base-class rate and the statewide average current base-class rate.

4. Indicated Base Class Loss Cost (column 8)

The Indicated Base Class loss cost for each territory is the indicated statewide base-class loss cost (row 9 from the statewide indication) multiplied by each territory's indicated relativity (column 7).

NORTH CAROLINA
DWELLING PROPERTY INSURANCE
EXPLANATORY MEMORANDUM

5. Trended Fixed Expense per Policy (column 9)

The trended fixed expense per policy by territory is calculated by first distributing the statewide trended fixed expense ratio to territory. This is accomplished by multiplying the statewide trended fixed expense ratio by the ratio of the statewide latest-year average rate to the territory latest-year average rate. Finally, the trended fixed expense per policy by territory is calculated as the product of the territory trended fixed expense ratio and the latest-year average territory base rate. This calculation can be found on page D-30.

6. Expected Loss and Fixed Expense Ratio (column 11)

These quantities represent the portion of the premium income available for losses, loss adjustment expenses, general expenses and other acquisition expenses.

7. Compensation for Assessment Risk Cost per Policy (column 13)

The compensation for assessment risk is reflected as a percentage of the base-class rate by class and is loaded for the effects of taxes and commission.

8. Indicated Rate Level Change (column 18)

The indicated rate level change is the ratio of required base-class rate and current base-class rate, minus 1.

9. Indicated Rate Level Change Balanced to Statewide (column 19)

These are indicated base-class rate level changes adjusted to balance to the statewide indicated change.

10. Indicated Buildings Rate Level Change (column 20)

The indicated buildings rate level change is the product of the indicated rate level change balanced to statewide and the class relativity embedded in the indicated buildings base rate change balanced to statewide (column 18) on the class indications page.

11. Indicated Contents Rate Level Change (column 21)

The indicated contents rate level change is the product of the indicated rate level change balanced to statewide and the class relativity embedded in the indicated contents base rate change balanced to statewide (column 18) on the class indications page.

Territory Rate Level Exhibits - Extended Coverage (pages C-11-12)

1. Latest-Year Earned Premium at Current Level (column 1)

Earned premium for the latest year (2017), adjusted to the manual rate level currently in effect.

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DWELLING PROPERTY INSURANCE

EXPLANATORY MEMORANDUM

2. Five-Year Non-Modeled Experience Base Class Loss Cost (column 3)

A five-year experience base-class loss cost by territory is derived by dividing five-year territory losses by the product of the five-year average rating factor and five-year house years. The territory losses exclude hurricane losses and include an excess loss provision.

3. Credibility (column 5)

The five-year loss cost is assigned a credibility value based upon the number of house years underlying this loss cost. The standard for full credibility is 330,000 house years, with partial credibility equal to

$$\sqrt{\text{five year house years} / \text{full credibility standard}}$$

truncated to the nearest tenth. The complement of credibility is assigned to the statewide five-year non-modeled experience base-class loss cost.

4. Modeled Hurricane Base Class Loss Cost (column 7)

The modeled hurricane base-class loss cost is derived by dividing modeled hurricane territory losses by the product of the average rating factor and house years for the latest year. The development of these costs is presented on page D-38.

5. Indicated Base Class Loss Cost (column 10)

The Indicated Base Class loss cost for each territory is the indicated statewide base-class loss cost (row 13 from the statewide indication) multiplied by each territory's indicated relativity (column 9).

6. Trended Fixed Expense per Policy (column 11)

The trended fixed expense per policy by territory is calculated by first distributing the statewide trended fixed expense ratio to territory. This is accomplished by multiplying the statewide trended fixed expense ratio by the ratio of the statewide latest-year average rate to the territory latest-year average rate. Finally, the trended fixed expense per policy by territory is calculated as the product of the territory trended fixed expense ratio and the latest-year average territory base rate. This calculation can be found on page D-31.

7. Expected Loss and Fixed Expense Ratio (column 13)

These quantities represent the portion of the premium income available for losses, loss adjustment expenses, general expenses and other acquisition expenses.

8. Compensation for Assessment Risk Cost per Policy (column 15)

The compensation for assessment risk is reflected as a percentage of the base-class rate by class and is loaded for the effects of taxes and commission.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

EXPLANATORY MEMORANDUM

9. Net Cost of Reinsurance per Policy (column 16)

The provisions for the net cost of reinsurance are based on analysis provided by Aon. This analysis generates the total dollars required by policy form to cover the cost of the expense and profit components of the reinsurance premium paid by the primary insurers. The development of these provisions is presented on page D-39. (See testimony of S.Fiete.)

10. Indicated Rate Level Change (column 21)

The indicated rate level change is the ratio of required base-class rate and current base-class rate, minus 1.

11. Indicated Rate Level Change Balanced to Statewide (column 22)

These are indicated base-class rate level changes adjusted to balance to the statewide indicated change.

12. Indicated Buildings Rate Level Change (column 23)

The indicated buildings rate level change is the product of the indicated rate level change balanced to statewide and the class relativity embedded in the indicated buildings base rate change balanced to statewide (column 21) on the class indications page.

13. Indicated Contents Rate Level Change (column 24)

The indicated contents rate level change is the product of the indicated rate level change balanced to statewide and the class relativity embedded in the indicated contents base rate change balanced to statewide (column 21) on the class indications page.

Credibility Factor Determination

Credibility considerations enter into the dwelling insurance ratemaking formulas.

The credibility procedure is based on the 'frequency with severity modification' model discussed in "Credibility of the Pure Premium" by Mayerson, Bowers and Jones. The full credibility standard is based on a normal distribution with a 90% probability of meeting the test and a 10% maximum departure from the expected value, translated to house year standards. Partial credibility (Z_p) is calculated as follows:

$$Z_p = \sqrt{\text{five year house years} / \text{full credibility standard}} \quad (\text{truncated to the nearest tenth})$$

The full credibility standards are 500,000 house years for Fire and 330,000 house years for Extended Coverage.

On a statewide and class basis, both Fire and Extended Coverage are fully credible. On a territory basis, partial credibility may be employed. In that case, the calculation of the rate level indication incorporates credibility as follows: credibility is applied to the five-year (non-hurricane for Extended Coverage) territory loss costs and (1 - credibility) to the complement of credibility.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSS DEVELOPMENT

FIRE

Incurred Losses as of:

Accident							
<u>Year</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>
2006	9,688,897	9,395,075	9,308,597	9,304,787	9,304,654	9,304,654	9,304,654
2007	9,603,370	9,405,033	9,376,609	9,325,026	9,325,026	9,324,962	9,324,882
2008	11,186,111	11,143,883	11,087,871	11,054,090	11,051,547	11,051,822	11,051,613
2009	9,419,535	9,061,401	9,016,364	8,991,440	8,991,440	8,991,440	8,991,440
2010	10,420,030	10,153,918	10,237,813	10,241,149	10,239,999	10,239,999	10,240,019
2011	9,620,090	9,375,148	9,370,232	9,404,063	9,404,063	9,404,063	9,404,063
2012	10,243,577	9,858,584	9,630,358	9,629,068	9,629,067	9,629,067	
2013	9,609,120	9,287,968	9,335,943	9,308,667	9,322,871		
2014	8,089,647	7,908,076	7,900,208	7,902,976			
2015	8,601,845	8,353,236	8,394,173				
2016	11,369,713	11,104,147					
2017	9,806,151						

Link Ratios

Accident						
<u>Year</u>	<u>27:15</u>	<u>39:27</u>	<u>51:39</u>	<u>63:51</u>	<u>75:63</u>	<u>87:75</u>
2006	0.970	0.991	1.000	1.000	1.000	1.000
2007	0.979	0.997	0.994	1.000	1.000	1.000
2008	0.996	0.995	0.997	1.000	1.000	1.000
2009	0.962	0.995	0.997	1.000	1.000	1.000
2010	0.974	1.008	1.000	1.000	1.000	1.000
2011	0.975	0.999	1.004	1.000	1.000	1.000
2012	0.962	0.977	1.000	1.000	1.000	
2013	0.967	1.005	0.997	1.002		
2014	0.978	0.999	1.000			
2015	0.971	1.005				
2016	0.977					
Average	0.974	0.997	0.999	1.000	1.000	1.000
Selected Link Ratio	0.974	0.997	0.999	1.000	1.000	1.000

Selected Loss Development Factors

Fire	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	1.000	1.000	0.999	0.996	0.970

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSS DEVELOPMENT
EXTENDED COVERAGE

Incurred Losses as of:

Accident							
<u>Year</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>
2006	5,086,581	5,287,207	5,235,629	5,237,195	5,237,260	5,241,203	5,241,204
2007	5,542,190	5,578,997	5,580,859	5,584,553	5,584,553	5,580,798	5,581,417
2008	9,936,797	10,247,436	10,311,726	10,314,285	10,351,484	10,350,401	10,350,401
2009	9,860,426	10,053,769	9,992,757	9,969,052	9,973,115	9,973,305	9,973,305
2010	12,239,859	12,291,029	12,384,093	12,386,590	12,381,180	12,378,680	12,381,601
2011	43,536,177	43,636,842	43,637,532	43,676,294	43,676,341	43,676,341	43,680,178
2012	15,664,787	16,589,119	16,742,307	16,779,445	16,782,538	16,786,166	
2013	13,993,956	14,220,315	14,281,750	14,302,074	14,316,431		
2014	17,775,294	18,171,326	18,301,840	18,312,227			
2015	18,015,460	18,326,174	18,396,478				
2016	27,659,788	29,182,041					
2017	20,600,230						

Link Ratios

Accident						
<u>Year</u>	<u>27:15</u>	<u>39:27</u>	<u>51:39</u>	<u>63:51</u>	<u>75:63</u>	<u>87:75</u>
2006	1.039	0.990	1.000	1.000	1.001	1.000
2007	1.007	1.000	1.001	1.000	0.999	1.000
2008	1.031	1.006	1.000	1.004	1.000	1.000
2009	1.020	0.994	0.998	1.000	1.000	1.000
2010	1.004	1.008	1.000	1.000	1.000	1.000
2011	1.002	1.000	1.001	1.000	1.000	1.000
2012	1.059	1.009	1.002	1.000	1.000	
2013	1.016	1.004	1.001	1.001		
2014	1.022	1.007	1.001			
2015	1.017	1.004				
2016	1.055					
Average	<u>27:15</u>	<u>39:27</u>	<u>51:39</u>	<u>63:51</u>	<u>75:63</u>	<u>87:75</u>
	1.025	1.002	1.000	1.001	1.000	1.000
Selected Link Ratio	1.025	1.002	1.000	1.001	1.000	1.000

Selected Loss Development Factors

<u>EC</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	1.000	1.001	1.001	1.003	1.028

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DEVELOPMENT OF CURRENT COST FACTORS (CCF)

Quarter Ending December 31, 2018

Part A: Establishment Of Monthly Current Cost Index (CCI) With:
 5% Weight To Modified Consumer Price Index (MCPI)^(a)
 95% Weight to CoreLogic Residential Index (CRI) For N.C.^(b)
 (MCPI Base: 2012 = 100 CRI Base: 2012 = 100)

Month	CRI	MCPI	CCI	QCCI	Month	CRI	MCPI	CCI	QCCI	Month	CRI	MCPI	CCI	QCCI
1/16	106.0	89.4	105.2		1/17	106.2	86.3	105.2		1/18	110.5	83.1	109.1	
2/16	106.1	89.7	105.3		2/17	106.1	86.9	105.1		2/18	110.5	83.6	109.2	
3/16	106.3	89.7	105.5	105.3	3/17	106.3	87.1	105.3	105.2	3/18	111.0	83.8	109.6	109.3
4/16	106.1	89.6	105.3		4/17	107.1	86.7	106.1		4/18	111.6	84.2	110.2	
5/16	106.3	89.3	105.5		5/17	107.1	86.2	106.1		5/18	111.8	83.4	110.4	
6/16	106.2	88.2	105.3	105.4	6/17	107.4	85.6	106.3	106.2	6/18	112.3	82.4	110.8	110.5
7/16	106.2	87.4	105.3		7/17	108.7	84.4	107.5		7/18	113.6	81.7	112.0	
8/16	106.2	87.1	105.2		8/17	108.8	84.3	107.6		8/18	113.8	81.1	112.2	
9/16	106.3	87.5	105.4	105.3	9/17	109.2	84.7	108.0	107.7	9/18	114.2	82.1	112.6	112.3
10/16	106.1	87.9	105.2		10/17	109.5	84.8	108.3		10/18	114.8	82.9	113.2	
11/16	106.2	86.6	105.2		11/17	109.6	83.6	108.3		11/18	114.8	81.6	113.1	
12/16	106.0	85.4	105.0	105.1	12/17	109.7	82.5	108.3	108.3	12/18	114.6	80.3	112.9	113.1

Part B: Use Of Average Annual CCI To Calculate Current Cost Factors (CCF)

Year	Calendar Year Average CCI			Current Cost Factors Based On Average CCI Value For Quarter Ending 12/31/2018 = 113.1	
	CRI	MCPI	CCI		
2013	102.4	97.6	102.2	1.107	
2014	104.9	94.3	104.4	1.083	
2015	106.7	91.3	105.9	1.068	
2016	106.2	88.2	105.3	1.074	
2017	108.0	85.3	106.9	1.058	

^(a) Source: Bureau of Labor Statistics. Weights are applied to individual Consumer Price Index components as follows:
 70% House Furnishings
 20% Apparel Commodities
 10% Entertainment Commodities

^(b) The figures shown were calculated using the CoreLogic Insurance Solutions Index, modified by application of certain actuarial formulas and combined with data available through various governmental sources.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DEVELOPMENT OF LOSS PROJECTION FACTOR

Quarter Ending December 31, 2018

Part C: Computation Of Loss Projection Factor

Calendar <u>Year</u>	Quarter <u>Ending</u>	Quarterly <u>CCI</u>
2016	Mar. 31	105.3
2016	Jun. 30	105.4
2016	Sep. 30	105.3
2016	Dec. 31	105.1
2017	Mar. 31	105.2
2017	Jun. 30	106.2
2017	Sep. 30	107.7
2017	Dec. 31	108.3
2018	Mar. 31	109.3
2018	Jun. 30	110.5
2018	Sep. 30	112.3
2018	Dec. 31	113.1
Fitted Quarterly Rate of Change	=	0.007
Annual Rate of Change = (1 + 0.007) ⁴	=	1.028
Loss Trend Adjustment Factor		
Fire:	=	0.990
EC:	=	1.000
Adjusted Annual Rate of Change		
Fire: = 1.028 * 0.990	=	1.018
EC: = 1.028 * 1.000	=	1.028
Loss Projection Factor ^(a)		
Fire: = 1.018 ^(31.5 / 12)	=	1.048
EC: = 1.028 ^(31.5 / 12)	=	1.075

^(a) To project losses from 11/15/2018 TO 7/1/2021
(Assuming 7/1/2020 effective date)

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

ANNUAL PURE PREMIUM RATES OF CHANGE

FIRE

<u>Year</u>	<u>House Years</u>	<u>Losses</u>	<u>Pure Premium</u>
2013	662,128	43,325,869	65.43
2014	685,588	45,727,708	66.70
2015	713,116	45,999,860	64.51
2016	729,146	54,958,191	75.37
2017	738,742	45,821,162	62.03
Fitted Rate of Change			0.15%
External Index Rate of Change			2.80%
Selected Loss Trend Adjustment			-1.0%

EXTENDED COVERAGE

Excluding Hurricane Losses

<u>Year</u>	<u>House Years</u>	<u>Losses</u>	<u>Pure Premium</u>
2013	660,085	37,729,915	57.16
2014	688,942	47,705,324	69.24
2015	718,460	47,537,446	66.17
2016	735,537	49,255,283	66.97
2017	744,286	57,518,715	77.28
Fitted Rate of Change			5.86%

Excluding Hurricane and PCS Catastrophe Losses ^(a)

<u>Year</u>	<u>House Years</u>	<u>Losses</u>	<u>Pure Premium</u>
2013	660,085	28,000,320	42.42
2014	688,942	41,432,521	60.14
2015	718,460	34,978,447	48.69
2016	735,537	35,214,865	47.88
2017	744,286	39,335,010	52.85
Fitted Rate of Change			2.14%
External Index Rate of Change			2.80%
Selected Loss Trend Adjustment			0.00%

^(a) Excludes losses from hurricanes as well as other catastrophes as categorized by Property Claims Services (PCS)

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF PREMIUM PROJECTION FACTORS

FIRE

(1) Average Policy Size Relativity

<u>Year</u>	<u>Buildings</u>	<u>Contents</u>
2013	5.031	1.894
2014	5.122	1.987
2015	5.218	2.056
2016	5.184	2.080
2017	5.246	2.106

(2) Fitted Annual Rate of Change

0.010 0.026

(3) Selected Annual Rate of Change

0.010 0.026

(4) Premium Projection Factor to trend from
11/15/2018 to 1/1/2021 (25.5 months)

1.021 1.056

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF CURRENT COST/AMOUNT FACTORS

FIRE

Buildings

<u>Year</u>	Average Policy Size <u>Relativity</u>	Current Amount <u>Factor</u> ^(b)	Latest-Year Premium <u>Distribution</u>
2013	5.031	1.062	0.9354
2014	5.122	1.044	0.9354
2015	5.218	1.024	0.9354
2016	5.184	1.031	0.9354
2017	5.246	1.019	0.9354
11/15/2018 ^(a)	5.345		

Contents

<u>Year</u>	Average Policy Size <u>Relativity</u>	Current Amount <u>Factor</u> ^(b)	Latest-Year Premium <u>Distribution</u>
2013	1.894	1.167	0.0646
2014	1.987	1.112	0.0646
2015	2.056	1.075	0.0646
2016	2.080	1.063	0.0646
2017	2.106	1.049	0.0646
11/15/2018 ^(a)	2.210		

Buildings & Contents

<u>Year</u>	Current Amount <u>Factor</u> ^(c)	Current Cost <u>Factor</u>	Current Cost/Amount <u>Factor</u>
2013	1.069	1.107	1.036
2014	1.048	1.083	1.033
2015	1.027	1.068	1.040
2016	1.033	1.074	1.040
2017	1.021	1.058	1.036

^(a) $A * [(1+B)^{(22.5/12)}]$, where A is the average relativity at 1/1/2017, B is the average annual rate of change, and 22.5 is the number of months between 1/1/2017 and 11/15/2018.

^(b) The Current Amount Factor equals the average relativity at 11/15/2018 divided by the yearly relativity.

^(c) Weighted average of buildings and contents factors based on the latest year (2017) premium distribution.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF COMPOSITE PROJECTION FACTORS
FIRE

(1)	Buildings Premium Projection Factor	1.021
(2)	2017 Buildings Premium Distribution	0.9354
(3)	Contents Premium Projection Factor	1.056
(4)	2017 Contents Premium Distribution	0.0646
(5)	Total Premium Projection Factor [(1) x (2)] + [(3) x (4)]	1.023
(6)	Loss Projection Factor	1.048
(7)	Trend From First Dollar ^(a)	1.004
(8)	Composite Projection Factor [(6) x (7)] / (5)	1.029

^(a) First dollar factor calculated as $[A * (B + C) - B] / (A * C)$ where:
A = average yearly loss trend factor
B = loss eliminated by deductible
C = five year losses after application of deductible

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF PREMIUM PROJECTION FACTORS
EXTENDED COVERAGE

(1) Average Policy Size Relativity

<u>Year</u>	<u>Buildings</u>	<u>Contents</u>
2013	5.781	2.282
2014	5.865	2.435
2015	5.959	2.544
2016	5.907	2.611
2017	5.967	2.666

(2) Fitted Annual Rate of Change

0.007 0.039

(3) Selected Annual Rate of Change

0.007 0.039

(4) Premium Projection Factor to trend from
11/15/2018 to 1/1/2021 (25.5 months)

1.015 1.085

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF CURRENT COST/AMOUNT FACTORS
EXTENDED COVERAGE

Buildings

<u>Year</u>	<u>Average Policy Size Relativity</u>	<u>Current Amount Factor ^(b)</u>	<u>Latest-Year Premium Distribution</u>
2013	5.781	1.046	0.9734
2014	5.865	1.031	0.9734
2015	5.959	1.015	0.9734
2016	5.907	1.024	0.9734
2017	5.967	1.013	0.9734
11/15/2018 ^(a)	6.046		

Contents

<u>Year</u>	<u>Average Policy Size Relativity</u>	<u>Current Amount Factor ^(b)</u>	<u>Latest-Year Premium Distribution</u>
2013	2.282	1.255	0.0266
2014	2.435	1.176	0.0266
2015	2.544	1.126	0.0266
2016	2.611	1.097	0.0266
2017	2.666	1.074	0.0266
11/15/2018 ^(a)	2.864		

Buildings & Contents

<u>Year</u>	<u>Current Amount Factor ^(c)</u>	<u>Current Cost Factor</u>	<u>Current Cost/Amount Factor</u>
2013	1.052	1.107	1.052
2014	1.035	1.083	1.046
2015	1.018	1.068	1.049
2016	1.026	1.074	1.047
2017	1.015	1.058	1.042

^(a) $A * [(1+B)^{(22.5/12)}]$, where A is the average relativity at 1/1/2017, B is the average annual rate of change, and 22.5 is the number of months between 1/1/2017 and 11/15/2018.

^(b) The Current Amount Factor equals the average relativity at 11/15/2018 divided by the yearly relativity.

^(c) Weighted average of buildings and contents factors based on the latest year (2017) premium distribution.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF COMPOSITE PROJECTION FACTORS
EXTENDED COVERAGE

(1)	Buildings Premium Projection Factor	1.015
(2)	2017 Buildings Premium Distribution	0.9734
(3)	Contents Premium Projection Factor	1.085
(4)	2017 Contents Premium Distribution	0.0266
(5)	Total Premium Projection Factor [(1) x (2)] + [(3) x (4)]	1.017
(6)	Loss Projection Factor	1.075
(7)	Trend From First Dollar ^(a)	1.011
(8)	Composite Projection Factor [(6) x (7)] / (5)	1.069

^(a) First dollar factor calculated as $[A * (B + C) - B] / (A * C)$ where:
A = average yearly loss trend factor
B = loss eliminated by deductible
C = five year losses after application of deductible

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DETERMINATION OF TREND FOR EXPENSES

<u>Month</u>	<u>All Items CPI Index</u>	<u>All Items (Less Energy) CPI Index</u>	<u>Compensation Cost Index</u>
Jan-15	233.7	239.7	
Feb-15	234.7	240.4	123.7
Mar-15	236.1	241.1	
Apr-15	236.6	241.8	
May-15	237.8	242.0	124.7
Jun-15	238.6	242.3	
Jul-15	238.7	242.4	
Aug-15	238.3	242.7	125.0
Sep-15	237.9	243.5	
Oct-15	237.8	244.1	
Nov-15	237.3	244.0	126.1
Dec-15	236.5	243.7	
Jan-16	236.9	244.5	
Feb-16	237.1	245.5	126.9
Mar-16	238.1	245.9	
Apr-16	239.3	246.5	
May-16	240.2	246.9	128.2
Jun-16	241.0	247.1	
Jul-16	240.6	247.0	
Aug-16	240.8	247.5	129.5
Sep-16	241.4	247.9	
Oct-16	241.7	248.4	
Nov-16	241.4	248.3	129.5
Dec-16	241.4	248.2	
Jan-17	242.8	249.1	
Feb-17	243.6	250.1	130.8
Mar-17	243.8	250.3	
Apr-17	244.5	250.7	
May-17	244.7	250.9	132.8
Jun-17	245.0	251.0	
Jul-17	244.8	251.0	
Aug-17	245.5	251.5	132.5
Sep-17	246.8	252.0	
Oct-17	246.7	252.6	
Nov-17	246.7	252.4	132.6
Dec-17	246.5	252.5	
Jan-18	247.9	253.6	
Feb-18	249.0	254.6	134.1
Mar-18	249.6	255.3	
Apr-18	250.5	255.8	
May-18	251.6	256.1	136.3
Jun-18	252.0	256.3	
Jul-18	252.0	256.5	
Aug-18	252.1	256.7	135.9
Sep-18	252.4	257.1	
Oct-18	252.9	257.7	
Nov-18	252.0	257.7	135.7
Dec-18	251.2	257.8	

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DETERMINATION OF TREND FOR EXPENSES

	<u>All Items</u> ^(a)	<u>All Items - Less Energy</u> ^(b)	<u>CCI</u> ^(c)	<u>Combined</u> ^(d)
(1) Annual Change in indices based on exponential curve of best fit for the latest 48 points (or 16 quarters)	1.95%	1.85%	2.72%	2.31%
(2) Annual Change in indices based on exponential curve of best fit for the latest 36 points (or 12 quarters)	2.24%	1.83%	2.60%	2.32%
(3) Annual Change in indices based on exponential curve of best fit for the latest 24 points (or 8 quarters)	2.26%	1.90%	2.26%	2.17%
(4) Annual Change in indices based on exponential curve of best fit for the latest 12 points (or 4 quarters)	1.67%	1.65%	1.31%	1.49%

(5) Average Annual Index ^(e)

<u>Year Ended</u>	<u>All Items</u>	<u>All Items- Less Energy</u>	<u>CCI</u>
Jun-16	238.27	244.73	126.55
Dec-16	240.01	246.96	128.53
Jun-17	242.66	249.10	130.65
Dec-17	245.12	251.16	132.18
Jun-18	248.13	253.63	133.88
Dec-18	251.11	256.26	135.50

(6) Current Cost Factor (Latest Index Value Divided by Average Annual Index)

<u>Year Ended</u>	<u>All Items</u>	<u>All Items - Less Energy</u>	<u>CCI</u>	<u>Combined</u>
Jun-16	1.054	1.053	1.072	1.063
Dec-16	1.047	1.044	1.056	1.051
Jun-17	1.035	1.035	1.039	1.037
Dec-17	1.025	1.026	1.027	1.026
Jun-18	1.013	1.016	1.014	1.014
Dec-18	1.001	1.006	1.001	1.002

(7) Selected Annual Change = 2.0%

^(a) All Items CPI index (urban). Source: Bureau of Labor Statistics.

^(b) All Items - Less Energy CPI index (urban). Source: Bureau of Labor Statistics.

^(c) Total Compensation Cost Index - Insurance Carriers, Agent Brokers, and Service. Source: Bureau of Labor Statistics.

^(d) Weighted average determined as .25 (All Items) + .25 (All Items - Less Energy) + .50 (CCI).

^(e) Average year ended index for period shown.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

EXPENSE, DIVIDENDS, PROFIT AND CONTINGENCIES

FIRE

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Average</u>	<u>Selected</u>
Commission and Brokerage	5,604,994	5,256,786	5,305,706		
Written Premium Including Deviations	49,249,492	49,448,623	49,021,465		
Ratio	0.114	0.106	0.108	0.109	0.109
Other Acquisition	3,288,017	3,433,552	3,661,942		
Earned Premium at Current Manual Level	39,723,826	40,334,416	38,420,882		
Ratio	0.083	0.085	0.095	0.088	0.088
General Expense	2,288,922	2,333,769	2,302,910		
Earned Premium at Current Manual Level	39,723,826	40,334,416	38,420,882		
Ratio	0.058	0.058	0.060	0.059	0.059
Taxes, Licenses and Fees	1,448,544	1,403,800	1,347,953		
Written Premium Including Deviations	49,249,492	49,448,623	49,021,465		
Ratio	0.029	0.028	0.027	0.028	0.028

<u>Fire (AS Line 1) Data</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Average</u>	<u>Selected</u>
Direct Written Premium (Statutory Page 14)	239,870,414	232,446,665	231,979,117	230,039,100	216,292,373		
Total Dividends	1,065,877	1,089,747	1,052,727	942,866	1,025,053		
Ratio of Dividends to Direct Written Premium	0.44%	0.47%	0.45%	0.41%	0.47%	0.45%	0.4%

Expected Loss and Fixed Expense Ratio

Commission and Brokerage	10.9%
Taxes, Licenses and Fees	2.8%
Dividends	0.4%
Contingencies	1.0%
Profit	8.5%
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Total	23.6%
1 - variable expense	76.4%

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSS ADJUSTMENT EXPENSE

FIRE

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Average</u>
Allocated LAE	255,044	148,504	-18,056	347,819	119,012	
Unallocated LAE	1,495,187	1,973,729	1,441,438	1,785,761	1,304,713	
Total LAE	1,750,231	2,122,233	1,423,382	2,133,580	1,423,725	
Incurred Losses	20,972,133	19,863,918	16,344,009	24,378,203	15,419,622	
Ratio	0.083	0.107	0.087	0.088	0.092	0.091
				Average excluding highest and lowest years		0.089
				Selected		0.089

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

EXPENSE, DIVIDENDS, PROFIT AND CONTINGENCIES

EXTENDED COVERAGE

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Average</u>	<u>Selected</u>
Commission and Brokerage	6,344,348	6,425,057	5,523,945		
Written Premium Including Deviations	66,181,393	67,210,898	59,711,040		
Ratio	0.096	0.096	0.093	0.095	0.095
Other Acquisition	4,724,555	4,877,455	4,772,787		
Earned Premium at Current Manual Level	82,251,953	84,568,602	74,081,311		
Ratio	0.057	0.058	0.064	0.060	0.060
General Expense	2,920,093	2,913,560	2,756,285		
Earned Premium at Current Manual Level	82,251,953	84,568,602	74,081,311		
Ratio	0.036	0.034	0.037	0.036	0.036
Taxes, Licenses and Fees	1,817,583	1,815,109	1,597,135		
Written Premium Including Deviations	66,181,393	67,210,898	59,711,040		
Ratio	0.027	0.027	0.027	0.027	0.027

<u>Allied Lines (AS Line 2) Data</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Average</u>	<u>Selected</u>
Direct Written Premium (Statutory Page 14)	213,969,859	231,681,785	236,369,201	252,303,794	250,342,902		
Total Dividends	1,736,243	1,842,043	1,973,389	1,972,015	2,076,235		
Ratio of Dividends to Direct Written Premium	0.81%	0.80%	0.83%	0.78%	0.83%	0.81%	0.8%

Expected Loss and Fixed Expense Ratio

Commission and Brokerage	9.5%
Taxes, Licenses and Fees	2.7%
Dividends	0.8%
Contingencies	1.0%
Profit	8.5%
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Total	22.5%
1 - variable expense	77.5%

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSS ADJUSTMENT EXPENSE
EXTENDED COVERAGE

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Average</u>
Allocated LAE	192,020	225,185	187,738	386,211	258,266	
Unallocated LAE	2,981,491	3,196,904	3,639,097	5,228,606	4,412,716	
Total LAE	3,173,511	3,422,089	3,826,835	5,614,817	4,670,982	
Incurred Losses	26,725,329	32,427,998	31,430,172	50,486,998	36,323,342	
Ratio	0.119	0.106	0.122	0.111	0.129	0.117
				Average excluding highest and lowest years		0.117
				Selected		0.117

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

CALCULATION OF TRENDED EXPENSE PROVISIONS

(1) Factor to trend losses based on annual rate of change:

$$\text{Fire: } e \quad \left(0.0070 \left(\frac{31.5}{3} \right) \right) \quad \left(\frac{31.5}{12} \right) \quad * 0.990 \quad * 1.068 = 1.120$$

$$\text{EC: } e \quad \left(0.0070 \left(\frac{31.5}{3} \right) \right) \quad \left(\frac{31.5}{12} \right) \quad * 1.000 \quad * 1.068 = 1.149$$

(2) Factor to trend LAE based on Current Expense Index:

$$\text{Fire: } 1.02 \quad \left(\frac{72}{12} \right) = 1.126$$

$$\text{EC: } 1.02 \quad \left(\frac{72}{12} \right) = 1.126$$

(3) Factor to trend premium based on growth in premium revenue:

$$\text{Fire: } 1.011 \quad \left(\frac{25.5}{12} \right) * 1.033 = 1.057$$

$$\text{EC: } 1.008 \quad \left(\frac{25.5}{12} \right) * 1.026 = 1.044$$

(4) Factor to trend expense based on Current Expense Index:

$$\text{Fire: } 1.02 \quad \left(\frac{54}{12} \right) = 1.093$$

$$\text{EC: } 1.02 \quad \left(\frac{54}{12} \right) = 1.093$$

(5) Trended Expenses

Fire:

$$\text{Trended LAE Factor: } 1 + \left(0.089 * \frac{1.126}{1.12} \right) = 1.089$$

$$\text{Trended GE Ratio: } 0.059 * \frac{1.093}{1.057} = 0.061$$

$$\text{Trended OA Ratio: } 0.088 * \frac{1.093}{1.057} = 0.091$$

$$\text{Statewide Latest Year Current Base Rate} = 25.90$$

$$\text{Fixed Expense Per Policy} = 3.94$$

EC:

$$\text{Trended LAE Factor: } 1 + \left(0.117 * \frac{1.126}{1.149} \right) = 1.115$$

$$\text{Trended GE Ratio: } 0.036 * \frac{1.093}{1.044} = 0.038$$

$$\text{Trended OA Ratio: } 0.06 * \frac{1.093}{1.044} = 0.063$$

$$\text{Statewide Latest Year Current Base Rate} = 44.03$$

$$\text{Fixed Expense Per Policy} = 4.45$$

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DERIVATION OF TERRITORY FIXED EXPENSE PER POLICY

FIRE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Territory</u>	<u>Latest-Year Earned Premium at Current Level</u>	<u>Latest-Year Earned House Years</u>	<u>Statewide Average Relativity to Territory ={Statewide[(1)/(2)]/(1)/(2)}</u>	<u>Statewide Trended Fixed Expense Ratio</u>	<u>Territory Trended Fixed Expense Ratio =(4) x (3)</u>	<u>Latest-Year Average Base Class Rate</u>	<u>Trended Fixed Expense per Policy</u>
110	2,486,611	22,191	1.014	0.152	0.154	10.80	1.66
120	2,639,630	30,688	1.321	0.152	0.201	10.58	2.13
130	897,166	8,127	1.029	0.152	0.156	22.29	3.48
140	4,475,092	51,617	1.310	0.152	0.199	20.42	4.06
150	2,819,321	31,239	1.259	0.152	0.191	21.62	4.13
160	3,038,461	28,869	1.079	0.152	0.164	24.26	3.98
170	443,325	3,753	0.962	0.152	0.146	32.20	4.70
180	3,760,796	31,416	0.949	0.152	0.144	33.75	4.86
190	1,411,362	12,950	1.042	0.152	0.158	34.50	5.45
200	1,108,651	7,928	0.812	0.152	0.123	42.94	5.28
210	1,058,580	10,368	1.113	0.152	0.169	31.71	5.36
220	5,786,484	40,156	0.788	0.152	0.120	30.67	3.68
230	2,438,682	20,919	0.974	0.152	0.148	45.65	6.76
240	3,502,061	31,079	1.008	0.152	0.153	32.28	4.94
250	2,591,707	19,163	0.840	0.152	0.128	29.05	3.72
260	1,798,547	13,858	0.875	0.152	0.133	36.29	4.83
270	5,675,969	43,748	0.876	0.152	0.133	22.85	3.04
280	974,823	8,760	1.021	0.152	0.155	21.03	3.26
290	1,376,188	10,513	0.868	0.152	0.132	26.61	3.51
300	1,184,087	11,153	1.070	0.152	0.163	35.69	5.82
310	8,762,082	74,395	0.965	0.152	0.147	27.56	4.05
320	4,058,276	34,365	0.962	0.152	0.146	27.33	3.99
330	309,022	3,092	1.137	0.152	0.173	27.87	4.82
340	8,443,664	69,583	0.936	0.152	0.142	23.75	3.37
350	3,672,609	31,329	0.969	0.152	0.147	28.34	4.17
360	6,276,893	61,830	1.119	0.152	0.170	21.93	3.73
370	447,969	4,076	1.034	0.152	0.157	23.60	3.71
380	1,208,010	10,879	1.023	0.152	0.155	21.77	3.37
390	1,277,703	10,698	0.951	0.152	0.145	22.59	3.28
Statewide	83,923,771	738,742			0.152	25.90	3.94

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

**DERIVATION OF TERRITORY FIXED EXPENSE PER POLICY
EXTENDED COVERAGE**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Territory</u>	<u>Latest-Year Earned Premium at Current Level</u>	<u>Latest-Year Earned House Years</u>	<u>Statewide Average Relativity to Territory ={Statewide[(1)/(2)]/(1)/(2)}</u>	<u>Statewide Trended Fixed Expense Ratio</u>	<u>Territory Trended Fixed Expense Ratio =(4) x (3)</u>	<u>Latest-Year Average Base Class Rate</u>	<u>Trended Fixed Expense per Policy</u>
110	27,881,935	22,242	0.259	0.101	0.026	93.06	2.42
120	35,217,357	32,451	0.299	0.101	0.030	105.64	3.17
130	3,994,752	8,140	0.661	0.101	0.067	85.34	5.72
140	28,701,372	53,375	0.603	0.101	0.061	89.75	5.47
150	14,167,834	31,094	0.712	0.101	0.072	84.45	6.08
160	15,320,519	29,343	0.621	0.101	0.063	87.99	5.54
170	777,162	3,765	1.572	0.101	0.159	41.08	6.53
180	7,959,178	31,791	1.296	0.101	0.131	42.61	5.58
190	2,696,308	13,017	1.566	0.101	0.158	43.08	6.81
200	1,637,784	7,949	1.575	0.101	0.159	49.85	7.93
210	2,037,315	10,481	1.669	0.101	0.169	37.54	6.34
220	11,751,818	38,464	1.062	0.101	0.107	35.14	3.76
230	3,652,543	20,968	1.863	0.101	0.188	48.66	9.15
240	6,324,740	31,455	1.614	0.101	0.163	36.42	5.94
250	5,779,356	19,396	1.089	0.101	0.110	36.65	4.03
260	2,480,160	13,886	1.817	0.101	0.184	36.93	6.80
270	12,522,249	43,774	1.134	0.101	0.115	27.25	3.13
280	2,083,630	8,742	1.361	0.101	0.137	26.08	3.57
290	3,020,500	10,585	1.137	0.101	0.115	32.00	3.68
300	1,301,319	11,183	2.788	0.101	0.282	27.29	7.70
310	12,771,403	74,735	1.899	0.101	0.192	23.81	4.57
320	6,645,057	34,366	1.678	0.101	0.169	26.53	4.48
330	426,051	3,133	2.386	0.101	0.241	26.88	6.48
340	14,007,398	70,436	1.632	0.101	0.165	21.98	3.63
350	4,986,161	31,799	2.069	0.101	0.209	23.83	4.98
360	9,624,037	62,036	2.092	0.101	0.211	21.40	4.52
370	593,109	4,134	2.262	0.101	0.228	21.99	5.01
380	1,560,536	10,849	2.256	0.101	0.228	19.38	4.42
390	1,584,712	10,697	2.190	0.101	0.221	19.11	4.22
Statewide	241,506,295	744,286			0.101	44.03	4.45

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DERIVATION OF EXCESS LOSS FACTOR
EXTENDED COVERAGE

<u>Year</u>	(1) Reported Earned Premium	(2) Developed Incurred Losses	(3) Loss Ratio (2)/(1)	(4) Normal Loss Ratio	(5) Excess Loss Ratio (3)-(4)	(6) Total Excess Losses (1)x(5)	(7) (6)/(2)
1950	1,388,467	312,200	0.225	0.225	0.000	0	0.000
1951	1,422,207	290,780	0.204	0.204	0.000	0	0.000
1952	1,440,159	792,365	0.550	0.500	0.050	72,008	0.091
1956	2,297,877	1,928,925	0.839	0.500	0.339	778,980	0.404
1957	2,117,102	839,255	0.396	0.396	0.000	0	0.000
1961	2,448,500	779,573	0.318	0.318	0.000	0	0.000
1962	2,342,116	672,396	0.287	0.287	0.000	0	0.000
1963	2,304,330	1,094,763	0.475	0.475	0.000	0	0.000
1964	2,333,802	713,168	0.306	0.306	0.000	0	0.000
1965	2,461,063	671,381	0.273	0.273	0.000	0	0.000
1966	2,592,580	646,405	0.249	0.249	0.000	0	0.000
1967	2,765,447	624,920	0.226	0.226	0.000	0	0.000
1968	3,684,951	571,095	0.155	0.155	0.000	0	0.000
1969	3,727,782	595,281	0.160	0.160	0.000	0	0.000
1970	3,809,666	755,021	0.198	0.198	0.000	0	0.000
1971	4,500,088	1,314,056	0.292	0.292	0.000	0	0.000
1972	6,175,223	848,369	0.137	0.137	0.000	0	0.000
1973	6,830,111	1,179,331	0.173	0.173	0.000	0	0.000
1974	5,341,091	2,504,466	0.469	0.469	0.000	0	0.000
1975	5,781,924	1,495,851	0.259	0.259	0.000	0	0.000
1976	6,310,907	1,045,882	0.166	0.166	0.000	0	0.000
1977	6,923,905	1,128,249	0.163	0.163	0.000	0	0.000
1978	7,371,068	2,656,163	0.360	0.360	0.000	0	0.000
1979	8,204,305	1,935,938	0.236	0.236	0.000	0	0.000
1980	9,409,413	1,851,000	0.197	0.197	0.000	0	0.000
1981	11,618,787	2,025,113	0.174	0.174	0.000	0	0.000
1982	12,703,938	2,672,646	0.210	0.210	0.000	0	0.000
1983	12,782,050	2,811,342	0.220	0.220	0.000	0	0.000
1984	13,378,072	5,069,761	0.379	0.379	0.000	0	0.000
1985	15,586,661	5,416,799	0.348	0.348	0.000	0	0.000
1986	18,573,125	3,624,751	0.195	0.195	0.000	0	0.000
1987	20,970,707	3,207,305	0.153	0.153	0.000	0	0.000
1988	22,803,120	6,816,348	0.299	0.299	0.000	0	0.000
1989	24,622,966	13,459,214	0.547	0.500	0.047	1,157,279	0.086
1990	25,923,637	5,278,639	0.204	0.204	0.000	0	0.000

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DERIVATION OF EXCESS LOSS FACTOR
EXTENDED COVERAGE

<u>Year</u>	(1) Reported Earned Premium	(2) Developed Incurred Losses	(3) Loss Ratio (2)/(1)	(4) Normal Loss Ratio	(5) Excess Loss Ratio (3)-(4)	(6) Total Excess Losses (1)x(5)	(7) (6)/(2)
1991	28,100,632	4,332,959	0.154	0.154	0.000	0	0.000
1992	29,900,438	4,742,564	0.159	0.159	0.000	0	0.000
1993	31,889,553	16,886,073	0.530	0.500	0.030	956,687	0.057
1994	34,062,149	8,139,204	0.239	0.239	0.000	0	0.000
1995	36,469,795	7,946,434	0.218	0.218	0.000	0	0.000
1996	40,105,731	10,177,932	0.254	0.254	0.000	0	0.000
1997	45,956,155	8,042,733	0.175	0.175	0.000	0	0.000
1998	50,483,351	19,677,761	0.390	0.390	0.000	0	0.000
1999	57,917,971	26,401,571	0.456	0.456	0.000	0	0.000
2000	64,276,450	14,556,461	0.226	0.226	0.000	0	0.000
2001	58,472,402	9,227,560	0.158	0.158	0.000	0	0.000
2002	62,801,958	15,725,972	0.250	0.250	0.000	0	0.000
2003	70,166,881	19,351,691	0.276	0.276	0.000	0	0.000
2004	77,384,514	15,018,657	0.194	0.194	0.000	0	0.000
2005	86,660,735	15,298,940	0.177	0.177	0.000	0	0.000
2006	93,459,391	16,657,822	0.178	0.178	0.000	0	0.000
2007	107,421,691	18,390,566	0.171	0.171	0.000	0	0.000
2008	88,217,778	13,999,208	0.159	0.159	0.000	0	0.000
2009	111,244,031	29,274,749	0.263	0.263	0.000	0	0.000
2010	112,338,979	36,014,031	0.321	0.321	0.000	0	0.000
2011	111,845,007	106,994,195	0.957	0.500	0.457	51,113,168	0.478
2012	114,730,408	43,404,563	0.378	0.378	0.000	0	0.000
2013	130,312,911	36,515,999	0.280	0.280	0.000	0	0.000
2014	147,927,104	45,104,452	0.305	0.305	0.000	0	0.000
2015	164,116,476	44,479,804	0.271	0.271	0.000	0	0.000
2016	171,119,555	45,963,152	0.269	0.269	0.000	0	0.000
2017	171,692,366	53,353,655	0.311	0.311	0.000	0	0.000
Total	2,582,021,557	763,307,459	17.761	16.838	0.923	54,078,122	
Average			0.286	0.272	0.015		
Average Excess Loss Ratio = Avg of column (5)					0.015		
Average Normal Loss Ratio = Avg of column (4)					0.272		
Excess Factor = 1.0 + (avg (5)/avg (4)) = = 1.0 + (0.015 / 0.272) =					1.055		

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DEVELOPMENT OF EXCESS LOSSES ON A \$500 DEDUCTIBLE LEVEL
EXTENDED COVERAGE

Accident <u>Year</u>	Non Modeled Adjusted <u>Incurred Losses</u>	Excess <u>Loss Ratio</u>	Adjusted Excess <u>Losses</u>
2013	37,729,915	0.000	0
2014	47,705,324	0.000	0
2015	47,537,446	0.000	0
2016	49,255,283	0.000	0
2017	57,518,715	0.000	0

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DEVIATIONS

FIRE

<u>Year</u>	FPBP <u>Written Premium Adjusted to Manual</u>	<u>Written Premium Adjusted to Manual</u>	FPBP <u>Direct Written Premium</u>	<u>Direct Written Premium</u>	<u>Average Deviation</u>
2013	27,262,832	53,799,744	27,262,832	51,943,798	2.29%
2014	30,864,155	53,947,873	30,864,155	52,002,246	2.29%
2015	33,698,569	49,824,446	33,698,569	49,249,492	0.69%
2016	35,769,542	49,856,014	35,769,542	49,448,623	0.48%
2017	38,087,407	49,447,003	38,087,407	49,021,465	0.49%
5-year Average					1.25%
Selection					0.00%

EXTENDED COVERAGE

<u>Year</u>	FPBP <u>Written Premium Adjusted to Manual</u>	<u>Written Premium Adjusted to Manual</u>	FPBP <u>Direct Written Premium</u>	<u>Direct Written Premium</u>	<u>Average Deviation</u>
2013	82,411,695	60,138,109	83,236,893	57,812,576	1.05%
2014	96,439,471	66,255,067	97,383,956	63,630,797	1.03%
2015	104,871,489	68,559,234	105,866,410	66,181,393	0.80%
2016	107,914,578	70,151,902	108,896,497	67,210,898	1.10%
2017	112,841,280	59,533,113	113,832,855	59,711,040	-0.68%
5-year Average					0.66%
Selection					0.00%

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

ACTUAL HURRICANE LOSSES (EXCLUDED FROM EXPERIENCE)

<u>Territory</u>	<u>Year</u> ^(a)	<u>Losses</u> ^(b)	<u>Territory</u>	<u>Year</u> ^(a)	<u>Losses</u> ^(b)	<u>Territory</u>	<u>Year</u> ^(a)	<u>Losses</u> ^(b)
110	2014	1,659,612	210	2014	12,595	310	2014	18,761
	2015	57,219		2015	27,628		2015	275,610
	2016	5,115,790		2016	837,587		2016	577,034
	2017	11,133		2017	1,995		2017	0
120	2014	317,178	220	2014	82,400	320	2014	4,764
	2015	282,005		2015	242,879		2015	144,634
	2016	2,963,198		2016	11,255,753		2016	116,518
	2017	5,265		2017	38,874		2017	0
130	2014	103,058	230	2014	7,867	330	2014	4,756
	2015	32,658		2015	103,159		2015	11,721
	2016	1,587,686		2016	9,329,666		2016	1,775
	2017	15,732		2017	1,199		2017	0
140	2014	596,471	240	2014	14,809	340	2014	70,681
	2015	491,220		2015	97,600		2015	607,343
	2016	5,060,069		2016	2,567,084		2016	803,629
	2017	4,852		2017	12,028		2017	107,824
150	2014	76,385	250	2014	13,582	350	2014	10,882
	2015	104,404		2015	100,107		2015	101,051
	2016	2,860,111		2016	2,867,421		2016	32,471
	2017	13,081		2017	14,099		2017	9,066
160	2014	44,860	260	2014	986	360	2014	15,211
	2015	242,590		2015	28,798		2015	327,451
	2016	4,045,357		2016	177,313		2016	66,521
	2017	0		2017	0		2017	281
170	2014	3,806	270	2014	8,958	370	2014	0
	2015	4,974		2015	153,659		2015	6,516
	2016	249,523		2016	1,772,797		2016	442
	2017	0		2017	8,619		2017	0
180	2014	60,189	280	2014	2,420	380	2014	36,558
	2015	98,756		2015	26,091		2015	13,422
	2016	4,656,419		2016	91,800		2016	5,959
	2017	5,386		2017	0		2017	0
190	2014	74,460	290	2014	7,058	390	2014	582
	2015	37,808		2015	59,623		2015	5,654
	2016	3,036,672		2016	1,016,027		2016	29,099
	2017	0		2017	10,001		2017	0
200	2014	0	300	2014	1,643			
	2015	128,057		2015	61,520			
	2016	4,141,510		2016	493,593			
	2017	0		2017	0			

^(a) There are no actual hurricane losses for 2013.

^(b) Loss amounts reflect adjustments to base deductible level and application of loss development factors.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DERIVATION OF STATEWIDE MODELED HURRICANE BASE-CLASS LOSS COST

	<u>All Classes</u>
a. Trended Modeled Hurricane Losses (including LAE)	\$99,073,353
b. Latest-Year House Years	744,286
c. Latest-Year Average Rating Factor	7.370
d. Latest-Year Current Amount Factor	1.015
e. Premium Projection Factor	1.017
f. Modeled Base-Class Loss Cost = (a) / [(b) (c) (d) (e)] =	\$17.50

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DERIVATION OF TERRITORY MODELED HURRICANE BASE CLASS LOSS COST

<u>Territory</u>	(1) <u>Modeled Losses</u>	(2) <u>Latest-Year Earned House Years</u>	(3) <u>Latest-Year Average Rating Factor</u>	(4) <u>Modeled BCLC ^(a) = (1) / [(2)x(3)]</u>
110	17,317,439	22,242	13.470	57.80
120	21,439,040	32,451	10.273	64.31
130	1,809,490	8,140	5.751	38.65
140	15,724,193	53,375	5.992	49.17
150	3,563,516	31,094	5.395	21.24
160	4,303,763	29,343	5.934	24.72
170	142,549	3,765	5.025	7.53
180	2,232,720	31,791	5.876	11.95
190	1,117,292	13,017	4.809	17.85
200	729,942	7,949	4.133	22.22
210	509,256	10,481	5.178	9.38
220	2,481,588	38,464	8.695	7.42
230	1,221,028	20,968	3.580	16.27
240	1,271,939	31,455	5.521	7.32
250	905,673	19,396	8.131	5.74
260	306,413	13,886	4.836	4.56
270	1,530,649	43,774	10.499	3.33
280	237,133	8,742	9.140	2.97
290	374,869	10,585	8.919	3.97
300	239,446	11,183	4.264	5.02
310	1,079,131	74,735	7.176	2.01
320	597,874	34,366	7.287	2.39
330	31,501	3,133	5.060	1.99
340	1,222,660	70,436	9.049	1.92
350	345,707	31,799	6.581	1.65
360	433,400	62,036	7.250	0.96
370	18,992	4,134	6.526	0.70
380	45,952	10,849	7.423	0.57
390	41,127	10,697	7.754	0.50
Statewide	81,274,285	744,286		

^(a) Modeled base-class loss cost excluding LAE loading of 6.0% and net trend of +15.0%, for use on page C-11, Column (7).

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

DERIVATION OF NET COST OF REINSURANCE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<u>Territory</u>	<u>Trended Net Cost of Reinsurance</u>	<u>Latest-Year Earned House Years</u>	<u>Latest-Year Average Rating Factor</u>	<u>Latest-Year Current Amount Factor</u>	<u>Premium Projection Factor</u>	<u>Expected Loss and Fixed Expense Ratio</u>	<u>Net Cost of Reinsurance per Policy^(a)</u> <u>= (1) / [(2)x(3)x(4)x(5)x(6)]</u>
110	19,948,528	22,242	13.470	1.015	1.017	77.5%	83.23
120	30,362,249	32,451	10.273	1.015	1.017	77.5%	113.85
130	2,310,103	8,140	5.751	1.015	1.017	77.5%	61.68
140	21,819,792	53,375	5.992	1.015	1.017	77.5%	85.28
150	4,971,478	31,094	5.395	1.015	1.017	77.5%	37.04
160	6,657,229	29,343	5.934	1.015	1.017	77.5%	47.79
170	189,160	3,765	5.025	1.015	1.017	77.5%	12.50
180	3,407,574	31,791	5.876	1.015	1.017	77.5%	22.80
190	1,758,863	13,017	4.809	1.015	1.017	77.5%	35.12
200	1,104,969	7,949	4.133	1.015	1.017	77.5%	42.04
210	782,445	10,481	5.178	1.015	1.017	77.5%	18.02
220	3,970,242	38,464	8.695	1.015	1.017	77.5%	14.84
230	1,816,508	20,968	3.580	1.015	1.017	77.5%	30.25
240	1,939,525	31,455	5.521	1.015	1.017	77.5%	13.96
250	1,405,268	19,396	8.131	1.015	1.017	77.5%	11.14
260	455,374	13,886	4.836	1.015	1.017	77.5%	8.48
270	2,447,481	43,774	10.499	1.015	1.017	77.5%	6.66
280	371,044	8,742	9.140	1.015	1.017	77.5%	5.80
290	582,778	10,585	8.919	1.015	1.017	77.5%	7.72
300	335,769	11,183	4.264	1.015	1.017	77.5%	8.80
310	1,675,113	74,735	7.176	1.015	1.017	77.5%	3.90
320	865,269	34,366	7.287	1.015	1.017	77.5%	4.32
330	44,924	3,133	5.060	1.015	1.017	77.5%	3.54
340	1,623,243	70,436	9.049	1.015	1.017	77.5%	3.18
350	405,382	31,799	6.581	1.015	1.017	77.5%	2.42
360	484,004	62,036	7.250	1.015	1.017	77.5%	1.35
370	20,441	4,134	6.526	1.015	1.017	77.5%	0.95
380	31,617	10,849	7.423	1.015	1.017	77.5%	0.49
390	19,842	10,697	7.754	1.015	1.017	77.5%	0.30
Statewide	111,806,215	744,286	7.370	1.015	1.017	77.5%	25.48

^(a) For use on page C-12 Column (16)

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

SECTION E - SUPPLEMENTAL MATERIAL

North Carolina G.S. 58-36-15(h) specifies that the following information must be included in all policy form, rule and rate filings filed under Article 36. 11 NCAC 10.1105 specifies that additional detail be provided under each of these items. These materials are contained on the pages indicated.

<u>Item</u>	<u>Page</u>
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NORTH CAROLINA

DWELLING PROPERTY INSURANCE

7. Overhead expense development and application of commission and brokerage, other acquisition expenses, general expenses, taxes, licenses and fees.....	E-34-36
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NORTH CAROLINA

DWELLING PROPERTY INSURANCE

EARNED PREMIUMS AT ACTUAL AND CURRENT RATE LEVELS

I. Earned Premium at Collected Rate Level

<u>Year</u>	<u>Fire</u>	<u>Extended Coverage</u>
2013	\$ 93,285,959	\$ 146,045,956
2014	96,859,567	166,561,837
2015	100,426,198	184,591,462
2016	101,745,763	191,936,528
2017	104,435,760	192,157,336

II. Earned Premium at Current Rate Level

<u>Year</u>	<u>Fire</u>	<u>Extended Coverage</u>
2013	\$ 74,748,229	\$ 207,682,519
2014	77,840,627	221,419,960
2015	81,972,756	234,170,031
2016	82,462,092	238,476,178
2017	83,923,771	241,506,295

NORTH CAROLINA**DWELLING PROPERTY INSURANCE****PAID/INCURRED LOSSES AND ALLOCATED LOSS ADJUSTMENT EXPENSE****I. Paid Losses**

The Rate Bureau is advised by ISO that paid loss and loss adjustment expenses are not available for the experience period of this filing.

II. Incurred Losses ^(a)

<u>Year</u>	<u>Fire</u>	<u>Extended Coverage</u>
2013	\$ 43,325,869	\$ 37,729,915
2014	45,727,708	50,955,856
2015	45,999,860	51,411,603
2016	54,958,191	115,014,107
2017	45,821,162	57,778,150

^(a) Incurred losses are developed, adjusted to a common deductible of \$500, include actual hurricane losses and do not include loss adjustment expense.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

ANTICIPATED LOSS AND LOSS ADJUSTMENT EXPENSE RATIOS

The anticipated loss and LAE ratios included in the 2011 filing for rates effective during the experience period 2013 – 2017 were 0.539 for Fire and 0.166 for Extended Coverage.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

EXCLUDED COMPANIES

(The market shares shown are based on 2017 Dwelling Fire and Extended Coverage written premium.)

The historical experience used to develop the statewide rate-level indications, territory rate-level indications and class indications is based on the experience of companies and residual market entities reporting to the Insurance Services Office (full statistical plan), the Independent Statistical Service, and the National Insurance Statistical Service. The historical premium and loss experience utilized in this filing, after accounting for the premium and loss experience of reporting companies whose data were not included (as described below) accounts for 99.23% of the total North Carolina Dwelling insurance market. The experience reported to the American Association of Insurance Services and to Insurance Services Office under the Statistical Agent Plan is excluded because it is not available in sufficient detail. This experience accounts for approximately 0.23% of the total North Carolina Dwelling insurance market.

Premium and loss experience for the following insurers is not included in the filed experience: Bankers Standard Insurance Company, Federal Insurance Company, Hanover Insurance Company, Massachusetts Bay Insurance Company, Pacific Indemnity Company, State Auto Property and Casualty Insurance Company, and Vigilant Insurance Company. The experience for these companies was not included pending resolution of data anomalies.

Expense experience for American Security Insurance Company is not included in this filing.

The loss development factors used in the calculation of the statewide rate level indications are based on ISO North Carolina experience. This experience represents 22.10% of the market. See also the prefiled testimony of P. Anderson, M. Berry, and P. Ericksen.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

**ADJUSTMENTS TO PREMIUMS, LOSSES, LOSS ADJUSTMENT EXPENSES,
EXPENSES AND EXPOSURES**

Adjustments made to premiums, losses, loss adjustment expenses, and expenses are set forth below and in the prefiled testimony of P. Anderson, M. Berry, S. Fiete, E. Henderson and P. Ericksen.

Losses are adjusted to the \$500 base deductible level by application of loss elimination ratios. These factors are applied on a record-by-record basis and vary by cause of loss.

Losses were developed to an ultimate basis through the application of loss development factors.

Additionally, due to the volatile nature and the catastrophic potential of hurricane losses, they have been removed from the actual data. A separate provision for hurricane losses was included based on modeled hurricane losses developed by Aon.

NORTH CAROLINA**DWELLING PROPERTY INSURANCE****EARNED PREMIUM AT PRESENT RATES CALCULATION**

Earned premium at present rates by coverage is calculated by the following formula for each exposure:

Fire Premium = Territory Base Rate × Amount of Insurance Factor × Optional Coverage Factor

Extended Coverage Premium = Territory Base Rate × Amount of Insurance Factor × Optional Coverage Factor

The results are then summed to generate the aggregate earned premium at present rates used in the rate review.

A sample calculation for a single insured is shown below. This sample insured is in Territory 230, Coverage A, \$30,000 amount of insurance, protection class 8, masonry construction, Extended Coverage policy form 1.

Fire:

(1)	Territory 230, Coverage A, protection class 8, masonry construction base rate	\$61
(2)	Amount of insurance factor for \$30,000	1.60
(3)	Optional Coverage Factor	1.00
(4)	Earned premium at present rates (1)×(2)×(3)	\$97.60

Extended Coverage:

(1)	Territory 230, Coverage A, masonry construction, policy form 1 base rate	\$69
(2)	Amount of insurance factor for \$30,000	1.79
(3)	Optional Coverage Factor	1.00
(4)	Earned premium at present rates (1)×(2)×(3)	\$123.51

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

TOP TEN DWELLING FIRE INSURANCE WRITERS

<u>Company Name</u>	<u>2017 (a) Written Premium</u>	<u>2017 Written Premium Market Share</u>	<u>2017 (a) Earned Premium</u>	<u>2017 Earned Premium Market Share</u>
North Carolina Farm Bureau Mutual Insurance Company	11,767,612	24.01%	12,192,391	25.40%
United Services Automobile Association	8,672,383	17.69%	7,956,758	16.58%
Nationwide Mutual Fire Insurance Company	6,075,671	12.39%	5,997,430	12.50%
American Modern Select Insurance Company	4,822,975	9.84%	4,304,878	8.97%
USAA Casualty Insurance Company	2,375,408	4.85%	2,155,733	4.49%
USAA General Indemnity Company	1,535,254	3.13%	1,351,278	2.82%
American Strategic Insurance Company	1,437,118	2.93%	1,280,803	2.67%
The Cincinnati Insurance Company	1,275,559	2.60%	1,057,653	2.20%
Liberty Mutual Fire Insurance Company	1,062,004	2.17%	1,074,175	2.24%
Pennsylvania National Mutual Casualty Insurance Company	1,057,557	2.16%	1,023,669	2.13%
Total	40,081,541	81.76%	38,394,768	80.00%
Grand Total	49,021,465		47,992,199	

(a) NCRB Expense Experience data call, based on 2017 Annual Statement, Statutory Page 14, Line 1.0 (Residential Only).

Notes:

The Beach and Fair Plan are not included in this report.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

TOP TEN DWELLING EXTENDED COVERAGE INSURANCE WRITERS

<u>Company Name</u>	<u>2017 (a) Written Premium</u>	<u>2017 Written Premium Market Share</u>	<u>2017 (a) Earned Premium</u>	<u>2017 Earned Premium Market Share</u>
United Services Automobile Association	14,715,743	24.64%	15,895,567	25.59%
North Carolina Farm Bureau Mutual Insurance Company	9,866,211	16.52%	9,981,114	16.07%
Nationwide Mutual Fire Insurance Company	7,245,941	12.14%	7,516,567	12.10%
American Modern Select Insurance Company	5,032,062	8.43%	5,342,902	8.60%
USAA Casualty Insurance Company	3,067,647	5.14%	3,119,484	5.02%
USAA General Indemnity Company	2,083,939	3.49%	2,117,330	3.41%
Liberty Mutual Fire Insurance Company	1,721,128	2.88%	1,555,259	2.50%
American Strategic Insurance Company	1,693,840	2.84%	1,514,835	2.44%
Pennsylvania National Mutual Casualty Insurance Co	1,564,901	2.62%	1,758,422	2.83%
The Cincinnati Insurance Company	1,521,963	2.55%	1,312,167	2.11%
Total	48,513,375	81.25%	50,113,647	80.69%
Grand Total	59,711,040		62,105,976	

(a) NCRB Expense Experience data call, based on 2017 Annual Statement, Statutory Page 14, Line 2.1 (Residential Only).

Notes:

The Beach and Fair Plan are not included in this report.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSSES AND LOSS ADJUSTMENT EXPENSE

The data requested by 11 NCAC 10.1105(1)(i)(i,ii) were not being collected or reported in the experience period. The response to 11 NCAC 10.1105(1), page E-4, provides incurred loss and loss adjustment expense information. The response to 11 NCAC 10.1105(1)(1) provides incurred data by cause of loss. Additional information concerning loss adjustment expenses is provided in the response to 11 NCAC 10.1105(7). Additional information concerning loss trend is provided in Section D and in the prefiled testimony of P. Anderson, M. Berry, and P. Ericksen.

(iii) Applied Loss Development Factor

<u>Year</u>	<u>Fire</u>	<u>Extended Coverage</u>
2013	1.000	1.000
2014	1.000	1.001
2015	0.999	1.001
2016	0.996	1.003
2017	0.970	1.028

(iv) Loss Adjustment Expense Factor

	<u>Fire</u>	<u>Extended Coverage</u>
Non-Hurricane	1.089	1.115
Hurricane	-	1.060

(v) Applied Loss Trend Factor

<u>Year</u>	<u>Fire</u>	<u>Extended Coverage</u>
2013	1.165	1.203
2014	1.140	1.177
2015	1.124	1.161
2016	1.130	1.167
2017	1.113	1.150

(vi) Trended Incurred Losses and LAE

<u>Year</u>	<u>Fire</u>	<u>Extended Coverage</u>
2013	\$ 54,966,880	\$ 50,608,833
2014	56,769,120	66,872,172
2015	56,305,485	66,553,091
2016	67,629,901	149,656,931
2017	55,537,860	74,086,033

(vii) This information is given in the response to 11 NCAC 10.1105(1), page E-5.

NORTH CAROLINA
DWELLING PROPERTY INSURANCE
EXCESS LOSS PROCEDURE

See Section D and prefiled testimony of P. Anderson, M. Berry, S. Fiete, E. Henderson and P. Ericksen.

NORTH CAROLINA
DWELLING PROPERTY INSURANCE
CAUSE OF LOSS DATA

Loss experience by cause of loss is provided on the attached Exhibit (1)(l).

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSSES BY CAUSE
EXTENDED COVERAGE

<u>Territory</u>	<u>Cause of Loss</u>	<u>Year</u>	<u>Incurred Losses</u>	<u>Incurred Claims</u>	<u>Average Loss</u>	<u>Frequency per-100</u>	<u>Pure Premium</u>
110	Wind and Hail	2013	74,268	11	6,752	0.05	3.24
		2014	1,688,057	311	5,428	1.35	73.33
		2015	43,861	10	4,386	0.04	1.91
		2016	5,238,520	944	5,549	4.14	229.94
		2017	296,252	31	9,557	0.14	13.32
	Water Damage and Freezing	2013	452,858	65	6,967	0.28	19.75
		2014	1,141,623	122	9,358	0.53	49.59
		2015	2,049,533	183	11,200	0.80	89.06
		2016	1,679,429	115	14,604	0.50	73.72
		2017	1,964,331	131	14,995	0.59	88.32
	All Other Physical Damage	2013	189,547	22	8,616	0.10	8.27
		2014	113,102	17	6,653	0.07	4.91
		2015	220,470	24	9,186	0.10	9.58
		2016	206,464	26	7,941	0.11	9.06
		2017	69,480	11	6,316	0.05	3.12
	Vandalism & Malicious Mischief	2013	45,865	6	7,644	0.03	2.00
		2014	5,448	1	5,448	0.00	0.24
		2015	17,004	6	2,834	0.03	0.74
		2016	32,590	3	10,863	0.01	1.43
		2017	0	0	0	0.00	0.00
	Total	2013	762,538	104	7,332	0.11	8.32
		2014	2,948,230	451	6,537	0.49	32.02
		2015	2,330,868	223	10,452	0.24	25.32
		2016	7,157,003	1,088	6,578	1.19	78.54
		2017	2,330,063	173	13,469	0.19	26.19
120	Wind and Hail	2013	168,843	36	4,690	0.11	5.28
		2014	427,547	117	3,654	0.36	13.04
		2015	815,765	161	5,067	0.49	24.76
		2016	3,179,864	674	4,718	2.05	96.80
		2017	500,783	94	5,327	0.29	15.43
	Water Damage and Freezing	2013	1,834,993	93	19,731	0.29	57.35
		2014	1,675,873	130	12,891	0.40	51.10
		2015	1,439,257	138	10,429	0.42	43.69
		2016	916,977	109	8,413	0.33	27.91
		2017	1,353,612	114	11,874	0.35	41.71
	All Other Physical Damage	2013	21,211	9	2,357	0.03	0.66
		2014	18,240	7	2,606	0.02	0.56
		2015	128,011	13	9,847	0.04	3.89
		2016	52,231	10	5,223	0.03	1.59
		2017	47,987	10	4,799	0.03	1.48
	Vandalism & Malicious Mischief	2013	6,985	5	1,397	0.02	0.22
		2014	5,827	2	2,914	0.01	0.18
		2015	9,171	3	3,057	0.01	0.28
		2016	4,153	3	1,384	0.01	0.13
		2017	3,915	3	1,305	0.01	0.12
	Total	2013	2,032,032	143	14,210	0.11	15.88
		2014	2,127,487	256	8,310	0.20	16.22
		2015	2,392,204	315	7,594	0.24	18.15
		2016	4,153,225	796	5,218	0.61	31.61
		2017	1,906,297	221	8,626	0.17	14.69

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSSES BY CAUSE
EXTENDED COVERAGE

<u>Territory</u>	<u>Cause of Loss</u>	<u>Year</u>	<u>Incurred Losses</u>	<u>Incurred Claims</u>	<u>Average Loss</u>	<u>Frequency per-100</u>	<u>Pure Premium</u>
130	Wind and Hail	2013	32,870	13	2,528	0.19	4.76
		2014	178,536	51	3,501	0.67	23.48
		2015	81,585	21	3,885	0.27	10.31
		2016	1,653,320	313	5,282	3.90	206.07
		2017	186,437	31	6,014	0.38	22.90
	Water Damage and Freezing	2013	31,549	7	4,507	0.10	4.57
		2014	133,914	12	11,160	0.16	17.61
		2015	479,347	33	14,526	0.42	60.58
		2016	232,356	19	12,229	0.24	28.96
		2017	125,687	18	6,983	0.22	15.44
	All Other Physical Damage	2013	32,122	2	16,061	0.03	4.65
		2014	40,871	3	13,624	0.04	5.38
		2015	450	0	0	0.00	0.06
		2016	16,845	6	2,808	0.07	2.10
		2017	15,189	7	2,170	0.09	1.87
	Vandalism & Malicious Mischief	2013	0	0	0	0.00	0.00
		2014	8,501	1	8,501	0.01	1.12
		2015	0	0	0	0.00	0.00
		2016	4,785	1	4,785	0.01	0.60
		2017	0	0	0	0.00	0.00
	Total	2013	96,541	22	4,388	0.08	3.49
		2014	361,822	67	5,400	0.22	11.90
		2015	561,382	54	10,396	0.17	17.74
		2016	1,907,306	339	5,626	1.06	59.43
		2017	327,313	56	5,845	0.17	10.05
140	Wind and Hail	2013	412,683	91	4,535	0.20	9.18
		2014	1,016,730	274	3,711	0.56	20.64
		2015	1,001,752	213	4,703	0.41	19.32
		2016	5,750,882	1,242	4,630	2.35	109.00
		2017	1,181,324	219	5,394	0.41	22.13
	Water Damage and Freezing	2013	509,762	90	5,664	0.20	11.34
		2014	1,066,801	145	7,357	0.29	21.65
		2015	1,142,319	175	6,528	0.34	22.03
		2016	969,070	145	6,683	0.27	18.37
		2017	1,428,534	179	7,981	0.34	26.76
	All Other Physical Damage	2013	219,586	40	5,490	0.09	4.89
		2014	520,205	84	6,193	0.17	10.56
		2015	212,764	36	5,910	0.07	4.10
		2016	254,713	42	6,065	0.08	4.83
		2017	233,622	40	5,841	0.07	4.38
	Vandalism & Malicious Mischief	2013	32,423	9	3,603	0.02	0.72
		2014	60,626	9	6,736	0.02	1.23
		2015	16,780	11	1,525	0.02	0.32
		2016	20,893	7	2,985	0.01	0.40
		2017	18,170	6	3,028	0.01	0.34
	Total	2013	1,174,454	230	5,106	0.13	6.53
		2014	2,664,362	512	5,204	0.26	13.52
		2015	2,373,615	435	5,457	0.21	11.45
		2016	6,995,558	1,436	4,872	0.68	33.15
		2017	2,861,650	444	6,445	0.21	13.40

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSSES BY CAUSE
EXTENDED COVERAGE

<u>Territory</u>	<u>Cause of Loss</u>	<u>Year</u>	<u>Incurred Losses</u>	<u>Incurred Claims</u>	<u>Average Loss</u>	<u>Frequency per-100</u>	<u>Pure Premium</u>
150	Wind and Hail	2013	325,197	110	2,956	0.46	13.48
		2014	3,065,896	468	6,551	1.70	111.18
		2015	382,917	145	2,641	0.49	13.06
		2016	3,379,147	842	4,013	2.78	111.43
		2017	701,566	154	4,556	0.50	22.56
	Water Damage and Freezing	2013	351,765	49	7,179	0.20	14.58
		2014	403,016	65	6,200	0.24	14.62
		2015	782,654	107	7,315	0.36	26.69
		2016	279,900	56	4,998	0.18	9.23
		2017	432,488	69	6,268	0.22	13.91
	All Other Physical Damage	2013	130,575	23	5,677	0.10	5.41
		2014	151,168	29	5,213	0.11	5.48
		2015	141,646	31	4,569	0.11	4.83
		2016	141,185	43	3,283	0.14	4.66
		2017	149,578	40	3,739	0.13	4.81
	Vandalism & Malicious Mischief	2013	25,174	5	5,035	0.02	1.04
		2014	13,834	5	2,767	0.02	0.50
		2015	36,210	5	7,242	0.02	1.23
		2016	8,141	1	8,141	0.00	0.27
		2017	4,202	1	4,202	0.00	0.14
	Total	2013	832,711	187	4,453	0.19	8.63
		2014	3,633,914	567	6,409	0.51	32.95
		2015	1,343,427	288	4,665	0.25	11.45
		2016	3,808,373	942	4,043	0.78	31.40
		2017	1,287,834	264	4,878	0.21	10.35
160	Wind and Hail	2013	240,781	75	3,210	0.31	9.85
		2014	362,473	108	3,356	0.40	13.32
		2015	583,574	143	4,081	0.50	20.40
		2016	4,612,007	1,051	4,388	3.61	158.60
		2017	560,462	121	4,632	0.41	19.10
	Water Damage and Freezing	2013	337,655	65	5,195	0.27	13.81
		2014	600,267	95	6,319	0.35	22.06
		2015	593,876	127	4,676	0.44	20.76
		2016	476,851	70	6,812	0.24	16.40
		2017	694,704	89	7,806	0.30	23.68
	All Other Physical Damage	2013	103,711	15	6,914	0.06	4.24
		2014	398,684	55	7,249	0.20	14.65
		2015	238,077	43	5,537	0.15	8.32
		2016	235,713	41	5,749	0.14	8.11
		2017	179,940	38	4,735	0.13	6.13
	Vandalism & Malicious Mischief	2013	26,247	10	2,625	0.04	1.07
		2014	34,559	6	5,760	0.02	1.27
		2015	39,815	8	4,977	0.03	1.39
		2016	31,001	8	3,875	0.03	1.07
		2017	33,394	8	4,174	0.03	1.14
	Total	2013	708,394	165	4,293	0.17	7.24
		2014	1,395,983	264	5,288	0.24	12.83
		2015	1,455,342	321	4,534	0.28	12.72
		2016	5,355,572	1,170	4,577	1.01	46.04
		2017	1,468,500	256	5,736	0.22	12.51

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSSES BY CAUSE
EXTENDED COVERAGE

<u>Territory</u>	<u>Cause of Loss</u>	<u>Year</u>	<u>Incurred Losses</u>	<u>Incurred Claims</u>	<u>Average Loss</u>	<u>Frequency per-100</u>	<u>Pure Premium</u>
170	Wind and Hail	2013	49,396	19	2,600	0.62	16.13
		2014	29,254	14	2,090	0.45	9.30
		2015	67,249	31	2,169	0.91	19.76
		2016	325,387	101	3,222	2.79	89.74
		2017	100,143	29	3,453	0.77	26.60
	Water Damage and Freezing	2013	9,069	2	4,535	0.07	2.96
		2014	37,967	7	5,424	0.22	12.07
		2015	78,108	14	5,579	0.41	22.95
		2016	15,628	8	1,954	0.22	4.31
		2017	24,663	7	3,523	0.19	6.55
	All Other Physical Damage	2013	9,716	4	2,429	0.13	3.17
		2014	16,636	4	4,159	0.13	5.29
		2015	11,634	5	2,327	0.15	3.42
		2016	20,177	9	2,242	0.25	5.56
		2017	2,981	1	2,981	0.03	0.79
	Vandalism & Malicious Mischief	2013	1,030	1	1,030	0.03	0.34
		2014	1,677	1	1,677	0.03	0.53
		2015	114	0	0	0.00	0.03
		2016	75	0	0	0.00	0.02
		2017	994	1	994	0.03	0.26
	Total	2013	69,211	26	2,662	0.21	5.65
		2014	85,534	26	3,290	0.21	6.80
		2015	157,105	50	3,142	0.37	11.54
		2016	361,267	118	3,062	0.81	24.91
		2017	128,781	38	3,389	0.25	8.55
180	Wind and Hail	2013	515,602	158	3,263	0.58	18.94
		2014	735,176	211	3,484	0.76	26.49
		2015	518,090	141	3,674	0.48	17.63
		2016	5,339,136	1,316	4,057	4.27	173.11
		2017	638,712	155	4,121	0.49	20.09
	Water Damage and Freezing	2013	252,203	66	3,821	0.24	9.26
		2014	477,811	96	4,977	0.35	17.22
		2015	605,677	119	5,090	0.40	20.61
		2016	421,012	105	4,010	0.34	13.65
		2017	414,356	84	4,933	0.26	13.03
	All Other Physical Damage	2013	143,956	32	4,499	0.12	5.29
		2014	282,242	46	6,136	0.17	10.17
		2015	137,731	47	2,930	0.16	4.69
		2016	153,947	57	2,701	0.18	4.99
		2017	205,660	42	4,897	0.13	6.47
	Vandalism & Malicious Mischief	2013	41,558	11	3,778	0.04	1.53
		2014	44,825	14	3,202	0.05	1.62
		2015	48,622	16	3,039	0.05	1.65
		2016	32,015	11	2,910	0.04	1.04
		2017	16,755	7	2,394	0.02	0.53
	Total	2013	953,319	267	3,570	0.25	8.75
		2014	1,540,054	367	4,196	0.33	13.88
		2015	1,310,120	323	4,056	0.27	11.14
		2016	5,946,110	1,489	3,993	1.21	48.20
		2017	1,275,483	288	4,429	0.23	10.03

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSSES BY CAUSE
EXTENDED COVERAGE

<u>Territory</u>	<u>Cause of Loss</u>	<u>Year</u>	<u>Incurred Losses</u>	<u>Incurred Claims</u>	<u>Average Loss</u>	<u>Frequency per-100</u>	<u>Pure Premium</u>
190	Wind and Hail	2013	173,979	51	3,411	0.45	15.42
		2014	246,270	64	3,848	0.55	21.35
		2015	191,394	57	3,358	0.47	15.89
		2016	3,438,575	907	3,791	7.19	272.58
		2017	286,789	71	4,039	0.55	22.03
	Water Damage and Freezing	2013	88,813	20	4,441	0.18	7.87
		2014	85,224	23	3,705	0.20	7.39
		2015	147,921	34	4,351	0.28	12.28
		2016	63,068	29	2,175	0.23	5.00
		2017	164,588	21	7,838	0.16	12.64
	All Other Physical Damage	2013	32,869	7	4,696	0.06	2.91
		2014	77,201	21	3,676	0.18	6.69
		2015	215,597	21	10,267	0.17	17.90
		2016	92,150	32	2,880	0.25	7.30
		2017	42,693	18	2,372	0.14	3.28
	Vandalism & Malicious Mischief	2013	10,773	1	10,773	0.01	0.95
		2014	3,493	2	1,747	0.02	0.30
		2015	7,602	2	3,801	0.02	0.63
		2016	3,316	4	829	0.03	0.26
		2017	6,729	3	2,243	0.02	0.52
	Total	2013	306,434	79	3,879	0.18	6.79
		2014	412,188	110	3,747	0.24	8.93
		2015	562,514	114	4,934	0.24	11.67
		2016	3,597,109	972	3,701	1.93	71.29
		2017	500,799	113	4,432	0.22	9.62
200	Wind and Hail	2013	165,647	58	2,856	0.75	21.48
		2014	179,090	59	3,035	0.78	23.54
		2015	250,093	76	3,291	0.98	32.15
		2016	4,310,112	957	4,504	12.22	550.32
		2017	195,135	42	4,646	0.53	24.55
	Water Damage and Freezing	2013	23,375	4	5,844	0.05	3.03
		2014	110,824	23	4,818	0.30	14.57
		2015	96,394	24	4,016	0.31	12.39
		2016	82,998	14	5,928	0.18	10.60
		2017	45,199	14	3,229	0.18	5.69
	All Other Physical Damage	2013	4,300	2	2,150	0.03	0.56
		2014	28,509	11	2,592	0.14	3.75
		2015	33,338	5	6,668	0.06	4.29
		2016	73,064	15	4,871	0.19	9.33
		2017	12,613	5	2,523	0.06	1.59
	Vandalism & Malicious Mischief	2013	0	0	0	0.00	0.00
		2014	11,398	3	3,799	0.04	1.50
		2015	15,689	6	2,615	0.08	2.02
		2016	870	2	435	0.03	0.11
		2017	9,378	1	9,378	0.01	1.18
	Total	2013	193,322	64	3,021	0.21	6.27
		2014	329,821	96	3,436	0.32	10.84
		2015	395,514	111	3,563	0.36	12.71
		2016	4,467,044	988	4,521	3.15	142.59
		2017	262,325	62	4,231	0.19	8.25

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSSES BY CAUSE
EXTENDED COVERAGE

<u>Territory</u>	<u>Cause of Loss</u>	<u>Year</u>	<u>Incurred Losses</u>	<u>Incurred Claims</u>	<u>Average Loss</u>	<u>Frequency per-100</u>	<u>Pure Premium</u>
210	Wind and Hail	2013	317,727	73	4,352	0.81	35.34
		2014	106,511	35	3,043	0.38	11.71
		2015	188,993	53	3,566	0.55	19.66
		2016	1,054,277	253	4,167	2.48	103.47
		2017	249,114	38	6,556	0.36	23.77
	Water Damage and Freezing	2013	69,418	15	4,628	0.17	7.72
		2014	74,058	18	4,114	0.20	8.14
		2015	103,685	19	5,457	0.20	10.79
		2016	136,087	20	6,804	0.20	13.36
		2017	118,703	22	5,396	0.21	11.33
	All Other Physical Damage	2013	23,400	12	1,950	0.13	2.60
		2014	64,538	12	5,378	0.13	7.10
		2015	24,010	14	1,715	0.15	2.50
		2016	73,450	23	3,193	0.23	7.21
		2017	68,093	14	4,864	0.13	6.50
	Vandalism & Malicious Mischief	2013	10,351	3	3,450	0.03	1.15
		2014	18,628	4	4,657	0.04	2.05
		2015	33,681	4	8,420	0.04	3.50
		2016	5,577	4	1,394	0.04	0.55
		2017	4,144	0	0	0.00	0.40
	Total	2013	420,896	103	4,086	0.29	11.70
		2014	263,735	69	3,822	0.19	7.25
		2015	350,369	90	3,893	0.23	9.11
		2016	1,269,391	300	4,231	0.74	31.15
		2017	440,054	74	5,947	0.18	10.50
220	Wind and Hail	2013	1,396,199	306	4,563	0.92	41.89
		2014	2,064,045	384	5,375	1.09	58.82
		2015	1,600,525	309	5,180	0.82	42.63
		2016	13,211,850	2,458	5,375	6.48	348.35
		2017	2,192,801	351	6,247	0.91	57.01
	Water Damage and Freezing	2013	1,133,509	171	6,629	0.51	34.01
		2014	1,933,670	276	7,006	0.79	55.10
		2015	2,616,676	323	8,101	0.86	69.69
		2016	2,244,524	348	6,450	0.92	59.18
		2017	1,914,504	215	8,905	0.56	49.77
	All Other Physical Damage	2013	424,207	145	2,926	0.44	12.73
		2014	1,020,543	234	4,361	0.67	29.08
		2015	359,898	103	3,494	0.27	9.59
		2016	761,722	155	4,914	0.41	20.08
		2017	704,740	118	5,972	0.31	18.32
	Vandalism & Malicious Mischief	2013	47,076	23	2,047	0.07	1.41
		2014	300,975	63	4,777	0.18	8.58
		2015	309,847	77	4,024	0.21	8.25
		2016	169,390	28	6,050	0.07	4.47
		2017	205,804	26	7,916	0.07	5.35
	Total	2013	3,000,991	645	4,653	0.48	22.51
		2014	5,319,233	957	5,558	0.68	37.89
		2015	4,886,946	812	6,018	0.54	32.54
		2016	16,387,486	2,989	5,483	1.97	108.02
		2017	5,017,849	710	7,067	0.46	32.61

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<u>Territory</u>	<u>Cause of Loss</u>	<u>Year</u>	<u>Incurred Losses</u>	<u>Incurred Claims</u>	<u>Average Loss</u>	<u>Frequency per-100</u>	<u>Pure Premium</u>
230	Wind and Hail	2013	263,323	107	2,461	0.54	13.20
		2014	294,261	135	2,180	0.68	14.84
		2015	497,277	147	3,383	0.72	24.30
		2016	9,848,285	2,348	4,194	11.30	473.86
		2017	132,283	52	2,544	0.25	6.31
	Water Damage and Freezing	2013	79,606	22	3,618	0.11	3.99
		2014	133,163	32	4,161	0.16	6.71
		2015	162,598	41	3,966	0.20	7.95
		2016	204,242	41	4,982	0.20	9.83
		2017	47,138	13	3,626	0.06	2.25
	All Other Physical Damage	2013	24,354	10	2,435	0.05	1.22
		2014	106,112	23	4,614	0.12	5.35
		2015	51,490	18	2,861	0.09	2.52
		2016	174,892	45	3,886	0.22	8.42
		2017	109,236	24	4,552	0.11	5.21
	Vandalism & Malicious Mischief	2013	29,293	4	7,323	0.02	1.47
		2014	8,804	4	2,201	0.02	0.44
		2015	6,682	6	1,114	0.03	0.33
		2016	30,567	14	2,183	0.07	1.47
		2017	31,785	9	3,532	0.04	1.52
	Total	2013	396,576	143	2,773	0.18	4.97
		2014	542,340	194	2,796	0.24	6.84
		2015	718,047	212	3,387	0.26	8.77
		2016	10,257,986	2,448	4,190	2.94	123.39
		2017	320,442	98	3,270	0.12	3.82
240	Wind and Hail	2013	719,247	188	3,826	0.68	25.96
		2014	678,072	151	4,491	0.55	24.49
		2015	3,059,655	526	5,817	1.80	104.83
		2016	3,452,143	637	5,419	2.08	112.63
		2017	762,382	189	4,034	0.60	24.24
	Water Damage and Freezing	2013	82,552	27	3,057	0.10	2.98
		2014	495,043	63	7,858	0.23	17.88
		2015	355,676	65	5,472	0.22	12.19
		2016	431,978	86	5,023	0.28	14.09
		2017	493,213	77	6,405	0.24	15.68
	All Other Physical Damage	2013	107,350	32	3,355	0.12	3.87
		2014	128,945	37	3,485	0.13	4.66
		2015	158,571	48	3,304	0.16	5.43
		2016	264,281	55	4,805	0.18	8.62
		2017	327,031	36	9,084	0.11	10.40
	Vandalism & Malicious Mischief	2013	54,981	14	3,927	0.05	1.98
		2014	31,815	10	3,182	0.04	1.15
		2015	93,301	6	15,550	0.02	3.20
		2016	13,103	7	1,872	0.02	0.43
		2017	20,714	5	4,143	0.02	0.66
	Total	2013	964,130	261	3,694	0.24	8.70
		2014	1,333,875	261	5,111	0.24	12.04
		2015	3,667,203	645	5,686	0.55	31.41
		2016	4,161,505	785	5,301	0.64	33.94
		2017	1,603,340	307	5,223	0.24	12.74

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<u>Territory</u>	<u>Cause of Loss</u>	<u>Year</u>	<u>Incurred Losses</u>	<u>Incurred Claims</u>	<u>Average Loss</u>	<u>Frequency per-100</u>	<u>Pure Premium</u>
250	Wind and Hail	2013	345,946	95	3,642	0.59	21.43
		2014	355,821	92	3,868	0.55	21.27
		2015	522,312	114	4,582	0.63	28.90
		2016	3,621,839	778	4,655	4.12	191.92
		2017	650,749	123	5,291	0.63	33.55
	Water Damage and Freezing	2013	329,070	51	6,452	0.32	20.38
		2014	549,389	55	9,989	0.33	32.83
		2015	757,050	101	7,496	0.56	41.88
		2016	585,199	86	6,805	0.46	31.01
		2017	636,234	71	8,961	0.37	32.80
	All Other Physical Damage	2013	138,269	33	4,190	0.20	8.56
		2014	274,334	44	6,235	0.26	16.40
		2015	200,696	29	6,921	0.16	11.10
		2016	135,209	47	2,877	0.25	7.16
		2017	163,433	35	4,670	0.18	8.43
	Vandalism & Malicious Mischief	2013	44,889	9	4,988	0.06	2.78
		2014	61,162	14	4,369	0.08	3.66
		2015	133,395	21	6,352	0.12	7.38
		2016	25,095	8	3,137	0.04	1.33
		2017	33,826	5	6,765	0.03	1.74
	Total	2013	858,174	188	4,565	0.29	13.29
		2014	1,240,706	205	6,052	0.31	18.54
		2015	1,613,453	265	6,089	0.37	22.31
		2016	4,367,342	919	4,752	1.22	57.85
		2017	1,484,242	234	6,343	0.30	19.13
260	Wind and Hail	2013	244,532	73	3,350	0.61	20.44
		2014	184,547	52	3,549	0.42	15.03
		2015	429,256	122	3,518	0.96	33.64
		2016	1,869,656	385	4,856	2.89	140.29
		2017	259,058	58	4,467	0.42	18.66
	Water Damage and Freezing	2013	14,742	6	2,457	0.05	1.23
		2014	203,869	15	13,591	0.12	16.61
		2015	117,406	20	5,870	0.16	9.20
		2016	39,263	8	4,908	0.06	2.95
		2017	51,579	15	3,439	0.11	3.71
	All Other Physical Damage	2013	31,291	12	2,608	0.10	2.61
		2014	29,307	14	2,093	0.11	2.39
		2015	56,540	28	2,019	0.22	4.43
		2016	212,092	34	6,238	0.26	15.91
		2017	104,233	16	6,515	0.12	7.51
	Vandalism & Malicious Mischief	2013	17,919	2	8,960	0.02	1.50
		2014	5,534	3	1,845	0.02	0.45
		2015	70,061	3	23,354	0.02	5.49
		2016	16,819	2	8,410	0.02	1.26
		2017	20,789	2	10,395	0.01	1.50
	Total	2013	308,484	93	3,317	0.19	6.45
		2014	423,257	84	5,039	0.17	8.62
		2015	673,263	173	3,892	0.34	13.19
		2016	2,137,830	429	4,983	0.80	40.10
		2017	435,659	91	4,787	0.16	7.84

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270	Wind and Hail	2013	1,193,274	163	7,321	0.44	32.02
		2014	1,063,252	199	5,343	0.51	27.37
		2015	1,116,425	181	6,168	0.44	27.08
		2016	3,925,881	644	6,096	1.51	92.04
		2017	3,991,264	482	8,281	1.10	91.18
	Water Damage and Freezing	2013	874,332	154	5,677	0.41	23.46
		2014	1,992,071	217	9,180	0.56	51.29
		2015	2,058,219	221	9,313	0.54	49.92
		2016	1,843,924	204	9,039	0.48	43.23
		2017	2,384,206	230	10,366	0.53	54.47
	All Other Physical Damage	2013	849,857	151	5,628	0.41	22.80
		2014	858,100	136	6,310	0.35	22.09
		2015	917,400	138	6,648	0.33	22.25
		2016	1,030,858	165	6,248	0.39	24.17
		2017	1,485,268	137	10,841	0.31	33.93
	Vandalism & Malicious Mischief	2013	38,073	10	3,807	0.03	1.02
		2014	208,266	23	9,055	0.06	5.36
		2015	155,499	28	5,554	0.07	3.77
		2016	65,272	7	9,325	0.02	1.53
		2017	22,675	11	2,061	0.03	0.52
	Total	2013	2,955,536	478	6,183	0.32	19.82
		2014	4,121,689	575	7,168	0.37	26.53
		2015	4,247,543	568	7,478	0.34	25.76
		2016	6,865,935	1,020	6,731	0.60	40.24
		2017	7,883,413	860	9,167	0.49	45.02
280	Wind and Hail	2013	132,472	39	3,397	0.50	17.03
		2014	249,638	45	5,548	0.57	31.49
		2015	198,979	34	5,852	0.39	22.96
		2016	409,085	69	5,929	0.77	45.78
		2017	239,389	39	6,138	0.45	27.38
	Water Damage and Freezing	2013	153,788	15	10,253	0.19	19.76
		2014	149,387	20	7,469	0.25	18.85
		2015	148,885	23	6,473	0.27	17.18
		2016	129,393	19	6,810	0.21	14.48
		2017	482,291	28	17,225	0.32	55.17
	All Other Physical Damage	2013	104,698	18	5,817	0.23	13.46
		2014	110,662	29	3,816	0.37	13.96
		2015	47,706	10	4,771	0.12	5.50
		2016	63,623	14	4,545	0.16	7.12
		2017	156,394	19	8,231	0.22	17.89
	Vandalism & Malicious Mischief	2013	9,271	2	4,636	0.03	1.19
		2014	3,133	0	0	0.00	0.40
		2015	42,841	4	10,710	0.05	4.94
		2016	0	0	0	0.00	0.00
		2017	0	0	0	0.00	0.00
	Total	2013	400,229	74	5,409	0.24	12.86
		2014	512,820	94	5,456	0.30	16.17
		2015	438,411	71	6,175	0.20	12.65
		2016	602,101	102	5,903	0.29	16.84
		2017	878,074	86	10,210	0.25	25.11

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290	Wind and Hail	2013	280,281	60	4,671	0.67	31.42
		2014	315,595	61	5,174	0.65	33.53
		2015	263,531	47	5,607	0.47	26.34
		2016	1,275,046	184	6,930	1.76	122.10
		2017	284,249	42	6,768	0.40	26.85
	Water Damage and Freezing	2013	175,597	19	9,242	0.21	19.68
		2014	468,289	50	9,366	0.53	49.75
		2015	460,708	56	8,227	0.56	46.05
		2016	253,593	31	8,180	0.30	24.28
		2017	348,787	30	11,626	0.28	32.95
	All Other Physical Damage	2013	70,032	18	3,891	0.20	7.85
		2014	219,062	23	9,524	0.24	23.27
		2015	88,552	14	6,325	0.14	8.85
		2016	99,961	20	4,998	0.19	9.57
		2017	63,945	14	4,568	0.13	6.04
	Vandalism & Malicious Mischief	2013	16,164	4	4,041	0.04	1.81
		2014	8,790	1	8,790	0.01	0.93
		2015	39,647	8	4,956	0.08	3.96
		2016	26,334	4	6,584	0.04	2.52
		2017	40,533	4	10,133	0.04	3.83
	Total	2013	542,074	101	5,367	0.28	15.19
		2014	1,011,736	135	7,494	0.36	26.87
		2015	852,438	125	6,820	0.31	21.30
		2016	1,654,934	239	6,924	0.57	39.62
		2017	737,514	90	8,195	0.21	17.42
300	Wind and Hail	2013	561,842	131	4,289	1.28	55.09
		2014	186,095	58	3,209	0.54	17.18
		2015	329,146	85	3,872	0.76	29.47
		2016	733,181	162	4,526	1.43	64.91
		2017	361,675	87	4,157	0.78	32.34
	Water Damage and Freezing	2013	42,221	12	3,518	0.12	4.14
		2014	9,168	4	2,292	0.04	0.85
		2015	102,931	29	3,549	0.26	9.22
		2016	66,524	14	4,752	0.12	5.89
		2017	74,682	15	4,979	0.13	6.68
	All Other Physical Damage	2013	26,656	10	2,666	0.10	2.61
		2014	32,839	14	2,346	0.13	3.03
		2015	64,914	22	2,951	0.20	5.81
		2016	104,086	31	3,358	0.27	9.22
		2017	32,902	10	3,290	0.09	2.94
	Vandalism & Malicious Mischief	2013	2,490	1	2,490	0.01	0.24
		2014	1,417	2	709	0.02	0.13
		2015	1,080	1	1,080	0.01	0.10
		2016	25,489	4	6,372	0.04	2.26
		2017	314	2	157	0.02	0.03
	Total	2013	633,209	154	4,112	0.38	15.52
		2014	229,519	78	2,943	0.18	5.30
		2015	498,071	137	3,636	0.31	11.15
		2016	929,280	211	4,404	0.47	20.57
		2017	469,573	114	4,119	0.25	10.50

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310	Wind and Hail	2013	2,328,030	535	4,351	0.80	34.90
		2014	1,785,596	457	3,907	0.66	25.75
		2015	1,748,390	393	4,449	0.54	24.09
		2016	3,499,994	726	4,821	0.98	47.06
		2017	2,919,705	533	5,478	0.71	39.07
	Water Damage and Freezing	2013	826,148	121	6,828	0.18	12.38
		2014	1,647,081	225	7,320	0.32	23.75
		2015	1,558,953	189	8,248	0.26	21.48
		2016	1,040,245	144	7,224	0.19	13.99
		2017	1,455,372	164	8,874	0.22	19.47
	All Other Physical Damage	2013	985,048	204	4,829	0.31	14.77
		2014	1,343,997	316	4,253	0.46	19.38
		2015	882,434	169	5,222	0.23	12.16
		2016	806,830	181	4,458	0.24	10.85
		2017	887,262	172	5,159	0.23	11.87
	Vandalism & Malicious Mischief	2013	44,803	16	2,800	0.02	0.67
		2014	93,777	25	3,751	0.04	1.35
		2015	131,050	28	4,680	0.04	1.81
		2016	26,987	13	2,076	0.02	0.36
		2017	109,479	19	5,762	0.03	1.46
	Total	2013	4,184,029	876	4,776	0.33	15.68
		2014	4,870,451	1,023	4,761	0.37	17.56
		2015	4,320,827	779	5,547	0.27	14.88
		2016	5,374,056	1,064	5,051	0.36	18.06
		2017	5,371,818	888	6,049	0.30	17.97
320	Wind and Hail	2013	1,675,201	303	5,529	1.00	55.18
		2014	1,104,238	219	5,042	0.69	34.84
		2015	983,327	238	4,132	0.71	29.50
		2016	1,551,421	298	5,206	0.87	45.18
		2017	1,574,064	281	5,602	0.82	45.80
	Water Damage and Freezing	2013	310,241	55	5,641	0.18	10.22
		2014	487,678	87	5,605	0.27	15.39
		2015	575,306	67	8,587	0.20	17.26
		2016	428,629	60	7,144	0.17	12.48
		2017	386,991	61	6,344	0.18	11.26
	All Other Physical Damage	2013	365,645	89	4,108	0.29	12.04
		2014	693,520	172	4,032	0.54	21.88
		2015	727,921	112	6,499	0.34	21.84
		2016	369,300	91	4,058	0.27	10.76
		2017	596,980	91	6,560	0.26	17.37
	Vandalism & Malicious Mischief	2013	33,998	8	4,250	0.03	1.12
		2014	13,412	3	4,471	0.01	0.42
		2015	27,693	8	3,462	0.02	0.83
		2016	137,149	8	17,144	0.02	3.99
		2017	31,197	9	3,466	0.03	0.91
	Total	2013	2,385,085	455	5,242	0.37	19.64
		2014	2,298,848	481	4,779	0.38	18.13
		2015	2,314,247	425	5,445	0.32	17.36
		2016	2,486,499	457	5,441	0.33	18.10
		2017	2,589,232	442	5,858	0.32	18.84

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330	Wind and Hail	2013	146,805	35	4,194	1.18	49.61
		2014	95,351	29	3,288	0.95	31.23
		2015	57,219	16	3,576	0.50	17.80
		2016	143,538	49	2,929	1.51	44.12
		2017	118,901	25	4,756	0.80	37.95
	Water Damage and Freezing	2013	7,639	1	7,639	0.03	2.58
		2014	15,602	4	3,901	0.13	5.11
		2015	12,184	1	12,184	0.03	3.79
		2016	5,171	2	2,586	0.06	1.59
		2017	142,534	3	47,511	0.10	45.49
	All Other Physical Damage	2013	77,980	15	5,199	0.51	26.35
		2014	28,891	6	4,815	0.20	9.46
		2015	22,011	9	2,446	0.28	6.85
		2016	47,854	6	7,976	0.18	14.71
		2017	82,148	7	11,735	0.22	26.22
	Vandalism & Malicious Mischief	2013	831	0	0	0.00	0.28
		2014	0	0	0	0.00	0.00
		2015	0	0	0	0.00	0.00
		2016	146	0	0	0.00	0.04
		2017	380	0	0	0.00	0.12
	Total	2013	233,255	51	4,574	0.43	19.71
		2014	139,844	39	3,586	0.32	11.45
		2015	91,414	26	3,516	0.20	7.11
		2016	196,709	57	3,451	0.44	15.12
		2017	343,963	35	9,828	0.28	27.45
340	Wind and Hail	2013	4,737,702	871	5,439	1.37	74.56
		2014	3,088,558	589	5,244	0.89	46.68
		2015	3,339,633	539	6,196	0.80	49.33
		2016	4,394,029	737	5,962	1.07	63.89
		2017	4,393,482	727	6,043	1.03	62.38
	Water Damage and Freezing	2013	1,238,263	199	6,222	0.31	19.49
		2014	1,753,723	248	7,071	0.37	26.50
		2015	2,234,291	262	8,528	0.39	33.00
		2016	1,778,835	222	8,013	0.32	25.87
		2017	1,917,947	214	8,962	0.30	27.23
	All Other Physical Damage	2013	1,499,781	301	4,983	0.47	23.60
		2014	2,010,408	311	6,464	0.47	30.38
		2015	1,870,422	274	6,826	0.40	27.63
		2016	2,435,059	329	7,401	0.48	35.41
		2017	1,712,899	248	6,907	0.35	24.32
	Vandalism & Malicious Mischief	2013	149,506	38	3,934	0.06	2.35
		2014	281,871	62	4,546	0.09	4.26
		2015	267,509	42	6,369	0.06	3.95
		2016	134,959	36	3,749	0.05	1.96
		2017	170,076	36	4,724	0.05	2.41
	Total	2013	7,625,252	1,409	5,412	0.55	30.00
		2014	7,134,560	1,210	5,896	0.46	26.96
		2015	7,711,855	1,117	6,904	0.41	28.48
		2016	8,742,882	1,324	6,603	0.48	31.78
		2017	8,194,404	1,225	6,689	0.43	29.08

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSSES BY CAUSE
EXTENDED COVERAGE

<u>Territory</u>	<u>Cause of Loss</u>	<u>Year</u>	<u>Incurred Losses</u>	<u>Incurred Claims</u>	<u>Average Loss</u>	<u>Frequency per-100</u>	<u>Pure Premium</u>
350	Wind and Hail	2013	859,210	203	4,233	0.71	29.93
		2014	652,716	144	4,533	0.48	21.73
		2015	721,721	165	4,374	0.52	22.73
		2016	963,035	216	4,458	0.67	29.67
		2017	1,729,847	271	6,383	0.85	54.40
	Water Damage and Freezing	2013	266,962	50	5,339	0.17	9.30
		2014	455,521	63	7,230	0.21	15.16
		2015	722,013	67	10,776	0.21	22.74
		2016	402,792	50	8,056	0.15	12.41
		2017	445,245	58	7,677	0.18	14.00
	All Other Physical Damage	2013	409,093	68	6,016	0.24	14.25
		2014	333,725	65	5,134	0.22	11.11
		2015	248,571	56	4,439	0.18	7.83
		2016	289,480	63	4,595	0.19	8.92
		2017	454,083	79	5,748	0.25	14.28
	Vandalism & Malicious Mischief	2013	26,768	9	2,974	0.03	0.93
		2014	72,903	17	4,288	0.06	2.43
		2015	71,654	9	7,962	0.03	2.26
		2016	67,607	10	6,761	0.03	2.08
		2017	68,714	13	5,286	0.04	2.16
	Total	2013	1,562,033	330	4,733	0.29	13.60
		2014	1,514,865	289	5,242	0.24	12.61
		2015	1,763,959	297	5,939	0.23	13.89
		2016	1,722,914	339	5,082	0.26	13.27
		2017	2,697,889	421	6,408	0.33	21.21
360	Wind and Hail	2013	1,822,925	436	4,181	0.76	31.72
		2014	1,307,479	311	4,204	0.53	22.09
		2015	1,076,712	251	4,290	0.42	17.92
		2016	1,610,412	352	4,575	0.57	26.30
		2017	3,440,928	577	5,963	0.93	55.47
	Water Damage and Freezing	2013	584,333	84	6,956	0.15	10.17
		2014	1,095,335	133	8,236	0.22	18.50
		2015	996,608	116	8,591	0.19	16.59
		2016	664,913	101	6,583	0.16	10.86
		2017	1,148,740	107	10,736	0.17	18.52
	All Other Physical Damage	2013	706,013	125	5,648	0.22	12.29
		2014	913,166	141	6,476	0.24	15.43
		2015	822,927	122	6,745	0.20	13.70
		2016	699,699	120	5,831	0.20	11.43
		2017	785,063	94	8,352	0.15	12.65
	Vandalism & Malicious Mischief	2013	31,556	12	2,630	0.02	0.55
		2014	74,948	13	5,765	0.02	1.27
		2015	62,278	7	8,897	0.01	1.04
		2016	30,261	7	4,323	0.01	0.49
		2017	46,337	10	4,634	0.02	0.75
	Total	2013	3,144,827	657	4,787	0.29	13.68
		2014	3,390,928	598	5,670	0.25	14.32
		2015	2,958,525	496	5,965	0.21	12.31
		2016	3,005,285	580	5,182	0.24	12.27
		2017	5,421,068	788	6,880	0.32	21.85

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSSES BY CAUSE
EXTENDED COVERAGE

<u>Territory</u>	<u>Cause of Loss</u>	<u>Year</u>	<u>Incurred Losses</u>	<u>Incurred Claims</u>	<u>Average Loss</u>	<u>Frequency per-100</u>	<u>Pure Premium</u>
370	Wind and Hail	2013	68,345	18	3,797	0.46	17.49
		2014	64,663	17	3,804	0.43	16.26
		2015	33,475	6	5,579	0.15	8.30
		2016	63,869	16	3,992	0.39	15.52
		2017	51,651	15	3,443	0.36	12.49
	Water Damage and Freezing	2013	13,180	3	4,393	0.08	3.37
		2014	60,477	6	10,080	0.15	15.21
		2015	165,645	11	15,059	0.27	41.07
		2016	19,428	7	2,775	0.17	4.72
		2017	57,200	8	7,150	0.19	13.84
	All Other Physical Damage	2013	11,281	3	3,760	0.08	2.89
		2014	40,775	6	6,796	0.15	10.25
		2015	31,445	5	6,289	0.12	7.80
		2016	39,563	4	9,891	0.10	9.61
		2017	40,644	2	20,322	0.05	9.83
	Vandalism & Malicious Mischief	2013	1,504	0	0	0.00	0.38
		2014	1,146	0	0	0.00	0.29
		2015	718	0	0	0.00	0.18
		2016	798	0	0	0.00	0.19
		2017	2,659	1	2,659	0.02	0.64
	Total	2013	94,310	24	3,930	0.15	6.03
		2014	167,061	29	5,761	0.18	10.50
		2015	231,283	22	10,513	0.14	14.34
		2016	123,658	27	4,580	0.16	7.51
		2017	152,154	26	5,852	0.16	9.20
380	Wind and Hail	2013	222,954	54	4,129	0.55	22.69
		2014	111,867	31	3,609	0.30	11.00
		2015	208,123	32	6,504	0.31	19.95
		2016	233,488	32	7,297	0.30	22.03
		2017	382,956	52	7,365	0.48	35.30
	Water Damage and Freezing	2013	163,103	25	6,524	0.25	16.60
		2014	321,303	33	9,736	0.32	31.61
		2015	231,321	31	7,462	0.30	22.17
		2016	217,586	21	10,361	0.20	20.53
		2017	190,362	19	10,019	0.18	17.55
	All Other Physical Damage	2013	42,928	12	3,577	0.12	4.37
		2014	125,533	17	7,384	0.17	12.35
		2015	106,543	11	9,686	0.11	10.21
		2016	98,412	15	6,561	0.14	9.29
		2017	92,056	17	5,415	0.16	8.49
	Vandalism & Malicious Mischief	2013	13,373	2	6,687	0.02	1.36
		2014	3,388	1	3,388	0.01	0.33
		2015	3,104	1	3,104	0.01	0.30
		2016	2,370	1	2,370	0.01	0.22
		2017	1,063	0	0	0.00	0.10
	Total	2013	442,358	93	4,757	0.24	11.25
		2014	562,091	82	6,855	0.20	13.82
		2015	549,091	75	7,321	0.18	13.16
		2016	551,856	69	7,998	0.16	13.02
		2017	666,437	88	7,573	0.20	15.36

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

LOSSES BY CAUSE
EXTENDED COVERAGE

<u>Territory</u>	<u>Cause of Loss</u>	<u>Year</u>	<u>Incurred Losses</u>	<u>Incurred Claims</u>	<u>Average Loss</u>	<u>Frequency per-100</u>	<u>Pure Premium</u>
390	Wind and Hail	2013	193,532	52	3,722	0.54	19.94
		2014	85,986	22	3,908	0.22	8.55
		2015	213,361	25	8,534	0.24	20.63
		2016	220,731	35	6,307	0.33	20.85
		2017	302,289	57	5,303	0.53	28.26
	Water Damage and Freezing	2013	147,143	15	9,810	0.15	15.16
		2014	204,309	26	7,858	0.26	20.31
		2015	225,571	26	8,676	0.25	21.81
		2016	96,586	9	10,732	0.09	9.12
		2017	221,009	20	11,050	0.19	20.66
	All Other Physical Damage	2013	105,003	18	5,834	0.19	10.82
		2014	70,560	15	4,704	0.15	7.02
		2015	188,832	24	7,868	0.23	18.26
		2016	65,350	18	3,631	0.17	6.17
		2017	197,627	20	9,881	0.19	18.47
	Vandalism & Malicious Mischief	2013	3,835	1	3,835	0.01	0.40
		2014	18,057	4	4,514	0.04	1.80
		2015	14,803	2	7,402	0.02	1.43
		2016	45,222	5	9,044	0.05	4.27
		2017	1,053	0	0	0.00	0.10
	Total	2013	449,513	86	5,227	0.22	11.58
		2014	378,912	67	5,655	0.17	9.42
		2015	642,567	77	8,345	0.19	15.53
		2016	427,889	67	6,386	0.16	10.10
		2017	721,978	97	7,443	0.23	16.87
Statewide	Wind and Hail	2013	19,668,813	4,364	4,507	0.66	29.80
		2014	21,723,320	4,708	4,614	0.68	31.53
		2015	20,524,340	4,281	4,794	0.60	28.57
		2016	89,308,710	18,726	4,769	2.55	121.42
		2017	28,684,390	4,946	5,800	0.66	38.54
	Water Damage and Freezing	2013	10,403,889	1,506	6,908	0.23	15.76
		2014	17,782,456	2,293	7,755	0.33	25.81
		2015	21,020,812	2,622	8,017	0.36	29.26
		2016	15,726,201	2,143	7,338	0.29	21.38
		2017	19,164,899	2,096	9,144	0.28	25.75
	All Other Physical Damage	2013	6,890,479	1,432	4,812	0.22	10.44
		2014	10,051,875	1,892	5,313	0.27	14.59
		2015	8,210,601	1,431	5,738	0.20	11.43
		2016	9,018,210	1,697	5,314	0.23	12.26
		2017	9,023,780	1,365	6,611	0.18	12.12
	Vandalism & Malicious Mischief	2013	766,736	206	3,722	0.03	1.16
		2014	1,398,214	293	4,772	0.04	2.03
		2015	1,655,850	312	5,307	0.04	2.30
		2016	960,984	198	4,853	0.03	1.31
		2017	905,079	182	4,973	0.02	1.22
	Total	2013	37,729,917	7,508	5,025	0.28	14.29
		2014	50,955,865	9,186	5,547	0.33	18.49
		2015	51,411,603	8,646	5,946	0.30	17.89
		2016	115,014,105	22,764	5,052	0.77	39.09
		2017	57,778,148	8,589	6,727	0.29	19.41

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

2. CREDIBILITY FACTOR DEVELOPMENT AND APPLICATION

The volume of North Carolina data is sufficiently large that it is fully credible in both the statewide and class rate level reviews.

To distribute the statewide change by territory, a credibility procedure was used on the five year (non-hurricane for Extended Coverage) loss costs. The credibility standard used was based on the 'frequency with severity modification' model discussed in "Credibility of the Pure Premium" by Mayerson, Bowers and Jones. The full credibility standard is based on a normal distribution with a 90% probability of meeting the test and a 10% maximum departure from the expected value, translated to house years. The full credibility standards are 500,000 house years for Fire and 330,000 house years for Extended Coverage. Partial credibility is calculated using the square root rule:

$$\sqrt{\text{five year house years} / \text{full credibility standard}}$$

The Rate Bureau made a dwelling insurance rate filing in 2018 that used the same credibility procedure.

See Section D and prefiled testimony of P. Ericksen, P. Anderson and M. Berry.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

3. LOSS DEVELOPMENT FACTOR DERIVATION AND APPLICATION ON BOTH PAID AND INCURRED BASES AND IN BOTH NUMBERS AND DOLLARS OF CLAIMS

See Section D and prefiled testimony of P. Ericksen and M. Berry.

Paragraphs (3)(a) through (3)(g) are not applicable to dwelling insurance.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

4. TRENDING FACTOR DEVELOPMENT AND APPLICATION
 - (a) See Section D and prefiled testimony of P. Ericksen, P. Anderson and M. Berry. The Rate Bureau made a dwelling insurance rate level filing in 2018 that used the same loss trend procedure.
 - (b) See prefiled testimony of P. Ericksen, P. Anderson and M. Berry.
 - (c) Not applicable for dwelling insurance.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

5. CHANGES IN PREMIUM BASE RESULTING FROM RATING EXPOSURE TRENDS
 - (a) See Section D and prefiled testimony of P. Ericksen, P. Anderson and M. Berry. The Rate Bureau made a dwelling insurance rate level filing in 2018 that used the same exposure trend procedure.
 - (b) Not applicable to dwelling insurance.

NORTH CAROLINA
DWELLING PROPERTY INSURANCE

6. LIMITING FACTOR DEVELOPMENT AND APPLICATION

- (a) There were no limitations.
- (b) There were no limitations.
- (c) See pages C-13-15.
- (d) There were no limitations.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

7. OVERHEAD EXPENSE DEVELOPMENT AND APPLICATION OF COMMISSION AND BROKERAGE, OTHER ACQUISITION EXPENSES, GENERAL EXPENSES, TAXES, LICENSES, AND FEES
 - (a) Exhibit (7)(a) provides all information relating to expense provisions contained in the filing. The Rate Bureau made a dwelling insurance rate level filing in 2018 that used the same procedure for overhead expense development and application of commission and brokerage, other acquisition expense, general expenses, taxes, licenses and fees.
 - (b) Not applicable to dwelling insurance.
 - (c) Not applicable to dwelling insurance.

NORTH CAROLINA
DWELLING PROPERTY INSURANCE

The following provides a description of the derivation of dwelling insurance expense provisions. The underlying expense data are provided by the North Carolina Rate Bureau and are displayed on pages D-25-28.

The filed expense provision methodology makes a distinction between those provisions that require trending and those that do not. For example, since commission and brokerage, and taxes, licenses and fees vary directly with premium, no additional trend is required. In contrast, general expense, other acquisition expense, and loss adjustment expense do not vary directly with premium and are subject to trend.

The provisions for commission and brokerage expenses, 10.9% of written premium for Fire and 9.5% of written premium for Extended Coverage, and the provisions for taxes, licenses, and fees, 2.8% of written premium for Fire and 2.7% of written premium for Extended Coverage, are based on the data shown on pages D-25 and D-27 for the years 2015-2017.

Since general expenses and other acquisition expenses are relative to earned premiums and loss adjustment expenses are relative to losses, separate trend factors are required for premiums, losses, and expenses.

General Expense and Other Acquisition Expense - Based on the 2015-2017 experience on pages D-25 and D-27, general expenses average 5.9% of earned premium for Fire and 3.6% of earned premium for Extended Coverage, and other acquisition expenses average 8.8% of earned premium for Fire and 6.0% of earned premium for Extended Coverage. Since these expenses are incurred throughout the twelve-month effective period, both the numerator and denominator of these factors are trended to 1/1/2021 (six months beyond the 7/1/2020 trend effective date).

The average date of payment of the 2015-2017 expenses used to calculate the provisions is 7/1/2016. Similarly, the average date of earning of the 2015-2017 premiums is 7/1/2016. Assuming policies are written with an effective period of one year, the average date of writing is therefore six months earlier, or 1/1/2016. The average date of writing of policies under the proposed rates, and the average date of payment of the expenses on these policies, is six months after the assumed effective date of 7/1/2020, or 1/1/2021. Therefore, the expenses in the numerator are projected 54 months (from 7/1/2016 to 1/1/2021) and the premiums in the denominator are projected 60 months (from 1/1/2016 to 1/1/2021).

The trend factor for expenses in the numerator is based on the rates of change inherent in the Consumer Price Index - All Items, the Consumer Price Index - All Items less Energy and the Compensation Cost Index, displayed on pages D-23-24. Based on a weighted average of the rates of change in these indices, an average annual change of 2.0% was selected. This average annual change is projected 54 months (from 7/1/2016 to 1/1/2021).

To trend the premiums in the denominator, two multiplicative factors are applied: the 2016 Current Amount Factor and the Premium Projection Factor. Those factors are shown on pages D-18-19 and D-21-22.

NORTH CAROLINA**DWELLING PROPERTY INSURANCE**Loss Adjustment Expense

Fire: Based on the 2013-2017 experience shown on page D-26, loss adjustment expenses (both allocated and unallocated) average 8.9% of incurred losses, after excluding the highest- and lowest-valued years. The average date of loss in these data is 7/1/2015. Both the numerator and denominator are trended 72 months, from 7/1/2015 to 7/1/2021 (12 months beyond the trend effective date of 7/1/2020).

Extended Coverage: Based on the 2013-2017 experience shown on page D-28, loss adjustment expenses (both allocated and unallocated) average 11.7% of incurred losses, after excluding the highest- and lowest-valued years. The average date of loss in these data is 7/1/2015. Both the numerator and denominator are trended 72 months, from 7/1/2015 to 7/1/2021 (12 months beyond the trend effective date of 7/1/2020).

Please note that a separate loss adjustment expense factor is used for modeled hurricane losses. (See prefiled testimony of P. Anderson and S. Fiete.)

The trend factor used for expenses in the numerator is determined in a similar way as for general and other acquisition expenses. The 2.0% selected average annual change is projected 72 months for Fire and Extended Coverage (from 7/1/2015 to 7/1/2021).

To trend the losses in the denominator, quantities that are calculated in the loss trend procedure are used. Two factors are applied. The first is the 2015 Current Cost Factor shown on page D-14. The second is the adjusted annual rate of change based on the CCI (page D-15). The adjusted annual rate of change is applied over the 31.5 month period from 11/15/2018 to 7/1/2021.

No alternate expense trend methodology has been considered within the last three years.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

8. PERCENT RATE CHANGE

The overall statewide rate change by coverage is shown on page A-2. The statewide rate changes are applied uniformly by coverage amount, protection class, construction and deductible.

The proposed rate changes are dependent on the actual implementation date of the new rates, because any such change will affect all of the trending periods used in the filing. Any change in the trending periods will affect all of the losses, fixed expenses, and premiums used in the calculation of the rate level indication.

If the effective date were to be changed, advance notice of one hundred twenty (120) days is required for an orderly implementation of the change in rates. This is the amount of time required to calculate the new rates based on the new effective date, and distribute the necessary information to member companies.

NORTH CAROLINA
DWELLING PROPERTY INSURANCE

9. FINAL PROPOSED RATES

The proposed rates are shown in Section B.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

10. INVESTMENT EARNINGS, CONSISTING OF INVESTMENT INCOME AND REALIZED PLUS UNREALIZED CAPITAL GAINS, FROM LOSS, LOSS EXPENSE AND UNEARNED PREMIUM RESERVES

(a) See attached Exhibit (10)(a) and the prefiled testimony of P. Ericksen, P. Anderson and G. Zanjani.

(b) Not applicable to dwelling insurance.

(c) Not applicable to dwelling insurance.

NORTH CAROLINA

DWELLING FIRE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A. Unearned Premium Reserve

1.	Direct Earned Premium for Accident Year Ended 12/31/17	\$47,992,199
2.	Mean Unearned Premium Reserve, (1) x 0.5437	\$25,661,429
3.	Deduction for Prepaid Expenses	
	Commission and Brokerage	10.82%
	Taxes, Licenses and Fees	2.29%
	1/2 General Expenses	2.40%
	1/2 Other Acquisition	3.82%
	Total	19.33%
4.	(2) x (3)	\$4,960,354
5.	Net Subject to Investment, (2) - (4)	\$20,701,075

B. Delayed Remission of Premium (Agents' Balances)

1.	Direct Earned Premium (A-1)	\$47,992,199
2.	Average Agents' Balances	0.212
3.	Delayed Remission, (1) x (2)	\$10,174,346

C. Loss Reserve

1.	Direct Earned Premium (A-1)	\$47,992,199
2.	Expected Incurred Losses and Loss Adjustment Expense, (1) x 0.5967	\$28,636,945
3.	Expected Mean Loss Reserves, (2) x 0.522	\$14,948,485

D. Net Subject to Investment, (A-5) - (B-3) + (C-3) \$25,475,214

E. Average Rate of Return 3.05%

F. Investment Earnings on Net Subject to
Investment, (D) x (E) \$776,994

G. Average Rate of Return as a Percent of Direct
Earned Premium, (F) / (A-1) 1.62%

H. Average Rate of Return as a Percent of Direct Earned
Premium after Federal Income Taxes, (G) x (1 - 0.234) 1.24%

NORTH CAROLINA

DWELLING EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A. Unearned Premium Reserve

1.	Direct Earned Premium for Accident Year Ended 12/31/17	\$62,105,976
2.	Mean Unearned Premium Reserve, (1) x 0.4914	\$30,518,877
3.	Deduction for Prepaid Expenses	
	Commission and Brokerage	9.25%
	Taxes, Licenses and Fees	2.23%
	1/2 General Expenses	2.22%
	1/2 Other Acquisition	3.84%
	Total	17.54%
4.	(2) x (3)	\$5,353,011
5.	Net Subject to Investment, (2) - (4)	\$25,165,866

B. Delayed Remission of Premium (Agents' Balances)

1.	Direct Earned Premium (A-1)	\$62,105,976
2.	Average Agents' Balances	0.193
3.	Delayed Remission, (1) x (2)	\$11,986,453

C. Loss Reserve

1.	Direct Earned Premium (A-1)	\$62,105,976
2.	Expected Incurred Losses and Loss Adjustment Expense, (1) x 0.2562	\$15,911,551
3.	Expected Mean Loss Reserves, (2) x 0.886	\$14,097,634

D. Net Subject to Investment, (A-5) - (B-3) + (C-3) \$27,277,047

E. Average Rate of Return 3.05%

F. Investment Earnings on Net Subject to
Investment, (D) x (E) \$831,950

G. Average Rate of Return as a Percent of Direct
Earned Premium, (F) / (A-1) 1.34%

H. Average Rate of Return as a Percent of Direct Earned
Premium after Federal Income Taxes, (G) x (1 - 0.234) 1.03%

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line A-1

Direct earned premiums are the earned premiums for dwelling insurance in North Carolina from Statutory Page 14 of the Annual Statement.

Line A-2

The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the ratio of the mean unearned premium reserve to the collected earned premium for calendar year ended 12/31/17 for all companies writing dwelling insurance in North Carolina. These data are from Statutory Page 14 of the Annual Statement.

	<u>Fire</u>	<u>EC</u>
1. Collected Earned Premium for Calendar Year ended 12/31/17	\$213,782,422	\$249,790,305
2. Unearned Premium Reserve as of 12/31/16	\$116,086,201	\$124,686,420
3. Unearned Premium Reserve as of 12/31/17	\$112,545,362	\$120,812,171
4. Mean Unearned Premium Reserve, 1/2 [(2) + (3)]	\$114,315,782	\$122,749,296
5. Ratio, (4) ÷ (1)	0.5347	0.4914

Line A-3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of dwelling policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. The deduction for these expenses is determined from data provided by the NCRB for the year ended 12/31/17.

Line B-2

Delayed remission of premium:

This deduction is necessary because of delay in remission and collection of premium to the companies, which amounts to approximately 50-75 days after the effective dates of the policies. Therefore, funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus.

1. Agents' balances for premiums due less than 90 days as a ratio to net written premium (based on data for all companies writing dwelling insurance in North Carolina)	0.2076	0.1886
2. Factor to include effect of agents' balances or uncollected premiums overdue for more than 90 days (based on data provided by A. M. Best)	1.021	1.021
3. Factor for agents' balances, (1) x (2)	0.212	0.193

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line C-2

The expected loss and loss adjustment expense ratio reflects the expense provisions for the year ended 12/31/17.

Line C-3

The mean loss reserve is determined by multiplying the incurred losses in line (2) by the North Carolina ratio of the mean loss reserves to the incurred losses in 2017 for dwelling insurance. This ratio is based on North Carolina companies' Statutory Page 14 annual statement data and has been adjusted to include loss adjustment expense reserves.

	<u>Fire</u>	<u>EC</u>
1. Incurred Losses for Calendar Year 2017	\$123,225,922	\$74,001,415
2. Loss Reserves as of 12/31/16	\$55,733,024	\$68,978,452
3. Loss Reserves as of 12/31/17	\$66,350,617	\$55,475,077
4. Mean Loss Reserve 2017, 1/2 [(2) + (3)]	\$61,041,821	\$62,226,765
5. Ratio, (4) ÷ (1)	0.495	0.841
6. Ratio of LAE Reserves to Loss Reserves (a)	0.197	0.197
7. Ratio of Incurred LAE to Incurred Losses (a)	0.136	0.136
8. Loss and LAE Reserve, [(5)x(1.0+(6))]/(1.0+(7))]	0.522	0.886

(a) Based on 2017 All-Industry Insurance Expense Exhibit (source: A.M. Best)

Line E

The rate of return is the ratio of net investment income earned to mean cash and invested assets. Net investment income is computed for all companies writing dwelling insurance in North Carolina as follows:

<u>Year</u>	<u>Net Investment Income Earned</u>	<u>Mean Cash and Invested Assets</u>	<u>Rate of Return</u>
2017	\$51,107,683	\$1,677,898,594	3.05%

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line H

The average rate of Federal income tax was determined by applying the average tax rate for net investment income and the current tax rate applicable to realized capital gains (or losses) to the rates of return as calculated above.

	<u>Rate of Return</u>	<u>Federal Income Tax Rate</u>
Net Investment Income Earned	3.05%	0.234

The average rate of Federal income tax was determined by applying current tax rates to the distribution of investment income earned for all companies. These data are for 2017 from Best's Aggregates and Averages, Underwriting and Investment Exhibit, Part 1, Column 8.

Bonds	Taxable	\$23,381,907	0.350
	Non-Taxable	\$9,714,478	-
	Sub-Total	\$33,096,385	0.247
Stocks	Taxable (a)	\$7,611,742	0.105
	Non-Taxable	\$1,789,178	-
	Sub-Total	\$9,400,920	0.085
Mortgage Loans		\$755,495	
Real Estate		\$1,839,630	
Collateral Loans		\$672	
Cash on Deposit		\$980,787	
Short Term Investments		(\$156,684)	
All Other		\$10,385,406	
Sub-Total		\$13,805,306	0.350
Total		\$56,302,611	0.245
Investment Deductions		\$5,186,771	0.350
Net Investment Income Earned		\$51,115,840	0.234

(a) Only 30% of dividend income on stock is subject to the full corporate income tax rate of 35%. The applicable tax rate is thus 10.5% (.35 x .3 = 10.5%)

NORTH CAROLINA

DWELLING FIRE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A. Unearned Premium Reserve

1.	Direct Earned Premium for Accident Year Ended 12/31/16	\$50,573,659
2.	Mean Unearned Premium Reserve, (1) x 0.5107	\$25,827,968
3.	Deduction for Prepaid Expenses	
	Commission and Brokerage	10.63%
	Taxes, Licenses and Fees	2.37%
	1/2 General Expenses	2.31%
	1/2 Other Acquisition	3.39%
	Total	18.70%
4.	(2) x (3)	\$4,829,830
5.	Net Subject to Investment, (2) - (4)	\$20,998,138

B. Delayed Remission of Premium (Agents' Balances)

1.	Direct Earned Premium (A-1)	\$50,573,659
2.	Average Agents' Balances	0.201
3.	Delayed Remission, (1) x (2)	\$10,165,305

C. Loss Reserve

1.	Direct Earned Premium (A-1)	\$50,573,659
2.	Expected Incurred Losses and Loss Adjustment Expense, (1) x 0.6089	\$30,794,301
3.	Expected Mean Loss Reserves, (2) x 1.033	\$31,810,513

D. Net Subject to Investment, (A-5) - (B-3) + (C-3) \$42,643,346

E. Average Rate of Return 3.01%

F. Investment Earnings on Net Subject to
Investment, (D) x (E) \$1,283,565

G. Average Rate of Return as a Percent of Direct
Earned Premium, (F) / (A-1) 2.54%

H. Average Rate of Return as a Percent of Direct Earned
Premium after Federal Income Taxes, (G) x (1 - 0.221) 1.98%

NORTH CAROLINA

DWELLING EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A. Unearned Premium Reserve

1.	Direct Earned Premium for Accident Year Ended 12/31/16	\$68,124,747
2.	Mean Unearned Premium Reserve, (1) x 0.4971	\$33,864,812
3.	Deduction for Prepaid Expenses	
	Commission and Brokerage	9.56%
	Taxes, Licenses and Fees	2.25%
	1/2 General Expenses	2.14%
	1/2 Other Acquisition	3.58%
	Total	17.53%
4.	(2) x (3)	\$5,936,502
5.	Net Subject to Investment, (2) - (4)	\$27,928,310

B. Delayed Remission of Premium (Agents' Balances)

1.	Direct Earned Premium (A-1)	\$68,124,747
2.	Average Agents' Balances	0.182
3.	Delayed Remission, (1) x (2)	\$12,398,704

C. Loss Reserve

1.	Direct Earned Premium (A-1)	\$68,124,747
2.	Expected Incurred Losses and Loss Adjustment Expense, (1) x 0.2603	\$17,732,872
3.	Expected Mean Loss Reserves, (2) x 0.442	\$7,837,929

D. Net Subject to Investment, (A-5) - (B-3) + (C-3) \$23,367,535

E. Average Rate of Return 3.01%

F. Investment Earnings on Net Subject to
Investment, (D) x (E) \$703,363

G. Average Rate of Return as a Percent of Direct
Earned Premium, (F) / (A-1) 1.03%

H. Average Rate of Return as a Percent of Direct Earned
Premium after Federal Income Taxes, (G) x (1 - 0.221) 0.80%

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line A-1

Direct earned premiums are the earned premiums for dwelling insurance in North Carolina from Statutory Page 14 of the Annual Statement.

Line A-2

The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the ratio of the mean unearned premium reserve to the collected earned premium for calendar year ended 12/31/16 for all companies writing dwelling insurance in North Carolina. These data are from Statutory Page 14 of the Annual Statement.

	<u>Fire</u>	<u>EC</u>
1. Collected Earned Premium for Calendar Year ended 12/31/16	\$221,593,784	\$241,893,067
2. Unearned Premium Reserve as of 12/31/15	\$110,269,649	\$115,797,891
3. Unearned Premium Reserve as of 12/31/16	\$116,086,201	\$124,686,420
4. Mean Unearned Premium Reserve, $1/2 [(2) + (3)]$	\$113,177,925	\$120,242,156
5. Ratio, (4) \div (1)	0.5107	0.4971

Line A-3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of dwelling policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. The deduction for these expenses is determined from data provided by the NCRB for the year ended 12/31/16.

Line B-2

Delayed remission of premium:

This deduction is necessary because of delay in remission and collection of premium to the companies, which amounts to approximately 50-75 days after the effective dates of the policies. Therefore, funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus.

1. Agents' balances for premiums due less than 90 days as a ratio to net written premium (based on data for all companies writing dwelling insurance in North Carolina)	0.1965	0.1784
2. Factor to include effect of agents' balances or uncollected premiums overdue for more than 90 days (based on data provided by A. M. Best)	1.021	1.021
3. Factor for agents' balances, (1) x (2)	0.201	0.182

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line C-2

The expected loss and loss adjustment expense ratio reflects the expense provisions for the year ended 12/31/16.

Line C-3

The mean loss reserve is determined by multiplying the incurred losses in line (2) by the North Carolina ratio of the mean loss reserves to the incurred losses in 2016 for dwelling insurance. This ratio is based on North Carolina companies' Statutory Page 14 annual statement data and has been adjusted to include loss adjustment expense reserves.

	<u>Fire</u>	<u>EC</u>
1. Incurred Losses for Calendar Year 2016	\$70,550,363	\$126,737,675
2. Loss Reserves as of 12/31/15	\$78,177,895	\$33,833,302
3. Loss Reserves as of 12/31/16	\$55,733,024	\$68,978,452
4. Mean Loss Reserve 2016, 1/2 [(2) + (3)]	\$66,955,460	\$51,405,877
5. Ratio, (4) ÷ (1)	0.949	0.406
6. Ratio of LAE Reserves to Loss Reserves (a)	0.261	0.261
7. Ratio of Incurred LAE to Incurred Losses (a)	0.158	0.158
8. Loss and LAE Reserve, [(5)x(1.0+(6))]/(1.0+(7))]	1.033	0.442

(a) Based on 2016 All-Industry Insurance Expense Exhibit (source: A.M. Best)

Line E

The rate of return is the ratio of net investment income earned to mean cash and invested assets. Net investment income is computed for all companies writing dwelling insurance in North Carolina as follows:

<u>Year</u>	<u>Net Investment Income Earned</u>	<u>Mean Cash and Invested Assets</u>	<u>Rate of Return</u>
2016	\$48,019,546	\$1,597,666,290	3.01%

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line H

The average rate of Federal income tax was determined by applying the average tax rate for net investment income and the current tax rate applicable to realized capital gains (or losses) to the rates of return as calculated above.

	<u>Rate of Return</u>	<u>Federal Income Tax Rate</u>
Net Investment Income Earned	3.01%	0.221

The average rate of Federal income tax was determined by applying current tax rates to the distribution of investment income earned for all companies. These data are for 2016 from Best's Aggregates and Averages, Underwriting and Investment Exhibit, Part 1, Column 8.

Bonds	Taxable	\$22,730,939	0.350
	Non-Taxable	\$10,564,051	-
	Sub-Total	\$33,294,990	0.239
Stocks	Taxable (a)	\$7,489,366	0.105
	Non-Taxable	\$1,972,096	-
	Sub-Total	\$9,461,462	0.083
Mortgage Loans		\$665,613	
Real Estate		\$1,810,152	
Collateral Loans		\$780	
Cash on Deposit		\$378,097	
Short Term Investments		(\$17,642)	
All Other		\$7,536,112	
Sub-Total		\$10,373,112	0.350
Total		\$53,129,564	0.233
Investment Deductions		\$5,107,215	0.350
Net Investment Income Earned		\$48,022,349	0.221

(a) Only 30% of dividend income on stock is subject to the full corporate income tax rate of 35%. The applicable tax rate is thus 10.5% (.35 x .3 = 10.5%)

NORTH CAROLINA

DWELLING FIRE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A. Unearned Premium Reserve

1.	Direct Earned Premium for Accident Year Ended 12/31/15	\$49,930,252
2.	Mean Unearned Premium Reserve, (1) x 0.4902	\$24,475,810
3.	Deduction for Prepaid Expenses	
	Commission and Brokerage	11.38%
	Taxes, Licenses and Fees	2.45%
	1/2 General Expenses	2.29%
	1/2 Other Acquisition	3.29%
	Total	19.41%
4.	(2) x (3)	\$4,750,755
5.	Net Subject to Investment, (2) - (4)	\$19,725,055

B. Delayed Remission of Premium (Agents' Balances)

1.	Direct Earned Premium (A-1)	\$49,930,252
2.	Average Agents' Balances	0.204
3.	Delayed Remission, (1) x (2)	\$10,185,771

C. Loss Reserve

1.	Direct Earned Premium (A-1)	\$49,930,252
2.	Expected Incurred Losses and Loss Adjustment Expense, (1) x 0.6023	\$30,072,991
3.	Expected Mean Loss Reserves, (2) x 0.586	\$17,622,773

D. Net Subject to Investment, (A-5) - (B-3) + (C-3) \$27,162,057

E. Average Rate of Return 3.15%

F. Investment Earnings on Net Subject to
Investment, (D) x (E) \$855,605

G. Average Rate of Return as a Percent of Direct
Earned Premium, (F) / (A-1) 1.71%

H. Average Rate of Return as a Percent of Direct Earned
Premium after Federal Income Taxes, (G) x (1 - 0.223) 1.33%

NORTH CAROLINA

DWELLING EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A. Unearned Premium Reserve

1.	Direct Earned Premium for Accident Year Ended 12/31/15	\$65,057,929
2.	Mean Unearned Premium Reserve, (1) x 0.4976	\$32,372,825
3.	Deduction for Prepaid Expenses	
	Commission and Brokerage	9.59%
	Taxes, Licenses and Fees	2.29%
	1/2 General Expenses	2.24%
	1/2 Other Acquisition	3.63%
	Total	17.75%
4.	(2) x (3)	\$5,746,176
5.	Net Subject to Investment, (2) - (4)	\$26,626,649

B. Delayed Remission of Premium (Agents' Balances)

1.	Direct Earned Premium (A-1)	\$65,057,929
2.	Average Agents' Balances	0.186
3.	Delayed Remission, (1) x (2)	\$12,100,775

C. Loss Reserve

1.	Direct Earned Premium (A-1)	\$65,057,929
2.	Expected Incurred Losses and Loss Adjustment Expense, (1) x 0.2604	\$16,941,085
3.	Expected Mean Loss Reserves, (2) x 0.511	\$8,656,894

D. Net Subject to Investment, (A-5) - (B-3) + (C-3) \$23,182,768

E. Average Rate of Return 3.15%

F. Investment Earnings on Net Subject to
Investment, (D) x (E) \$730,257

G. Average Rate of Return as a Percent of Direct
Earned Premium, (F) / (A-1) 1.12%

H. Average Rate of Return as a Percent of Direct Earned
Premium after Federal Income Taxes, (G) x (1 - 0.223) 0.87%

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line A-1

Direct earned premiums are the earned premiums for dwelling insurance in North Carolina from Statutory Page 14 of the Annual Statement.

Line A-2

The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the ratio of the mean unearned premium reserve to the collected earned premium for calendar year ended 12/31/15 for all companies writing dwelling insurance in North Carolina. These data are from Statutory Page 14 of the Annual Statement.

	<u>Fire</u>	<u>EC</u>
1. Collected Earned Premium for Calendar Year ended 12/31/15	\$223,334,819	\$226,811,458
2. Unearned Premium Reserve as of 12/31/14	\$108,709,303	\$109,909,322
3. Unearned Premium Reserve as of 12/31/15	\$110,269,649	\$115,797,891
4. Mean Unearned Premium Reserve, 1/2 [(2) + (3)]	\$109,489,476	\$112,853,607
5. Ratio, (4) ÷ (1)	0.4902	0.4976

Line A-3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of dwelling policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. The deduction for these expenses is determined from data provided by the NCRB for the year ended 12/31/15.

Line B-2

Delayed remission of premium:

This deduction is necessary because of delay in remission and collection of premium to the companies, which amounts to approximately 50-75 days after the effective dates of the policies. Therefore, funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus.

1. Agents' balances for premiums due less than 90 days as a ratio to net written premium (based on data for all companies writing dwelling insurance in North Carolina)	0.2001	0.1818
2. Factor to include effect of agents' balances or uncollected premiums overdue for more than 90 days (based on data provided by A. M. Best)	1.021	1.021
3. Factor for agents' balances, (1) x (2)	0.204	0.186

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line C-2

The expected loss and loss adjustment expense ratio reflects the expense provisions for the year ended 12/31/15.

Line C-3

The mean loss reserve is determined by multiplying the incurred losses in line (2) by the North Carolina ratio of the mean loss reserves to the incurred losses in 2015 for dwelling insurance. This ratio is based on North Carolina companies' Statutory Page 14 annual statement data and has been adjusted to include loss adjustment expense reserves.

	<u>Fire</u>	<u>EC</u>
1. Incurred Losses for Calendar Year 2015	\$104,490,797	\$70,202,684
2. Loss Reserves as of 12/31/14	\$34,562,766	\$32,119,812
3. Loss Reserves as of 12/31/15	\$78,177,895	\$33,833,302
4. Mean Loss Reserve 2015, 1/2 [(2) + (3)]	\$56,370,331	\$32,976,557
5. Ratio, (4) ÷ (1)	0.539	0.470
6. Ratio of LAE Reserves to Loss Reserves (a)	0.269	0.269
7. Ratio of Incurred LAE to Incurred Losses (a)	0.167	0.167
8. Loss and LAE Reserve, [(5)x(1.0+(6))]/(1.0+(7))]	0.586	0.511

(a) Based on 2015 All-Industry Insurance Expense Exhibit (source: A.M. Best)

Line E

The rate of return is the ratio of net investment income earned to mean cash and invested assets. Net investment income is computed for all companies writing dwelling insurance in North Carolina as follows:

<u>Year</u>	<u>Net Investment Income Earned</u>	<u>Mean Cash and Invested Assets</u>	<u>Rate of Return</u>
2015	\$49,322,923	\$1,567,857,478	3.15%

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line H

The average rate of Federal income tax was determined by applying the average tax rate for net investment income and the current tax rate applicable to realized capital gains (or losses) to the rates of return as calculated above.

	<u>Rate of Return</u>	<u>Federal Income Tax Rate</u>
Net Investment Income Earned	3.15%	0.223

The average rate of Federal income tax was determined by applying current tax rates to the distribution of investment income earned for all companies. These data are for 2015 from Best's Aggregates and Averages, Underwriting and Investment Exhibit, Part 1, Column 8.

Bonds	Taxable	\$22,250,842	0.350
	Non-Taxable	\$11,053,799	-
	Sub-Total	\$33,304,641	0.234
Stocks	Taxable (a)	\$7,417,666	0.105
	Non-Taxable	\$1,536,107	-
	Sub-Total	\$8,953,773	0.087
Mortgage Loans		\$559,969	
Real Estate		\$1,696,990	
Collateral Loans		\$730	
Cash on Deposit		\$176,196	
Short Term Investments		\$80,094	
All Other		\$9,524,324	
Sub-Total		\$12,038,303	0.350
Total		\$54,296,717	0.235
Investment Deductions		\$4,970,931	0.350
Net Investment Income Earned		\$49,325,786	0.223

(a) Only 30% of dividend income on stock is subject to the full corporate income tax rate of 35%. The applicable tax rate is thus 10.5% (.35 x .3 = 10.5%)

NORTH CAROLINA

DWELLING FIRE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A. Unearned Premium Reserve

1.	Direct Earned Premium for Accident Year Ended 12/31/14	\$52,952,754
2.	Mean Unearned Premium Reserve, (1) x 0.4827	\$25,560,294
3.	Deduction for Prepaid Expenses	
	Commission and Brokerage	11.10%
	Taxes, Licenses and Fees	2.52%
	1/2 General Expenses	2.44%
	1/2 Other Acquisition	3.38%
	Total	19.44%
4.	(2) x (3)	\$4,968,921
5.	Net Subject to Investment, (2) - (4)	\$20,591,373

B. Delayed Remission of Premium (Agents' Balances)

1.	Direct Earned Premium (A-1)	\$52,952,754
2.	Average Agents' Balances	0.201
3.	Delayed Remission, (1) x (2)	\$10,643,504

C. Loss Reserve

1.	Direct Earned Premium (A-1)	\$52,952,754
2.	Expected Incurred Losses and Loss Adjustment Expense, (1) x 0.5995	\$31,745,176
3.	Expected Mean Loss Reserves, (2) x 1.759	\$55,839,765

D. Net Subject to Investment, (A-5) - (B-3) + (C-3) \$65,787,634

E. Average Rate of Return 3.57%

F. Investment Earnings on Net Subject to
Investment, (D) x (E) \$2,348,619

G. Average Rate of Return as a Percent of Direct
Earned Premium, (F) / (A-1) 4.44%

H. Average Rate of Return as a Percent of Direct Earned
Premium after Federal Income Taxes, (G) x (1 - 0.194) 3.58%

NORTH CAROLINA

DWELLING EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A. Unearned Premium Reserve

1.	Direct Earned Premium for Accident Year Ended 12/31/14	\$60,828,799
2.	Mean Unearned Premium Reserve, (1) x 0.4812	\$29,270,818
3.	Deduction for Prepaid Expenses	
	Commission and Brokerage	9.70%
	Taxes, Licenses and Fees	2.31%
	1/2 General Expenses	2.33%
	1/2 Other Acquisition	3.84%
	Total	18.18%
4.	(2) x (3)	\$5,321,435
5.	Net Subject to Investment, (2) - (4)	\$23,949,383

B. Delayed Remission of Premium (Agents' Balances)

1.	Direct Earned Premium (A-1)	\$60,828,799
2.	Average Agents' Balances	0.188
3.	Delayed Remission, (1) x (2)	\$11,435,814

C. Loss Reserve

1.	Direct Earned Premium (A-1)	\$60,828,799
2.	Expected Incurred Losses and Loss Adjustment Expense, (1) x 0.2536	\$15,426,183
3.	Expected Mean Loss Reserves, (2) x 0.481	\$7,419,994

D. Net Subject to Investment, (A-5) - (B-3) + (C-3) \$19,933,563

E. Average Rate of Return 3.57%

F. Investment Earnings on Net Subject to
Investment, (D) x (E) \$711,628

G. Average Rate of Return as a Percent of Direct
Earned Premium, (F) / (A-1) 1.17%

H. Average Rate of Return as a Percent of Direct Earned
Premium after Federal Income Taxes, (G) x (1 - 0.194) 0.94%

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line A-1

Direct earned premiums are the earned premiums for dwelling insurance in North Carolina from Statutory Page 14 of the Annual Statement.

Line A-2

The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the ratio of the mean unearned premium reserve to the collected earned premium for calendar year ended 12/31/14 for all companies writing dwelling insurance in North Carolina. These data are from Statutory Page 14 of the Annual Statement.

	<u>Fire</u>	<u>EC</u>
1. Collected Earned Premium for Calendar Year ended 12/31/14	\$224,767,028	\$215,645,897
2. Unearned Premium Reserve as of 12/31/13	\$108,296,002	\$97,612,198
3. Unearned Premium Reserve as of 12/31/14	\$108,709,303	\$109,909,322
4. Mean Unearned Premium Reserve, $1/2 [(2) + (3)]$	\$108,502,653	\$103,760,760
5. Ratio, (4) \div (1)	0.4827	0.4812

Line A-3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of dwelling policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. The deduction for these expenses is determined from data provided by the NCRB for the year ended 12/31/14.

Line B-2

Delayed remission of premium:

This deduction is necessary because of delay in remission and collection of premium to the companies, which amounts to approximately 50-75 days after the effective dates of the policies. Therefore, funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus.

1. Agents' balances for premiums due less than 90 days as a ratio to net written premium (based on data for all companies writing dwelling insurance in North Carolina)	0.1968	0.1839
2. Factor to include effect of agents' balances or uncollected premiums overdue for more than 90 days (based on data provided by A. M. Best)	1.021	1.021
3. Factor for agents' balances, (1) x (2)	0.201	0.188

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line C-2

The expected loss and loss adjustment expense ratio reflects the expense provisions for the year ended 12/31/14.

Line C-3

The mean loss reserve is determined by multiplying the incurred losses in line (2) by the North Carolina ratio of the mean loss reserves to the incurred losses in 2014 for dwelling insurance. This ratio is based on North Carolina companies' Statutory Page 14 annual statement data and has been adjusted to include loss adjustment expense reserves.

	<u>Fire</u>	<u>EC</u>
1. Incurred Losses for Calendar Year 2014	\$43,158,269	\$70,749,863
2. Loss Reserves as of 12/31/13	\$104,621,425	\$30,271,468
3. Loss Reserves as of 12/31/14	\$34,562,766	\$32,119,812
4. Mean Loss Reserve 2014, 1/2 [(2) + (3)]	\$69,592,096	\$31,195,640
5. Ratio, (4) ÷ (1)	1.612	0.441
6. Ratio of LAE Reserves to Loss Reserves (a)	0.272	0.272
7. Ratio of Incurred LAE to Incurred Losses (a)	0.166	0.166
8. Loss and LAE Reserve, [(5)x(1.0+(6))]/(1.0+(7))]	1.759	0.481

(a) Based on 2014 All-Industry Insurance Expense Exhibit (source: A.M. Best)

Line E

The rate of return is the ratio of net investment income earned to mean cash and invested assets. Net investment income is computed for all companies writing dwelling insurance in North Carolina as follows:

<u>Year</u>	<u>Net Investment Income Earned</u>	<u>Mean Cash and Invested Assets</u>	<u>Rate of Return</u>
2014	\$55,183,053	\$1,544,247,308	3.57%

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line H

The average rate of Federal income tax was determined by applying the average tax rate for net investment income and the current tax rate applicable to realized capital gains (or losses) to the rates of return as calculated above.

	<u>Rate of Return</u>	<u>Federal Income Tax Rate</u>
Net Investment Income Earned	3.57%	0.194

The average rate of Federal income tax was determined by applying current tax rates to the distribution of investment income earned for all companies. These data are for 2014 from Best's Aggregates and Averages, Underwriting and Investment Exhibit, Part 1, Column 8.

Bonds	Taxable	\$22,519,990	0.350
	Non-Taxable	\$11,525,764	-
	Sub-Total	\$34,045,754	0.232
Stocks	Taxable (a)	\$6,953,405	0.105
	Non-Taxable	\$8,144,461	-
	Sub-Total	\$15,097,866	0.048
Mortgage Loans		\$443,946	
Real Estate		\$1,666,885	
Collateral Loans		\$546	
Cash on Deposit		\$128,144	
Short Term Investments		(\$94,467)	
All Other		\$8,802,986	
Sub-Total		\$10,948,040	0.350
Total		\$60,091,660	0.207
Investment Deductions		\$4,905,839	0.350
Net Investment Income Earned		\$55,185,821	0.194

(a) Only 30% of dividend income on stock is subject to the full corporate income tax rate of 35%. The applicable tax rate is thus 10.5% (.35 x .3 = 10.5%)

NORTH CAROLINA

DWELLING FIRE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A. Unearned Premium Reserve

1.	Direct Earned Premium for Accident Year Ended 12/31/13	\$52,639,386
2.	Mean Unearned Premium Reserve, (1) x 0.4631	\$24,377,300
3.	Deduction for Prepaid Expenses	
	Commission and Brokerage	11.16%
	Taxes, Licenses and Fees	2.38%
	1/2 General Expenses	2.89%
	1/2 Other Acquisition	3.72%
	Total	20.15%
4.	(2) x (3)	\$4,912,026
5.	Net Subject to Investment, (2) - (4)	\$19,465,274

B. Delayed Remission of Premium (Agents' Balances)

1.	Direct Earned Premium (A-1)	\$52,639,386
2.	Average Agents' Balances	0.192
3.	Delayed Remission, (1) x (2)	\$10,106,762

C. Loss Reserve

1.	Direct Earned Premium (A-1)	\$52,639,386
2.	Expected Incurred Losses and Loss Adjustment Expense, (1) x 0.5848	\$30,783,513
3.	Expected Mean Loss Reserves, (2) x 0.585	\$18,008,355

D. Net Subject to Investment, (A-5) - (B-3) + (C-3) \$27,366,867

E. Average Rate of Return 3.36%

F. Investment Earnings on Net Subject to
Investment, (D) x (E) \$919,527

G. Average Rate of Return as a Percent of Direct
Earned Premium, (F) / (A-1) 1.75%

H. Average Rate of Return as a Percent of Direct Earned
Premium after Federal Income Taxes, (G) x (1 - 0.219) 1.37%

NORTH CAROLINA

DWELLING EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

A. Unearned Premium Reserve

1.	Direct Earned Premium for Accident Year Ended 12/31/13	\$56,825,981
2.	Mean Unearned Premium Reserve, (1) x 0.4607	\$26,179,729
3.	Deduction for Prepaid Expenses	
	Commission and Brokerage	10.04%
	Taxes, Licenses and Fees	2.26%
	1/2 General Expenses	2.50%
	1/2 Other Acquisition	4.18%
	Total	18.98%
4.	(2) x (3)	\$4,968,913
5.	Net Subject to Investment, (2) - (4)	\$21,210,816

B. Delayed Remission of Premium (Agents' Balances)

1.	Direct Earned Premium (A-1)	\$56,825,981
2.	Average Agents' Balances	0.172
3.	Delayed Remission, (1) x (2)	\$9,774,069

C. Loss Reserve

1.	Direct Earned Premium (A-1)	\$56,825,981
2.	Expected Incurred Losses and Loss Adjustment Expense, (1) x 0.2403	\$13,655,283
3.	Expected Mean Loss Reserves, (2) x 0.678	\$9,258,282

D. Net Subject to Investment, (A-5) - (B-3) + (C-3) \$20,695,029

E. Average Rate of Return 3.36%

F. Investment Earnings on Net Subject to
Investment, (D) x (E) \$695,353

G. Average Rate of Return as a Percent of Direct
Earned Premium, (F) / (A-1) 1.22%

H. Average Rate of Return as a Percent of Direct Earned
Premium after Federal Income Taxes, (G) x (1 - 0.219) 0.95%

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line A-1

Direct earned premiums are the earned premiums for dwelling insurance in North Carolina from Statutory Page 14 of the Annual Statement.

Line A-2

The mean unearned premium reserve is determined by multiplying the direct earned premiums in line (1) by the ratio of the mean unearned premium reserve to the collected earned premium for calendar year ended 12/31/13 for all companies writing dwelling insurance in North Carolina. These data are from Statutory Page 14 of the Annual Statement.

	<u>Fire</u>	<u>EC</u>
1. Collected Earned Premium for Calendar Year ended 12/31/13	\$236,729,460	\$197,244,993
2. Unearned Premium Reserve as of 12/31/12	\$110,975,457	\$84,110,424
3. Unearned Premium Reserve as of 12/31/13	\$108,296,002	\$97,612,198
4. Mean Unearned Premium Reserve, $1/2 [(2) + (3)]$	\$109,635,730	\$90,861,311
5. Ratio, (4) \div (1)	0.4631	0.4607

Line A-3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of dwelling policies, exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. The deduction for these expenses is determined from data provided by the NCRB for the year ended 12/31/13.

Line B-2

Delayed remission of premium:

This deduction is necessary because of delay in remission and collection of premium to the companies, which amounts to approximately 50-75 days after the effective dates of the policies. Therefore, funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus.

1. Agents' balances for premiums due less than 90 days as a ratio to net written premium (based on data for all companies writing dwelling insurance in North Carolina)	0.1878	0.1686
2. Factor to include effect of agents' balances or uncollected premiums overdue for more than 90 days (based on data provided by A. M. Best)	1.021	1.021
3. Factor for agents' balances, (1) x (2)	0.192	0.172

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line C-2

The expected loss and loss adjustment expense ratio reflects the expense provisions for the year ended 12/31/13.

Line C-3

The mean loss reserve is determined by multiplying the incurred losses in line (2) by the North Carolina ratio of the mean loss reserves to the incurred losses in 2013 for dwelling insurance. This ratio is based on North Carolina companies' Statutory Page 14 annual statement data and has been adjusted to include loss adjustment expense reserves.

	<u>Fire</u>	<u>EC</u>
1. Incurred Losses for Calendar Year 2013	\$136,761,812	\$54,370,019
2. Loss Reserves as of 12/31/12	\$44,814,079	\$38,555,719
3. Loss Reserves as of 12/31/13	\$104,621,425	\$30,271,468
4. Mean Loss Reserve 2013, 1/2 [(2) + (3)]	\$74,717,752	\$34,413,594
5. Ratio, (4) ÷ (1)	0.546	0.633
6. Ratio of LAE Reserves to Loss Reserves (a)	0.262	0.262
7. Ratio of Incurred LAE to Incurred Losses (a)	0.178	0.178
8. Loss and LAE Reserve, [(5)x(1.0+(6)))/(1.0+(7))]	0.585	0.678

(a) Based on 2013 All-Industry Insurance Expense Exhibit (source: A.M. Best)

Line E

The rate of return is the ratio of net investment income earned to mean cash and invested assets. Net investment income is computed for all companies writing dwelling insurance in North Carolina as follows:

<u>Year</u>	<u>Net Investment Income Earned</u>	<u>Mean Cash and Invested Assets</u>	<u>Rate of Return</u>
2013	\$49,505,066	\$1,473,714,329	3.36%

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES

EXPLANATORY NOTES

Line H

The average rate of Federal income tax was determined by applying the average tax rate for net investment income and the current tax rate applicable to realized capital gains (or losses) to the rates of return as calculated above.

	<u>Rate of Return</u>	<u>Federal Income Tax Rate</u>
Net Investment Income Earned	3.36%	0.219

The average rate of Federal income tax was determined by applying current tax rates to the distribution of investment income earned for all companies. These data are for 2013 from Best's Aggregates and Averages, Underwriting and Investment Exhibit, Part 1, Column 8.

Bonds	Taxable	\$23,173,274	0.350
	Non-Taxable	\$12,013,292	-
	Sub-Total	\$35,186,566	0.231
Stocks	Taxable (a)	\$5,966,410	0.105
	Non-Taxable	\$2,281,398	-
	Sub-Total	\$8,247,808	0.076
Mortgage Loans		\$361,347	
Real Estate		\$1,747,559	
Collateral Loans		\$1,277	
Cash on Deposit		\$150,173	
Short Term Investments		(\$46,327)	
All Other		\$8,675,240	
Sub-Total		\$10,889,269	0.350
Total		\$54,323,643	0.231
Investment Deductions		\$4,818,514	0.350
Net Investment Income Earned		\$49,505,129	0.219

(a) Only 30% of dividend income on stock is subject to the full corporate income tax rate of 35%. The applicable tax rate is thus 10.5% (.35 x .3 = 10.5%)

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

11. IDENTIFICATION OF APPLICABLE STATISTICAL PLANS AND PROGRAMS AND A CERTIFICATION OF COMPLIANCE WITH THEM
 - (a) ISO Personal Lines Statistical Plan (Other Than Automobile)
ISO Personal Lines Statistical Agent Plan (Other Than Automobile)
ISO 2017 Call for Dwelling Fire and Extended Coverage Statistics
ISO 2017 Call for Dwelling Fire and Extended Coverage Statistical Agent Plan Statistics
ISS Personal Lines Statistical Plans - All Coverages
ISS 2017 Dwelling Fire and Extended Coverage Call
AAIS Personal Lines Statistical Plan
AAIS 2017 Call for Dwelling Fire and Extended Coverage Statistics
NISS Statistical Plan - All Coverages - Part IV, North Carolina
NISS 2017 Quarterly Call
NISS 2017 Calendar Year Annual Statement
NISS 2017 Financial Reconciliation Call
Annual Statement for Calendar Year 2017
Insurance Expense Exhibit for Calendar Year 2017
NCRB Calls North Carolina Expense Experience for 2013-2017
 - (b) The North Carolina Rate Bureau certifies that there is no evidence known to it or, insofar as it is aware following reasonable inquiry, to the statistical agencies involved that the data which were collected under the statistical plans identified in response (11) (a) above and used in the filing are not materially true and accurate representations of the experience of the companies whose data underlie such experience. While the Rate Bureau is aware that the collected data sometimes require corrections or adjustments, the Rate Bureau's review of the data, the data collection process, and the ratemaking process indicates that the aggregate data are reasonable and reliable for ratemaking purposes. See also the prefiled testimony of P. Ericksen and M. Berry.
 - (c) The attached Exhibit (11) (c) contains general descriptions of the editing procedures used to ensure data were collected in accordance with the applicable statistical plans.

NORTH CAROLINA**DWELLING PROPERTY INSURANCE**ISO Editing Procedures

1. Upon receipt of the data from each reporting company, checks are made to ensure that each record (i.e., the data reported for each exposure) has valid and readable information. This includes a check that the appropriate alpha-numeric codes have been utilized.
2. The records are then checked to ensure that each of the fields has a valid code in it (e.g., company numbers must be entered as four-digit numerals).
3. Relationship edits which evaluate the interrelationship between codes are then performed. For example, if a record indicates North Carolina, Homeowners, Form 3, checks are made to ascertain that applicable interrelationships are maintained.
4. Distributional edits are performed to make sure that the reporting company has not erred in miscoding its data into a single class, territory, or other rating criteria due a systems problem or other error.
5. The resulting combined data from all the company records are reconciled with Statutory Page 14 Annual Statement data for that company.
6. After all of the ISO data are aggregated, a consolidated review of the data is conducted to determine overall reasonableness and accuracy. In this procedure the data are compared with previous statewide and territory figures. Areas of concern are identified and results are verified by checking back to the source data.

ISS Editing Procedures

The following narrative sets forth a general description of the editing procedures utilized by ISS to review North Carolina statistical data. All North Carolina experience submitted to the ISS by affiliated companies undergoes standard procedures to ensure that the data is reported in accordance with the ISS's approved statistical plans.

ISS's review of the data takes place on two levels: analysis of individual company data and analysis of the aggregate data of all the companies combined. These two separate functions will be treated in that order.

NORTH CAROLINA
DWELLING PROPERTY INSURANCE

ISS Editing Procedures (continued)

Analysis of Company Data

Analysis of company data includes: completeness checks, editing for valid coding and checking the distribution of data among the various data elements.

1. Completeness Checks (Balancing and Reconciliation):

Balancing and reconciliation procedures are used to determine completeness of reporting. Completeness means that the ISS has received and processed all of the data due to be filed with the ISS. First, totals of each company's processed data are compared to separate transmittal totals supplied by the company. This step ensures that ISS has processed completely the experience included in the company's submission of data and that no errors occur during this processing. As a second check for completeness, the reported statistical data is reconciled to Statutory Page 14 totals from the company's Annual Statement. It is a useful procedure in determining completeness because the annual statement represents an independent source of information.

2. Editing of Codes:

Format and Readability

Statistical data reported by affiliated companies must be filed in accordance with ISS's approved statistical plans. This includes the requirement that the data must conform to the specific formats and technical specifications in order for ISS to properly read and process these submissions. The initial edit is a test of each company's submission to ensure it has been reported using the proper record format and that it meets certain technical requirements for the line of insurance being reported. Key fields are tested to ensure that only numeric information has been reported in fields defined as numeric, and that the fields have been reported in the proper position in the record.

Relational Edits

The data items of information filed with the insurance company's experience are reported by using codes defined under ISS's statistical plans. For example, the various types of Policy Forms written on Homeowners policies in North Carolina are defined in the Personal Lines Statistical Plan. Each definition for each data element has a unique code assigned to it which distinguishes it from other definitions. All data items applicable to North Carolina are defined in a similar manner in each of ISS's statistical plans and have codes assigned to properly identify each definition.

All records reported to ISS are subjected to validation of the reported codes. This validation, called editing, is performed to assure that companies are reporting properly defined ISS Statistical Plan codes for North Carolina experience.

The purpose of the edit is to validate the statistical codes reported in each record. This validation is called a Relation Edit. A relational edit verifies that a reported code is valid in combination with one or more related data items. Relational edit tests are accomplished primarily through the use of specific edit tables applicable to each line of insurance.

NORTH CAROLINA**DWELLING PROPERTY INSURANCE**ISS Editing Procedures (continued)

In most cases, the experience data in the record is used in conjunction with the related codes and compared to an establishment or discontinued date for the code being validated. This ensures that specific codes are not being utilized beyond the range of time during which they are valid.

An example of a relational edit involves territory coding. Many territory code numbers are available under each statistical plan for various states, with various effective dates. However, only codes defined for North Carolina for the specific line being processed are valid in combination with North Carolina reported experience. Further, if a new code is erected, that code will be considered valid only if the date reported in the statistical record is equal or subsequent to the establishment date of the code.

3. Distributional Analysis:

The validation of the codes is not by itself sufficient to assure the credibility of company data. Having assured the reporting of valid codes, the statistical agent must verify that valid entries are indeed reliable. Therefore, the data is also reviewed for reasonable distributions. The primary focus of this review is to establish that the statistical data reported by the company is a credible reflection of the company's experience.

The distribution of company experience by specific data elements such as state, territory, policy form, and construction, for example, for the current reporting period is compared to company profiles of prior periods. In addition, ratios relevant to the line of insurance such as average premium, average loss, volume, loss ratio and loss frequency are compared to industry averages. This historical comparison can highlight changes in the pattern of reporting.

The distributional analysis serves as an additional verification that systematic errors are not introduced during the production of data files submitted to ISS by our affiliated companies. Disproportionate amounts of premiums and/or losses in a particular class or territory, for example, can be detected using this technique.

4. Validation of Aggregate Data

After the individual company has been reviewed, the data for all reporting companies is compiled to produce aggregate reports. The aggregate data represents the combined experience of many companies. This data is also subjected to similar review procedures. To ensure completeness, run to run control techniques are applied. This involves balancing the totals of the aggregate runs to previously verified control totals. In this manner the aggregate data is monitored to ensure the inclusion of the appropriate company data.

The aggregate data is also reviewed for credibility through distributional analysis similar to that performed on the individual company data. Earned exposures (where applicable) and premiums and incurred losses and claims are used to calculate pure premiums, claim frequencies and claim costs for comparison to past averages. The analysis of the aggregate data centers on determining consistency over time by comparing several years of experience, by coverage and class, or territory, for example. Through the application of these techniques, ISS is able to provide reliable insurance statistical data in North Carolina.

NORTH CAROLINA**DWELLING PROPERTY INSURANCE**NISS Editing Procedures

- a. Every report received is checked for completeness. Every submission must include (1) an affidavit; (2) a letter of transmittal setting forth company control totals for the data being sent; (3) the data being reported on tape, cartridge, diskette or form to be keyed.
- b. Individual company submissions are balanced to the company letter of transmittal to ensure that all data have been received and processed. After all four quarters of data have been received, the company reports are reconciled to the Annual Statement Statutory Page 14 amounts. The NISS Financial Reconciliation identifies any amounts needed to reconcile any differences between the company reported data and Annual Statement amounts.
- c. Every company record submitted to NISS is verified through NISS edit software for its coding accuracy and conformance with NISS record layouts and instructions. NISS edits verify the accuracy of each code for each data element. Where possible, each data element is subjected to a relational edit whereby it will be checked for accuracy in conjunction with another field.
- d. Individual company submissions are also subjected to a series of reasonability tests to determine that the current submission is consistent with previous company submissions, known changes in this line of business and statewide trends. NISS compares current quarter data to the previous quarter. This comparison is performed and analyzed by grouping data.
- e. After all of the NISS data are combined, a review of this consolidated data is also performed. The aggregate data is compared on a year to year basis to again verify its reasonableness, similar to those checks employed on an individual company submission.

AAIS Editing Procedures

The American Association of Insurance Services functions as an official statistical agent in the State of North Carolina for a number of lines of insurance, including Homeowners. In this capacity, it provides for the administration of statistical programs in accordance with approved statistical plans on behalf of the Commissioner of Insurance. These plans, which were filed according to the requirements of the State of North Carolina, serve to insure a high quality of data reliability.

1. All statistical plans constitute permanent calls for data, which is due at AAIS within 60 days following the close of the period covered by the report.
2. The AAIS data collection procedure consists of several consecutive steps in order to further verify receipt of accurate and complete data from each company and ultimately aggregate the data into the final experience format.

NORTH CAROLINA**DWELLING PROPERTY INSURANCE**AAIS Editing Procedures (continued)

3. The data collection procedure begins with the company uploading their data file into the AAIS secure online Statistical Data Management Application (SDMA). The SDMA verifies certain key fields, calculates transmittal totals for verification, and houses the edit program. The key fields are company number, line of insurance, transaction code and report period (quarter and year). All invalid key fields must be corrected before the data proceeds to the next step. Once all key fields have been validated, the data moves on to the edit program.
4. The edit program has several functions and reports. They are:
 - a. Data is balanced to transmittal totals and submitting companies are verifying this upon submission of their data using our Statistical Data Management Application (SDMA).
 - b. Each statistical field is edited to the valid codes in the statistical plan for the line being processed. Many fields are also cross edited. An example is deductible type and amount. All invalid codes are identified with an asterisk to the right of the code.
 - c. Edit reports consist of a listing of invalid records, error summary report, month report, state report and field error detail report.
 - d. Data distributions are monitored by the Statistical Reporting staff in conjunction with AAIS Actuaries. Material quality problems are logged by the Data Governance Steering Committee and the offending affiliate is notified of the error.
 - e. Along with the edit and distribution reports, there are additional review procedures in place to identify procedural reporting errors that may exist (e.g., cancellations and coverage changes). A great deal of time is spent on this item because of its importance to the validity of the reported data.
 - f. The Statistical Data Management Application (SDMA) performs analysis of a company's data and provides the company with a customized letter stating that their data was accepted by AAIS. Throughout the submission and editing process, the SDMA provides a status for the submission indicating the type of action required. Depending on the severity of errors, companies are requested to make corrections or resubmit data.
5. AAIS provides assistance to all of its affiliated companies to ensure a continued high level of data quality. Statistical coding seminars designed to instruct company coders and respond to questions are scheduled annually. In addition to the seminars, AAIS has developed Statistical Training Manuals for some lines and pre-edit programs for company in-house use. Technical Services staff is available to train company personnel in all aspects of data collection, coding, statistical reporting and data processing.

NORTH CAROLINA
DWELLING PROPERTY INSURANCE

12. INVESTMENT EARNINGS ON CAPITAL AND SURPLUS

Not applicable to dwelling insurance.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

13. LEVEL OF CAPITAL AND SURPLUS NEEDED TO SUPPORT PREMIUM WRITINGS WITHOUT ENDANGERING THE SOLVENCY OF MEMBER COMPANIES

- (a) The aggregate premium to surplus ratios for the calendar years 2008-2017 for all company groups which have written North Carolina Dwelling Fire and Extended Coverage insurance, weighted by market share in North Carolina in those respective lines in each year, are as follows:

<u>Year</u>	<u>Fire</u>	<u>EC</u>
2017	0.86	0.85
2016	0.80	0.78
2015	0.78	0.78
2014	0.80	0.82
2013	0.86	0.85
2012	1.06	0.98
2011	1.14	1.04
2010	0.95	0.96
2009	0.93	1.01
2008	0.97	1.12

- (b) The Rate Bureau estimates the future premium to surplus ratios on the basis of the 10-year average of the past, specifically 0.92 for Fire and 0.92 for Extended Coverage. See the prefiled testimony of G. Zanjani.
- (c) The actual premium to surplus ratio for the property and casualty industry on a countrywide basis (based upon the latest A. M. Best data available at this time) is as follows:

	(000's omitted)
STATUTORY CAPITAL AND SURPLUS, 2017	\$786,896,032
STATUTORY CAPITAL AND SURPLUS, 2016	\$734,973,294
AVERAGE STATUTORY CAPITAL AND SURPLUS	\$760,934,633
NET PREMIUMS EARNED (2017)	\$550,118,322
DIRECT PREMIUMS EARNED (2017)	\$629,979,026
PREMIUM/SURPLUS RATIO (NET BASIS)	0.72
PREMIUM/SURPLUS RATIO (DIRECT BASIS)	0.83

The actual level of capital and surplus needed to support premium writings without endangering the solvency of a company is dependent upon (among other factors) the financial structure and investments unique to each company, the relationship of the company with affiliated companies as a group (and the experience of the affiliated companies), the mix of business of each company, and the conditions of the economy as they affect each company's individual circumstances. The Rate Bureau is advised that the National Association of Insurance Commissioners, as one of several criteria, generally considers that a premium to surplus ratio for an individual company of 3 to 1 warrants close regulatory attention and monitoring with respect to the company's solvency position.

- (d) The Rate Bureau has determined the premium to surplus ratios for Dwelling Fire and Extended Coverage insurance in North Carolina based on the weighted average premium to surplus ratios for insurance groups writing Dwelling Fire and Extended Coverage insurance in North Carolina, where the weights are the actual premiums written in fire and extended coverage coverages, respectively. The premium to surplus ratios of the insurers actually writing this business in North Carolina is representative of the leverage relevant for this line and state. The Rate Bureau has not further allocated surplus within these insurers across lines and states in this or other filings in North Carolina.

NORTH CAROLINA
DWELLING PROPERTY INSURANCE

14. OTHER INFORMATION REQUIRED BY THE COMMISSIONER

- (a) See the pre-filed testimony of P. Ericksen, P. Anderson, M. Berry, G. Zanjani, E. Henderson and S. Fiete.
- (b) Not applicable to dwelling insurance.
- (c) Not applicable to dwelling insurance.
- (d) See attached Exhibit 14(d).

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

The last dwelling insurance rate filing was made on February 7, 2018. A dwelling insurance rate filing was made on November 30, 2016, but was withdrawn.

The following changes in methodology from those used in the February 7, 2018 dwelling insurance rate filing have been incorporated into this filing:

1. In this filing, the net cost of reinsurance was determined by Aon using its loss-on-line method. In the previous filing, Aon determined the net cost of reinsurance using the blended results of its loss-on-line and technical pricing models.
2. In this filing, a separate loading for dividends was calculated for Fire and Extended Coverage. In the previous filing, a single loading for dividends was calculated based on combined Fire and Extended Coverage data.

See also the pre-filed testimony of P. Ericksen, P. Anderson, M. Berry, G. Zanjani, E. Henderson and S. Fiete.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

SECTION F - NEW AND REVISED RATING FACTORS

Overview..... F-2
Key Factor Analysis F-3-10
Age of Construction Analysis..... F-11-15
Off-Balance Factors..... F-16-20
Estimated Impacts..... F-21-23

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

OVERVIEW

Introduction

This filing introduces revised Amount of Insurance rating factors for Fire Buildings and rebases the Amount of Insurance rating factors for Buildings coverage to \$100,000 and to \$15,000 for Contents coverage. These limits were selected to be more representative of the coverage limits currently being written in North Carolina. In addition to the changes to the Amount of Insurance rating factors, Age of Construction rating factors are being introduced for Buildings coverage. The proposed relativities are being introduced on a revenue-neutral basis through the application of territorial off-balance factors.

Data Used

Both the Amount of Insurance rating factor analysis and the Age of Construction rating factor analysis are based upon five accident years of North Carolina data ending 12/31/2017. Only data reported to Insurance Services Office (ISO) and Independent Statistical Services (ISS) was used in the analyses. Data reported to National Independent Statistical Services (NISS) was excluded because the loss records lacked sufficient detail. For the Amount of Insurance analysis, some ISO companies were removed from the analysis due to mismatches between the amounts of insurance reported on their premium and loss records. For the Age of Construction analysis, data reported under the "pre-1960" statistical plan code was removed.

Rebasing

For the 2017 calendar year, the average Coverage A amount written for Fire was \$121,000. For the same year, the average Coverage C amount written for Fire was \$15,000. To better reflect the average Amounts of Insurance being written in the market, the base Amount of Insurance for Buildings is being changed to \$100,000 and the base for Contents is being changed to \$15,000. These base amounts are also being applied to Extended Coverage.

NORTH CAROLINA
DWELLING PROPERTY INSURANCE
KEY FACTOR ANALYSIS

Methodology

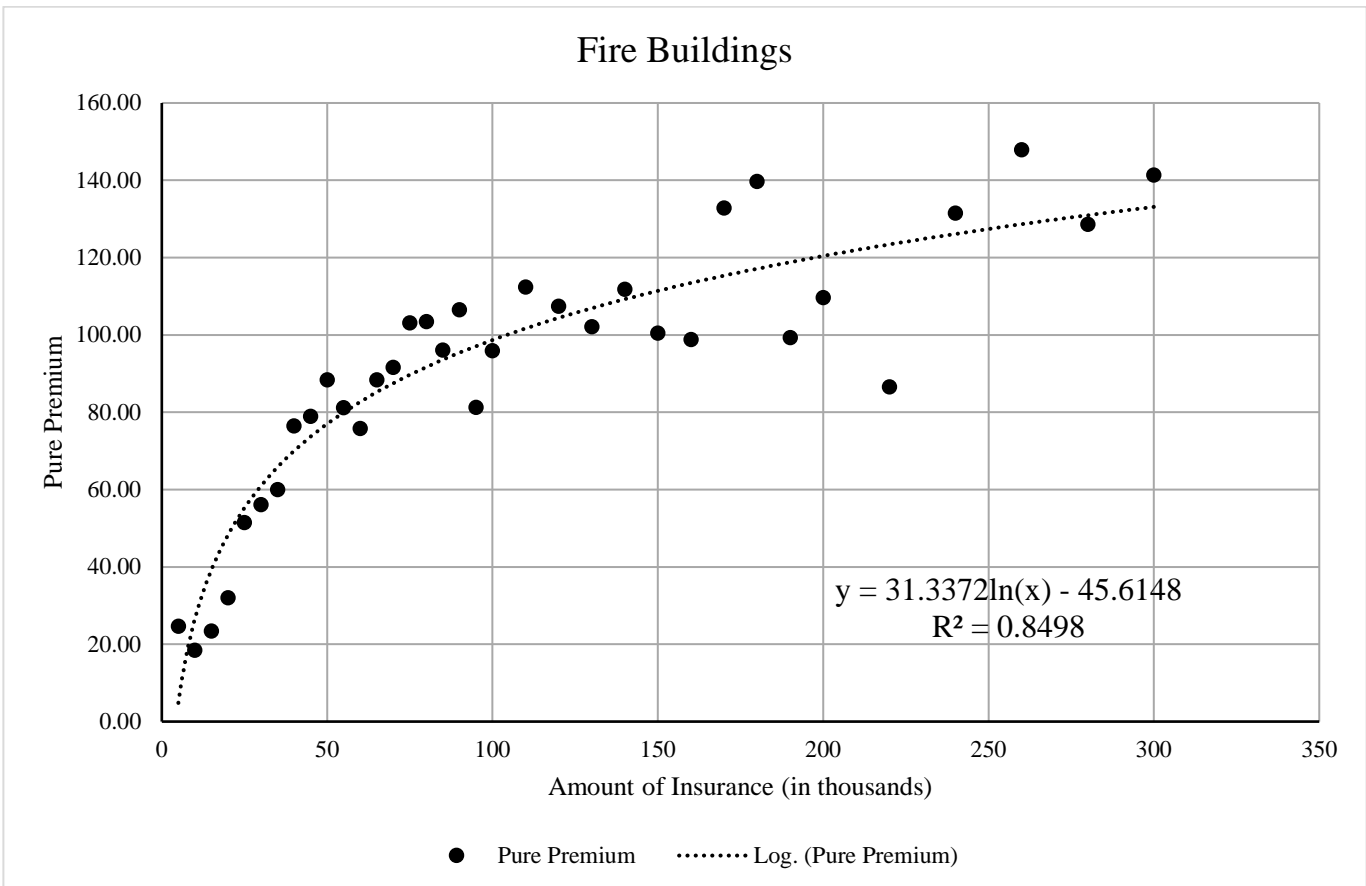
The indicated Amount of Insurance rating factors are the result of applying a one-way pure premium methodology to the five years of North Carolina experience ending 12/31/2017. The reported losses used were developed to ultimate and adjusted to the base value for all rating variables except Amount of Insurance. Average pure premiums were then calculated by dividing the adjusted losses by earned house years. In order to increase the stability of the pure premiums, the data was condensed into Amount of Insurance groupings. A curve was then fit to the pure premiums for the groupings.

Fire Buildings

For Fire Buildings, the Amount of Insurance groupings were selected using the following criteria:

- increments of \$5,000, from \$0 to \$100,000,
- increments of \$10,000, from \$100,000 to \$200,000, and
- increments of \$20,000, from \$200,000 to \$300,000.

Data with Amounts of Insurance above \$300,000, which represented less than 5% of the data in the analysis, was not used in fitting the curve due to its volatility. Based on the shape of the pure premiums, a logarithmic curve was fit to the data:



NORTH CAROLINA

DWELLING PROPERTY INSURANCE

KEY FACTOR ANALYSIS

The indicated Amount of Insurance curve represents a significant departure from the current curve, which is a straight line. In order to mitigate large swings in rates, the proposed rating factors are the weighted average of the indicated and current factors, with the current factors receiving two-thirds weight and the indicated factors receiving one-third weight:

Fire Buildings Proposed Key Factors				
Amount of Insurance	Current Factor	Current Factor (Rebased to \$100,000)	Indicated Factor	Proposed Factor
\$5,000	0.560	0.127	0.178	0.144
10,000	0.780	0.177	0.288	0.214
15,000	1.000	0.227	0.398	0.284
20,000	1.200	0.273	0.489	0.345
25,000	1.400	0.318	0.560	0.399
30,000	1.600	0.364	0.618	0.449
35,000	1.800	0.409	0.667	0.495
40,000	2.000	0.455	0.709	0.540
45,000	2.200	0.500	0.746	0.582
50,000	2.400	0.545	0.780	0.623
55,000	2.600	0.591	0.810	0.664
60,000	2.800	0.636	0.838	0.703
65,000	3.000	0.682	0.863	0.742
70,000	3.200	0.727	0.887	0.780
75,000	3.400	0.773	0.909	0.818
80,000	3.600	0.818	0.929	0.855
85,000	3.800	0.864	0.948	0.892
90,000	4.000	0.909	0.967	0.928
95,000	4.200	0.955	0.984	0.965
100,000	4.400	1.000	1.000	1.000
110,000	4.800	1.091	1.030	1.071
120,000	5.200	1.182	1.058	1.141
130,000	5.600	1.273	1.083	1.210
140,000	6.000	1.364	1.107	1.278
150,000	6.400	1.455	1.129	1.346
160,000	6.800	1.545	1.149	1.413
170,000	7.200	1.636	1.168	1.480
180,000	7.600	1.727	1.187	1.547
190,000	8.000	1.818	1.204	1.613
200,000	8.400	1.909	1.220	1.679
220,000	9.200	2.091	1.250	1.811
240,000	10.000	2.273	1.278	1.941
260,000	10.800	2.455	1.303	2.071
280,000	11.600	2.636	1.327	2.200
300,000	12.400	2.818	1.349	2.328

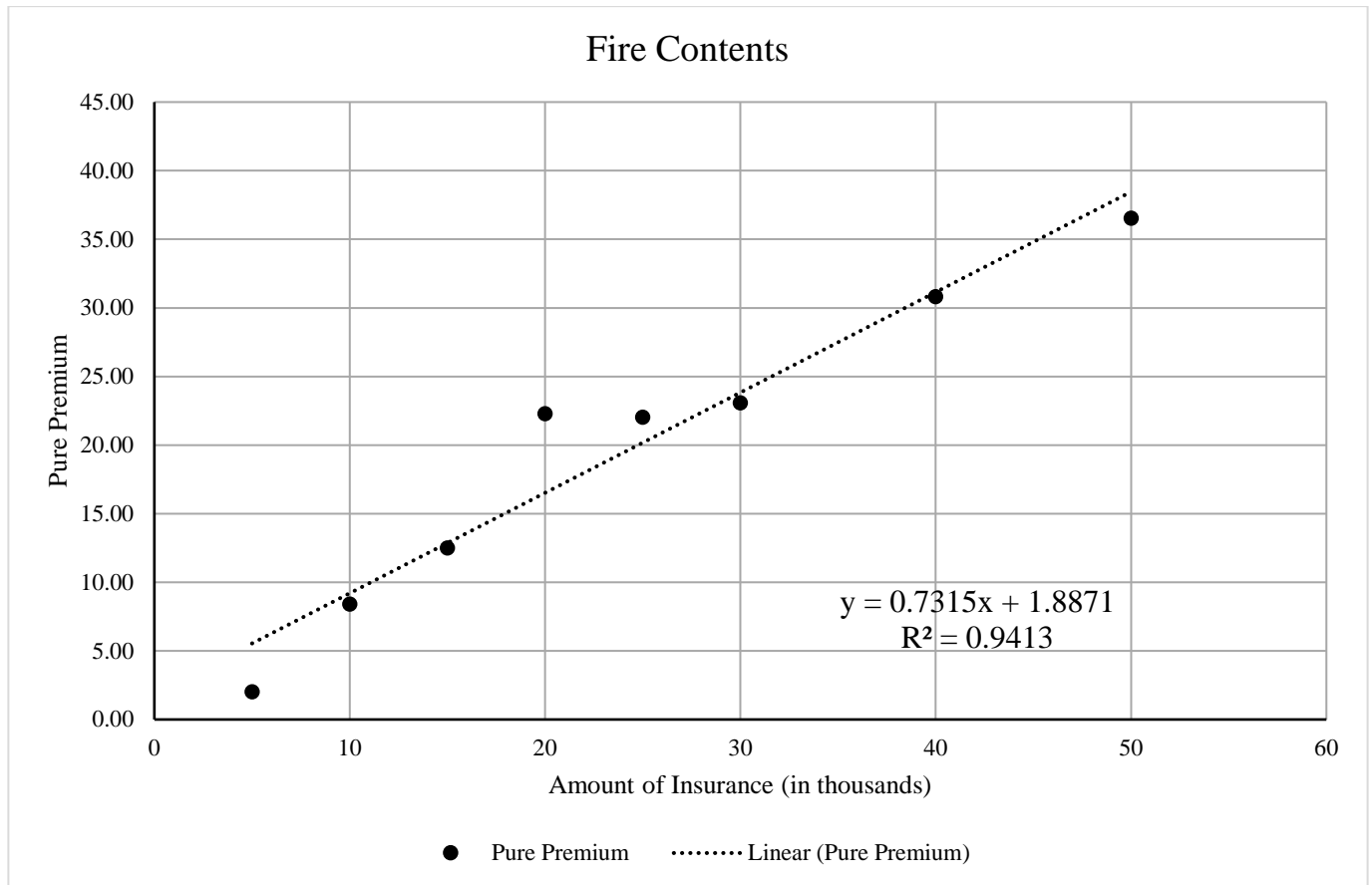
NORTH CAROLINA
DWELLING PROPERTY INSURANCE
KEY FACTOR ANALYSIS

Fire Contents

For Fire Contents, the Amount of Insurance groupings were selected using the following criteria:

increments of \$5,000, from \$0 to \$30,000, and
increments of \$10,000, from \$30,000 to \$50,000.

Data with Amounts of Insurance above \$50,000, which represented less than 5% of the data in the analysis, was not used in fitting the curve due to its volatility. Based on the shape of the pure premiums, a straight line was fit to the data:



Due to the similarity of the indicated key factors to the current factors, it was decided not to change the underlying curve at this time:

NORTH CAROLINA
DWELLING PROPERTY INSURANCE
KEY FACTOR ANALYSIS

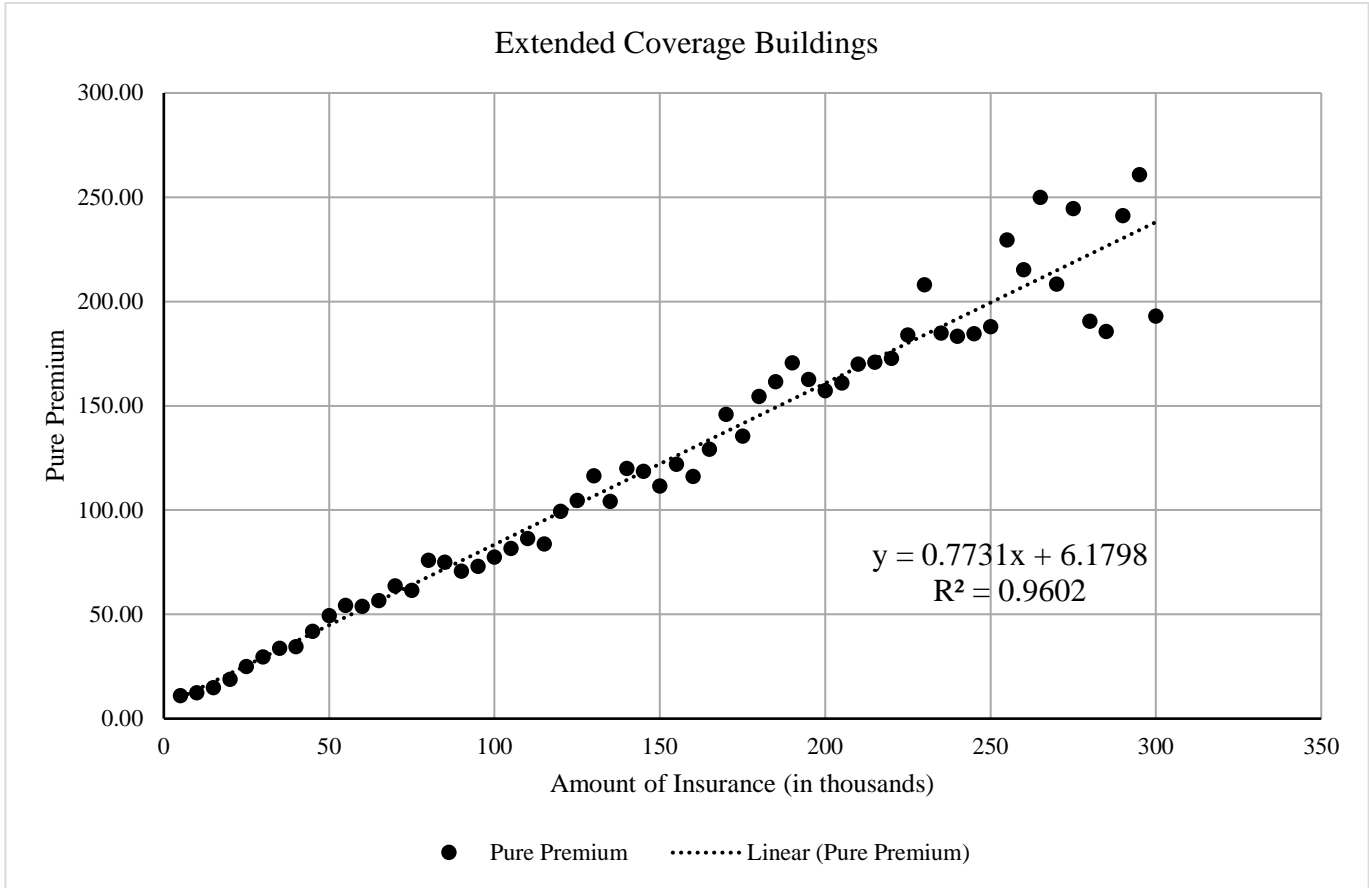
Fire Contents Proposed Key Factors				
Amount of Insurance	Current Factor	Current Factor (Rebased to \$15,000)	Indicated Factor	Proposed Factor
\$5,000	0.870	0.401	0.431	0.401
6,000	1.000	0.461	0.488	0.461
10,000	1.520	0.700	0.716	0.700
15,000	2.170	1.000	1.000	1.000
20,000	2.820	1.300	1.284	1.300
25,000	3.470	1.599	1.569	1.599
30,000	4.120	1.899	1.853	1.899
35,000	4.770	2.198	2.138	2.198
40,000	5.420	2.498	2.422	2.498
45,000	6.070	2.797	2.706	2.797
50,000	6.720	3.097	2.991	3.097

Extended Coverage Buildings

For Extended Coverage Buildings, the Amount of Insurance groupings were selected to be increments of \$5,000, from \$0 to \$300,000.

Data with Amounts of Insurance above \$300,000, which represented less than 5% of the data in the analysis, was not used in fitting the curve due to its volatility. Based on the shape of the pure premiums, a straight line was fit to the data:

NORTH CAROLINA
DWELLING PROPERTY INSURANCE
KEY FACTOR ANALYSIS



The above curve represents the non-hurricane portion of the Extended Coverage losses. It is necessary to weigh together the curve above with the implied Amount of Insurance curve from the hurricane models in order to reflect the full Extended Coverage exposure. Modeled hurricane losses increase proportionately with the Amount of Insurance, so the hurricane curve is a straight line. The hurricane curve was given 58.9% weight based on the ratio of the Trended Modeled Hurricane Base Class Loss Cost to the Total Base Class Loss Cost shown on page C-4.

The current Amount of Insurance curve has been smoothed out by fitting a straight line to the current factors. This was to prevent any rounding differences in the current factors which were caused by rounding to two decimal places from being carried forward in the proposed factors. Due to the similarity of the indicated key factors to the smoothed current factors, it was decided to file the smoothed current factors:

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

KEY FACTOR ANALYSIS

Extended Coverage Buildings Proposed Key Factors				
Amount of Insurance	Current Factor	Current Factor (Smoothed and Rebased to \$100,000)	Indicated Factor	Proposed Factor
\$5,000	0.450	0.089	0.079	0.089
10,000	0.720	0.137	0.128	0.137
15,000	1.000	0.185	0.176	0.185
20,000	1.270	0.232	0.224	0.232
25,000	1.535	0.280	0.273	0.280
30,000	1.790	0.328	0.321	0.328
35,000	2.040	0.376	0.370	0.376
40,000	2.290	0.424	0.418	0.424
45,000	2.540	0.472	0.467	0.472
50,000	2.790	0.520	0.515	0.520
55,000	3.040	0.568	0.564	0.568
60,000	3.290	0.616	0.612	0.616
65,000	3.540	0.664	0.661	0.664
70,000	3.790	0.712	0.709	0.712
75,000	4.040	0.760	0.758	0.760
80,000	4.290	0.808	0.806	0.808
85,000	4.540	0.856	0.855	0.856
90,000	4.790	0.904	0.903	0.904
95,000	5.040	0.952	0.952	0.952
100,000	5.290	1.000	1.000	1.000
110,000	5.790	1.096	1.097	1.096
120,000	6.290	1.192	1.194	1.192
130,000	6.790	1.288	1.291	1.288
140,000	7.290	1.384	1.388	1.384
150,000	7.790	1.480	1.485	1.480
160,000	8.290	1.576	1.582	1.576
170,000	8.790	1.672	1.679	1.672
180,000	9.290	1.768	1.776	1.768
190,000	9.790	1.863	1.872	1.863
200,000	10.290	1.959	1.970	1.959
220,000	11.290	2.151	2.163	2.151
240,000	12.290	2.343	2.357	2.343
260,000	13.290	2.535	2.552	2.535
280,000	14.290	2.727	2.745	2.727
300,000	15.290	2.919	2.939	2.919

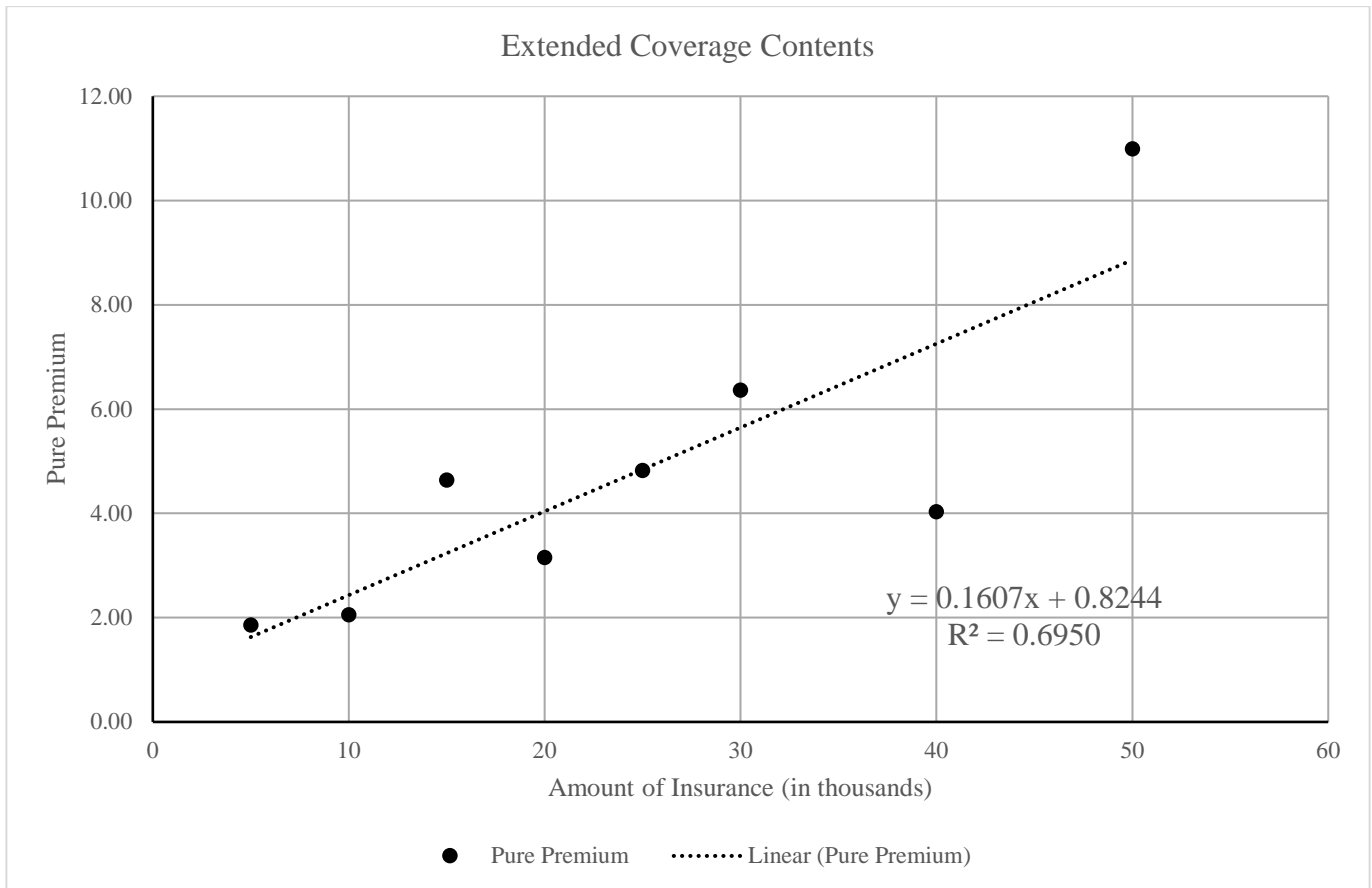
NORTH CAROLINA
DWELLING PROPERTY INSURANCE
KEY FACTOR ANALYSIS

Extended Coverage Contents

For Extended Coverage Contents, the Amount of Insurance groupings were selected using the following criteria:

- increments of \$5,000, from \$0 to \$30,000, and
- increments of \$10,000, from \$30,000 to \$50,000.

Data with Amounts of Insurance above \$50,000, which represented less than 5% of the data in the analysis, was not used in fitting the curve due to its volatility. Based on the shape of the pure premiums, a straight line was fit to the data:



The above curve represents the non-hurricane portion of the Extended Coverage losses. It is necessary to weigh together the curve above with the implied Amount of Insurance curve from the hurricane models in order to reflect the full Extended Coverage exposure. Modeled hurricane losses increase proportionately with the Amount of Insurance, so the hurricane curve is a straight line. The hurricane curve was given 58.9% weight based on the ratio of the Trended Modeled Hurricane Base Class Loss Cost to the Total Base Class Loss Cost shown on page C-4.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

KEY FACTOR ANALYSIS

The current Amount of Insurance curve has been smoothed out by fitting a straight line to the current factors. This was to prevent any rounding differences present in the current factors which were caused by rounding to two decimal places from being carried forward in the proposed factors. Due to the similarity of the indicated key factors to the smoothed current factors, as well as the fluctuations observed in the pure premiums, it was decided to file the smoothed current factors:

Extended Coverage Contents Proposed Key Factors				
Amount of Insurance	Current Factor	Current Factor (Smoothed and Rebased to \$15,000)	Indicated Factor	Proposed Factor
\$5,000	0.830	0.331	0.403	0.331
6,000	1.000	0.398	0.463	0.398
10,000	1.670	0.666	0.702	0.666
15,000	2.500	1.000	1.000	1.000
20,000	3.340	1.334	1.298	1.334
25,000	4.170	1.669	1.597	1.669
30,000	5.020	2.003	1.895	2.003
35,000	5.870	2.338	2.194	2.338
40,000	6.720	2.672	2.492	2.672
45,000	7.570	3.006	2.790	3.006
50,000	8.420	3.341	3.089	3.341

NORTH CAROLINA
DWELLING PROPERTY INSURANCE
AGE OF CONSTRUCTION ANALYSIS

Methodology

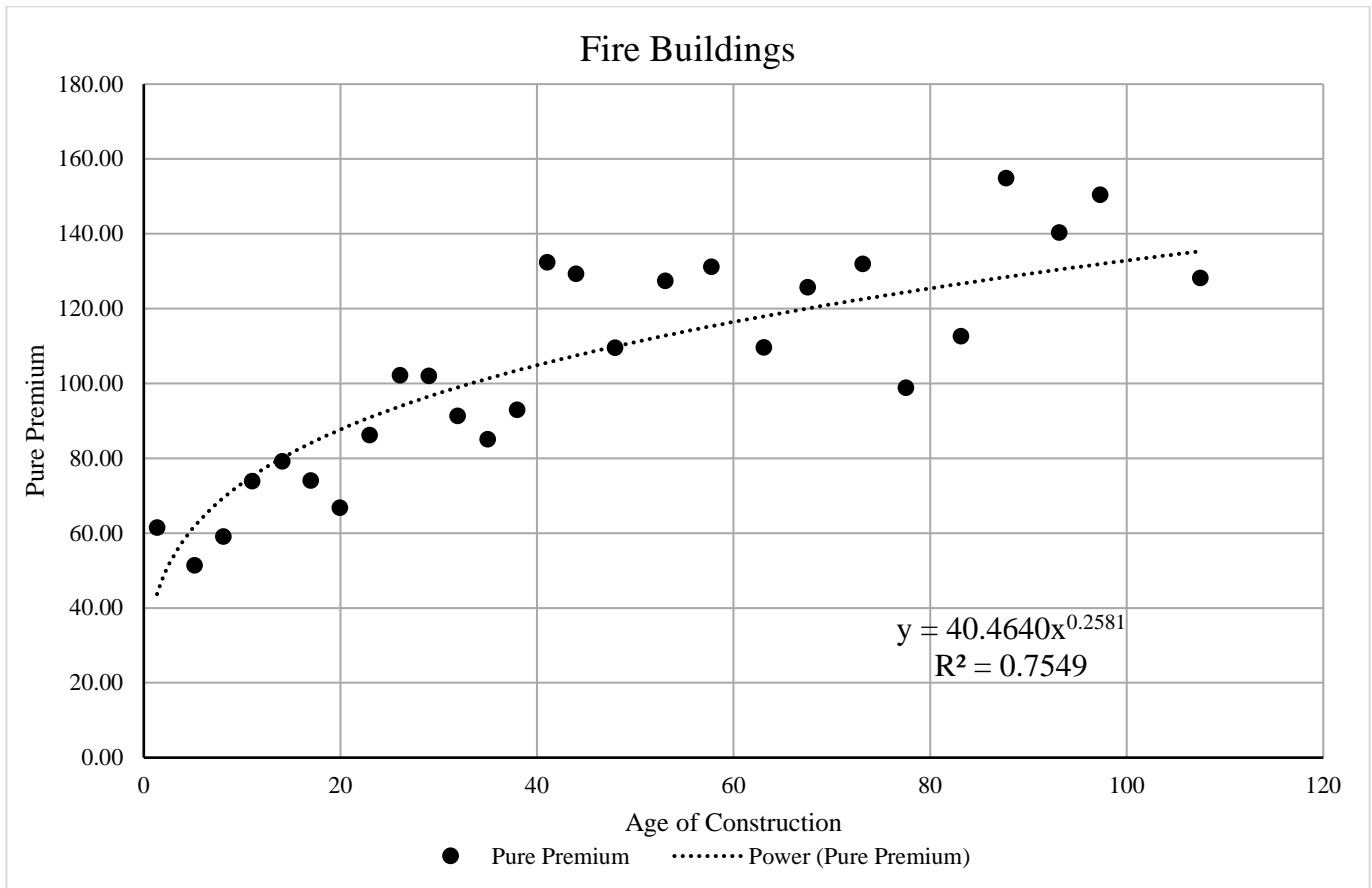
The indicated Age of Construction rating factors are the result of applying a one-way pure premium methodology to the five years of North Carolina experience ending 12/31/2017. The reported losses used were developed to ultimate and adjusted to the base value for all rating variables. Average pure premiums were then calculated by dividing the adjusted losses by earned house years. In order to increase the stability of the pure premiums, the data was condensed into Age of Construction groupings. A curve was then fit to the pure premiums for the groupings.

Fire Buildings

For Fire Buildings, the Age of Construction groupings were selected using the following criteria:

- dwelling aged 3 years or newer,
- increments of 3 years, from ages 4 to 45,
- increments of 5 years, from ages 46 to 100, and
- dwelling aged 101 years or older.

Based on the shape of the pure premiums, a power curve was fit to the data:



NORTH CAROLINA

DWELLING PROPERTY INSURANCE

AGE OF CONSTRUCTION ANALYSIS

The indicated Age of Construction curve shows significant credits for newer homes and significant surcharges for older homes. In order to temper the impact of this new rating variable, the proposed rating structure includes only credits for homes aged 24 years or newer. Additionally, the proposed factors were calculated by applying a constant discount factor of 1.5% for each year of decrement from the base age of 25 years:

Fire Buildings Proposed Age of Construction Rating Factors			
Age of Construction	Current Factor	Indicated Factor	Proposed Factor
0	1.000	0.364	0.685
1	1.000	0.436	0.696
2	1.000	0.521	0.706
3	1.000	0.578	0.717
4	1.000	0.623	0.728
5	1.000	0.660	0.739
6	1.000	0.692	0.750
7	1.000	0.720	0.762
8	1.000	0.745	0.773
9	1.000	0.768	0.785
10	1.000	0.789	0.797
11	1.000	0.809	0.809
12	1.000	0.827	0.822
13	1.000	0.845	0.834
14	1.000	0.861	0.847
15	1.000	0.876	0.860
16	1.000	0.891	0.873
17	1.000	0.905	0.886
18	1.000	0.919	0.900
19	1.000	0.932	0.913
20	1.000	0.944	0.927
21	1.000	0.956	0.941
22	1.000	0.968	0.956
23	1.000	0.979	0.970
24	1.000	0.990	0.985
25	1.000	1.000	1.000
30	1.000	1.048	1.000
35	1.000	1.091	1.000
40	1.000	1.129	1.000
45	1.000	1.164	1.000
50	1.000	1.196	1.000
60	1.000	1.254	1.000
70	1.000	1.304	1.000
80	1.000	1.350	1.000
90	1.000	1.392	1.000
100+	1.000	1.430	1.000

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

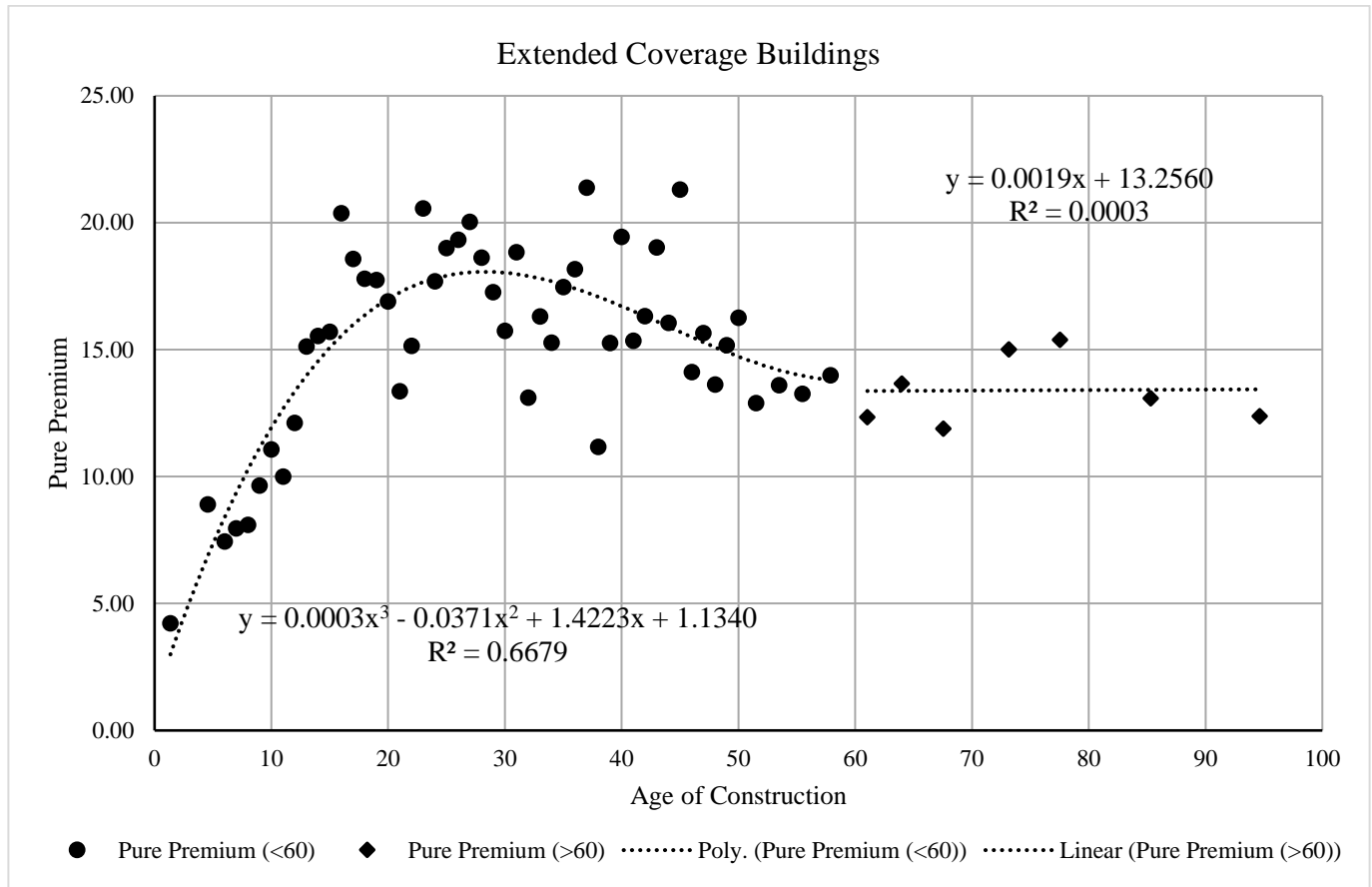
AGE OF CONSTRUCTION ANALYSIS

Extended Coverage Buildings

For Extended Coverage Buildings, the Age of Construction groupings were selected using the following criteria:

- dwelling aged 3 years or newer,
- dwelling aged 4 or 5 years,
- increments of 1 year, from ages 6 to 50,
- increments of 2 years, from ages 51 to 56,
- increments of 3 years, from ages 57 to 65,
- increments of 5 years, from ages 66 to 80, and
- increments of 10 years from ages 81 to 100.

Data with Ages of Construction greater than 100 years, which represented less than 1% of the data in the analysis, was not used in fitting the curve due to its volatility. Based on the shape of the pure premiums, a polynomial curve was fit to the data up to age 60, and then a straight line was selected thereafter:



NORTH CAROLINA

DWELLING PROPERTY INSURANCE

AGE OF CONSTRUCTION ANALYSIS

The above curve represents the non-hurricane portion of the Extended Coverage losses. Age of Construction is not contemplated in the hurricane model, so it is necessary to weigh the curve above with a factor of 1.000 for the hurricane peril in order to reflect the full Extended Coverage exposure. The hurricane factor was given 58.9% weight based on the ratio of the Trended Modeled Hurricane Base Class Loss Cost to the Total Base Class Loss Cost shown on page C-4.

The indicated Age of Construction curve shows significant credits for newer homes and a mix of credits and surcharges for older homes. In order to temper the impact of this new rating variable, the proposed rating structure includes only credits for homes aged 24 years or newer. Additionally, the proposed factors were calculated by applying a constant discount factor of 1.0% for each year of decrement from the base age of 25 years:

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

AGE OF CONSTRUCTION ANALYSIS

Extended Coverage Buildings Proposed Age of Construction Rating Factors			
Age of Construction	Current Factor	Indicated Factor	Proposed Factor
0	1.000	0.620	0.778
1	1.000	0.651	0.786
2	1.000	0.680	0.794
3	1.000	0.708	0.802
4	1.000	0.734	0.810
5	1.000	0.759	0.818
6	1.000	0.782	0.826
7	1.000	0.804	0.835
8	1.000	0.825	0.843
9	1.000	0.844	0.851
10	1.000	0.862	0.860
11	1.000	0.879	0.869
12	1.000	0.894	0.878
13	1.000	0.908	0.886
14	1.000	0.921	0.895
15	1.000	0.933	0.904
16	1.000	0.945	0.914
17	1.000	0.954	0.923
18	1.000	0.963	0.932
19	1.000	0.971	0.941
20	1.000	0.978	0.951
21	1.000	0.984	0.961
22	1.000	0.989	0.970
23	1.000	0.994	0.980
24	1.000	0.997	0.990
25	1.000	1.000	1.000
30	1.000	1.004	1.000
35	1.000	0.993	1.000
40	1.000	0.974	1.000
45	1.000	0.950	1.000
50	1.000	0.925	1.000
60	1.000	0.891	1.000
70	1.000	0.891	1.000
80	1.000	0.891	1.000
90	1.000	0.891	1.000
100+	1.000	0.891	1.000

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

OFF-BALANCE FACTORS

In order to introduce the revised and new rating factors on a statewide (and territory) revenue-neutral basis, it is necessary to incorporate an "off-balance" factor in the calculation of the revised base class rates by class and territory rating group.

The off-balance factor represents the rate level effect that would result if the revised and newly introduced factors were to be implemented without any adjustment to the current base class rates. Hence, by dividing out the off-balance factor in the calculation of the revised base class rates, the revised and newly introduced rating factors will have no effect on the average rate for all insureds. The off-balance factor by coverage and territory is calculated by re-rating the underlying policies using the revised and newly introduced factors and taking the ratio of the revised premium-at-present-rate to the original premium-at-present-rate.

The data used in the calculation of the off-balance factors is based upon the combined accident year ending 12/31/2017 data of companies writing dwelling insurance in North Carolina and reporting their data to Insurance Services Office (ISO), Independent Statistical Service, Inc. (ISS), or National Independent Statistical Service (NISS).

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

OFF-BALANCE FACTORS

<u>Coverage</u>	<u>Class</u>	<u>Territory</u>	<u>Off-Balance Factors</u>				
			<u>Amount of Insurance</u>	<u>Age of Construction</u>	<u>Total</u>		
Fire	Buildings	110	0.826	0.927	0.769		
		120	0.845	0.925	0.784		
		130	0.949	0.927	0.884		
		140	0.937	0.909	0.856		
		150	0.968	0.940	0.913		
		160	0.954	0.913	0.874		
		170	1.013	0.961	0.975		
		180	0.984	0.948	0.935		
		190	1.016	0.964	0.980		
		200	1.043	0.966	1.008		
		210	1.000	0.964	0.966		
		220	0.924	0.941	0.872		
		230	1.063	0.959	1.020		
		240	0.989	0.953	0.945		
		250	0.931	0.884	0.829		
		260	1.012	0.967	0.979		
		270	0.899	0.923	0.832		
		280	0.911	0.949	0.866		
		290	0.917	0.916	0.845		
		300	1.039	0.976	1.014		
		310	0.954	0.969	0.926		
		320	0.951	0.963	0.917		
		330	1.001	0.978	0.979		
		340	0.918	0.943	0.869		
		350	0.962	0.965	0.930		
		360	0.937	0.959	0.901		
		370	0.948	0.958	0.911		
		380	0.933	0.947	0.886		
		390	0.930	0.952	0.888		
				Statewide	0.945	0.944	0.895

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

OFF-BALANCE FACTORS

<u>Coverage</u>	<u>Class</u>	<u>Territory</u>	<u>Off-Balance Factors</u>				
			<u>Amount of Insurance</u>	<u>Age of Construction</u>	<u>Total</u>		
Fire	Contents	110	1.000	-	1.000		
		120	1.000	-	1.000		
		130	1.000	-	1.000		
		140	1.000	-	1.000		
		150	1.000	-	1.000		
		160	1.000	-	1.000		
		170	1.000	-	1.000		
		180	1.000	-	1.000		
		190	1.000	-	1.000		
		200	1.000	-	1.000		
		210	1.000	-	1.000		
		220	1.000	-	1.000		
		230	1.000	-	1.000		
		240	1.000	-	1.000		
		250	1.000	-	1.000		
		260	1.000	-	1.000		
		270	1.000	-	1.000		
		280	1.000	-	1.000		
		290	1.000	-	1.000		
		300	1.000	-	1.000		
		310	1.000	-	1.000		
		320	1.000	-	1.000		
		330	1.000	-	1.000		
		340	1.000	-	1.000		
		350	1.000	-	1.000		
		360	1.000	-	1.000		
		370	1.000	-	1.000		
		380	1.000	-	1.000		
		390	1.000	-	1.000		
				Statewide	1.000	-	1.000

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

OFF-BALANCE FACTORS

<u>Coverage</u>	<u>Class</u>	<u>Territory</u>	<u>Off-Balance Factors</u>				
			<u>Amount of Insurance</u>	<u>Age of Construction</u>	<u>Total</u>		
Extended Coverage	Buildings	110	1.012	0.951	0.962		
		120	1.010	0.948	0.957		
		130	1.002	0.949	0.951		
		140	1.003	0.938	0.940		
		150	1.001	0.959	0.960		
		160	1.002	0.940	0.942		
		170	0.999	0.974	0.973		
		180	1.001	0.963	0.964		
		190	0.999	0.976	0.974		
		200	0.996	0.976	0.973		
		210	1.000	0.975	0.975		
		220	1.005	0.959	0.964		
		230	0.995	0.971	0.966		
		240	1.001	0.967	0.967		
		250	1.004	0.917	0.921		
		260	0.999	0.978	0.977		
		270	1.007	0.946	0.952		
		280	1.006	0.965	0.970		
		290	1.005	0.940	0.945		
		300	0.997	0.984	0.980		
		310	1.003	0.978	0.982		
		320	1.003	0.974	0.977		
		330	1.000	0.985	0.985		
		340	1.006	0.961	0.966		
		350	1.003	0.976	0.978		
		360	1.004	0.972	0.977		
		370	1.004	0.971	0.974		
		380	1.005	0.965	0.969		
		390	1.005	0.967	0.972		
				Statewide	1.005	0.955	0.959

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

OFF-BALANCE FACTORS

<u>Coverage</u>	<u>Class</u>	<u>Territory</u>	<u>Off-Balance Factors</u>		<u>Total</u>		
			<u>Amount of Insurance</u>	<u>Age of Construction</u>			
Extended Coverage	Contents	110	0.993	-	0.993		
		120	0.994	-	0.994		
		130	0.995	-	0.995		
		140	0.995	-	0.995		
		150	0.995	-	0.995		
		160	0.995	-	0.995		
		170	0.995	-	0.995		
		180	0.994	-	0.994		
		190	0.995	-	0.995		
		200	0.996	-	0.996		
		210	0.995	-	0.995		
		220	0.992	-	0.992		
		230	0.996	-	0.996		
		240	0.995	-	0.995		
		250	0.994	-	0.994		
		260	0.995	-	0.995		
		270	0.992	-	0.992		
		280	0.993	-	0.993		
		290	0.993	-	0.993		
		300	0.996	-	0.996		
		310	0.993	-	0.993		
		320	0.994	-	0.994		
		330	0.995	-	0.995		
		340	0.993	-	0.993		
		350	0.994	-	0.994		
		360	0.994	-	0.994		
		370	0.994	-	0.994		
		380	0.993	-	0.993		
		390	0.994	-	0.994		
				Statewide	0.994	-	0.994

NORTH CAROLINA
DWELLING PROPERTY INSURANCE
ESTIMATED IMPACTS

The following charts display the estimated impacts to policyholders that would result from the filed rating factor changes. These impacts also reflect the effects of the updates to the base rates that result from the off-balance factors.

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

ESTIMATED IMPACTS

<u>Coverage</u>	<u>Class</u>	<u>Estimated Impact Range</u>	<u>Earned House Years</u>	<u>Percentage</u>
Fire	Buildings	-52.5% to -47.5%	2	0.0%
		-47.5% to -42.5%	70	0.0%
		-42.5% to -37.5%	548	0.1%
		-37.5% to -32.5%	1,874	0.4%
		-32.5% to -27.5%	5,146	1.1%
		-27.5% to -22.5%	10,168	2.1%
		-22.5% to -17.5%	15,265	3.2%
		-17.5% to -12.5%	18,097	3.8%
		-12.5% to -7.5%	23,820	5.0%
		-7.5% to -2.5%	36,294	7.6%
		-2.5% to +2.5%	51,447	10.8%
		+2.5% to +7.5%	56,396	11.9%
		+7.5% to +12.5%	55,722	11.7%
		+12.5% to +17.5%	48,209	10.1%
		+17.5% to +22.5%	38,857	8.2%
		+22.5% to +27.5%	34,895	7.3%
		+27.5% to +32.5%	28,801	6.1%
		+32.5% to +37.5%	23,208	4.9%
		+37.5% to +42.5%	13,075	2.7%
		+42.5% to +47.5%	8,298	1.7%
+47.5% to +52.5%	3,230	0.7%		
+52.5% to +57.5%	953	0.2%		
+57.5% to +62.5%	1,034	0.2%		
+62.5% to +67.5%	116	0.0%		
		Total	475,525	100.0%
Fire	Contents	-2.5% to +2.5%	263,215	100.0%
		Total	263,215	100.0%

NORTH CAROLINA

DWELLING PROPERTY INSURANCE

ESTIMATED IMPACTS

<u>Coverage</u>	<u>Class</u>	<u>Estimated Impact Range</u>	<u>Earned House Years</u>	<u>Percentage</u>
Extended Coverage	Buildings	-27.5% to -22.5%	29	0.0%
		-22.5% to -17.5%	4,532	0.9%
		-17.5% to -12.5%	13,201	2.6%
		-12.5% to -7.5%	35,816	7.0%
		-7.5% to -2.5%	54,291	10.6%
		-2.5% to +2.5%	169,277	32.9%
		+2.5% to +7.5%	210,563	40.9%
		+7.5% to +12.5%	15,156	2.9%
		+12.5% to +17.5%	11,354	2.2%
		+17.5% to +22.5%	383	0.1%
		Total	514,604	100.0%
Extended Coverage	Contents	-7.5% to -2.5%	13,695	6.0%
		-2.5% to +2.5%	215,988	94.0%
		Total	229,683	100.0%



NOTICE TO MANUALHOLDERS

PERSONAL LINES

DWELLING POLICY PROGRAM MANUAL – MULTISTATE RULES

NOTICE DP-MU-2003-RU-001

CAUTION

Refer to state Notices for announcement of the use of this revision in individual jurisdictions.

INSTRUCTIONS TO MANUALHOLDERS

New manual pages are enclosed. If your company has adopted this revision, you should insert these pages into your manual.

EFFECTIVE OR DISTRIBUTION DATE

Refer to individual state Notices for effective or distribution date language.

BACKGROUND

This Notice announces the introduction of the General Rules for the 2002 Edition of the Dwelling Property Program (**DP 2002 Program**).

These new General Rules replace, in their entirety, the latest edition of the Dwelling 1989 Program (DP 89) general rules.

Important: You should **retain** your present manual pages for use in jurisdictions where the **DP 2002 Program** is not yet in effect so that you may service policies written subject to the present manual rules.

CHANGE(S)

NEW FORMAT AND UPDATE

We have revised the format of the DP 2002 Manual to provide greater flexibility to support the future development of electronic delivery mechanisms.

We have also:

- Deleted all statistical codes from the manual;
- Updated or introduced the following general rules to incorporate multistate rules that previously appeared in the manual as "exceptions" or "additions" to the DP 89 general rules:
 - General Rule **509**. Earthquake Coverage is updated to reflect the changes previously accommodated by exception; and
 - General Rules **305**. Loss Settlement Options, **410**. Building Code Effectiveness Grading and **517**. Limited Fungi, Wet Or Dry Rot, Or Bacteria Coverage previously included in the Additional Rules, are introduced.

RULES CHANGES

Following is a brief summary of the principal changes to the general rules:

- 502.** Coverage **D** – Fair Rental Value And Coverage **E** – Additional Living Expense – Revised to accommodate the increase in the basic limit of liability for Coverage **D** – Fair Rental Value and Coverage **E** – Additional Living Expense provided in Forms **DP 00 01**, **DP 00 02**, and **DP 00 03**.
- 505.** Building Items Condo-Unit Owner – **DP 00 01** or **DP 00 02** – Revised to complement new Endorsement **DP 17 71** – Unit-Owners Modified Other Insurance And Service Agreement Condition. This endorsement provides the means to enable the unit-owner to recover for a covered loss, on an excess basis, if the association does not recover for a covered loss under it's policy.
- 513.** Water Back Up And Sump Overflow – Revised to reflect the changes made to Endorsement **DP 04 95** which now covers damage from back up of water or water-borne material and overflow **or discharge** of water from sump pumps and related equipment.
- 514.** Assisted Living Care Coverage – This new rule provides the means to insure most property exposures of a relative of an insured who regularly resides in an assisted living care facility. Endorsement **DP 04 59**, Assisted Living Care Coverage is introduced.
- 515.** Owned Motorized Golf Carts – Physical Loss Coverage – This new rule grants the means to provide first-party special coverage for a motorized golf cart owned by an insured. Endorsement **DP 05 28**, Owned Motorized Golf Cart – Physical Loss Coverage is introduced.
- 516.** Gravemarkers – This new rule provides \$5,000 in coverage for gravemarkers, including mausoleums, located on the Described Location. Endorsement **DP 04 58**, Gravemarkers is introduced.

COMPANION REVISION

We are simultaneously introducing the forms and endorsements for the **DP 2002 Program**. Details are being distributed under a separate Notice to Policyholders.

REVISED PAGE(S)

DP-i thru DP-Viii

DP-1 thru DP-23

WITHDRAWN PAGE(S)

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PAGE CHECKLIST

Included in this distribution is a page checklist displaying the latest page numbers and edition dates.

REFERENCE INFORMATION (FOR COMPANY USE ONLY)

Circular Reference(s):

- LI-DP-2002-122 (09/09/2002) Dwelling Property 2002 Loss Costs Announced
- LI-DP-2002-111 (08/16/2002) Dwelling Property 2002 Multistate Rules Filing Announced

Filing Reference(s):

- DP-2002-R02RU
- DP-2002-RLC1

MANUAL DISTRIBUTION NOTICE

We want to know:

- If this mailing was **not** properly addressed.
- If you have **not** received the correct quantity.
- If you wish to **change** the quantity you are now receiving.

Company Personnel:

- Contact your company manual coordinator at your home office.

Producers:

- Contact:

**Customer Service
Insurance Services Office, Inc.
545 Washington Boulevard
Jersey City, New Jersey 07310-1686
800-888-4476
www.iso.com**

**DWELLING POLICY PROGRAM MANUAL
PAGE CHECKLIST – MULTISTATE**

THIS MANUAL PAGE CHECKLIST DISPLAYS THE LATEST PAGE INFORMATION AS OF **6-03**.

NOTE: ALWAYS USE THE EDITION NUMBER TO DETERMINE THE LATEST PAGE.

IF YOUR MANUAL PAGES DO NOT COINCIDE WITH THIS LISTING, CONTACT CUSTOMER SERVICE FOR THE NECESSARY MATERIAL TO UPDATE YOUR MANUAL.

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	NUMBER	DATE		NUMBER	DATE
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DP-i thru DP-Viii	1st	6-03			

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**DWELLING POLICY PROGRAM MANUAL
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**PART I
COVERAGE AND DEFINITION TYPE RULES**

**RULE 100.
INTRODUCTION**

A. About The Dwelling Manual

The Dwelling Policy Program provides property and related coverages using the forms and endorsements referred to in this Manual. The rates, rules, forms and endorsements of the company shall apply in all cases not provided for in this Manual. This program does not apply to Farm Property. Refer to the company for its method of insuring farm property.

B. Manual Structure

1. Contents

The Dwelling Policy Program Manual contains the rules, classifications and rating provisions for the issuance of the Dwelling Policy. The Manual is divided into two sections, multistate general rules and state rules and rates.

The multistate general rules section contains rules common to most states. Any departures, additions, etc. to these rules, unique to individual jurisdictions, are contained in the state rules and rates section.

The general rules do **not** contain premiums, rates, charges or credits expressed in dollars and cents. They do, however, contain rating factors that are applied to state premiums.

2. General Rules

These rules are grouped into the following categories:

- a. Part I – Coverage And Definition Type Rules,
- b. Part II – Servicing Type Rules,
- c. Part III – Base Premium Computation Rules,
- d. Part IV – Adjusted Base Premium Computation Rules, and
- e. Part V – Additional Coverages And Increased Limits Rules.

3. State Rules And Rates/ISO Loss Costs

These rules are grouped into the following categories:

- a. Exceptions and Additional Rules,
- b. Special State Requirements,
- c. Territory Definitions,
- d. Key Premium/Key Factor Tables, and
- e. Premiums, Rates, Charges and Credits.

C. Company Rates/ISO Loss Costs

1. Definition

This Manual contains either ISO loss costs or individual company rates. A loss cost is that portion of the premium which covers only losses and the costs associated with settling losses.

2. Company Rates

All rules in this Manual are designed to be utilized with rates. All references in the rules and examples to rates and/or premiums (including base premiums) shall be interpreted to mean those established by the individual insurance company.

3. Loss Cost Conversion

Each insurance company must provide manualholders with either its own rates or with procedures to convert ISO loss costs to rates and/or premiums. If an insurer provides its own rates, use them in place of the ISO loss costs in this Manual. If an insurer does not provide its own rates, manualholders must convert ISO loss costs in this Manual to rates and/or premiums before applying any of the rules. Refer to the company for special instructions – including rounding procedures – on how to do this.

**RULE 101.
FORMS, COVERAGES, MINIMUM LIMITS OF LIABILITY**

A. Forms

The Dwelling Policy Program makes available the following policy forms:

1. Dwelling Property 1 Basic Form **DP 00 01**,
2. Dwelling Property 2 Broad Form **DP 00 02**, and
3. Dwelling Property 3 Special Form **DP 00 03**.

B. Coverages

1. Forms **DP 00 02** and **DP 00 03** provide the following coverages. These coverages are written as separate items in the policy or in separate policies:

- a. Coverage **A** – Dwelling
- b. Coverage **B** – Other Structures
- c. Coverage **C** – Personal Property
- d. Coverage **D** – Fair Rental Value
- e. Coverage **E** – Additional Living Expense

2. Form **DP 00 01** provides Coverages **A** through **D**; Coverage **E** is available by endorsement.

**DWELLING POLICY PROGRAM MANUAL
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**RULE 101.
FORMS, COVERAGES, MINIMUM LIMITS OF LIABILITY
(Cont'd)**

C. Minimum Limits Of Liability

The following coverages are subject to a minimum limit of liability:

Coverages	Minimum Limit
Coverage A – Dwelling	\$12,000 (Form DP 00 02) \$15,000 (Form DP 00 03)
Coverage C – Personal Property	\$4,000 without Coverage A (Forms DP 00 02 and DP 00 03)
There are no minimum limits for Form DP 00 01	

Table 101.C. Minimum Limits Of Liability

**RULE 102.
PERILS INSURED AGAINST**

The following is a general description of the coverages provided by the individual Dwelling Policy Forms. The policy should be consulted for exact contract conditions.

Perils Insured Against

Perils	DP 00 01 Basic Form	DP 00 02 Broad Form	DP 00 03 Special Form
Fire or Lightning, Internal Explosion	Yes	Yes	Yes
Extended Coverage meaning Windstorm or Hail, Explosion, Riot or Civil Commotion, Aircraft, Vehicles, Smoke, Volcanic Eruption	Optional*	Yes	Yes
Vandalism or Malicious Mischief	Optional**	Yes	Yes
Damage by Burglars, Falling objects, Weight of ice, snow or sleet, Accidental discharge of water or steam, Sudden cracking of a steam or hot water heating system, Freezing, Sudden damage from artificial electric currents	No	Yes	Yes
Additional risks with certain exceptions (Special Coverage)	No	No	Yes Coverages A and B
* May only be written with the perils of Fire or Lightning, Internal Explosion			
** May only be written with Extended Coverage			

Table 102. Perils Insured Against

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**RULE 103.
ELIGIBILITY**

A Dwelling Policy may be issued to provide insurance under:

- A. Coverage A – on a dwelling building:
 1. Used solely for residential purposes except that certain incidental occupancies or up to 5 roomers or boarders are permitted;
 2. Containing not more than four apartments; and
 3. Which may be in a townhouse or rowhouse structure; or
 4. In course of construction.
- B. Coverage A – on a mobile or trailer home:
 1. Using Form DP 00 01 only;
 2. Used solely for residential purposes except that certain incidental occupancies or up to 5 roomers or boarders are permitted;
 3. Containing not more than one apartment;
 4. For a policy period of not longer than one year; and
 5. At the permanent location described in the policy.
- C. Coverage B:
 1. At the same location as the dwelling eligible for insurance under Coverage A;
 2. Not used for business purposes except a permitted incidental occupancy or when rented for use as a private garage;
 3. At a separate location when used in connection with the insured location but not for business purposes.
- D. Coverage C in:
 1. A dwelling, mobile or trailer home eligible under Coverage A; or
 2. A dwelling with rental apartments including furnishings, equipment and appliances in halls or utility rooms; or
 3. Any apartment, cooperative or condominium unit used as private living quarters of the insured or rented to others.

- E. Coverage D for the loss of the fair rental value of:
 1. A building eligible for insurance under Coverage A or B; or
 2. Private living quarters eligible under Coverage C.
- F. Coverage E for the additional living expenses incurred to maintain the insured's household.

**RULE 104.
PROTECTION CLASSIFICATION INFORMATION**

The Protection Class listings in the Community Mitigation Classification Manual apply to risks insured under Dwelling Program Policies.

- A. The protection class indicated applies in a municipality or classified area where a single class of fire protection is available throughout (8, 7, 6, etc.).
- B. In a classified area where two or more classifications are shown (for example: 6/9), the classification is determined as follows:

Distance To Fire Station	Class
1. 5 road miles or less with hydrant within 1,000 feet	*
2. 5 road miles or less with hydrant beyond 1,000 feet	9
3. Over 5 road miles	10
* First protection class (for example 6/9) . . . use Class 6	

Table 104.B. Two Or More Classifications

- C. All other properties are Class 10.

**RULE 105.
SEASONAL DWELLING DEFINITION**

A seasonal dwelling is a dwelling with continuous unoccupancy of three or more consecutive months during any one year period.

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RULE 106.
CONSTRUCTION DEFINITIONS

A. Frame

Exterior wall of wood or other combustible construction, including wood iron-clad, stucco on wood or plaster on combustible supports or aluminum or plastic siding over frame.

B. Masonry Veneer

Exterior walls of combustible construction veneered with brick or stone.

C. Masonry

Exterior walls constructed of masonry materials such as adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile or similar materials and floors and roof of combustible construction. (Disregarding floors resting directly on the ground).

D. Superior Construction

1. Non-Combustible

Exterior walls and floors and roof constructed of, and supported by metal, asbestos, gypsum, or other noncombustible materials.

2. Masonry Non-Combustible

Exterior walls constructed of masonry materials (as described in Paragraph C.) and floors and roof of metal or other non-combustible materials.

3. Fire Resistive

Exterior walls and floors and roof constructed of masonry or other fire resistive materials.

E. Mixed (Masonry/Frame)

A combination of both frame and masonry construction shall be classed and coded as frame when the exterior walls of frame construction (including gables) exceed 33 1/3% of the total exterior wall area; otherwise class as masonry.

RULE 107.
SINGLE AND SEPARATE BUILDINGS DEFINITION

A. Single Building

All buildings or sections of buildings which are accessible through unprotected openings shall be considered as a single building.

B. Separate Building

1. Buildings which are separated by space shall be considered separate buildings.

2. Buildings or sections of buildings which are separated by:

a. A 6 inch reinforced concrete or an 8 inch masonry party wall; or

b. A documented minimum two hour non-combustible wall which has been laboratory tested for independent structural integrity under fire conditions;

which pierces or rises to the underside of the roof and which pierces or extends to the inner-side of the exterior wall shall be considered separate buildings. Accessibility between buildings with independent walls or through masonry party walls described above shall be protected by at least a Class A Fire Door installed in a masonry wall section.

RULE 108. – 200.
RESERVED FOR FUTURE USE

DWELLING POLICY PROGRAM MANUAL
GENERAL RULES

PART II
SERVICING TYPE RULES

RULE 201.
POLICY PERIOD

The policy may be written for a period of:

- A. One year and may be extended for successive policy periods by extension certificate based upon the forms, premiums and endorsements then in effect for the company.
- B. Three years prepaid at three times the annual premium.
- C. Three years in annual installments. Each annual installment shall be the annual premium then in effect for the company. Use Deferred Premium Payment Endorsement **DP 04 32**.

For maintaining common anniversary dates, a policy may be written for a period less than one year or less than three years on a pro rata basis.

RULE 202.
CHANGES OR CANCELLATIONS

If insurance is increased, cancelled or reduced, the additional or return premium shall be computed on a pro rata basis, subject to the minimum premium.

RULE 203.
MANUAL PREMIUM REVISION

A manual premium revision shall be made in accordance with the following procedures:

- A. The effective date of such revision shall be as announced.
- B. The revision shall apply to any policy or endorsement in the manner outlined in the announcement of the revision.
- C. Unless otherwise provided at the time of the announcement of the premium revision, the revision shall not affect:
 - 1. In-force policy forms, endorsements or premiums, until the policy is renewed; or
 - 2. In the case of a Deferred Premium Payment Plan, in-force policy premiums, until the anniversary following the effective date of the revision.

RULE 204.
MULTIPLE LOCATIONS

A policy may be issued to provide insurance at more than one described location in the same state provided:

- A. The same form and deductible applies at each location;
- B. A separate policy declarations page is completed for each location; or
- C. The policy declarations page is completed by:
 - 1. Showing the total policy premium for all locations in the premium payments section.
 - 2. Showing the deductible by entry of the deductible amount and adding "at each location".
 - 3. Inserting the form number that applies.
 - 4. Adding an appropriate reference to the Additional Dwelling Declarations or company equivalent.

RULE 205.
MULTIPLE POLICIES

A. Application

Insurance may be provided on the same property under two or more Dwelling policies in one or more companies as follows:

- 1. The same form and endorsements must apply to all policies.
- 2. The same deductible amount must apply to all policies.

B. Endorsement

Use Premium Sharing – Two Or More Policies Endorsement **DP 04 30**.

C. Premium

The premium for each policy is developed as follows:

- 1. Compute the premium for the total limits of liability from the manual of the company issuing each policy.
- 2. Allocate the premium determined in Paragraph 1. based on the ratio of each policy's limit of liability to the total limits of liability for all policies.

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**RULE 205.
MULTIPLE POLICIES (Cont'd)**

D. Example

The following example is a premium computation between two companies using a \$50,000 Coverage A Limit. The premiums shown are only for illustration.

Each Company's	Company A	Company B
Percentage share	70%	30%
Premium for \$50,000 Cov. A	\$240	\$200
Each Company's Policy Premium	\$168 (70% of \$240)	\$60 (30% of \$200)
Total Premium	(168 + 60) = \$228	

Table 205.D. Example

**RULE 206.
MINIMUM PREMIUM**

- A. For prepaid policies a minimum **annual** premium shall be charged for each policy.
- B. When policies are written under a premium payment plan, no payment shall be less than the minimum premium for each annual period.
- C. The minimum premium may include all chargeable endorsements or coverages for Fire or Fire and Allied Lines if written at inception of the policy.
- D. The minimum annual premium shall **not** include charges for Theft or Earthquake Coverage, except when Earthquake is the only peril covered under the policy.
- E. Refer to company for minimum premium.

**RULE 207.
TRANSFER OR ASSIGNMENT**

Subject to the consent of the company, all rules of this Manual and any necessary adjustments of premium, a policy may be endorsed to effect:

- A. Transfer to another location within the same state;
or
- B. Assignment from one insured to another in the event of transfer of title of the dwelling.

**RULE 208.
WAIVER OF PREMIUM**

- A. When a policy is endorsed after the inception date, an amount of additional or return premium may be waived.
- B. Refer to company for amount that may be waived.

**RULE 209.
WHOLE DOLLAR PREMIUM RULE**

Each premium shown on the policy and endorsements shall be rounded to the nearest whole dollar. A premium of fifty cents (\$.50) or more shall be rounded to the next higher whole dollar.

In the event of cancellation by the company, the return premium may be carried to the next higher whole dollar.

**RULE 210.
REFER TO COMPANY**

Whenever a risk is rated on a refer to company basis each company is responsible for complying with regulatory or statutory rate filing requirements.

**RULE 211. – 300.
RESERVED FOR FUTURE USE**

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**PART III
BASE PREMIUM COMPUTATION RULES**

**RULE 301.
BASE PREMIUM COMPUTATION**

To compute the Base Premium, use the Key Premiums and Key Factors that are displayed in Rule 301. Refer to state company rates/ISO loss costs.

A. Fire (All Forms), Extended Coverage (DP 00 01), Broad Form (DP 00 02), Or Special Form (DP 00 03) For Coverage A – Dwelling/Coverage C – Personal Property

1. From the Key Premium Table in this Manual, select the Key Premium for the classifications or coverages that apply to the risk.
2. From the Key Factor Table in this Manual, determine the Key Factor for the desired limit of liability. If the desired limit of liability is not shown in the table, **interpolate** as illustrated in Paragraph B. of this rule.
3. Multiply the Key Premium by the Key Factor and round to the nearest whole dollar to develop the Base Premium (\$.50 or more rounded to the next higher whole dollar).

B. Interpolation Example

1. When the desired limit of liability is **less** than the highest limit shown, interpolate the Key Factors using the nearest limit above and below the desired limit, for example:
 - a. \$25,500 desired limit; the nearest limits are \$25,000 and \$26,000.
 - b. For \$25,000 the Key Factor is 1.082; for \$26,000 the Key Factor is 1.098. Figure the difference between the two Key Factors and divide by 10. This provides a factor per \$100.

$$\begin{array}{r} 1.098 \\ - 1.082 \\ \hline .016 \div 10 = .0016 \end{array}$$

- c. Multiply the factor per \$100 times five, and add 1.082: the Key Factor for \$25,000:

$$\begin{array}{r} .0016 \\ \times 5 \\ \hline .0080 + 1.082 = 1.090 \end{array}$$

- d. The result, 1.090, is the Key Factor for this example.
2. The factors shown in the interpolation example are for illustration only and are not necessarily the factors shown in the Key Factor Table of this Manual.

**RULE 302.
VANDALISM AND MALICIOUS MISCHIEF – DP 00 01**

Develop the Base Premium by multiplying the same limit of liability selected for Extended Coverage by the Vandalism and Malicious Mischief rate. Refer to state company rates/ISO loss costs.

**RULE 303.
ORDINANCE OR LAW COVERAGE – ALL FORMS**

A. Applicability By Form

1. DP 00 01

Coverage is **not** automatically included in this form but may be added by endorsement. See Paragraph B. for rating instructions.

2. DP 00 02 And DP 00 03

A limited amount of coverage is automatically included at each Described Location to pay for the increased costs necessary to comply with the enforcement of an ordinance or law. This amount is equal to 10% of the limit of liability that applies to:

- a. Coverage A or Unit-Owner Building Items if the insured is an owner of a Described Location; or
- b. Coverage B if the insured is an owner of a Described Location which is not insured for Coverage A or Unit-Owner Building Items; or
- c. Improvements, Alterations and Additions if the insured is a tenant of a Described Location.

This amount may be increased by endorsement. See Paragraph B. for rating instructions.

B. New Or Increased Coverage

1. Ordinance Or Law Coverage

The policy may be endorsed to add (Form DP 00 01) or increase (Form DP 00 02/DP 00 03) basic Ordinance or Law Coverage to accommodate the increased costs known or estimated by the insured for material and labor to repair or replace the damaged property and to demolish the undamaged portion of damaged property and clear the site of resulting debris according to the ordinance or law.

2. Endorsement

For Form DP 00 01, use Ordinance Or Law Coverage Endorsement DP 04 74. For Form DP 00 02 or DP 00 03, use Ordinance Or Law – Increased Amount Of Coverage Endorsement DP 04 71.

**DWELLING POLICY PROGRAM MANUAL
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**RULE 303.
ORDINANCE OR LAW COVERAGE – ALL FORMS
(Cont'd)**

- 3. Premium Determination**
a. Described Location Including Coverage A
(1) Form DP 00 01

(a) Fire And Extended Coverage

The premium is computed by multiplying the Base Premium by the appropriate factor selected from the following table:

Percentage Of Coverage A	
Total Amount	Factors
10%	1.10
25%	1.25
50%	1.45
75%	1.70
100%	1.90
For each add'l 25% increment, add:	.20

Table 303.B.3.a.(1)(a) Factors

(b) Vandalism And Malicious Mischief

Multiply the rate per \$1,000 used to determine the Vandalism and Malicious Mischief Base Premium, by the dollar amount of coverage added.

- (2) DP 00 02 Or DP 00 03 – Fire, Broad Or Special Forms**

The premium is computed by multiplying the Base Premium by the appropriate factor selected from the following table:

Percentage Of Coverage A		
Increase In Amount	Total Amount	Factors
15%	25%	1.15
40%	50%	1.35
65%	75%	1.60
90%	100%	1.80
For each add'l 25% increment, add		.20

Table 303.B.3.a.(2) Factors

- b. Described Location Not Including Coverage A, But Including Coverage B – Specific Structures, Unit-Owner Building Items, And/Or Improvements, Alterations And Additions**

See Rule 503. for rating instructions.

**RULE 304.
PERMITTED INCIDENTAL OCCUPANCIES**

A. Coverage Description

1. One of the incidental occupancies described in Paragraph **B.** is permitted in a premises eligible for coverage under a Dwelling Policy, if:
 - a. The policy provides insurance under Coverage **A, B** or **C**;
 - b. The incidental occupancy is operated by the insured who is the owner or a resident of the premises; and
 - c. There are no more than two persons at work in the incidental occupancy.
2. Use Permitted Incidental Occupancies Endorsement **DP 04 20.**

B. Permitted Incidental Occupancies

1. Offices, Schools or Studios meaning offices for business or professional purposes, and private schools or studios for music, dance, photography and other instructional purposes.
2. Small Service Occupancies meaning occupancies primarily for service rather than sales. For example: barber or beauty shop, tailor or dressmaker, telephone exchanges or shoe repair shops using handwork only.
3. Storage of merchandise if the value of the merchandise does not exceed \$10,000.

C. Amount Of Insurance

The amounts of insurance for the contents of the incidental occupancy and merchandise in storage shall be stated as separate contents items in the policy declarations.

D. Premium Computation

Determine the Coverage **C** Base Premium under Rule 301., using the single Key Factor for the total amount of insurance for:

1. Household personal property,
2. Contents of the incidental occupancy, and
3. Merchandise in storage.

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**RULE 305.
LOSS SETTLEMENT OPTIONS**

**A. Functional Replacement Cost Loss Settlement –
Forms DP 00 02 And DP 00 03 Only**

1. Introduction

The policy provides building loss settlement on a replacement cost basis if, at the time of loss, the amount of insurance on the damaged building represents at least 80% of the full replacement cost of the building immediately before the loss.

2. Coverage Description

The policy may be endorsed to provide building loss settlement exclusively on a functional replacement cost basis if, at the time of loss, the amount of insurance on the damaged building is 80% or more of the functional replacement cost of the building immediately before the loss. Functional Replacement Cost means the amount which it would cost to repair or replace the damaged building with less costly common construction materials and methods which are functionally equivalent to obsolete, antique or custom construction materials and methods.

3. Premium Computation

Develop the Base Premium in accordance with Rule 301. for the amount of insurance selected for this option.

4. Endorsement

Use Functional Replacement Cost Loss Settlement Endorsement DP 05 30.

**B. Actual Cash Value Loss Settlement – Forms
DP 00 02 And DP 00 03 Only**

1. Introduction

The policy provides building loss settlement on a replacement cost basis if, at the time of loss, the amount of insurance on the damaged building represents at least 80% of the full replacement cost of the building immediately before the loss.

2. Coverage Description

The policy may be endorsed to provide building loss settlement exclusively on an actual cash value basis if, on the inception date of the policy, the Coverage A limit of liability selected by the insured is less than 80% of the full replacement cost of the dwelling.

3. Premium Computation

The premium is computed by multiplying the Base Premium by the appropriate factor from the following table:

Coverage A Limit Of Liability Equals Less Than _____% Of Replacement Value	Factor
80%, but not less than 50%	1.05
Less than 50%	1.10

Table 305.B.3. Factors

4. Endorsement

Use Actual Cash Value Loss Settlement Endorsement DP 04 76.

**RULE 306. – 400.
RESERVED FOR FUTURE USE**

**DWELLING POLICY PROGRAM MANUAL
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**PART IV
ADJUSTED BASE PREMIUM COMPUTATION RULES**

**RULE 401.
SUPERIOR CONSTRUCTION**

A. Introduction

Refer to the Construction Definition rule in this Manual for details.

B. Extended Coverage Rating Classification

For Extended Coverage rating purposes a dwelling classified as:

1. Fire Resistive is considered Wind Resistive.
2. Masonry Non-Combustible is considered Semi-Wind Resistive.

C. Premium Computation

Multiply the Masonry Base Premium by the appropriate factor selected from the following table:

Classifications	Fire	E.C., Broad & Special Forms
Fire Resistive & Masonry Non-Combustible	.50	.50
Non-Combustible	.50	1.00

Table 401.C. Superior Construction Factors

**RULE 402.
COVERAGE C – PERSONAL PROPERTY IN BUILDINGS
SUBJECT TO COMMERCIAL CLASS RATES OR
SPECIFIC RATES**

A. Fire

If the building is classified in Division Five of the Commercial Lines Manual – Fire And Allied Lines, Rule 85., Paragraph B.1., B.2., or B.3., use the appropriate factor selected from the following table:

Types Of Construction	B.1. Or B.2.	B.3. Or Is Rated Specifically
1. Fire Resistive, Masonry Non-Comb. & Non-Comb. Multiply the Masonry Coverage C Base Premium by:	.50	1.00
2. All Other Construction Multiply the Masonry Coverage C or Frame Base Premium by:	1.00	2.00

Table 402.A. Coverage C – Personal Property In Buildings

B. Extended Coverage, Vandalism And Malicious Mischief, Broad Or Special Form

Multiply the Coverage C Base Premium by 1.00.

**RULE 403.
DWELLING UNDER CONSTRUCTION**

A. Coverage Description

Two methods are provided for insuring this exposure.

1. Named Insured Is The Intended Occupant

A builder (contractor) may be designated as an additional insured. The policy may be cancelled upon completion of the dwelling. Use Dwelling Under Construction Endorsement **DP 11 43**.

2. Named Insured Is Not The Intended Occupant

The policy shall specify building is in course of construction and permission is granted to complete.

For other coverage bases, refer to the Commercial Lines Manual.

B. Premium Computation

1. Multiply the Coverage A Owner Occupied Base Premium by .65.
2. Multiply the Coverage A Non-Owner Occupied Base Premium by 1.00.

**RULE 404.
MOBILE OR TRAILER HOMES – DP 00 01 ONLY**

Refer to the state company rates/ISO loss costs.

**RULE 405.
TOWNHOUSE OR ROWHOUSE**

A. Individual Family Units

Determine the total number of individual family units within a Fire Division. For example, a two family dwelling attached to a one family dwelling is considered **three** individual family units within a Fire Division if both dwellings are not separated by a fire wall. Four attached two family dwellings are considered **eight** individual family units within a Fire Division if they are not separated by fire walls. A policy may be issued for:

1. Coverage **A** when the dwelling contains one, two, three or four individual family units within a Fire Division.
2. Coverage **C** in a dwelling with one or more individual family units within a Fire Division.

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RULE 405.

TOWNHOUSE OR ROWHOUSE (Cont'd)

B. Premium Computation

Number Of Individual Family Units	Use Coverage A* Or C Base Premium
1, 2, 3 or 4	1, 2, 3 or 4 families
5 or more	5 or more families
* Refer to Commercial Lines Manual for Building Coverage when it contains five or more individual family units within a Fire Division	

Table 405.B. Townhouse Or Rowhouse

RULE 406.

DEDUCTIBLES

All policies are subject to a deductible that applies to loss from all perils except Earthquake. A separate deductible type applies to Earthquake Coverage as described in Rule 509.

For Theft Coverage, the deductible amount may differ from the deductible amount that applies to Fire and Allied Lines perils.

Refer to the Earthquake and Theft Coverage rules for the applicable deductible provision.

A. Base Deductible

\$250 Deductible.

B. Optional Deductibles

1. All Perils Deductibles

Multiply the Base Premium for the Base Deductible by the appropriate factors selected from the following table:

Deductible	Fire	E.C., V.&M.M., Broad & Special Forms
\$ 100*	1.05	1.10
500	.97	.91
1,000	.95	.76
2,500	.88	.50
* Refer to company for the minimum annual additional premium charge that applies per policy for all \$100 All Perils Deductibles		

Table 406.B.1. All Perils Deductibles

2. Windstorm Or Hail Deductibles

The following deductible options are used in conjunction with a deductible applicable to all other perils covered under Extended Coverage, Broad or Special Forms.

a. Percentage Deductibles

(1) Deductible Amounts

This option provides for higher Windstorm or Hail percentage deductibles of 1%, 2% or 5% of the limit of liability that applies to Coverage A, B, D or E, whichever is greatest, when the dollar amount of the percentage deductible selected exceeds the amount of the All Other Perils deductible. This option is not available for policies covering only personal property.

(2) Endorsement

Use Windstorm Or Hail Percentage Deductible Endorsement DP 03 12.

(3) Declarations Instructions

Enter, on the policy declarations, the percentage amount that applies to Windstorm or Hail and the dollar amount that applies to all other perils. For example:

Deductible – Windstorm or Hail 2% of the Coverage A limit and \$250 for all other perils.

(4) Deductible Application

In the event of a Windstorm or Hail loss to covered property, the dollar amount is deducted from the total of the loss for all coverages. For example:

Cov.	Limit Of Liability	1% Ded.	Amount Of Loss	
			Before Ded.	After Ded.
A	\$ 100,000	\$ 1,000	\$ 7,500	–
B	–	–	3,000	–
C	35,000	–	–	–
D	18,500	–	660	–
E	–	–	–	–
			\$ 11,160	\$ 10,160

Table 406.B.2.a.(4) Example

(5) Use Of Factors

The factors displayed in Paragraph (6) incorporate the factors for the All Perils Deductibles shown in Paragraph B.1. above. Do not use the factors for the All Perils Deductibles when rating a policy with a higher Windstorm or Hail deductible.

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**RULE 406.
DEDUCTIBLES (Cont'd)**

(6) Deductible Factors

To compute the premium for this provision, multiply the Extended Coverage, Broad or Special Form Base Premium for the Base Deductible for each coverage insured under the policy by the appropriate factor selected from the following table for the deductible amounts desired:

Coverage A, B, D Or E And Coverage Options For Buildings And Non-Building Structures			
All Other Perils Ded. Amt.	Windstorm Or Hail Deductible Amounts		
	1%	2%	5%
\$ 100	.99	.92	.82
250	.93	.86	.77
500	.88	.81	.71
1,000	.72	.72	.63
2,500	.49	.49	.48

Table 406.B.2.a.(6)#1 Factors

Coverage C And Other Personal Property Coverage Options*	
All Other Perils Ded. Amt.	Windstorm Or Hail 1%, 2% Or 5% Deductible
\$ 100	1.07
250	.99
500	.90
1,000	.72
2,500	.49

* Only use when policy also covers building or non-building structures

Table 406.B.2.a.(6)#2 Factors

b. Higher Fixed-Dollar Deductibles

(1) Deductible Amounts

This option provides for higher fixed dollar deductible amounts of \$1,000, \$2,000 and \$5,000 when the dollar amount of the higher fixed-dollar deductible selected exceeds the amount of the All Other Perils deductible. This option is **not** available for policies covering only personal property.

(2) Declarations Instructions

Separately enter, on the policy declarations, the deductible amounts that apply to Windstorm or Hail and All Other Perils. For example:

Deductible – \$250 except \$1,000 for Windstorm or Hail.

(3) Coverage Options

The deductible factors for Coverage A, B, D or E and coverage options for buildings and non-building structures differ by the deductible amounts that apply to Windstorm or Hail and to other perils.

The deductible factors for Coverage C and other personal property coverage options differ by the deductible amount that applies to other perils. They do not differ by the amount of the Windstorm or Hail deductible.

(4) Use Of Factors

The factors displayed in Paragraph (5) incorporate the factors for the All Perils Deductibles shown in Paragraph B.1. Do **not** use the factors for the All Perils Deductibles when rating a policy with a higher Windstorm or Hail deductible.

(5) Deductible Factors

To compute the premium for this provision, multiply the Extended Coverage, Broad or Special Form Base Premium for the Base Deductible for each coverage insured under the policy by the appropriate factor selected from the following table for the deductible amounts desired:

Coverage A, B, D Or E And Coverage Options For Buildings And Non-Building Structures			
All Other Perils Ded. Amt.	Windstorm Or Hail Deductible Amounts		
	\$1000	\$2000	\$5000
\$ 100	.95	.87	.83
250	.89	.81	.77
500	.84	.76	.72
1,000	–	.68	.64
2,500	–	–	.49

Table 406.B.2.b.(5)#1 Factors

Coverage C And Other Personal Property Coverage Options*	
All Other Perils Ded. Amt.	Windstorm Or Hail Deductible Amounts \$1000, \$2000 Or \$5000
\$ 100	.97
250	.90
500	.82
1,000	.68
2,500	.49

* Only use when policy also covers building or non-building structures

Table 406.B.2.b.(5)#2 Factors

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**RULE 407.
AUTOMATIC INCREASE IN INSURANCE**

A. Coverage Description

The policy may be endorsed to provide automatic annual increases in the Coverage A and B limits of liability.

B. Premium Computation

- The premium is computed by the Base Premium by the appropriate factors selected from the following table as follows:

Amount Of Annual Increase	Factor
4%	1.02
6%	1.03
8%	1.04
Each Add'l 4% over 8% add:	.02

Table 407.B.1. Factors

- The premium for a 3 year policy is 3.2 times the annual policy premium.

C. Endorsement

Use Automatic Increase In Insurance Endorsement DP 04 11.

**RULE 408.
PROTECTIVE DEVICES**

A. Protective Devices Factors

Approved and properly maintained installations of fire alarms and automatic sprinklers in the dwelling may be recognized for a reduced premium – computed by multiplying the Base Premium by the selected factors below:

Protective Devices Factors

Type Of Installation*	Dwelling Factor	Mobile Or Trailer Home Factor
Central Station Reporting Fire Alarm	.90 to 1.00	.92 to 1.00
Fire Department Reporting Fire Alarm	.93 to 1.00	.95 to 1.00
Local Fire Alarm	.95	.97
Automatic Sprinklers In All Areas Including Attics, Bathrooms, Closets, Attached Structures	.80 to .90	.90 to .95
Automatic Sprinklers In All Areas Except Attic, Bathroom, Closet And Attached Structure Areas That Are Protected By A Fire Detector	.90 to 1.00	.95 to 1.00
* Refer to company for eligibility, types of systems and devices, installations, and available credits		

Table 408.A. Protective Devices Factors

B. Endorsement

Use Premises Alarm Or Fire Protection System Endorsement DP 04 70.

**RULE 409.
ACTUAL CASH VALUE LOSS SETTLEMENT
WINDSTORM OR HAIL LOSSES TO ROOF
SURFACING – DP 00 02, DP 00 03 AND DP 00 01 WITH
DP 00 08**

A. Introduction

The policy provides settlement for building losses on a repair or replacement cost basis, subject to certain conditions.

B. Coverage Description

The policy may be endorsed to provide loss settlement exclusively on an Actual Cash Value basis for roof surfacing when damage is caused by the peril of Windstorm or Hail.

C. Premium Determination

To develop a premium for this option, multiply the Base Premium by a factor of .98.

D. Endorsement

Use Actual Cash Value Loss Settlement Windstorm Or Hail Losses To Roof Surfacing Endorsement DP 04 75.

**RULE 410.
BUILDING CODE EFFECTIVENESS GRADING**

A. General Information

- The Building Code Effectiveness Grading Schedule develops a grade of 1 to 10 for a community based on the adequacy of its building code and the effectiveness of its enforcement of that code. Policies which cover the perils of Windstorm or Hail or Earthquake may be eligible for special rating treatment, subject to the criteria in the following paragraphs. The Building Code Effectiveness Grading factor applies, where applicable, in addition to the Public Protection Classification factors.
- In some communities, two Building Code Effectiveness Grades may be assigned. One grade will apply to one and two family dwelling buildings and/or personal property contained in such buildings. The other grade will apply to all other buildings occupied for residential, commercial and/or manufacturing purposes including personal and business property contained therein. The Community Mitigation Classification Manual will indicate the application of each grade.
- The Building Code Effectiveness Grades for a community, and their effective dates, are provided in the Community Mitigation Classification Manual published by Insurance Services Office, Inc.

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**RULE 410.
BUILDING CODE EFFECTIVENESS GRADING (Cont'd)**

B. Community Grading

1. The Building Code Effectiveness Grade applies to any building that has an original certificate of occupancy dated the year of the effective date of the community grading, or later. A rating factor has been developed for each community grade.
2. If a community is regraded subsequent to its initial grading, the factor for the revised grade applies to buildings that have an original certificate of occupancy dated the year of the effective date of the revised grading, or later.
3. Where certificates of occupancy are not issued, equivalent documentation acceptable to the company may be used.
4. If, due to an addition or alteration, the original building is changed to comply with the latest building code, the factor for the community grading applicable at the time the reconstruction is completed will apply to such building.
5. The Building Code Effectiveness Grade may apply to Windstorm/Hail or Earthquake, or to both. Specific information is provided in the Community Mitigation Classification Manual. If the grade in the manual does not apply to one of the perils, the factor should not be applied for that peril.

C. Individual Grading

Where buildings have been built in full conformance with the natural hazard mitigation elements of one of the nationally recognized building codes even though the community grade is greater than one, exception rating procedures may apply.

1. Any building may be classified as Grade 1 for Windstorm/Hail upon certification by a registered or licensed design professional, based on an on-site inspection, that such building is in compliance with one of the three nationally recognized building codes with respect to mitigation of the windstorm or hail hazard. This classification is effective only from the date of the certification.
2. Any building may be classified as Grade 1 for Earthquake upon certification by a registered or licensed design professional, based on an on-site inspection, that such building is in compliance with the earthquake mitigation elements of one of the three nationally recognized building codes. This classification is effective only from the date of the certification.

D. Ungraded Risks

Buildings which do not meet the criteria in Paragraph **B.** or **C.** for Grade assignment are rated and coded as ungraded risks. Do not classify as Grade 10.

E. Premium Credit Computation

1. Community Grading

a. Windstorm Or Hail

Compute the premium credit as follows:

- (1) For buildings which are eligible under Paragraph **B.** of this rule, and for personal property inside such buildings, multiply the Key Premium for Extended Coverage (**DP 00 10**) by the applicable factor in Paragraph **E.1.c.(1)**; and
- (2) Multiply the result from Paragraph (1) by the Key Factor for the desired amount of insurance.

b. Earthquake

When Earthquake Endorsement **DP 04 69** is attached to the policy, multiply the Earthquake Base Premium by the appropriate factor in Paragraph **E.1.c.(2)** located in the state exceptions.

c. Credit Factors

Refer to state exceptions for state specific factors.

2. Individual Grading

For any building classified as Grade 1 based upon certification as set forth in Paragraph **C.**, use the appropriate factor listed under Paragraph **E.1.c.** located in the state exceptions.

**RULE 411. – 499.
RESERVED FOR FUTURE USE**

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**PART V
ADDITIONAL COVERAGES AND INCREASED LIMITS
RULES**

**RULE 500.
MISCELLANEOUS LOSS COSTS**

This rule is reserved to provide rates for various rating rules in this Manual. Refer to state company rates/ISO loss costs.

**RULE 501.
COVERAGE B – OTHER STRUCTURES**

A. Coverage Description

Coverage for other structures described as covered under Coverage B is automatically provided on a blanket basis for up to 10% of the Coverage A limit.

1. Under Form DP 00 01, use of this option reduces the Coverage A limit for the same loss.
2. Under Form DP 00 02 or DP 00 03, this limit is additional insurance.

The blanket limit may not be increased.

B. Specific Structures Coverage

Coverage may be purchased for specific structures. See Paragraph C.

C. Premium Computation

1. Structure Rented To Others For Dwelling Purposes

Rate each structure separately as a Coverage A Dwelling, Non-Owner-Occupied under Rule 301.

2. Structure Not Rented To Others For Dwelling Purposes

Enter the limit of liability and description of each structure in the Coverages Declarations of the policy at inception or by Change Endorsement DP 12 10 after policy inception.

- a. Policy includes Coverage A or structure does not have permitted incidental occupancy or is at same described location as the dwelling:

(1) Fire, Extended Coverage, Broad And Special Forms

Refer to the state company rates/ISO loss costs Rule 500. Miscellaneous Rates.

(2) Vandalism And Malicious Mischief (DP 00 01)

Refer to the state company rates/ISO loss costs Rule 302. Vandalism And Malicious Mischief.

- b. Policy does not include Coverage A or structure has permitted incidental occupancy or is not at same described location as the dwelling:

(1) Fire, Extended Coverage, Broad And Special Forms

Rate each structure separately as a Coverage A item under Rule 301. using the one Family Key Premium.

(2) Vandalism And Malicious Mischief (DP 00 01)

Refer to the state company rates/ISO loss costs Rule 302. Vandalism And Malicious Mischief.

**RULE 502.
COVERAGE D – FAIR RENTAL VALUE
COVERAGE E – ADDITIONAL LIVING EXPENSE**

A. Introduction

Coverage is provided in the forms on a limited basis as follows:

1. Form DP 00 01

a. Coverage D

Up to 20% of the Coverage A limit is available. Use of this option reduces the Coverage A limit for the same loss.

b. Coverage E

Not automatically included in form. It may be added as noted in Paragraph B.

2. Form DP 00 02 Or DP 00 03

Coverage D and E combined – Up to 20% of the Coverage A limit is available for Coverage D and Coverage E combined as additional insurance.

B. Coverage Description

Coverage may be increased or added as follows for all forms:

1. Coverage D

- a. The amount recoverable each month under this coverage shall be based on the lost rental income less any expenses that do not continue during untenability.

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RULE 502.

**COVERAGE D – FAIR RENTAL VALUE
COVERAGE E – ADDITIONAL LIVING EXPENSE (Cont'd)**

- b. Enter amount of increase in policy declarations at inception or in Change Endorsement **DP 12 10**, after policy inception.
- c. For **DP 00 01**, the amount recoverable each month is limited to a fraction of the total rental value amount insured under the policy. This fraction is equal to one divided by the number of months dwelling is rented per year. Enter the fraction in the policy declarations or **DP 12 10**.

DP 00 01 Example

Factors
\$6,000 = Rental Value Coverage in Form (10% of Coverage A limit of \$60,000)
+2,000 = Additional Insurance (Shown under Coverage D in policy declarations)
\$8,000 = Total Rental Value Amount Insured
Scenario A
If dwelling is rented for entire year, then fraction = 1/12. \$8,000 X 1/12 = Up to \$666.66 available each month.
Scenario B
If dwelling is rented 8 months per year, then fraction = 1/8. \$8,000 X 1/8 = Up to \$1,000 available each month

Table 502.B.1.c. DP 00 01 Example

2. Coverage E

- a. Enter initial limit (**DP 00 01**) or amount of increase (**DP 00 02** or **DP 00 03**) in policy declarations at inception or in Change Endorsement **DP 12 10** after policy inception.
- b. Always show "up to 25% per month" in the policy or endorsement declarations.
- c. Use Additional Living Expense Endorsement **DP 04 14**.

C. Premium Computation

1. Policy Includes Coverage A Or Coverage C

a. Fire, Extended Coverage, Broad And Special Forms

Refer to the state company rates/ISO loss costs Rule **500**. Miscellaneous Rates.

b. Vandalism And Malicious Mischief (DP 00 01)

Refer to the state company rates/ISO loss costs Rule **302**. Vandalism And Malicious Mischief.

2. Policy Does Not Include Coverage A Or Coverage C

a. Fire, Extended Coverage, Broad And Special Forms

(1) One To Four Family Dwelling

Multiply the Coverage A Key Premium by the Coverage A Key Factor, for:

- (a) The Coverage D limit, times .53; or
- (b) The Coverage E limit, times 1.00

(2) Five Or More Family Dwelling

Calculate the premium as instructed above using the four Family Key Premium.

b. Vandalism And Malicious Mischief (DP 00 01)

Refer to the state company rates/ISO loss costs Rule **302**. Vandalism And Malicious Mischief.

RULE 503.

ORDINANCE OR LAW COVERAGE FOR COVERAGE B – SPECIFIC STRUCTURES, BUILDING ITEMS AND IMPROVEMENTS, ALTERATIONS AND ADDITIONS

A. Coverage Description

1. DP 00 01

The policy may be endorsed to add an amount of Ordinance or Law Coverage equal to the amounts noted in Paragraphs 1. and 2.

2. DP 00 02 Or DP 00 03

The basic 10% of coverage may be initially increased to the amounts noted in Paragraphs **A.2.a.** and **b.**

- a. 50% of the total Coverage B or Unit-Owner Building Items limit; or
- b. 100% of the Improvements, Alterations and Additions limit.

B. Increased Limits

These amounts may be further increased in 25% increments.

C. Premium Determination

- 1. The premium for this additional coverage is determined based on the dollar amount of coverage added for **DP 00 01**, or the dollar amount of increase, represented by the increased percentage selected above the basic limit for **DP 00 02** or **DP 00 03**.
- 2. Refer to the state company rates/ISO loss costs Rule **500**. Miscellaneous Rates.

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**RULE 504.
IMPROVEMENTS, ALTERATIONS AND ADDITIONS
TENANT AND CO-OP UNIT-OWNER – DP 00 01 OR
DP 00 02**

A. Introduction

Named perils coverage is automatically provided in the forms for up to 10% of the Coverage C limit.

1. DP 00 01

Use of this option reduces the Coverage C limit for the same loss.

2. DP 00 02

This limit is additional insurance.

This limit may be increased for an additional premium.

B. Special Coverage

For Form DP 00 02, coverage may be extended to Special Coverage for an additional premium.

C. Stand Alone Coverage

Coverage may be written without Coverage A, B, C, D or E.

D. Premium Computation

1. Fire, Extended Coverage, Broad And Special Forms

a. If the policy includes Coverage A, B, C, D or E, refer to the state company rates/ISO loss costs Rule 500. Miscellaneous Rates.

b. If the policy does not include Coverage A, B, C, D or E, multiply the Coverage A., Four Family, Owner-Occupied Key Premium (for the territory, protection and construction applying to the described location) by the Coverage A Key Factor for the amount of insurance desired.

2. Vandalism And Malicious Mischief (DP 00 01)

Refer to the state company rates/ISO loss costs Rule 302. Vandalism And Malicious Mischief.

E. Endorsement

1. Use Improvements, Alterations And Additions Endorsement DP 04 31.

2. Use Improvements, Alterations And Additions Endorsement DP 04 31 and Special Coverage Endorsement DP 04 65 for Special Coverage.

**RULE 505.
BUILDING ITEMS CONDO UNIT-OWNER – DP 00 01 OR
DP 00 02**

A. Unit-Owners Coverage Including Standard Other Insurance And Service Agreement

1. Coverage Description

Building items are not covered in the forms.

Named Perils or Special Coverage is available for an additional premium.

2. Stand Alone Coverage

Coverage may be written without Coverage A, B, C, D or E.

3. Premium Computation

a. Fire, Extended Coverage, Broad And Special Forms

(1) If the policy includes Coverage A, B, C, D or E, refer to the state company rates/ISO loss costs Rule 500. Miscellaneous Rates.

(2) If the policy does not include Coverage A, B, C, D or E, multiply the Coverage A., Four Family, Owner-Occupied Key Premium (for the territory, protection and construction applying to the described location) by the Coverage A Key Factor for the amount of insurance desired.

b. Vandalism And Malicious Mischief (DP 00 01)

Refer to the state company rates/ISO loss costs Rule 302. Vandalism And Malicious Mischief.

4. Endorsement

a. Use Form DP 00 01 or DP 00 02 and Unit-Owners Coverage Endorsement DP 17 66.

b. Use Form DP 00 02 and Unit-Owners Coverage Endorsement DP 17 66 and Special-Coverage Endorsement DP 04 65.

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**RULE 505.
BUILDING ITEMS CONDO UNIT-OWNER – DP 00 01 OR
DP 00 02 (Cont'd)**

B. Unit-Owners Coverage Including Modified Other Insurance And Service Agreement Condition

1. Introduction

Unit-Owners Coverage Endorsement **DP 17 66** provides that if there is other insurance in the name of a corporation or association of property owners covering the same property, payment for a covered loss under Unit-Owners Coverage Endorsement **DP 17 66** will be excess over the amount recoverable under such insurance. If the Association does not recover under its policy, for any reason, there is no payment to the insured unit-owner under Unit-Owners Coverage Endorsement **DP 17 66**.

2. Coverage Description

The policy may be endorsed to modify the Other Insurance and Service Agreement Condition to provide for payment of a covered loss in excess of the amount due from the other insurance whether the corporation or association of property owners can collect on it or not.

3. Premium Computation

Multiply the premium(s) developed in accordance with Paragraph **A.3.** by 1.25.

4. Endorsement

Use Unit-Owners Coverage – Modified Other Insurance And Service Agreement Condition Endorsement **DP 17 71** instead of Unit-Owners Coverage Endorsement **DP 17 66** noted in Paragraph **A.4.**

**RULE 506.
LOSS ASSESSMENT PROPERTY COVERAGE CO-OP
OR CONDO UNIT-OWNER OR TENANT – DP 00 01 OR
DP 00 02 DWELLING BUILDING OWNER – ALL FORMS**

A. Coverage Description

1. Coverage for property loss assessment, for which the insured may be liable, is not included in the forms.
2. Coverage is available for an additional premium for all insured perils.
3. When coverage is desired for the peril of Earthquake, refer to Rule **509.C.** for policy writing and rating instructions.

B. Stand Alone Coverage

Coverage may be written without Coverage **A, B, C, D** or **E.**

C. Endorsement

Use Loss Assessment Property Coverage Endorsement **DP 04 63.**

D. Premium Computation

1. Fire, Extended Coverage, Broad And Special Forms

- a. If the policy includes Coverage **A, B, C, D** or **E,** refer to the state company rates/ISO loss costs Rule **500.** Miscellaneous Rates.
- b. If the policy does not include Coverage **A, B, C, D,** or **E,** multiply the Coverage **A.,** Four Family, Owner-Occupied Key Premium (for the territory, protection and construction applying to the described location) by the Coverage **A** Key Factor for the amount of insurance desired.

2. Vandalism And Malicious Mischief (DP 00 01)

Refer to the state company rates/ISO loss costs Rule **302.** Vandalism And Malicious Mischief.

**RULE 507.
FIRE DEPARTMENT SERVICE CHARGE**

The limit of \$500 may be increased subject to the rules and rates of the company.

**RULE 508.
TREES, SHRUBS AND OTHER PLANTS**

A. Form DP 00 01

1. Coverage Description

Coverage for trees, shrubs and other plants is not provided in this form. However, for an additional premium, coverage is available for specified perils on two bases, with and without the peril of windstorm or hail. Coverage is limited to a \$500 per item maximum.

Declare on the endorsement or elsewhere in the policy, as directed by the company, whether the peril of windstorm or hail applies.

2. Stand Alone Coverage

This coverage may be written without Coverage **A, B, C, D** or **E.**

3. Endorsement

Use Trees, Shrubs And Other Plants Endorsement **DP 04 17.**

B. Forms DP 00 02 Or DP 00 03

1. Coverage Description

Up to 5% of the Coverage **A** limit is available in the form (subject to a \$500 per item maximum) for specified perils as additional insurance.

2. Windstorm Or Hail Coverage

Coverage for Windstorm or Hail is available up to 5% of Coverage **A** limit (subject to a \$500 per item maximum) for an additional premium.

3. Endorsement

Use Windstorm Or Hail Endorsement **DP 04 18.**

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**RULE 508.
TREES, SHRUBS AND OTHER PLANTS (Cont'd)**

C. Premium Computation

1. Fire, Extended Coverage, Broad And Special Forms

Refer to state company rates/ISO loss costs Rule 508.

2. Vandalism And Malicious Mischief (DP 00 01)

Refer to state company rates/ISO loss costs Rule 302. Vandalism And Malicious Mischief.

**RULE 509.
EARTHQUAKE COVERAGE**

A. Coverage Description

The policy may be endorsed to provide coverage against a loss resulting from the peril of Earthquake. This peril shall apply to all Property Coverages for the same limits provided in the policy. When added to the Fire policy, this peril shall apply to the same coverages and for the same limits that apply to the peril of Fire. Use Earthquake Endorsement DP 04 69.

B. Earthquake Only Coverage

When a policy is written to cover only the peril of Earthquake:

1. Use Form DP 00 01 for Actual Cash Value Loss Settlement or DP 00 02 for Replacement Cost;
2. Refer to company for Endorsements; and
3. Multiply the rates in this rule by a factor of 1.10.

C. Loss Assessment Coverage

When the policy is extended to cover loss assessment resulting from loss by this peril, the limit of liability shall be based on the insured's proportionate interest in total value of all collectively owned buildings and structures of the corporation or association of property owners. Refer to company for rates. Use Loss Assessment Coverage For Earthquake Endorsement DP 04 68.

D. Deductible

Deductible percentage amounts of 5%, 10%, 15%, 20% and 25% of the limit of liability for Coverage A and Coverage C are included in this rule.

In the event of an Earthquake loss to covered property, the dollar amount is deducted from the total of the loss for Coverages A, B and C.

Earthquake rates/loss costs are displayed for the 5% and 10% deductible in the state company rates/ISO loss costs Rule 509. Credit factors for deductible percentage amounts of 15%, 20% and 25% are provided in Paragraph F. Premium For Higher Deductibles of this rule.

E. Premium For Base Deductible

Develop the Base Premium as follows:

1. Determine whether Construction Table A, B, and/or C applies for the appropriate deductible. Refer to state company rates/ISO loss costs.
2. Determine the Earthquake territory according to the ZIP code of the residence premises from the State Territory Definitions section in this Manual.
3. Add the results of the following three steps:
 - a. Multiply the Coverage A limit by the state company rates/ISO loss costs found in Column A of the table;
 - b. Multiply the Coverage C limit by the state company rates/ISO loss costs found in Column B of the table; and
 - c. Multiply the sum of the Additional Coverage D and E limits by the state company rates/ISO loss costs found in Column C of the table.
4. For Building or Non-Building Structure Items – All Forms:

Multiply the state company rates/ISO loss costs in Column C of the Table by the appropriate limit of liability for Other Building Coverage options (for example, Bldg. Items Coverage; Improvements, Alterations and Additions – Increased Limits and Other Personal Property Coverage – Merchandise in Storage).
5. For Ordinance or Law – Basic and Increased Limit – All Forms:

Multiply the state company rates/ISO loss costs determined in E.3.a. by the Ordinance or Law total amount of insurance. This includes basic and, if applicable, increased amounts.

F. Premium For Higher Deductibles

Multiply the Base Premium determined in Paragraph E. by a factor from the following table:

Deductible Percentage	Frame	Masonry	Superior
15%	.80	.85	.75
20%	.65	.70	.60
25%	.50	.60	.45

Table 509.F. Higher Deductibles Factors

G. Building Code Effectiveness Grading

Refer to General Rule 410. Building Code Effectiveness Grading for information which may affect Earthquake rating.