

NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA

IN THE MATTER OF A FILING DATED
JANUARY 4, 2011, BY THE NORTH
CAROLINA RATE BUREAU FOR REVISED
DWELLING FIRE AND EXTENDED
COVERAGE INSURANCE RATES

BEFORE THE COMMISSIONER
OF INSURANCE

DOCKET NO. 1679

SETTLEMENT AGREEMENT
AND CONSENT ORDER

On January 4, 2011, the North Carolina Rate Bureau ("Rate Bureau") made a filing for revised rates for the dwelling fire and extended coverage line of insurance (the "2011 Filing"). The 2011 Filing proposed an increase in the overall average rate level of 20.5%, varying by coverage and by territory within the state. The 2011 Filing also proposed a revision of the territory definitions for the dwelling fire and extended coverage line of insurance such that those definitions would be the same as the territory definitions for the homeowners line of insurance.

Following a hearing, the Commissioner of Insurance entered an order that approved the filed rate level decrease of -7.3% for the fire portion of the 2011 Filing, and the Rate Bureau implemented that decrease. The Commissioner's Order disapproved the filed increase of +36.1% for the extended coverage portion of the 2011 Filing in its entirety. The Commissioner approved the revised territory definitions as filed.

The Rate Bureau appealed the Commissioner's Order. That appeal is currently pending before the North Carolina Court of Appeals.

It appears to the Commissioner that the Rate Bureau and the North Carolina Department of Insurance ("Department") have, after consultation with their respective legal, actuarial and economic advisors and subject to approval by the Commissioner and to the conditions hereinafter set forth, entered into a settlement of all matters and things in dispute in connection with the 2011 Filing. The proposed settlement would provide for the approval of overall statewide decreases of -7.3% in the fire portion of the 2011 Filing, varying by territory, as already implemented by the Rate Bureau. The proposed settlement would provide for overall statewide rate level increases in the extended coverage portion of the 2011 Filing to be spread over three years, with the increases in the first year varying by territory and the increases in the subsequent two years applying equally to all territories. It appears to the Commissioner that such settlement is fair and reasonable and should be approved;

NOW, THEREFORE, IT IS ORDERED AND AGREED AS FOLLOWS:

1. The 2011 Filing is approved subject to the modifications set forth in paragraph 2, below.
2. The approved overall statewide rate level increases for the extended coverage portion of the 2011 Filing shall take place over a three-year period and are as follows:
 - (a) An 11.4% increase over current rates distributed by territory as shown on the attached Exhibit A,

applicable to all new and renewal policies becoming effective on and after March 1, 2013.

- (b) An 8.3% increase over rates in effect on February 28, 2014 distributed by territory as shown on the attached Exhibit A, applicable to all new and renewal policies becoming effective on and after March 1, 2014.
 - (c) A 3.4% increase over rates in effect on February 28, 2015 distributed by territory as shown on the attached Exhibit A, applicable to all new and renewal policies becoming effective on and after March 1, 2015.
3. Subject to the provisions of Paragraph 4 below, the rates resulting from the increase described in Paragraph 2(c) above shall remain in force until March 1, 2016 and thereafter until revised as provided by law, and neither the Rate Bureau nor the Commissioner nor the Department shall undertake to effect a change in such rates having an effective date prior to March 1, 2016; provided, however, that nothing in this section shall prevent a change in such rates prior to March 1, 2016 if agreed to by the Rate Bureau and the Commissioner.
 4. Notwithstanding any other provision of this Settlement Agreement and Consent Order, in the event of legislative or judicial action subsequent to the date of this Settlement Agreement and Consent Order which changes premium taxes, regulatory fees, the statutory ratemaking methodology, rate level need or loss or expense exposure of insurers, either the Rate Bureau or the Commissioner shall have the right to take such action as is within its or his statutory authority to effect a change in rates prior to March 1, 2016 for the sole purpose of adjusting rates to reflect the effects of such legislative or judicial action. Further, nothing herein shall prevent the Rate Bureau from taking such action as is within its statutory authority to revise territory definitions or to revise rating or relativity factors based on matters such as mitigation features, protection/construction features, deductibles, policy amounts, territory relativity or other such factors, so long as any such action does not increase the then overall statewide rate level for the dwelling fire and extended coverage line of insurance.
 5. The parties acknowledge that by entering into this Settlement Agreement and Consent Order they are not condoning, validating, accepting or agreeing to any theories, methodologies or calculations regarding or pertaining to profit, dividends, deviations, catastrophe loadings, or any other theory, methodology or calculation not specifically

mentioned herein. The parties further acknowledge that by entering into this Settlement Agreement and Consent Order they are not bound or limited in making, reviewing or contesting any future rate filings in any line of insurance subject to the Rate Bureau's jurisdiction by the theories, methodologies or calculations contained in the 2011 Filing.

6. Without limiting the above, the parties specifically acknowledge the Department's position that by entering into this Settlement Agreement and Consent Order the Department is not validating or accepting the computer model used in the 2011 Filing and is not committing to the use of computer modeling in future rate filings. The parties agree that they will continue to consult with each other to analyze data with respect to areas of the state with chronically high loss costs, will review computer models of North Carolina's vulnerability to hurricanes and other wind losses and will generally analyze the data as to this line of insurance in an effort to resolve their remaining differences, all to the end that rates be set and maintained both statewide and by territory that are neither excessive, inadequate nor unfairly discriminatory, and that the availability of insurance at actuarially appropriate rate levels is enhanced.

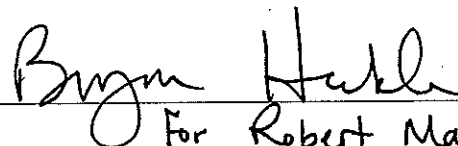
This 26th day of November, 2012.



Commissioner of Insurance

WE CONSENT:

NORTH CAROLINA DEPARTMENT OF INSURANCE

BY: 
For Robert Mack

NORTH CAROLINA RATE BUREAU

BY: 

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

TERRITORY RATE LEVEL CHANGES
APPLICABLE TO NEW AND RENEWAL POLICIES BECOMING EFFECTIVE
ON AND AFTER MARCH 1, 2013 (YEAR 1)*

TERRITORY CODE	EXTENDED COVERAGE	
	Buildings	Contents
7	11.5%	11.5%
8	15.6%	15.6%
32	3.5%	3.5%
34	5.0%	5.0%
36	7.9%	7.9%
38	11.3%	11.3%
39	9.7%	9.7%
41	16.1%	16.1%
44	16.1%	16.1%
45	12.3%	12.3%
46	5.9%	5.9%
47	5.0%	5.0%
48	11.8%	11.8%
49	2.9%	2.9%
52	15.2%	15.2%
53	3.1%	3.1%
57	4.3%	4.3%
60	10.1%	10.1%
SW	11.4%	11.4%

* Effective changes by territory and class may differ due to dollar rounding.

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

TERRITORY RATES (YEAR 1)

TERRITORY CODE	EXTENDED COVERAGE	
	Buildings	Contents
7	\$191	\$26
8	198	27
32	26	2
34	30	2
36	17	1
38	16	1
39	18	1
41	50	6
44	28	2
45	45	4
46	30	2
47	37	3
48	112	16
49	103	14
52	115	16
53	26	2
57	22	1
60	22	2

WINDSTORM OR HAIL EXCLUSION CREDITS

	Buildings	Contents
7	\$173	\$22
8	178	24
48	92	13
49	86	11
52	91	12

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

TERRITORY RATE LEVEL CHANGES
APPLICABLE TO NEW AND RENEWAL POLICIES BECOMING EFFECTIVE
ON AND AFTER MARCH 1, 2014 (YEAR 2) *

TERRITORY CODE	EXTENDED COVERAGE	
	Buildings	Contents
7	8.3%	8.3%
8	8.3%	8.3%
32	8.3%	8.3%
34	8.3%	8.3%
36	8.3%	8.3%
38	8.3%	8.3%
39	8.3%	8.3%
41	8.3%	8.3%
44	8.3%	8.3%
45	8.3%	8.3%
46	8.3%	8.3%
47	8.3%	8.3%
48	8.3%	8.3%
49	8.3%	8.3%
52	8.3%	8.3%
53	8.3%	8.3%
57	8.3%	8.3%
60	8.3%	8.3%
SW	8.3%	8.3%

* Effective changes by territory and class may differ due to dollar rounding.

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

TERRITORY RATES (YEAR 2)

TERRITORY CODE	EXTENDED COVERAGE	
	Buildings	Contents
7	\$206	\$28
8	214	29
32	28	2
34	33	2
36	19	1
38	17	1
39	19	1
41	54	6
44	30	3
45	49	5
46	32	2
47	40	3
48	121	17
49	111	16
52	125	17
53	28	2
57	24	1
60	24	2

WINDSTORM OR HAIL EXCLUSION CREDITS

	Buildings	Contents
7	\$188	\$24
8	194	26
48	101	14
49	94	13
52	101	13

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

TERRITORY RATE LEVEL CHANGES
APPLICABLE TO NEW AND RENEWAL POLICIES BECOMING EFFECTIVE
ON AND AFTER MARCH 1, 2015 (YEAR 3)*

TERRITORY CODE	EXTENDED COVERAGE	
	Buildings	Contents
7	3.4%	3.4%
8	3.4%	3.4%
32	3.4%	3.4%
34	3.4%	3.4%
36	3.4%	3.4%
38	3.4%	3.4%
39	3.4%	3.4%
41	3.4%	3.4%
44	3.4%	3.4%
45	3.4%	3.4%
46	3.4%	3.4%
47	3.4%	3.4%
48	3.4%	3.4%
49	3.4%	3.4%
52	3.4%	3.4%
53	3.4%	3.4%
57	3.4%	3.4%
60	3.4%	3.4%
SW	3.4%	3.4%

* Effective changes by territory and class may differ due to dollar rounding.

NORTH CAROLINA

DWELLING FIRE AND EXTENDED COVERAGE INSURANCE

TERRITORY RATES (YEAR 3)

TERRITORY CODE	EXTENDED COVERAGE	
	Buildings	Contents
7	\$214	\$29
8	221	30
32	29	2
34	34	2
36	19	1
38	17	1
39	20	1
41	56	7
44	31	3
45	50	5
46	33	2
47	41	3
48	125	18
49	115	16
52	129	18
53	29	2
57	25	1
60	25	2

WINDSTORM OR HAIL EXCLUSION CREDITS

	Buildings	Contents
7	\$196	\$25
8	201	27
48	105	15
49	98	13
52	105	14