

A M E R I C A N
HALLMARK
INSURANCE COMPANY

Tennessee

- | New Business: 5/20/13
- | Renewal Business: 7/19/13

Dwelling Fire Program

- | DP-1 Basic Form
- | DP-3 Special Form



Service is our Hallmark.



GENERAL RULES

The Dwelling Fire program provides coverage under the forms and endorsements filed by the company. For coverage details, refer to the form. This manual contains rules governing the usage of forms and endorsements. The rules, forms, and endorsements filed by the Company for each coverage shall govern in all cases.

1. Application(s)	The agent's and applicant's signatures are required.
2. Insurance to Value	<p><u>DP-1</u> - Dwelling must be insured to 100% of actual cash value.</p> <p><u>DP-3</u> - Dwelling must be insured to 100% of replacement cost value or 100% of Actual Cash Value if the Actual Cash Value Loss Settlement Endorsement applies.</p>
3. Limits	Dwellings valued between \$20,000-\$250,000 are eligible at New Business. Dwellings increasing in value beyond the program maximum, in keeping with inflation, will remain eligible at renewal.
4. Occupancy and Number of Units	Owner, seasonal, and rental dwellings with up to 4 units used exclusively for residential purposes.
5. Policy Term	The policy may be written for a term of 12 months.
6. Premium Determination	Premiums are calculated by using the Rate Order of Calculation table. Developed premium is rounded to the nearest whole dollar. For example: \$100.50 would be \$101.00 and \$100.49 would be \$100.00.
7. Cancellation Rule	No flat cancellation is allowed if coverage has been provided under our policy.
8. Minimum Written Premium	There is a \$150 minimum written premium.
9. Document Retention	It is the agents' responsibility to secure the required documentation upon binding and retain this information in the insured's file for a period of seven (7) years after the last policy renewal expiration date. Any and all documentation must be made available upon company request.
10. Changes in Limits or Coverage	Changes requiring adjustments of premium shall be computed pro-rata. Return premium of amounts less than \$3 will be waived, unless requested by the insured.
11. Transfer or Assignment	Policies may not be transferred or assigned.
12. Fees	<ul style="list-style-type: none"> • A \$20.00 Policy Fee will apply to all policies. • A \$40.00 Expense Constant will apply to all policies. • A \$30.00 NSF/Return Payment fee applies on all returned payment items. • A \$7.00 Late Fee applies if payment is made after the due date. • A \$7.00 Installment Fee will be added to all installments, but not the initial down payment. • In the event of a cancellation, the Policy Fee and Expense Constant are fully earned at New Business, pro-rata for Renewals.
13. Payment Plans	All payment plans are direct bill. Policy premium for a term may be paid in full or through one of the Company's installment plans.
14. Consumer Reports	Reports may be ordered to verify consumer information; including, but not limited to, loss and financial history reports.
15. Claims History	<p>Any losses during the <i>experience period</i> that occurred under the named insured's prior insurance policy(ies), as well as under the current policy, will be considered in determining total <i>chargeable losses</i>. Total chargeable losses will be used in determining eligibility and rating.</p> <ul style="list-style-type: none"> • Chargeable losses apply to all named insured's property policies, if applicable. <ul style="list-style-type: none"> ◦ Tenant-Occupied Dwelling Fire policies: chargeable losses are on location only, not named insured. • Complete details regarding the loss are required: cause, location, date, and the amount paid.
16. Automatic Inflation Guard	Section I coverage limits for non-ACV Loss Settlement DP-3 policies are adjusted with the applicable inflation guard factor at renewal.

17. Property Inspections	<p>All dwellings require an inspection at new business and, at a minimum, every three (3) years thereafter.</p> <p>Inspections include:</p> <ul style="list-style-type: none"> Exterior review of dwelling and other structures. Photos required of dwelling showing all sides and any hazards. Interior review for Dwellings older than 40 years old. Photos required of Electrical, HVAC, and Plumbing systems and any hazards. <p>Refusal of an inspection will result in cancellation or non-renewal.</p>
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DEFINITIONS

1. Construction Type	<p><u>Frame</u> - A dwelling with walls of frame, or metal-sheathed or stuccoed frame construction, or with walls of metal lathe and plaster on combustible supports. Frame construction rating applies when the wall area of frame construction exceeds 33% of the total wall area.</p> <p><u>Masonry Veneer</u> - A frame construction home over which is placed a layer of brick or other masonry material such as stone, concrete block, glass block, or tile. For the Masonry Veneer rating to apply, the exterior finishing material must exceed 67% of the total wall area.</p> <p><u>Masonry</u> - A dwelling constructed from individual units laid in and bound together by mortar to make solid walls. The common materials of masonry construction are brick, stone, concrete block, glass block, and tile. For the Masonry rating to apply, the exterior finishing material must exceed 67% of the total wall area. A dwelling with walls, floor, and roof constructed entirely of masonry or fire resistive material with Fire Resistance rating of not less than 1 hour will qualify for the Masonry rating. For dwellings consisting of both Masonry and Masonry Veneer construction, rate as Masonry Veneer if total exterior finishing material exceeds 67% of the wall area.</p> <p>Note: Hardboard siding, often referred to as brand name Masonite, will be rated as Frame. Cement fiber siding, often referred to as brand name Hardie Board, will be rated as Masonry Veneer.</p>
2. Owner Occupied Dwellings	Dwellings owned by the insured that are occupied on a full-time basis as the insured's primary residence for at least five (5) consecutive months. (Dwellings may not be rented to others for any length of time.)
3. Seasonal/Secondary Dwellings	Dwellings owned by the insured that are occupied on an intermittent or non-continuous basis as the insured's secondary or seasonal residence for less than five (5) consecutive months. (Dwellings may not be rented to others for any length of time.)
4. Rental Dwellings	Dwellings owned by the insured that are rented to others for residential purposes.
5. Other Structures	Structures on the dwelling premises which are not attached to the dwelling (including septic tanks).
6. Supplemental Heating Device	Wood, coal or pellet burning stoves, space heaters, fireplace inserts or any other solid fuel burning device that is not centralized.
7. Public Fire Protection	Except in areas otherwise classified, all dwellings within the corporate limits shall take the fire protection classification of the municipality. All dwellings located outside of the corporate limits of a municipality shall be considered as unprotected, unless the fire protection in the district in which the dwelling is located is specifically classified.
8. Actual Cash Value Loss Settlement	The cost to replace with new property of like kind and quality, less depreciation. Market Value and Land Value are not considered.
9. Replacement Cost Loss Settlement	The cost to replace the property on the same premises with other property of comparable material and quality used for the same purpose.
10. Flat Roof	A roof that is horizontal or nearly horizontal to the ground with a pitch of 3/12 or less.
11. Experience Period	<p>Claims history will be reviewed for chargeable losses in the most recent five (5) years.</p> <ul style="list-style-type: none"> For new policies, the experience period begins on the effective date of the policy. For renewal policies, the experience period will begin 45 days prior to the policy renewal effective date. <ul style="list-style-type: none"> Claims occurring within the 45 days window will be considered at the next renewal.

12. Chargeable Loss	<p>A chargeable loss is a closed, paid claim incurred on any property and/or structure owned, rented, or leased by the applicant;</p> <ul style="list-style-type: none"> • not including losses on dwelling incurred by the prior owner, and • not including losses paid under a prior policy excluded by current Hallmark policy (e.g. equipment breakdown, water backup), and • not including Closed Without Payment (CWP) claims, and • not including Weather losses incurred at a prior residence <ul style="list-style-type: none"> o Weather includes: Lightning, Windstorm, Hail, Earthquake, Landslide, Weight of Ice or Snow
13. Age of Dwelling	The age of dwelling is determined by subtracting the construction year from policy effective year. For instance, a policy effective in 2010 for a dwelling constructed in 2000 is rated as a 10 year old dwelling.
14. Age of Roof	<p>The age of roof is determined by subtracting the roof construction year from policy effective year. For instance, a policy effective in 2010 for a dwelling roof constructed in 2000 is rated as a 10 year old roof.</p> <p>The roof will age an additional year at subsequent renewals. Proof of roof replacement will reset the roof age based on replacement year.</p>
15. Age of Insured	The age of insured is determined by subtracting the named insured's date of birth (DOB) from the policy effective date. For instance, an insured with a DOB of 9/1/1950 purchasing a policy effective 6/30/2010 is considered 59 years old.

AGENCY COMPLIANCE & BINDING AUTHORITY

AGENT'S OBLIGATION

It is the agent's obligation to field-underwrite every risk submitted to the Company. All questions on the application must be explained and the consequences of missing or incorrect information outlined in detail to the applicant.

Note: We may obtain underwriting reports on every risk. If any undisclosed claims are discovered, all applicable surcharges will be applied or discounts eliminated and the policy will be amended. A cancellation notice may be generated at the same time at our discretion.

BINDING AND EFFECTIVE DATES

Producer must be properly appointed and issued a producer number prior to issuing any policies. Applications for coverage must be consistent with the written program guidelines and producer agreement. The down payment or full premium must accompany the application or endorsement. Applications and endorsements processed through the Point of Sale System (POS) will be bound effective the date and time assigned by the system.

Applications will not be accepted with a future effective date exceeding 60 days from the current date. Applications or endorsements may not be bound to cover a loss which occurred before the application is signed. No agent may back date an application, cancellation or change request for any reason. Back dating is defined as using any date other than the current date and time, or the date and time all binding requirements have been completed, whichever is later. No agent is authorized to issue verbal or written coverage binders.

AGENCY FUNDS

Agency payments (made through agency sweep or any other means) that are returned from the bank unpaid must be replaced immediately. Recurring instances of dishonored payments could result in immediate cancellation of the agency contract.

TEMPORARY BINDING RESTRICTIONS

The company will not accept applications or endorsements during the specific events outlined below, which represent an elevated exposure level to the company. Agents are responsible for enforcing these temporary binding restrictions, whether the company issues a bulletin or the system is modified to prevent binding.

No applications or endorsements may be bound during the following events:

Event	Binding Restriction Impacts	Binding Restriction in Effect Until:
Severe Weather Watch or Warning (Hurricane, Tornado, Hail, named storm, or similar)	Counties within 100 miles of the storm front.	The Watch or Warning has been lifted, plus 24 hours (1 day).
Wildfire	Counties within 30 miles of the active fire location.	The fire has been contained.
Earthquake or Aftershock (minimum 5.0 magnitude on Richter scale)	Counties within 100 miles of the epicenter.	The aftershocks have dissipated to below 5.0 magnitude, plus 72 hours (3 days).
State of Emergency or Declared Disaster Area	Counties included in the state of emergency or the declared disaster area.	The state of emergency or declared disaster area has been lifted, plus 24 hours (1 day).

- Applications with an effective date/postmark combination which violate the prohibitions listed above will be rejected and no coverage will have existed.
- Renewals of the company's expiring policies may be written in the normal manner providing there is no increase in exposure to the company.

TRAILING DOCUMENTS

It is the agents' responsibility to secure required documentation upon binding and retain this information in the insured's file for a period of seven (7) years after the last policy renewal expiration date. Any and all documentation must be made available upon company request.

Required Documentation:

- Signed application (within 10 days of effective date);
- Protective device credit (within 10 days of effective date);
 - A copy of the certificate of installation or service invoice (updated annually).
- Signed restriction/reduction in coverage endorsements (within 10 days of effective date, if applicable);
- Proof of Updated Dwelling Systems (only if requested by Underwriting);
 - Documentation includes name of contractor/inspector, date of installation, type of work completed, and address of where work was performed. Acceptable documentation includes:
 - Signed permit by Building Code inspector showing type of renovation and date completed; or
 - Dated copy of paid contract; or
 - Dated paid receipt from qualified contractor; or
 - Dated warranty indicating the system is under guarantee or warranty by qualified contractor.
- Proof of updates is company-submitted, not agent-retained.

ELIGIBILITY:

UP TO 4 CHARGEABLE LOSSES IN THE LAST FIVE YEARS

- No more than one (1) fire or liability loss.
- When more than one (1) claim in the last five (5) years, minimum deductible is \$1,000.
- All repairs from prior losses must be complete.

1-4 UNITS PER DWELLING (12 UNITS MAX.)

- No more than 12 units total per insured. This can be any combination of units i.e. 12 single-unit dwellings, 6 duplexes, 4 triplexes, or 3 fourplexes.
- Dwelling Fire policies cannot be scheduled. Each dwelling must be written on a separate policy.

DWELLINGS OVER 40 YEARS OLD

- Functional Replacement Cost Endorsement is mandatory on non-ACV Loss Settlement policies (DP-3 only).

DWELLING SYSTEMS

Dwelling systems including Electrical, HVAC, Plumbing and Roof, must be properly maintained, in good working condition, and if applicable, meet local and state building code. The ACV Loss Settlement Endorsement and/or the Roof Exclusion Endorsement may be applied at new business or renewal if warranted by the condition of the dwelling. Proof of updates may be requested by Underwriting, see "Trailing Documents" section.

Plumbing – Fixtures and Components must be in good working condition; this includes the water heater(s) and tank(s) showing no signs of wear and tear.

- Acceptable Water Supply Plumbing: Copper, CPVC, and PEX. Cast iron and galvanized plumbing is ineligible.
- Acceptable Drain-Waste Plumbing: PVC, ABS, and Cast Iron.

HVAC – The burner, furnace, heating plant, heat exchanger, air conditioning compressor, or heat pump must be properly maintained and in good working condition.

The dwelling must have a central heating system that is:

- Thermostatically controlled;
- Resting on an incombustible base;
- Vented to a flue-lined chimney; if gas or fuel oil is used, a vent is acceptable; and
- All components must have been tested and approved by an independent testing agency, such as Underwriter's Laboratories (UL).

Electrical – Electrical service must be properly maintained, in good working condition, and able to allow a minimum of 100 amps of electricity to flow through without tripping. Dwellings with less than 100 amp service, knob and tube wiring, or aluminum wiring are ineligible.

- Ineligible systems: less than 100 amp service.
- Ineligible components: Federal Pacific Electric panels, Zinsco Electric panels, knob and tube wiring, and aluminum wiring.

Roof – The Roof System, including roof covering, underlayment, decking, and flashing must be properly maintained and in good working condition. Unacceptable roof conditions include, but are not limited to, showing signs of wear and tear, damaged or missing shingles, curling shingles, loss of granulation, warping, missing flashing, and accumulation of debris.

- Ineligible systems: Flat roof over any portion of dwelling.
- Ineligible components: Roll Roofing, Wood Shingles, Tile Shingles, Slate Shingles.

UNINSURED PROPERTIES

- Risks uninsured for more than 60 days are not eligible.

APPLICABLE WHEN LIABILITY COVERAGE IS PURCHASED:

ANIMALS

- Animal Liability Exclusion must be applied when an animal with a bite history exists.
- Risks with unusual, exotic, vicious, or potentially vicious animal(s) must apply the Animal Liability Exclusion regardless of a bite history,

STEPS, PORCHES AND DECKS

- Steps, porches and decks extending 3 or more feet above the ground must have secured handrails.

SWIMMING POOLS

- In-ground pools must have a fence at least four feet high with a locking gate that encloses the pool.
- Above-ground pools must have either a fence at least four feet high with a locking gate that encloses the pool, or steps and ladders that can be secured, locked, or removed when the pool is not in use.
- Properties with a diving board or pool slides are not acceptable.

ELIGIBILITY TIERS

In addition to the guidelines outlined above, risks will be placed into an underwriting tier and must meet the criteria listed to be eligible for coverage. A credit-based insurance score of the named insured will determine tier placement. The TransUnion Insurance Risk Score - Property Model will calculate the credit-based insurance score.

Eligibility Criteria	Tier 1	Tier 2
Underwriting Guidelines	Must meet all underwriting guidelines in addition to all criteria listed below.	
Credit-Based Insurance Score	Above threshold; Thin Hit; No Hit	At or Below threshold
Prior Claims History	No more than 4 claims in review period	Claims Free
Community Mitigation Classification (PPC)	1 - 10	1 - 5
Insurance to Value (ITV)	Insured to 100% of ITV, maximum value of \$250,000	Insured to 100% of ITV, maximum value of \$150,000
Deductible	Minimum \$500	Minimum \$2,500
Payment Plans	Paid-In-Full or Installment	Paid-In-Full
Age of Insured	Named Insured is 18 or older	Named Insured is 50 or older
Year of Construction / Age of Dwelling	Built in 1930 or newer	Built within the previous 10 years

INELIGIBLE RISKS:

APPLICANTS WITH THESE CHARACTERISTICS

- Currently unemployed, other than retired or disabled.
- Past felony conviction or any conviction for arson, fraud, or other insurance-related offenses.
- Five (5) or more losses of any kind in the last five (5) years.
- Employees or family members of an employee of Hallmark Insurance Company or an affiliated company; or any agent, employee or family member of an agent.

DWELLINGS WITH THESE CHARACTERISTICS

1. Dwellings constructed prior to 1930.
2. Failure to maintain residence: condition of roof, tree trimming, updates, etc.
3. Vacant or abandoned dwellings.
4. Dwellings in foreclosure.
5. Mobile home (submit a Manufactured Home policy).
6. Townhomes or Row Houses.
7. Boarding homes (i.e. rooming house or bed & breakfast).
8. More than five (5) acres of property or on a farm, orchard, or grove.
9. Wood, slate, composition roll roofing, or tile roof.
10. Dwellings with pre-existing or un-repaired damage.
11. Dwellings in the course of construction.
12. Dwellings with more than two (2) layers of roofing material.
13. Flat roof over any portion of the dwelling.
14. Dwellings with asbestos siding or synthetic stucco (EIFS) exterior.
15. Dwelling raised above ground level with an open foundation on piers, stilts, or concrete blocks.
16. Farming exposure on premises.
17. Business exposure on premises including home daycare (does not include unpaid babysitting of relatives).
18. Dwellings attached to or converted from a commercial risk.
19. Dwelling without utilities such as gas, electricity, or water.
20. Pool or spa on premises not enclosed by a fence and locking gate.
21. Properties with an excessive liability exposure such as a skateboard or bicycle ramp, diving board, or pool slide.
22. Dwellings with burn barrels or home incinerator within 100 yards.
23. Risks uninsured for greater than 60 days.
24. In the name of a corporation (i.e. LLC, partnership, estate, or association).
25. Properties that are unable to be inspected because either the inspector is unable to locate the property or the homeowner refuses the inspection.
26. Risks with open claims.
27. Dwellings of unconventional construction (i.e. log home or earth home).
28. Dwellings occupied by a fraternity, sorority, or similar housing arrangement.
29. Risks with more than two (2) mortgages.
30. On islands with no fire protection or in isolated areas not accessible by a road.
31. Dwellings with knob & tube wiring.
32. Dwellings with aluminum wiring.
33. Dwellings with a Federal Pacific Electric panel or Zinsco panel.
34. Dwellings with cast iron or galvanized steel plumbing supply lines.

FINAL UNDERWRITING AUTHORITY

THIS MANUAL MAY NOT ADDRESS every aspect that might affect the acceptance or continuation of a particular dwelling or risk. For this reason, the company RESERVES THE RIGHT TO remain the final authority in the acceptance or continuation of any risk.

BASIC DESCRIPTION OF COVERAGE

Coverage	DP-1	DP-3
Coverage A - Dwelling	Limit Selected	Limit Selected
Coverage B - Other Structures	10% of Coverage A	10% of Coverage A
Coverage C - Personal Property	Limit Selected	Limit Selected
Coverage D - Fair Rental Value	10% of Coverage A	10% of Coverage A
Loss Settlement	Actual Cash Value	Replacement Cost

CREDITS AND SURCHARGES

Credits/Surcharges	Availability	Rates	Important Information
Increased Deductible Discount - Homeowners	DP-1 & DP-3	\$1,000: -10% \$2,500: -20% \$5,000: -25%	Base Deductible: \$500
Age of Dwelling Discount	DP-1 & DP-3		Homes 9 years old or newer qualify. A surcharge applies to homes 81 years or older.
Age of Insured Discount	DP-1 & DP-3	-5%	Insured 50 years of age or older.
Construction Discount	DP-1 & DP-3	-10%	
Prior Claims	DP-1 & DP-3		Applies to all chargeable losses within the experience period, not including weather-related or medical payment claims.
Supplemental Heating Devices	DP-1 & DP-3	\$50	Applies when the dwelling or other structure is equipped with a wood, coal or pellet burning stoves, space heaters, fireplace inserts or any other solid fuel burning device that is not centralized.

MANDATORY ENDORSEMENTS

Coverage	Availability	Important Information
Special Provisions	DP-1 & DP-3	Modifies the policy to conform to state requirements or statutes.
Limited Fungi, Wet or Dry Rot, or Bacteria Coverage	DP-1 & DP-3	Clarifies when fungi, wet or dry rot, or bacteria will be covered.
Criminal Acts Exclusion	DP-1 & DP-3	Any and all coverage is excluded from the policy for any Criminal Acts.
Trampoline Exclusion	DP-1 & DP-3	Excludes coverage for bodily injury and/or property damage from the use of a trampoline.
Water Exclusion	DP-1 & DP-3	Excludes continuous or repeated seepage or leakage of water, moisture, sewage or steam from any source.

OPTIONAL COVERAGES

Coverage	Availability	Limits Available	Rates	Important Information
Premises Liability	Seasonal & Tenant Occupied Dwellings DP-1 & DP-3	\$25,000 \$50,000 \$100,000	\$35 \$50 \$70	\$25,000 Limited Animal Liability Endorsement and Trampoline Exclusion Apply.
Comprehensive Personal Liability	Owner Occupied Dwellings DP-1 & DP-3	\$25,000 \$50,000 \$100,000	\$35 \$50 \$70	\$25,000 Limited Animal Liability Endorsement and Trampoline Exclusion Apply.
Increased Medical Payments to Others	DP-1 & DP-3	\$1,000 - \$5,000	\$5 Per \$1,000	\$500 Medical Payments included when Comprehensive Personal Liability or Premises Liability is purchased. For an additional premium, Medical Payment limits can be increased above the \$500/\$25,000 limit.
Personal Property Coverage	Owner & Seasonal Occupancy DP-1 & DP-3	Up to \$40,000	\$1 Per \$1,000	Replacement Cost Coverage available on DP-3 only.
Vandalism & Malicious Mischief	DP-1	Up to \$10,000	\$0.70 per \$1,000 of Coverage	
Equipment Breakdown Coverage	DP-1 & DP-3	\$50,000 per Equipment Breakdown Occurrence	\$25 Annually	
Identity Recovery Coverage	DP-1 & DP-3	\$15,000 Annual Aggregate per Insured/ID Recovery Insured	\$25 Annually	
Sinkhole Collapse Coverage	DP-1 & DP-3		\$0.50 per \$1,000 of Coverage	Minimum \$60, Coverage amount is the sum of all property coverage.

OPTIONAL EXCLUSIONS FOR RISK ACCEPTANCE

Coverage	Availability	Important Information
Other Structures Exclusion	DP-1 & DP-3	Exclusion will remove all Other Structures Coverage at the insured premises.
Animal Liability Exclusion	When Liability is Purchased	Exclusion removes liability related to animals.
Actual Cash Value Loss Settlement Windstorm or Hail Losses to Roof Surfacing	DP-3	Revises loss settlement on roof surfacing to an actual cash value basis.
Roof Exclusion	DP-1 & DP-3	Excludes coverage for loss to roof from wind or hail until roof has been replaced.
Windstorm or Hail Exclusion	DP-1 & DP-3	Exclusion removes coverage for the peril of windstorm or hail. A premium credit is applied.

PAYMENT OPTIONS: NEW BUSINESS

Payment Plan	Policy Form	Down Payment	# of Installments	1st Installment Due
Paid-In-Full	DP-1 & DP-3	100%	N/A	N/A
Semi-Annual	DP-1 & DP-3	50.00%	1	6 Months
Quarterly	DP-1 & DP-3	25.00%	3	3 Months
10 Pay	DP-1 & DP-3	8.33%	10	1 Month

PAYMENT OPTIONS: RENEWALS

Payment Plan	Policy Form	Down Payment	# of Installments	Installment Due
Paid-In-Full	DP-1 & DP-3	100%	N/A	N/A
Semi-Annual	DP-1 & DP-3	50.00%	1	6 Months
Quarterly	DP-1 & DP-3	25.00%	3	3 Months
Monthly*	DP-1 & DP-3	8.33%	11	1 Month

**Insureds choosing the 10-pay option at New Business will convert to monthly upon renewal.*