

A M E R I C A N
HALLMARK
I N S U R A N C E

New Mexico

- | New Business: 1/28/13
- | Renewal Business: 3/27/13

Homeowners Program

- | HO-3 Special Form Homeowners
- | HO-4 Contents Broad Form-Renters



Service is our Hallmark.



GENERAL RULES

The Homeowners Program provides residential property and personal liability coverages for individuals 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 all cases.

1. Application(s)		The agent's and applicant's signatures are required.
2. Insurance to Value		Dwelling must be insured to 100% of replacement cost value
3. Limits	HO-3	Dwellings valued between \$20,000-\$250,000 are eligible.
	HO-4	Contents limits between \$10,000 and \$40,000 are eligible.
4. Occupancy and Risk Parameters		Owner or seasonally occupied dwellings used exclusively for private residential purposes.
	HO-3	Owner occupied dwellings used exclusively for private residential purposes.
	HO-4	Tenant occupied dwellings used exclusively for private residential purposes. Insureds must be married to be named on the same policy. Unmarried co-habitants must be written on separate Renters policies.
5. Policy Term	HO-3 HO-4	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	HO-3	There is a \$150 minimum written premium.
	HO-4	There is an \$80 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.
11. Transfer or Assignment		Policies may not be transferred or assigned.

12. Fees		<p>A \$20.00 Policy Fee will apply to all policies.</p> <p>A \$38.00 Expense Constant will apply to all HO-3 policies.</p> <p>A \$30.00 NSF/Return Payment fee applies on all returned payment items.</p> <p>A \$7.00 Late Fee applies if payment is made after the due date.</p> <p>All policies will be charged a \$7.00 Installment Fee.</p>
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. Credit Reports		Reports may be ordered to verify consumer information including, but not limited to loss and financial history.

DEFINITIONS

1. Construction Type	Frame	A dwelling with walls of frame, or metal-sheathed or stuccoed frame construction, or with walls of metal lathe and plaster on combustible supports.
	Masonry	A dwelling with walls of masonry or masonry veneered
2. Owner Occupied Dwelling		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. Other Structures		Structures on the dwelling premises which are not attached to the dwelling (including septic tanks).
5. Supplemental Heating Device		Wood, coal or pellet burning stoves, space heaters, fireplace inserts or any other solid fuel burning device that is not centralized.

BINDING AND EFFECTIVE DATES

Producer must be properly appointed and issued a producer number prior to binding 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 will be bound effective the date and time assigned by the system. If the Point of Sale System is off-line at the time you submit an application, please call our Underwriting department for an exception. Applications will not be accepted with a future effective date exceeding sixty days from the current date. Applications or endorsements may not be bound to cover a loss which occurred before the application is signed.

SEVERE WEATHER “WATCH OR WARNING” BINDING RESTRICTIONS

No new policy or coverage may be bound and no endorsement of existing policies that increases the company’s exposure may be requested when:

- The National Weather Service has issued a severe weather “watch” or “warning”. Normal operating procedures will resume 24 hours after the “watch” or “warning” has expired.
- Wildfire is within 30 miles of dwelling
- Earthquake (applicable when earthquake coverage is provided) restrictions begin with the occurrence of an earthquake or aftershock, of 5.0 Richter (or greater), and continue for a period of 72 hours for dwellings located in counties (in their entireties) within 100 miles of the epicenter.

ELIGIBILITY:

HO-3: UP TO 4 LOSSES IN THE LAST FIVE YEARS

HO-4: NO MORE THAN 2 LOSSES IN THE LAST FIVE YEARS

- No more than 1 fire or liability loss.
- Prior losses include any loss incurred on any property and/or structure owned, rented, or leased by the applicant.
- Complete details regarding the loss such as cause, location, date, and the amount paid for the loss are required.
- All repairs from prior losses must be complete.
- When more than 1 claim in the last three years, minimum deductible is \$1,000.

DWELLINGS SYSTEMS

ROOF

The roof must be within its life expectancy and properly maintained.

Ineligible roof types include:

- Tar and Paper
- Tar paper
- Roll roofing
- Asphalt shingle over wood shakes/shingles
- 3 or more layers of composition shingles
- Wood Shakes/Shingles
- Slate tile

ELECTRICAL

Homes must have electrical service in good working condition. The electrical service must meet state and/or local electrical code requirements, if applicable.

Homes with the following characteristics are ineligible for coverage:

- Less than 100 amp service
- Federal Pacific panel
- Zinsco panel
- Knob and tube wiring
- Aluminum wiring (not including the service wire entering the dwelling)

HEATING

Homes must have a central heating system in good working condition. The heating system must meet state and/or local electrical code requirements, if applicable. Heating system must be thermostatically controlled, resting on an incombustible base, and vented to a flue-lined chimney; if gas or fuel oil is used, an approved vent is acceptable.

SUPPLEMENTAL HEATING

Supplemental heat sources, include, but are not limited to: wood stoves, coal stoves, pellet stoves, cook stoves, freestanding stoves, and fireplace with an insert.

The following apply to the entire property (includes other structures):

- Professionally installed
- Model has been approved by an independent testing agency, such as Underwriting Laboratories (UL)
- Do-it-yourself stoves are not acceptable, regardless of upkeep and condition
- No unit is used as the primary heating system

DWELLINGS OVER 40 YEARS OLD

- Functional Replacement Cost Endorsement is mandatory (HO-3)
- Must have updated plumbing, HVAC, and electrical systems
 - o For purposes of this rule, the age of dwelling system is defined as the difference between the effective year of the policy being rated and the calendar year in which the system update was completed. For components which system updates cannot be verified, the age of dwelling system is equal to the age of dwelling.
 - o See Trailing Documents for required documentation.
 - o Where applicable, as of the time of the update, the system must be in compliance with local codes.

Plumbing – Fixtures and Components must have been replaced within the most recent 40 years; this includes the water heater(s) and tank(s) age being within its life expectancy.

- Acceptable Water supply plumbing: Copper, CPVC, and PEX.
 - o Cast iron and galvanized plumbing does not qualify.
- Acceptable Drain-Waste plumbing: PVC, ABS, and Cast Iron.

HVAC – The burner, furnace, heating plant, heat exchanger, a/c compressor, or heat pump must be replaced within the most recent 40 years. Additionally, the fan, circulator, coupling valves, pressure relief valves, and safety controls must be updated.

- All components must have been tested and approved by an independent testing agency, such as Underwriter's Laboratories (UL)
- For the purposes of this rule, air ducts, vents, registers, and grills are not included in the HVAC system.

Electrical – The fuse box or breaker panel must have been replaced and able to allow a minimum of 100 amps of electricity to flow through without tripping. Replacement of switches, wiring, fixtures, and components able to meet system demands is necessary.

CLAIMS HISTORY

Any losses during the experience period 1 that occurred under the named insured's prior insurance policy(ies), as well as under the current policy, will be considered in determining total chargeable losses 2. Total chargeable losses will be used in determining eligibility and rating.

- Chargeable losses apply to all named insured's property policies, if applicable
 - Tenant-occupied Dwelling Fire policies: Chargeable losses are on the location only, not the named insured.
- Definitions:
- Experience Period defined:
 - The most recent 5-year period
 - For new policies, the experience period begins on the effective date of the policy
 - For renewal policies, the experience period begins 45 days prior to the policy renewal effective date
 - Claims occurring within the 45-day window will be considered at the next renewal
- Chargeable Loss defined:
- A closed, paid claim incurred on any property and/or structure owned, rented, or leased by the applicant;
 - not including losses on dwelling incurred by the prior owner, and
 - not including losses paid under a prior carrier's policy excluded by current Hallmark policy, and
 - not including losses paid under the Equipment Breakdown Enhancement Endorsement or Identity Recovery Coverage, and
 - not including Closed Without Payment (CWP) claims, and
 - not including Weather losses incurred at a prior residence
 - Weather includes: Lightning, Windstorm, Hail, Earthquake, Landslide, Weight of Ice or Snow

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 (within 10 days of effective date):

- Signed application
- Protective device credit
 - A copy of the certificate of installation or service invoice (updated annually)
- Signed restriction/reduction in coverage endorsements (if applicable)
- Updated Dwelling System (required for dwellings over 40 years old)
 - Documentation includes name of contractor/inspector, date of installation, type of work completed, and address of where work was performed
 - 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
 - Dated warranty indicating the system is under guarantee or warranty by qualified contractor
 - Documents are company submitted for dwellings built in 1930 or earlier, not agent retained

MORTGAGEES

Permitted mortgagees are financial institutions that issue mortgages. If there is a land contract recorded by the county between the insured and another individual, the individual may be listed as an additional insured. Individuals listed as mortgagees are not acceptable.

ANIMALS

- Animal liability exclusion must be applied when an animal with a bite history exists.
- Risks with unusual, exotic, vicious, or potentially vicious animals must apply the animal liability exclusion regardless of a bite history.

STEPS, PORCHES AND DECKS

Must have secured handrails if 3 feet or more above the ground.

UNINSURED PROPERTIES

- If the risk has been uninsured for 31-90 days provide complete explanation in Remarks section.
- Risks uninsured for more than 90 days are not eligible.

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.
- Risks with diving boards or slides are ineligible.

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.

HO-3 ONLY

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 by Mortgage Company
Year of Construction / Age of Home	Built in 1900 or newer	Built within the previous 10 years
Age of Insured	Named insured is 18 or older	Named insured is 50 or older
Number of Hallmark Accounts	1 or more	2 or more

HO-4 ONLY

Eligibility Criteria	Tier 1	Tier 2	Tier 3
Underwriting Guidelines	Must meet all underwriting guidelines in addition to all criteria listed below.		
Credit-Based Insurance Score	700 and Above	651 - 699; Thin Hit; No Hit	At or Below 650
Prior Claims History	No more than the maximum allowed in the state	No more than 1	Claims Free
Community Mitigation Classification (PPC)	1 - 10	1 - 8	1 - 5
Dwelling Type	Single-Family, Multi-Family	Multi-Family	Multi-Family
Deductible	Minimum \$500	Minimum \$500	Minimum \$1,000
Payment Plans	Paid-In-Full or Installment	Paid-In-Full	Paid-In-Full
Age of Insured	Named Insured is 18 or older	Named Insured is 35 or older	Named Insured is 50 or older
Number of Hallmark Accounts	1 or more	1 or more	2 or more

INELIGIBLE RISKS:

APPLICANTS WITH THESE CHARACTERISTICS

- Currently unemployed, other than retired or disabled
- Past felony conviction or conviction for arson, fraud, or other insurance-related offenses
- Five or more losses of any kind in the last three 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

- Failure to maintain residence: Condition of roof, tree trimming, updates, etc.
- Vacant dwellings
- Dwellings in foreclosure
- Mobile home
- More than 5 acres of property or on a farm, orchard, or grove
- Wood, slate, or tile roof
- Dwellings with pre-existing or un-repaired damage
- Dwellings in the course of construction
- Dwellings with 2 or more layers of shingles on the roof
- Dwellings that are Townhomes
- Raised home with open foundation, or that are on piers, stilts, or concrete blocks
- Dwellings with asbestos siding or synthetic stucco (EIFS) exterior (except HO-4)
- More than 2 roomers, roommates, or boarders not related to the named insured
- Farming exposure on premises
- Business exposure on premises
- Dwellings attached to or converted from a commercial risk
- Dwelling without utilities such as gas, electricity, or water
- Pool or spa on premises unenclosed by a fence and locking gate
- Properties with an excessive liability exposure such as a skateboard or bicycle ramp, diving board, or pool slide
- Risks uninsured for greater than 90 days
- In the name of a corporation (i.e. LLC, partnership, estate, or association)
- Properties that are unable to be inspected because either the inspector is unable to locate the property or the homeowner refuses the inspection
- Risks with open claims
- Dwellings of unconventional construction (i.e log home or earth home)
- Dwellings occupied by a fraternity, sorority, or similar housing arrangement
- Risks with individuals listed as mortgagees
- Risks with more than 2 mortgages
- On islands with no fire protection or in isolated areas not accessible by a road

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	HO-3	HO-4
Coverage A-Dwelling	Limit Selected	N/A
Coverage B-Other Structures	10% of Coverage A	N/A
Coverage C-Contents	50% of Coverage A	Limit Selected
Coverage D-Loss of Use	10% of Coverage A	10% of Coverage C
Coverage E-Liability	\$25,000	\$25,000
Animal Liability	\$25,000	\$25,000
Trampoline Liability	Excluded	Excluded
Coverage F-Medical Payments to others	\$1,000	\$1,000

CREDITS AND SURCHARGES

Credits/Surcharges	Availability	Rates	Important Information
Increased Deductible Discount - Homeowners	HO-3	Up to -20%	Deductibles: \$1,000/\$1,500/\$2,500/\$5,000 Minimum \$500 All Other Peril/\$1,000 Wind & Hail Deductible in Territories 70, 80, & 110
Increased Deductible Discount - Tenant	HO-4	\$1,000: -2%	
Masonry Construction Discount	HO-3	-10%	
Multi-Policy Discount	HO-3	-5%	Applies when the named insured maintains one or more personal lines policies with American Hallmark Insurance Company of Texas or Hallmark Insurance Company
Fire Alarm Discount	HO-3	-5%	Applies when dwelling is protected by a fire alarm that alerts a central station or directly notifies the fire department
Burglar Alarm Discount	HO-3	-10%	Applies when dwelling is protected by an electronic burglar alarm system that alerts a central station or the residents of the dwelling
Security Bars Discount	HO-3	-5%	Applies when all windows are protected by wrought iron bars.
Age of Dwelling Discount	HO-3	Up to -10%	Homes 10 years old or newer qualify. A surcharge applies to homes 40 years of age or older.
Age of Insured Discount	HO-3	-5%	Insured 50 Years of Age or Older
Supplemental Heating Devices	HO-3 HO-4	\$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

MAXIMUM DISCOUNT CAP (HO-3)

The following discounts are subject to a cumulative maximum reduction of 30%:

- Age of Dwelling
- Age of Insured
- Burglar Alarm
- Fire Alarm
- Security Bars
- Multi-Policy

MANDATORY ENDORSEMENTS

Coverage	Availability	Important Information	Applicable Form
Special Provisions – New Mexico	HO-3 HO-4	Modifies the ISO contract with state specific provisions	HO 01 02 05 06
Amendatory Endorsement	HO-3 HO-4	Provides special limits of liability for personal property categories	HIC 0014 0809
New Mexico Fraud Statement	HO-3 HO-4	Statement required by New Mexico Statute	IL N 074 09 03
Privacy Policy Disclosure Notice	HO-3 HO-4	Disclosure of privacy policies	MP 10 67 03 03
Limited Fungi, Wet or Dry Rot, Or Bacteria Coverage	HO-4	Provides \$5,000 of coverage for damage caused by fungi, wet or dry rot or bacteria	HO 04 26 04 02
Limited Fungi, Wet or Dry Rot, Or Bacteria Coverage	HO-3	Provides \$5,000 of coverage for damage caused by fungi, wet or dry rot or bacteria	HO 04 27 04 02
No Section II-Liability Coverages for Home Day Care Business Limited Section I – Property Coverages for Home Day Care Business	HO-3 HO-4	Clarifies coverage for Home Day Care Business	HO 04 96 10 00
Refrigerated Property Coverage	HO-3 HO-4	Provides coverage for direct losses due to loss of power to a refrigerated unit	HO 04 98 10 00
Limited Animal Liability Coverage	HO-3 HO-4	Provides a \$25,000 sublimit of liability for Animal Liability	HIC 0001 0508
Trampoline Exclusion	HO-3 HO-4	Excludes losses involving trampolines	HIC 0006 06 08
Amended Provisions – Vandalism or Malicious Mischief, and Theft	HO-4	Modifies the theft peril to provide coverage when the loss is due to forcible entry	HIC 0004 06 12

OPTIONAL COVERAGES

Coverage	Availability	Limits	Rates	Applicable
Increased Personal Liability	HO-3	\$50,000 \$100,000 \$300,000	\$15 \$18 \$60	
Increased Personal Liability	HO-4	\$50,000 \$100,000	\$8 \$18	
Increased Medical Payments to Others	HO-3	\$2,000-\$5,000	\$5 Per \$1,000	
Increased Medical Payments to Others	HO-4	\$2,000-\$5,000	\$10 Per \$1,000	
Increased Other Structures Coverage	HO-3	Up to 50% of Coverage A	\$5 Per \$1,000	
Increased Personal Property	HO-3	Up to 80% of Coverage A	\$3 Per \$1,000	
Replacement Cost Loss Premium Settlement - Personal Property	HO-3 HO-4		10% of Base Policy Premium 25% of Base Policy Premium	HO 0490 10 00
Equipment Breakdown Coverage	HO-3 HO-4	\$50,000 per Equipment Breakdown Occurrence	\$25 Annually	HICEB 0001 0709
Identity Recovery Coverage	HO-3 HO-4	\$15,000 Annual Aggregate Per Insured / ID Recovery Insured	\$25 Annually	HICID 0001 0709
Additional Interest - Residence Premises	HO-4	N/A	N/A	Provides landlord notification of coverage/cancellation

OPTIONAL EXCLUSIONS FOR RISK ACCEPTANCE

Coverage	Availability	Important Information	Applicable Form
Other Structures Exclusion	HO-3	Exclusion will remove all Other Structures Coverage at the insured premises.	HIC 0009 11 08
Animal Liability Exclusion	HO-3 HO-4	Exclusion removes liability related to animals.	HIC 0001 05 08
Roof Exclusion	HO-3	Excludes coverage for loss to roof from wind or hail until roof has been replaced.	HIC 0010 03 09

PAYMENT OPTIONS

NEW BUSINESS

Payment Plan	Policy Term	Down Payment	# of Installments	1st Installment Due	Additional Installments Due
Paid in Full	Any	100.00%	N/A	N/A	N/A
10 Pay	Annual	8.33%	10	30 Days	Monthly
10 Pay	Annual (Renewals Only)	16.67%	10	30 Days	Monthly
3 Pay	Annual	25.00%	3	3 Months	Quarterly
1 Pay	Annual	50.00%	1	6 Months	N/A

RENEWALS

Payment Plan	Policy Term	Down Payment	# of Installments	1st Installment Due	Additional Installments Due
Paid in Full	Any	100.00%	N/A	N/A	N/A
11 Pay	Annual	8.33%	11	30 Days	Monthly
3 Pay	Annual	25.00%	3	3 Months	Quarterly
1 Pay	Annual	50.00%	1	6 Months	N/A