

AMERICAN **HALLMARK** INSURANCE

Texas

- | New Business: 8/19/13
- | Renewal Business: 10/18/13

Homeowners Program

- | HO-A Texas Homeowners Form A
- | HO-4 Contents Broad Form Renters
- | Renters Personal Liability



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	<u>HO-A</u> - Dwellings should be insured for actual cash value.
3. Limits	<p><u>HO-A</u> - Dwellings up to \$250,000 are eligible at New Business. Dwellings increasing in value beyond the program maximum, in keeping up with inflation, will remain eligible at renewal.</p> <p><u>HO-4</u> - Contents limits between \$5,000 - \$40,000 are available.</p> <p><u>Personal Liability</u> - Liability limits between \$25,000 - \$100,000 are available.</p>
4. Occupancy and Risk Parameters	<p><u>HO-A</u> - Owner occupied dwellings used exclusively for private residential purposes.</p> <p><u>HO-4</u> - Tenant occupied dwellings used exclusively for private residential purposes. Insureds must be married to be named on the same policy. Unmarried cohabitants must be written on separate Renters policies.</p> <p><u>Personal Liability</u> - Tenant occupied dwellings rented by the insured used exclusively for private residential purposes.</p>
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	<p><u>HO-A</u> - There is a \$150 minimum written premium.</p> <p><u>HO-4</u> - There is a \$100 minimum written premium.</p>
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 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 \$38.00 Expense Constant will apply to all HO-A 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. Mandatory Windstorm Exclusion	Windstorm, Hurricane and Hail coverage is excluded in all areas where coverage can be obtained through the Texas Windstorm Insurance Association (Tier 1).

16. 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"> HO-4 policies: Chargeable losses are on named insured only, not location. Complete details regarding the loss are required: cause, location, date, and the amount paid.
17. Property Inspections	<p>HO-A - All dwellings require an inspection at new business and, at a minimum, every three (3) years thereafter. Refusal of an inspection will result in cancellation or non-renewal.</p>

DEFINITIONS

1. Construction Type	<p>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.</p> <p>Stucco - Outer walls of stucco; asbestos board; rigid asbestos; and hard cement type sidings.</p> <p>Brick Veneer - Outer walls of brick or stone veneer. This includes dwellings with 50% or more cement fiber siding.</p> <p>Masonry - Walls of solid masonry, brick, stone, or concrete.</p>
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.
6. Flat Roof	A roof that is horizontal or nearly horizontal to the ground with a pitch of 3/12 or less.
7. 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.
8. 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.
9. 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.
10. 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"> Weather includes: Lightning, Windstorm, Hail, Earthquake, Landslide, Weight of Ice or Snow. not including appliance related damage claims that have been properly repaired/ remediated and the repair/remediation has been inspected and certified; or single prior water damage claims or prior mold claims that have been properly repaired/ remediated and the repair/remediation has been inspected and certified.

11. 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.
12. Age of Roof	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. The roof will age an additional year at subsequent renewals. Proof of roof replacement will reset the roof age based on replacement year.
13. 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.

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:

- A tropical disturbance or storm has entered or is approaching the Gulf of Mexico or is west of 72 W longitude and between 15 N and 32 N latitude for all First and Second Tier Counties (Territories 8, 9, 10, 11, 1001-1168).
- 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.

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.

TRAILING DOCUMENTS

The agency is required to keep documentation in the customer file and available upon request:

- Signed application (within 10 days of effective date);
- Signed coverage exclusions;
- Home Security Discount;
 - A copy of the certificate of installation or service invoice (updated annually);
- Hail Resistive Roof Discount;
 - A copy of the UL2218 Certificate;
- 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; 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:

PRIOR LOSSES

- Up to two (2) non-weather losses in the last five (5) years (HO-A).
- Up to one (1) non-weather loss in the last five (5) years (HO-4).
- No more than one (1) fire or liability loss.
- All repairs from prior losses must be complete.

DWELLING SYSTEMS

Dwelling systems, including Electrical, HVAC, Plumbing and Roof, must be properly maintained, in good working condition. 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.

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

- Risks uninsured for more than 60 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 not meeting these criteria 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	600 and Above; No Hit; Thin Files	Below 600
Prior Claims History*	No more than 2 non-weather claims in review period	Claims Free
Community Mitigation Classification (PPC)	1 - 10	1 - 5
Insurance to Value (ITV) - (HO-A only)	Insured to 100% of ITV	Insured to 100% of ITV, maximum value of \$150,000
Deductible: HO-A HO-4	Minimum 1% Minimum \$500	Minimum 2.5% Minimum \$1,000
Payment Plans	Paid-In-Full or Installment	Paid-In-Full
Dwelling Type (HO-4 only)	Single Family, Multi-Family	Multi-Family

** This does not apply to appliance-related damage claims that have been properly repaired/remediated and the repair/remediation has been inspected and certified. This also does not apply to single prior water damage claims or prior mold claims that have been properly repaired/remediated and the repair/remediation has been inspected and certified.*

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.
- Three (3) or more non-weather losses or a fire loss 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.

** This does not apply to appliance related damage claims that have been properly repaired/remediated and the repair/remediation has been inspected and certified. This also does not apply to single prior water damage claims or prior mold claims that have been properly repaired/remediated and the repair/remediation has been inspected and certified.*

DWELLINGS WITH THESE CHARACTERISTICS

1. Failure to maintain residence: condition of roof, tree trimming, updates, etc.
2. Vacant or abandoned dwellings.
3. Dwellings in foreclosure.
4. Mobile home (submit a Manufactured Home policy).
5. Townhomes or Row Houses.
6. Boarding homes (i.e. rooming house or bed & breakfast).
7. More than five (5) acres of property or on a farm, orchard, or grove.
8. Wood, slate, composition roll roofing, or tile roof.
9. Dwellings with pre-existing or un-repaired damage.
10. Dwellings in the course of construction.
11. Dwellings with more than two (2) layers of roofing material.
12. Flat roof over any portion of the dwelling.
13. Dwellings with asbestos siding or synthetic stucco (EIFS) exterior (except HO-4).
14. Dwelling raised above ground level with an open foundation on piers, stilts, or concrete blocks.
15. Farming exposure on premises.
16. Business exposure on premises including home daycare (does not include unpaid babysitting of relatives).
17. Dwellings attached to or converted from a commercial risk.
18. Dwelling without utilities such as gas, electricity, or water.
19. Pool or spa on premises not enclosed by a fence and locking gate.
20. Properties with an excessive liability exposure such as a skateboard or bicycle ramp, diving board, or pool slide.
21. Dwellings with burn barrels or home incinerator within 100 yards.
22. Risks uninsured for greater than 60 days.
23. In the name of a corporation (i.e. LLC, partnership, estate, or association).
24. Properties that are unable to be inspected because either the inspector is unable to locate the property or the homeowner refuses the inspection.
25. Risks with open claims.
26. Dwellings of unconventional construction (i.e. log home or earth home).
27. Dwellings occupied by a fraternity, sorority, or similar housing arrangement.
28. Risks with more than two (2) mortgages.
29. Individuals listed as mortgagees
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.
35. Wood burning or pellet stove used as the primary heat source.

BASIC DESCRIPTION OF COVERAGE

Coverage	HO-A	HO-4
Coverage A - Dwelling	Limit Selected	N/A
Coverage B - Other Structures	10% of Coverage A	N/A
Coverage C - Contents	40% of Coverage A	Limit Selected
Coverage D - Loss of Use	10% of Coverage A	20% of Coverage C
Coverage E - Liability	\$25,000	\$25,000
Coverage F - Medical Payments to Others	\$500	\$500
Animal Liability	\$25,000	\$25,000
Trampoline Liability	Excluded	Excluded

MINIMUM DEDUCTIBLES

Dwelling Location	HO-A	HO-4
Tier 1 Counties	<ul style="list-style-type: none"> • 1% (All Other Perils)* • Wind Excluded 	Ineligible
Tier 2 Counties*	<ul style="list-style-type: none"> • 1% (All Other Peril)* • 1% Wind/Hail* • 5% (Hurricane or Named Storm) 	\$500 All Peril
All Other Counties*	1% All Peril*	\$500 All Peril

* \$500 minimum when Dwelling Coverage is less than \$50,000

CREDITS AND SURCHARGES

Credits/Surcharges	Availability	Important Information
Senior Citizens Discount	HO-A	Insured 50 Years of Age or Older
New Home Discount	HO-A	Homes 7 years old or newer from the date of the application qualify.
Increased Deductible Discount Homeowners	HO-A	2.5% Wind/Hail (except Tier 1) 2.5% All Other Perils
Increased Deductible Discount Renters	HO-4	2.5% All Perils
Hail Resistive Roof Discount	HO-A	To qualify for the credit, roof coverings must be tested by an approved laboratory. Roof coverings that have passed the UL Standard 2218 test are classified as either Class 1, 2, 3, or 4.
Swimming Pool	HO-A	Applied when a swimming pool on premises
Home Security Discount	HO-A	Applies when home security system is installed and monitored by an outside service provider.

OPTIONAL COVERAGES

Coverage	Availability	Limits Available
Mold, Fungi, or Other Microbes Coverage	HO-A & HO-4	25%, 50%, and 100% of Dwelling Limit
Additional Extended Coverage	HO-A	\$5,000 \$10,000 \$15,000
Unscheduled Residence Glass Coverage	HO-A	\$100/Occurrence
Television and Radio Antenna	HO-A	\$500
Increased Personal Liability	HO-A	\$50,000 \$100,000 \$300,000
Increased Personal Liability	HO-4 & Personal Liability	\$50,000 \$100,000
Increased Medical Payments to Others	HO-A, HO-4, & Personal Liability	\$1,000
Identity Recovery Coverage	HO-A & HO-4	15,000 Annual Aggregate per Insured/ID Recovery Insured
Equipment Breakdown Coverage	HO-A & HO-4	\$50,000 per Equipment Breakdown Occurrence
Replacement Cost Loss Settlement - Contents	HO-A & HO-4	
Additional Interests - Residence Premises	HO-4	Provides Cancellation/Reinstatement Notice to Landlord

OPTIONAL EXCLUSIONS FOR RISK ACCEPTANCE

Coverage	Availability	Important Information
Windstorm or Hail Exclusion	Homes in areas covered by wind pool	Exclusion removes coverage for the peril of windstorm or hail. A premium credit is applied.
Other Structures Exclusion	HO-A	Exclusion will remove all Other Structures Coverage at the insured premises.
Roof Exclusion	HO-A	Excludes coverage for loss to roof from wind or hail until roof has been replaced.
Exclusion of Cosmetic Damage to Roof Coverings Cause by Hail	HO-A homes eligible and receiving a credit for hail resistive roof	Cosmetic loss or damage to roof coverings caused by hail is excluded.
Animal Liability Exclusion	HO-A & HO-4	Exclusion removes liability related to animals.

PAYMENT PLANS: NEW BUSINESS

Pay Plan	Policy Term	Down Pay	# of Installments	1st Installment Due	Additional Installments Due
Full Pay	Annual	100%	N/A	N/A	N/A
1 Pay	Annual	50%	1	6 Months	N/A
3 Pay	Annual	25%	3	3 Months	Quarterly
10 Pay*	Annual	8.33%	10	30 Days	Monthly

*Not available for Renters

PAYMENT PLANS: RENEWALS

Pay Plan	Policy Term	Down Pay	# of Installments	1st Installment Due	Additional Installments Due
Full Pay	Annual	100%	N/A	N/A	N/A
1 Pay	Annual	50%	1	6 Months	N/A
3 Pay	Annual	25%	3	3 Months	Quarterly
Monthly*	Annual	8.33%	11	30 Days	Monthly

*Not available for Renters