

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

New Mexico

Dwelling Fire Program

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

| DP-3 Special Form



Service is our Hallmark.



## GENERAL RULES

The Dwelling Fire program provides property coverage using the forms and endorsements in this manual. This manual contains the rules governing the writing of the Dwelling Fire Policy. The rules, rates, forms, and endorsements filed by the Company or on behalf of the Company for each coverage will govern in all cases not specifically provided within this manual.

1. Application(s)		The agent's and applicant's signatures are required.
2. Insurance to Value	DP-3	Dwelling must be insured to market value, excluding land  Dwelling must be insured to 100% of replacement cost value
3. Limits		Dwellings valued between \$20,000 and \$200,000 are eligible.
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.
11. Transfer or Assignment		Policies may not be transferred or assigned.
12. Fees		A \$20.00 Policy Fee will apply to all policies.  A \$38.00 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.  All policies will be charged a \$7.00 Installment Fee.
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.

## DEFINITIONS

1. Construction Type	Frame  Masonry	A dwelling with walls of frame, or metal-sheathed or stuccoed frame construction, or with walls of metal lathe and plaster on combustible supports. A dwelling with walls of masonry or masonry veneered construction.
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.

## 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:

- National Weather Service has issued a severe weather "watch" or "warning". The 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:

### UP TO 4 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
- Dwellings over 40 years old 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.

## 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

## APPLICABLE WHEN LIABILITY COVERAGE IS PURCHASED (DP-3)

### 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.

## 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 \$200,000	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

## 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 five 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 or unoccupied for over 60 days
- Dwellings in foreclosure
- Mobile home
- Boarding homes (i.e. rooming house or bed & breakfast)
- 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
- Dwellings with asbestos siding or synthetic stucco (EIFS) exterior
- Raised homes with open foundation, or that are on piers, stilts, or concrete blocks
- More than 2 roomers, roommates, or boarders not related to the named insured
- 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
- 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 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	DP-3
Coverage A-Dwelling	Limit Selected
Coverage B-Other Structures	10% of Coverage A
Coverage C-Contents	Limit Selected
Coverage D-Fair Rental Value	10% of Coverage A
Loss Settlement	Replacement Cost

## CREDITS AND SURCHARGES

Credits/Surcharges	Availability	Rates	Important Information
Increased Deductible Discount	DP-3	\$1,000: -15% \$2,500: -20% \$5,000: -30%	Minimum \$500 All Other Peril/\$1,000 Wind & Hail Deductible in Territories 70, 80, and 110.
Age of Insured Discount	DP-3	-5%	Insured 50 Years of Age or Older.
Masonry Construction Discount	DP-3	-20%	Applicable when a named insured is 50 years old or older.
Age of Dwelling Surcharge	DP-3	Up to +25%	A surcharge applies to homes 40 years of age or older.
Security Bars Discount	DP-3	-5%	Applies when all windows are protected by wrought iron bars.
Supplemental Heating Devices	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	Applicable Form
Special Provisions – New Mexico	DP-3	Modifies the ISO contract with state specific provisions	DP 00 03 12 02
New Mexico Fraud Statement	DP-3	Statement required by New Mexico Statute	IL N 074 09 03
Privacy Policy Disclosure Notice	DP-3	Disclosure of privacy policies	MP 10 67 03 03
Personal Liability	DP-3 (When liability is purchased)	Provides Liability Coverage and Medical Payments to Others when purchased	DL 24 01 12 02
Personal Liability Additional Policy Conditions	DP-3 (When liability is purchased)	Adds additional conditions to the liability coverage	DL 24 02 12 02
Criminal Acts Exclusion	DP-3	Modifies the ISO contract by excluding criminal acts	HDF 0004 05 08
Limited Fungi, Wet or Dry Rot, Or Bacteria Coverage	DP-3	Provides \$5,000 of coverage for damage caused by fungi, wet or dry rot or bacteria	DP 0422 12 02
Limited Animal Liability Coverage	DP-3 (When liability is purchased)	Provides a \$25,000 sublimit of liability for Animal Liability	HDF 0002 0708
Trampoline Exclusion	DP-3 (When liability is purchased)	Excludes losses involving trampolines	HDF 0006 06 08

## OPTIONAL COVERAGES

Coverage	Availability	Limits Available	Rates		Important Information
Premises Liability	Seasonal/Tenant Occupied DP-3	\$25,000 \$50,000 \$100,000	<u>1-2 Family</u> \$33 \$39 \$47	<u>3-4 Family</u> \$57 \$66 \$72	\$25,000 Limited Animal Liability Endorsement and Trampoline Exclusion Apply
Comprehensive Personal Liability	Owner Occupied DP-3	\$25,000 \$50,000 \$100,000	<u>1-2 Family</u> \$33 \$39 \$47	<u>3-4 Family</u> \$57 \$66 \$72	\$25,000 Limited Animal Liability Endorsement and Trampoline Exclusion Apply
Increased Medical Payments to Others	DP-3	\$1,000 \$2,000 \$3,000 \$5,000	\$5 \$8 \$10 \$14		\$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 limit.
Personal Property Coverage	Owner/Seasonal Occupied DP-3	Up to 80% of Coverage A	See PTS		
Equipment Breakdown Coverage	DP-3	\$50,000 per Equipment Breakdown Occurrence	\$25 Annually		HDFEB 0001 09 09
Identity Recovery Coverage	DP-3	\$15,000 Annual Aggregate per Insured/ ID Recovery Insured	\$25 Annually		HDFID 0001 0709

## OPTIONAL EXCLUSIONS FOR RISK ACCEPTANCE

Coverage	Availability	Important Information	Applicable Form
Other Structures Exclusion	DP-3	Exclusion will remove all Other Structures Coverage at the insured premises.	HDF 0009 11 08
Animal Liability Exclusion	When Liability is Purchased	Exclusion removes liability related to animals.	HDF 0001 07 08
Roof Exclusion	DP-3	Excludes coverage for loss to roof from wind or hail until roof has been replaced.	HDF 0010 03 09

## PAYMENT OPTIONS

### NEW BUSINESS

Payment Plan	Term	Down Payment	#of Installments	1st Installment Due	Additional Due
Paid in Full	Annual	100.00%	N/A	N/A	N/A
10 Pay	Annual	8.33%	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	Annual	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