

Dwelling Fire – Form 1 (DP-1)

A Dwelling Fire (DP-1) is the **most basic** of all dwelling policies and. **This is also the policy type used to insure vacant dwellings.** While DP-1 policies have their place, this is very limited coverage but do serve a purpose. The main benefit is that we can usually write these policies at a stated amount less than replacement cost.

This policy form (or version) is less expensive than DP-2 or DP-3 policies, but it's because it only provides a very basic 'named perils only' coverage, which means that it only insures against the perils *specifically named in the policy*. Most common causes of damage, such as fire, hail, and lightning are usually listed as a covered peril, but **coverage against worrisome issues such as vandalism, theft, and water damage are NOT included in a DP-1 policy.** If something other than one of the named perils causes damage to the property, *the policy does not cover the loss*. Some important things to know about basic DP-1 policies:

- By default, DP-1 policies settle claims on an **actual cash value (ACV)** basis. You may obtain 'replacement cost' coverage, but you will have to pay a higher premium for it.
- If you need insurance for any contents inside the property, such as for a furnished rental unit, this coverage must be purchased as an endorsement and additional premium will be charged (not all companies offer this endorsement).
- Depending upon the company issuing the policy, **liability coverage may or may not be included** (or even available).
- **Vandalism and Malicious Mischief** (listed below) **IS NOT** included and may not be available as an endorsement.
- **Water Damage** (aka 'accidental discharge') **IS NOT** included and may not be available as an endorsement.

Some of the additional coverages or endorsements that investors and property owners need to consider are below. It is important to know that *not all companies offer these endorsements with their policies* and it is up to you and your agent to decide whether or not these are necessary for your situation.

- **Loss of Rent**– when a property is damaged due to a covered loss and the property is uninhabitable while being repaired; this coverage will pay the property owner up to six month's worth of rental income to cover the loss of this money while the property is being repaired. Most banks and lenders actually require this coverage when lending on non-owner occupied properties.
- **Vacancy Clause** – If the property is unoccupied for 61 continuous days or more, DP-1 policies will, depending upon the company, either automatically *cease coverage*

altogether or they will *reduce coverage to only insuring the perils of fire and lightning*. Purchasing a ‘vacancy clause endorsement’ (which are usually quite expensive) ensures that in the event of continuous vacancy, the policy *will not cease or reduce coverage*.

- **Vandalism and Malicious Mischief (VM&M)** – This endorsement adds coverage for losses caused by vandalism and malicious mischief, which is automatically **excluded in a basic DP-1 policy**. Although the end result is the same, vandalism and malicious mischief are actually two separate causes of loss with different legal definitions. Vandalism is defined as “the willful and wanton destruction of the property of others simply for the sake of destruction or pleasure”, such as when kids spraypaint or ‘tag’ signs and property. Malicious mischief is “the wanton or reckless destruction of property and the willful perpetration of injury to a person”, such as an ex-spouse damaging your property due to a desire for spite or revenge.
- **Water Damage** (Accidental Discharge) – Covers the ‘sudden and accidental’ discharge of water from an appliance, pipe, or plumbing fixture. This is NOT the same thing as flood insurance. *This coverage is automatically excluded from DP-1 policies* and can usually not be purchased. In many cases, you must purchase a DP-2 or DP-3 policy to obtain this coverage.

If you own or manage rental property and you would like for us to review any coverages or policies to see if they are appropriate for your risk, or if you simply want to pay less for the same coverage, call us today at (330) 665-3333 and we will be happy to assist you in finding the right insurance solution for your specific needs.