

# Dwelling Fire – Form 2 (DP-2)

A Dwelling Fire Form 2 (DP-2) is the next step up from the basic DP-1. It is a much broader and better policy in terms of coverage (still no coverage against theft), but it is short of the best protection afforded by the DP-3. It is obviously a little more expensive, though not very much, but the increased coverage often makes the extra expense very worthwhile. These properties must be insured to their REPLACEMENT VALUE.

DP-2 policies contain all of the same coverages as the DP-1, but they automatically settle claims and losses on a 'replacement cost' basis rather than at actual cash value (ACV) like the DP-1. In addition, DP-2 policies include coverage for vandalism and malicious mischief (VM&M) and, if you choose to pay the extra premium, you may often add an endorsement for coverage against the 'Accidental Discharge' of water. Vandalism and water damage coverage are extremely important protections and they are the most common causes of loss for rental units.

Some important things to know about basic DP-2 policies:

- DP-2 policies contain all of the same coverages as a DP-1 policy and, by default, claims are settled on a Replacement Cost basis.
- DP-2 policies are only for occupied property and they **ARE NOT** available for vacant homes or properties. Only DP-1 policies can be issued in these situations.
- **Vandalism and Malicious Mischief** are covered and you may often add coverage for the accidental discharge of water (water damage).

There are additional coverages and/or endorsements that investors and property owners should consider. 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.