

# Dwelling Fire – Form 3 (DP-3)

**A Dwelling Fire Form 3 (DP-3) is the best coverage that you can purchase for residential rental properties.** Unlike DP-1 and DP-2 policies, which are ‘named perils only’, the DP-3 dwelling policy form provides what is known as ‘all risk’ or ‘open perils’ coverage, which means that just about everything is covered unless it is specifically excluded in the language of the policy itself. DP-3 policies are more expensive than their DP-1 and DP-2 cousins, but the extra money is well-worth the additional coverage afforded to you as a property owner.

DP-3 policies contain all of the same coverages as the DP-1 and DP-2, but as mentioned above, they also cover most other causes of loss unless the policy specifically says it doesn’t.

Also, claims and losses are automatically settled on a ‘replacement cost’ basis and coverage against vandalism and malicious mischief (VM&M) and water damage (‘accidental discharge’) are also included.

Some important things to know about basic DP-3 policies:

- Not all insurance companies offer DP-3 policies and coverages.
- DP-3 policies can be issued for either non-owner occupied **or** owner-occupied (certain situations) dwellings and they **ARE NOT** available for vacant homes or properties.
- **Vandalism and Malicious Mischief** as well as coverage for **Water Damage** are already included.

As with DP-1 and DP-2 policies, some of the additional coverages or endorsements, which are not included in DP-3 coverage, but that investors and property owners also 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*.