

DP1 Landlord Insurance Policy

The DP1 insurance policy is the most basic insurance policy available for rental properties in the United States. This policy is often referred to as Dwelling Fire Form 1, or DP-1 insurance. It provides very basic insurance coverage for rental properties.

DP1 Policy is Very Basic

In the United States, most landlords have three standard policy types available to insure their rental properties. The DP1 is the first, followed by the DP2 and the DP3. The DP1 policy offers the most basic coverage of all the rental property policies. It contains no bells and no whistles. The most common reason for a landlord to purchase this type of insurance would be to reduce the costs of insurance.

DP1 Insurance is Named Risk Insurance

The DP1 insurance policy is a named perils insurance policy. This means that all the perils that are insured are specifically listed (or named) in the policy itself. The insurance coverage is restricted to the perils that show up in the policy. The DP2 insurance policy is also named risk, although its list of perils is much more extensive than the DP1's list. The HO1 and HO2 insurance policies are the home insurance counterparts to the DP1 and DP2, and are also named peril policies.

Policies that are more extensive in coverage are actually referred to as open perils policies. The DP3 insurance policy is open perils, as are its home insurance counterparts the HO3 and HO5. Open perils policies insure against all perils, with the exception of a few exclusions specifically listed in the policy.

Common DP1 Named Perils

As referenced above, the DP1 policy only covers the perils listed in the policy. The following perils are the most common perils that are insured against with DP1 insurance:

- Fire & Lightning
- Internal Explosion & External Explosion
- Windstorm & Hail
- Riot & Civil Commotion
- Smoke
- Aircraft
- Vehicles
- Volcanic Explosion
- Vandalism & Malicious Mischief

It is important to point out that not all DP1 insurance policies cover all of the perils listed above. For example, Vandalism & Malicious Mischief is an endorsement (add-on) with many DP1 insurance policies, and is not always automatically included. The above list is what the most common DP1 insurance policy will cover. Check with an agent before assuming all the above perils are covered.

DP1 Insurance is Actual Cash Value Insurance

Most DP1 insurance policies are Actual Cash Value (ACV) insurance policies. This is an important distinction that needs to be understood. An Actual Cash Value dwelling insurance policy is much like a car insurance policy; the older the dwelling gets, the less it is worth. If you are a landlord and your rental property is insured with Actual Cash Value, depreciation will be deducted from any damages you are awarded after a claim.

Let's say for example that a hailstorm rips the roof off of your rental property, and you need it replaced. If the roof is 15 years old, the materials originally used on the roof are very old, and aren't worth very much. If it cost you \$10,000 to replace the roof 15 years ago, the insurance company may only give you \$5,000 to replace the roof now, because the materials have depreciated by 50% (in this example).

The alternative to ACV insurance is Replacement Cost insurance, which will not deduct depreciation from the amount you can receive for a claim. Unfortunately, most DP1 policies will not allow you to insure your rental with replacement cost insurance.

DP1 Insurance & Price

The DP1 is typically the lowest cost landlord insurance policy on the market. If a landlord is looking for the cheapest policy she can find, it will typically be the DP1 policy. Every landlord should, however, do a cost-benefit analysis of each type of dwelling insurance policy to decide which policy is the best policy for their rental. Price, perils covered, and type of insurance (ACV vs. Replacement) should all factor into the insurance purchase decision.