

## **DP3 Rental Home Insurance Policy**

The DP3 insurance policy is considered the best insurance policy for rentals in the United States. It is often referred to as the Dwelling Fire Form 3 or DP-3 insurance. It provides excellent coverage for Landlords who are looking to get excellent insurance for their rental properties.

### **DP-3 Insurance is Best Suited for Rental Properties**

The DP 3 insurance is best suited for rental properties or non-owner occupied homes. In the past, many insurance companies used various DP products (like the DP-3) to insure owner-occupied homes. In more recent years, the DP3 policy and other similar insurance policies have been used primarily to insure rentals, while HO products (like the HO3 and the HO5) have been used primarily to insure owner-occupied homes.

Although most homeowners are not restricted from purchasing a DP-3 policy to insure their homes, this is generally discouraged because not only is the coverage less comprehensive with fewer endorsements than its HO counterpart, the HO-3, but also it usually not less expensive.

### **DP3 Insurance is All Risk Insurance**

Dwelling fire insurance policies come in two different policy categories; named peril policies and open peril policies. The DP 1 and DP 2 are named peril policies, while the DP 3 is an open peril policy. Named peril insurance policies are policies that specifically list the perils that are insured under the policy. Open peril policies, on the other hand, are insurance policies that cover all possible perils, with the exception of a small list of perils excluded from the policy.

### **Exclusions of the DP3 Insurance Policy**

As mentioned above, the DP-3 insures all perils except for those specifically excluded from the policy. The following perils are the most common perils that are excluded from DP-3 insurance coverage:

- Ordinance or Law
- Earth Movement
- Water Damage (some may be included in the policy)
- Power Failure
- Neglect
- War
- Nuclear Hazard
- Intentional Loss
- Governmental Action
- Mold (some may be included in the policy)

Although this list contains the most common perils not insured in a standard DP3 insurance policy, make sure to check with your agent and policy for any additional exclusions.

## **DP3 Insurance is Replacement Cost Insurance**

Insurance policies are either replacement cost insurance or actual cash value insurance. Actual cash value (ACV) policies typically don't insure dwellings in full because depreciation is deducted from the amount of money you can receive for a claim. If your home is old, then depreciation on the materials can prevent you from receiving thousands of dollars on your claim.

Fortunately, DP 3 insurance is replacement cost insurance. This means regardless how old your home is, your dwelling will be repaired in full without any costs out of pocket besides your home insurance deductible. Replacement cost is much better than ACV, and the DP3 has this type of protection.

## **Loss of Rents Included in the DP3 Policy**

The standard DP3 policy in the United States comes with a similar package offered by home owner (HO) insurance policies. A typical home insurance company in the United States will include the following five sections of coverage:

- Dwelling
- Other Structures
- Personal Property
- Loss of Use
- Liability
- Medical Payments

The DP3 policy is very similar to the standard home insurance package, with a few exceptions. First, the similarities. Dwelling, Other Structures, Liability, and Medical Payments coverage in the DP3 insurance policy are very similar to the way this is insured in a similar HO policy. The DP3 still has to insure the entire home and out-buildings, and still provides general liability coverage, so it makes sense that these areas are similar to home insurance policies.

Personal Property is an area where the DP-3 differs from a similar home insurance policy. Due to the fact that the policy is used primarily for rental homes and non-owner occupied dwellings, the amount of personal property attached to DP policies is much less. For example, many DP 3 insurance policies only have enough personal property coverage to insure major appliances like refrigerators, washing machines, etc.

One of the biggest differences between dwelling fire insurance and home insurance is Loss of Use and Loss of Rents. Loss of Use insurance is used primarily in home insurance policies, not dwelling fire insurance policies. Loss of Use coverage is used to cover additional expenses a homeowner may pay while her home is being repaired. Due to the fact that most DP3 insurance policies are non-owner occupied, Loss of Use coverage is not relevant.

Loss of Rents, on the other hand, is an important part of many DP3 policies. Loss of Rents coverage is meant to provide the insured

(owner of the policy) with continuing rental income while the home is being repaired due to damage from a covered peril. Without Loss of Rents coverage, if your rental property gets damaged and your renters have to move out while the home gets repaired, you will never collect the rent from those months. Loss of Rents prevents this from happening, by continuing to pay you, the landlord, your rental income while the home is repaired.

Overall, the DP 3 policy is an excellent dwelling fire insurance policy and is one of the best non-owner occupied insurance policies on the market today.