

Differences Between a DP-1 & a DP-3 Policy

The purpose of this information is to discuss the 2 general types of dwelling coverage forms, and what perils (the event that is causing the damage) are covered under each one. Some general principles are the same under both the forms. These include deductibles (what you pay towards the loss), actual cash value vs. replacement cost, additional living expenses (costs associated with tenant relocation while the home is repaired) loss of rental income, and no coverage for Tenants Contents/Liability.

There are 2 forms of the Dwelling Policy: DP-1 is for Basic Coverage and DP-3 is called Special Coverage.

DP-1 is the least expensive policy because it covers the least amount of things that could possibly go wrong. It only covers damage caused by fire & lightning. For an additional charge, windstorm, hail, explosion, riot, aircraft, vehicles, smoke, volcanic eruption and vandalism can be covered. Examples of What This Means To You: if the water pipes break or freeze, and the house floods, there is no coverage under this policy. If a power surge shorts out the electrical system, there is no coverage under this policy. Theft is not covered, either.

DP-3 works a little differently in that most perils are covered, unless it is specifically excluded, or limited. Unfortunately, it seems the things that are most likely to happen are generally excluded, because they become maintenance issues. But, the water and electric claims would now be covered. Theft of building pieces would be covered. Sewer backup and seepage is still not covered. Nor is enforcement of Law, earth movement, power failure, neglect, war, nuclear hazard, intentional loss, and damage caused by animals, certain types of water losses, fraud, arson, or vacancy, among other things.

No policy covers everything (no one would be able to afford it).

Another consideration is how losses are paid. DP-1 only allows for actual cash value, which means depreciation is factored into what the home can be re-built for. DP- 3 policy allow for replacement cost, as long as the building is insured for at least 80% of its estimated reconstruction value. Other structures like sheds, fences or garages are handled differently (still ACV vs. RC). On a DP-1, all items fall under the building limit. On a DP-3, there is a 10% allowance for such items, in addition to the building limit. Similar guidelines affect Fair Rental Value and Additional Living Expense Coverage.

Dean Street Insurance highly recommends the DP-3 as it offers the best coverage for rental properties.