



LANDLORD'S INSURANCE

TENANTS & LANDLORDS BOTH NEED COVERAGE TO BE PROTECTED

OWNER'S DWELLING COVERAGE



The **owner** of a rental home or apartment needs proper insurance to protect their interest and that comes in the form of a Dwelling Policy (DP). A "DP-1" is known as a *Basic* policy, "DP-2" as the *Broad* form and the "DP-3" as the *Special* form policy. In addition to rental properties, Dwelling Policies can be used for a seasonal/vacation home or a home whose risk is too high for a homeowner's policy.

A DP-1 is a basic, limited policy covering fire and lightning damage. By adding the *Extended Coverage* endorsement, a few other perils such as wind, smoke and vandalism are covered. The DP-3 provides *Open Peril* coverage, meaning any risk of physical loss that is not excluded is covered. Which is why a DP-3 is suggested whenever available.

The summary below is an overview of some of the coverages that are available as well as important endorsements and policy terms to consider when buying a Dwelling Policy:

DWELLING (A) covers the dwelling and all attached structures.

OTHER STRUCTURES (B) covers structures detached from the dwelling that are on the property. The limit is 10% of the Dwelling limit and can be increased. In a DP-1 the limit is included in the Dwelling limit. In a DP-2 and DP-3 the limit is provided in addition to the Dwelling limit.

PERSONAL PROPERTY (C) covers the personal property of the insured that is usual to the dwelling such as furniture, appliances or tools. Common exclusions include animals, cars, boats, money and jewelry.

FAIR RENTAL VALUE (D) reimburses rent that is lost when damage to a rental property renders it uninhabitable. One twelfth of the limit is paid monthly while the property is repaired.

As a property owner it is important to understand how coverage varies under the different Dwelling Policy forms. In a DP-1 policy the fair rental value is included in the Dwelling Coverage (A) and is deducted from the Dwelling limit at the time of a loss. Under a DP-2 or DP-3 policy the fair rental value coverage is additional insurance and is not deducted from the Dwelling limit.

ADDITIONAL LIVING EXPENSE (E) covers expenses such as dining, motel, laundry and transportation when the insured's property is damaged and rendered uninhabitable.

PERSONAL LIABILITY (L) can be added and is critical to carry. It covers the insured for personal, primary liability for which you are responsible for bodily injury and property damage related to the dwelling. For example, if your tenant falls and breaks an ankle on the broken front step you haven't gotten around to fixing, you are liable.

MEDICAL PAYMENTS TO OTHERS (M) reimburses medical expenses to a non-resident injured while at the dwelling with the owner's permission or if someone is injured off premises as a result of the insured's activities.

LIMITED THEFT ENDORSEMENT can be added to protect the owner's personal property while stored on the premises and for property owned by occupants of the dwelling who are not owners, such as tenants.

BROAD FORM THEFT ENDORSEMENT can be added to protect the property of the owner who is also the occupant. This endorsement covers the owner-occupant's personal property on and off the premises.

VALUATION: Dwelling and Other Structure losses are paid on a *Replacement Cost* basis while Personal Property claims are paid on an *Actual Cash Value* basis.

DEDUCTIBLE: Dwelling policies typically have an All Perils Deductible for losses such as fire or vandalism, and a Percentage Deductible for windstorm losses.

VACANCY: It is important to pay attention to how coverage changes when your rental property is vacant for any length of time. Claims for glass breakage, theft and vandalism are often not covered when a property is vacant for 31 or more consecutive days.

DWELLING UNDER CONSTRUCTION: Some insurers use a Dwelling Policy to provide coverage on a home that is under construction when the intended occupants are the owners.



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