



Renovation Risks: Why Homeowners Need **Home Remodeling Insurance**



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The Coverage Most Homeowners Don't Realize They're Missing

Remodeling a home can be as risky as it is exciting. For most homeowners, it's the second-largest expense of their lives, aside from the purchase of the home itself.

So, it only makes sense for owners to protect their investment during construction — in ways a traditional homeowners policy cannot. That's exactly what home remodeling insurance is designed to do.

What is home remodeling insurance?

Also known as remodeling builders risk insurance, it covers a person's or organization's insurable interest in materials, fixtures and / or equipment to be installed during the construction or renovation of a building or structure should those items sustain physical loss or damage from a covered cause.

Home remodeling insurance and homeowners insurance are two very separate types of coverage. Many homeowners may assume small renovations are covered under their existing homeowners policy. But that is not the case.

Homeowners insurance only protects permanent structures. Once you begin making any changes to a home, it becomes a structure in transition. That's where a remodeling builders policy comes in — to cover your property during the course of construction.

4 Home Remodeling Risks You Can't Afford to Overlook

What could possibly go wrong during a renovation project? A home is vulnerable to a host of risks during a remodel, the four most common being:

1. Theft

Your home is exposed to theft more than you may think during a remodel. From the onslaught of contractors coming and going to building materials being left out in the open — your project could be too tempting for criminals to resist.

Some of the most expensive components of your remodel are the most appealing for thieves, such as:

- Air conditioners
- Appliances
- Building materials
- Kitchen cabinets
- Water heating systems

There's one more target with the potential to do the greatest harm: expensive copper piping. When it's stolen and sold for cash, walls are damaged and the risk of flooding inside a home skyrockets.



Theft (Continued)

While many basic homeowners policies don't cover theft for not-yet-installed materials, home remodeling insurance does. According to Trusted Choice, the average theft costs homeowners around \$3,000.¹ The National Association of Homebuilders estimates that the cost is 1.5 percent to two percent of the total remodel.²

However you do the math, home remodeling insurance could be the difference between paying out-of-pocket to replace copper piping or affording that handcrafted copper sink.

THEFT: MORE COMMON THAN YOU THINK

About one in every 33 homes³ under construction will suffer a break in or theft. That's about 3.3 percent of construction projects.

2. Vandalism

While the dust, drilling and distractions of a major remodel may drive you to reside somewhere else temporarily during construction, your vacant home becomes an easy target for vandalism, such as:

- Damaging fixtures
- Hammering walls
- Spray painting

The total cost of vandalism claims in InsuranceLink's home state of Florida, for example, averages a whopping \$15.2 billion per year!⁴ Property damage from vandalism or intentional mischief costs an average of \$5,000 per claim.⁵ However, a typical homeowners insurance policy isn't designed to cover a vacant property and may only allow for a home to be vacant for 30 days before coverage is canceled.

Theft and vandalism during construction is one of our top three builders risk claims reported by policyholders. This makes up approximately 26 percent of losses for the Builders Risk Plan insured by Zurich.⁶

3. Debris Removal

When multiple contractors are working on a renovation, accidents can happen—and before you know it, a can of paint thinner left unattended becomes an accidental explosive that lights the entire home on fire. In this case, not only would you suffer the financial impact of what could be a total loss from the fire damage, but you're also responsible for removing the debris left behind.

As you might imagine, the cost of debris removal can be unpredictable. Removal is typically charged by the pound and can cost thousands of dollars, while coverage for debris removal is often determined by a percentage of the structure value. Trusted Choice reports that the average fire, lightning and debris removal claim costs homeowners \$31,762.⁷ A typical homeowners policy doesn't cover these costs, but home remodeling builders risk insurance does.



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4. Property in Transit or Storage

Whether it's lumber, new windows, cabinets or stone countertops, new materials have to arrive at the construction site somehow, and you could be responsible for the materials while they're in transit. Often, materials need to be stored at a temporary location until they can be installed.

Don't find out the hard way that your homeowners policy may only cover materials within 100 feet of the structure. After all, a typical homeowners policy will do just that: covering materials only once they've been installed. However, renovation insurance covers materials whether they're on the back of a truck or in a temporary storage unit.

Who needs home remodeling insurance?

Long story short: If you're making any changes to your home, you need this coverage no matter how insignificant the remodeling may seem.

Examples include:

- **Age-in-place baby boomers**

Owners looking to stay in their homes in retirement will most likely need to add walk-in showers, first-floor bathrooms and other upgrades for accessibility.

- **Millennial fixer-uppers**

Young, first-time homebuyers often can't afford their dream home right away. Buying and renovating a starter home to suit their needs is a great first step.

- **House flippers**

People who make their living buying homes and performing major renovations are the ideal candidate for remodeling insurance (mainly because they face some of the greatest risks during vacancies).



If you've ever watched HGTV or the DIY Network, you understand how the smallest project can open the largest can of worms.

All it takes is one pipe to burst and a house is flooded, causing a costly chain reaction. Or, maybe a cabinet needs to be replaced and black mold rears its ugly head. Now walls need rework, too.

Without a remodeling insurance policy in place, at that point, it would be too late. Most homeowners policies do not cover damages or losses caused by renovations.

And, if something is stolen or damaged, it costs you more than just the price of the materials. The construction schedule is now behind, workers are delayed, and you'll need more time and money to catch back up.

Can't I just remodel without a home remodeling policy?

Making any renovations without a remodeling builders risk policy in place is a roll of the dice. The risks are real, and the house doesn't always win.

In most cases, homeowners begin with a minor project, like replacing some tiles. Then, the to-dos and ideas snowball into a major structural remodel. There isn't a homeowner policy out there that covers a structural remodel or the existing structure during such an undertaking.

In fact, some homeowners insurance providers will cancel coverage if they discover the remodel. Plus, if damage occurs, the homeowners insurance carrier will most likely deny your claim.

Adding insult to injury, some homeowners policies will cancel coverage if they discover an owner has been remodeling. And, they'll most likely deny your claim if a loss occurs during the renovation.

Other Perks of a Home Renovation Insurance

In addition to knowing you won't take a financial hit for uncovered damages or losses, a home remodeling policy ensures your homeowners policy will not be at risk of cancellation or increased rates if something goes wrong during construction.

Because remodeling projects often require significant financial investment, many homeowners may look to save a few dollars by skipping the home remodeling insurance and hoping for the best.

Yet, without the proper coverage in place, you risk losing everything you put into your remodeling project should a loss occur.

No matter the size of your construction project, you need home remodeling insurance to protect your interests.

Which type of remodeling coverage do you need?

Once you decide to protect your project with a remodeling policy, it's time to determine which type you need:

Renovation only

If you have a homeowners insurance policy that will stay in place during the remodeling project and would like to secure coverage for the upgrades only, we've got you covered.

Existing structure and renovation

If you're doing a major remodel or "flipping" a house, there are builders risk policies offering coverage for the existing structure and for the renovation. Some policies require you to invest a specific minimum amount into the renovation to be eligible for coverage. For example, with the Builders Risk Plan insured by Zurich, that minimum is at least 20 percent of the existing structure's value.

What to look for in a home remodeling insurance carrier:

- A trusted, stable company with "A" ratings from A.M. Best
- A solid track record of fast, customer-focused claims processing
- Flexible underwriting philosophy that allows term renewals if the project is extended
- Comprehensive coverage that can be customized for each project

Still not convinced you need a remodeling builders policy?

Download our guide: *Is Homeowners Insurance Enough for My Remodel? A Builders Risk Coverage Comparison* for a deeper dive into what a typical homeowners policy will cover (and more importantly, what it won't).

Get Guide 



About InsuranceLink

InsuranceLink is a licensed insurance agency offering construction and property insurance products across the U.S. from "A" rated carriers. Our expertise lies in builders risk coverage, exclusively backed by Zurich for single family homes to commercial projects valued up to \$75 million. Additionally, we supplement this with products for premises liability, vacant structures and rental homes. Learn more at insurancelinkdirect.com.



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This is intended as a general description of certain types of insurance and services available to qualified customers. The policy is the contract that specifically and fully describes coverage. The description of the policy provisions gives a broad overview of coverages and does not revise or amend the policy.

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¹Trusted Choice, <https://www.trustedchoice.com/homeowners-insurance/home-coverage-claims/>

²National Association of Homebuilders, <http://www.contractorsfromhell.com/a-building-concern-risk-of-theft-during-a-home-remodel/>

³Security Management Magazine, <http://www.contractorsfromhell.com/a-building-concern-risk-of-theft-during-a-home-remodel/>

⁴Bulldog Adjusters, <https://www.bulldogadjusters.com/types-of-claims/burglary-and-vandalism-claim/>

⁵Insurance Information Institute, <https://www.iii.org/fact-statistic/facts-statistics-homeowners-and-renters-insurance>

⁶Zurich Claims Data, 2015

⁷Trusted Choice, <https://www.trustedchoice.com/homeowners-insurance/home-coverage-claims/>