



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



US Assure

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The Coverage Homeowners Don't Realize is Missing

Remodeling a home is an exciting — but risky — endeavor. For many of your personal lines clients, it can be the second-biggest expense of their lives after the purchase of their home. By educating these clients on the value of home remodeling insurance, you can help protect their investment.

What is home remodeling insurance?

Home remodeling insurance (also called remodeling builders risk insurance) is property insurance that covers structures under construction or renovation.

While you may be familiar with both terms, home remodeling insurance and homeowners insurance are two very different types of coverage.

Homeowners insurance protects permanent structures. Once you begin making changes to a home—no matter how small—it becomes a structure in transition. That's where a home remodeling policy comes in.

The Most Common Risks of Home Remodeling

Remodeling a home comes with a long list of exposures that the typical homeowners insurance policy doesn't cover. Let's look at four of the most common threats.

Theft

Rarely is a home more vulnerable than during a remodel. Contractors are constantly coming and going, building materials are out in the open, and the property is often left unsecured.

Thieves often target items such as:


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

Another big target: expensive copper piping, which is often stolen and sold for cash. This can not only damage walls, but also cause costly flood damage inside the home.

A close-up photograph of two paintbrushes with grey bristles and blue handles, resting on a grey tray. One brush has the number "06" on its handle.

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 averages the cost to be 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.

A green circular icon containing a white exclamation mark, indicating a warning or important note.


Approximately 3.3 percent of homes under construction will suffer a break in or theft. That's about one in every 33 homes!³

Vandalism

Owners often can't wait to escape the dust, drilling and distractions of a major remodel. When left vacant, homes become easy targets for acts of vandalism, such as:

- Damaging fixtures
- Hammering walls
- Spray painting

The total cost of vandalism claims in US Assure's home state of Florida, for example, adds up to a whopping average of \$15.2 billion per year.⁴ The average cost of property damage from vandalism or intentional mischief is roughly \$5,000 per claim.⁵ The 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. But, it's for situations like this that home remodeling insurance is especially helpful.

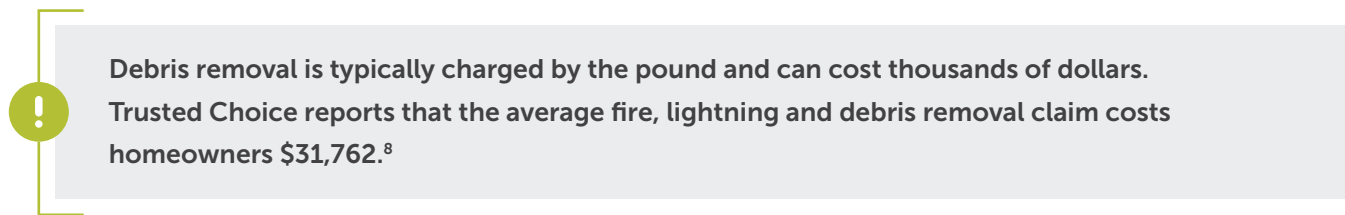
A green circular icon containing a white exclamation mark, indicating a warning or important note.

Theft and vandalism during construction is one of US Assure's 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

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 do homeowners suffer the financial impact of what could be a total loss from the fire damage, but they'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 given 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 offers it.



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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 your client could be responsible for the materials during the transit period. Often, materials need to be stored at a temporary location until they can be installed. Don't let clients find out the hard way that their homeowner 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, home remodeling insurance covers materials whether they're on the back of a truck or in a temporary storage unit.

Who needs home remodeling insurance?⁸

Long story, short: **If your clients are making *any* changes to their home, they need home remodeling insurance.**

They might think, "It's just a simple job, though. We're only replacing tile in the bathroom!"

If you've ever watched a home improvement TV show, you know where this is going. Projects can quickly snowball, and who knows what costly "domino" your eager client might be tipping over.

All it takes is one accidental pipe rupture to flood a house; fast-forward to replacing all the flooring. They might take down old cabinets and discover an unexpected mold problem; suddenly, entire walls need replacing.

If any damage is ultimately caused by a renovation — no matter how small — most homeowners policies will not cover it.

Plus, if something is damaged or stolen during a remodel, it costs your client more than just the price of the materials: The construction schedule is now behind, workers are delayed, and it costs a lot more time and money to catch back up.



Who is doing all this renovating?

Age-in-Place Baby Boomers

Many people over the age of 50 are already settled in older homes. Yet, they're spending the most money on renovations for accessibility, including:

- Adding walk-in showers and first-floor bathrooms
- Installing chair lifts or elevators
- Lowering cabinets, countertops and sinks

Aging in place was reported as one of the top new revenue sources for remodelers, followed by energy efficiency, home automation, outdoor living and multigenerational housing.⁸

Millennial Fixer-Uppers

These younger, often first-time homebuyers in their 20s and 30s can't afford new construction or prefer the charm of older homes, so they're purchasing so they can renovate to fit their style.

House Flippers

Of course, people who regularly purchase, renovate and sell homes for a profit are ideal candidates for home remodeling insurance. Since they perform major remodels and the structure is almost always vacant, they often face some of the greatest risks.

What if your client wants to remodel without a home remodeling policy?

Renovating without a home remodeling policy is a dice roll that can come with repercussions.

The Risk of Trying to "Game the System"

Oftentimes, homeowners start a "minor" project then find other things to fix, turning a basic remodel into a structural remodel — and no homeowners policy covers a structural remodel or the existing structure.

In fact, some homeowners policies will cancel coverage if they discover an owner has been remodeling. Plus, if damage occurs and the homeowners insurance carrier didn't know your client was remodeling, they'll most likely deny the claim.

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Other Benefits of a Home Remodeling Policy

If your client has home remodeling insurance and something does happen, they file a claim under the home remodeling policy, not their homeowners policy. That means they don't have to worry about their homeowners insurance canceling on them or increasing rates in the future.

The message to give your clients: **You must have the proper policy for the exposure.** Is it worth jeopardizing your renovation to save a few dollars, hoping you'll get lucky? If you're undergoing construction, you need home remodeling insurance.

Now what? Prepare to get your clients on board with a home remodeling policy.

Email clients to ask if they're remodeling.

Do you know how many of your personal lines clients are remodeling or renovating their homes? Nearly 60 percent of consumers plan to renovate their homes, according to a recent LightStream study.⁹ Consider sending them an email once or twice a year to ask if they are, because these homeowners might not even know they're at risk.



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Help clients understand their homeowners policy and identify gaps.

What is covered under a client's homeowners insurance policy? Does it cover any dollar amount for renovations? Talk them through the difference between a homeowners policy and a home remodeling builders risk policy, and ask if they plan to renovate.

Consider what type of policy your client needs.

Renovation only — If your client has a homeowners policy that will stay in place during the project, there are home remodeling policies that will cover only the renovated portion of the structure.

Existing structure and renovation — If your client is doing a major remodel or is “flipping” a house, there are policies offering coverage for the existing structure and for the renovation. Some policies require clients to invest a specific minimum amount into the renovation to be eligible for coverage. For example, with the US Assure Builders Risk Plan insured by Zurich, that minimum is at least 20 percent of the existing structure’s value.

Identify a reliable home remodeling insurance carrier.

You want to offer your clients the best, so here’s what to look for in an insurance provider:

- A trusted, stable company with favorable A.M. Best ratings
- A solid track record of prompt, client-oriented claims management
- Flexible underwriting philosophy that allows term renewals if the project is extended
- Comprehensive coverage that can be customized for each project

You also want a carrier that makes your job easier as an agent. For instance, US Assure offers an online policy issuance system for home remodeling insurance. As a licensed insurance agent, you can quote and issue a tailored builders risk policy online in minutes with no minimum commitment. You don’t have to be experienced in builders risk or home remodeling coverage—the system is intuitive and easy to use.

Is the US Assure Builders Risk Plan insured by Zurich the right coverage for your homeowner clients? We think so. Learn why in our guide: [Is Homeowners Insurance Enough? A Builders Risk Coverage Comparison.](#)

Is homeowners insurance enough?

It’s a common question for agents with personal lines clients.

In our [coverage comparison guide](#), you’ll learn how homeowners insurance and residential builders risk coverage stack up and where gaps in coverage could exist.

[Get Guide](#) ▶



About US Assure

US Assure is a premier program administrator and insurance services provider. With more than 40 years of experience in the construction industry, US Assure exclusively manages, distributes and services the Builders Risk Plan insured by Zurich, and other property products, throughout the United States and Canada. Agents interested in partnering with US Assure to access the Builders Risk Plan insured by Zurich can register online in four easy steps for instant access with no minimum commitment. Registered US Assure agents are equipped to provide a comprehensive range of builders risk products for projects of any size and value. For more information, visit usassure.com.

To begin offering vacant property coverage register online with US Assure in four easy steps at usassure.com.

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US Assure is an independent, third-party administrator managing policy processing for certain builders risk policies issued by Zurich and its affiliated companies. US Assure does business as US Assure, Inc. and US Assure Insurance Services of Florida, Inc. In California, US Assure operates as InLink Insurance Services (CA license # OD44490).

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 Adjustors, <https://www.bulldogadjustors.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/>

⁸Farnsworth Group, Survey of Remodelers by The Farnsworth Group October 2016

http://www.remodeling.hw.net/benchmarks/economic-outlook-rii/where-is-remodeling-headed-these-niche-areas-point-the-way_o

⁹LightStream, <https://blog.lightstream.com/wp-content/uploads/2018/02/InfographicHISurvey2018.pdf>