

Have You Renovated Your Home? Call Your Insurer

Americans who were cooped up at home during stay-at-home orders since the pandemic started have been busy renovating their homes in record numbers.

Home renovation spending grew 15% in the last year to a median \$15,000, according to a survey by home renovation website *Houzz*. It also found that higher-budget projects (accounting for the top 10% of project spending) saw an increase to \$85,000 or more in 2020, compared with \$80,000 in the two years prior.

If you are one of the thousands of people who spent money on home renovations recently and you haven't informed your insurer about it, you should, particularly if those renovations have bolstered the value of your home.

The reason for this is that if that new kitchen increased the cost of rebuilding your home after a claim, your current homeowner's insurance limits may not be high enough to reimburse you if you have a total loss. Ideally, you should inform your insurer before you start renovations.

Below we list the main home renovations that you should inform your insurer about as they can affect your coverage (please note: the prices are from 2020, before construction costs went through the roof, so current averages are likely higher):

Kitchen and bathroom upgrades – One of the most surefire ways to increase your home's value is to remodel and modernize the kitchen or bathroom.

A kitchen upgrade will cost an average of \$35,000, while adding an average value increase of \$20,000 to your home.

Complete kitchen renovations typically have a higher return on investment (ROI). The national average for a full kitchen renovation comes in at \$65,000, which increases the value of the home by about \$40,000.

If you spend \$35,000 on your kitchen remodel, including new granite countertops, redwood cabinets and a \$5,000 stove, your homeowner's policy may not have high-enough limits to cover the cost of rebuilding the kitchen after a disaster or fire.

Please note: If you upgrade your electrical or plumbing systems during a kitchen or bathroom renovation, you could qualify for an insurance discount. You will need to inform us or your insurer about those changes to qualify for a discount.

Flooring – New or refinished wood flooring also adds value to your home.

According to the National Association of Realtors' 2020 "Remodeling Impact Report," homes with existing hardwood floors will likely see a 100% return as the average \$3,000 cost to refurbish them adds \$3,000 in value.

Installing wood flooring by replacing another floor, usually has a 91% return on investment. So a \$10,000 wood flooring installation can add around \$9,000 in value to your home, depending on the flooring type you choose.

Siding ¶ In some parts of the country, repainting your home's exterior can result in a 112% ROI. The average cost to paint a house last year was \$2,900, with the low end being \$650 and the high end reaching \$6,200.

If you are looking to replace the siding on your home, the ROI is about 76%. That average cost of siding replacement in 2020 was \$14,518.

Adding more square footage ¶ Some people who are now anticipating working remotely for years to come, have added more space to their homes to make it more comfortable to telecommute.

While a home expansion does not always add value to your home in the resale market, it will cost more to rebuild in case of a total loss.

You may also need additional insurance if the space you added is not inside your home: like a deck or grandmother's quarters.

Some final tips

When doing a remodel, make sure that your contractor is licensed, insured and surety bonded before signing the contract.

If the contractor starts but doesn't finish the job, their surety bond will cover any financial losses the homeowner incurs in getting the job finished.

Also, you need to make sure the contractor has general liability insurance, which covers them for accidental injury to someone other than a worker or themselves (many general contractors are small businesses, operated by their individual owners with a few workers).

You will also want to make sure they have workers' compensation insurance. If they don't and one of their workers is injured on the job, they can go to your homeowner's policy to cover their workers' comp claim.

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