Home renovations and your insurance: what changes when you rebuild

Why a renovation matters to your policy

Renovating a home changes more than the way it looks. It also changes the risk profile that your insurance policy was built around. When you add a new kitchen, finish a basement, or build a deck, the replacement cost of the house goes up. Your policy may not reflect that new value unless you update your coverage. The same applies to liability and personal property. A renovation can also introduce new exposures, like flood risk from an expanded basement or higher liability from a home office. Understanding how renovations affect your coverage helps you avoid surprises when you need to file a claim.

What dwelling coverage covers and why it needs to grow

Dwelling coverage pays to rebuild your home if it is destroyed by a covered event, like a fire or windstorm. The amount of dwelling coverage on your policy is based on the estimated replacement cost of the house at the time the policy was written. After a renovation, the replacement cost rises because you have added square footage, upgraded materials, or improved finishes. A new granite countertop, hardwood floors, or a custom tile shower cost more to replace than the builder-grade items they replaced. If your dwelling limit stays the same, you could be underinsured. That means you would pay out of pocket for the difference between the actual rebuilding cost and what your policy pays.



To keep dwelling coverage adequate, you need to update your policy after the renovation is complete. Most insurers ask for a revised estimate of the replacement cost. Some allow an automatic inflation adjustment, but that adjustment is designed to track general construction cost increases, not the specific jump caused by a major renovation. A good practice is to talk to your agent or broker after any project that adds value or changes the structure. They can run a new replacement cost calculator and adjust your dwelling limit accordingly.

Personal property and your new belongings

Renovations often come with new furniture, appliances, electronics, or decor. A kitchen remodel may include a new refrigerator, dishwasher, and microwave. A basement conversion might add a home theater system or a pool table. These items fall under personal property coverage, which insures your belongings against the same perils that apply to the dwelling. If your personal property limit was set based on what you owned before the renovation, it may no longer be enough. You can increase the limit or add a scheduled personal property endorsement for high-value items like a premium range or a custom sound system.

It is also worth reviewing the deductible. If you increase your personal property limit, the deductible on that part of the policy remains the same. But if you add a separate endorsement for specific items, that endorsement may have its own deductible. Ask about that before the renovation starts so you know what to expect.



Liability protection after a renovation

Liability protection covers you if someone is injured on your property or if you cause damage to someone else's property. A renovation can increase liability exposure in a few ways. A new deck or patio creates a place where guests can slip or fall. A swimming pool or hot tub adds serious injury risk. A home office with client visits means more people on the property. If your

renovation makes your home more attractive to visitors or adds a hazard, your liability limit may need to go up. Umbrella insurance is another option if the renovation pushes your total liability exposure beyond the standard limit of your homeowners policy.

Additional living expenses and coverage for disruptions

Additional living expenses coverage pays for temporary housing and extra costs if your home becomes uninhabitable due to a covered loss. A major renovation can change how that coverage works. If you are adding square footage, the reconstruction time after a fire or storm may be longer because the house is bigger. The daily cost of temporary lodging may also be higher if you live in an area where rental rates are rising. Check your additional living expenses limit to see if it is enough to cover a longer rebuild period. Some policies offer a percentage of the dwelling limit, so increasing dwelling coverage automatically increases this coverage. Others have a fixed dollar amount. Know which one you have.

Flood risk and basement renovations

Flood risk is a common blind spot after a basement renovation. Standard homeowners insurance does not cover flood damage. If you finish a basement with drywall, flooring, and furniture, that investment is at risk if water enters the basement from heavy rain, rising groundwater, or a failed sump pump. A finished basement also makes it harder to dry out after a flood, which can lead to mold and further damage. If your renovation involves a basement, consider adding a separate flood insurance policy through the National Flood Insurance Program or a private insurer. Some insurers offer a water backup endorsement that covers damage from a backed-up sewer or sump pump overflow, but that is not the same as flood coverage. Read the exclusions carefully.

Replacement cost vs. actual cash value after upgrades

When you renovate, you are adding new materials and finishes. Most homeowners policies offer replacement cost coverage for the dwelling, which means the insurer pays to rebuild with materials of like kind and quality. But some policies, or some parts of the policy, use actual cash value, which subtracts depreciation. If your policy uses actual cash value for personal property or for specific structures like a deck or fence, the payout after a loss will be less than the cost to replace. A renovation is a good time to review whether you want to upgrade to replacement cost coverage on all parts of the policy. The premium increase is usually modest compared to the gap you could face after a claim.



How to update your coverage after a renovation

The process is straightforward. After the renovation is complete, gather the final contractor invoices, permits, and any plans or specifications. Contact your agent or insurer and provide the new information. They will recalculate the replacement cost and adjust your dwelling limit, personal property limit, and liability limits as needed. If you added a structure like a detached garage or a large deck, it may need its own coverage under the "other structures" part of the policy. You can also ask about discounts for safety upgrades like a new roof, impact-resistant windows, or a monitored security system. These upgrades may reduce your premium even as the overall coverage goes up.

For help reviewing your policy after a renovation, you can reach out to Myprisminsurance. They work with individuals and businesses to choose insurance coverage that fits their needs. They can help you understand how changes to your home affect your homeowners policy and what adjustments make sense.

What happens if you renovate without telling your insurer

If you do not update your policy after a renovation and then file a claim, the insurer may pay less than you expect. In some cases, they might deny the claim entirely if the renovation materially increased the risk without their knowledge. For example, adding a wood-burning stove without telling the insurer could void coverage for a fire claim. Adding a swimming pool without updating liability coverage could leave you exposed if someone is injured. The same logic applies to any structural change. Always notify your insurer before the renovation starts, or at least before it finishes. Some insurers require pre-approval for certain types of work, especially if it involves electrical, plumbing, or structural changes. Check your policy wording or ask your agent.

Planning your renovation with insurance in mind

The best time to think about insurance is before the renovation begins. Include the cost of updating your policy in your overall budget. Factor in the potential premium increase and the cost of any additional endorsements or separate policies. If you are financing the renovation, your lender may require proof of adequate insurance before they release funds. Keep your insurer in the loop from the start. That way, you avoid coverage gaps and ensure that your new investment is protected from day one.



Whether you are planning a small kitchen update or a full home addition, a quick conversation with **Myprisminsurance** can help you understand what your policy covers and what changes you need to make. They can guide you through the process of updating your dwelling coverage, personal property limits, and liability protection so that your renovation is matched by the right level of insurance.