

Home Renovations Can Change Your Insurance Coverage. Here's Why It Matters.

Home renovations are often driven by practical needs or long term investment goals. A growing family. An aging property. A desire to increase comfort, efficiency, or resale value. What many homeowners overlook is how those improvements affect their home insurance policy.

Renovations change risk. They change replacement cost. In some cases, they change how a home is used. If your policy is not updated to reflect those changes, you may find yourself underinsured at the worst possible time. A proactive insurance review ensures your coverage keeps pace with the home you have today rather than the one you had before the work began.

RENOVATIONS AND INSURANCE EXPOSURE

Home insurance is built around replacement cost. This is the cost to rebuild your home using materials and workmanship of similar kind and quality following a covered loss.

Policyholders are required to notify their insurer of any renovations or improvements, as changes to the home can materially increase reconstruction costs. A kitchen remodel with custom cabinetry, stone countertops, and upgraded appliances can raise rebuilding expenses well beyond the original structure. A finished basement adds usable living space that must be insured. Structural changes, such as additions or layout modifications, also increase complexity and cost in a claim's scenario.

Even renovations that appear cosmetic can affect coverage. Upgraded flooring, fixtures, or built in features often cost more to replace than standard finishes.

If your insurer has not been advised of renovations (either completed or just started), you may be exposed to inadequate coverage limits and potential coverage gaps at the time of loss.



WHEN A POLICY UPDATE IS REQUIRED

Policyholders are required to notify their insurer prior to commencing renovations. Home insurance coverage must be reviewed and updated when changes are planned, as waiting until renewal or until after renovations are complete may result in coverage gaps. If a loss occurs before the insurer is advised of the work, renovations in progress or newly completed improvements may not be fully covered.

Some policies include specific conditions for homes under renovation, including limitations or exclusions if portions of the dwelling are unoccupied during construction.

Failure to notify the insurer before renovations begin may result in reduced or denied coverage in the event of a loss.

WHAT INSURERS TYPICALLY NEED

Updating your policy is usually straightforward. Your broker or insurer will ask for a description of the work completed, the total cost, and the date the renovation

was finished. In some cases, they may request photos or copies of invoices to support the update.

Permits can also matter. Work completed without required permits may complicate a future claim. Ensuring renovations meet local building requirements protects both the home and the policyholder.

The goal is not to scrutinize the renovation but to ensure the insurer can accurately calculate replacement cost and adjust coverage accordingly.

KEY COVERAGE AREAS TO REVIEW

Renovations provide a natural opportunity to review several core parts of your policy.

Dwelling coverage should be reassessed to reflect current rebuilding costs. This is the most critical update and the area where underinsurance most often occurs.

Personal property limits may also need adjustment, particularly if renovations included high value contents such as built in electronics, upgraded appliances, or specialty materials.

Liability coverage is worth revisiting if the renovation changes how the home is used. Adding a rental suite, home office, or features such as a pool or large deck can increase liability exposure.

Endorsements should also be reviewed. Sewer backup, water damage, and ordinance or bylaw coverage are increasingly important as homes become more complex and rebuilding regulations evolve.

POTENTIAL PREMIUM IMPACTS

Not all renovations increase premiums. Some can reduce risk and result in savings.

A new roof, updated plumbing, modern electrical systems, and improved heating can lower the likelihood of certain claims. Security systems, fire detection upgrades, and water monitoring technology may also qualify for discounts depending on the insurer.

While some projects increase premium due to higher replacement cost, the trade-off is appropriate coverage and fewer surprises if a claim occurs.

CONCLUSION

Home renovations represent a significant investment. Insurance should protect that investment fully and accurately. A short conversation with your broker before renovations are started can prevent substantial financial exposure later.

The most effective approach is proactive. Review coverage annually. Update the policy whenever meaningful changes are made to the home. Ask questions about replacement cost, optional coverages, and how inflation or construction costs may affect your limits.

In today's environment, where rebuilding costs continue to rise, keeping insurance aligned with the true value of your home is not optional. It is a core part of responsible home ownership.

A well structured insurance review ensures your policy reflects the home you live in today and supports your long term financial stability, no matter what happens tomorrow.

If you have questions specific to your business, or would like additional information, please reach out to your Navacord Insurance Services Alberta Inc. Advisor.

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