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Home renovation fails: Busted budgets, blown deadlines most common blunders

6 min read

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Nearly half of those who launched a home improvement project said they experienced a home renovation fail, according to a new survey by Insurance.com. Below we'll report key findings of the survey as well as explain how home insurance covers renovations and work done by contractors.



It's a familiar scenario. You're inspired by a vision. You map out the scope of the project, calculate a budget and begin to execute the game plan for your dream home makeover. Then reality sets in. Things don't go as expected, and as the warm weather wanes, you're left with a blueprint for disaster.

Insurance.com asked 1,000 people about their home improvement projects to see whether they were a success or failure. Findings reveal that going over budget and not completing the work are the top renovation fails.

Of those who had a home renovation fail:

- 41% spent more than expected

- 39% didn't finish an important project
- 12% had arguments with their partner or spouse as a result of the renovation
- 5% experienced fire, flooding or other damage due to the work
- 2% damaged a neighbor's property

That's going to cost you: How much renovation failures cost homeowners

The cost of remodeling a house often plays a big role in why these projects can be stressful. Having your bottom line hammered by a makeover mishap doesn't help. Insurance.com's survey also looked at how much different types of renovation fails cost homeowners. Most of those who didn't finish a project were out by less than \$2,000, while most of those who spent more than expected went over budget by more than \$8,000. Here is how the findings break down:

Did not finish an important project	%
\$2,000 or less	52%
\$8,001 or more	18%
Between \$2,001 and \$4,000	15%
Between \$4,001 and \$6,000	7%
Between \$6,001 and \$8,000	7%

When it came to how much a renovation fail cost survey respondents, 26% said it was over \$8,001. Of those who spent more than they budgeted, here is how it breaks down by price range:

Spent significantly more than expected	%
Equal to \$8,001 or more	26%
\$2,000 or less	24%
Between \$2,001 and \$4,000	21%
Between \$4,001 and \$6,000	17%
Between \$6,001 and \$8,000	12%

Of those who had spats over remodeling, the findings revealed the costs were relatively low for the majority.

Resulting arguments with significant other	%
\$2,000 or less	56%
Between \$2,001 and \$4,000	26%
Equal to \$8,001 or more	24%
Between \$4,001 and \$6,000	17%
Between \$6,001 and \$8,000	3%

Twenty-six percent of those surveyed who had damage to their own house during a renovation said the accident cost between \$4,001 and \$6,000. Twenty-two percent said it bumped costs by \$6,001 to \$8,000. Another 22% said it tacked on \$8,001 or more to their project expenses.

Though just 2% of those surveyed said their rogue renovation damaged a neighbor's property, it was costly when it happened. A third said it put them out more than \$8,001, while another 33% said it cost between \$4,001 and \$6,000.

Does home insurance cover renovation damage?

Your [homeowners insurance](#) usually comes to the rescue when damage is caused by a renovation. But there are exceptions and limits.

To be sure you are sufficiently covered, you should review coverage amounts before starting a project.

Notify your insurance company about any projects that will add significant value to your home. Building an addition, adding a bathroom, remodeling a kitchen, these will increase the value of your house. You should be sure the dwelling coverage amount, or what the insurance company will pay out for damage to your house, matches how much it would cost to replace your home. So, to make sure you have sufficient amount of coverage, check that the limits on your policy reflect your home's increased value.

If you hire a contractor, which insurance company will pay for home damage often depends on your homeowners' insurance policy, the type of damage and how damage was caused. Here's the role your homeowners insurance plays in various renovation fails:

Does home insurance cover contractor damage?

If a contractor causes an accident that damages your house, your home insurance may help to pay for repairs, but typically the contractor's insurance would pay for the damage. If your insurance company paid a claim, it would likely seek reimbursement from the contractor's insurance company.

The Insurance Information Institute (III) advises that you only hire contractors with adequate insurance coverage. You should verify your contractor's insurance coverage before hiring him or her by asking to review a copy of the contractor's policies. It should include both a commercial business/general liability insurance policy and workers compensation. The latter is important because without it, workers remodeling your home could sue you if injured. Though your liability insurance would pay for that, up to your limits, it's best to avoid the situation altogether.

Faulty work done by your contractor

Home insurance policies won't cover shoddy workmanship or defective building materials. So, if your contractor improperly shingles your house, for instance, you'd have to pay to have the shingles repaired or replaced. However, in some cases, your home insurance may cover damage that's caused as a result of poor-quality work, the III says, as long as the type of damage is covered by your policy. Let's say, for example, an electrician doesn't wire a room correctly and it causes a fire. The damage from the fire would likely be covered, but not the cost to repair or fix the poorly installed wiring.

Damage you cause to your own home

Your home insurance covers your house during a remodel. However, that protection may not automatically extend to an addition, according to the III. Make sure you check your home insurance coverage limits and be sure your replacement cost matches. You should hike your coverage limits if, for instance, an addition caused an increase in what it would cost to repair or rebuild your home.

Adjust your dwelling coverage limits to protect your addition or renovation

The cost to repair damage to your home or rebuild it completely at equal quality — at current prices — is the [replacement cost](#). It is tied to the amount of coverage you select and the amount your insurer will pay you if you file a claim. So, you should adjust your dwelling coverage amount to what best matches your home's replacement cost. Otherwise, you'll be underinsured.

Damage you cause to a neighbor's home or property

If your renovation goes awry and you cause damage to a neighbor's house or property, the neighbor would file a claim to pay for the damage with his or her own home insurance policy. So, for instance, if a tree falls on your neighbor's house or porch, the neighbor would file a claim, not you. The major exception to the rule of thumb that your neighbor's insurance will pay is the case of negligence on your part. If your tree was dead or diseased, and a judgment or settlement finds that you knew or should have known about that, you could be legally liable for the damages. This is especially true if your neighbor has documentation proving that he or she complained to you or the city about the state of your tree.

If your contractor caused the damage, your neighbor would generally be compensated through the contractor's insurance claim.

Additional coverage for renovations

You may want to invest in additional coverage, sometimes called "dwelling under construction" or sometimes called "renovation insurance." This type of coverage would be added on to your existing policy. This type of insurance covers theft or damage to building materials, as well as foundation collapses.