

Bringing Down the House

Homeowners Insurance during the Pandemic and Beyond



The Covid-19 pandemic has created a number of new exposures or considerations that many homeowners have not thought of or discussed with their insurance advisors. Exposures such as home schooling, working from home/home based offices, home based businesses, and home improvements have all skyrocketed in the last year since the Covid crisis took over. In this article, we are going to discuss these issues as well as provide you with information on how to protect what is most likely your biggest financial asset....your home.

The Value of Your Home

With the onset of the Covid crisis back in January 2020, families quarantining in their homes were suddenly tasked with having to find space in their homes for home offices, space for their children to be educated, and/or space for home based businesses. This resulted in many families seeking out bigger homes with larger yards and additional living spaces. Many homeowners chose to move from urban to suburban areas or to upgrade from multi-family properties to single family homes. And many more people took advantage of lower interest rates which allowed them to purchase bigger homes. All of this has created a seller's market which has resulted in increased market values.

2020 also saw an increase in the number of homeowners choosing to renovate and/or upgrade their existing homes. **In the second quarter of 2020, Home Depot reported a 23% spike in their sales¹** due to this home renovation trend. Houzz.com reported that kitchen and bath remodeling projects jumped by 40%, home additions/extensions increased by 52%, fence installation and repairs increased by 166% and homeowners were choosing to finish or renovate their basements or lower levels by adding workout rooms, entertainment/home

theatre systems and adding luxury finishings or property. However, many homeowners have not considered the impact that these renovations have had on the replacement cost of their home and the subsequent coverage changes that may be necessary on their homeowner's policy.

In addition to renovations, catastrophic claims in 2020 have had an impact on the costs to rebuild a home. Wildfires in California, the worst hurricane season on record along the southern and eastern coasts, and wind, hail and ice storms in the Midwest coupled with the home renovation craze have had a huge impact on the building construction and repair industry in 2020. This has led to shortages in building materials and labor. With the lack of supply and the heavy demand, this has translated into higher replacement costs for homes.

Many homeowners have also chosen to install or update the technology in their homes by adding central home operating systems (the "home brain"), updating their internet or Wi-Fi systems, adding doorbell camera systems such as Ring or Nest, adding child monitors or nanny cams and installing home burglar or fire alarm systems whether self-installed or installed by alarm companies. The installation of these systems may also have an impact on the replacement cost of your home.

It is important to speak with your insurance advisor if you have:

- Renovated your home
- Added square footage (decks, porches, additions to the home)
- Finished previously unfinished spaces within the home
- Upgraded the finishings in your home (i.e. laminate counters to marble, vinyl flooring to tile, etc.)
- Added personal property
- Installed alarm systems
- Upgraded the mechanical components in your home (i.e. roof, electrical, plumbing and furnace)

Your advisor will assist you with any changes that may be needed to the replacement cost value of your home and discuss if any increased coverage is necessary for any additional personal property that you may have acquired. In addition, we can discuss any credits that may be available to you due to the installation of any protective

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devices (alarm systems, water flow monitors, low temperature sensors, etc.) in your home as well as the need for identity theft/fraud or personal cyber liability coverage.

Home Offices

At the height of the pandemic, approximately 44% of the US population was working from home according to a Willis Towers Watson survey. **It is expected that a majority of those working from home may never return to the office** OR may work a hybrid schedule with part of their time in an office setting and part of the time in their home office.

If you are one of the many people who are working from home, did you supply the equipment to do your job (i.e.: computers, printers, desk, etc.) or did your employer provide these items? You may want to have a conversation with your employer about who is responsible for insuring the business property in the home against potential loss such as fire, theft, vandalism, etc.

The unendorsed homeowner's policy generally provides \$2,500 of business property coverage **on premises** and \$250 of coverage **off premises**. The off premises coverage provided by the homeowners policy will not be adequate if a business laptop is stolen from the back of your vehicle. If you have a home office or if you take any of your business property off of your residence premises, it's important to discuss the need for additional coverage with your insurance advisor. Some companies provide higher limits for business property within their policy automatically while others have endorsements that can be added to increase this coverage.

Home Based Businesses

According to Fundera.com, there are currently 15 million home based businesses in the US. This trend is expected to continue with many people looking to replace lost income or add to their incomes. Home/party sale businesses (i.e. Tupperware, Mary Kay, Pampered Chef, Tastefully Simple), yoga/exercise studios, music studios, hair salons, cake decorators, woodworkers and craft artisans are all examples of home based businesses that have seen increases over the last few years.

There are many considerations when it comes to a home based business. Where is the business located? If located in an unattached garage or other outbuilding, there is no

coverage for the garage/outbuilding or the personal property in it under an unendorsed homeowner's policy.

There are additional considerations regarding home based businesses such as the potential need for a business owner's policy, worker's compensation insurance, business property coverage, general liability coverage, and products or professional liability coverage. **Many homeowner's insurance carriers may require that you have business insurance in place in order to continue to provide coverage for the home and personal property.**

Home Schooling and Child Care Pods

At the outset of the pandemic, schools and child care facilities were required to close entirely. Many have now re-opened and are operating under a hybrid system with at least part of the child's time being spent in the family home. The threat of Covid contraction within the physical school or child care settings have presented new challenges for parents and have left them looking for alternative methods to educate and/or care for their children. Many parents have chosen to band together to form Education or Child Care pods where five or six families "quarantine together" and hire a teacher or nanny/au pair for their children. Sharing the expense of a teacher or nanny can be financially beneficial for the families who are participating in the pod, but it also comes with increased insurance exposures that many families have not thought of such as:

- Trip and fall exposures due to improperly maintained landscaping, failure to shovel snow and/or de-ice sidewalks and driveways, or obstacles in the home.
- Bite and allergy risks due to animals in the home or food borne allergies.
- Swimming pools, trampolines. Hot tubs and other "attractive nuisances"

Parents participating in education or child care pods should discuss these concerns with their insurance advisor. You may need to purchase general liability insurance for the pod as well as worker's compensation insurance and employment practices liability insurance. You may also want to consider the purchase of a personal umbrella policy or increasing the liability limit on an existing one.

Note: You may also wish to consult with a legal advisor on potential legal ramifications for the pod if sued. They may

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recommend various legal remedies to help minimize the legal impact of these pods to you personally.

Whether you have purchased a new home, are renovating your current home, starting a home business, have a home office or are home schooling/doing child care pods, it is important to call your personal insurance advisor. We can schedule time to do a full annual policy review – either virtually via Zoom or Teams, or telephonically – to make sure that your coverage is custom tailored to fit you and to protect your financial future. Our team is also ready to assist you with any coverage questions that you may have or to provide you quotations from one of our A+ rated carriers.

If you have questions about your homeowners or other insurance policies, would like to discuss and/or purchase any of the coverages listed above, or would like to schedule an appointment for a full annual policy review, please do not hesitate to call or email us. We take great pride in being your Trusted Choice!



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Roberta specializes on advising clients on their personal insurance needs including home, auto, recreational and other personal insurance coverage needs. With over 30 years of experience, Roberta ensures that her clients find the right protection.