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Technical Advisory

TA 285

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SUBJECT: Louisiana Contractors Board Certificate of Insurance Requirements

BACKGROUND: IIABL has received numerous inquiries from IIABL members who have experienced difficulties complying with certificate of insurance requirements of the Louisiana State Licensing Board for Contractors. In order to obtain a Residential Building Contractor License, the Contractors Board requires all contractors provide certificates of insurance with an affirmative statement on the certificate substantially similar to, "General liability coverage for residential construction." The certificate must clearly provide evidence that the contractor has general liability coverage for all aspects of home construction, even if the contractor only conducts limited operations for carpentry, drywall, painting, etc.

Subcontractors that only conduct limited operations frequently want to limit their general liability coverages to the specific operations they conduct, rather than pay additional premiums to cover all aspects of home construction operations like a general residential construction contractor. Insurance producers have been caught between contractor policyholders who want limited subcontractor liability coverage, and the Contractors Board who requires comprehensive general contractor coverage.

Recently, IIABL met with the staff of the Contractors Board to discuss this issue, and prepared this Advisory to clarify this issue for our members.

MAIN POINTS: The Contractors Board issues only two types of residential contractor licenses. They do not differentiate between various types of subcontractors like carpentry, electrical, drywall or painting.

They do not differentiate between subcontractors and general contractors.

Contactors that do small home repair and remodeling jobs valued from \$7,500-\$75,000 can get a Home Improvement Contractor Registration. All contractors who perform work over \$75,000 – must have a Residential Building Contractor License, which authorizes the contractor to do any type of residential construction as either a subcontractor or general contractor. Following is the Louisiana statute which outlines the Residential Building Contractor License:

R.S. 37:2150 (11)

(11) "Residential building contractor" means any corporation, partnership, or individual who constructs a fixed building or structure for sale for use by another as a residence or who, for a price, commission, fee, wage, or other compensation, undertakes or offers to undertake the construction or superintending of the construction of any building or structure which is not more than three floors in height, to be used by another as a residence, when the cost of the undertaking exceeds seventy-five thousand dollars. The term "residential building contractor" includes all contractors, subcontractors, architects, and engineers who receive an additional fee for the employment or direction of labor, or any other work beyond the normal architectural or engineering services. "Residential Building Contractor" also means any person performing home improvement contracting as provided for in Paragraph (7) of this Section when the cost of the undertaking exceeds seventy-five thousand dollars. It shall not include the manufactured housing industry or those persons engaged in building residential structures that are mounted on metal chassis and wheels.

Louisiana Revised Statute 37:2167 B (1) sets out the insurance requirements for Residential Building Contractors:

R.S. 37:2167 B (1)

B. In order to obtain a license as a residential building contractor an applicant shall demonstrate to the subcommittee that he:

(1) Has submitted certificates evidencing workers' compensation insurance coverage in compliance with Title 23 of the Louisiana Revised Statutes of 1950, and liability insurance in a minimum amount of one hundred thousand dollars or liability protection provided by a liability trust fund as authorized by R.S. 22:5(9)(d) in a minimum amount of one hundred thousand dollars.

The Louisiana State License Board for Contractors determined that “evidencing” means providing proof that the contractor who has made application for a residential license is covered correctly in the description for the type of license that will be issued by the Board. In other words, since the license authorizes the Residential Building Contractor to conduct all types of residential construction, the certificate of insurance must certify workers compensation and general liability coverage for all types of residential construction. The Board requires that the certificate filed with the license application include one of the following descriptions of covered operations for the general liability policy in order for a Residential Building Contractor License application to be deemed as providing “evidence” of liability insurance or liability protection:

- Residential construction
- Home construction
- Home builders
- Residential builders
- New residential construction
- Residential contracting
- Home contracting

If an insurance agency has written a general liability policy that is broad enough in scope to allow such a description to be included on the certificate of insurance, then they may include the required description on the certificate of insurance, and the Contractors Board will be able to issue the Residential Building Contractor License. However, if an insurance agency has written a general liability policy which is limited in scope to specific subcontractor activities, and is not broad enough to allow the agency to include the required description in the certificate of insurance, the Contractors Board will not issue the contractor’s license.

The bottom line at this time is that all residential building contractors, regardless of the scope of their actual operations, will have to buy general liability coverage which is broad enough in scope to cover all residential construction exposures in order to qualify for the Residential Building Contractors License.

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the future so that contractors will only have to buy general liability coverage necessary to cover their actual operations.

**NECESSARY
ACTION:**

Circulate this Technical Advisory to all agency personnel who deal with residential building contractors. Review agency procedures to verify that placement of general liability coverages for Residential Building Contractors are broad enough in scope to qualify for renewal of their Residential Building Contractors License.