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TA 301

August 9, 2012

SUBJECT: Louisiana State Licensing Board for Contractors
Certificate of Insurance Requirements

BACKGROUND: IIABL issued TA 285 on August 12, 2010 to address member concerns about certificates of insurance issued to the Louisiana State Licensing Board for Contractors. Over the past two years, IIABL has continued to receive numerous inquiries from IIABL members who have experienced difficulties complying with certificate of insurance requirements of the Louisiana State Licensing Board for Contractors (Contractors Board). Recently, IIABL met with the Contractors Board staff in an effort to develop a solution which would allow the Contractors Board to satisfy their statutory responsibility to certify that contractors comply with statutory insurance requirements, without causing insurance agents to violate the certificates of insurance statutes in Title 22.

In order to obtain a Home Improvement Contracting License or a Residential Contracting License, the Contractors Board requires all contractors to provide certificates of insurance with an affirmative statement that clearly provides 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.

MAIN POINTS: State law only authorizes the Contractors Board to issue two types of residential contracting licenses. Under R.S. 37:2175.2,

contractors that do small home repair and remodeling jobs valued under \$75,000 can get a Home Improvement Contractor Registration. Under R.S. 37:2167, all contractors who perform work over \$75,000 must have a Residential Building Contractor License. These statutes require the Contractors Board to verify that contractors have Workers Compensation and Commercial General Liability coverage when they apply for the license.

The law does not differentiate between various types of subcontractors such as carpentry, electrical, drywall, plumbing or painting. The law also does not differentiate between subcontractors and general contractors. Each contracting license authorizes the contractor to conduct all aspects of residential construction.

Because each license authorizes the contractor to conduct all types of residential construction, the certificate of insurance must certify Workers Compensation and Commercial General Liability coverage for all types of residential construction. The Contractors Board requires that the certificate of insurance filed with the contracting license application include a description of covered operations for the Commercial General Liability which is broad enough to cover all aspects of residential home construction.

The certificate of insurance problem has been finding language for the description of operations which is broad enough to satisfy the Title 37 statutory requirements for the Contractors Board, but which is not so broad that the certificate violates the Title 22 certificates of insurance statute.

IIABL has worked with both the Louisiana State Licensing Board for Contractors and the Louisiana Department of Insurance (LDI) to develop one standard description which would satisfy both statutory requirements. We are very pleased to announce that the following certificate of insurance description has been approved by both the Contractors Board and LDI for inclusion on the certificate of insurance, as long as this description accurately describes coverage provided by the insurance policies.

CERTIFICATE OF INSURANCE LANGUAGE FOR RESIDENTIAL BUILDING CONTRACTOR LICENSE

"The Commercial General Liability Policy represented on this Certificate of Insurance provides general liability coverage for

residential home contracting operations subject to the terms and conditions of the policy."

CERTIFICATE OF INSURANCE LANGUAGE FOR HOME IMPROVEMENT CONTRACTOR REGISTRATION

"The Commercial General Liability Policy represented on this Certificate of Insurance provides general liability coverage for residential home improvement contracting operations subject to the terms and conditions of the policy."

If an insurance agency writes a Commercial 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 Home Improvement Contractor Registration or 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 is that all residential building contractors, regardless of the scope of their actual operations, will have to buy Commercial General Liability coverage which is broad enough in scope to cover all residential construction exposures in order to qualify for the Home Improvement Contractor Registration or the Residential Building Contractor License. The language shown above must be included on the certificate of insurance provided to the Contractors Board with the license renewal.

IIABL would like to thank Michael McDuff, Executive Director of the Louisiana State Licensing Board for Contractors, and Stephanie Laborde, Board Attorney, for working with IIABL to develop this solution. We would also like to thank Insurance Commissioner Jim Donelon and Deputy Commissioner Ed O'Brien for working with IIABL on the approval of the language for certificates.

NECESSARY ACTION:

Circulate this Technical Advisory to all agency personnel who deal with residential building contractors or issue certificates of insurance. Review agency procedures to verify that placement of Commercial General Liability coverages for Home Improvement

Contractor Registrations or the Residential Building Contractor Licenses are broad enough in scope to qualify for renewal of those licenses and that certificates of insurance are issued properly.