

# General Liability Coverage for Contractors: A Comprehensive Guide

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When it comes to securing General Liability (GL) coverage for contractors, understanding the nuances of classification and rating is important. This guide provides an overview of how GL coverage is typically rated for various types of contractors. However, note this information is specific to GL coverage and may not apply to other lines of coverage. Additionally, classifications and indications are subject to review and amendment by carrier underwriters. For further clarification or specific cases, consult with your underwriter.

## GENERAL CONTRACTORS

General contractors (GCs), often referred to as “paper contractors,” are professionals who oversee construction projects and typically subcontract more than 50% of the work to other contractors. These subcontractors may include foremen, supervisors and employees who execute the actual construction tasks.

Insureds who engage in numerous different trades are not usually classified under the GC code. Instead, they are often assigned to artisan or remodeling contractor codes (discussed below). However, if a GC specializes in a specific trade, such as roofing, they should be classified under the appropriate trade-specific code (e.g., roofing class code).

Given that some contractors possess unique liability exposures, insurers often utilize more specific class codes for these contractors rather than categorizing them under the broader general contractors classification. This approach ensures that the coverage provided accurately reflects the specific risks associated with their trade.

## ARTISAN TRADE CONTRACTORS

Artisan contractors, also known as trade contractors, specialize in specific trades such as plumbing, electrical work or roofing. Each trade exposure must be included in the rating process to ensure accurate coverage. This is due to the classification limitation on the policy, which means there will be no coverage unless the class code is listed.

If an insured contractor exclusively performs remodeling work, they should be classified under the “remodeling contractors” category. Additionally, sole proprietors with no employees are typically assigned to the highest-rated class within their trade. Keep in mind, payroll for sole proprietors cannot be split among multiple class codes.

## HANDYPERSON

A handyman is an insured individual who is not licensed in a specific trade but performs a variety of miscellaneous tasks, often involving minor repairs around homes. This classification is distinct from trade-specific contractors and is typically rated based on the nature of the work performed.

## REMODELING CONTRACTORS

Remodeling contractors specialize in the renovation or restoration of existing homes and buildings. Unlike general contractors, remodelers do not engage in new construction projects, except for home additions, decks and similar structures.

If a remodeling contractor specializes in a specific trade (e.g., plumbing or electrical work), they should be rated using the appropriate trade classification rather than the general remodeling code.

### **SUBCONTRACTORS**

Subcontractors are contractors hired by GCs or other entities to perform specific tasks. If an insured subcontracts work, it must be rated using the appropriate subcontractor rating exposure. Subcontracting costs includes the cost of all labor, materials, and equipment furnished, used or delivered for use in the execution of the work. Failure to provide the necessary insurance documentation to the carrier may result in the subcontracting exposure being reflected in the contracting rates.

Casual/temporary/1099 labor is considered work performed like employees, as individuals or a group, and receiving a 1099 for tax purposes, in lieu of a form W-2. This work is performed under the insured's direct supervision. This exposure is not considered subcontracted work, and the total cost of said labor should be calculated as payroll to generate the appropriate premium, within the appropriate specific operational classification.

### **CONSTRUCTION/PROJECT MANAGERS**

Construction or project managers are responsible for overseeing construction projects. However, their responsibilities typically do not include hiring or firing subcontractors, purchasing materials or obtaining permits. If a construction manager assumes these additional responsibilities, they may need to be rated as a GC rather than a construction manager.

### **WE ARE HERE TO HELP**

Navigating the complexities of GL coverage for contractors requires a clear understanding of the different classifications and their implications. Misclassification can lead to inadequate coverage and additional premium during their audit, which is why it's important to consult with your Commercial Binding underwriter. Our team can help you navigate the intricacies of contractor classifications and ensure your coverage aligns with your insured's specific needs and risks.