

Liability Insurance

Frequently Asked Questions

This information answers commonly asked questions about liability insurance carried by construction contractors.

General Questions

1. What is general liability insurance?

It is a contractual relationship between a contractor and an insurance carrier to reimburse a third party (such as the consumer) for property damage or personal injury loss caused by the contractor. Examples of losses might be a contractor's ladder falling and breaking a window. **General liability insurance does not provide reimbursement to a third party (such as the consumer) for poor work or construction defects.** It may provide coverage for damage caused by faulty work or construction defects. General liability insurance policies may have exclusions for specific risks or exposures that are not covered.

Oregon law requires contractors to carry general liability insurance. The minimum amount of the policy is determined by the contractor's license category.

2. What is a surety bond?

A surety bond is a promise by a bonding company to pay all or a portion of a CCB Final Order or arbitration award in the event a contractor fails to pay the order. The purpose of the bond is consumer protection. A property owner can file a CCB complaint against a contractor for breach of contract or improper work. If the CCB orders a contractor to pay money to the complainant, the contractor must pay as ordered. If the contractor does not do so, the bonding company will pay the money owed up to the amount of the bond.

The CCB requires contractors to carry surety bonds. The amount of the bond is determined by the contractor's license category.

3. What's the difference between a surety bond and general liability insurance? Aren't they the same things?

No. The CCB bond is exclusively for complaints filed with the CCB for dispute resolution purposes. The bond covers negligent or improper work or breach of contract. No one can collect on a contractor's bond by going to the bonding company directly. They must file a complaint with the CCB. Filing a complaint with the CCB does not necessarily mean that the complaining customer will be awarded money from the bond. An insurance claim must be filed directly with the insurance company. The insurance covers property damage and personal injury caused by the contractor.

4. What is workers' compensation insurance?

Workers' compensation insurance provides coverage for employees who are injured on the job. When employees are injured, workers' compensation insurance provides them with medical treatment, payment for lost time and disability, and re-employment assistance if needed. Nonexempt independent contractors (businesses with employees) must have workers' compensation insurance. Exempt independent contractors (businesses without employees) do not need to have workers' compensation insurance.

5. What questions should consumers ask about insurance and bonds before hiring a contractor?

Consumers should make sure they only hire contractors who are licensed, bonded and insured. Check with the CCB to make sure the contractor's license is currently active and that his/her insurance and bond are up to date. Check if the license allows the contractor to have employees. A license allowing employees (nonexempt) means the contractor has workers' compensation insurance. This prevents a workers' compensation claim against the owner of the property. If the contractor is exempt (has no employees), ask if he/she carries workers compensation for himself/herself.

Consumers should ask contractors about any general liability exclusions. Consumers should also ask contractors about guarantees. Does the contractor guarantee his/her work? Is that guarantee spelled out in the contract?

Contractor Questions

6. Is the CCB aware of the problem with rising costs of general liability insurance premiums and the difficulty some contractors face in obtaining general liability insurance?

Yes

7. Why isn't the CCB doing anything to help contractors with this ongoing problem?

We are. The CCB has made this issue one of its top priorities. The CCB has joined with state agencies, the insurance industry, construction associations and other stakeholders to work on this issue. Together, we have developed a Market Assistance Program (MAP) to help contractors find available insurance. The MAP web site address is <http://ccbed.ccb.state.or.us/contractorsMAP/> Contractors without web access may call 503-947-7268 to request a list of participating agents and agencies in their area or statewide.

8. Why do we have to have general liability insurance if it can't be afforded or in some cases, even obtained?

The CCB must follow state law. Currently the law requires that licensed contractors carry general liability insurance at all times.

9. Why doesn't the CCB change the law?

CCB does not have the authority to change the law. Laws can only be changed through the legislative process when legislature is in session.