Why do I need contractors insurance?

Given the nature of the construction industry, the need to protect your business with contractors insurance cannot be overestimated. The risk for both property damage and bodily injury is extremely high, so contractors insurance is a vital tool to manage the financial exposure.

Contractor's insurance will cover your business for financial burdens that may arise as a result of the work performed. For instance, faulty wires causing a fire or a leaky faucet resulting in a flooded basement.

Listed below are the 3 things you need to know if you are just starting off in the construction field:

1. Protect your business with General Liability Insurance**:** A client can sue you for damage to their property or any injury caused to the client/third party while on your construction site . The General Liability policy is the answer to such issues and the resulting financial strains that may arise due to resulting lawsuits. The general liability policy not only covers your legal defence costs, but also pays the damages owed to a client/third party. Suffice to say this is the most important policy for a contractor. The Products and Completed Operations portion of the contractor's insurance policy protects your business in the event your finished product causes property damage or bodily injury. For example, a few weeks after a plumbing job, the pipes leak and results in a flooded basement. The resulting damage was a result of the contractor's "product" (i.e., services) and was something completed in the past (as opposed to on-going work). An adequate Products and Completed Operation Liability could pay damages in this case.

2. Get "Bonded": A Permit bond is considered a contract between the following 3 parties: you, the client and insurance company. A permit bond or license allows you to perform your work and is a contract that guarantees that you will perform your work in a manner compliant to the laws and safety guidelines issued by the federal or provincial regulators. Damages caused to your client due to your non-compliance to safety guidelines and building codes can be paid for by your insurer.

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3. Ensure your subcontractors have insurance: As a general contractor, you may hire subcontractors to perform specific tasks. By enforcing that your subcontractors have their own insurance, you limit the liability to yourself in case their work results in injury. You may also be able to add subcontractors into your own policy for an additional cost, though any claims would then flow through your own policy

- Read more: Risk management while working with subcontractors
- Read more: 5 risks that can hinder the progress of your construction business
- Read more: A construction contractor burned down my home: will my home insurance cover me?
- Read more: 5-point checklist to hiring a contractor
- Read more: Does my contractor's insurance cover me in case his/her work is of poor quality?

About Zensurance

Zensurance is Canada's leading online commercial insurance broker. We offer a full range of insurance products to small businesses, with a particular focus on startups. We understand what it is to be a startup, and know the most common risks of which you should be aware. Based on that (and a lot of analytics), we recommend the ideal insurance coverage for your business.

If you have questions about insurance, please visit us as www.zensurance.com or email us at info@zensurance.com and we will find the answers for you.

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