INSURANCE RESOURCE INFORMATION FOR LICENSEEES

The Board for Licensing Contractors regulates licensing for five (5) professions. Insurance and bonding requirements are listed in each of the license applications. While not all professions require proof of insurance as a condition of licensing, it is the responsibility of all businesses to follow the law, especially relative to the Department of Labor and Work Force Development’s workers’ compensation regulations. The following is a summary of the minimum insurance requirement to obtain a license with the Contractors Board:

<table>
<thead>
<tr>
<th>LICENSE TYPE</th>
<th>INSURANCE REQUIRED FOR LICENSING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractors (Building, Electrical, Mechanical, Specialty, etc)</td>
<td>General Liability and Workers’ Comp</td>
</tr>
<tr>
<td>Home Improvement</td>
<td>General Liability/Workers’ Comp/Bond</td>
</tr>
<tr>
<td>Limited Licensed Electricians (LLE)</td>
<td>None</td>
</tr>
<tr>
<td>Limited Licensed Plumbers (LLP)</td>
<td>None</td>
</tr>
<tr>
<td>Pre-License Course Providers</td>
<td>$50,000 Bond</td>
</tr>
</tbody>
</table>

(Note: Local municipalities permit issuing agencies and bid awarding authorities may also require insurance and bonding)

**General Liability**

Effective July 1, 2007, the state law requires showing proof of General Liability insurance in order to renew or apply for a Contractor or Home Improvement license. The Board has established the following as a “minimum” amount of coverage needed in order to coincide with your monetary limit (amount the contractor may contract) on the license. Please check with your insurance provider, as they may advise to obtain more or additional coverage, based upon your individual needs and the amount of projects performed.

<table>
<thead>
<tr>
<th>Contractor’s License Monetary Limit</th>
<th>Minimum General Liability Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $25,000 (Home Improvement)</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>Up to $500,000</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>$500,001 to $1,500,000</td>
<td>$ 500,000</td>
</tr>
<tr>
<td>$1,500,001 to Unlimited</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

**Workers’ Compensation**

Effective March 1, 2011, pursuant Public Chapter 1149, new exemptions are available to everyone in the construction industry for obtaining Workers’ Compensation insurance on themselves or officers. They may register as a “Construction Services Provider” with the Tennessee Secretary of State’s office at: [http://tnbear.tn.gov/wc/](http://tnbear.tn.gov/wc/), unless considered exempt (Example: sole proprietor or partnership with no subs or employees and working directly for a residential property owner). Those applying or renewing a license as a Contractor or Home Improvement contractor, must supply proof of Workers’ Compensation; or registration as a “Construction Services Provider”; or complete the exemption questionnaire provided in the application as evidence of their exemption.

(Rev. 3/2011)
Laws Applying to Insurance for Contractors' Board Licensees

Workers' Compensation Exemptions - Owners, Officers, Partners and Members of an LLC
Amends T.C.A. Title 1, Chapter 3; Title 29; Title 39, Chapter 11; Title 50; Title 56, and Title 68.
New requirements and exemptions to everyone in the construction industry for obtaining Workers' Compensation insurance to cover themselves as owners or officers, in addition to their employee(s). However, a provision is provided for owners, officers, partners to register as a “Construction Services Provider” in order to obtain an exemption from covering themselves. More information for the new law is available at: [http://www.state.tn.us/labor-wfd/wc_ConstructionIndustryExemption.pdf](http://www.state.tn.us/labor-wfd/wc_ConstructionIndustryExemption.pdf) For those wanting to register to obtain an exemption from covering themselves on certain projects, you may register at: [http://tnbear.tn.gov/wc/](http://tnbear.tn.gov/wc/)

The following are excerpts from the law:

TCA § 50-6-903. (a) Except as provided in subsections (b) and (c), any construction services provider who meets one (1) of the following criteria may apply for an exemption from § 50-6-902(a):

1. An officer of a corporation who is engaged in the construction industry; provided, that no more than three (3) officers of one (1) corporation shall be eligible for an exemption;
2. A member of a limited liability company who is engaged in the construction industry if such member owns at least thirty percent (30%) of such company;
3. A partner in a limited partnership or a general partnership who is engaged in the construction industry if such partner owns at least thirty percent (30%) of such partnership;
4. A sole proprietor engaged in the construction industry; or
5. An owner of any business entity listed in subdivisions (1)-3) that is family-owned; provided, no more than three (3) owners of one (1) family-owned business may be exempt from § 50-6-902(a).

(b)(1) Notwithstanding subsection (a), if a construction services provider is exempt from § 50-6-902 as an officer of a corporation, a member of a limited liability company, or a partner in a limited partnership, limited liability partnership or a general partnership, then no construction services provider of an affiliate of such an exempted provider shall be eligible to apply for or receive an exemption from § 50-6-902(a).

Law Defining Employees
T.C.A. § 50-6-102(10) (E)
“Employee” does not include a construction services provider, as defined in § 50-6-901, who is listed on the construction services provider workers’ compensation exemption registry established pursuant to part 9 of this chapter if the construction services provider is not covered under a policy of workers' compensation insurance maintained by the person or entity for whom the provider is providing services and the construction services provider is rendering services on a:

(i) Construction project that is not a commercial construction project, as defined in § 50-6-901; or
(ii) Construction project that is a commercial construction project, as defined in § 50-6-901, and the general contractor for whom the construction services provider renders construction services complies with § 50-6-914(b)(2);

Resource for Classification Codes of Employees

Proof of Insurance for Contractors’ Licensing
T.C.A. § 62-6-111(a)(1) – Effective July 1, 2007
Any application for initial licensure or for renewal of licensure also shall be accompanied by an affidavit affirming that the applicant maintains general liability and workers’ compensation insurance; specifying the amount of such insurance as well as any other information the board may require.

Check the Tennessee General Assembly’s website for the most current law at: [http://www.capitol.tn.gov/](http://www.capitol.tn.gov/)

For the most current publication of the law, you may obtain from our website or at the LexisNexis Law Publishing site at: [www.michie.com](http://www.michie.com)
Workers’ Compensation - Resources

Registration for Exemption - Construction Services Provider
Register with the Secretary of State’s office to obtain an exemption: http://tnbear.tn.gov/wc/

Exemption Law – Public Chapter 1149

Exemption Registration With Secretary of State

Workers’ Comp Adopted Rules
Rules from the publications section of the Tennessee Secretary of State of Tennessee are at: http://www.tennessee.gov/sos/rules/0800/0800-02/0800-02.htm

AGC’s Guide for Contractors – Exempted Contractors

Workers’ Compensation Verification Services (LWFD)
See link to verify coverage of workers’ comp: http://www.state.tn.us/labor-wfd/wcomp.html

Workers’ Compensation Division
Website - Department of Labor and Work Force Dev.: http://www.state.tn.us/labor-wfd/wcomp.html

Workers’ Compensation Division
Industry Exemptions: http://www.state.tn.us/labor-wfd/wc_ConstructionIndustryExemption.pdf

Premium Questions – Department of Commerce and Insurance
Premium questions should be directed to: www.tn.gov/commerce/insurance/ or http://tn.gov/commerce/insurance/workcompcompanyRes.shtml

Contracting Industry Group Job Classification Codes - NCCI
http://www.state.tn.us/commerce/insurance/documents/NCCI_ContractingIndustryGroupCodes.pdf

Contractors Rules and Regulations Applying to Licensees

0680-6-.01 Definitions

(1) “Applicant” means an individual or entity who/that is applying for a home improvement contractor license or a general contractor license with the Board.
(2) “Board” means the Board for Licensing Contractors created by Tenn. Code Ann. § 62-6-104.
(3) “General Liability Insurance” means an insurance policy providing insurance coverage for negligent acts or other acts of the principal insured or the principal insured’s agents or employees, operating in the course and scope of the agency or employment.
(4) “Licensee” means an individual or entity who/that is licensed with the Board as a home improvement contractor or a general contractor.

Authority: Chapter 130 and Chapter 460 of the Public Acts of 2007, §1 and T.C.A. §§ 62-6-108 and 62-6-111(a)(1) [effective July 1, 2007] and 62-6-506(b)(5) [effective July 1, 2007].

0680-6-.02 AMOUNT OF INSURANCE (General Liability)

(1) Board licensees and applicants shall maintain general liability insurance as follows:
   (a) In the case of all home improvement contractor applicants or licensees, or if a general contractor applicant’s or a licensee’s monetary limit is between the amounts of zero dollars ($0) and five hundred thousand dollars ($500,000), then the applicant or licensee shall obtain a general liability insurance policy in an amount not less than one hundred thousand dollars ($100,000).
   (b) If an applicant’s or a licensee’s monetary limit is between the amounts of five hundred thousand one dollar ($500,001) and one million five hundred thousand dollars ($1,500,000), then the applicant or licensee shall obtain a general liability insurance policy in an amount not less than five hundred thousand dollars ($500,000).
(c) If an applicant's or a licensee's monetary limit is one million five hundred thousand one dollar ($1,500,001) or more, then the applicant or licensee shall obtain a general liability insurance policy in an amount of not less than one million dollars ($1,000,000).

**Authority:** Chapter 130 and Chapter 460 of the Public Acts of 2007, §1 and T.C.A. §§ 62-6-108 and 62-6-111(a)(1) [effective July 1, 2007] and 62-6-506(b)(5) [effective July 1, 2007].

**0680-6-.03 PROOF OF INSURANCE.**

1. Applicants shall provide the Board with a copy of a certificate of insurance upon applying for licensure with the Board as proof of having obtained a general liability insurance policy.
2. Licensees shall provide the Board with a copy of a certificate of insurance upon renewing his/her/its license as proof of having maintained a general liability insurance policy.
3. Applicants and licensees shall name the Board as the certificate holder on the general liability insurance policy.

*For the most current publication of Rules and Regulations, pertaining to Contractor’s licensing, you may obtain from our website or at the Secretary of State at: [http://www.state.tn.us/sos/rules/0680/0680.htm](http://www.state.tn.us/sos/rules/0680/0680.htm)*

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**Format for Submitting Proof of Insurance for Contractor's License**

Most important, unless submitting the “Certificate of Insurance” with the license application or renewal, please include a cover letter or use the “Notice of Insurance” form (see page 6) to ensure it is matched to a pending license. Format requirements for submitting proof of insurance to the Contractors Board is a Certificate of Insurance (available from your insurance agency) which lists a policy number (not binder), a beginning and expiration date, and limits of the insurance. The name on the license must match the name in the insured box. The Board should be listed as the certificate holder. Submitting anything other than a “Certificate of Insurance” may delay license issuance.

- Guidelines for “Certificate of Insurance”:
  - “Producer” section must include the name of the insurance agency, and telephone number;
  - “Insured” section should list the name of the contractor as licensed;
  - “Certificate of Insurance” should list the name of the insurance company;
  - “To Be Determined” or “TBD” is not acceptable;
  - Policy effective and expiration date listed;
  - “Description of Operations” portion must list: “State of Tennessee Contractors License”;
  - “Certificate Holder” section should list the “Board for Licensing Contractors” with address; and
  - “Cancellation Notice” section must be completed with at least 10 days notice to be given.

- Limits are required to be listed on “Certificate of Insurance”:
  - Each occurrence (this value must comply with minimum requirements based on monetary limit)
  - Damage to Rented Premises (each occurrence)
  - Medical Expense (any one person)
  - Personal & Adv Injury
  - General Aggregate
  - Products- comp/op agg

*Note: Do not send a “Certificate of Insurance” unless it is attached to the application or cover (page 6), to ensure the insurance is matched to your pending license. Otherwise, it may be placed in the master file without processing the pending license issuance.*

**Cancellation**

Receipt of insurance and bond cancelations cause the license to invalid and a complaint may be opened for violation of the law. We request the insurance company to notify the Board, as the certificate holder, 10 days prior to cancellation. Contractors may request their license to be placed in retirement by submitting the retirement application and $25.00 fee for each year, should they not renew the license or cancel their insurance coverage while the license is in an active status.
**Bond/Irrevocable Letter of Credit**

“Home Improvement” contractors must submit proof of financial responsibility in the amount of $10,000; typically a surety bond or an Irrevocable Letter of Credit. The sample form is included in the Home Improvement application and on the Board’s website of “Forms and Downloads”.

“Pre-license Course Providers” must supply a $50,000 bond in order to be approved to offer contractor exam courses. The sample form is included in their application and is on the website.

Contractor entities, who are owned by another entity, may request the Board to consider accepting a bond on the Board’s format, for those unable to obtain a Guaranty Agreement from the parent company. This would be in addition to the financial statement (this cannot be waived). This bond would need to be in the exact format; no deviation of the language, with a “Power of Attorney” from an approved A.M.Best Company, Inc. insurance provider.

Bonds are considered a matter of public record.

*(A bond is only required by law for two (2) of our licensing programs (home improvement and Pre-license course providers, however, the local municipalities may require permit bonds as part of their local license, permits, and inspection process.)*

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**Notice of Insurance (Do Not Send Proof of Insurance Without a Cover!)*

NOTE: For better service, it is best NOT to submit a “Certificate of Insurance” separately from the pending license application. If it is not attached to your application, please use the cover letter “Notice of Insurance” form (see page 6). Due to hundreds of certificates received daily, an insurance certificate sent loosely without being attached to a pending application or revision request may not get properly matched to the license request and it could delay issuance. Therefore, when submitting without your application, we would appreciate utilizing the attached “Notice of Insurance” cover letter. Thank you!
NOTICE OF INSURANCE

It is encouraged to only send proof of insurance with the appropriate application form, such as when applying for a new license, renewing or for obtaining a license revision. This will ensure a pending license gets issued. However, if you failed to include proof of insurance with the application, you may submit the “Certificate of Insurance” with this form to identify the appropriate section to forward where it is needed.

1. Attached is an updated “Certificate of Insurance” to be placed in the records of the Board for Licensing Contractors, for a license as: (if license number is not available, check N/A)

   - Contractor: ___ - License ID# ___________; ___ -N/A
   - Home Improvement: ___ - License ID# ___________; ___ -N/A

2. This “Certificate of Insurance” is forwarded to the Board for the following reason(s):

   - Pending Renewal – Needed to complete license renewal issuance
   - Pending New License – Needed to obtain new license
   - Pending Revision – Needed to complete for revision of license:
     __Name Change; __Mode of Operation Change; ___Increase ___Other
   - Renewed Insurance – For Records Update
   - Records Update - Due to new provider, cancellation or expiration
   - Cancellation Notice – License to be made “Invalid”
   - Other - ______________________________________

Submitted by: □ Contractor □ Insurance Company □ See Attached

Name: ___________________________________________ Email: ______________________________

Address: ______________________________________

____________________________________________

_______________________________________ Date_______________

Signature

________________________
Workers’ Compensation Exemption Questionnaire - Information

The attached questionnaire has been added to the new license applications and renewal forms for Contractors and Home Improvement.

Effective March 1, 2011, exemptions have changed and may require those working in the construction industry to obtain workers' compensation insurance on themselves, unless specifically exempt due to the type of project or if they have registered for an exemption with the Secretary of State’s office at: http://tnbear.tn.gov/wc/ as a “Construction Services Provider”. For those currently licensed with the Board for Licensing Contractors as a: 1) Contractor; 2) Home Improvement, 3) Limited Licensed Electrician (LLE); or 4) Limited Licensed Plumber (LLP); as long as your expiration date is not expired on the license, you may qualify for a $100.00 discount to the registration fee. To register as a partnership, you would need to also register with the Secretary of State’s corporate section to obtain a “Control #”.

As part of the licensing process, the law requires the Board to obtain proof of workers' compensation insurance coverage as a condition of licensing. However, provisions to Public Chapter 1149 allow certain individuals to be exempt. Therefore, the questionnaire is provided to ensure we do not impose requirements for those exempt. Applicants failing to supply proof of coverage will be notified to complete the attached questionnaire to ensure compliance with the new law.

As always, you must follow the law according to the Department of Labor and Work Force Development: http://www.tn.gov/labor-wfd/wcomp.html

Summary of New Law
http://www.state.tn.us/labor-wfd/wc_ConstructionIndustryExemption.pdf
Workers’ Compensation Insurance
Coverage Determination – Questionnaire
(Required for Contractors NOT submitting Proof of Insurance)

The following questionnaire has been developed to assist licensees and our staff to determine whether proof of workers’ compensation insurance coverage in needed in order to renew or obtain a license with the Tennessee Board for Licensing Contractors.

Effective March 1, 2011, Public Chapter 1149 requires contractors to supply proof of insurance coverage on themselves, in addition to their employees, unless they are exempt. A provision allows up to three (3) individuals as an owner, officer, partner or member to be exempt from coverage on themselves by registering each person on the license with the Tennessee Secretary of State as a “Construction Services Provider”. Therefore, licensee applicants without employees have the option provide proof of insurance or proof of registration for exemption, unless considered exempt from both (sole proprietors and partners without employees or subs, working directly for a residential owner, etc.). As always, check with your insurance agent to make sure you are properly protected on a project. To register online as a “Construction Services Provider” for exemption with Tennessee Secretary of State’s office, go to: http://tnbear.tn.gov/wc/ or you may call at (615) 741-2286. Check the Division of Workers’ Compensation at: http://www.tn.gov/labor-wfd/wcomp.html

Questionnaire

1. If you check ONE of the following, you are NOT EXEMPT and must submit proof of insurance:
   — One or More Employees
   — Having more than as allowed for an exemption (three (3) owners or officers; or a partner retaining less than 30% ownership)

2. If you check ALL of the following, considered EXEMPT from submitting proof of insurance, and will need to supply proof of registration as a “Construction Services Provider” - http://tnbear.tn.gov/wc/ (Licenses expired cannot register as a licensee with the Board and would not qualify for $100 discount with Secretary of State)
   — No Employees
   — Less than three (3) owners and/or officers; if a partnership, each partners owns a minimum of 30% of business entity.
   — All owners/officers/members/partners are registered as a “Construction Services Provider”
   — Does not meet the criteria in section “3” below; see attached registration for each individual on license (limited to three)

(Note: Partnerships will need to register with the Secretary of State’s “Corporate” section to obtain a “Control #”)

3. If you check ALL of the following, you are EXEMPT from supplying proof of insurance and registration as a “Construction Services Provider” as a condition of licensure:
   — No Employees or Subs
   — Sole Proprietor; or Partnership with less than three (3) members
   — Does not perform commercial work and performs residential; works directly for the owner of project

4. Other: Considered EXEMPT from both the insurance and registration as a “Construction Services Provider” due to:
   — Other: Exempt due to: ____________________________

(Please provide explanation allowed by law)

For more information concerning the Workers’ Compensation law relative to requirements, exemptions, definitions of commercial projects, the amount of exempt contractors allowed on one project, penalties, etc., please refer to the website of the Department of Labor and Workforce Development at: http://www.tn.gov/labor-wfd/wcomp.html

To register for an exemption, go to: http://tnbear.tn.gov/wc/

The law in its entirety for T.C.A § 50-6-901 may be downloaded from the Laws, Rules and Regulations of the Board’s website at: http://tn.gov/commerce/boards/contractors/index.shtml

Tennessee Board for Licensing Contractors
500 James Robertson Pkwy., Nashville, TN 37243-1150