THE HOUSE INSURANCE BUILT:
RISK MANAGEMENT FOR CONTRACTORS,
BUILDERS, & CONSTRUCTION BUSINESSES
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As a construction business owner or independent construction contractor, you are part of an industry that is central to economic growth. According to the U.S. Census Bureau’s August 2013 construction-industry press release, construction spending hit $915.1 billion in August 2013. That's a 7.1 percent increase from the year before – a sign that the economy and your job opportunities are on the rise.

But if your construction or contracting business is going to enjoy the upturn in private and public projects, you need a plan to help you weather the setbacks that could occur. And when you specialize in a field with tight profit margins, the way you manage worksite and business risks can be the difference between making a profit and suffering a loss.

For example, your business could be sued if the completed product hurts a third party. Without proper liability insurance, those legal defense fees, settlement costs, and court expenses would come out of your pocket. Or say your equipment was stolen from your worksite. Would you have the means to replace your equipment without schedule delays or lost productivity?

These examples are just scraping the surface of the risks you may face during your career. After all, even the most carefully supervised sites or projects can harm people and property. That’s why we’ve prepared this guide to help you navigate the ins and outs of protecting your contracting business. With a thorough risk management plan in place – including the insurance policies that can safeguard your finances – you can effectively handle hazards and minimize losses.

In this guide, you’ll learn about…

- Identifying risks in the construction and contracting industry.
- Understanding construction and contracting insurance policies.
- Finding insurance that works for your business.
- Managing risk as a contractor or small construction business.

Keep reading to learn how to protect your contracting business’s future and pave the way for its continued success.
CHAPTER 1

// HIGH STAKES AHEAD: AN OVERVIEW OF CONSTRUCTION & CONTRACTING RISKS //
SO WHAT IS BUSINESS RISK, ANYWAY?

“Risk” is a common word in most people’s vocabulary, and as a small-business owner, you may think about risk more than most. But what, exactly, is “business risk?”

Generally speaking, risk is the potential for a negative outcome. When talking about a business, most negative outcomes can be distilled into one thing: monetary loss. So a business risk is the potential for your business to lose money.

Every business decision you make — even the “no-brainers” — has some potential to result in a loss. Obviously, some actions are riskier than others. And some risks can’t be entirely avoided. Why? Because you can’t keep the weather from damaging a fledgling project. Or those kids from vandalizing your business vehicles.

Now, there are ways to reduce your business’s level of risk with risk mitigation techniques and small business insurance. We call this “risk management,” and we’ll go into more detail on this topic a little later.

But for now, you can’t manage your business’s risks until you understand what they are. Keep reading to learn more.
PINPOINTING YOUR CONTRACTING BUSINESS’S RISKS

As a contractor or construction professional, you are no stranger to risks. Depending on your profession, you may perform some of the most dangerous work there is. In fact, the Bureau of Labor Statistics found in its “2012 Census of Fatal Occupational Injuries” report that fatal work injuries in the private construction sector increased five percent in 2012.

In addition to potential occupational injuries, your construction business faces other hazards, such as…

- Liability for construction defects.
- Property loss.
- Perils of the road.

Plus, the construction industry is full of codes and regulations that, if ignored, could cost you your business.

But in order to know where your contracting company’s vulnerabilities lie, you have to scope out potential Achilles’ heels. These are the scenarios that could devastate your finances or land you in the middle of a lawsuit.

Once you’ve pinned down the events that could threaten the future of your business, you can create protocol and purchase insurance policies that mitigate these situations.

To help get your wheels turning, take a look at these risk exposures your contracting business may come across.

Fatal work injuries in the construction sector increased 5% in 2012.

SAFETY HAZARDS

From trips and cave-ins to electrical shocks and falling objects, there’s a laundry list of safety hazards on a construction site. And it’s not just in your best interests to manage these hazards – the Occupational Safety and Health Act requires that construction workers be provided a safe workplace.

So when you have employees, it is your responsibility to ensure that their work environment is free from recognized hazards, such as exposure to toxic chemicals. If you are a one-person operation, be sure you have a safety plan in place to limit your exposure to potentially hazardous materials.

(For more information about OSHA, jump to the “OSHA and You: Creating a Safer Work Environment” section on page 42 of this guide.)

COMPLIANCE ISSUES

As a contractor or construction business owner, you must comply with certain federal, state, and local regulations that govern construction. These regulations enforce standards for almost every aspect of construction – from handling and disposing of hazardous materials to complying with building energy codes.

For example, if you’re an excavation contractor, you must comply with the EPA’s National Pollutant Discharge Elimination System (NPDES) stormwater program. If your grading and excavating activities disturb one acre or more, you must obtain coverage under an NPDES permit for stormwater discharges.

For a complete rundown of industry-related regulations, check out the Small Business Administration’s (SBA) Construction Industry Guide.

You’ll also need a business license or permit to work in most places. Plus, many construction or contracting businesses need specific licenses to operate legally, such as tradesman licenses for electrical, plumbing, and HVAC professionals. For more help, check out the SBA’s handy Business Licenses & Permits search tool.

Lastly, your state likely requires you to carry a surety bond called License or Permit Bonds.

If your business fails to comply with federal, state, or local regulations, it could face serious fines and other repercussions.

PERSONAL LIABILITY

When you are a sole proprietor or independent contractor, you enjoy all the profits your business brings – but you’re also responsible for its debts. If your business incurs a loss, such as a judgment lien, then your personal assets can be collected to cover that debt if you don’t have enough commercial capital or insurance coverage.

To separate yourself from your business in the eyes of the law, you can register your business as a limited liability company (LLC). If you have adequate insurance coverage, though, you can remain a sole proprietor and still protect your personal finances.
BUSINESS LIABILITY

Speaking of business debts, there are a slew of liabilities your construction company may face. And unfortunately, each state has its own statute of limitations for the kinds of lawsuits an injured party can bring against your business. So even if you completed a project months ago, your business could still be liable if your work causes harm to someone.

You’ll also need to carry the appropriate insurance for your company vehicle to limit your business’s liability exposure on the road. In addition to legal considerations, take into account property damage, equipment breakdowns, and repairs – these expenses can easily burden your finances.

When left unmanaged, these obligations, risks, and liabilities could irreparably hurt your contracting business. And if you think being a small business means you can’t be sued, take a look at “We the Plaintiffs,” an infographic by AboveTheLaw.com. You’ll see how small businesses are often targeted in our litigious society.

In the next chapter, we discuss how small business insurance can help address your business liabilities by reducing your potential for loss.
CHAPTER 2

// HOW CONSTRUCTION & CONTRACTING INSURANCE POLICIES CAN SAVE YOUR BUSINESS //
As a sole proprietor or independent contractor, you may think that your business is too small to need business insurance. But businesses of all sizes can be sued. And as we’ve mentioned, if your business is not registered as a limited liability company (LLC), you are personally liable for all your business’s losses.

In the event of a lawsuit, you’d be responsible for paying your attorneys’ fees and damages out of pocket. That amount can be enough to bankrupt most small businesses that don’t have insurance — incorporated or not.

In this chapter, we take a closer look at the most essential policies for construction and contracting businesses, whether you are a one-person shop or at the helm of a growing business.
WHAT IS SMALL BUSINESS INSURANCE?

Your small construction or contracting business is more than just your livelihood – it’s the sum of your talent, time, and investments. For example, Entrepreneur.com estimates that starting a carpentry business costs anywhere from $10,000 to $50,000. For many people, that could be the entirety of their life’s savings.

Now consider the staggering fact that almost 40 percent of small businesses fail to reopen after a disaster, according to FEMA. It doesn’t seem fair that a single storm or lawsuit should wipe out all that you’ve worked to build. But if you want your business to survive, you need business insurance to raft you through the unpredictable whims of human nature and Mother Nature.

In that light, premium rates are a small price to pay for financial security and the continuation of your contracting businesses. That’s why it’s important to think of appropriate coverage as an investment in your business – not as an expense.
Business insurance helps your construction outfit survive an unexpected and costly hit. In order to understand how, familiarize yourself with the following terms:

- **Policy.** Your insurance policy is a legal contract between you and your insurance provider. It explains how much you pay for coverage, the type of coverage you are purchasing, and the conditions that must be met to receive coverage.

- **Premium.** Your insurance premium is the amount of money you pay for the benefits outlined in your policy. You pay this fee on a regular basis, usually monthly, annually, or biannually. As long as you pay your premium on time, your insurance company can help pay for losses.

- **Deductible.** In the event of a claim (i.e., an incident that causes you to draw on your coverage), you must pay a certain amount of money before you can receive your benefits. This is your deductible. Generally, you get a few deductible choices when you purchase a new insurance policy.

- **Limits.** This is the maximum amount of money your insurer can pay toward a claim. Sometimes, your policy outlines two coverage limits: one for an individual claim and one for the term of your insurance policy. For example, a policy might have a $1 million per-claim limit and a $2 million per-term limit.

You pay a premium to an insurance company in exchange for its financial help when you incur a loss that your business can’t cover on its own. Different policies cover different types of losses.

It’s important to note that policies vary based on their inclusions, exclusions, and deductible amounts, but these variables and options depend on your carrier. However, every policy specifies the events it can and can’t cover.
HOW ARE INSURANCE PREMIUMS CALCULATED?

When you buy insurance, your provider assesses the amount of risk it can accept. This risk is directly related to the cost of your insurance premium.

For example, when you buy personal auto insurance, your carrier may ask you which car you drive (make, model, and year), your age, sex, and marital status. All these details indicate the kind of driver you are (statistically speaking) and the amount of risk you may pose. Drivers who own sports cars, for instance, have a higher chance of having their cars stolen. Your premium may reflect that risk.

Similarly, your commercial insurance provider uses certain details about your construction business to determine your risk profile and, subsequently, the cost of your coverage. Your premium cost depends on…

- Your profession (e.g., carpenter, mason, electrician, commercial roofer, etc.).
- Where your business is located.
- How many employees you have.
- The kind of property you own.
- The nature of your work.
- The kinds of policies you choose.
- The coverage limits and deductible you select.

In Chapter 4: Keeping Construction Accidents at Bay through Risk Management, we explore how you can reduce your premium costs through effective risk reduction strategies. But for now, you can read more about the most essential insurance policies for small-business owners in the next section.
BUSINESS INSURANCE BASICS FOR SMALL-BUSINESS OWNERS

If you can’t outright prevent a loss from occurring, the next best option is to create a plan that minimizes damages. Many small-business owners turn to commercial insurance as their safety net for the hazards outside their control.

For instance, you can keep a tidy worksite, but someone may still trip and injure themselves. So if an out-of-the-blue accident does happen, you want an insurance policy that covers lawsuits over such injuries.

Here are the basic insurance policies that benefit almost all small-business owners:

- General Liability Insurance.
- Property Insurance.
- Health Insurance.

Let’s take a look at what these policies cover and how they keep your business running – even when unpredictable accidents happen.

GENERAL LIABILITY INSURANCE: A FOUNDATION OF LIABILITY COVERAGE

General Liability Insurance (GL) is perhaps the most important component of your business protection plan. This policy offers a spectrum of liability coverage against third-party claims – the kinds that are hard to prevent and costly to face.

A “third-party claim” is a lawsuit or a demand for compensation brought against your business by anyone who doesn’t work for you. GL Insurance can cover attorney fees, settlements or judgments, and other legal costs (up to your policy limits) when your business is sued over...

- Bodily injuries that happen on your premises or at your jobsite.
- Bodily injuries caused by your completed work.
- Damage to someone else’s property while carrying out your work.
- Advertising injuries (e.g., copyright infringement or libel).

Let’s look at each of these coverage types in more detail.

PREMISES LIABILITY INSURANCE

If someone is injured on your property or worksite, they can sue your business for “premises liability.” Let’s say you’re an HVAC contractor who also sells parts out of your commercial space. If customers slip, fall, or trip while on your property, you can be held liable for their medical expenses.

These kinds of accidents happen all the time. The National Safety Council estimates that slips, trips, and falls are the reason for approximately 8.9 million visits to the emergency room each year.

Source: http://www.nsc.org/safety_home/HomeandRecreationalSafety/Falls/Documents/Slips%20Trips%20and%20Falls_FINAL.pdf
Though your office may not allow public access, you have other premises liability exposures to contend with. Depending on your jobsite, your tools, power cords, and scrap can pose trip hazards to clients or the general public. For example, if you accidentally drop materials or tools from a height, you could accidentally injure a passerby.

Your business could be sued over all of these potential injuries. When that happens, you’ll be happy to have your GL coverage at the ready.

PRODUCTS AND COMPLETED-OPERATIONS LIABILITY INSURANCE

If the services you’ve completed or the products you’ve produced cause someone bodily harm or property damage, your business could be sued for “completed-operations liability” or “products liability.”

For example, say you’ve installed a heating unit that malfunctions, and the homeowner is (non-fatally) poisoned by the buildup of carbon monoxide. The homeowner brings in a specialist who determines the malfunction was caused by faulty installation. If that homeowner decides to pursue your HVAC business in court, your GL Insurance policy can cover the claim.

If you’re a general contractor, completed operations exposures are high. The quality of materials and the construction details can make the difference between a successful project and a serious lawsuit.

And because it’s your duty to maintain quality control and ensure full compliance with all construction, material, and design specifications, you can be blamed for injuries caused by your completed work. That’s why you need a strong General Liability Insurance policy to protect you.

PROPERTY DAMAGE INSURANCE

Though construction denotes repair and improvement, sometimes things are destroyed (intentionally and unintentionally) in the process. If you accidentally damage someone’s property while completing your work, that person could sue for compensation.

For example, let’s say you’re a residential roofing contractor. During operations, roofing materials or tools and equipment drop on someone’s car windshield. Your GL Insurance can cover the cost to replace or repair the damaged property.
ADVERTISING LIABILITY INSURANCE

If you use social media to promote your painting business, you could face privacy invasion or copyright infringement suits if you post someone else’s words or copyrighted photos on your pages without their consent. These types of non-physical injuries are called “advertising injuries,” and they are enough to prompt a lawsuit.

General Liability Insurance also covers claims of defamation, such as slander and libel. Like privacy invasion and infringement, these types of claims often stem from social media. If you or an employee posts something negative about a competitor, they can claim your words hurt their reputation and sue your business.

As you can see, General Liability Insurance offers versatile protection that could come in handy throughout the life of your business. You can learn more by checking out our blog posts on advertising injuries.

PROPERTY INSURANCE: PROTECTION FOR YOUR BUSINESS ESSENTIALS

Property Insurance is a must for contractors who own or lease expensive equipment (e.g., cement mixers, dozers, loaders, etc.). After all, if something happens to your heavy machinery, your projects could be delayed until you have the means to make replacements or repairs.
With adequate coverage, though, your provider can compensate you for the cost of replacing your gear. Additionally, your Property policy can protect your commercial real estate and its contents from loss caused by the following common disasters:

- Fires
- Thefts and vandalism
- Windstorms
- Power outages or surges

While standard Property Insurance policies don’t cover damage caused by hurricanes, floods, and earthquakes, most can be tailored to include these coverages through the appropriate endorsement. It’s something to consider if you live in a region prone to these events.

So how does Property Insurance work? Let’s break it down.

**COMMERCIAL REAL ESTATE COVERAGE**

If you own commercial property, you have plenty of incentive to insure your investment. Even a small windstorm can cause considerable damage, and repair work adds up quickly. (And as a contractor, you probably know all too well that the price of construction and building materials rises each year. Engineering News-Record’s Construction Economics report can give you an idea about these costs if you’re not familiar.) Your Property policy can cover the damage to your building and its contents when a covered claim occurs.

**BUILDING CONTENTS COVERAGE**

If you rent property, your landlord likely has Property Insurance to protect the building (scope out your lease to be sure). However, their policy won’t cover your business property housed inside.

That means you’ll need to purchase “contents coverage.” You can purchase a Property Insurance policy that includes just premises coverage, just contents coverage, or both.

The cost of construction, building, and materials tends to increase each year – which is one good reason to carry Property Insurance.
LEASED OR OWNED EQUIPMENT COVERAGE

Your tools are central to your work, which means there’s not much wiggle room time-wise if they are stolen, damaged, or otherwise out of commission. You need replacements quickly. Luckily, a quality Property plan can compensate you for the cost of repairing or replacing your covered gear.

If you own your equipment, you may have the option to insure it at its current cash value or its replacement value. Here are the differences:

• **Actual-cash-value coverage** typically costs less, but only pays out what your depreciated items are worth at the time of the claim.

• **Replacement-value coverage** comes with a slightly higher premium, but this kind of insurance pays out what you need to buy brand-new gear. If you lease equipment, most providers only offer replacement-value insurance.

Be sure to give yourself plenty of breathing room when determining your policy limits. Recovering after a serious disaster is a costly ordeal, and you don’t want to be left underinsured in a time of crisis.
WHY HEALTH INSURANCE IS NO LONGER OPTIONAL FOR SOLE PROPRIETORS

The Affordable Care Act has shaken up the health insurance industry as we know it. It’s now mandatory for individuals to carry health insurance, even if they are self-employed. As a self-employed person, you may be eligible for lower insurance premiums or tax credits. Plus, now that coverage is also available to everyone, you can’t be charged more or turned away for preexisting conditions.

You can meet your health coverage requirements by purchasing a policy through the Individuals and Families Marketplace during the annual open-enrollment period. Depending on where you live, you may be able to save money by shopping the Marketplace exchanges.

Small-business owners are not required to offer health insurance to their employees. However, if you’d like to find a healthcare program for your workers, you can do so on the SHOP Marketplace.

COVERAGES MOST CONTRACTORS AND CONSTRUCTION BUSINESSES NEED

Now that you’re familiar with the basic insurance coverages that protect all types of businesses, let’s explore three insurance policies that are especially important to contracting professionals:

- Commercial Auto Insurance.
- Inland Marine Insurance.
- License Bonds / Permit Bonds.

Read on to learn why these coverages are the center of your business protection plan.

WHY CONSTRUCTION PROFESSIONALS NEED COMMERCIAL AUTO INSURANCE

If your business owns a vehicle or you drive an automobile to transport workers, equipment, and supplies to and from jobsites, you’ll want Commercial Auto Insurance. A single auto collision could cost you your business if you are sued for damages.

And no matter the extent of the damage, wrecks are never cheap. According to AAA’s “Crashes vs. Congestion: What’s the Cost to Society?” report, traffic crashes cost U.S. motorists almost $300 billion per year.

Traffic crashes cost American motorists almost $300 billion each year.

Your on-the-road risks are even higher if you transport oversized machinery and equipment. Driving down rural roads also increases the risk of collision and upset losses because of the narrow and uneven ground.

The good news is that you can safeguard your contracting business — no matter your trade — with a quality Commercial Auto policy. Ask your agent whether you should include...

- **Bodily injury liability coverage.** If you are legally responsible for an accident that injured people other than your passengers, your policy can cover the cost of the claim. This may include legal defense fees and settlements or judgments if your company is sued.

- **Property damage liability coverage.** Your policy could pay for a third party’s property damage caused by your company’s vehicle.

- **Uninsured motorist coverage.** Commercial Auto Insurance can cover repairs to your commercial vehicle if an uninsured driver strikes you.

- **Comprehensive coverage.** Some policies include coverage for other kinds of damage that happen to your vehicle (e.g., a branch falling on your windshield, vandalism, or theft).

- **Medical expenses.** Some policies can include care expenses when you and passengers in your vehicle are injured in an accident.

Not all policies are the same, but these points can give you an idea about some of the coverage options available. Also, keep in mind that each state carries different requirements for Commercial Auto Insurance. To learn what your state has on the books, check out the DMV Commercial Auto Insurance Minimum Requirements page and click on your state.
INLAND MARINE INSURANCE: SECURITY FOR EQUIPMENT ON THE MOVE

Inland Marine Insurance can be confusing for those unfamiliar with the coverage, but don’t be fooled by its name. Though this insurance was initially created to guard goods as they crossed the high seas, today Inland Marine Insurance is used to cover all kinds of property in all kinds of transit – from physical transport to digital transfers.

Inland Marine coverage is a type of Property Insurance designed to maximize mobility. Whereas standard Property Insurance protects equipment at your primary business location, this policy ensures your gear is covered anywhere it goes.

WHY DO I NEED INLAND MARINE INSURANCE?

In a nutshell, you’ll want Inland Marine coverage if you…

• Move equipment, goods, or supplies from one location to another.
• Have off-premises risk exposures.
• Own or lease mobile equipment.
• Need protection for your data (such as accounts receivable).

For contractors, Inland Marine Insurance is essential because your work takes you anywhere and everywhere. But while you’re on the move or at a jobsite, your tools, equipment, and supplies could be damaged – and your primary Property policy (or Commercial Auto Insurance policy, for that matter) may not cover the loss.

For example, your hoists, ladders, and scaffolding could be damaged during transport or during setup and use. You could drop tools from a height or someone could steal them from the site. For all of these scenarios, your Inland Marine Insurance can compensate you for your loss if the item is covered by your policy.
As a general contractor, you may arrange for the lease of larger equipment (e.g., cranes or forklifts). If the rental firm determines you are the one responsible for any damage to the rented equipment, you want Inland Marine Insurance to protect that gear on the jobsite.

Inland Marine Insurance can protect accounts receivable, too, which could spare you from loss if the records are damaged. This is an especially useful safeguard for contractors because you may be paid in installments throughout the course of a project. Your policy may also cover valuable papers and records, such as custom project plans.

WHAT DOES INLAND MARINE INSURANCE DO?

Inland Marine Insurance can compensate you for unique damages and losses that you may face on the road or at the jobsite. For instance, your policy can offer…

- **Contractor’s equipment coverage.** Designed just for contracting and construction businesses, this coverage compensates you for the cost of replacing lost, stolen, or damaged equipment (e.g., forklifts, dozers, loaders, cranes, etc.). Some carriers only offer replacement-value coverage for equipment that is less than five years old. If you lease or borrow equipment, you may be able to cover those, too, depending on your provider.

- **Property-in-transit coverage.** Your Inland Marine Insurance “floats” with your covered assets, whether they are in transit, at the site, or in storage. So if you drop your drill from a rooftop or your supplies are damaged en route, your policy can cover the cost of their replacement.

- **Accounts receivable coverage.** If you’re unable to collect payment because of damaged or lost records, your policy can cover that loss.

- **Computer and media equipment coverage.** As a contractor in the digital age, you likely rely on your smartphone, tablet, and computers to map out projects and keep in touch with clients. If you take these media devices on the road, you may consider giving them a little extra protection by including this coverage.

Inland Marine Insurance is a versatile type of coverage that can strengthen your underlying Property Insurance or be purchased as a standalone plan.
GETTING BONDED: WHY LICENSE BONDS / PERMIT BONDS ARE ESSENTIAL

License Bonds / Permit Bonds (aka Contractor’s Bonds) are a little different than the other types of insurance policies we’ve discussed so far. First of all, this kind of surety bond exists between three parties:

- **The principal** (you, the contractor, builder, or construction business owner).
- **The obligee** (the client that benefits from the bond).
- **The obligor** (the company providing your bond).

Whereas other insurance coverages protect your business, your License Bond protects the consumers that hire your contracting company. In essence, your surety guarantees that you will adhere to the bond’s stipulations and federal, state, and local construction regulations (e.g., complying with building codes).

By issuing your bond, your surety provider is vouching for your credibility as a tradesperson. So if government agencies or consumers experience a financial loss because your business didn’t follow regulations, your provider can compensate them for the claim. However, you will be responsible for paying back the full amount of the claim to your carrier.

Most states and local municipalities require contractors to carry a License Bond / Permit Bond in order to operate, but regulations vary depending on where you live. To learn what your state or local government requires, feel free to chat with one of our construction insurance experts at 800.688.1984.

THE BENEFITS OF BEING BONDED

Though a License or Permit Bond is primarily for the benefit of the general public, you also enjoy some perks of your coverage. A Contractor’s License Bond…

- **Ensures you comply with state and local laws.** You must carry a License Bond in order to operate a contracting or construction business in most states.
- **Showcases your business’s credibility.** By agreeing to back your contracting company, your provider is vouching that you have the experience to comply with construction regulations.
- **Helps you attract work.** Clients know that they can trust you to produce professional work.

Many contractors work hard to maintain their good standing with their surety provider so they can continue to be bonded in the future. Any time a claim is brought against your business, it’s harder to secure a bond.
HOW DO I PURCHASE A LICENSE BOND?

The surety provider’s obligation is to the general public, which is why the provider carefully “prequalifies” the contractor or construction worker. To vouch for your experience, skill, and integrity, the surety provider evaluates your bond history and creditworthiness.

When you apply for a bond, your provider may ask…

- Do you have any other surety bonds in force with any other surety company?
- Has another surety company declined to write this or any previous bond?
- Have you ever had a bond involuntarily terminated or cancelled?
- Has there ever been a claim or legal action against any bond executed on your behalf?
- Do you or any of your companies have any pending lawsuits, unsatisfied judgments, or liens?
- Have you or any of your companies declared bankruptcy or become insolvent?
- Have you or any of your companies been the subject of any legal proceedings that resulted in disciplinary action?

To get License Bond quotes from insureon, complete an online application.

CUSTOM-BUILT ENDORSEMENTS FOR CONTRACTORS & CONSTRUCTION PROFESSIONALS

Adequate insurance coverage isn’t just a savvy business move – it could be the difference between growing your business and folding after a setback. But it’s important to know that even a comprehensive insurance plan can’t account for every accident, injury, or loss you may encounter. Each plan has its limits and exclusions.

So what are your options when you need coverage for something your policy doesn’t provide? You turn to endorsements (aka “riders”). An endorsement is as an added provision to an insurance policy that modifies the coverage. It can add protection for acts or circumstances that are not covered in the original policy.

For example, we mentioned earlier that Inland Marine Insurance could be added as an endorsement to your Property Insurance. Here are a couple more endorsements that can fill gaps in your Property coverage.

BUILDER’S RISK INSURANCE: PROTECTING PROJECTS IN PROGRESS

A building under construction faces different damage risks than completed buildings do. For this reason, your project in progress may be exposed to hazards that your other policies may not cover.

So if you’re a custom builder or a general contractor, you may want to purchase Builder’s Risk Insurance, a special type of Property Insurance that covers damage to buildings while they are under construction. (Note: sometimes, the property owner may purchase the coverage, too.) This coverage may be required by client contracts or as part of building code compliance.
Builder’s Risk Insurance can be purchased as an endorsement to your Property Insurance or as a standalone policy. When you have Builder’s Risk Insurance, you are indemnified for loss or damage (as a result of a covered event) to a building under construction.

For example, say a windstorm levels a building that is halfway finished, and your Builder’s Risk policy is for the replacement value of the building. Your coverage would compensate you for half of the completed building’s value.

Typically, Builder’s Risk Insurance covers loss or damage caused by…
- Fire.
- Windstorm.
- Theft.
- Vandalism.

There are two types of Builder’s Risk policies: the “named-perils” form and the “all-risk” form. The named-perils coverage is usually less expensive because it only covers damage caused by perils (loss events) listed in the policy. All-risk coverage is a broader form and provides coverage against all risks not specifically excluded in the policy. This option can even cover building materials on- or off-site.

Coverage is only applicable during the construction period. Once the building is complete, the owner is responsible for purchasing their own Property Insurance.
INSTALLATION FLOATERS: COVERAGE FOR MERCHANDISE IN TRANSIT

Installation Floaters (or Installers Floaters) are a type of Inland Marine Insurance that covers equipment and machinery that will be installed in a building (such as air conditioning and heating units). This coverage can “float” with the items, protecting them during transit, installation, and testing at the purchaser’s premises. This policy covers the property until the purchaser accepts the installation work or when your interest in the installed property ends.

For example, let’s say an HVAC contractor is hired to install a new heating unit at a customer’s home. On the way to the house, his truck hits some major potholes, and the unit is damaged. However, replacing the unit will set the contractor back a cool $10,000.

If the contractor has an Installation Floater, he would only need to pay the deductible, rather than lose profit by purchasing a new unit.

HOW DO MY INSURANCE NEEDS CHANGE WHEN I HIRE EMPLOYEES?

As a sole proprietor or independent contractor, you know what it takes to keep yourself safe on the job. But when your business grows and you hire help for your construction and remodeling projects, you take on the responsibility of keeping your employees safe, too.

According to OSHA’s Commonly Used Statistics page, this is no small challenge. In 2012, out of 3,945 worker fatalities in private industry, 775 of those deaths were construction professionals (or 19.6 percent).

Though it may be impossible to plan for every situation, there are some insurance policies that can protect your business and offer your employees the coverage they deserve.

Let’s look at some of the insurance obligations you may take on once you become an employer.

In 2012, 19.6% of all fatally injured workers were construction professionals.

Source: https://www.osha.gov/oshstats/commonstats.html
WHEN YOU NEED TO BUY WORKERS’ COMPENSATION INSURANCE

Workers’ Compensation Insurance is the foremost way to ensure your business doesn’t lose profits every time an employee is hurt on the jobsite. And if you are a roofer or a carpenter, you have all the more incentive to carry this coverage.

OSHA reports that roofers and carpenters are the most susceptible to serious workplace injuries caused by falls or slips. OSHA’s “Business Case for Safety and Health: Costs” article states…

• From 2005 to 2007, the average cost of a lost-time claim for roofers involving in a fall from an elevation was over $106,000.
• Per claim, approximately $36,000 went toward wage-replacement benefits, while $70,000 was for medical care.
• During the same three years, the average cost of a lost-time claim for carpenters involving in a fall from an elevation was nearly $98,000.
• In each case, approximately $30,000 went toward wage-replacement benefits, while $68,000 was for medical care.

In a nutshell, occupational injuries cost your business big time in terms of lost time, work, and money. Can you imagine paying these expenses out of pocket if one of your workers fell from scaffolding? The cost of their medical expenses alone may be enough to put you out of business. And in most circumstances, it would be your legal responsibility to cover those expenses.

That’s why most states require that employers carry Workman’s Comp Insurance, though the laws vary depending on where you live. Most states even have special Workers’ Comp laws for construction professionals.

For example, Florida’s laws mandate that employers have coverage when they have four or more employees. But if you work in construction, you have to carry coverage if you have one or more employees, including yourself.

If you are a roofer in California, you have to carry Workers’ Comp even if you don’t have any employees. For a complete guide to Workers’ Comp regulations, check out our resource, Workers’ Compensation Insurance Laws by State.

Roofers and carpenters are the most susceptible to serious workplace injuries.

Source: https://www.osha.gov/dcsp/products/topics/businesscase/costs.html
THE BENEFITS OF WORKERS’ COMPENSATION COVERAGE

Other than helping you comply with your state’s laws, your contracting business can benefit from a quality Workers’ Comp plan. Your coverage can help pay for…

- **Medical expenses** associated with an employee’s occupational injuries, such as immediate medical attention and ongoing treatment.
- **Replacement wages** while your employee recovers from an occupational injury.
- **Disability, funeral, and dependent support payments** if an employee is disabled or fatally injured.
- **Legal fees** (through the Employer’s Liability Insurance portion of your policy) if an employee sues your business for its role in their injury.

Most states allow sole proprietors to cover themselves under their policy. So if you suffer an on-the-job injury, you can collect the same benefits as your employees would.

HOW TO EXTEND YOUR POLICIES TO INCLUDE KEY WORKERS

As you build a team of talented contractors, you may need to extend your other policies to cover the work they do on behalf of your company. For example, you may need to list your subcontractors as “Additional Insureds” on your General Liability policy so they receive the protection of your Products and Completed Operations coverage.

Read more on this topic by skipping ahead to the section, “Considerations When Hiring Subcontractors.”

THE AFFORDABLE CARE ACT (ACA) AND YOUR NEW STAFF

So what does the Affordable Care Act mean if you’re a small-business owner who now has employees? As we mentioned earlier, you’re required to carry healthcare coverage for yourself, but according to Healthcare.gov, you don’t have to provide health insurance for your employees if you have fewer than 50 full-time equivalent (FTE) workers.

If you do have 50 or more FTE employees, you may be subject to the Employer Shared Responsibility Payment (ESRP) sections of the law. Whether or not you are subject to the ESRP, you can purchase a healthcare plan for your employees on the SHOP Marketplace.
CHAPTER 3

// TIPS FOR FINDING SMALL BUSINESS INSURANCE //
By now, you’ve got a solid grasp on the risks your construction business may face and the insurance policies that protect your revenue. You’ve also picked up some helpful resources for when you are ready to grow your business.

And now it’s time to put what you’ve learned into action. You’re ready to buy insurance! But where do you begin?

This chapter offers tips for finding coverage by on your own or with the help of an agent.
FINDING SMALL BUSINESS INSURANCE ON YOUR OWN

If this is your first time purchasing insurance, don’t be overwhelmed by all the results that turn up in a Google search. The Internet is overrun with options, and it can be hard to tell a legitimate offer from an exaggerated sales pitch.

So let’s start from the top.

USING THE INTERNET TO FIND COVERAGE

How can you ensure you’re getting the coverage you need and still find affordable rates? If you aren’t working with an agent, you’ll need to complete the following steps.

1. Take inventory of your risks.

Though we’ve talked in depth about the risks your contracting business may encounter, every company has its own nuances. So before you begin your search, consider your business. Here are a few questions to get you started:
   • Which tools and equipment could you not bear to lose or afford to replace?
   • Which disasters are true threats to the continuation of your company?
   • Which policies do you need in order to conduct business in your state?

When mapping out potential risks and liabilities, be thorough and consider the worst-case scenarios — the ones that could truly derail your business. Those are the situations when you want your insurance to really hold up.

2. Create a list of potential insurance providers.

After you have a good idea about the policies you want in your insurance protection plan, it’s time to make a list of providers. It’s likely that you wouldn’t make a large purchase without scoping out all your options, and buying insurance is no different.

There are many different types of insurance providers. Some deal with personal policies while others deal with commercial insurance. But even commercial insurance providers carry different products and specialize in different types of coverage. When compiling your list, look for a provider that:
   • Has experience insuring small businesses.
   • Has experience insuring construction / contracting professionals

That’s right. Not all insurers are familiar with the needs of small businesses. And not all insurers provide coverage for construction and contracting professionals. But they are out there, and you’d do well to find them.
3. Vet your list of insurance providers.

In the fly-by-night age of the Internet, you can’t be too careful when vetting your list of potential providers. Check that your provider has the appropriate licensing and is covered by your state’s guaranty fund (a back-up source in case the insurance company defaults).

You can find your state’s insurance department on the National Association of Insurance Commissioners’ (NAIC) “Map of NAIC States & Jurisdictions.”

Though proper licensing is a sign that your carrier is on the right track, there are other factors that determine whether your provider is worthy of your investment. For example, how quick are the payouts? How reliable are the terms? Does the provider offer industry-specific policies?

If the provider has a high rating (an “A” rating is the highest in the industry), you can rest assured you’re dealing with a provider that values its clients. To compare ratings, look up your prospective providers on A.M. Best’s website.

4. Request quotes from different carriers.

Once you have a list of providers you can trust with your business, contact them for quotes. You’ll want to request estimates from several companies so you can compare your options.

5. Compare the offers.

Policy prices are an important consideration, but it shouldn’t be the final word on whether you sign or pass on a policy. After all, the goal here is to purchase coverage you can count on when a serious disaster strikes.

So take into account what each policy covers (its inclusions) as well as what it leaves out (its exclusions). Check that the liability plans include coverage for legal defense fees (which can be a small fortune in their own right). Note each policy’s limits – are they high enough to meet your needs? You don’t want to be underinsured in a time of crisis.

And remember, don’t sign anything until you read and understand the fine print.

6. Consider your deductible.

Though this is part of the “comparing offers” step, it deserves its own section. That’s because the deductible is often overlooked during the decision-making process. Your deductible is your out-of-pocket expense for coverage. It’s the price you must pay before your insurance benefits kick in.

You may be tempted to take on a plan with a high deductible because the premiums are usually lower. However, this option could end up costing you more in the long run.

To determine an appropriate deductible, consider the frequency of the claims you may face. Would you have the funds on hand – at any given time – to cover your share? If you’re unsure, just remember that your deductible should never be so much that it would jeopardize your own finances.

As you can see, the solo route is a work-intensive one! And if you don’t have the time to research your options, vet providers, request quotes, and muddle through complicated insurance jargon on your own, maybe you’d fare better with an agent.
FINDING SMALL BUSINESS INSURANCE WITH AN INDEPENDENT INSURANCE AGENT

There are two types of insurance agents: “captive” agents and “independent” agents. Captive agents are the ones you deal with when you find insurance on your own. They work for one insurance company and can only sell its products.

An independent agent’s access to multiple providers gives you multiple policies – and prices – to choose from. This increases the odds that you’ll receive the best price for your coverage.

WHY WORKING WITH AN AGENT MAKES YOUR LIFE EASIER

Here’s what you can expect when you team up with a licensed independent insurance agent.

1. Submit one application for multiple quotes.

No hunting down providers and requesting estimates one by one here. At insureon, your industry-expert agent does all the heavy lifting for you. While other companies may have computers put together quotes for you, insureon doesn’t. Our agents compile quotes by hand, ensuring that you view policies that fit your business’s specific needs and risks.

Once you fill out and submit our quick online application, your agent will send quotes right to your inbox. From there, you can review the estimates at your leisure. If something catches your eye, let your agent know, and they can take you from quote to bind in a day.

2. Talk to a real person for all your insurance questions.

As we’ve said before, purchasing insurance is an investment in your business. Because of that, we don’t think you should have to depend on a machine to field your pressing questions. That’s why we connect our clients with their own agent for as long as they have their policies. When you need answers, you can rely on your agent for help any time of the year.

3. Get expert advice from an industry specialist agent.

Our agents are trained by the industry. That means your agent not only knows insurance, but they also know how insurance applies to your business’s unique risks. So if you have questions about particular

An independent agent can offer competitive prices because they have access to a wealth of different providers.
scenarios and how your insurance can protect you, your agent can walk you through what to expect.

Also, your agent has relationships with top insurance companies that offer products tailored for construction professionals. This allows your agent to find your coverage at prices that may not be available to the public.

4. Avoid the confusing insurance jargon and legal speak.

Insurance lingo might as well be another language – a very, very complicated one! But we don’t think insurance should be a subject only agents and underwriters can talk about. We take pride in making complex concepts accessible for our clients, and our agents are always happy to answer questions about your policies. That way, you can make confident decisions about your risk management plan.

Ready to see what your insureon agent has to offer? Simply complete our online insurance application to get started today!

WHEN TO UPDATE YOUR BUSINESS INSURANCE POLICIES

Now that you know how to find small business insurance, it’s important to realize that your insurance needs are not stagnant. As your business changes and grows, your insurance policies may need to be adjusted. Sometimes, something will happen and your insurance will need to be amended in the middle of your policy term.
Don’t worry. Insurance policies usually come with a provision for these “significant events” that allows you to make changes to your coverage in the middle of the year. What’s considered a significant event? Take a look at the following:

• **Purchasing new equipment.** If you purchase heavy machinery or expensive tools, you should cover your investments with your Property Insurance or Inland Marine Insurance policy. As a rule, any big purchases are worthy of a policy update because your premiums depend on the type and amount of equipment your business uses.

• **Relocating your office.** If you relocate to another commercial building, your move will affect your General Liability and Property Insurance. For instance, your GL Insurance will need to cover your new address if you have premises liability protection. And your Property policy will need to cover the building (if you own it) or its contents (if you rent). The square footage of your new space, its security features, and where it is located can affect your Property premiums.

• **Offering new services.** Because most of our policies are industry-specific, it’s a good idea to double check that your new services are covered by your existing policy. If they aren’t, your agent can advise you on the endorsements you may need to add to your plan.

• **Having a significant change in revenue.** Because your premiums are partly based on your income, you may need to revisit your plan if your earnings double or they take a sharp dive. If you’re pulling in more revenue, you may need higher limits to protect you if you’re sued. If you’re generating markedly less income, you may be able to save money on your policy by reducing your limits.

• **Hiring employees.** Though we already discussed how your insurance needs change when you hire employees, let’s recap. Most states require that construction employers carry Workers’ Compensation Insurance for even one employee, so that will be your biggest change. Remember that most states allow you to cover yourself with this plan, too.

Should one of the above events alter your business, contact your insurance agent right away. If you wait too long, you may no longer have adequate coverage. And you never want to leave your business vulnerable to risk.
CHAPTER 4

// KEEPING CONSTRUCTION ACCIDENTS AT BAY THROUGH RISK MANAGEMENT //
KEEPING CONSTRUCTION ACCIDENTS AT BAY THROUGH RISK MANAGEMENT

It’s important to realize that adequate insurance protection is only one part of an effective risk management plan. The better part of your risk management plan should include techniques that help prevent losses — and subsequent insurance claims — before they happen.

Why? Because insurance works best when it’s viewed as a safety net. If all your other precautions fail, your insurance will catch you, but it’s not cost-effective to rely on insurance as Plan A. That’s because every time you file a claim, your insurance premiums may rise. Relatedly, lawsuits and the like don’t just cost money — they cost your business time and productivity. And insurance can’t protect you from that.

This chapter focuses on risk management techniques for construction and contracting professionals. First, we take a look at some of the ways you can keep your insurance rates low. Then, you’ll pick up some pointers on hiring subcontractors and creating a safe work environment. Lastly, you’ll discover the necessity of keeping your insurance coverage in place, even if you have a stellar risk mitigation plan.
RISK MANAGEMENT TIPS THAT KEEP INSURANCE RATES LOW

As we’ve mentioned, commercial insurance is the last line of defense for your business when unpreventable accidents and disasters happen. But some risks can be controlled or mitigated with the appropriate preventive measures. And if those measures end up not being enough, that’s when your coverage can step in and raft you through the damage.

Another reason to prevent claims from happening in the first place? It can keep your insurance rates low. Here are some tips to help you get started:

• **Put safety first.** This means both your safety and the safety of your clients or anyone who may come across your worksite. Before you begin work, scope out potential safety risks and create a plan for handling them. For example, ladders and scaffolds should never come within 10 feet of an electrical power line. It’s this kind of awareness that can reduce fatal accidents. Also, be sure to familiarize yourself with federal, state, and local construction codes.

• **Use contracts and waivers.** Though liability waivers and contracts (with subcontractors and clients) aren’t bulletproof in court, they can help establish expectations and responsibilities. In turn, these documents may be able to help you sort out a problem before it escalates into a lawsuit. But if the problem is pursued in court, be aware that every court handles contracts differently. Some let the contracts stand, while others dismiss them. The legal strength of the documents may prove to be the deciding factor, so be sure to work with an attorney when you draft these items. And don’t rely on your contracts alone – always supplement this protection with adequate commercial liability insurance.

• **Don’t cancel your coverage during off seasons.** Sure, when business is slow, it may be time to tighten the belt. But don’t do yourself the disservice of canceling your coverage. For starters, you leave your business absolutely exposed the moment you terminate your policy. That means you won’t have coverage for completed operations or product liability lawsuits, and those claims can pop up months after you finish a job. (To learn your state’s statutes of limitations, check out Nolo.com’s article, “Statutes of Limitations in All 50 States.”) If you do cancel your insurance protection, all the legal costs would be your out-of-pocket responsibility. Plus, when you apply for insurance next season, you may have difficulty securing coverage or your premiums may skyrocket. Starting and stopping your insurance too many times is a red flag for providers.

• **Protect your business on the road.** Once you hire employees, be sure to check for proper licensing and insurance before they drive company vehicles. And if you want to keep your Commercial Auto Insurance rates low, remember that a good driving record, proper training, defensive driving, and regular vehicle maintenance go a long way.

• **Keep clients in the loop.** One way to reduce the chance of a costly court battle over your work is to keep the lines of communication open with your clients. If project timelines change or problems arise, talk to your client about the issues and work out an agreement. Though it may just seem like common courtesy or good business sense, these small gestures can make a difference.

• **Maintain your equipment.** Your tools are essential to your work, so keep them in good shape. Clean your tools and equipment after each day’s use, protect cords with purpose-built casing, and store your gear properly.
• **Comply with the Affordable Care Act.** We discussed earlier that self-employed people are now responsible for carrying health insurance. If you don’t have coverage, you will be assessed a fine that increases each year. For more information on the ACA, check out WebMD’s guide, “Health Care Reform: Health Insurance & Affordable Care Act.”

• **Pay your quarterly taxes.** Self-employment also means you are responsible for paying your own self-employment taxes. You submit these taxes four times throughout the year (usually in April, June, September, and January). If you don’t file your quarterly taxes throughout the year, you may owe penalties and interest in addition to back taxes when you submit your annual return. And you don’t want that! Visit the IRS’s Construction Tax Center for more information.

And remember, the best-laid risk management plans may not keep your business out of court, so be sure you are properly insured at all times.

**CONSIDERATIONS WHEN HIRING SUBCONTRACTORS**

If you need to hire subcontractors to help you complete a larger project, be warned – the mistakes your subcontractor makes could become your liability. For example, let’s say you’re a general contractor working on a residential home. You hire an electrical subcontractor to finish the job. Five years later, the house burns to the ground, and after an investigation, the homeowner’s insurance provider finds the cause was faulty wiring.

In many circumstances, business owners are legally responsible for their subcontractors’ mistakes.
Initially, the former client tries to sue the subcontractor for the construction defect. Unfortunately, the electrician retired and no longer has insurance. So they sue you instead. Now you’re faced with an unpleasant court battle that could conceivably result in your being found liable.

So how can you keep your business safe and still hire the help you need? Here are a few tips:

• **Make sure your subcontractors are insured.** If you do business with the same subcontractors each year, be sure you have their latest Certificates of Liability Insurance. If your subcontractor does not have insurance, you can add them to your General Liability Insurance policy as an “Additional Insured.” Depending on your state’s laws, your subcontractors may need to be bonded and carry their own Workers’ Comp coverage, too.

• **Check for proper licensing.** Check with your state’s construction board to ensure you hire a licensed subcontractor. In most states, you can search the subcontractor’s license number on the board’s website to make sure it’s current and there are no complaints on their record.

• **Document your dealings.** Draw up a written contract that outlines project timelines, expectations, and pay rate. Your contract should also include correction steps for errors made and clearly define who is responsible for fixing mistakes. Keep in mind that the document is not legally binding until both parties sign on the dotted line.

• **Inspect their work.** Once the job is finished, be sure you check their work to see if repairs are necessary. The customer, you, and the subcontractor should sign off on the work before it is considered complete.

• **Work with people you trust.** A good working relationship not only makes projects easier, it can also spare your contracting business a load of legal hassles down the road.

Your subcontractors are there to help your business, not to create additional financial burdens. Stick to these tips, and trust your instincts.

**OHSA AND YOU: CREATING A SAFER WORK ENVIRONMENT**

The Occupational Health & Safety Administration cites four fatal incidents as the leading causes of construction worker deaths:

• **Falling** (278 deaths in 2012).
• **Getting struck by objects** (78 deaths in 2012).
• **Electrocutions** (66 deaths in 2012).
• **Getting caught in or between objects** (13 deaths in 2012).

Accidents happen all the time, but with some planning and awareness, you can reduce your chance of facing these deadly situations. Here are some hazard prevention tips that can make a safer work environment for you and your future employees.

In 2012, 278 construction workers died from falls.

Source: https://www.osha.gov/dcsp/products/topics/businesscase/costs.html
FALL PREVENTION

Falls can happen to even the most careful contractor. For example, say you are a roofing contractor, and while removing a roof opening cover, you fall 21 feet to the concrete floor below. Such a fall could fatally injure you. Ledges, roof edges, misused or improper scaffolding, and ladders could all be potential fall hazards.

To reduce the risk of falls, use guardrails, safety nets, and personal fall arrest systems (full-body harness, connectors, and anchorage). Guardrails or personal fall arrest systems are required for scaffold work over 10 feet high. For more safety tips, read OSHA’s training guide, “Construction Focus Four: Fall Hazards.”

STRUCK-BY-OBJECT PROTECTION

Struck-by hazards include injuries caused by falling tools or materials (e.g., being hit by falling bricks) or machinery (e.g., being hit by a truck while working on a highway).

To reduce your risk exposures, be aware of heavy machinery when it’s operating, and stay clear of its path. This includes noting the swing radius of cranes and being aware of uneven loads. If you are operating heavy machinery, make sure others are out of the way before using dumping or lifting devices.

When working on a construction zone, wear high-visibility reflective clothing, never cross the path of a reversing vehicle, and ensure the proper warning signage is in place. And of course, always wear the appropriate personal protective equipment (PPE), especially helmets. For a complete guide to struck-by safety, consult OSHA’s training guide, “Construction Focus Four: Struck-By Hazards.”

ELECTRICAL SAFETY

To remember your most common electrical hazards, use the acronym B.E.S.A.F.E., which stands for…

- Burns.
- Electrocution.
- Shock.
- Arc flash / arc blast.
- Fire.
- Explosions.

You don’t have to be an electrician to face these hazards, either. For instance, if you move an aluminum ladder that hits the power lines overhead, you could be electrocuted.
To limit exposures, don’t work on new and existing energized electrical circuits until all power is shut off and grounds are attached. You should have an effective “lockout / tagout” system in place, which means all electrical devices are turned off, locked out, and tagged out before moving forward.

All extension cords and tools should have grounded prongs. Never use anything with frayed, damaged, or worn electrical cords or cables. And after you’ve identified power lines, ensure that ladders, scaffolds, equipment, and materials never come within 10 feet of them. For more safety tips, check out OSHA’s guide, “Construction Focus Four: Electrocution Hazards.”

CAUGHT-IN PROTECTION

Caught-in risks include cave-ins (trenching), being pulled into machinery, and being crushed between rolling, sliding, or shifting objects. For example, say you are working in a nine-foot deep excavation to install water pipes. If the south side of the excavation caved in on you, you could die from suffocation.

Keep yourself safe by ensuring you never enter an unprotected trench. A protected trench will have sloping, benching, or shoring sides to offset the risk of cave-ins. To avoid getting caught in moving parts (such as belts), ensure the moving parts of equipment are guarded.

Also, never wear loose clothing or jewelry when working with this kind of equipment. Learn more about how to prevent cave-ins and other accidents by reading OSHA’s guide, “Construction Focus Four: Caught-In or -Between Hazards.”

Of course, this is not a comprehensive list of all the safety precautions you should take while on the worksite. To create a safety plan for your business, be sure to check out the OSHA Construction eTool.
CONCLUSION: DON’T GAMBLE ON YOUR BUSINESS’S FUTURE

Professionals in the construction and contracting industry are no strangers to risk. You work the types of jobs that leave you and your workers prone to injury and your uncompleted projects prone to the fury of Mother Nature.

That’s why it’s so important to protect your business with a solid risk management plan. The best risk management plans combine savvy risk mitigation procedures with effective insurance policies. That way, you prevent the incidents that can be avoided and have financial assistance for those that can’t.
QUICK RESOURCES

AAA, “Crashes vs. Congestion: What’s the Cost to Society?” [PDF]
AboveTheLaw.com, “We the Plaintiffs”
A.M. Best Company
Department of Motor Vehicles (DMV), Commercial Auto Insurance Minimum Requirements
Engineering News-Record, “Construction Economics” [interactive tool]
Entrepreneur.com, “Business Idea Center: Carpentry”
Healthcare.gov
• Employer Shared Responsibility Payment
• Individuals and Families Marketplace
• SHOP Marketplace
• “What If I’m Self-Employed?”
• “Where Can I read the Affordable Care Act?”
insureon, “Workers’ Compensation Laws by the State”

Internal Revenue Service (IRS)
• Construction Tax Center
• Electronic Federal Tax Payment System
• Independent Contractor Defined
• Limited Liability Company (LLC)
• Self-Employment Tax (Social Security and Medicare Taxes)
• Sole Proprietorships

National Association of Insurance Commissioners (NAIC), “Map of NAIC States & Jurisdictions” [map]
National Safety Council (NSC), “Slips, Trips, and Falls” [PDF]
Nolo.com, “Statutes of Limitations in All 50 States” [chart]

Occupational Safety & Health Administration (OSHA)
• About OSHA
• Business Case for Safety and Health: Costs
• Commonly Used Statistics
• Construction Focus Four: Caught-In or -Between Hazards [PDF]
• Construction Focus Four: Electrocution Hazards [PDF]
• Construction Focus Four: Fall Hazards [PDF]
• Construction Focus Four: Struck-By Hazards [PDF]
• OSHA Construction eTool [interactive tool]

Small Business Administration (SBA)
• Construction Industry Guide
• Find Business Licenses & Permits [interactive tool]


U.S. Census Bureau, August 2013 construction-industry press release
WebMD, Health Care Reform: Health Insurance & Affordable Care Act [interactive tool]