



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
BOARD FOR LICENSING CONTRACTORS

Mailing Address: 500 JAMES ROBERTSON PARKWAY; NASHVILLE, TENNESSEE 37243-1150
TELEPHONE: 800-544-7693 OR (615) 741-8307 OR FACSIMILE (615) 532-2868

<http://tn.gov/commerce/boards/contractors/>

INSURANCE RESOURCE INFORMATION FOR LICENSEES

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:

LICENSE TYPE

Contractors (*Building, Electrical, Mechanical, Specialty, etc*)
Home Improvement
Limited Licensed Electricians (LLE)
Limited Licensed Plumbers (LLP)
Pre-License Course Providers

INSURANCE REQUIRED FOR LICENSING

General Liability and Workers' Comp
General Liability/Workers' Comp/Bond
None
None
\$50,000 Bond

(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.

Contractor's License Monetary Limit

Less than \$25,000 (Home Improvement)
Up to \$500,000
\$500,001 to \$1,500,000
\$1,500,001 to Unlimited

Minimum General Liability Insurance

\$ 100,000
\$ 100,000
\$ 500,000
\$1,000,000

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/>, 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

Public Chapter 1149 - Effective March 1, 2011: <http://state.tn.us/sos/acts/106/pub/pc1149.pdf>

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 For those wanting to register to obtain an exemption from covering themselves on certain projects, you may register at: <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).

(2) As used in this subsection (b), affiliate with respect to the corporation, limited liability company, limited partnership, limited liability partnership or general partnership means: (A) A person that directly or indirectly controls, is controlled by or is under common control with the entity;

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

http://www.state.tn.us/commerce/insurance/documents/NCCI_ContractingIndustryGroupCodes.pdf

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/>

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

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

Outlines the amendments in the law: <http://state.tn.us/sos/acts/106/pub/pc1149.pdf>

Exemption Registration With Secretary of State

Rules filed for Construction Services Providers: http://state.tn.us/sos/rules_filings/11-16-10.pdf

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

Outline for General Contractors: http://state.tn.us/sos/rules_filings/11-16-10.pdf

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>

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 cancellations 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.)

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!



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<http://tn.gov/commerce/boards/contractors/> Email: Contractor.Renewal@tn.gov

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



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Email: Contractors.Home-Improvement@TN.Gov

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

New License Renewal

Contractors

Home Improvement

**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 is 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: _____
(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
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