
WHY UNDERWRITERS DECLINE CONSTRUCTION INSURANCE **POLICIES**

If you work in construction and are a General Contractor, Independent Contractor, Plumber, Painter, or are involved in any other construction trade, you're going to want to read this. Why? Because you might be paying way too much in Workers Comp Insurance.



Why Underwriters Decline Construction Insurance Policies

The biggest decline for contractors' workers comp and general liability is your website services content. The services you offer on your website will be used against you by underwriters. Let's read that again. *The services you offer on your website will be used against you by underwriters!*

Why? Because contractors and underwriters define construction terms differently. A lot of contractors say they do "new construction" when they add a room addition. On the flip side, an underwriter defines that as a "remodel". This is important especially if you are trying to apply with a carrier that does not accept new construction and you are doing additions, but your website says, "new construction". Make sure your website services use the right terms that underwriters use.

Another problem is outdated websites. Do you have services listed on your website that you no longer do anymore? If you leave these services up on your website that you do not do anymore, then you may be declined by certain underwriters. Always update your website. For example:

- Does your website state "new construction" but maybe you no longer perform that service anymore?
- Do you list services on your website that you sub out to others?



- Does your website say you do roofing, but you actually sub out that service to a roofing contractor you know?

Unfortunately, underwriters assume everything you list on your website are services that you perform, and thus, they may decline you for the work you sub out. Many carriers will decline you for this. It is best to leave off the website any services that you sub out, so that you don't confuse an underwriter. Instead, simply state you have a network of licensed contractors that you work with to help complete your job.

Underwriter Definition of "New Construction":

New home being built prior to the certificate of occupancy, great example KB Homes.

Contractor's Definition of "New Construction":

A lot of contractors will list new construction on their website when all they are doing is room additions which underwriters define as a remodel.

What Else Should You Know?

The next biggest decline for contractors is their CSLB license itself. Many contractors have multiple trade designations on their license such as: plumbing, painting, general contractor, or electrical. Underwriters look at your license designations as another opportunity to decline you.

For example, there are many class B General Contractors who do need coverage for simple remodel work, and this is what the B license covers. However, the problem here is that many of them also carry a class A General Engineering license which has huge exposures that typically turn underwriters away. Some underwriters for remodels will automatically decline you for just having a class A license, even if you don't use it! And other carriers will surcharge you for remodel work just for having it. If you are a remodeling contractor with a class A license, you are increasing your premium just by having that written on your license. It may look nice to show off your licenses to people, but if you don't use the specific license, you are spending more in insurance.

Many contractors have a class A license to do excavation work. You can do excavation work with a C12 excavation license as well. But, with a C12, you can get approved for more competitive options for your liability insurance. You were not aware of that, were you?

Another example of a big mistake business owners make is carrying a C39 roofing license when you don't do roofing anymore. Contractors should remove that license if they are just doing remodel work.

The Solution

It is important to have a broker who specializes in construction insurance to review the licenses you have, in order to see if you have designations that you don't need – these additional designations might be hurting you on insurance rates. For assistance, reach out to:

Kevin Walheim | Cal Commercial Insurance
818-924-2054 office | kevin@calcommercialauto.com
<https://statefund.calcommercialinsurance.com/>



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A 4675 MacArthur Court, Suite 1600 Newport Beach, CA 92660