

What Does a Contractor's Insurance Policy Cover?

We need different insurance policies to protect ourselves as individuals and businesses. As individuals, some of those types of insurance policies include car insurance, home insurance, and life insurance. Likewise, small businesses need different insurance policies to protect yourself and your company from loss and lawsuits.

This article discusses one such insurance policy, called a contractor insurance policy. So let's dive right in!



Credit: Pexels.com

What Is Contractor's Insurance?

Contractor insurance is a policy that protects contracting businesses from accidents, lost income, lawsuits, and stolen, lost or damaged tools. Any contracting business needs to protect itself from not only employee errors but also natural occurrences that are outside of one's control.

The policy includes coverage of mistakes made by the contractor as well as errors made by third parties hired by the contractor, such as engineers, architects, and other vendors.

Contractor's professional liability insurance is for contractors that provide design-build or construction management services. The policy offers third-party liability protection, first-party indemnity, and pollution liability.

How Much Does Contractors Insurance Cost?

Contractor's insurance cost in Canada varies by several factors, including but not limited to the type of coverage, the policy limits, the number of employees you have, your prior claims history, business type, business risks, company size, and equipment value.

Here are some average contractor insurance costs:

- General contractor liability insurance: \$90 per month, or \$1,090 per year
- Basic \$2,000,000 general liability coverage: \$425 per year
- \$1,000,000 of general liability coverage: \$67 per month
- \$5,000,000 liability: \$1,350 per year
- \$3,000,000 liability: \$1,100 per year

Smaller businesses with fewer employees and lower revenues may pay lower premiums. For example, a new company in Ontario with gross revenue under \$50,000 may pay around \$500 per year for basic \$2,000,000 coverage.

It is not professional financial advice. It is best to consult a financial advisor or get quotes and estimates from various [contractors insurance Ontario](#) companies about your particular circumstances.



Credit: Pexels.com

What Are the Different Ways to Save on Contractors Insurance?

Ways to reduce contractor insurance costs include being safe during construction projects, injury management, hiring better as your number of employees expands, specializing impacts your business insurance costs, contractual risk transfer, and knowing what elements determine construction insurance costs.

Contractor insurance is necessary for any contracting and construction business but doesn't have to be expensive. Several ways of reducing contractor's insurance costs include shopping around, bundling policies, increasing your deductible, improving your credit score, and working with an independent insurance agent.

Shopping around for insurance policies can help you find the best rates and coverage options. Bundling policies can also help you save money by combining multiple policies into one. Increasing your deductible can help you save money on your premiums, but it's vital to ensure you can afford the deductible if you need to file a claim.

Improving your credit score can also help you save money on your premiums. Working with an independent insurance agent can help you find the best coverage options for your business at the best rates. Regularly reviewing your insurance policies ensures you receive the best coverage at the best rates.

Who Needs the Contractor's Insurance Policy?

Contractors insurance in Ontario is a legal requirement for contractors working in the carpentry, plumbing, cleaning, electrical, landscaping, snowplow, remediation, and painting industry. Contractor insurance is tailored to the industry and is essential for those working with clients or other businesses.

It's a comprehensive package safeguarding against financial losses from claims. General liability and inland marine insurance are often necessary, with coverage specifics dependent on the contractor's type, operation size, and risks faced.

Contractors' all risks (CAR) insurance is non-standard, covering property damage and third-party claims, particularly pertinent to construction projects. It encompasses damage from improper construction, renovations, and temporary work. Contractors leading building projects in Ontario must have contractor's general liability insurance (CGL), a legal prerequisite.

CGL compensates for property damage or bodily harm caused by the contractor or employees during work.



Credit: Pexels.com

What Does the Contractor's Insurance Policy Cover? And What Does it Not?

Contractor insurance is a custom-built insurance policy designed to protect your company if something goes wrong on the job site. A contractor's commercial general liability (CGL) policy can provide insurance coverage for bodily injury, slip and fall, property damage, and product liability that arises from the business's operations.

Completed operations coverage can help cover your business in the event of property damage and bodily injury after work completion. However, contractor's insurance does not cover normal wear and tear, willful negligence, or poor workmanship.

General liability insurance does not cover many aspects of running a business, including company vehicles, professional mistakes, damage to property and equipment, theft of property and equipment, and employee injuries and illnesses.

Customizing Your Contractor Insurance Policy

Regarding contractor's insurance, one size does not fit all. It's crucial to customize your coverage to match the unique needs of your contracting business. From the complexities of professional liability insurance for design-build services to the comprehensive protection offered by contractors' all-risks (CAR) insurance, understanding and customizing your policy is the key to safeguarding against potential financial losses.

The specific type of coverage you need depends on the contractor type, the size of the operation, and the risks you face. Contractors in Ontario are legally required to have contractor's general liability insurance (CGL) before starting their business.

CGL insurance is a specific type of insurance policy that offers financial compensation if you or an employee causes property damage while on the job. It provides monetary compensation if you or an employee cause bodily harm to a client.