

**NC Department of Insurance
Office of the State Fire Marshal - Engineering Division
1202 Mail Service Center, Raleigh, NC 27699-1202
919-647-0000**

Guidance Paper: Contractor's Insurance and related questions

Code: 2018 NC Administrative Code and Policies
Section: N.C. General Statutes § 97-2 and § 143-138

Date: 05/13/2019

Question #1:

Is a handyman, residential or general contractor (contractor) required to have liability Insurance?
Answer: No. A contractor can elect to have liability insurance. Most contractors with 3 or more employees have liability insurance.

Question #2:

Does the NC Department of Insurance (NCDOI) know a contractor's insurance company?
Answer: No. NCDOI does not have this information.

Question #3:

The contractor will not give me the name of their insurance company. What can I do?
Answer: Contact an attorney.

Question #4:

Is a contractor required to have Workers' Compensation insurance?
Opinion: Contractors are required to have Workers' Compensation Insurance if they employ three or more people. Please see the statute and consult an attorney or accountant for a more detailed explanation (see N.C. General Statutes § 97-2).

Question #5:

I am a subcontractor working directly for a contractor. Why is the contractor back charging me for Workers' Compensation insurance and/or liability insurance?
Answer: The contractor's insurance company requires they cover subcontractors that perform work for them. Insurance companies perform annual audits in which they charge the contractor for any uninsured subcontractors they hired throughout the past year.

Question #6:

The contractor said he would get the permit. Where can I verify that the permit was obtained?
Answer: One of the 200+ local building inspection departments will have the permit on file if one was applied for. Always ask your contractor for a copy of the permit before work begins.

Question #7:

The contractor said I did not need a permit for the work. Is this correct?
Answer: There are exemptions for when a permit is required within NCGS 143-138; however, most work will need a permit per NCGS 153A-357 (Counties) or NCGS 160A-417 (Cities).

The guidance and opinions contained herein are not legal advice and may not necessarily reflect the most current statutory or code language.

Question #8:

Why do I need a permit when I am hiring qualified individuals?

Answer: Permits are required per the general statutes and several trade related licensing boards such as electrical, plumbing and mechanical. Permits and inspections also provide the owner, tenants and public with life safety protection and ensure compliance with the North Carolina State Codes. Real Estate Agents representing their clients often make sure that a building or structure has been permitted. If any additional work was not permitted, this could cause delays and be costly in selling the property.

Question #9: The contractor wants me to pull the permit. Why is that and what do I have to do?

Answer: The contractor may not be licensed to perform the work contracted for. Check with the Licensing Board for General Contractors (919) 571-4183 or visit the Board's website at www.nclbgc.org. A homeowner who obtains a permit will be required to execute an affidavit acknowledging: they must reside in the home for one year after a certificate of occupancy has been issued, the home cannot be rented, leased or put up for sale during the one year post occupancy period. The homeowner must also personally manage and superintend all aspects of the project and schedule all inspections as well as be physically present at the inspections. A homeowner may not obtain a permit and hire a contractor licensed or unlicensed to perform the duties of a general contractor. N.C. General Statutes § 87-1(b)(2) and § 87-14(1).

Question #10: What are some steps for this process?

Answer: Below are some guidelines but may not cover all situations.

1. Determine if the contractor is licensed or not. <https://nclbgc.org/search/license>
Unlicensed contractors cannot quote, contract or perform work for \$30,000 or more. Obtain multiple quotes for the work if needed.
2. Determine if you need a permit. A new addition, finishing a bonus room or basement, adding a porch or deck, adding a shed over 12' x 12', etc. would all require permits. The local building inspection department can assist you. The latest editions of the NC Codes can be found online through the International Code Council (ICC) can be found here: [https://codes.iccsafe.org/category/North%20Carolina?year\[\]=Current+Adoption&page=1](https://codes.iccsafe.org/category/North%20Carolina?year[]=Current+Adoption&page=1)
3. Obtain any insurance information from the contractor.
4. Accurately determine the scope of work, timeline and conditions in a contract.
5. Obtain a copy of the permit application and approved permit.
6. Request the inspection reports and the Certification of Compliance or Occupancy.
7. Keep your records as proof of the approved work. Future home inspections or prospective buyers will want to see such information.

The guidance and opinions contained herein are not legal advice and may not necessarily reflect the most current statutory or code language.

References:

§ 97-2. "Employment. - The term "employment" includes employment by the State and all political subdivisions thereof, and all public and quasi-public corporations therein and all private employments in which three or more employees are regularly employed in the same business or establishment or in which one or more employees are employed in activities which involve the use or presence of radiation, except agriculture and domestic services, unless 10 or more full-time nonseasonal agricultural workers are regularly employed by the employer and an individual sawmill and logging operator with less than 10 employees, who saws and logs less than 60 days in any six consecutive months and whose principal business is unrelated to sawmilling or logging."

Keywords:

Unlicensed contractors, insurance