

# What insurance does a contractor need to protect their business?



What kind of insurance does a contractor need? While it depends on the scope of your business, there are certain kinds of coverage that are essential for every contractor. For example, it's critical to protect your business from financial hardships such as lawsuits, worker injuries, or damaged equipment. Follow our guide to insurance coverage for contractors and give yourself the peace of mind you need to focus on building your business.

## The essentials: general liability and workers compensation.

**General liability coverage:** This coverage protects contractors against third-party claims involving physical injury and property damage. If your business is found legally liable for these claims, your general liability insurance covers the related legal defense costs, settlements, and medical expenses.

- **Example A:** A visitor to the job site steps on a nail dropped by one of your workers. Your general liability insurance covers the medical costs.
- **Example B:** While your business is installing a new roof, a piece of lumber falls and damages the client's vehicle. General liability insurance covers the auto repair costs.

In some states, general liability coverage is mandatory for licensed contractors. Even in states that don't require it for licensing, it's often required for contractors to bid on municipal or state projects.

**Workers compensation coverage:** This insurance covers expenses for job-related illnesses and injuries. These usually include:

- Medical care, including hospital stays, surgeries, and medication
- Lost wages for the time they are unable to work
- Vocational rehabilitation (training for a new position if they are unable to return to their current job due to injury)
- Funeral expenses and support for the worker's family, in the case of a job-related fatality

- **Examples:**

A worker injures his leg in a fall from a ladder while installing a window. Workers compensation covers his medical bills and lost wages until he can return to work.

A worker becomes ill from inhaling asphalt fumes during a paving project. Workers compensation covers his trip to the emergency room, follow-up treatment, and any lost wages.

Workers compensation is mandatory in 49 states for businesses with employees. Regulations vary regarding the number of employees, but most contractors will need this coverage.

## Other key coverages for contractors.

To fully protect your business, there are several other forms of insurance coverage contractors need.

- **Professional liability (errors and omissions):** While general liability covers you for accidental injury or property damage, professional liability protects you from mistakes made on the job.
- **Example:** Workers install the wrong tile during a remodel. Professional liability insurance would cover the cost of removing the incorrect tile and replacing it.
- **Commercial umbrella:** Similar to general liability coverage, but extended to cover you for a larger dollar amount.
- **Inland marine:** This type of insurance covers heavy machinery and equipment that is moved from site to site. Additionally, inland marine can cover structures during construction or renovation (known as **builders risk**). Frankenmuth Insurance also offers an **installation floater** to cover risks inherent in installing mechanical systems or cabinetry.
- **Example:** A crane is damaged during transport to a job site. Inland marine insurance covers the cost of repairs.
- **Equipment breakdown coverage:** While inland marine coverage handles external causes of damage to your equipment (such as transportation accidents or theft), equipment breakdown coverage helps cover repair or replacement costs when equipment fails due to internal mechanical or electrical problems.
- **Example:** Faulty wiring causes the battery in a dump truck to die, stalling work progress. Equipment breakdown insurance would cover the cost of repairs and business interruption.
- **Property insurance:** If you have a commercial space for office functions and/or a warehouse to store equipment and inventory, property insurance will protect it and everything stored inside.

Some other types of coverage your company may need (depending on the size and scope of your operation) include commercial auto insurance and employment practices liability insurance (EPLI). Most construction jobs will also require your company to obtain surety bonds. Read more about these in our

blog, [“What is Surety? A Guide for Business Owners.”](#)

Frankenmuth Insurance offers [policies created specifically for contractors](#), including coverage for your building(s) and inventory, general liability, and equipment and materials at your job site. These policies can be customized with additions that suit your business’s needs.

With the right insurance, you can approach new jobs with confidence, knowing that you’ve built a safety net to keep your business strong.

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