

# Do I Really Need a Licensed, Bonded, and Insured Contractors?

If you are hiring a contractor to perform work on your home or property, it is essential to hire a contractor who is both licensed and bonded. When you hire an unlicensed contractor, you are taking significant risks, including that you will be subject to a lawsuit, as well as the potential that any implied warranties afforded by state law will be void.



## A Licensed Contractor

While the laws for a contractor's license differs by state, in most cases, a license is required to do any type of skilled labor on another person's home or property. For instance, an electrician, a plumber, or a drywall contractor may be required to have a license. [Someone performing a variety of tasks may need to obtain a general contractor's license.](#) The state may impose specific requirements such as minimum education or work experience to obtain a license. The state may also require that the contractor take an examination with different levels of licensing for the right to do different size jobs. In addition, the state may require that the contractor has an active worker's compensation insurance policy for a license to be issued. In many states, being bonded is also a prerequisite to obtaining a license.

## A Bonded Contractor

Being bonded is different from being licensed, although the two are sometimes related. [When a contractor is bonded, this means he has purchased a surety bond.](#) This is a type of insurance policy that protects a property owner. The bond provides

a certain amount of liability protection and if the contractor fails to complete a job as required or contracted, the bond can provide compensation to a property owner.

Typically, for a bond to pay out to a homeowner, the property owner must first win a claim with the state contractor's board by proving that the contractor failed to perform the required work. The homeowner may also be required to attempt to collect money from the contractor before making a claim against the bond. Whether the bond will be sufficient to pay the claim depends on the size of the bond that the contractor had, and on whether there are other claims against it. The Washington State warns customers that the bonds required in Washington may only provide a limited amount of financial security to property owners because the bonds required are often small compared to the volume of work performed by contractors. However, this may differ in your state and your contractor may sometimes buy a larger bond than is required by law. To determine the amount of protection available to you by hiring a bonded contractor, it is best to speak with a lawyer prior to entering into a construction agreement.



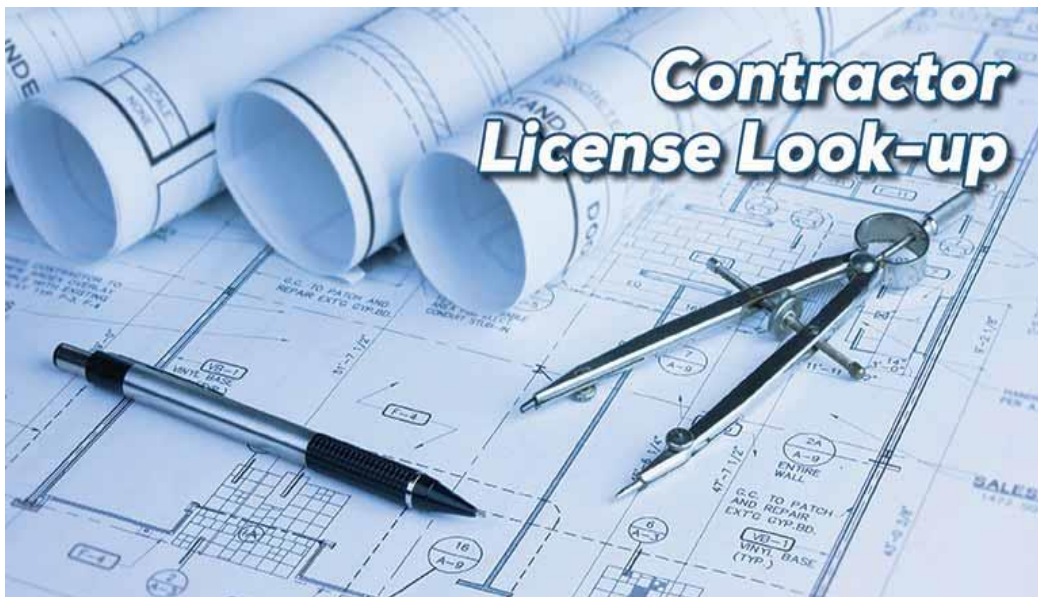
## **Hire a Bonded, Insured, and Licensed Contractor**

There are important reasons to hire a bonded, insured, and licensed contractor. First, since the unlicensed contractor is usually breaking the law by working without a license, there's a good chance he is also not complying with other laws including permit requirements and inspection requirements. This can result in your project not being up to code, and necessitating repairs or removals if your home is inspected or before your property is sold. Second, it can be much harder to determine if an unlicensed contractor will provide you with quality workmanship since the contractor has not submitted to any examination or review of his

knowledge by a licensing board.

Aside from the increased possibility of receiving poor workmanship when you hire an unlicensed contractor, you may also be giving up your right to make warranty claims. While most states impose implied warranties on contractors for bad workmanship, these implied warranty laws often require that the contractor be licensed in order to apply. Furthermore, your state contractor board will not typically help you to make a warranty claim against an unlicensed contractor. So if you are trying to recover at all, you will need to go to civil court. Even if you win in civil court, without a bond, there's a good chance the unlicensed contractor will not be able to pay your damages.

Another important consideration when hiring an unlicensed contractor is that you could be subject to liability. While the licensed contractor is usually required to have worker's compensation insurance, someone unlicensed may have no protection from injury at all. If the unlicensed contractor harms himself on your property, you could be subject to a lawsuit and responsible for paying his damages.



Finally, it's highly advisable to hire a contractor who has **liability insurance** of at least \$1,000,000 to be able to pay you if he/she cause damages to your property while he/she is working at your property. To avoid potential hazards from hiring an unlicensed contractor, you should contact your state licensing board to determine if your contractor is licensed and if in good standing.