

# Licensing Reform Task Force Construction Subcommittee

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## SUMMARY RECOMMENDATION: CONTRACTOR PROOF OF LIABILITY INSURANCE

### Recommendation

The **Construction Subcommittee** recommends that the Licensing Reform Task Force direct Department staff to evaluate whether contractors should be required to submit **standardized proof of liability insurance coverage** as part of contractor licensing or registration. The recommendation should proceed as a **staff-analysis item**, not as an immediate substantive insurance-review requirement.

DLI should evaluate requiring contractors to submit a current certificate of liability insurance, or comparable proof from an insurer or insurance agent, with the contractor's licensing or registration materials. To the extent administratively feasible, the proof should identify the type or category of work covered. DLI's role should be limited to **collecting and maintaining proof of coverage**, unless staff identifies clear statutory authority, staffing capacity, and insurance expertise to conduct any substantive review of policy scope.

This approach responds to the consumer-protection concern that members of the public may assume a licensed or registered contractor's insurance covers the work the contractor advertises or performs. Requiring proof of coverage would provide stronger documentation than a self-attestation checkbox alone and would make insurance information part of the contractor's Department file.

### Executive Order No. 1-2026 Report Elements Addressed

This recommendation addresses several report elements identified in Executive Order No. 1-2026 for the Task Force's initial written report to the Governor:

- **Public health, safety, or welfare hazard:** The recommendation directly relates to whether unregulated or under-documented contractor practice creates a foreseeable risk to public welfare when consumers hire contractors whose liability insurance may not match the work performed.
- **Public benefit provided by licensure or registration:** Requiring proof of liability insurance may strengthen the consumer-protection value of contractor licensing or registration by creating a Department record of coverage rather than relying only on self-attestation.
- **Cost of service to the public:** Staff should evaluate whether proof-of-coverage requirements would increase compliance costs for contractors and whether those costs could be passed on to consumers.

- **Readily identifiable and distinguishable scope of practice:** The recommendation asks staff to evaluate whether contractor work categories can be identified clearly enough to connect proof of coverage to the type of work performed or advertised.
- **Justification for licensure qualifications or registration conditions:** If proof of insurance is treated as a licensing or registration condition, staff should evaluate whether that requirement is justified by consumer-protection needs and narrowly tailored to the risk addressed.
- **Unnecessary barriers to entry:** Staff should assess whether the requirement would create an unnecessary barrier for applicants, particularly small contractors, sole proprietors, or lower-risk contractor categories.
- **Workforce shortages or access constraints in rural and frontier communities:** Staff should consider whether an insurance-proof requirement could disproportionately burden contractors serving rural or frontier areas or reduce access to construction services.
- **Public support for continued regulation:** The recommendation arose from public comment and should be evaluated as part of the broader record concerning public support for contractor regulation and consumer-protection measures.
- **Proposed legislation for the 2027 Montana Legislative Session:** Staff should determine whether implementation requires statutory amendment, rulemaking, form revision, or administrative procedure, including whether proposed legislation should be recommended.

## Policy Assessment

### Benefits

The proposal would strengthen documentation beyond self-attestation, improve consumer protection, create a clearer Department record, discourage contractors from performing or advertising work outside their insured scope, and provide a potential basis for enforcement where a contractor submits false or expired proof.

### Limitations

The proposal may increase administrative burden and could create consumer confusion if not paired with clear disclaimers. DLI staff may lack authority, capacity, or expertise to interpret insurance-policy exclusions, endorsements, or coverage classifications. For that reason, the proposal should be framed as an insurance-documentation requirement—not a Department guarantee of coverage.

## Motion

The **Construction Subcommittee** moves to advance the recommendation for staff analysis with direction that staff report back on legal authority, administrative feasibility, necessary implementation mechanisms, the ability to tie standardized proof to contractor work categories, and whether the requirement should supplement, replace, or be sequenced after the separate contractor insurance attestation recommendation. If staff cannot identify sufficient authority or administrative capacity for substantive review, DLI should adopt only a collection-and-disclaimer model or consider narrower alternatives, such as requiring proof only for higher-risk contractor categories or upon complaint.