

Checklist for Louisiana Homeowners—Contracting for Repair of Disaster Damage

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As property owners shift their focus to repairing the very visible water damage to buildings and other structures, they should not lose their focus when it comes to the less apparent concerns that come with engaging contractors. Entities, like the [Louisiana State Contractor Licensing Board](#), provide a certain level of protection to the consumer; however, caveat emptor ("et the buyer beware") should still always be in the back of the minds of property owners as they navigate the path to recovery. The checklist below is provided to assist in this process.

1. Contact your insurance carrier. Document all damage before undertaking repairs.
2. Hire only licensed or registered contractors.
 - Residential building contractors performing work having a cost of \$50,000 or more are required to be licensed by the Louisiana State Contractor Licensing Board. Such contractors are required to maintain workers' compensation insurance and commercial general liability insurance in the minimum amount of \$100,000.
 - Persons performing home improvement services having a cost of more than \$7,500 are required to be registered with, and approved by, the Contractor Licensing Board.
 - Persons performing mold remediation also are required to be licensed by the Contractor Licensing Board.
 - Verify the contractor's licensing or registration by calling the Contractor Licensing Board at 225.765.2301 or by searching the [Board's website database](#).
3. Shop around.
 - Get at least three written bids or estimates.

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- Give each bidding contractor a specific and detailed description of the scope of the work, preferably in writing.
 - Be sure to compare apples to apples—e.g., be sure the bids are based on the same scope of work, materials, and time for performance.
 - Discuss bids in detail with each contractor, making certain you understand the reasons for any variations in the prices.
 - Be sure you understand the work that is included in the contractor's bid and the work that is not.
 - Do not automatically choose the lowest price. A contractor's bid might be higher because it includes higher-quality materials, or because his workmanship is of better quality, requiring more time and labor.

4. Obtain and check references.

- Get at least three references and contact them to discuss satisfaction with the contractor's performance on the key issues of cost, quality, and timeliness. If possible, visit and inspect prior work.
- Contact the Better Business Bureau and State Licensing Board to determine if there are any complaints against contractors under consideration.
- Investigate whether the contractor belongs to any professional associations which set standards or have a code of ethics.

5. Require a written contract.

- Read and understand the contract before signing. Do not sign until you understand all terms completely.
- State law requires that every home improvement contract in excess of \$7,500 be in writing. Further, such contracts are required to include:
 - The complete agreement between the owner and contractor and a clear description of any other documents which are incorporated into the agreement.
 - The full name(s), address(es), and registration number of the contractor.
 - A detailed description of the work to be done and the materials to be used in performing the contract.
 - If a lump sum contract, the total amount agreed to be paid for the work.
 - If a cost-plus or a time-and-materials contract, an approximation of the total amount expected to be borne by the owner.

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- Contract should require that work be performed in accordance with all applicable building codes.
 - The contract should express all the obligations the contractor is and is not undertaking.
 - Changes to the work—additions, modifications, or deletions - that result in a change in the contract price or contract time should be documented in writing and signed by the owner and contractor (a "change order").
 - Agree in advance on a mechanism for the pricing of change orders—e.g., contractor's actual cost plus a percentage of that cost.

6. Agree on Payment Terms.

- If a deposit is required, pay 10 percent down or \$1,000, whichever is less.
- Do not pay in cash.
- Do not pay for work which has not been completed.
- Keep records of payments.
- Final payment should be withheld until work has been completed and deemed acceptable, and all inspections and certifications are performed or obtained.

7. Require Insurance.

- There are three types of insurance to be considered: (1) workers' compensation, which covers the statutory benefits due the contractor's injured workers; (2) commercial general liability (CGL), which covers personal injury and property damage caused by the contractor; and, (3) builder's risk, which covers loss or damage to the work during construction.
 - Many contractors, particularly smaller contractors, do not carry insurance.
 - If a contractor does not carry insurance, the owner of the property may be at risk for loss or damage caused by the contractor or the benefits due the contractor's employees injured on the owner's property.
 - Check your homeowner's policy to determine what risks associated with the work are covered.
 - If a contractor does not carry builder's risk, consider whether the cost of owner-purchased builder's risk is justified.
 - Obtain certificates of insurance and verify that the policies are in force before the contractor begins work.

8. Require the contractor to obtain building permits from local authorities where required.

- Most local governments require permits for the construction or alteration of or addition to a building to assure compliance with the building code. As a rule of thumb, changing the structure of a building or its mechanical (plumbing, gas) and electrical systems requires a permit.
- When a permit is required, the contractor should be required to produce the permit prior to commencing work or receiving any money.
- Generally, all repairs must meet current building code requirements.

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