THE UNLICENSED CONTRACTOR PROBLEM

WHAT HOMEOWNERS AND REAL ESTATE INVESTORS ARE NOT BEING TOLD

Written by Korey Akinbami, Principal — Ducere Construction Services, Inc. | GA License GCCO006711 · FL License CBC1263793 · NASCLA 404696491 · IICRC 7781459 | Published June 2026

WE LEARNED THIS THE HARD WAY

Several years into running Ducere Construction Services, we discovered that a subcontractor on one of our active projects had provided a Certificate of Insurance (COI) — a one-page document that proves a contractor's insurance is active and current — that named the wrong entity. Not a forged document. Not an obvious fraud. Just one wrong name on one line of one form.

That single defect triggered an audit failure, a potential coverage denial on a project claim, and months of legal exposure that cost us far more than the subcontractor's contract was worth. We built our entire compliance system around that experience. Every subcontractor on every Ducere project now undergoes mandatory insurance and license verification before a shovel touches the ground — not because regulators require it, but because we have seen exactly what happens when it is skipped.

That is what this brief is about.

THE SCOPE OF THE PROBLEM

Unlicensed contractors cost American homeowners and real estate investors billions of dollars every year — not just in poor workmanship, but in litigation, code violations, failed inspections, voided insurance policies, and properties that cannot be sold or refinanced.

The Florida Department of Business and Professional Regulation (DBPR) investigated over 8,000 unlicensed contractor complaints in fiscal year 2022–2023 alone. Georgia's Secretary of State licensing division consistently ranks residential renovation and restoration as the largest category of unlicensed contractor violations statewide.

The problem is not limited to obvious fraud. Most homeowners and investors who hire unlicensed contractors do so knowingly — because the price is lower and the risk feels abstract. This brief exists to make that risk concrete.

WHAT "UNLICENSED" ACTUALLY MEANS

A license is not a formality. It is documented evidence that a contractor has:

- Passed a state-administered examination covering building codes, contract law, and construction safety
- Demonstrated active general liability and workers' compensation insurance
- Submitted to background verification
- Accepted ongoing regulatory oversight and license renewal requirements

When a contractor operates without a license, none of those protections exist for you. The property owner absorbs all of the risk.

In Georgia, any general contractor performing work valued above $2,500 on a residential project is required by law to hold a valid state license under O.C.G.A. § 43-41. In Florida, the equivalent requirement applies under Florida Statute § 489.105. Violations can result in criminal charges, stop-work orders, and mandatory demolition of unpermitted work — at the property owner's expense, not the contractor's.

THE INSURANCE TRAP

This is the most dangerous and least understood consequence of hiring an unlicensed contractor — and it is the one that blindsides investors most often.

When a subcontractor performs work without proper licensure or without maintaining a valid, current Certificate of Insurance (COI), your property insurance policy may deny any claim arising from that work. This is standard policy language, not a technicality. Most homeowner and commercial general liability policies contain exclusions for work performed by contractors who did not meet the policy's subcontractor compliance requirements.

There is a second exposure that is equally serious. An unlicensed subcontractor who is injured on your property may carry no workers' compensation coverage. In that scenario, you — the property owner — can be held personally liable for that worker's medical costs, lost wages, and long-term disability, regardless of who hired them or what the contract says.

THE LITIGATION COST — BY THE NUMBERS

Construction defect litigation is among the most expensive categories of civil dispute in the United States:

- **$75,000 – $250,000** — average legal fees alone in a construction defect case, before any judgment or settlement (American Arbitration Association Construction Industry Panel)
- **$50,000 – $175,000** — average settlement value in residential construction defect cases in Georgia and Florida (per state court data compilations)
- **18 – 36 months** — median time to resolution for a construction defect lawsuit
- **Florida Statute § 489.128** — renders contracts with unlicensed contractors legally unenforceable — the homeowner may owe nothing but has no enforceable legal recourse for defective work already completed
- **O.C.G.A. § 44-14-361** — in Georgia, an unlicensed contractor can still file a mechanic's lien against your property, forcing you to fund lien discharge litigation or pay a disputed amount to clear your title
- **Industry estimates** — suggest insurance claim denial rates increase significantly when the performing contractor lacked proper licensure or a valid COI at the time of the work

The lien exposure is particularly damaging for investors. A mechanic's lien filed against a property under renovation can freeze a hard money construction loan draw, delay a closing, or create a title defect that blocks a sale entirely.

REAL ESTATE INVESTORS: THE RISK IS COMPOUNDED

For investors managing fix-and-flip, rental renovation, or new ground-up construction, the risks multiply in four specific ways:

1. **Hard money lenders** require licensed contractors on every draw request. An unlicensed contractor discovered mid-project can freeze your entire construction loan.
2. **ARV appraisals** (After Repair Value — the estimated value of the property after renovations are complete) are impaired when work was performed without permits. Appraisers must note unpermitted additions, reducing appraised value and directly affecting your exit.
3. **Title insurance** may exclude coverage for defects arising from unpermitted or unlicensed work, creating a cloud on title that surfaces at the closing table.
4. **Buyer due diligence** has intensified. Sophisticated buyers and their attorneys now routinely pull permit histories and verify contractor licenses before committing to a purchase contract.

WHAT REAL DUE DILIGENCE LOOKS LIKE

Before any subcontractor begins work on a Ducere Construction Services project, we independently verify four things — not from documents the contractor provides, but directly from state and national licensing databases:

1. **Active state license** — verified against the Georgia Secretary of State database and Florida DBPR in real time
2. **General liability insurance** — minimum $1,000,000 per occurrence, with Ducere Construction Services named as an additional insured on a current, non-expired COI
3. **Workers' compensation coverage** — verified for every contractor with employees, no exceptions
4. **NASCLA reciprocal license** — for any multi-state scope, confirming credentials are recognized across state lines

Our own credentials are verifiable by anyone, in real time:

- GA License GCCO006711 — Georgia Secretary of State Contractor License Search
- FL License CBC1263793 — Florida DBPR License Verification
- NASCLA License 404696491 — National Accreditation and Reciprocity
- IICRC Certification 7781459 — IICRC Certified Firm Search

We do not ask clients to take our word for it.

REQUEST A FREE CONTRACTOR COMPLIANCE REVIEW

If you are a homeowner or investor evaluating contractors, contact Ducere Construction Services before work begins. We will verify every subcontractor’s license and insurance on your project before a shovel hits the ground — and provide you with a written compliance summary you can present to your lender, insurance carrier, or title company.

Korey Akinbami, Principal Ducere Construction Services, Inc. 5925 Mulberry Street | Austell, GA 30168 korey@ducereconstruction.com (404) 565-0631 www.ducereconstruction.com

Statistics in this brief represent industry averages cited from publicly available construction litigation data. Individual case outcomes vary. This brief is for general informational purposes only and does not constitute legal advice. Readers should consult a licensed attorney regarding any specific legal matter.

GA License GCCO006711 · FL License CBC1263793 · NASCLA 404696491 · IICRC Certification 7781459