

Managing the Major Risks in Family Child Care Through Insurance

There are four types of major risks you face as a family child care provider:

- 1) Injuries to Children
 - An 18 month old child is scratched by a cat while in care
- 2) Damage to Property
 - A tornado in Minnesota destroys all the household property of a provider
- 3) Lawsuits
 - A court awards a parent \$800,000 after their child dies of SIDS in a family child care home
- 4) Car Accidents
 - Two children are killed when a family child care provider's van catches fire

You cannot eliminate all the risks associated with caring for children in your home. But you can manage these risks so that you can operate your business and not fear that you will be wiped out financially if a tragedy occurs.

You can manage minor risks through a combination of following licensing rules, maintaining a safe home, communicating clearly with parents and your licensing work, and carefully screening and monitoring employees.

The best way to manage the major risks of your business is through insurance. It's critical that providers ensure that they are adequately covered for both their business and personal lives by the following insurance policies: homeowners, business liability, and car.

Homeowners Insurance

Homeowners insurance is personal, not business insurance. Your homeowners insurance policy covers your home (repair and replacement), your property (furniture, appliances, clothing, all personal items), and some limited personal liability (medical expenses when neighbor falls off your deck).

You may be surprised to realize that many homeowners insurance policies restrict (or even deny) coverage for family child care providers. Some policies limit the number of children covered, or offer no coverage if you are a provider. One provider's policy would not pay for hail damage to her roof because it excluded coverage for family child care. Most policies limit the amount of coverage for business property usually to a couple thousand dollars. Since nearly everything in your home is used by your business, your policy may no longer cover your furniture, appliances, and everything else you own.

Tell your insurance agent how many children are in your care and then demand to get in writing proof that your homeowners insurance policy still covers your home

and its contents. If your property is not covered, you can purchase adequate business property insurance for probably less than \$100 a year.

Business Liability Insurance

Although licensing rules do not require that you purchase business liability insurance, no provider should operate her business without it. Parents who sign a note indicating that they understand you don't have this insurance can still sue you if there is an accident. In addition, liability waivers that parents sign promising not to sue you are worthless in court.

There are a number of business liability insurance policies available and they are not all the same. Here are the key features you should look for:

- Professional liability (failure to supervise)
- Legal defense in excess of policy limits
- Child abuse (covers all family members)
- Accidental medical
- Accidents away from home
- Company has "A" rating from AM Best Company
- Renter – list landlord as "additional insured"

How much insurance should you buy? As much as you can afford. Ideally you want \$1 million per occurrence (for each incident) and \$2 million aggregate (total coverage for the life of the policy). If you have less than this you may want to ask your insurance agent how much it would cost to raise the coverage to these amounts. Usually, the extra cost is very small.

Car Insurance

Transporting children in your car is one of the most significant risks you can take as a provider because of the potential for multiple injuries. I strongly recommend that you not get into a car with children unless you know for sure that you are adequately covered by insurance.

Talk to your insurance agent about how you use your car for your business. This includes how often you transport children as well as how often you use your car to go to trainings, the bank, garage sales, grocery stores, etc. because of your business. Your agent will tell you if you are using it regularly enough in your business that you will have to purchase commercial insurance. Because commercial insurance is expensive, some providers have chosen not to transport children to keep their insurance costs low. There is a Minnesota law that prevents car insurance companies from cancelling your policy because you are a child care provider.

Finding Insurance

To see our online insurance directory go to www.tomcopelandblog.com