

The Real Risks in Family Child Care

Here are several true stories in family child care:

A day care child pulls down a bottle warmer on top of another child: \$525,000

A three and a half month old child dies of SIDS: \$435,000

An older child drops an infant on the floor: \$300,000

A bookshelf falls on a child: \$273,000

A provider is accused of negligence in the death of a child: \$240,000

A two-year old is poisoned with E. Coli: \$130,000

A parent alleges that the provider's son assaulted their daughter: \$118,000

A child falls and breaks her leg: \$90,000

A child falls off monkey bars: \$75,000

In each case the provider's business liability insurance policy paid out these amounts to the parents of the child involved.

Every family child care provider knows that caring for children in her home increases the risk of damage to property and injury to children. There is no way to eliminate these risks, but there are many things providers can do to reduce them. The most effective way of reducing the risks of your business is to purchase professional business liability insurance. Unfortunately, only a small percentage of all licensed providers have taken this step.

What would have happened in the above cases if the provider did not have business liability insurance? It's possible that the provider would have been stuck with a huge legal judgment against her that she probably could not afford to pay. Some providers believe that it's not worth purchasing business liability insurance because they don't have enough personal assets to worry about a lawsuit. This is shortsighted thinking. Depending on the state you live in, you can still be in deep financial trouble, even if you don't have much money to your name.

Here's what might happen. Let's say that in one of the above cases the parent sues you for \$300,000 when her infant is injured after being dropped on the floor by an older child. Without business liability insurance you would have to hire a lawyer to defend yourself (and pay the lawyer even if you win). If the judge awards the parent \$300,000 and you have no money to pay it, this is not the end of the matter. State law may allow the parent to put a lien on your home, meaning that when it's sold the proceeds will go to the parent. You may be required to sell your IRA investments and some of your personal property (motorbikes, second car, etc.). If you marry, your new spouse's assets can be taken. If you get an inheritance, it can be seized. Clearly, this can be a financial nightmare for the rest of your life.

The risk of a lawsuit doesn't end if the parent decides not to sue you. Last year a provider called me and said, "Thirteen years ago a child was seriously injured in my program and had to go to the hospital. I cared for the child for several years after the child returned from the hospital and then moved away and went out of business.

Now the child is eighteen and is suing me for the injury that occurred thirteen years ago." In most states, children can sue up until they reach age twenty-one for injuries suffered when they were minors. This provider did not have business liability insurance to defend her against this lawsuit.

Providers cannot afford to be without business liability insurance to protect themselves from the many risks of running a business. Education is the answer to the low number of insured family child care providers. In most cases good business liability insurance is only a dollar or two a day.

Tom Copeland – www.tomcopelandblog.com