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Insurance Needs of the Home-Based Child Care Business

By Kathy Prochaska-Cue, Extension Family Economics and Management Specialist

Before starting a child care business in your home, get business insurance coverage to provide risk protection for you, your business, your customers and any employees. Protect business and personal assets from risk of loss. Consult with a competent insurance adviser before making insurance decisions.

With the help of your insurance professional, design a comprehensive insurance plan to meet your specific needs. Used correctly, insurance can contribute to the success of your business by reducing the uncertainties under which you operate.

Begin by considering the risks facing you as a home-based entrepreneur. Risks to your business include loss of business space, equipment, and/or inventory and supplies due to fire, theft, windstorm or other cause; injury or death of a worker or customer; and liability for damage caused by your service. The following insurance should be considered:

- Business space, equipment, supplies
- Automobile
- Medical payments from injury: you, employees, children and their families
- Liability
- Disability income for you

Having a business in your home usually means regular homeowner's insurance will not cover any loss related to the business. For example, if you have a fire in your home, any equipment used in your child care business may not be covered. Or, if one of the children falls and you are sued, your liability insurance may not cover the court award if you failed to tell your insurance company you operated a business in your home. Each company is different; check with your insurance company representative to determine the specifics of your homeowner's policy.

Personal insurance risks include loss of income from disability or expenses resulting from injury. Disability income insurance may be available for you as the business owner. If you depend heavily on your income, the cost of such insurance coverage may be worth it. Coverage for any injury you may

suffer while engaged in your business may not be included as part of your personal health insurance policy. Check with your insurance company representative for clarification.

Personal liability insurance also is a consideration. Business owners should consider extended personal liability policies, called "umbrella" liability policies. Sold in amounts of \$1 million or more, these policies take over where other personal liability sold as part of homeowners', automobile or business insurance ends. Endorsements can be bought to tailor the policy to your specific insurance situation.

"Umbrella" liability insurance protects assets and future earnings from risk of loss through large legal settlements. Such coverage is reasonable and necessary for child care business owners, especially if the business will transport children by car or van.

To help you get the proper insurance coverage, consult with an insurance company representative knowledgeable in the small business insurance area before starting your business. Each company and policy is different. Your representative can help you identify potential risks for home-based business owners, and discuss areas where additional coverage may be needed.

Get several price quotes for insurance-comparable coverage before making an insurance decision. If possible, work with a local insurance company representative. Filing claims may be easier if you have a local person available with whom to work.

Review insurance coverage periodically. Avoid duplication of coverage. If possible, work with one insurance company representative and buy an insurance policy package making certain that the insurance coverage you have is suitable for your child care business.

REMEMBER: this publication is meant to help you ask questions, not provide specific answers for your situation.

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**Index: Financial Management
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