



# How Insurance Protects You in an Emergency

A Resource for Family Child Care Providers

You can't prevent natural disasters and some emergencies, but having the proper insurance can significantly reduce the costs associated with one.

Insurance is a key component of a comprehensive plan to prepare for emergencies. Buying insurance to adequately protect the children in your care, your family, and your business is one of the costs associated with being a professional family child care provider. You owe it to everyone you love to do so.

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You can't prevent natural disasters and some emergencies, but having the proper insurance can significantly reduce the costs associated with one.

Insurance is a significant tool that helps protect family child care providers from natural disasters, accidents, vandalism, theft, and other emergencies. It can help to replace damaged property (home, household items, car), pay for injuries to children, pay for loss of business income, and defend against lawsuits from parents.

Unfortunately, many providers do not have the proper insurance to protect the children in their care, their own property, and family. In some cases, providers who do have homeowners and car insurance do not realize that their policies don't adequately cover them once they start caring for children.

## One Child Care Provider's Story

On Memorial Day weekend in 2008, an EF3 tornado struck Hugo, MN, a commuter town north of downtown St. Paul. Winds ranged from 136-165 mph, and the tornado's total path was 6 miles long and 1/8 mile wide. Since it was a holiday weekend, Christine, a family child care provider, was not caring for children at the time that the tornado touched down, but her child care business took a direct hit.

I had 'child care' insurance that I thought I was good. Then the adjuster came to assess the tornado damage and reminded me that because I didn't have the right kind of insurance, lost or damaged child care items would not be covered. This of course included all of the toys, bedding, and child care furniture, but they also initially told us that because child care kids may have used other furniture in the house, they weren't going to cover that either. We contested this and eventually got the family furniture covered. My child care is in my walkout basement. The windows in the basement were bowed out from the pressure and wouldn't open. The adjuster said they weren't technically broken, so they weren't going to cover them. I told him I couldn't open them, and they therefore weren't escapable windows. He replied with "that's a child care issue, and we are not covering your child care." We fought this, and eventually got the windows covered.

I was angry for a while that my insurance agent didn't tell me more about what type of child care insurance I had. I eventually learned that the insurance company would not cover a child care business if more than six children were enrolled. My license is for 12 children. In order to get the proper possession coverage, the insurance company would have to be made aware of how many kids I had, and then they would drop me. My agent didn't want to lose our business, so he didn't offer me the options. He said all agents do this. Don't ask, don't tell. I eventually realized that the agent took advantage of me because I didn't educate myself. I didn't read the information and figure out exactly what my policy did or didn't cover, and he took advantage of my ignorance.

After a year passed, and our insurance claim file was closed, we switched insurance companies. This time we asked LOTS of questions! We demanded personal meetings and clear answers. We purchased business insurance that included business property coverage as well as business interruption insurance. This was in addition to the liability coverage. I feel most providers are underinsured.

Lessons learned: Know what you're paying for and what your options are. Don't just trust your agent to look out for you, ask questions, and read your documents. Fight for what you think is right. We let the insurance company disallow so much that should have been covered. We stood our ground on some things, but others we let go."

*– Christine, Child Care Provider in Hugo, Minnesota*

Christine's story is not unique; many child care providers face the same challenges following an emergency or natural disaster. You don't want to find out either during or after an emergency that your insurance is not protecting you and that you need help. You want to prepare for emergencies before they happen.

Tom Copeland, trainer, author, and advocate for the business of family child care care, provides a summary of four types of insurance policies you need as a family child care provider.



## Homeowner's Insurance

Homeowner's insurance is personal, not business, insurance. It protects your personal property. Your homeowner's insurance policy covers your home (repair and replacement), your property (furniture, appliances, clothing, all personal items), and some personal liability protection (medical expenses and lawsuits when a neighbor falls off your deck). It will also cover you for things such as a hotel, food, and other costs if your home is damaged and you must temporarily live elsewhere.

You may be surprised to learn that many homeowner's insurance policies may restrict (or even deny) coverage for family child care providers. Some policies limit the number of children covered, or offer no coverage at all if you are a provider. No homeowner's insurance policy will cover you in the event of a flood. Such coverage must be obtained under a separate flood insurance policy.

Most policies limit the amount of coverage for business property, usually to a few thousand dollars. Since nearly everything in your home is used by your business, your policy may no longer fully cover your furniture, appliances, and everything else you own.

Therefore, you should not assume that your homeowner's insurance policy covers your house or its contents. Contact your homeowner's insurance agent and tell him/her that you are a family child care provider and how many children are in your care. Explain that you use essentially everything in your home for your business.

Ask these questions:

- “Is my home covered if it’s damaged or destroyed?”
- “Are the contents of my home covered if they are damaged or destroyed?”

If your insurance agent says “yes,” ask him/her to put it in writing. If you don’t have it in writing, you probably aren’t covered. If the answer is “no,” then you should find another insurance company that will insure you.

## Business Property Insurance

If your insurance agent says that your home is covered but your property (furniture, appliances, etc.) is not, ask about purchasing a business property insurance policy to cover you. It should not cost more than a few hundred dollars a year, depending on the amount of coverage you purchase. You may also be able to get this coverage through your professional business liability insurance policy.

You should also consider getting “business income and extra expense” coverage as part of your business property insurance policy. If an emergency forces you to close your business for a period of time, you will be losing income. Or, you may have extra expenses if you move your business temporarily to another location (rent, etc.) or pay employees while you are closed. Coverage for this is very inexpensive.

“I remember being so stunned. I walked into the house and just looked around and around and around. Broken glass, branches, leaves, and dirt. My home, my safe place, had been invaded in a way that left my security, my idea of safety, completely shattered.”

– Christine, Child Care Provider in Hugo, Minnesota

## Commercial Business Liability Insurance

When an emergency happens, you’ll want to protect your business, as well as your property. Commercial business liability insurance may cover you for expenses you may incur as a result of an emergency.

If any of the children in your care are injured because of a natural disaster or other emergency, you’ll want to purchase commercial business liability insurance to cover both medical expenses of the children and any potential lawsuits. Your homeowner’s insurance policy is unlikely to cover this.

Not all business liability insurance policies provide equal coverage. To help you understand the differences between policies, use the checklist, [“Ten Questions to Ask Before You Purchase Family Child Care Business Liability Insurance”](#)



## Vehicle Insurance

Vehicle insurance covers you when you or the children in your care are in a vehicle. If you are in a car with children when an emergency occurs, you want to be sure you are covered.

Most state laws require everyone to have insurance for their vehicle. Such insurance covers you for property damage and bodily injury while in the vehicle. However, family child care providers who use their vehicle in their business may or may not be covered by their personal automobile insurance policy.

To be sure that your personal vehicle insurance will cover you in an emergency, talk to your insurance agent and explain all the circumstances in which you use your vehicle for business purposes. This may include transporting children, going to the bank, library, training classes, grocery store, and so on. You want the insurance agent to put in writing that you are covered in all of these situations, including transporting children in an emergency.

### Insurance is a Serious Matter

Not having adequate homeowners, business property, commercial business liability, or vehicle insurance can have serious consequences:

- One year, hail damaged a provider's roof in Minnesota, but her homeowner's insurance wouldn't cover the replacement cost once they learned she was an in-home child care provider. This provider had failed to notify her insurance agent to make sure her policy would cover her as a child care provider.
- In another case, a tornado in southern Minnesota destroyed a provider's home and everything in it. She received only \$2,000 for all of her possessions because she wasn't adequately insured for her business property.
- Parents have successfully sued providers for tens of thousands of dollars for injuries suffered by children while in their care.
- On another occasion, a provider was in a van with daycare children when it caught fire and several of the children died. Because she didn't have adequate vehicle insurance, she now has hundreds of thousands of dollars of claims hanging over her head.

You can protect yourself from these financial losses by purchasing adequate insurance. A listing of insurance agencies covering providers can be found [here](#).



# The Tax Consequences of Losses Due to Emergencies

If your property is damaged, destroyed or lost as a result of a natural disaster, vandalism, or theft, you have suffered a casualty loss. When this happens, you will want to file a claim with your insurance agent.

Expenses that are covered by your insurance are not deductible. However, any expense you pay (deductibles and out of pocket expenses) can be partly deducted as a business expense. This can include cleanup expenses, minor repairs, temporary housing, rental car, replacing spoiled food, or boarding up your home or sandbagging your property in preparation for a tornado, hurricane, or flood.

You cannot deduct the loss of income if you have to close your business because of an emergency. You will simply report less income on your tax return. For more information, see the article, "[Deducting Losses from a Natural Disaster](#)."

## What Insurance Costs Are Deductible?

No one likes buying insurance, but in many cases you can deduct part or all of the cost as a business expense.

- Homeowner's insurance (or renter's property insurance): You can deduct your time-space percentage of this expense.
- Commercial business liability insurance: You can deduct 100% of this expense.
- Vehicle insurance: You can only deduct the business use percentage of this insurance if you use the actual expenses method of claiming vehicle expenses. If you use the standard mileage rate to claim vehicle expenses, you cannot deduct this insurance.

"I remember telling my friend that her car was still in the driveway. She said 'weird, I was sure we left it in the garage.' Turns out it had been in the garage, but the garage was gone."

– Christine, Child Care Provider in Hugo, Minnesota



### About the Author

Tom Copeland is a trainer, author, and advocate for the business of family child care. Learn more at [www.tomcopelandblog.com](http://www.tomcopelandblog.com). Special thanks to Elizabeth Downs, New England Insurance Services, and Debe Marofsky, Affiliated Insurance Services.