

# Insurance Aspects: Business Side of Preschools

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Caring for small children is a great responsibility. You should consult an attorney, accountant and insurance agent-broker about insurance to cover the risks involved. This guide will familiarize you with some of the common exposures and coverage approaches.

In a small home operation where you care for less than six children, business pursuit coverage can be added to a homeowner's policy at a cost of about \$15 or \$20 a year. Whether it is called babysitting or preschool, it is a business and you are advised to obtain the written opinion of the insurance company before beginning operation.

In larger operations there are more complications.

## Property

If you own a building and equipment, it should be covered by insurance against various types of loss.

There may be a question about how much insurance to carry. Some businesses insure the actual cash value (depreciated value) or the replacement cost value. Replacement cost insurance doesn't cost more per se, but enough insurance must be carried to equal 80 or 90 percent of the full replacement cost value of the structure. This amount needs to be reviewed and updated periodically.

What perils should you insure against? Normally, coverage for fire, extended coverage and vandalism and malicious mischief is needed. You should investigate "all risk" coverage. Often the cost is negligible and the business is insured for anything that happens to the structure unless it is specifically excluded.

Premium dollars can be saved by buying deductible policies. For instance, the policyholder pays the first \$100 of a loss and the insurance company pays for any loss exceeding that amount. In some instances, as much as a \$1,000 deductible can be assumed by the policyholder, lowering the premium considerably.

Personal property or contents can be insured just as buildings are insured. Normally, contents losses are settled on actual cost value (depreciated value). However, many insurance companies allow replacement cost insurance on contents of schools. As with buildings, the amount of insurance must reflect at least 80 percent of the current cost to replace.

"All risk" coverage includes theft. The cost is usually more reasonable than a separate burglary policy. Also, investigate the specific scheduling of different types of contents. For example, the school's movie projector, typewriter, phonograph and tape recorder can be protected on or off the premises. Deductibles are also available on contents.

If the school is in a rented building, ask for a statement in writing from the owner about insurance carried on the building. Consult with an attorney about the addition of a "mutual waiver of subrogation" clause to the lease. Be aware of any clauses in the lease requiring the lessee to cover building property.

This will protect both the lessor and the lessee if the negligence of either causes damage to the other's property. If this clause is not possible, fire legal liability insurance may be needed.

## **Liability**

This insurance is purchased to protect the policyholder who may become legally obligated to pay damages due to negligence for bodily injury or property damage to third parties. These include pupils, teachers, parents, etc. This insurance pays not only a judgment rendered against the policyholder in court, but it also pays defense and investigation expenses.

Most insurance companies advise school owners to purchase comprehensive general liability limits of at least \$300,000 for bodily injury and \$100,000 for property damage. Higher limits of \$1,000,000 are not uncommon and are recommended. For instance, a small child can fall from an improperly maintained or supervised jungle gym and receive permanent disabling injuries. The court could award the parent a staggering amount taking into account the child's future earning capacity and potential contribution to society. A \$1,000,000 figure would not seem so unlikely in this case.

If the school has an elevator, it should be covered by insurance. Any time independent contractors are on the premises, you should find out if they have insurance for their own acts and their employees for general liability with the same limits as the school. Also, you should find out if they have workers' compensation in case one of their employees gets injured while on the job. As further protection, the general liability policy can provide independent contractor's coverage.

Usually food is served to children in preschools. If a child should get food poisoning from food served, the school is liable. The coverage for this hazard can be added to the liability policy, if not automatically covered.

There is a special endorsement called a broad form liability endorsement that should be added onto the policy and this, for a minimum cost, provides additional coverage for Additional Insured (Employees), Automatic Contractual, Broad Form Property Damage, Incidental Malpractice Coverage, and Personal Injury.

Teachers can be held individually liable for their actions. Teacher liability can be added to your policy. You can also be protected from personal injury which refers to libel, slander, false attest or wrongful eviction.

If teachers or staff use their own cars for school business, insurance up to limits of \$100,000 per person for bodily injury and \$300,000 for property damage should be purchased and a certificate of insurance furnished by the vehicle owner for the school showing proof of insurance. The school should also purchase a non-ownership auto policy to provide coverage should they be sued for injuries involving a non-owned auto.

School-owned vehicles must be covered with insurance applying to the transportation of children. The municipality where the school is located will probably require a special certificate of insurance to be filed with them.

You should be cautioned that no vehicle carry more children than the legal seating capacity. (Children seated on the floor of a van or in the back of a station wagon are illegally seated.)

## **Worker's compensation insurance**

In Missouri, you must purchase this insurance if there are more than five employees. The purchase of such insurance, regardless of number of employees, is a good business practice. The employer is responsible for an employee's safety. If that employee is injured, he may sue at common law for whatever amount he wishes. Traditionally, the courts rule in favor of the injured employee. If there is insurance, however, the employee recovers in amounts dictated by state law. This is an inexpensive insurance.

## **Significant options**

It is recommended that employees who handle school money be bonded with fidelity bonds.

If school facilities are rented or leased, you may be required to carry plate glass insurance if the building contains large expanses of plate glass.

Check on insurance that covers loss of school time if the boiler should fail to operate or if there is an explosion. This covers not only the expense of damage but also loss of income while repairs are made.

Another risk that can be covered is the possible loss of income because the building has burned.

Life, accident and health insurance fall under the category of employee benefits. There may be state association plans available. If none is available, a reputable company can arrange a program. Usually, the public schools have group plans and preschools can take advantage of the same offer.

Childcare providers may have group insurance available to them through membership in a professional organization. An example is the National Association for the Education of Young Children.

The needs for insurance vary as widely as schools vary. You, with the advice of a lawyer, an accountant and an insurance broker, will need to make the decision on the insurance necessary to protect yourself, the personnel and the premises.

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