

# Questions to Ask Your Liability Insurance Broker

by Roger Neugebauer

“Liability insurance is now more competitive than it has been in a long time.”  
**Kathryn Hammerback, Princeton Academy, Colorado Springs, Colorado**

“This year, for the first time in 30 years of shopping for insurance for my center, I actually had insurance salespersons calling me to solicit my business.”  
**Craig Hammer, Educational Programs, Inc., Monrovia, California**

“The cost of liability insurance, which went through the roof about four years ago, seems to have stabilized recently. For the last three years, premium increases have been in the 3-4% range.”  
**Mike North, New Horizons Child Development Centers, Edmond, Oklahoma**

For those of us who remember the ‘90s when we went through an insurance crisis with liability insurance becoming scarce, statements like these are most encouraging.

However, this good news does not mean that center administrators can be any less vigilant when shopping for insurance. You still need to be sure that your insurance is adequate to cover all your needs and that you are taking advantage of all the cost savings available to you.

To help you with your shopping, here are some important questions to ask your insurance broker, based on my interviews with Hammerback, Hammer, and North:

Are we covered when . . . ?

It’s Nervous Nellie time. Bring your team together and brainstorm as long a list as possible of all the situations where your center could be at risk. For example, are we covered when . . .

- a tree falls on our center?
- one child bites another causing injury?
- a teacher sues the center?
- vandals damage our playground equipment?
- a fire forces our center to close for three months for repairs?
- the bookkeeper absconds with our money?
- a teacher is accused of child abuse at our center?
- a center van is in an accident?
- a child is abducted from our center?

■ a tornado destroys our center?

Bring this list with you when you are negotiating coverage with your broker to see how complete your coverage is. For example, Hammer discovered that the policy he was about to purchase one year did not cover swimming accidents. Since swimming is an important part of their program, he negotiated to get swimming covered. And, last year, he found that since one of their centers was located in a government building he needed to add “terrorism” coverage.

How can I cut costs on this policy?

The most common way to cut insurance premiums is to increase deductibles — the larger the deductible, the lower the cost. However, you need to evaluate if your center’s cash flow could cover any deductible you elect to include. For example, if you incur \$300,000 in damages from a fire, and you have a 40% deductible, can you afford to cover \$120,000 of this loss?

There are other ways to reduce costs you should explore as well:

In some states the state requires that centers receive a discount when they are accredited. Find out if this is the case in your state, and if you can receive credit for the level of licensing you have achieved.

You should explore with the broker any safety features you have added that reduce risk. For example, have you added new, safer surfacing in the playground, or have you upgraded your center's fire detection system?

Does your center have a good safety track record? If you can document years of accident-free experience, you may qualify at a lower risk category.

Are there any volume discounts you qualify for? For example, will your organization be insuring more than one center at the same time, or will you be buying all types of insurance you require from the same company?

One cost-cutting strategy to avoid is passing on certain coverages which appear unnecessary. For example, if your center is well-managed and your staff are well-trained, you may think sexual abuse coverage is not needed. You may have high confidence that such an incident will never occur at your center.

However, you must take into consideration that although actual proven incidents of sexual abuse are in fact extremely rare in licensed centers, the

occurrence of accusations of abuse are not so rare. When you purchase abuse coverage, you are also paying for legal defense against even false accusations. This is not a place to save money.

Is this an "occurrence" or a "claims-made" policy?

There are two primary types of insurance policy forms: occurrence and claims-made. Occurrence forms cover losses that happen during a given period of time (the policy term). The loss can be reported years later, but the key is when it happened.

A claims-made policy covers claims made during a given period of time. The loss may have happened many years in the past, but is reported during the current policy term.

Occurrence forms are somewhat more valuable as they respond to claims years later. The key concept here is that a claims-made policy generally costs less than an occurrence policy, but you run the risk of not being covered for a potential claim because you didn't discover it until after your policy expired.

Is the policy from an admitted carrier?

Insurance can be purchased either from a carrier which is "admitted" or by one offering coverage on an "excess and surplus lines basis." Admitted means that

the company has applied for the authority to do business in your state and has been approved by the state's insurance authority. Admitted carriers follow various regulations that are designed in part to preserve the insurance company's solvency and to detect financial problems, along with protecting policyholders in the event of insolvency.

One last step

Mike North strongly recommends that directors read their policies. This is not nearly as much fun as reading a Stephen King novel, but could save your center much financial stress. Policies don't read from start to finish in logical order. Rather, they are compilations of various policies along with lots of amendments. So you need to read both the original policy statements and the amendments which may change the policy dramatically.

You should keep a list of your specific coverages and make sure they make sense. For example, Mike once read a policy that provided \$25,000 of coverage for signage, but only \$10,000 for playground equipment. He also suggests carefully reviewing your business interruption coverage. If your center was shut down by a disaster, does your policy provide you enough coverage to pay staff and keep the business going for 6 to 12 months while you get back up and running?

# Buyer's Guide to Insurance

This directory is a partial listing of companies offering insurance services. Inclusion does not imply endorsement by Exchange. To request free information from these companies, visit [www.ChildCareExchange.com](http://www.ChildCareExchange.com) or circle the number for each company of interest on the Product Inquiry Card located between pages 64 and 65.

**Block Insurance**

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[www.blockinsurance.net](http://www.blockinsurance.net)

**Cherry Creek Program Management**

(800) 777-5035  
[info@cherrycreekins.com](mailto:info@cherrycreekins.com)  
[www.cherrycreekins.com](http://www.cherrycreekins.com)

**Francis L. Dean & Associates, Inc.**

(800) 745-2409  
[www.fdean.com/day\\_care\\_nursery\\_child\\_care\\_insurance.html](http://www.fdean.com/day_care_nursery_child_care_insurance.html)

**Freisinger Group, Inc.**

(608) 784-2587  
[www.freisingerinsurancegroup.com](http://www.freisingerinsurancegroup.com)

**InsureWorks, LLC**

(203) 458-1410  
[info@insureworkslc.com](mailto:info@insureworkslc.com)  
[www.insureworkslc.com](http://www.insureworkslc.com)

**Circle 90 Markel Insurance Company**

Denise McLaughlin  
 (800) 915-1907  
[eservice@markelcorp.com](mailto:eservice@markelcorp.com)  
[www.childcareinsurance.com](http://www.childcareinsurance.com)

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**McKee Risk Management**

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[info@mckeerisk.com](mailto:info@mckeerisk.com)  
[www.mckeerisk.com](http://www.mckeerisk.com)

**Circle 91 Morgan & Associates, Inc.**

Don Morgan  
 5705 95th Place SW  
 Mukilteo, Washington 98275  
 (877) 799-8980  
[info@morganinsurance.com](mailto:info@morganinsurance.com)  
[www.morganinsurance.com](http://www.morganinsurance.com)

*Childcare experts in 42 states, offering a businessowner policy, the best value in the insurance industry. Seventeen years of claims experience makes the difference from start up to finish; 1 location to 2,000, we do it all: underwrite, rate, bind, and issue policy. See [www.morganinsurance.com](http://www.morganinsurance.com) for quick quotes.*

**National Care Providers Insurance, Inc.**

(800) 423-9733

**New England Insurance Services, Inc. (NEIS)**

(860) 844-8288  
[info@neisinc.com](mailto:info@neisinc.com)  
[www.neisinc.com/index.htm](http://www.neisinc.com/index.htm)

**Slater and Associates Insurance, Inc.**

(503) 624-0466  
[info@slaterinsurance.com](mailto:info@slaterinsurance.com)  
[www.slaterinsurane.com/index.php](http://www.slaterinsurane.com/index.php)

**Circle 92 Thomco**

Cheryl Griffin  
 PO Box 440549  
 Kennesaw, Georgia 30160  
 (800) 476-4940  
[csgriffin@thomcoins.com](mailto:csgriffin@thomcoins.com)  
[www.thomcoins.com](http://www.thomcoins.com)

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[www.usli.com/Package/Daycare.htm](http://www.usli.com/Package/Daycare.htm)