

Insurance Considerations for Child Care Programs

1. Do you have coverage for flood?

Most small businesses purchase flood insurance through the National Flood Insurance Program (NFIP). Flood coverage for “business interruption” (addressed in 3. below) is not available through NFIP. If this coverage is desired, it must be obtained from a commercial insurer. Check with your insurance agent.

2. If you are located near the coast or a river, “storm surge” may be classified as “flood” or as “windstorm”.

The coverage for flood may be different than the coverage for a hurricane (windstorm coverage). In some cases, the storm surge that occurs as a result of a hurricane is classified as “flood”; in other cases, it is classified as “windstorm.” After Hurricane Sandy, many policyholders found themselves underinsured since the storm surge was classified as “flood.” They may have had adequate coverage for “windstorm,” but they had inadequate coverage for “flood.” Check with your insurance agent about this coverage.

3. Do you have coverage for Business Interruption?

Business Interruption insurance covers policyholders for lost profits plus continuing expenses, such as wages, after an insured loss. This is important coverage, subject to specific limits in the policy.

4. Do you have coverage for Service (electric) Interruption?

Service Interruption coverage provides coverage for lost power. However, coverage is often excluded if the loss of power is caused by damage to overhead power lines within a certain distance from the insured property.

5. Do you have coverage for Civil Authority?

Civil Authority coverage is for business interruption losses if your business is impacted by an action by the government that restricts access to your location, such as a road or bridge closure. Be mindful, however, that this coverage has specific restrictions. Be sure to read your policy carefully.

6. Are the limits under your policy sufficient?

All insurance policies have overall policy limits and specific limits for different types of coverage. Be sure to review your policy carefully to make sure your coverage is reasonable.

7. What is the deductible under your policy for Windstorm? Flood? Other?

Insurance policies often have a single dollar deductible (such as \$25,000 per occurrence) for most losses. However, some policies have specific deductibles for high risk types of losses. For example, if you are in a high risk hurricane zone, you may have a deductible that is "5% of insured values." Be sure to check your policy carefully and understand what your deductible can be.

8. If you have multiple sites, have you considered how an incident at one location will impact the other location(s)?

For some businesses, a significant loss at one location can result in additional losses to another location due to interdependencies. For other businesses, if one location suffers a loss, another location can help to lessen the loss by shifting employees and other resources. It can be very helpful to think through how a catastrophic loss at one location can impact other locations.

Contact your insurance agent or broker to discuss these and other questions about your business insurance coverage and needs.