

Commercial Risk Summary – Service Businesses



DAY CARE–CHILDREN

Category: Service

SIC CODE: 8351 Child Day Care Services

NAICS CODE: 624410 Child Day Care Services

Suggested ISO General Liability Codes: 41715, 41716

Suggested Workers Compensation Codes: 8869

Description of operations: Day care operations are generally subject to state licensing, although some states exempt those serving a small number of children or those run by religious institutions. The license issued establishes the number and ages of children who can be cared for. Important factors are the adult to child ratio, hours of operation, and the number and ages of children served. Day care services include at least one meal a day, snacks, activities, naps, indoor and outdoor play areas, and various learning opportunities. Prescribed medication can be administered, but most day care centers do not have staff nurses. In-home day care providers are usually written on homeowners policies.

Property exposures include an office, kitchen, classrooms, and outdoor play areas. Ignition sources include electrical wiring, stoves for cooking, and heating and air conditioning equipment. All wiring must be up to code. Overriding circuit breakers and fuse boxes should not be allowed. The high volume of paper, craft supplies, toys and other items contribute to the spread of fire. Wood and/or plastic furnishings increase the fire load. Most equipment is susceptible to and easily damaged by fire. Food preparation is generally limited to stovetop or microwave cooking, but any cooking increases the fire loss potential.

Crime exposures are primarily from employee dishonesty. Hazards increase without proper background checks. All job duties, such as ordering, billing and disbursing, should be separate and reconciled on a regular basis. Receipts should be issued for cash payments received from parents. Bank deposits should be made on a timely basis to limit the buildup of cash on the premises. Audits should be performed at least annually.

Inland marine exposures are from accounts receivables, computers, and valuable papers and records (student records). Duplicates of all data should be made and stored off premises.

Premises liability exposures are extremely high when young children are involved. The adult/child ratio should be low enough to permit adequate supervision. Evacuation drills should be conducted regularly. Procedures should be posted that address all emergencies, with instructors and aides trained in their use. References for all employees and volunteers must be verified, including criminal background checks. Access to the building must be limited during operating hours to prevent kidnapping and to keep children from wandering away. The procedures in place for delivery and pickup or release of children to adults must be evaluated carefully. Playground equipment must be well maintained to prevent injuries to children. Children learn by touching and sharing and this can increase the spread of communicable diseases to other children. Immunizations for each child should be required, along with emergency medical contact information. Written policies must be established that address when a child is too ill to attend and when the facility will contact parents or medical emergency providers in case of illness or an accident.

Abuse and molestation exposures must be considered when supervision of children is involved. The abuser is never covered under the policy. While there is some coverage for the facility where the abuse

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takes place, it is very limited. More comprehensive coverage should be purchased from specialized markets. The facility is responsible for taking all possible care to protect students from predatory adults and older students through background checks, monitoring, supervision, and by reporting all allegations of abuse to the proper authorities. The more vulnerable the potential victim, the more vigilant the facility must be.

Automobile exposures are a major concern and the potential for loss or injury is high if the facility transports children to and from off-premises activities. All drivers must have the appropriate license for the type of vehicle used to transport children. Car seats must be used as required by state law. Appropriate supervision should be provided when multiple children are transported. Motor Vehicle Reports (MVRs) on all drivers must be checked regularly. All vehicles must be properly maintained and maintenance records kept at a central location.

Workers compensation exposures from back injuries, lifting, hernias, sprains, strains, slips and falls can be high, along with exposure to communicable diseases. All employees should have up-to-date immunizations to prevent the spread of communicable diseases. Unauthorized visitors can pose a threat to employees as well as children.

Minimum recommended coverage:

Business Personal Property, Employee Dishonesty, Accounts Receivable, Computers, Valuable Papers and Records, General Liability, Employee Benefits Liability, Umbrella Liability, Business Auto Liability and Physical Damage, Hired and Nonownership Auto Liability, Workers Compensation

Other coverages to consider:

Building, Forgery, Computer Fraud, Employment-related Practices Liability

Source: Rough Notes, Inc.

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Agent: The coverages listed below are suggested for consideration for service operations. After evaluating each of the listed coverages, check the recommended blank by those that apply specifically to this client. Make sure both the exposure and the coverage are explained to the client. Each coverage and option is explained in the Insurance Coverage Definitions document.

Client: For each of the coverages that the agent has recommended, initial whether you have chosen to accept or reject that coverage in the blanks provided.

PROPERTY COVERAGES

	Recommend	Accept	Reject	
Building and Personal Property Coverage Form				
Building	_____	_____	_____	
Business Personal Property	_____	_____	_____	
Personal Property of Others	_____	_____	_____	
Improvements and Betterments	_____	_____	_____	
Condominium Coverage Form				
Condo-Unit Owners Coverage	_____	_____	_____	
Commercial Output Policy				

Building and Personal Property Coinsurance				

Percentages	None	80%	90%	100%
Bldg	_____	_____	_____	_____
BPP	_____	_____	_____	_____
PPO	_____	_____	_____	_____
I & B	_____	_____	_____	_____
Alternatives to Coinsurance				
Agreed Value	_____	_____	_____	
Functional Replacement Cost	_____	_____	_____	
Peak Season	_____	_____	_____	
Reporting Form	_____	_____	_____	
Other _____	_____	_____	_____	
Optional Property Coverages				
Boiler and Machinery	_____	_____	_____	
Legal Liability	_____	_____	_____	

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	Recommend	Accept	Reject
Optional Property Endorsements			
Additional Debris Removal	_____	_____	_____
Ordinance or Law	_____	_____	_____
Outdoor Trees, Shrubs and Plants Enhancement	_____	_____	_____
Replacement Cost Valuation	_____	_____	_____
Spoilage	_____	_____	_____
Utility Services-Direct Damage	_____	_____	_____
Other Property Options			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
TIME ELEMENT COVERAGES			
Business Income With Extra Expense Coinsurance Percentage ____	_____	_____	_____
Business Income Without Extra Expense Coinsurance Percentage ____	_____	_____	_____
Extra Expense	_____	_____	_____
Leasehold Interest	_____	_____	_____
<i>Alternatives to Coinsurance</i>			
Agreed Value	_____	_____	_____
Maximum Period of Indemnity	_____	_____	_____
Monthly Limit of Indemnity	_____	_____	_____
Premium Adjustment	_____	_____	_____
Optional Time Element Endorsements			
Business Income from Dependent Properties	_____	_____	_____
Ordinance or Law Increased Period of Restoration	_____	_____	_____
Utility Services	_____	_____	_____
Other Time Element Coverages			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

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PROPERTY AND TIME ELEMENT CAUSES OF LOSS

		Recommend	Accept	Reject
	Bldg BPP PPO BI EE			
Basic	_____	_____	_____	_____
Broad	_____	_____	_____	_____
Special	_____	_____	_____	_____
Earthquake	_____	_____	_____	_____
Flood	_____	_____	_____	_____

Other Cause of Loss Endorsements

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

INLAND MARINE COVERAGES

Accounts Receivable	_____	_____	_____
Bailees Customer	_____	_____	_____
Commercial Articles	_____	_____	_____
Contractors Equipment	_____	_____	_____
Difference In Conditions – DIC	_____	_____	_____
Electronic Data Processing	_____	_____	_____
Fine Arts	_____	_____	_____
Goods in Transit	_____	_____	_____
Miscellaneous	_____	_____	_____
Signs (Neon and Electric)	_____	_____	_____
Valuable Papers and Records	_____	_____	_____

Other Inland Marine Coverages

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

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CRIME COVERAGES

	Recommend	Accept	Reject
Money, Securities and Other Property			
Employee Dishonesty Coverage	_____	_____	_____
Including Customer’s Goods	_____	_____	_____
Computer Fraud Coverage	_____	_____	_____
Extortion Coverage	_____	_____	_____
Forgery or Alterations Coverage	_____	_____	_____
Lessees of Safe Deposit Boxes Coverage (Securities and Other Property only)	_____	_____	_____
Money and/or Securities Only			
Theft, Disappearance and Destruction	_____	_____	_____
Robbery and Safe Burglary	_____	_____	_____
Securities Deposited With Others Coverage	_____	_____	_____
Property other than Money and Securities			
Premises Burglary	_____	_____	_____
Premises Theft	_____	_____	_____
Robbery and Safe Burglary	_____	_____	_____
Other Crime Coverages			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

LIABILITY COVERAGES

Commercial General Liability			
Occurrence Basis	_____	_____	_____
Claims- Made Basis	_____	_____	_____
Optional Liability Coverages			
Directors and Officers	_____	_____	_____
Employee Benefits	_____	_____	_____
Employment- Related Practices	_____	_____	_____

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	Recommend	Accept	Reject
Liquor	_____	_____	_____
Owners and Contractors Protective	_____	_____	_____
Professional/E&O Liability	_____	_____	_____
Railroad Protective	_____	_____	_____
Special Events	_____	_____	_____

Other Liability Coverages

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

COMMERCIAL AUTO COVERAGES

Liability	_____	_____	_____
Physical Damage	_____	_____	_____
Uninsured Motorists	_____	_____	_____
Underinsured Motorist	_____	_____	_____
Hired Cars	_____	_____	_____
Non-Ownership Auto	_____	_____	_____
P.I.P./No-Fault	_____	_____	_____
Garagekeepers	_____	_____	_____

Other Auto Coverages

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

WORKERS COMPENSATION COVERAGES

Workers Compensation and Employers Liability	_____	_____	_____
Stop Gap or Employers Liability Coverage	_____	_____	_____
Federal Employers Liability Act	_____	_____	_____
Longshore and Harbor Workers Coverage	_____	_____	_____
Voluntary Compensation	_____	_____	_____

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	Recommend	Accept	Reject
Other Workers Compensation Endorsements			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
EXCESS LIABILITY COVERAGES			
Umbrella Policy	_____	_____	_____
Excess Liability Policy	_____	_____	_____
AVIATION COVERAGES			
Aircraft Policy	_____	_____	_____
Passenger Liability	_____	_____	_____
SPECIALTY COVERAGES			
Environmental Impairment Liability Policy	_____	_____	_____
Fiduciary Liability Insurance	_____	_____	_____
International/Foreign Operations Insurance	_____	_____	_____
Rain or Weather Insurance	_____	_____	_____
Terrorism Insurance	_____	_____	_____
Underground Storage Tank Liability – UST	_____	_____	_____
Other _____	_____	_____	_____
BONDS			
Bid Bond	_____	_____	_____
Contract Bond	_____	_____	_____
License Bond	_____	_____	_____
Other _____	_____	_____	_____
Other Options			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

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Comments

I certify that I have reviewed my coverage needs in accordance with this checklist with my agent and I have accepted or rejected the recommended coverages as indicated by my initials in the spaces above.

_____ Signature of Client _____ Date

_____ Title

I certify that I have reviewed the coverages outlined in this checklist with my client and that the initials of the client indicate the acceptance or rejection of the coverages recommended.

_____ Signature of Agent _____ Date

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