naeyc National Association for the Education of Young Children

Liability Insurance and Early Childhood Education

August 2024

The infusion of federal funding for child care during the height of the pandemic helped programs cover rising fixed costs, support higher wages and benefits for staff, and remain open to serve families and communities.[i] While that additional federal relief funding has all but disappeared, early childhood education programs across the country continue to confront increasing expenses that neither they nor families can afford. One of these key expenses is the skyrocketing costs of insurance. In formal and informal conversations with early childhood educators, NAEYC staff, Affiliate, and advocacy leaders have heard increasing and increasingly desperate reports specifically related to liability insurance costs, as well as coverage reductions, rejections, and denials.

While various kinds of insurance are costing more for individuals and companies across industries,[ii] this brief, which shares the findings from a survey of 1,173 early childhood educators in 49 states and D.C. who have responsibility over liability insurance decisions at their programs, focuses on:[1]

- the specific context and implications of increasing liability insurance costs and declining coverage options in early childhood education;
- the impact on child care affordability, supply, and quality for families; and
- emerging solutions to help child care and early learning programs navigate insurance challenges.

> *"The [insurance] options have dwindled, cost has just about doubled, and fewer things are being covered."* – Family child care provider, New York

Background on Liability Insurance in Child Care and Early Learning Programs

Liability insurance is a necessary and often mandatory protection for early childhood education programs operating in schools, centers, and homes.[iii] Owners, directors, and educators rely on this coverage to protect themselves and their families from financial losses that could result from claims or lawsuits filed against them due to accidents or injuries that can and do occur when groups of young children play and learn together.

- **Having liability insurance is important to the early childhood educators in this survey.**

> *"I would never watch other people's children without coverage. You never know when a child could have an accident!"* – Family child care provider, Nebraska

According to survey respondents, these are the top three reasons that liability insurance is important:

1. It protects their programs (88%)
2. It protects the families they serve (82%)
3. It is a state requirement (62%)

Other respondents also noted insurance protects their own families and staff; is required by banks, funders, landlords, or franchise owners; and is simply good practice.

- **Early childhood education programs have to navigate different insurance requirements.**

1. For more information about the survey, see methodology at the end of the document.

There is substantial variability in state requirements related to liability insurance for licensed child care settings, which makes it challenging to get a full and accurate picture. However, NAEYC's recent review of state websites and regulations indicate that more than half of states (30) require licensed child care centers to have liability insurance; 21 of those also require certain types of licensed family child care homes to have coverage; and 14 require it for all licensed centers and homes.[iv] Some of these states further specify parameters like minimum liability coverage limits and coverage areas.

Among states that do not require liability insurance for any providers (21), at least nine do require some or all licensed providers to provide written notification to the state and to parents regarding their coverage status.

In addition, and as survey respondents note, certain funding streams, landlords, mortgage companies, franchise owners, and others require liability insurance even if the core state regulations and licensing standards do not.

- **The vast majority of early childhood education programs in this survey maintain liability insurance.**

In this survey, 87 percent of respondents overall said they work in programs that maintain liability insurance, including 88 percent of programs eligible to serve families receiving a child care subsidy, 94 percent of those working in a child care center, and 77 percent of those working in family child care homes.

Among the small percentage of respondents who reported that their programs do not maintain liability insurance (8%), nearly half (48%) said it was because it was too expensive to afford. Another 15 percent reported that their coverage had been dropped (7%) or denied (8%). Only 2 percent of survey respondents said they don't maintain liability insurance because they don't believe it's necessary.

Increasing Costs of Liability Insurance

"The cost is so hard to balance when we're trying to save families money. If we want to be open earlier or later than normal hours, our insurance charges more – if they even cover it. I used to do overnight child care and I can't afford to do it now because of the insurance." – Family child care owner, Nebraska

"Having to find such incredibly expensive insurance has been incredibly stressful, to the point of negative effects on my health and considering if it is worth continuing the business." – Early childhood educator, Oregon

"For small programs, the insurance expenses make it increasingly likely that we will not be able to remain open." – Early childhood educator, Michigan

In NAEYC's January 2024 ECE workforce survey, which reached more than 10,000 early childhood educators, 49 percent of respondents noted that their programs were experiencing an increase in liability insurance costs. Based on that survey, and in combination with additional anecdotal and qualitative data, NAEYC launched this survey, which was geared solely at the individuals responsible for making decisions about liability insurance.

Within this smaller and more targeted audience:

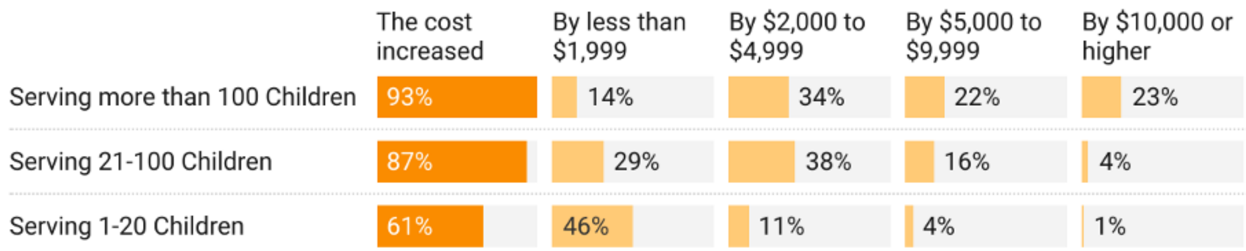
- **80 percent of respondents noted that their total liability insurance cost increased over the last year.**
- This includes 63% of family child care providers, 75% of rural providers, 80% of urban providers, and 83% of suburban providers who report that their total liability insurance costs have gone up.

Overall, respondents most frequently indicated that their liability insurance cost increased by up to $1,999 (30%).

However, analyzing and disaggregating the data by looking at the program setting, the number of children served, and the inclusion of families receiving subsidy resulted in a deeper understanding of which programs are bearing the most pronounced cost increases. For example:

- Among respondents working in child care centers, 89% reported increased costs overall. Of these, 36% noted annual cost increases between $2,000 - $4,999; 19% noted cost increases between $5,000 - $9,999; and 13% reported cost increases of $10,000 or more.
- Among respondents serving children receiving subsidies, 83% reported increased costs overall. 31% reported annual cost increases between $2,000 - $4,999; 15% reported those between $5,000 – $9,999; and 11% reported cost increases of $10,000 or more.

Programs serving more children reported greater cost increases over the last year



Respondents were asked "How has the total liability insurance cost for your ECE program increased over the last year (since May 2023)?" 319 responded to this question from programs serving between 1-20 children, 289 serving between 21-100 children, and 288 serving more than 100 children. Percentages are calculated based on the number of valid responses to the question.

Decreasing Accessibility of Liability Insurance

> *"Why is it so difficult to renew? It stresses our program, takes away from other funding needs, and ultimately negatively impacts the children."* – Child care center director, Florida
>
> *"I keep hearing stories of child care centers being dropped coverage without much notice."* – Child care center director, Maryland

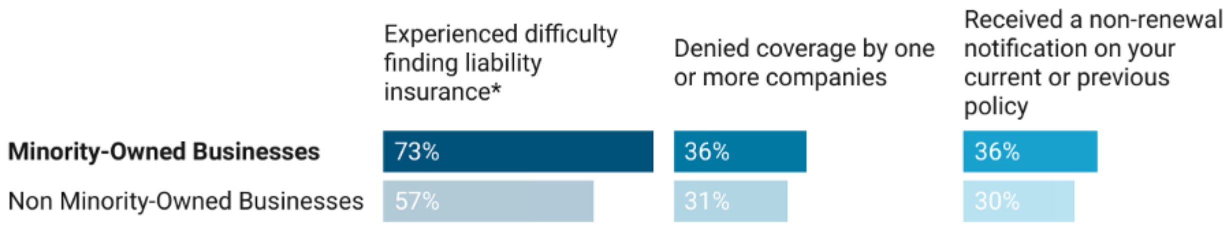
Managing cost increases is one major issue; another related issue is what happens when programs can't get the coverage they need or can't get coverage at all. This is a problem overall in terms of risk management and ability to operate safely and with security, but it also presents a unique challenge because some institutions and funding streams require that ECE programs have a certain amount of coverage to participate.

Yet that coverage is often out of reach, especially for some types of programs. For example, state-funded preK systems may require a certain amount of coverage before they enter into contracts with programs; if family child care programs—which have more limited insurance choices to start with—cannot find or afford that level of coverage, they may not be able to participate in the system, which undermines the goals of a mixed-delivery preK model.[v]

In addition, our survey analysis yielded concerning data on the disproportionate impacts of liability insurance challenges for child care programs that described themselves as "minority-owned businesses." Controlling for other factors, including size and setting type and urbanicity, the challenges of finding liability insurance were more pronounced among minority-owned businesses[2]—which further exacerbates challenges of sustaining the important and celebrated diversity of the ECE field.

2. Respondents working in minority-owned settings more often indicated that their program was in an urban area, but otherwise respondents working in minority owned businesses were similarly situated in terms of the numbers of children served and the setting type. A regression model controlling for setting, size and urbanicity reveals that respondents working in minority owned businesses had higher odds of reporting having trouble finding liability insurance than those working in non-minority owned settings.

Challenges finding and maintaining liability insurance were more pronounced among minority-owned businesses over the last year.



Respondents were asked "Have you experienced difficulty finding liability insurance or finding affordable insurance over the past year?"; "Has your program been denied liability insurance coverage by one or more insurance companies within the last year (since May 2023)?"; and "Did you receive a non-renewal notification on your current or previous liability insurance policy?". 320 respondents from minority-owned businesses responded to these questions and 671 respondents from non-minority businesses responded to these questions. Percentages are calculated based on the number of valid responses to the question. Indicates a statistically significant difference in proportions between respondents working in minority-owned vs. non-minority owned programs.*

Limited Coverage

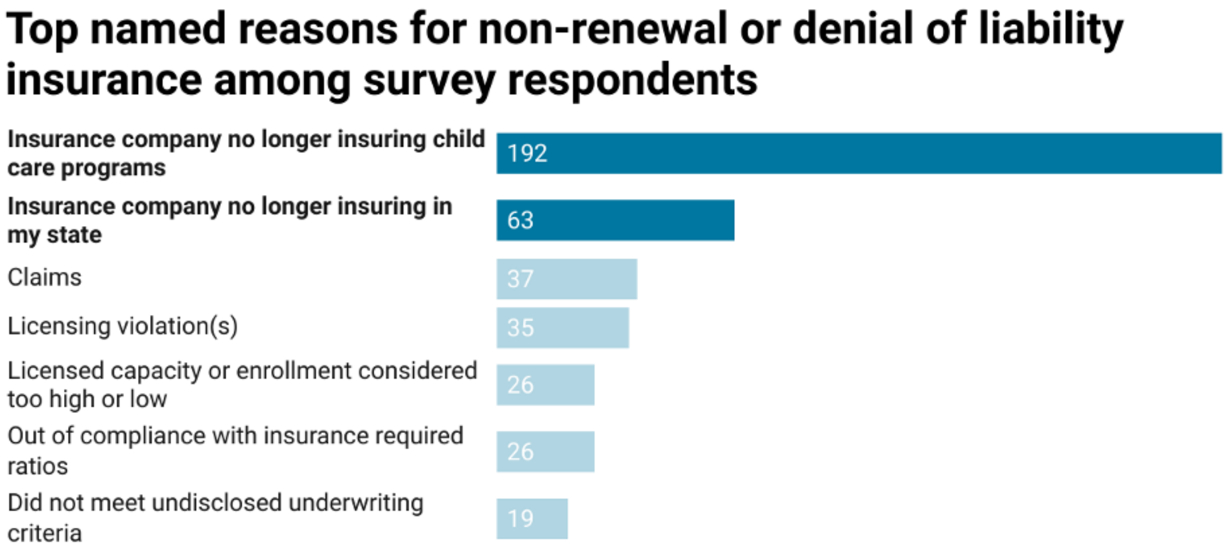
- More than one-third (36%) of respondents reported that their overall liability insurance limits have decreased and/or that new limits have been added for specific categories of coverage.
- Another 26 percent of respondents noted that their coverage had changed in other ways, including limitations around physical and sexual abuse, field trips, playgrounds, pools and other structures, or communicable diseases.
- More than half (54%) of family child care providers noted that their coverage limits have changed.

Unavailable Coverage

- Sixty-two percent of respondents reported that their program had difficulty finding liability insurance or finding affordable liability insurance.
- This includes 55% of programs in rural areas, and 57% of family child care programs.

Denied Coverage

- One-third of respondents (32%) reported that they had been denied coverage in the past year (since May 2023).
- One-third of respondents (32%) reported receiving a “non-renewal notification” on a current or previous liability insurance policy.
- By far, the primary reason for a non-renewal or denial was "Insurance company no longer insuring child care programs.”



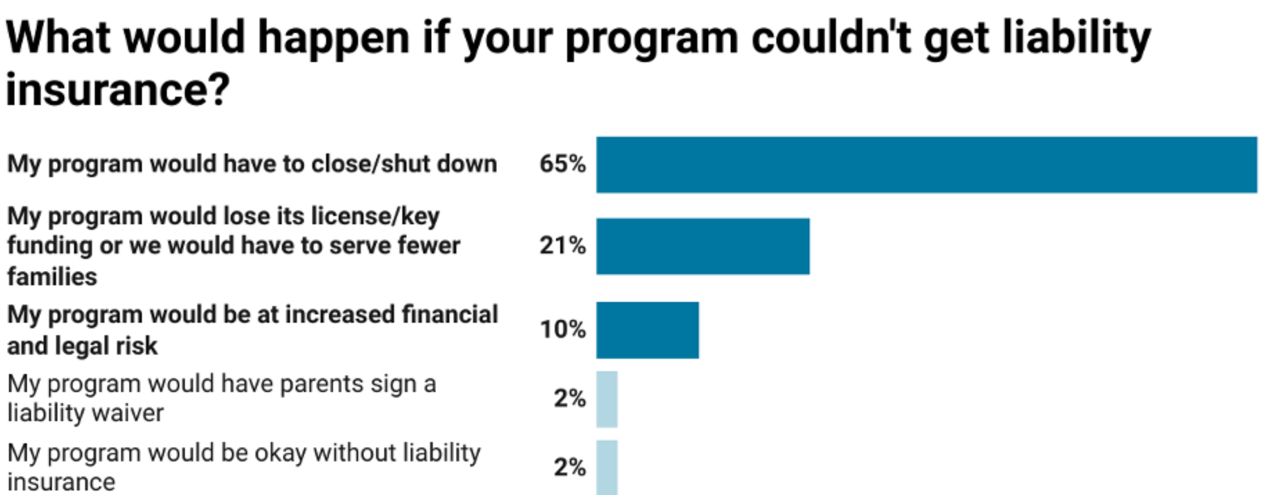
Respondents were first asked if they had been denied liability insurance or received a non-renewal---334 respondents answered "Yes". Those answering "Yes" were then asked, "Why was your ECE program not renewed or denied liability insurance coverage (select all that apply)? The numbers in the graphic represent a count of the number of times each answer choice was selected.

Stakes and Solutions

Early childhood educators are exhausted by waves of crises and depleted from navigating constant uncertainty; on this issue alone, survey respondents described themselves as "terrified," "fearful," and "constantly on edge" trying to navigate the increasing costs of and decreasing access to the liability insurance they need.

They also are clear on the stakes: if they cannot find, afford, or access liability insurance, 96 percent of survey respondents outlined consequences that would lead directly to fewer children and families being safely served and supported, including 65 percent who said they would have to close their program.

Families, children, and businesses cannot absorb the loss of additional child care program closures. Already, 76% of respondents to this survey said they were aware of programs that had closed in their community; a quarter were aware of four or more programs that have closed.



824 ECE workforce members responsible for maintaining liability insurance for their program responded to this open-text response question- "If applicable, what would happen if you couldn't get liability insurance?" Open-text responses were analyzed and coded based on theme. The themes that emerged from the review are represented in the rows of the graphic. Coded responses were counted and tabulated.

With these types of consequences at stake, solutions must be found. NAEYC asked those closest to the problem—in this case, early childhood educators who are responsible for liability insurance in their programs—to recommend the answers that would work for them. Here's what they said:

- **Educate insurance and licensing agencies on the context and impact of regulations and citations, and help them work together to support safety, clarity, and consistency.**

"We need reform of the entire ECE regulatory system so that state regulators work with centers to make them safer. They currently work on a system that is punitive instead of teaching. If the regulators worked to improve instead of punish, there would not be so many violations posted, and they would help the educators be better at their jobs and not afraid to come forward with issues." – Early childhood educator, New York

"Insurance companies and government officials need to speak to each other regarding ratios." – Family child care owner, Michigan

"Licensing needs to be more aware of how they write any [compliance] issues and how those can affect insurance. The insurance company reviews all the licensing web sites for any reason to not cover a program." – Child care center director, Nevada

- **Directly subsidize and/or control the costs of insurance through discounts, reinsurance pools, caps, policy changes, and other mechanisms**

"Provide discounts and easily affordable liability insurance so providers are able to focus on quality childcare instead of spending way too much on out-of-pocket cost expenses." – Family child care owner, Florida

"The State could possibly offer some type of liability insurance to licensed child care facilities or provide funding so providers could purchase liability insurance." – Family child care owner, Colorado

"Prohibit insurance companies from dropping homeowners policy if the educator has a separate child care policy in place." – Family child care owner, Connecticut

"Have a childcare provider centered insurance company. They know the regulations on childcare and how to best meet the needs." – Family child care owner, Nebraska

"I would like to see some kind of incentive for [programs] such as mine who have a great rating/record, like a significant discount or some kind of tax credit to help with the outrageous premiums! – Child care center director, Texas

Building on these proposed solutions, NAEYC also:

- Urges educators and advocates to work in partnership with insurance companies to ensure states require and fund programs to **keep low child-teacher ratios and group sizes that support well-being and minimize risk for children, families, and educators.**
- Encourages advocates and policymakers to learn more about what's happening in their own communities, including by **commissioning legislative and research studies on the availability and affordability of liability insurance** for child care providers, as Nebraska has proposed, and **issuing guidance to support the inclusion of community- and home-based child care and early learning programs** in state-funded programs, as Vermont has done.

As a child care director in Oklahoma says, "We need help, and quickly!" We urge state and federal licensing, insurance, and oversight bodies to listen to educators; seek out information, partnerships, and solutions; and take action today."

Methodology

This online survey, created and conducted by NAEYC using SurveyMonkey, represents the responses of a non-randomized sample of 1,173 individuals working in early childhood education settings. The first question on the survey asked respondents to indicate if they were the person responsible for maintaining liability insurance for their ECE program. If they answered "yes" they were invited to participate in the rest of the survey. Those that answered "no" were deemed ineligible and taken to the end of the survey. Thus, responses are from a subset of the ECE workforce more connected to and familiar with issues pertaining to liability insurance. Please interpret the results accordingly.

The survey was made available in English and Spanish between May 16-June 15, 2024. The respondents represent providers in 49 states as well as Washington, DC; 38% report that they work in family child care homes while 55.1% report that they work in center-based child care. Others work in public school preK and Head Start. All percentages reported throughout the brief represent the valid responses to each individual question as not all respondents were required to respond to each survey question. For response sample sizes by question, please reach out to the authors. Data visualizations were created using DataWrapper (https://www.datawrapper.de/).

The survey links were shared widely through email newsletters, listservs, social media, and via partnerships, and 10 randomly selected respondents were provided with a $100 gift card.

Given the constantly changing nature of this crisis, the broad national-level analysis from this survey is intended to present the experiences of the respondents, as captured in the moment that they take the survey, with extrapolations for the experiences of the field and industry at large. Previous NAEYC survey briefs are available at **NAEYC.org/ece-workforce-surveys**.

Endnotes

i. "We Are NOT OK" Early Childhood Educators and Families Face Rising Challenges as Relief Funds Expire. NAEYC, February 2024. www.naeyc.org/ece-workforce-surveys

ii. Smialek, Jenna. "Insurance Costs Are Pushing Up Overall Inflation." New York Times, March 12, 2024.

iii. The most frequently named companies providing liability insurance to early childhood education programs in this survey included: Assure Child Care, Church Mutual, Markel, Next, Philadelphia, State Farm, and West Bend.

iv. Recognizing this is public-facing data as of July 2024, and may have or will change, NAEYC's review found evidence that states requiring liability insurance for all licensed centers and FCC include: AZ, DC, HI, KY, MT, NE, NV, NH, NJ, OK, RI, TN, TX, VT. States requiring licensed centers and some FCC: AR, DE, ID, IL, PA, WA, WV. States requiring only licensed centers: IN, KS, LA, ME, NY, ND, SD, VA, WI. States that do not require liability insurance: AL, AK, CA, CO, CT, FL, GA, IA, MD, MA, MI, MN, MS, MO, NM, NC, OH, OR, SC, UT, WY.

v. Recognizing these challenges, the state of Vermont issued an important memo in June 2024 on "Insurance Provisions within Universal Prekindergarten Partnership Agreements" to provide guidance to school districts and supervisory unions and add "a notification option for school districts entering into prekindergarten agreements with programs that do not meet the desired insurance coverage limits." See more here: https://education.vermont.gov/memos/memo-dcf-aoe-upk-insurance-provisions-guidance

 The primary staff members who contributed to this piece through survey development, data gathering, analysis, writing, and design are: Ashraf Alnajjar, Meghan Salas Atwell, Maria Estlund, Gillian Frank, Daniel Hains, Lauren Hogan and Nicole Lazarte. NAEYC is also deeply grateful to Samantha Phillips for her guidance and feedback.