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Home Daycare Insurance: What It Is, Costs, and Companies

Find out what insurance coverages your home daycare business needs to thrive

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Lourdes Balduque / Getty Images

Supervising children makes home daycare businesses vulnerable to multiple risks. Art projects can go awry, staff can make mistakes, and kiddos can get hurt. That's why most states legally require that in-home daycare businesses purchase liability insurance prior to licensure. If your job is to protect children

robust home daycare insurance package will protect your livelihood and improve your reputation in the eyes of parents.

Do I Need Home Daycare Insurance?

Yes. If you're an in-home daycare business owner, you need home daycare insurance. Most states require you to have it for licensing, and parents may require proof of insurance when enrolling their children as well. ^[1] Without home daycare insurance, you'd also be on the hook for your legal fees if someone files a lawsuit against you. And you could be deemed responsible for covering damaged property or medical bills. ^[2]

For example, if a child slips and breaks a bone while playing in your home, your business could be held responsible for their medical bills. If one of your staff accidentally damages a child's assistive technology device, your business could be responsible for repair or replacement. With the right policies in-force, your insurance company would pick up the tab.

What Is Home Daycare Insurance?

Home daycare insurance is a group of insurance coverages intended to protect in-home daycare businesses from a myriad of risks. Some coverages may only be necessary for daycare businesses that have employees or those that offer pick-up and drop-off. But general liability insurance is always a necessary coverage for daycare businesses. Here are the most common coverages your daycare may require.

General Liability Insurance

General liability insurance pays for legal costs and judgments associated with claims that your daycare was negligent. It covers bodily injury, property damage, and personal or advertising injury. General liability insurance also includes medical payments coverage, which pays for medical bills or funeral expenses if anyone is injured during a business visit to your home.

Professional Liability Insurance

negligence. For example, if your daycare offers educational enrichment and a child isn't making any progress, parents could sue. [Professional liability insurance](#) would cover your legal defense and judgments.

Business Personal Property Insurance

While the structure of your home will be covered against common perils under your homeowners insurance policy, your policy's limits for business equipment may not be sufficient. If you need extra coverage for upgrades to your home, furniture, toys, and equipment used to operate your daycare business, you should either get an endorsement to your homeowners policy or purchase business personal property insurance.

Business Interruption Insurance

[Business interruption insurance](#) helps cover your debts and replace your net lost income after a covered loss interrupts your business operations. For example, if a fire in your home forces you to shut down, business interruption insurance would ensure you could still pay your employees and cover your mortgage payment. Bear in mind, [business interruption insurance may not cover communicable diseases like COVID-19](#).

Business Owner's Policy

Some daycare owners may choose to get their general liability insurance, commercial property insurance, and business interruption insurance in one convenient package, known as a [business owner's policy](#). However, standard BOPs may include unnecessary coverage for structures that overlaps with your homeowners insurance policy, so you should go with a provider that allows you to customize your BOP.

Abuse and Molestation Insurance

Most general and professional liability insurance excludes coverage for legal costs arising from an employee accused of threatened or actual physical, mental, or sexual abuse. That's why some companies offer an endorsement for

may only cover sexual abuse.

Corporal Punishment Insurance

This covers the cost of lawsuits against your business if an employee is accused of physically harming a child while reprimanding them.

Workers' Compensation Insurance

Most states require that businesses with a certain number of employees have workers' compensation coverage.^[3] It covers medical bills and lost wages for employees who become injured or ill in the course of their job duties. For example, if a child bites an employee and draws blood, [workers' compensation insurance](#) would pay for their treatment and time off work. In some states, workers' compensation insurance also covers daycare workers who contract COVID-19.^[4]

Commercial Auto or Hired and Non-Owned Auto

If you offer pick-up and drop-off services or your business owns a vehicle for other purposes, you'll need [commercial auto insurance](#). Most states will require you to have bodily injury and property damage liability coverage at a minimum, and you should also have collision and comprehensive coverage to pay for damages to your business vehicles.^[5] If you or your employees use your personal vehicles for business activities, whether that's transporting children or just picking up extra wipes from the store, you'll need hired and non-owned auto insurance.

Home Daycare Insurance Cost

The cost of in-home daycare insurance depends on individual factors, like the number of employees you have and the number of children under your care, along with the type of coverage and limits you choose for your business. Next Insurance reports that most of its daycare businesses pay between \$56 and \$78 per month for general liability insurance, but most home daycares will need other coverages as well.^[6] In general, you can expect to pay between \$450 and

Best Daycare Insurance Companies

[Markel Insurance](#)

(from Simply Business)

Pros

- Offers a robust in-home daycare package
- Coverage is occurrence form
- Free additional insureds
- Flexible payment options

Cons

- Does not offer commercial auto

Markel offers a robust, [occurrence-form](#), in-home daycare policy that includes general liability coverage, abuse and molestation coverage, and accidental medical insurance. The policy can cover daycares with up to 18 children. ^[8] You can get professional liability and workers' compensation insurance from the company as well, but commercial auto is not available.

[American Family Insurance](#)

(from American Family Insurance)

Pros

- Abuse and molestation, and corporal punishment coverage
- Commercial auto liability coverage
- Bundling discounts
- Online claims and 24/7 support

Cons

- Home daycare package limited to six children or less

American Family offers a home insurance product that provides several coverages for in-home daycares, including general liability, commercial auto liability, corporal punishment liability, and abuse and molestation liability coverage. However, the product is only available to in-home daycares with six enrolled children or less. AmFam offers online quotes, online claims, a highly rated mobile app, and 24/7 support.

[Great American Insurance Group](#)

(from Tivly)

Pros

- Offers a robust package of coverages
- Risk management services and toolkits
- Coverage available in occurrence form
- A+ financial strength rating from [AM Best](#)

Cons

- No online quote or application

Great American offers all the coverages a daycare could need, including separate limits for general liability, professional liability, and abuse or molestation coverage, which also covers bullying lawsuits. You can choose occurrence-form or claims-made coverage, and the company also offers commercial auto, umbrella, inland marine, and more. What's more, Great American offers risk management services to help prevent incidents, including on-site child abuse prevention training and a smartphone app for anonymously reporting behavior that is inappropriate.

[Next Insurance](#)

(from Next Insurance)

Pros

- Save 10% for bundling multiple policies

Cons

- Doesn't offer abuse or molestation coverage

Next Insurance makes it easy to quickly acquire property insurance, general and professional liability insurance, commercial or hired and non-owned auto insurance, and workers' compensation coverage in one place. You can even save 10% when you buy two or more policies. ^[9] Premiums are affordable as well—most home daycares pay \$56 to \$78 per month for general liability coverage. ^[6] However, the company doesn't offer abuse or molestation coverage, which could leave a coverage gap in your policy.

Do You Need Insurance for Home Daycare?

Yes. Home daycares need [small business insurance](#), such as general and professional liability coverage, to protect against a variety of risks. In most states, liability insurance is even required for licensure, and many parents will want proof of a policy as well.

How Much Does Home Daycare Insurance Cost?

That depends how many employees you have and how many children are under your care. However, most businesses can expect to pay between \$450 and \$1,350 annually for home daycare insurance coverage. ^[7]

In-Home Daycare Insurance Requirements

Home daycare licensure requirements vary by state, but most states require that daycares carry liability coverage. For example, in Texas, daycares must have at least \$300,000 in liability coverage for each child in their care. ^[10] In California, you need signed affidavits from parents acknowledging your lack of home daycare insurance if you choose to forgo it. Otherwise, you need at least \$300,000 in aggregate liability coverage. ^[11]

How We Chose the Best Home Daycare Insurance Companies

- Which companies have the highest MSV (monthly search volume) for “home daycare insurance companies,” according to Semrush
- Google results based on a search of “home daycare insurance”
- Which of these companies offer home daycare insurance or similar products

Evaluation criteria included state availability, financial stability, customer satisfaction, whether an online quote and application were available, and policy-specific features, including claim limits, cost, and coverage exclusions. We also considered the types of coverage that companies offer, such as abuse/molestation/corporal punishment coverage, auto liability coverage, and workers compensation coverage. Companies that make coverage widely available, have a streamlined quote and application process, offer robust features, and have strong ratings for financial stability and customer satisfaction topped our list.

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