

INSURANCE 101

YOUR USER FRIENDLY HANDBOOK

A CO-OPERATIVE EFFORT

BETWEEN

**THE ORGANIZATION FOR PARENT PARTICIPATION IN
CHILDCARE AND EDUCATION, ONTARIO**



AND



TABLE OF CONTENTS

Introduction	Page 3
The Basic Policy Package Concept	Page 4
Optional Coverages	Page 5
Speciality Coverages	
Directors and Officers Entity Form	Page 6-8
Professional Liability Errors & Omissions	Page 9-10
Understanding your Insurance Coverages	Page 11-16
Property Contents	
Extra Expense	
Earnings Insurance	
Blanket Glass	
Money & Securities	
Commercial Blanket Bond	
Group Accident Insurance	
Commercial General Liability	
Non Owned Automobile	
Certificates of Insurance	Page 17
Why Keep a Serious Occurrence Report?	Page 18
How to Report a Claim	Page 19
Renewal Time	Page 20

Introduction

The Co-operators is proud to be the Insurer of the O.P.P.C.E.O group of member centres.

Our partnership has helped design a specially tailored insurance program to help protect you against loss or damages directly resulting from your Child Care Centre.

This Insurance Handbook 101 was written for you — our client, to help guide you in understanding your insurance needs. We have outlined the insurance coverages that we provide (found on your Policy Declaration) and have provided you with examples for each coverage.

We have also provided you with a list of contacts should you need to report a claim, make a change to your policy or simply, need insurance advice.

The Co-operators would like to thank you in advance for taking the time to read through this guide and we hope it may offer much guidance throughout the year.

The Basic Policy — Package Concept

Your Policy Declaration has the breakdown of the coverages that you have with us. We have provided you with a package type policy which typically covers property (both building and contents, as needed), business interruption, general liability, and often crime, with various special features and optional extra coverages.

Package type policies are not standardized, but a typical policy covers:

Property Insurance

- Building (coverage is needed if the insured owns the building or is responsible for insuring it).
- Contents (stock, equipment and tenant's improvements).

Business Interruption

- Extra Expense (Gross Earnings or Profits in some packages).

Crime

- Coverage is often limited in the regular package, with optional extensions.

General Liability

- Typical limit is \$1 million. (Higher limits are usually available).

Special rates have been developed for members of The Organization For Parent Participation in Childcare and Education, Ontario, in particular PCPC, Shoreline and Hamilton Associations

Optional Coverages

Optional Coverages are not included in the basic policy, but can be added for an additional fee. Contact your Co-operators' Representative for information and quotes.

Optional coverages you may require:

- Earthquake Extension Endorsement
- Flood Extension Endorsement
- Accounts Receivable
- Valuable Papers
- Crime Extensions
 - i. Employee Dishonesty
 - ii. Stock and Safe Burglary
- Boiler and Machinery — boilers, heating and air conditioning
- Sewer Back Up
- Directors and Officers Liability Entity Form (*also referred to as a speciality coverage*)
- Professional Liability Insurance — Errors and Omissions (*also referred to as a speciality coverage*)
- Employers' Liability

Speciality coverages

Directors and Officers Liability Entity Form

(Limits available from \$1,000,000 to \$2,000,000)

WHO NEEDS IT? YOUR VOLUNTEER DIRECTORS DO!

Directors and Officers may be personally sued for negligence, errors and omissions in their duties as officials of a Child Care Centre. The Commercial General Liability Policy does not cover such errors and omissions and therefore this coverage is necessary. The following could be considered forms of negligence, errors and omissions; activities that can lead to claims:

➤ **Breach of Duty**

Example: Negligence in ensuring that acceptable criteria are followed in the selection/approval of employees.

➤ **Conflict of Interest**

Example: A Director or Officer rents premises to a centre for a fee (for his own profit) without disclosing he owns the premises where similar premises may be rented at a lesser fee.

➤ **Discrimination**

Example: A Director or Officer uses his/her influence to bar a student from participating in the organization due to race or religion.

➤ **Mismanagement**

Example: Through an error or omission a Director or Officer mishandles the finance of the Centre to its detriment.

➤ **Conspiracy**

➤ **Failure to Disclose a Material Fact**

Speciality coverages

Directors' and Officers' Liability Entity Form

Important notes to Remember:

1. It is important to have clearly written and understood Employment agreements.
2. Board Members must always work on behalf of the child care association.
3. Board Members can be sued on an individual basis.

If a Board Member uses his/her position on the board to commit any malicious acts against a person the Directors' and Officers' coverage will not respond.

It is very important to make all decisions in the best interest of the board and the child care centre.

Indemnification Clause

Most Corporations write indemnification clauses into their bylaws. They permit corporations to pay or reimburse directors and officers for all expenses incurred in litigation arising out of their duties as directors or officers. A separate section in the policy wording entitled Corporate Reimbursement handles this aspect, found in the Insuring agreements of a Directors and Officers policy.

Speciality coverages

Directors' and Officers' Liability Entity Form

How Deductibles apply under Directors' and Officers' Entity Form — D-23

Based on the Insuring Agreements, deductibles are as follows and are stated on your policy declaration:

Cov A — Policy responds directly to claims made against the Directors or Officers whether individually or collectively. *\$0 Deductible*

Cov B — Policy responds to the organization for reimbursement. If the organization was legally obligated to indemnify their board members (the organization had to respond directly to the claim) and it was an insurable claim, we would reimburse the organization for defence & settlement costs. *\$1,000 Deductible*

Cov C — Policy responds to a claim against the Entity whether we put up defence, or the organization does. *\$1,000 Deductible*

How to obtain Directors' & Officers' Coverage?

Contact your Co-operators Representative and ask for an Application for Directors & Officers

Complete and return to The Co-operators'

Your application is reviewed followed by a quote.

Speciality coverages

Professional Liability — Errors and Omissions

(Limits \$2,000,000)

Do you need Professional Liability — Errors and Omissions Insurance ?

An Error or Omission, a mistake, which causes financial harm to another, can occur on almost any transaction in any profession. This type of insurance helps to protect a professional, an individual or a company, from bearing the full cost of defence for lawsuits relating to an error or omission in providing covered Professional Services. This is a separate coverage from a standard general liability or property insurance policy

The primary reason for professional liability coverage is that a typical general liability insurance policy will only respond to a bodily injury, property damage, personal injury or advertising injury claim. Professional services and products can cause claims without causing a bodily injury, property damage, personal injury or advertising injury. Common reasons alleged in making claims on these policies are negligence, misrepresentation, violation of good faith and fair dealing, and inaccurate advice.

Professionals are expected to have extensive technical knowledge or training in their particular area of expertise, and perform the services for which they were hired, according to the standards of conduct in their profession.

Professional Liability Insurance — Errors & Omissions helps protect you against financial losses from lawsuits filed against you by your clients. This coverage protects you while you are performing your educational duties and responsibilities.

Remember: Professionals have a higher duty of care because of their degree.

Speciality coverages

Professional Liability — Errors and Omissions

(Limits \$2,000,000)

Some examples of Professionals that require Professional Liability — E&O:

- Registered Early Childhood Educators (Teachers & Educators)
- Inspectors
- Dental Therapists
- Nurses
- Hairdressers
- Real Estate Agents/Brokers/Agents

How to obtain Professional Liability — Errors and Omissions Coverage?

- Contact your Co-operators' Representative and ask for an Application for Professional Liability/Errors & Omissions
- Complete and return to The Co-operators
- Your application is reviewed followed by a quote
- A New Business Policy is issued under the Name of the Centre — specifically written for the early childhood educator.

Understanding your Insurance coverages

In this section we have listed coverages that you would typically find in a child care policy. We have also provided examples of potential incidents that may occur.

Refer to your policy declaration for an outline of your centre's coverages.

- Commercial Property – (Limits will vary and based on the value of your contents)
- All Risk Coverage for Equipment, Stock and Tenants Improvements.
- Replacement Cost — No Depreciation

Example: Your Centre owns a video camera and it is stolen. You would have coverage for full replacement cost subject to the stipulations of the policy and your deductible

Example: You have an expensive piece of playground equipment and it is vandalized. This is covered subject to your deductible

- Extra Expense —(Limits start at \$20,000 and could go higher base on your centre's needs)
Should a fire or another insured peril make the premises unusable this insurance pays for EXCESS or normal operating costs.

Example: Due to a fire loss you must rent a temporary location to run the centre during restoration of the original location. Extra expense coverage would pay for such things as:

- Rental of the temporary centre
- Rental of temporary equipment
- Additional telephone charges
- Advertising about the temporary location

Understanding your Insurance coverages

Earnings Insurance (Limits start at \$5,000 and could go higher based on your centre's needs)

Should a fire or another insured peril damage your contents, your Child Care Centre may face reduced future earnings.

This coverage pays for continuing expenses such as rent and payroll

Example: During the weekend your centre suffers a fire loss and all is damaged. You are forced to close for 1 week. This coverage would pay to keep your staff and to pay the rent.

What is the difference between earnings insurance and extra expense insurance?

Earnings helps you with expenses that continue even if you are not in the centre e.g. Payroll.

Extra Expense helps you with new expenses because of the loss e.g. Rental of a temporary centre.

Blanket Glass

This coverage protects the individual centre against accidental breakage of all Exterior glass and is subject to a deductible.

In concert with your Commercial Property Floater this provides a complete protection as the Commercial Property Floater covers all losses to glass except accidental breakage.

Example: The glass in the door is broken due to vandalism. This would be covered under the Commercial Property Floater

Example: Little Joey accidentally throws a ball through the window. This would be covered under the Blanket Glass .

Understanding your Insurance coverages

Money and Securities (Limit is \$5,000)

This coverage protects the Centre against loss or damage to money and securities and other property against DESTRUCTION, DISAPPEARANCE OR WRONGFUL ABSTRACTION.

This is the only insurance available that protects money lost in a fire.

Example: Money from parents' fees kept at the centre disappears. This would be covered under Money and Securities . *Helpful Suggestion: Have your parents pay their fees by cheque instead of cash!*

Commercial Blanket Bond (Limit is \$10,000)

This coverage will reimburse the centre for loss of money or other property proven as resulting from the dishonesty of any employee, director, officer or volunteer. The limit is a blanket limit of \$10,000, whether one or more persons are involved in a loss.

Example: Two volunteers are in charge of banking fundraiser money in the amount of \$5,000. They decide to keep \$1,000 and only bank \$4,000

Group Accident (Limit of \$25,000 per occurrence)

Primary coverage is provided for: Employees & Volunteers, Students and Teachers.

Coverage applies: while on the premises, while participating in any day care activity, while travelling directly to and from your residence to the centre.

Benefits are scheduled:

Example: Little Amy falls down the stairs of the centre and breaks her arm. Amy would receive a set amount as per the schedule of benefits

Example: A teacher is preparing for a class and falls off a ladder and breaks a tooth. The Teacher would receive benefits based on the amount stated in the schedule of benefits.

Understanding your Insurance coverages

COMMERCIAL GENERAL LIABILITY (Limits may range from \$1,000,000 – \$5,000,000)

This coverage is provided if your negligence causes bodily injury or property damage to a third party.

Example of Bodily Injury:

The Centre doesn't shovel walkway and a parent slips injuring their back. You are negligent and if sued The Co-operators will defend you and pay the amount that the court decides up to the policy limit.

Example of Property Damage:

You are playing ball with the children and a stray ball smashes through the window of the house next door. You are covered for the damage up to the limit of the policy less the deductible of \$500 per occurrence.

Examples of Situations Covered:

- Use of the Centre's premises
- Any recreational activities
- Provision of food to the children
- Any activity on or off premises

Understanding your Insurance coverages

COMMERCIAL GENERAL LIABILITY

The following is included under the Commercial General Liability Policy:

- Premises and Operations Liability (your day to day operations)
- Products and Completed Operations
- Owners/Contractors Protective Liability

Example: You hire a contractor to complete renovations to the premises. He is negligent and causes a liability occurrence. This coverage therefore, protects the centre should they be brought into a law suit.

- Contractual Liability

Example: This is for any contract you enter into such as, snow removal, landscaping or rental of equipment

- Broad Form Property Damage
- Voluntary Medical Payments (limited to \$2,500 per person, \$25,000 each accident)

Example: Someone falls outside the centre. You are not legally responsible but you phone for an ambulance and are billed for the service.

- Occurrence Property Damage
- Cross Liability Clause

Understanding your Insurance coverages

COMMERCIAL GENERAL LIABILITY

(Continued — coverages included in the Commercial General Liability Policy)

➤ **Incidental Medical Malpractice**

(You are covered for the rendering of first aid by someone other than staff)

Example: The children are at a local park and little Michael falls off the Monkey Bars and is unconscious. A stranger comes along and applies First Aid which causes more damage. Your centre is sued for the negligence of the stranger.

➤ **Contingent Employer's Liability**

Example: If your employees have Workers' Compensation this is an extension of it against your legal liability for injured employees

➤ **Personal Injury Endorsement**

Example: This "Hurt Feelings" coverage is used if you advertise that another child care centre was not acceptable for children — the other child care centre could sue you under this coverage for false advertising.

➤ **Sexual Abuse** — Your specialized policy also provides protection for allegations of sexual abuse.

➤ **Non-Owned Auto** — Protects you against legal liability arising from an accident when someone is driving their own vehicle for you.

Example: One of the employees uses their own vehicle to pick up supplies. They are involved in an accident. They are sued for \$2 Million liability but only carry \$1 Million on their own personal automobile policy. The excess \$1 Million will be paid under this coverage.

Certificates of Insurance

Each year at renewal time we mail to you any Certificates of Insurance that you may require. The Ministry and other third parties such as Landlords may request proof of insurance by obtaining a certificate of insurance from us. Many Municipalities will often ask that the insurance provider complete a copy of their own form and send directly to them.

Your policy declarations will also indicate any additional insureds listed under your policy.

New Insurance Requirements — Effective 2010 Renewal

** note — does not apply to all centres; see details below*

As of January 1, 2010, all child care centres operating within the Regional Municipality of York are required to have the following insurance:

- Proof of Commercial General Liability (CGL) insurance, including a non-owned automobile endorsement, with limits of not less than Five Million Dollars (\$5,000,000) naming the Region as additional insured, or;
- Commercial General Liability Insurance of Two Million Dollars (\$2,000,000) together with Umbrella Insurance of Three Million Dollars (\$3,000,000)
- NEW: Operator Owned Automobile Liability Insurance, if applicable, with limits of not less than two Million Dollars (\$2,000,000);
- NEW: Professional Liability Insurance with limits of Two Million Dollars (\$2,000,000) if any persons providing services under this Agreement are acting in a professional capacity;
- NEW: Directors and Officers Liability Insurance with limits of not less than One Million Dollars (\$1,000,000);
- Employers' Liability and Voluntary Compensation Insurance is required, if a Workplace Safety and Insurance Board (WSIB) Clearance Certificate is not being provided by the operator.

WHY KEEP A “SERIOUS OCCURRENCE” REPORT?

As we are all aware the Day Nurseries Act states that Serious Occurrence Reports must be completed for all injuries. This does not take away the chance of a law suit — it merely makes everyone, including the parent, aware of the injury and what steps were taken.

By keeping this report you help yourself as well as the Insurance Company.

Example: While attending ABC Child Care Centre, little Joey crushes his finger in a door. The centre takes immediate action by applying first aid steps to little Joey’s finger and then contacts his parents. As soon as possible then after the incident report should be completed to capture the details of the incident. Have the report reviewed and signed by the parent. This report could be very valuable down the road should a lawyer be retained for a potential lawsuit.

HOW TO REPORT A CLAIM

WHO DO YOU CALL TO DISCUSS A POSSIBLE CLAIM OR AN INCIDENT WITH YOUR POLICY?

Who?

Contact your Co-operators' Representative!

Toll Free number: 1-877-795-7272

Ask for your Commercial Underwriter

Please have your policy number and name of policy ready

When?

As soon as you can!

Need help or information about your policy?

Email: diamond_team@cooperators.ca

WE WILL THEN CONTACT AN ADJUSTER TO HANDLE YOUR CLAIM!

RENEWAL — It's Renewal Time; what do you need to know?

You can expect to receive your insurance renewal package in the mail at anytime during the 45 days prior to your inception date.

Example: Your policy renewal date is October 15, 2010.

Your mailing period will be between September 1, 2010 and October 15, 2010.

Your package will include:

- Policy Declarations
- Invoice
- Certificates of Insurance

You have 30 days after your renewal has been received to make payment. Cheques may be made payable to:

Mailing Address: The Co-operators c/o
Corporate Accounts
130 Macdonell St, PO Box 3608
GUELPH ON, N1H 6P8

What happens if you increase or decrease your license number or need to make changes to your policy?

Contact your Co-operator's Representative and a change endorsement will be completed noting the applicable changes that need to be made to your policy.

Note: Liability/accident rates are determined by your license numbers and number of teachers. You may be asked the number of volunteers but this is automatically included so do not be concerned if your volunteer numbers vary.

August 6, 2010