

RESOURCE 4: Legal and Insurance Considerations

Starting a business will require you to think about legal and insurance issues to make sure you are covered in case of an accident or injury. You will also want to take steps to reduce risk in your business and ensure that you are following all labor laws if you hire and manage employees.

The questions below and your local Child Care Resource and Referral agency (CCR&R) will help you think through some of these considerations. You may also want to consult a lawyer and a tax professional before you start your child care business.

Legal Considerations

	Yes	No	Comments
Have you consulted a lawyer to help set up the legal structure and other areas of your business?			
Have you decided whether to operate as a non-profit or a for-profit?			
Have you decided on a business structure? Sole proprietorship (self-employed) Partnership Limited Liability Company (LLC) Corporation			
Have you created a business name?			
Have you registered the business name with your state/county/city?			
Have you obtained a business license, if required?			
Have you applied for and obtained a federal Employer Identification Number (EIN)?			
Have you applied for and obtained a state Employer Identification Number (EIN), if required?			
Have you consulted with a tax professional to help you determine your business tax responsibilities?			

Insurance Considerations

	Yes	No	Comments
Have you talked to your local Child Care Resource & Referral agency or child care licensing office to understand what insurance coverage you are required to have?			
If using your own home for your business, have you talked to your homeowners insurance company to determine if your policy will cover any property or equipment (such as your home itself, your furniture that is used in child care areas, etc.) that may be related to your business, whether damage occurs during or outside of child care hours?			
Have you obtained at least two quotes from insurance agents that represent different insurance companies (for comparison)?			
Have you purchased a business owner's insurance policy, which should include general liability and commercial property insurance?			
Have you purchased professional liability insurance, and does this insurance cover you if one of your employees or others with access to the children in your program abuses a child in your care?			
<p>If you are providing transportation and using your own vehicle, have you talked to your auto insurance company to determine if you will need additional commercial automobile coverage?</p> <p>If so, or if you have a vehicle especially for your business use, have you purchased commercial automobile coverage?</p>			
If you will have employees, have you purchased worker's compensation insurance?			

Risk Management

	Yes	No	Comments
<p>Have you evaluated all areas of your center (indoors and outdoors) for potential hazards and the risks associated with those hazards?</p> <ul style="list-style-type: none"> • Physical injury of self, staff, children, families • Illness • Mental health of self, staff, children • Disasters and emergencies <p><i>If you have not yet chosen a location, see the Finding a Location section for more on evaluating risks in the physical space.</i></p>			
<p>Have you created a plan for how you will minimize risk in all areas where it was identified?</p>			
<p>Does the risk management plan specify which tasks will be assigned to family members or employees (if you have them)?</p> <p>Does the plan include how you will ensure that everyone knows their role in reducing risk?</p>			
<p>Do you have a back-up plan in case you or others are unable to perform their risk management responsibilities?</p>			
<p>Does your plan include how you will determine that the risk management steps are being followed and whether changes are needed?</p>			
<p>Does your plan include the frequency that you will revisit the plan to determine if you need to make changes?</p>			

Federal and State Employment Laws

(If hiring staff, review and respond to the following questions.)

	Yes	No	Comments
<p>Have you reviewed the Federal Fair Labor Standards Act?</p> <p>https://www.dol.gov/agencies/whd/fact-sheets/46-flsa-daycare</p>			
<p>Have you reviewed your state's labor laws?</p> <p>https://www.dol.gov/agencies/whd/state</p>			
<p>Have you consulted your CCR&R or a lawyer if you have questions about federal and state labor laws?</p>			
<p>Have you checked with your local CCR&R to determine if there are additional local labor laws that you need to be aware of?</p>			
<p>Do you know whether you are required to post notices of certain labor laws in a visible location for your employees?</p>			
<p>Do you know where to obtain the required posters, if needed?</p>			