INSURANCE SURVEY FINDINGS

ZERO TO FIVE MONTANA

INSURANCE SURVEY SUMMARY FINDINGS

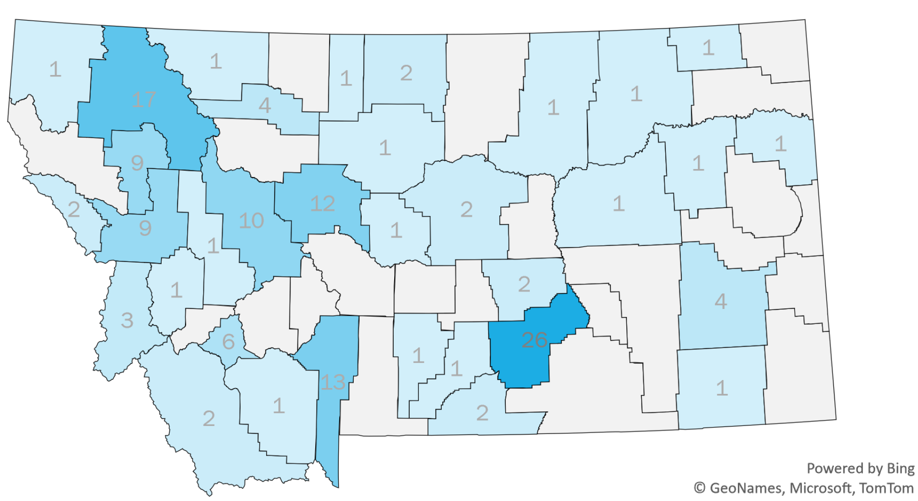
- Survey respondents represented a broad section of Montana counties, with the greatest number of responses from Yellowstone County and Flathead County.
- Most survey respondents were sole proprietor group providers with varying years of experience.
- Most respondents had licensed capacity of 15 or fewer, and two-thirds of providers had four or fewer employees.
- Most providers participate in Best Beginnings and CACFP.
- Almost all respondents currently have general liability insurance for their business.
- Insurance premiums are rising, from a mean of $1,397 reported for 2019 and $2,335 reported for 2022.
- Forty-one percent of survey respondents indicated that they had been dropped by an insurance carrier at some point since 2019.
- Most respondents who had been dropped by a carrier indicated that the reason for the drop in coverage was that the carrier no longer covers childcare or no longer covers the state of Montana.
- Additional reasons cited for drops in coverage included insurance carriers requiring a 1:6 ratio despite a 1:8 ratio allowed through state licensing, and program/facility citations, such as use of wading pools, operating out of a mobile home, or inadequate sidewalk access.

BACKGROUND INFORMATION

The MCCBC Insurance Survey yielded 142 responses. Eighteen percent of responses came from Yellowstone County, followed by 12 percent from Flathead County, 8 percent from Cascade County, and 7 percent from Lewis and Clark County.

Figure 1. Yellowstone and Flathead County Had the Highest Number of Survey Respondents

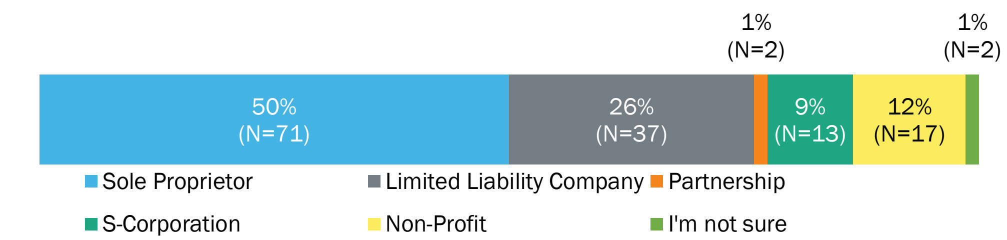
Number of Insurance Survey Responses by County (N=142)



Most survey respondents (50%) were sole proprietors, followed by limited liability corporations (26%) and non-profits (12%). All respondents were licensed providers.

Figure 2. Most Survey Respondents Were Sole Proprietors

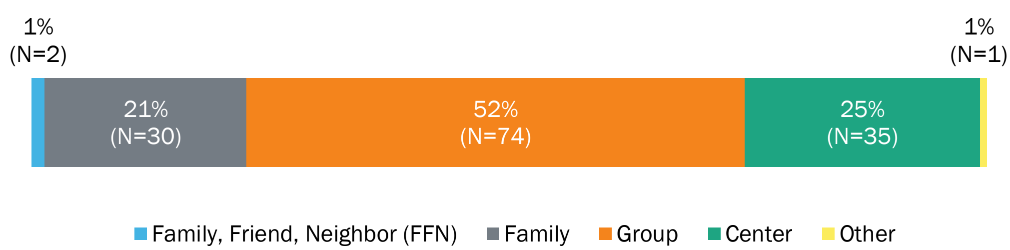
Percent of Insurance Survey Respondents by Type of Legal Entity (N=142)



Most survey respondents were group providers (52%), followed by centers (25%) and family providers (21%).

Figure 3. Most Respondents Were Group Providers

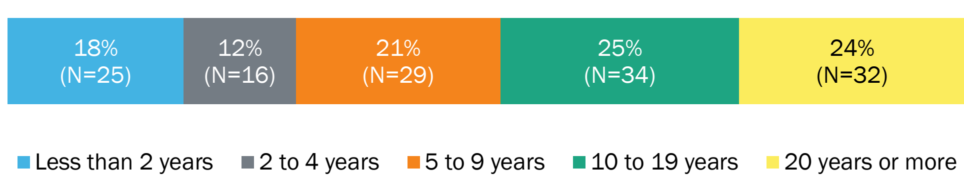
Percent of Insurance Survey Respondents by Type of Business (N=142)



Respondents represented a broad range of years in operation, with fairly even distribution across response options, with a mean of 13 years and a median of 9 years in operation.

Figure 4. Respondents Were Well Distributed Across Years in Operation

Percent of Survey Respondents by Years in Operation (N=136)



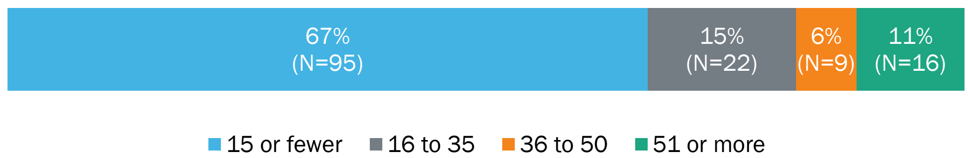
Respondents were largely owners or directors of the childcare business. Eighty-six percent of survey respondents owned the business; among those who did not own the business, most reported their title as Director.

PROGRAM INFORMATION

Two-thirds of survey respondents had licensed capacities of 15 or fewer, with 16 percent between 16 and 35 and 11 percent with capacities of 51 or more.

Figure 5. Most Respondents Had Licensed Capacities of 15 or Fewer

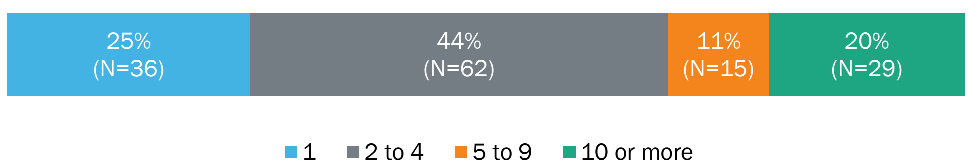
Percent of Survey Respondents by Licensed Capacity (N=142)



Seventy percent of respondents operated their business in their permanent family residence. Forty-four percent of respondents had two to four employees, one quarter had just one employee, and one-fifth had 10 or more employees. The mean number of employees across all respondents was 6, while the median number of employees was 3.

Figure 6. Nearly Half of Respondents Had Between Two and Four Employees

Percent of Survey Respondents by Number of Employees (N=142)

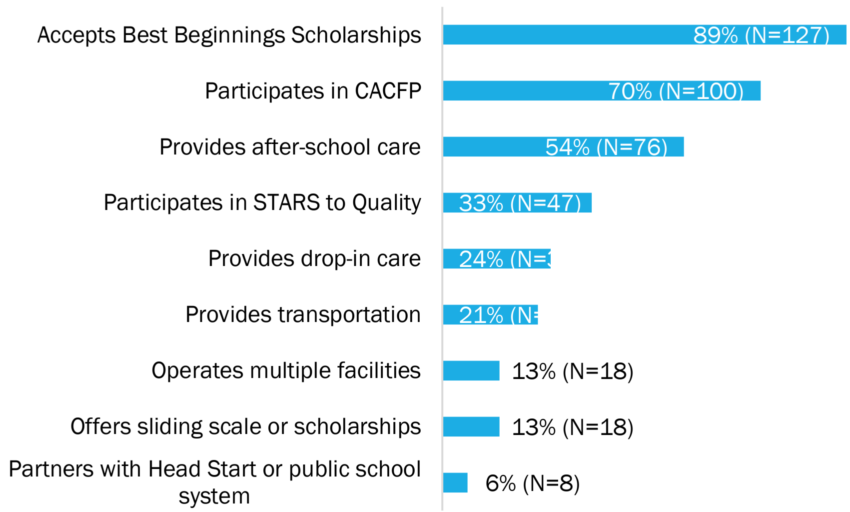


PROGRAM PARTICIPATION

Nearly 90 percent of respondents accept Best Beginnings Scholarships (89%), and 70 percent participate in the Child and Adult Care Food Program (CACFP). More than 50 percent provide after-school care. Participation in other programs and offerings varied.

Figure 7. Most Respondents Participate in Best Beginnings and CACFP

Percent of Survey Respondents by Program Participation and Offerings (N=142)

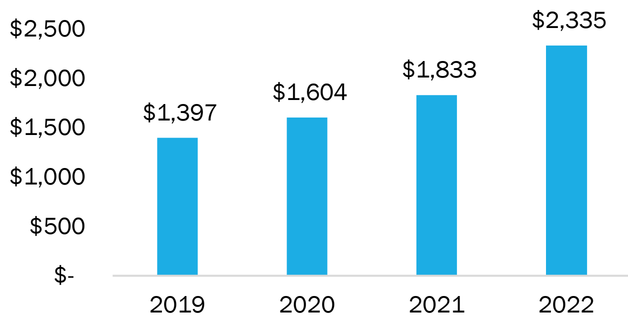


INSURANCE STATUS

Almost all respondents (98%) currently have general liability insurance for their business. Among respondents who reported insurance premium costs across four years of data, insurance premiums are rising, from a mean of $1,397 reported for 2019 and $2,335 reported for 2022.

Figure 8. Reported Insurance Premiums Are Increasing Over Time

Mean Insurance Premium by Year, 2019-2022 (N=101)



Forty-one percent of survey respondents indicated that they had been dropped by an insurance carrier at some point since 2019. Among those who had been dropped, 73 percent indicated that the carrier had provided a reason why their coverage had been dropped. Almost all respondents who described why they had been dropped cited reasons related to insurance carriers no longer providing childcare coverage or insurance carriers no longer covering the state of Montana. A few more specific reasons for dropped coverage included:

- Insurance carrier requiring a 6:1 ratio despite an 8:1 ratio required by the state
- Not providing coverage because childcare provider used wading pools
- Inadequate sidewalk access outside of the building

- Operating out of a mobile home
- Dogs present in childcare

Roughly half of respondents (49%) had applied for insurance at carriers other than their current carrier since 2019, while 47 percent had not. Twenty percent of respondents had been denied coverage by other carriers at some point since 2019. Among those who had been denied coverage, 82 percent were provided a reason by the carrier, and the vast majority indicated that the carrier no longer covers daycares. Other specific reasons for denial stated included: carrier will not insure desired capacity of children, lack of self-closure on fenced area, and carrier will not cover mobile homes.

Respondents identified several insurance carriers who had denied their business coverage since 2019, including (bolded carriers were identified by multiple respondents):

- Allstate
- **Farmers**
- **Capital Specialty**
- **Capital Indemnity**
- Catholic Mutual
- Cochrane and Company
- Farmer's Union
- Hanover
- Hartford
- **Hub International**
- Koefod
- Markel
- **Montana Vernon Fire Insurance**
- **Payne West**
- **Levitt**
- **State Farm**
- **United States Liability Insurance Company**
- USAA
- USLI

Note that several of these carriers, such as Markel, were also identified in a separate question as providing good coverage. Additional carriers identified as providing good coverage included Great American and Next Insurance, which was noted by multiple providers.

ADDITIONAL THOUGHTS

Respondents were able to provide any additional thoughts or comments related to insurance. Many respondents noted that insurance premiums had increased significantly, often doubling over the past year. They also indicated that many insurance policy capacity restrictions differ from state licensing regulations (e.g., they are able to provide licensed care for eight children according to state regulations, but can only get insurance for a 1:6 ratio, forcing them to operate under potential capacity if they want insurance), and providers desire more alignment between licensing and insurance policies. Several respondents noted that although liability insurance has been increasing in price, health insurance (especially for self-employed providers) and worker's compensation are also expensive insurance costs. Multiple respondents also described the benefits of using an insurance broker who can seek and negotiate insurance policies that meet the providers' needs, versus having to navigate the process independently.