Making Sense of Child Care Liability Insurance: Understanding Risk Assessment, Compliance, and Cost

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About the Presenters

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Early Care & Education Consultant

25+ years advancing policy, operations, and systems change

12+ years direct experience in child care programs

15 years leading business model, data, and technology strategy

25+ years working with Regulatory Agencies and Regulated Businesses

Original author of SansWrite™

Former NARA Board Member Treasurer and Finance Committee Chair

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Poll #1: What is your role

- ❑ Teacher
- ❑ Center Director / Owner
- ❑ Family Child Care Owner/educator
- ❑ CCR&R
- ❑ Shared Services or ECE Business Coach
- ❑ Child Care Regulatory
- ❑ Insurance
- ❑ Other (please share in chat)

The Problem

Rising Insurance Costs

The cost of childcare liability insurance is on the rise, and in some cases, insurance companies are dropping coverage for childcare providers that they believe present too much risk.

Declining Access to Quality Care

Access to high-quality child care is declining, and in some states, regulatory agencies are loosening up regulatory requirements to help protect providers from losing coverage.

Root Causes

1. Insurance Premiums Based on Capacity
2. Changes to Statutes of Limitations for Child Abuse
3. Availability of State Regulatory Inspections

State-Funded Consumer Education Websites

When State Regulatory Inspections are Used to Determine Risk for Insuring Child Care Programs

The Challenge

It is common nowadays for insurance companies to reference state inspections posted on consumer education websites to determine the level of risk by **simply counting the number of violations**.

The Impact

In many cases, inspections on consumer education websites are **subjective** and do not indicate the severity of violations, making **risk assessment inconsistent and increasingly difficult**.

Poll #2: If you are a child care operator, have you experienced any of the following over the past 2 years?

Check all that apply

- ❑ Premiums have increased significantly
- ❑ Coverage options have decreased
- ❑ Policy was not renewed, or was cancelled
- ❑ Difficulty finding a carrier who covers child care
- ❑ Coverage exclusions or increased restrictions
- ❑ Increased deductibles
- ❑ Struggling to find options for 24-hour care or extended hours program
- ❑ I have not experienced significant challenges
- ❑ Not applicable; I am not operating a child care program

Proposed Solution

Increase the objectivity of state regulatory inspections by:

1. **Scoring for individual inspections**
2. **Monitoring average scores over time**
3. **Tracking regulatory agency performance**

Solution Components

1 **Weighting Regulations**
Using the Trisensus™ Model, regulatory agency, childcare program, and insurance industry representatives weight state regulations

2 **Universal Scoring**
Using weighted regulations and the InspectScore™ Model, score inspections and monitor average scores

3 **Tracking Reliability**
Using the compliance average for each regulation, track inspector consistency and potential bias

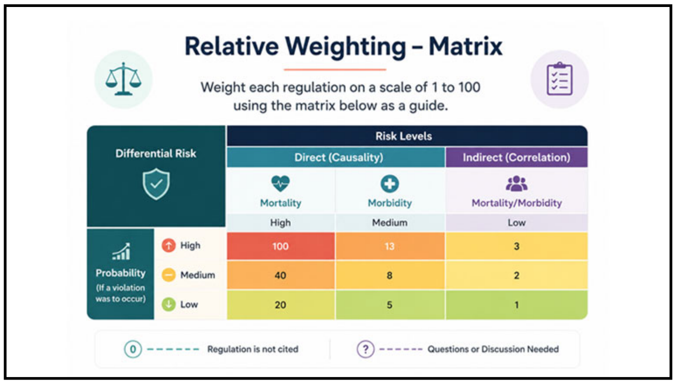
Weighting Regulations

Why is weighting important?

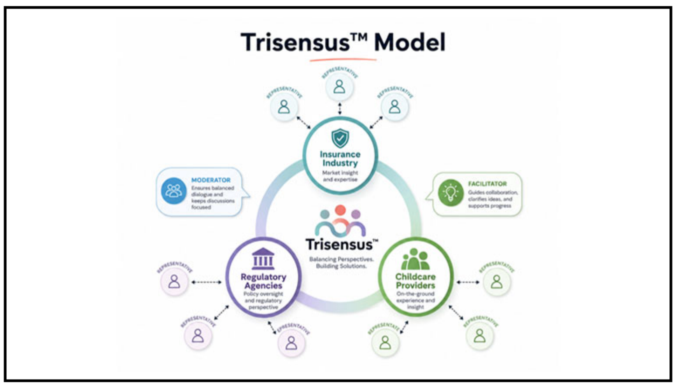
It allows regulatory agencies to assign point values to regulations, score inspections, and *clearly indicate the severity of violations*.

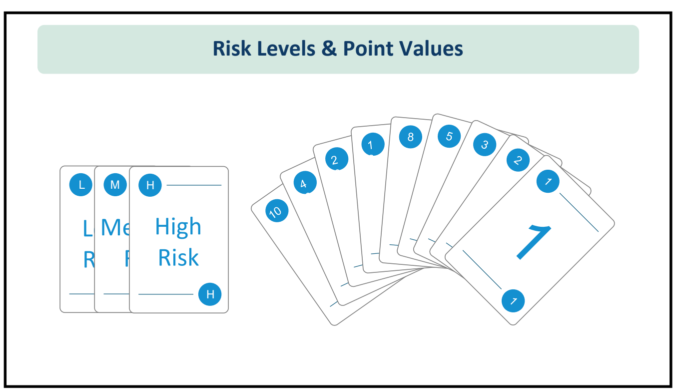
Providers	Regulation	Violations	Likert Scale (1 to 8)	Fibonacci Scale (1 to 100)
Provider A	Parent Signatures	8	8 x -1 = -8	8 x -1 = -8
Provider B	Children Supervised	1	1 x -8 = -8	1 x -100 = -100

Weighting helps prioritize what matters most—driving consistency, transparency, and better outcomes.



Differential Risk		Risk Levels		
		Direct (Causality)		Indirect (Correlation)
		Mortality	Morbidity	Mortality/Morbidity
		High	Medium	Low
Probability (If a violation was to occur)	High	100	13	3
	Medium	40	8	2
	Low	20	5	1





Universal Scoring Model

Scoring Components

Point Deductions

Weights assigned to regulations equate to point deductions, and a regulation's weight can only be deducted once per inspection

Failure Point

The failure point is the maximum total points deducted before an inspection is considered a failure (100 points)

Grading Scale

A letter grade scale that uses (ex. A = 90 to 100%, B = 80 to 89%, C = 70 to 79%, D = 60 to 69%, and F = below 60%)

Example Calculations – Letter Grade Low End

Score= ((TP-TD)/TPTotal Points | (TP) = 249 Total Deduction | (TD) = Sum of Point Deductions *100

Total Deduction = 23 | 90% - A

Total Deduction = 48 | 80% - B

Total Deduction = 74 | 70% - C

Total Deduction = 99 | 60% - D

Average Inspection Score

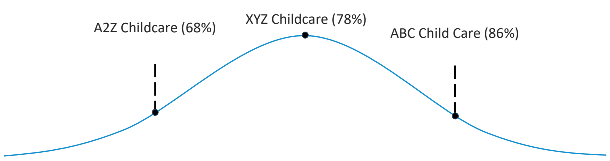
Rolling 3-Year Average

Comprehensive Inspections Only

Sum of Inspection Scores / Total Comprehensive Inspections

Example Calculations – Average Inspection Score

ABC Childcare: sum (82%, 80%, 86%, 90%, 92%) / 5 = 86% (B)
XYZ Childcare: sum (72%, 80%, 79%, 81%, 82%) / 5 = 78% (C)
A2Z Childcare: sum (62%, 72%, 66%, 70%, 71%) / 5 = 68% (D)



InspectScore™

InspectScore™

Weighting Regulations

Scoring Inspections & Monitoring a 3-Year Rolling Average

Tracking Regulatory Performance

Inter-Rater Reliability

Checking for Bias

Potentially "Under" Citing

INSPECTOR A Regulation	Compliance	Non-Compliance	Percent Compliance	Over/Under Agency Average	Not Inspected	Not Applicable
22(E) Children's Records	53	0	100%	31%	0	0
22(F) Personnel Records	44	5	90%	21%	4	0
22(G) Personnel Handbook	7	0	100%	0%	46	0
23(A) Personnel and Staffing Requirements	26	0	100%	4%	27	0

Potentially "Over" Citing

INSPECTOR B Regulation	Compliance	Non-Compliance	Percent Compliance	Over/Under Agency Average	Not Inspected	Not Applicable
22(E) Children's Records	8	15	35%	-34%	12	0
22(F) Personnel Records	11	23	32%	-37%	1	0
22(G) Personnel Handbook	1	0	100%	0%	34	5
23(A) Personnel and Staffing Requirements	33	1	97%	1%	1	0

Tracking Consistency Scores

Licensing Staff	Score
Inspector A	3.82
Inspector B	2.06
Inspector C	1.80
Inspector D	1.54
Inspector E	1.16
Inspector F	0.72
Inspector G	0.65
Inspector H	0.27
Inspector I	-0.47
Inspector J	-1.04
Inspector K	-1.62
Inspector L	-1.86
Inspector M	-2.44
Inspector N	-3.64
Inspector O	-4.10
Inspector P	-6.37

Lenient

Consistent

Strict

Licensing Staff	Score
Inspector A	.88
Inspector B	.74
Inspector C	.56
Inspector D	.33
Inspector E	.18
Inspector F	.09
Inspector G	.08
Inspector H	.03
Inspector I	-0.01
Inspector J	-0.05
Inspector K	-0.20
Inspector L	-0.35
Inspector M	-0.37
Inspector N	-0.48
Inspector O	-0.53
Inspector P	-0.73

Correcting for Inconsistency & Bias

Using Data to Drive Inspector Training

Randomly Assigning Inspections

Citing All Violations

Next Steps

1. **Establish National Advisory Board**
   9 people (3 from each group) meeting 4 times over the next 18-months to review progress, ask questions and provide feedback
2. **Execute Trisensus™ and InspectScore™ Models**
   Engage one or more childcare regulatory agencies (and stakeholders) to weight regulations, use weights to score inspections, and review scores and averages
3. **Generate Awareness & Education**
   Document and publish Trisensus™ and InspectScore™ models and associated methodologies, and share learning at conferences and seminars

Public Domain

Engage industry experts to solicit feedback and gain support for the Trisensus™ and InspectScore™ models

Finalize the models and methodologies

Release them in the public domain

The terms Trisensus™ and InspectScore™ are being trademarked to maintain the validity of the models and methodologies.

Ways to Get Involved

Attend National Advisory Board Meetings from the Gallery

Participate in a State Workgroup

Comments | Questions | Feedback

Thank You!

We’d love to hear from you.

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