

Does home insurance cover household staff?

By [Jay MacDonald](#) • Bankrate.com

Your personal assistant, nanny, housekeeper or pool cleaner may make your life easier, but they also represent your greatest threat for a high-priced lawsuit should your relationship sour. You'll want to have adequate insurance coverage.

"There's tremendous risk," says [Teresa Leigh](#), whose eponymous New York-based household risk management company advises wealthy clients about household staff liability. "The uninsured are foolishly living with risk for no reason. There is no economic reason to do so."

The liability risks from household staff are numerous. Wrongful termination, discrimination, harassment -- sexual and otherwise -- and privacy breaches head the list. The propensity of some homeowners to hire undocumented workers, pay in cash and fail to check if contractors have workers' compensation coverage exposes them to an even broader vista of tax and employment practice claims.

Typical homeowners insurance won't cover much if any of it, regardless of the size of the home, according to Lilia Rocha, vice president of Momentous Insurance Brokerage, an agency based in Los Angeles.

"Personal and general liability coverage primarily deals with bodily injury and property damage," she says. "Unless there is a specific endorsement, a homeowners policy won't address these exposures."

And you need not belong to the yachting class to be at risk. Rocha says the bourgeoisie is increasingly exposed as well. "We see claims all the time for employment discrimination, and those occur whether there is one nanny in the household or 100 employees," she says.

How do you insure yourself against the nanny? Rocha says there are two general approaches, both of which must be tailored to your specific needs.

2 ways to protect yourself

A separate employment practices liability insurance, or EPLI, policy provides the highest limits -- typically \$500,000 to \$5 million and up -- and broadest coverage, including additional coverage such as wage/hour defense, harassment/discrimination of nonemployees, employment-related defamation and wrongful reference. Premiums start at \$2,000 to \$2,500 per year, according to Rocha.

A second option -- an EPLI endorsement to an existing personal umbrella or liability policy -- will typically add \$250,000 toward claims by household staff for an average annual premium of \$500 to \$600.

The advantages of a standalone EPLI policy are, as a commercial policy, it covers more risk, premiums are based in part on the number of employees and there is no maximum number of employees. Disadvantages include an average deductible of \$25,000 and more detailed underwriting information requirements (read: loss of privacy).

The advantages of an EPLI endorsement: lower premiums, lower deductibles and less underwriting information compared to an EPLI policy. Disadvantages: Coverage is usually limited to named perils such

as wrongful termination, harassment and discrimination, there is typically a maximum employee cap of four or five, and applicants either qualify or not, meaning that those with an unusually high public profile or unfavorable loss history may not qualify.

"What makes sense? Having some coverage is what makes sense," says Rocha. "If there is a cost concern or a sense that the exposure is fairly vanilla, then perhaps the umbrella coverage is perfectly fine. But if the exposure is a bit more complex -- if there are different employment relationships such as loaned-leased employees or employees that straddle tasks -- then a commercial EPLI policy might be more flexible."

Leigh offers these additional tips to avoid common household staff trouble:

Hire smart: "A lot of families believe that you can do a background investigation on someone from a foreign country. And it's very dangerous to hire someone from another country because it's really hard to prove who that person is, and then to prove that they *are* that person and that they haven't committed a crime back home," she says.

Check insurance on all contractors and subcontractors: "If they don't have a certificate of insurance that lists their employer as having workman's compensation, if they get hurt, they can sue the homeowner," Leigh says.

Don't think that an undocumented worker can't sue you: They can and do, often with the help of a growing number of grassroots organizations that will provide a lawyer pro bono.

Routinely pull a credit report: Doing so will alert you if a member of your household staff has used your financial information to apply for a credit card in your name. Also, financially strapped employees may be more likely to steal from you.

Don't treat employees as independent contractors: The Internal Revenue Service will hold you accountable if you're not picking up the tax burden for your employees. If you control their schedule and the supplies they use, you're an employer in the eyes of the taxman.

"For most, the best insurance they could have is good common sense," says Leigh.

***Teresa Leigh is the Founder and CEO of Teresa Leigh Household Risk Management:
www.teresaleigh.com***