

Have a nanny or a maid? Here's how to keep one simple accident from bankrupting you.



By Elisabeth Leamy

“It’s important to understand that under work comp laws, you are liable for injuries to your employees, regardless of whether or not you were at fault in any way,” said Willy Hoffman Jr. of Howard and Hoffman General Insurance Agents in Northwest Washington. “Like most states, D.C. law requires you to pay 100 percent of your employee’s medical bills as well as lost income for the rest of their life.”

It’s not just nannies. Many states require people to buy workers’ compensation insurance for all their domestic employees. “Some states have a dollar threshold as to when a domestic employee must be protected by workers’ compensation,” said Bob Rusbult, president and chief executive of the Independent Insurance Agents and Brokers of America. “Some have a number threshold — for example, workers’ compensation is not required until there are 10 domestic employees.”

That’s why it’s crucial that you [check your state’s laws on workers’ comp](#), because the laws vary drastically. For example, [Virginia](#) does not require workers’ compensation insurance for domestic workers. In the [District](#), you are supposed to buy it if you have a domestic employee who works for you more than 240 hours per quarter or multiple workers who, combined, work more than 240 hours a quarter (or about 18 hours a week). In [Maryland](#), you must provide workers’ comp for domestic employees who earn more than \$1,000 per quarter. That’s just \$77 per week, which would include many house cleaners.

Domestic workers can be nannies, housekeepers and maids, but could also encompass home health nurses, some gardeners and more. The legal definition of “employee” is not set and varies from state to state. Possible clues that someone may be considered an employee: if you tell them how, when and where to do the work; if you have a contract with them; if you have a standing appointment; or if they work for you on a continuing basis rather than just one time.

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Now here’s where it gets sticky: In states that require you to buy workers’ compensation coverage for your domestic employees, those employees will not be covered by your homeowner’s or umbrella liability policies. Those policies contain specific exclusions for anyone who should be covered by workers’ comp — even if they are not. “Many people with nannies and other domestic employees don’t even realize they have a large gap in coverage,” Hoffman said. “Failure to have this coverage can leave you personally liable for millions of dollars in medical bills for an injured employee.”

One of Hoffman’s clients bought workers’ compensation insurance from him after learning his lesson the hard way. “He had watered the lawn one weekend and left the hose curled up by the trash cans,” Hoffman

said. “His maid came that Monday, went to take out the trash, tripped over the hose and broke her wrist. She filed for permanent partial disability. . . . He has to pay her \$150 a week for the rest of her life.”

Stories like that drive Hoffman crazy because workers’ compensation premiums are relatively affordable — \$600 to \$800 a year — but worker’s comp awards can be astronomical. In fact, even if your state does not require you to buy workers’ comp, you may want to do so. Workers’ compensation insurance has virtually no limits, whereas homeowner’s and umbrella liability policies do. What if a domestic worker sued you for \$500,000 in medical bills and \$1 million for lost income, and you had only a half-million-dollar homeowner’s liability policy? You would have to come up with a million bucks out of pocket. At the very least, if you’ve hired domestic employees and live in a state that does not require workers’ compensation insurance for them, you should consider beefing up your homeowner’s and umbrella liability policies. And by the way, this advice applies to renters, too. Renters who employ domestic workers can also purchase workers’ compensation insurance in states that require it — or at least get a substantial renter’s insurance policy plus umbrella liability in states that don’t. The more you have, the more you have to lose in a lawsuit, so keep that in mind as you consult with agents and choose your coverage levels.

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Auto insurance is the other coverage to think about when hiring domestic workers. If someone (such as a nanny) will be driving your vehicle, make sure your policy covers additional drivers. “Some carriers may require a live-in employee to be listed on the application,” Rusbult said. “However — and there is usually a ‘however’ in insurance — we have heard that some carriers do . . . exclude coverage for unlisted regular drivers such as domestic employees. If that’s the case, then there could be a major gap in coverage.”

Conversely, what if a domestic employee drives your children in his or her own car? In that case, you may want to require them to increase the limits on their own car insurance and ask for proof. Liability, medical payments insurance and uninsured- or underinsured-motorist coverage could all be factors: liability, because you could be sued if the nanny causes a wreck while working for you; medical payments insurance to cover your kids; and motorist coverage because it’s essential.

Intimidated? There is a possible way around all of this: Hire your employees through an agency so that the agency, rather than you, is the official employer. That way, the agency has to obtain workers’ compensation insurance. Just make sure it actually does. Ask for a certificate of insurance as proof, and see if you can get listed as an additional employer.

Regardless of how you go about it, obtaining proper coverage for domestic employees is the right thing to do — for you and for them. After all, many nannies and other domestic workers become like part of our families — and we try to protect our families. So pull out your insurance paperwork and call your agent for a review. You want to get this right.