

January 12, 1988

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 1 (1988)

TO: Chief Executive Officer

Chief Operating Officer

Chief Underwriting Officer

Chief Government Affairs Officer

OF: ALL PROPERTY/CASUALTY INSURANCE COMPANIES AUTHORIZED TO WRITE GENERAL LIABILITY INSURANCE IN THIS STATE ON A PERSONAL LINES OR COMMERCIAL LINES BASIS

RE: COVERAGE FOR GROUP FAMILY DAY CARE PROVIDERS:

Last year, the Insurance Department held several public hearings to explore the need to activate the New York Property Insurance Underwriting, Association (NYPIUA) to provide meaningful coverage for problem markets in New York State. Thus far, it has proved unnecessary to trigger NYPIUA, in light of voluntary market response' stimulated by Department-sponsored market assistance programs (MAPs), where apps of r iate. For example, the Community Service MAY has been instrumental in providing a market for most day care centers, small family, day care providers (2-to-6 children), and other child care activities that have applied for market, assistance. The efforts of Community Service MAP carriers and producers have been productive.

However, liability insurance continues to be wanting for group family day care providers, where child care services are performed in the provider's home for 7-to-12 children, which the New York State Department of Social Services (NYSDSS) has recently authorized, in, July 1987, pursuant to legislative mandate, as an answer to the grading demand of working parents for regulated. quality child care. But per snal lines writers and commercial lines writers simultaneously contend that group' family day care constitutes both the other's business and the other's problem. This impasse is neither tenable nor tolerable.

Family day care issues have been discussed in a series of special sessions arranged by the Department went a number of months, without satisfactory resolution to this point. At the most recent meeting in December 1987, industry representatives indicated that insurers would welcome the opportunity to participate in the Community Service MAP, which, ...they urged, should now be expanded to include group family day care, even though insurers heretofore declined to write this business. Representatives of a number of insurance carriers present at this meeting expressed willingness to consider group family day care applications for liability insurance coverage, subject to reasonable company underwriting guidelines.

Under this expanded Community Service MAP approach, only duly licensed or certified group family day care providers would be eligible, and these select providers must meet demanding NYSDSS requirements. The latest

NYS DSS figures indicate that only 16 group family day care homes have been licensed as of year end 1987. While no precise projections can be made as to the total number of group family day care homes that will be licensed, or how many licensees will seek liability insurance coverage, in the future in this State, it can be safely predicted that the volume of qualified group family day care providers will be limited and, if enough insurers elect to participate in this Community Service MAP effort, manageable. Coverage would be offered on an occurrence basis under a comprehensive general liability policy form, with maximum \$ 500,000 liability limits expected. Appropriate child abuse exclusions, approved by the Department, would be permissible.

In the State of the State Message delivered on January 6, 1988, Governor Cuomo called for making the next ten years the Decade of the Child, because children are "our future". Stressing the need for quality child care, the Governor emphasized that "child care is an increasingly important means for promoting early childhood development and is an essential service for families to be economically independent."

With these key factors in mind, I ask insurers already participating in the Community Service MAP to include consideration and "acceptance of group family day care providers. Equally important, to share responsibility and increase involvement in the insurance community, I ask all insurers, not just members of the Community Service MAP, to join in the voluntary effort to meet this critical social need that the Governor has just underscored.

No later than January 26, 1988, please advise whether or not the company will participate in this MAP effort, by directing a written response, indicating contact person and telephone number, to the attention of:

Arnold Braun (212-602-0375)

Senior Insurance Examiner

Property & Casualty Insurance Bureau

New York State Insurance Department

160 West Broadway

New York, New York 10013

Please contact Deputy Superintendent Richard Hsia (212-602-0414), for comments or further information. Based upon the responses to this Circular, we plan to announce expansion of the Community Service MAP, or alternative actions, for group family day care purposes in early February.

Very truly yours,

[SIGNATURE]

JAMES P. CORCORAN

SUPERINTENDENT OF INSURANCE