

**INDEPENDENT INSURANCE AGENTS & BROKERS OF LOUISIANA**  
**9818 BLUEBONNET BOULEVARD**  
**BATON ROUGE, LA 70810**  
**PHONE: 225/819-8007**  
**FAX: 225/819-8027**  
**[www.iiabl.com](http://www.iiabl.com)**

## **Technical Advisory**

**TA 240**

**September 7, 2004**

**SUBJECT: Insuring the “Nanny Exposure”**

**BACKGROUND:** A popular bumper sticker aptly summarizes the sentiment of many working people today: *“Life’s a rat race – and the rats are winning!”*

In this era of dual income households, kids, elderly parents, hectic schedules and stress, the use of nannies and similar domestic help is growing. A 1996 U.S. Census Bureau report titled “Who’s Minding the Preschoolers?” found that there were nearly 500,000 children under age 5 in the care of a nanny. A 2002 report by the Center for Child Care Workforce indicated that 13% of children under age 5 were cared for by “paid non-relatives” providing care in the child’s home (includes nannies and similar workers). The U.S. Bureau of Labor Statistics described “child care workers” as among the fastest-growing occupation for the decade 1998-2008, estimating that this workforce will grow by 26% during that period. (A Google search for “nanny” turned up over 1,400,000 hits; however, many of these related to goats and TV shows.)

Nannies are not the only workers that perform childcare and other duties in the home. The primary distinction between nannies and other similar workers, such as paid babysitters or maids/housekeepers, is usually one of a more formal work arrangement, often involving a contract of employment between the family and the nanny. The International Nanny Association defines a nanny as an individual “employed by a family on either a live-in or live-out basis to undertake all tasks related to the care of children. Duties are generally restricted to childcare and the domestic tasks related to childcare. The nanny’s workweek ranges from 40 to 60 hours per week. Usually works unsupervised”

Nannies perform a wide variety of household functions, both on and away from the child’s home, including driving an automobile on errands.

Since the 1970’s, men have gain increasing acceptance and employment as “mannies.” The term began being used by employment agencies as early as 1986. Several popular TV shows have featured mannies, one of the best know was “Who’s The Boss?” starring Tony Danza, which ran from 1984-1992. (See the website [www.themannyy.com](http://www.themannyy.com).)

Professional nannies are hardly babysitters. According to sources such as the National Association of Nannies (NAN) and NannyNetwork.com, the typical salary for a nanny is approximately \$35,000. However, nannies with a college degree, and special skills such as multi-language fluency, often receive more than \$100,000 per year, and are highly recruited.

By contrast, an au pair (from French “at par” or “on par” with the family) is more akin to an exchange program than an employment arrangement. The organization Au Pair in America describes the program as “live in child care and cultural exchange.” Further, Au Pair in America is defined as “programs designated by The Department of State to sponsor an au pair/companion Exchange Visitor Program intended to provide its participants an opportunity to ‘learn about American culture, improve English language skills and to assist host families with child care while living with American families as a guest member ‘on par’ for a 12 month cultural exchange.’ Since 1986, the program has evolved and legislative authorization remains an essential element which continues to distinguish this program from other in-home child care options. The government has issued regulations which establish the framework for recruitment, placement and monitoring of au pair/companion and host family relationships.”

Lastly, a governess is “a woman employed to educate and train the children of a private household.” (Webster.)

There are a number of issues that require analysis in order to properly insure the “nanny exposure.” In the following discussion, assume the employing family is **Jack and Jill**, who have hired **Nan** as a nanny.

**MAIN POINTS:** The three main insurance exposures involve the Homeowners Policy, the Personal Auto Policy, and Workers Compensation. There are also some miscellaneous exposures such as the “nanny tax,” background checks, and similar issues, which will be discussed at the end.

## **HOMEOWNERS POLICY**

### **Jack & Jill’s Policy**

**Personal property of Jack & Jill in Nan’s room.** For live-in nannies who are furnished living quarters, room furnishings owned by Jack & Jill would remain covered by Jack & Jill’s Coverage C. The exclusion for “property in an apartment regularly rented to others” would not seem to apply, since Nan does not rent the room.

**Personal property of Nan.** Jack & Jill’s Coverage C could also apply to Nan’s personal property, if Jack & Jill wish to turn in the claim, under the following provision of their Coverage C:

*“After a loss, and at your request, we will cover personal property owned by:*

*a. Others, while the property is on the part of the “residence premises” occupied by an “insured”; or*

*b. A guest or “residence employee,” while the property is in any residence occupied by an “insured.”*

This provision of Jack & Jill's policy provides only limited coverage for Nan's personal property, so it would be advisable for Nan to carry her own insurance for her personal property (discussed below).

**Liability for Jack & Jill.** The standard coverages afforded to Jack & Jill under their Section II – Liability do not appear to be impacted by employing a nanny. As Nan's employer, Jack & Jill do have an increased exposure for legal liability arising out of Nan's activities, but there is no exclusion that is triggered by having a nanny. In addition, a lawsuit by Nan against Jack & Jill for bodily injury or property damage is not excluded per se.

However, with the growing awareness by parents of potential mistreatment or abuse of their kids by nannies, babysitters, or other childcare providers, some parents have installed video monitoring systems in their homes (so-called "nanny-cams"). In this situation, Jack & Jill could face a potential lawsuit from Nan for invasion of privacy or similar offenses. In fact, there have already been such lawsuits in various states, with mixed results over privacy issues.

In several of these suits, the privacy issue was complicated by the fact that the employing parents had used high tech equipment which transmits the video image from a tiny, concealed camera to a larger receiver located elsewhere in the home. With the advent of WiFi technology, these images can be intercepted by third parties up to a quarter of a mile away from the home.

In addition to potential privacy claims by Nan, a criminal could be viewing the inside of Jack & Jill's home (including their children), utilizing off-the-shelf equipment that sells for as little as \$250.

The standard Homeowners Policy only provides liability coverage for *bodily injury* and *property damage*. For a variety of reasons, Jack & Jill should add some form of *personal injury* coverage. However, the Homeowners endorsement for Personal Injury (HO 24 82) excludes "*injury sustained by any person as a result of an offense directly or indirectly related to the employment of this person by the insured.*"

Personal umbrellas typically provide some form of personal injury coverage. As with every coverage, personal umbrellas are not uniform. Many track the Homeowners workers compensation exclusion, discussed below. Others have a Homeowners-type workers compensation exclusion, with a second exclusion similar to the following: "*We will not cover you or a relative for Personal Injury arising out of a household employee, unless he or she is covered under a basic policy listed in the declarations.*"

Lastly, some personal umbrellas combine these two exclusions into one, such as this:

*"We do not cover any damages a covered person is legally obligated to provide under any workers compensation or similar laws. But we do provide coverage in excess over any other insurance for damages a covered person is legally obligated to pay for bodily injury to a domestic employee of a residence shown in the Coverage Summary which are not compensable under workers compensation, unless another exclusion applies."*

In Jack & Jill's Section II, there is a special exception to certain exclusions that provide some coverage for Nan, as follows:

*"Exclusions A. Motor Vehicle Liability, B. Watercraft Liability, C. Aircraft Liability, D. Hovercraft Liability, and E.4. Insured's Premises Not an Insured Location, do not apply to bodily injury to a*

*residence employee arising out of and in the course of the residence employee's employment by an insured."*

**Liability for Nan.** Should Nan get sued by a third party, she is not an "insured" under Jack & Jill's policy, with the exception of her control of certain animals, watercraft, or vehicles. Jack & Jill's policy defines an "insured" to include:

*"Insured" means:*

*c. Under Section II:*

*(1) With respects to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person included in a. or b. above. "Insured" does not mean a person or organization using or having custody of these animals or watercraft in the course of any "business" or without the consent of the owner; or*

*(2) With respect to any "motor vehicle" to which this policy applies:*

*(a) Persons while engaged in your employ or that of any person included in a. or b. above; or  
(b) Other persons using the vehicle on an "insured location" with your consent.*

As to animals and watercraft, note the exception for "business." If Nan took Jack & Jill's dog for a walk, or was operating Jack & Jill's watercraft (within the scope of her duties), it could be argued that Nan is engaged in a "business" and thus might not be considered an insured under their Section II - Liability.

If Nan were cutting Jack & Jill's grass with their riding lawnmower (a type of "motor vehicle" – also referred to as a "motorized land conveyance" in earlier editions of the Homeowners Policy), she would be an "insured" under their Section II – Liability.

For any other personal liability exposures, Nan would not be an "insured" under Jack & Jill's Homeowners Policy. She should thus secure her own insurance – discussed below.

**Medical Payments for Nan.** Nan would be covered by Jack & Jill's Section II – Medical Payments, through the following provision:

*Coverage F – Medical Payments To Others. This coverage does not apply to you or regular residents of your household except "residence employees."*

The following exclusion would limit Medical Payments coverage for Nan:

*Coverage F – Medical Payments To Others does not apply to bodily injury:*

*1. To a residence employee if the bodily injury:*

*a. Occurs off the "insured location"; and*

*b. Does not arise out of or in the course of the residence employee's employment by an insured."*

For example, if Nan was injured while fishing on her day off, at a location that was not within the policy definition of an "insured location," she would not be covered by Jack & Jill's Section II – Medical Payments coverage.

**Workers Compensation exclusions.** Under Jack & Jill's Section II, there are workers compensation exclusions for both Liability and Medical Payments coverages. However, they would apply in only limited situations.

*Coverage E – Personal Liability. Coverage E does not apply to:*

4. *“Bodily injury” to any person eligible to receive any benefits voluntarily provided or required to be provided by an “insured” under any:*

- a. *Workers’ compensation law;*
- b. *Non-occupational disability law; or*
- c. *Occupational disease law.*

*Coverage F – Medical Payments To Others. Coverage F does not apply to “bodily injury”:*

2. *To any person eligible to receive benefits voluntarily provided or required to be provided under any:*

- a. *Workers’ compensation law;*
- b. *Non-occupational disability law; or*
- c. *Occupational disease law.*

These two exclusions only apply if workers compensation has been voluntarily provided, or is required to be provided. Most states (including Louisiana) exclude domestic employees from their workers compensation laws, thus the exclusions in Jack & Jill's Homeowners Policy would not apply in those states, unless Jack & Jill voluntarily provided workers compensation. (See further discussion in the Workers Compensation section below.)

It is noteworthy that the exclusionary wording for Liability and Medical Payments are slightly different. The Liability exclusion applies if the workers compensation (or similar) coverage is voluntarily provided or required to be provided “by an insured.” For Medical Payments, the exclusion applies without this distinction, meaning if workers compensation (or similar) coverage is voluntarily provided or required to be provided by *anyone*, Jack & Jill's Section II – Medical Payments exclusion would apply.

## **HOMEOWNERS POLICY**

### **Nan's Policy**

**Nan's personal property.** Nan's Coverage C provides worldwide coverage for her personal property. However, there are limitations for certain business property. As a nanny, she might have uniforms, reference books, a laptop, cell phone, pager, PDA, Blackberry, etc. Since some nannies are college educated and work for senior business executives and other employers who are very schedule-driven, Nan might well have her own high-tech gadgets to help coordinate family business and activity schedules.

*“Coverage C – Personal Property. Special Limits of Liability:*

HO-91:

8. *\$2500 on property, on the residence premises, used at any time or in any manner for any business purpose.*

9. *\$250 on property, away from the residence premises, used in any time or in any manner for any business purpose.”*

HO-2000:

- h. \$2,500 on property, on the residence premises, used primarily for business purposes.*
- i. \$500 on property, away from the residence premises, used primarily for business purposes.”*

HO-91 and HO-2000:

*“Property Not Covered:*

*We do not cover business data, including such data stored in:*

- (1) Books of account, drawings or other paper records; or*
- (2) Computers and related equipment.*

*We do cover the cost of blank recording or storage media, and of prerecorded computer programs available on the retail market.”*

**Nan’s liability.** The business exclusion in Nan’s Section II would preclude coverage for her business activities as a nanny, and there is no standard Homeowners endorsement to provide the coverage. Nan should secure business insurance, probably through a Businessowners Policy (BOP) or a Commercial General Liability (CGL) policy.

**PERSONAL AUTO POLICY**

**Jack & Jill’s Policy**

**Nan driving Jack & Jill’s auto – Liability coverage.** Should Nan have an at-fault accident while driving Jack & Jill’s auto, Jack, Jill, and Nan are all “insureds” under Jack & Jill’s PAP.

*Part A – Liability Coverage*

*B. “Insured” as used in this Part means:*

- 1. You or any “family member” for the ownership, maintenance or use of any auto or trailer.*

*[Jack & Jill.]*

- 2. Any person using “your covered auto.” [Nan.]*

**Jack & Jill driving their own auto – Nan injured – Liability coverage.** If Nan was injured due to an at-fault accident while Jack or Jill were driving their own auto, Jack & Jill are covered under the Liability provision of their PAP. There is an employment exclusion, but it has an exception for Nan:

*We do not provide Liability Coverage for any “insured”:*

- 4. For bodily injury to an employee of that “insured” during the course of employment. This exclusion (A.4.) does not apply to bodily injury to a domestic employee unless workers compensation benefits are required or available for that domestic employee.*

**Nan driving or occupying Jack & Jill’s auto – Medical Payments or UM coverage.** Under Jack & Jill’s Medical Payments and UM coverage, Nan is covered under the following provision found in both coverages:

Medical Payments and UM:

*“Insured” as used in this Part means:*

2. Any person while occupying your covered auto.

As with Liability coverage, Medical Payments and UM have employment exclusions, as follows:

Medical Payments exclusion:

4. Occurring during the course of employment if workers compensation benefits are required or available for the bodily injury.

UM exclusion:

C. This coverage shall not apply directly or indirectly to benefit any insurer or self-insurer under any of the following or similar laws:

1. Workers compensation law; or
2. Disability benefits law.

**Nan added as a “driver” to Jack & Jill’s policy.** If Jack & Jill have a standard ISO PAP, there is no provision or requirement to add drivers, except to disclose such information at the time of application, or any future inquiry by the insurer. Other than such full disclosure requirements, there is no exclusion for non-listed drivers.

However, some non-standard PAPs do have an exclusion for resident or regular drivers who are not listed or disclosed, even if they become drivers mid-term.

Therefore, Jack & Jill should discuss the matter with their agent, if Nan is going to be a regular driver of one of their autos.

## **PERSONAL AUTO POLICY**

### **Nan’s Policy**

**Nan driving her own auto.** While Nan is covered under her PAP for all coverages while driving her own auto in the nanny business, both Liability and Medical Payments coverages have a business use exclusion for non-owned autos of certain types, with the following exceptions:

’94 PAP – Liability and Medical Payments – business exclusion exception:

*This exclusion does not apply to a:*

- a. Private passenger auto;
- b. Pickup or van that you own; or [emphasis added]
- c. Trailer used with a vehicle described in a. or b. above.

’98 & ’05 PAP – Liability – business exclusion exception:

*This exclusion does not apply to a:*

- a. Private passenger auto;
- b. Pickup or van; or
- c. Trailer used with a vehicle described in a. or b. above

’98 PAP – Medical Payments – business exclusion exception:

*This exclusion does not apply to a:*

- a. Private passenger auto;
- b. Pickup or van that you own; or [emphasis added]
- c. Trailer used with a vehicle described in a. or b. above.

'05 PAP – Medical Payments – business exclusion exception:

*This exclusion does not apply to a:*

- a. Private passenger auto;*
- b. Pickup or van; or*
- c. Trailer used with a vehicle described in a. or b. above*

Nan is covered for Liability and Medical Payments coverage for the business use of any private passenger auto – owned or otherwise – in the '94, '98 and '05 PAP. However, Liability and Medical Payments coverage in the '94 PAP applies only to owned pickups or vans used for business.

In the '98 and '05 PAP, Liability for use of non-owned pickups and vans in business is covered. Medical Payments coverage for business use only applies for owned pickups and vans in the '98 PAP, but the '05 PAP provides Medical Payments coverage for business use of both owned and non-owned pickups and vans.

**Nan driving her own auto – Jack & Jill sued.** Given the employer-employee relationship, Nan could cause Jack & Jill to become legally liable for her negligent operation of her own auto, if the accident occurs while she is performing her nanny duties. Jack & Jill are covered under Nan's PAP as follows:

*B. "Insured" as used in this Part means:*

- 3. For your covered auto, any person or organization but only with respect to legal responsibility for acts or omissions of a person for whom coverage is afforded under this Part. [Jack & Jill.]*

As Nan's employer, Jack & Jill might request to be added as Additional Insureds under Nan's PAP. However, under the standard ISO PAP, they are already insureds through the omnibus clause shown above. Therefore, ISO does not have an Additional Insured endorsement (except for lessors). Some individual insurers do have such an endorsement, mostly due to the frequency of demand for it.

**Nan driving Jack & Jill's auto.** If Nan has an at-fault accident while driving Jack & Jill's auto, she is insured under her PAP, but Jack & Jill are not. (She is also an insured under Jack & Jill's PAP, and their policy is primary, while hers is excess.) Nan's Liability coverage is provided as follows:

*Part A – Liability Coverage*

*B. "Insured" as used in this Part means:*

- 1. You or any "family member" for the ownership, maintenance or use of any auto or trailer. [Nan.]*
- 4. For any auto or trailer, other than your covered auto, any other person or organization but only with respect to legal responsibility for acts or omissions of you or a family member for whom coverage is afforded under this Part. This provision (B.4.) applies only if the person or organization does not own or hire the auto or trailer. [Jack & Jill]*

Since Jack & Jill own the auto, they are not covered as "insureds" for Liability coverage by Nan's PAP.

However, if Nan frequently drives Jack & Jill's auto, her own PAP might not provide the Liability or Medical Payments coverage for Nan which is described above. This is due to an exclusion in Nan's PAP for Liability and Medical Payments, as follows:

*Part A – Liability Exclusions.*

*B. We do not provide Liability Coverage for the ownership, maintenance or use of:*

- 2. Any vehicle, other than your covered auto, which is:*
  - b. Furnished or available for your regular use.*

*Part B – Medical Payments Exclusions:*

*We do not provide Medical Payments Coverage for any insured for bodily injury:*

- 5. Sustained while occupying, or when struck by, any vehicle (other than your covered auto) which is:*
  - b. Furnished or available for your regular use.*



These two exclusions in both Liability and Medical Payments can be bought back under Nan's PAP through the Extended Non-Owned endorsement PP 03 06. However, one potential problem could exist, due to an exclusion in the endorsement for the use of a vehicle "*which is owned by a member of the same household.*" Thus, if Nan resides with Jack & Jill, it is possible the exclusion in her PAP might apply to her while driving Jack & Jill's auto, depending on how a court might interpret "same household."

Nan's only other source of coverage would be as a permissive user under Jack & Jill's PAP – discussed above.

**Nan driving Jack & Jill's auto – Nan has no PAP.** It is not infrequent for nannies who reside with the family to have no owned auto of their own. As discussed above, Nan would be an insured under Jack & Jill's PAP, while driving their auto with permission.

However, if Nan were to ever drive some other auto, she would not be an insured under Jack & Jill's PAP. For this exposure, Nan can secure a Named Non-Owner Policy. Interestingly, the Named Non-Owner Policy does not contain an exclusion for the use of an auto that is *furnished or available for her regular use* (Jack & Jill's auto), as is the case if she had a standard PAP – see discussion above.

**Increased limits on Nan's policy.** As is true of many employees like Nan, employers often require that employees carry higher limits of Liability insurance. From Jack & Jill's perspective, with Nan possibly ferrying their children in her auto, it would be wise for them to require not only higher Liability limits (should they get sued as the employer), but also higher Medical Payments and UM to further protect the children while in Nan's auto.

## WORKERS COMPENSATION

**State law.** Most states exempt domestic employees from their workers compensation laws. In **Louisiana**, this provision is found in Louisiana statutes **LRS 23:1035.B**.

**Homeowners Policy and Workers Compensation.** As indicated in the above discussion under the Homeowners section, Jack & Jill's Homeowners Policy contains only a very limited workers compensation exclusion for Section II. Therefore, if Nan were to sue Jack & Jill for some injury, in most cases, Jack & Jill's Homeowners Policy would respond on their behalf. However, Nan would have to successfully show negligence or some other form of legal liability on the part of Jack & Jill, in order to have the claim covered by Jack & Jill's Homeowners Policy – Section II Liability.

On the other hand, Jack & Jill's Section II Medical Payments coverage would apply to Nan, without fault being an issue. However, from Nan's perspective, the amount available under this coverage is usually very modest, and limited in scope.

With such coverages already available for injuries to Nan, there are several reasons Jack & Jill still might consider purchasing workers compensation coverage. First, it would seem to be in Nan's best interest, if Jack & Jill were inclined to act on that notion. If the only coverage in place is Jack & Jill's Homeowners Policy, Nan would have to pursue a legal case against Jack & Jill in court, in order for Jack & Jill's Section II Liability coverage to respond.

Second, the Section II Medical Payments coverage under Jack & Jill's Homeowners Policy would provide only a small amount of money for Nan's injuries.

Lastly, by utilizing the workers compensation approach, Jack & Jill might have some amount of tort immunity, which is usually provided to employers under a state's workers compensation laws.

**Workers Compensation coverage.** Providing Workers Compensation coverage for "domestic employees" such as Nan varies by state. In some states, a standard Workers Compensation policy is issued to Jack & Jill, and all parties are brought under the state's workers compensation system, which would also provide tort immunity (through "sole remedy" or "exclusive remedy" provisions) for Jack & Jill.

In other states, a standard Workers Compensation Policy is issued, but endorsement WC 00 03 11 – Voluntary Compensation and Employers Liability Coverage Endorsement is attached. In most cases, the intent is to provide statutory workers compensation benefits, but the employer does not have tort immunity. Thus, there is a provision in the endorsement requiring a release from liability from the injured employee before benefits are paid.

In addition, there are two optional workers compensation endorsements which could be attached to a Homeowners Policy that would provide coverage for domestic employees.

WC 00 03 12 – Voluntary Compensation and Employers Liability Coverage For Residence Employees Endorsement. This endorsement can be attached to a Homeowners Policy (or other similar personal liability policy), in states where residence employees are not within the scope of the mandatory workers compensation laws, and where the employer cannot elect to bring them under the statutory workers compensation system.

The endorsement will pay *"an amount equal to the benefits that would be required of you if you and your residence employees were subject to the workers compensation law shown in the Schedule. We will pay those amounts to the persons who would be entitled to them under the law."*

There is also an Exclusion for *"bodily injury arising out of any of your business pursuits."* This is noteworthy for Jack & Jill, as Nan would not be covered by this endorsement if she is injured while performing duties related to Jack & Jill's business pursuits. For example, if Jack or Jill directed Nan to provide childcare for the children of employees at a company function, this endorsement would not cover Nan for injuries she might sustain in this activity.

WC 00 03 14 – Workers Compensation and Employers Liability Coverage For Residence Employees. This endorsement also can be attached to a Homeowners Policy (or other similar personal liability policy), in states where residence employees are either automatically within the scope of the mandatory workers compensation laws, or the employer can elect to include them under the workers compensation system.

Since it is attached to a personal liability policy (such as a Homeowners Policy), this endorsement also has the same Exclusion as the WC 00 03 12 for the residence employee's injuries that occur while engaged in activities related to Jack & Jill's business pursuits.

## MISCELLANEOUS ISSUES

**Background checks.** In today's world, no one would doubt the need for a thorough background check of potential nanny candidates before making an offer of employment. In fact, virtually every nanny website includes an offer to run such a check, for a fee. Jack & Jill might prefer to go independently to an employee screening firm, in order to have more control over the process.

However, Jack & Jill must be very careful of conducting such background checks on their own. Since they are acting as prospective employers, numerous state and federal laws could apply.

In particular, the federal Fair Credit Reporting Act (FCRA) clearly applies to most of the types of information Jack & Jill would want to review as a part of the background check. If they use a

reputable employee screening service, their legal exposure is virtually eliminated, if they follow the prescribed procedures as directed by the employee screening service.

If, on the other hand, they make inquiries themselves about Nan's driving record, credit history, criminal background, and a variety of similar areas (collectively called "consumer reports" under the FCRA), they must adhere to the strict procedures required under the FCRA. (The Federal Trade Commission regulates the FCRA, and has an excellent brochure, "Using Consumer Reports – What Employers Need to Know." See below for details.)

Dangers for the insurance agency. Jack & Jill might consider a "short cut" to obtaining some of the background information on Nan, by obtaining an MVR and credit score from their personal insurance agent. While it would be tempting to comply with the wishes of an important insureds such as Jack & Jill, the agency should be very aware of the dangers it could face. See the Reference section below for related articles.

**"Nanny tax."** As employers, Jack & Jill owe federal and state employment taxes, which are often collectively called the "nanny tax." Some tax authorities believe that many employers like Jack & Jill, who hire various kinds of domestic employees, fail to pay these taxes, either through intent, or error.

The issue of the "nanny tax" came most prominently to public attention in 1993, when a nominee for U.S. Attorney General, Zoe Baird, was found to have failed to report and pay taxes on the wages she paid to a Peruvian couple whom she had hired as domestic employees. Both she and her husband were attorneys, and the criticism and negative publicity is widely believed to have ended her nomination.

**Resources.** Following are some resources that were consulted in the research for this article, which might prove helpful to anyone seeking additional information about insuring the nanny exposure.

Websites. There are several nanny websites that contain much useful information.

National Association of Nannies (NAN): [nannyassociation.com](http://nannyassociation.com)

Mannys: [themanny.com](http://themanny.com)

Nanny Network: [nannynetwork.com](http://nannynetwork.com)

Nanny Agency: [nannyagency.com](http://nannyagency.com)

For Nannies: [4nannies.com](http://4nannies.com)

Nanny Tax: [4nannytaxes.com](http://4nannytaxes.com)

Nanny Tax Worksheet: [SmartMoney.com](http://SmartMoney.com)

Nanny Bulletin Service: [1nannyplace.com](http://1nannyplace.com)

Articles on related subjects. These articles provide additional information on several key issues. They are posted in the Library section of the Virtual University, an online education service of the Independent Insurance Agents & Brokers of America – [www.iiaba.net/vu](http://www.iiaba.net/vu).

“Furnishing MVRs – It’s Legal But Not Permitted.”

“Dangers of Furnishing MVRs to Commercial Insureds.”

“HO Coverage for Domestic Employees and Independent Contractors.”

Federal Trade Commission. The Federal Trade Commission regulates the Fair Credit Reporting Act (FCRA), which is the principal federal law that applies to the information gathered in an employee background check. Such information is defined in the FCRA as a “consumer report,” and employers seeking to use this information for any employment situation must follow strict guidelines, and complete necessary paperwork and documentation.

At the FTC website ([ftc.gov](http://www.ftc.gov)) is an excellent brochure, “Using Consumer Reports – What Employers Need to Know.” (<http://www.ftc.gov/bcp/online/pubs/buspubs/credempl.pdf>)

In addition, there is a companion brochure, “Consumer Reports – What Insurers Need to Know.” (<http://www.ftc.gov/bcp/online/pubs/buspubs/insurers.pdf>)

**NECESSARY ACTION:** Circulate this Technical Advisory to all Personal Lines staff.

#### Disclaimer

Information provided in this area is intended for educational and informational purposes only. IIABL does not make any warranty or representation, express or implied, with respect to the accuracy, completeness or usefulness of the information provided. Information provided in this area represents the views of one or more experienced professionals and is not a recommendation that a particular course of action be followed. IIABL does not assume, and takes no responsibility for, any liability or damage which may result from the use of any of this information.