Liability Insurance and Bonding for the Pet Sitter

by David Pearsall

CONTENTS

- General Liability (an overview)
- Care, Custody, and Control
- Endorsements
- Exclusions & Limitations
- Deductibles
- Employee Dishonesty Bonds
- Workers Compensation
- Individual vs. Standard Policy & Administration Issues

General Liability – An Overview

General Liability Insurance is defined as the form of insurance, which protects the insured client from claims arising out of bodily injury or property damage to a third party. This means that it protects those insured against claims which a third party might bring against them for bodily injury, property damage, personal injury or advertising injury. The following is a breakdown of each of the standard limits of liability that are common to a commercial general liability policy along with examples of how they apply to the pet sitter.

$2,000,000 General Aggregate Limit
$1,000,000 Products/Completed Operations
$1,000,000 Personal & Advertising Injury
$1,000,000 Each Occurrence
$100,000 Fire Legal Liability
$5,000 Medical Payments

The $2,000,000 General Aggregate is the total amount of coverage you have for the year for the above third party claims.

The $1,000,000 Products/Completed Operations limit has two parts. The Products section is meant to cover a tangible product. As a pet sitter, your product is the service you offer taking care of pets. The second part is covering Operations.

An example of an operations claim would be when a pet sitter has scheduled a visit but for some reason fails to show up for that visit; and due to the negligence of the sitter not showing up, the pet subsequently ruined some contents (property damage) in the home and/or the pet to be sat for is injured due to being without food for some time (bodily injury).

The $1,000,000 Personal & Advertising Injury limit covers personal injury or advertising injury you cause to another person or company.

**Personal Injury is injury other than bodily injury that arises out of:**

a) false arrest, detention or imprisonment  
b) malicious prosecution,  
c) wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premise that a person occupies by or on behalf of its owner or landlord  
d) oral or written publication of material that slanders a person or organization or  
e) Oral or written publication that violates a person’s right of privacy.

**Advertising Injury means injury arising out of:**

a) Oral or written publication of material that slanders a person or organization or discredits a person’s or organization’s products or services  
b) Oral or written publication of material that violates a person’s or organizations right of privacy or  
c) Infringes on copyrights, titles, or slogans of another person or organization.
All though claims of this nature rarely occur to a pet sitter, an example of a claim covered under this limit would be as follows:
Pet Sitter A comes up with an advertising slogan that already belongs to pet sitter B. Although pet sitter A did not know that the slogan was in existence, it confused a number of pet sitter B’s clients and subsequently hurt pet sitter B’s reputation in the area.

The $1,000,000 Each Occurrence Limit means you have $1,000,000 for any occurrence in which you are found to be negligent (by the adjuster or a court of law) for bodily injury or property damage of a third party. A third party is anyone other than you, your employees, your independent contractors, and the clients for whom you are providing pet sitting.

An example of a claim where this coverage applies:
You are walking your client’s dog. The dog gets away from you and bites a person who was also walking down the street. This person would be considered a third party and would have right to compensation for their injuries.

The $100,000 Fire Legal Limit covers the sitter against fire damage if the sitter is found to be legally liable (negligent) for the space they rent.

An example of this would be the pet sitter rents out an office space for appointment making. One day, the sitter leaves a coffee pot on in the office, and it causes fire to the office and the adjacent building. Since the pet sitter was negligent for causing the fire to the adjacent building, it would be covered under the each occurrence limit; the rented space that the sitter occupied would be covered under the fire legal limit of $100,000.

The $5,000 Medical Payments is a separate limit of liability used to pay small medical claims without tapping into the $1,000,000 per occurrence limit.

An example of this would be if a dog you are walking bites a passing stranger as the stranger tries to pet it. In this case, assuming injuries are small, the claim would be paid out of the $5,000 medical payments limit. If the person bitten then decided to sue, the $1,000,000 per occurrence limit would be activated.
Care, Custody, and Control Coverage

Care, Custody, and Control is perhaps the most important coverage to the pet sitter. It extends coverage to your client’s property and the animals in your care, custody, and control. Typically this coverage is excluded from a standard general liability policy, as most companies do not wish to cover these types of claims. It can be added back by endorsement. An endorsement is simply a change or addition to an insurance policy, sometimes referred to as a rider.

Under the NAPPS policy, care, custody, and control is written into the “Property Damage Extension Endorsement.” The endorsement removes the exclusion that is typically found in the general liability form. It also includes animals that are in your care, custody, and control and extends coverage to animals while being transported in a vehicle or auto.

The endorsement adds another limit to the NAPPS policy. It ranges from $10,000 per occurrence with a $25,000 limit aggregate, to $200,000 per occurrence with a $200,000 limit aggregate. It is up to the individual member to choose the adequate limit for your business, but a rule of thumb is to choose a limit that will adequately cover your client’s pets and contents in the event of a loss. For example, if you are pet sitting for clients who live in $1,000,000+ homes/apartments and have very expensive contents in their home/apartment, you may wish to choose the highest care, custody, and control limit available.

This is where the majority of the pet sitter claims occur. Below are examples of claims that have occurred to better explain how important this coverage is:

1) While taking care of clients 3 dogs, pet sitter brings over some special treats for the dogs to enjoy. The dogs begin fighting over the treats and 2 of them had to be taken to the vet to be treated.
2) Insured used upstairs bathroom in client’s home. Unaware that the toilet had stopped up the sitter left the home. The toilet overflowed causing water damage to the ceiling and contents downstairs.
3) Insured was getting dog ready for a walk and in the process knocked over a lamp that fell into and destroyed the client’s computer.
4) While on a walk dog stepped in tar. Sitter put dog back in client’s home and left. Returning later, the sitter realized what had happened and saw that extensive damage had been done to the client’s property.
5) Insured was taking care of client’s dogs. While attempting to separate the two dogs she hit the window with her elbow and broke it.
6) Insured was walking dog on the beach. The dog stepped on broken glass and cut his paw. Dog was taken to the vet to have his paw stitched up.
7) Pet sitter was taking care of obnoxious barking dog. Due to barking the sitter decides to put the dog in the garage. The dog leaps through a window while in the garage.

Endorsements

Endorsements are changes written on or added to an insurance policy. Almost every insurance policy contains some endorsements. The NAPPS policy automatically includes Care, Custody, and Control, and a Lost Key Endorsement. It also offers three more endorsements that can be added to your pet sitting policy if you choose. They are Grooming, Limited in Your Home Pet Care and House Sitting.

The Lost Key Endorsement under the NAPPS policy provides coverage for client’s keys, which are in your possession or the possession of your employees, agents or anyone acting on your behalf. It provides coverage to replace the keys themselves and/or adjust locks to accept new keys of like kind and quality, including cost of the installation or replacement of the lock. It is an additional limit added to your policy in the amount of $2,500 and is subject to a $100 deductible.

Pet Grooming is excluded from coverage unless you opt for it. The pet grooming endorsement is for pet sitters who offer pet grooming on the side. The policy is not designed to cover someone who does 100% pet grooming and no pet sitting. The pet grooming is limited to 25% or less of your total receipts. If more than 25% of your receipts are from pet grooming you will have to obtain a separate policy to cover that portion of your business.

The “Limited in Your Home Pet Care” endorsement is to extend the care, custody, and control coverage to the animals that you are keeping in your home, for the day or overnight. To add this to your policy, you must complete a supplemental form and submit it to Business Insurers for review. The In Home Pet Care is limited to 5 pets or less. If you are keeping more than 5 pets in your home, you will need to obtain a separate policy to cover that portion of your business. Please be aware that this endorsement covers only the animals in your home. It does not give
coverage for your personal property in the event that the animal you are keeping causes damage. To adequately cover your personal property, you would need to purchase a homeowner’s or renter’s policy.

The House Sitting Endorsement is used to cover the pet sitter when there are no pets in the home. It can be added to your policy, so long as house sitting comprises less than 45% of your overall receipts. The purpose of this endorsement is to provide coverage for pet sitters who occasionally take care of people’s homes when they are away, by performing duties such as watering plants, picking up mail, turning on/off lights and alarms, etc., when there are no pets in the household.

### Exclusions & Limitations

The definition of “exclusion” is to keep out or keep from happening. In an insurance policy, it means that the policy does not cover a particular peril (bodily injury/property damage). A limitation is when a policy limits the amount of coverage that will apply to a particular occurrence.

Exclusions are standard in every insurance policy but here are some important exclusions and limitations in the NAPPS policy:

1) “Designated Work Exclusion”. The designated work exclusion excludes coverage for any of the following types of work:

   a) Specialized dog training including: Protection, Search and Rescue, Tracking, Attack or Fighting, Hunting, Herding, Police Work, Show Dogs, Therapy or Guide Dogs for physically or mentally challenged persons unless otherwise indicated on Individual Certificate
   b) Business operations such as: boarding, grooming, or breeding; or
   c) Housekeeping, janitorial services, food preparation, landscape gardening, or any other domestic service.

Some pet sitters choose to expand their business and branch out into other types of work such as landscaping or house cleaning. They may assume that this type of work is covered by their current insurance policy, but this is not the case. Any
time you are going to expand the service your business is offering, you need to check with your Insurance agent to verify that your current policy will cover it.

2) “Pain and Suffering Limitation” - This is a limitation that limits the total amount of coverage for pain and suffering as a result of the death of an animal in your care, custody, and control. The NAPPS policy limits the pain and suffering amount to $1,000 in the event of a death. Most policies exclude this coverage altogether.

In today’s litigious society, more and more suits are being brought against others for pain and suffering. Unfortunately, pet sitter insurance is not designed to protect against pain and suffering resulting from the death of a pet or loved one, the reason the company limits its liability.

**Deductibles**

A deductible is simply the amount that is deducted by the insurance company, which the insured must pay, in the event of a claim. Insurance companies utilize deductibles to avoid paying the minor day-to-day mishaps that arise. Insurance is meant to cover catastrophic loss. It is not designed to be a maintenance policy. To discourage against making a claim every time something goes wrong, deductibles are applied. The NAPPS policy carries a deductible of $100 per claim. Typically most business owner policies offer deductibles in the amount of $500 or $1,000 per claim.

**An example would be as follows:**

The Pet Sitter forgets to go by and let the dog out of their client’s home. The dog uses the bathroom on the carpet and does extensive damage to the contents of the house. Total cost to clean the carpet and repair the damages is $7,000. The insurance company finds Pet Sitter to be negligent and issues a check to the client for $7,000. The Pet Sitter must pay the insurance company the deductible of $100. The total loss that the insurance company actually suffers is $6,900

**Employee Dishonesty Bond**

Most contractors advertise that they are fully insured and bonded. But what does it mean to be bonded? There are many different types of bonds, but being bonded in
this sense is simply to carry a contract with a bonding company that states that the bonding company will reimburse your client if anything is stolen or missing from their home. A Bond is not insurance, although it performs in a similar way. As with Insurance, a bond will indemnify the employer for the stolen items, however, unlike insurance, the bonding company has the right to go after the employee to recoup the loss they paid out to the employer on their behalf.

An example would be if something turned up missing at your client’s home, and the client can prove that you (the contractor or employees of the contractor) stole the items. The bonding company would then pay your client for the item and go after the guilty person (you or your employees) to recoup their expense.

It is better known as an employee dishonesty bond. Employee Dishonesty Bonds are bonds that cover an employer against dishonest acts committed by employees. They include theft of materials and products as well as money.

The NAPPS Dishonesty Bond differs slightly from most employee dishonesty bonds in that it includes the following features:

1) The definition of employee includes all owners and officers; full and part time employees, independent contractors, and volunteers.
2) You are covered up to the policy limit of liability for each loss occurrence. There is no aggregate limit of liability.

What this means is that not only are the employees covered; but also you, the owner, are covered as well, up to the limit of insurance that you choose. This simply gives your clients piece of mind to allow you in their home. Anytime you are dealing with other people’s property, you should be bonded. If you are a sole proprietor with no employees, the bond is beneficial for your customer’s piece of mind and for advertising. The bond limits available range from $5,000 to $50,000.

Below are a couple of examples of pet sitting bond claims so that you can see the significance:

1) An employee of our insured while in the client’s home pet sitting took gift certificates the client had on his desk. The client discovered they were missing. It was proven that the employee took the gift certificates and used them. The client received the value of the gift certificates, and the guilty employee was required to reimburse the bond company.
2) Pet sitter stole some of her client’s compact discs. It was proven that the owner did take the property, and the client was reimbursed for the value of the discs. The owner was required to reimburse the bond company.

Workers Compensation

Workers Compensation Insurance is defined as the compensation to an employee for injury or occupational disease suffered in connection or arising out of or in the course of employment in which there is an employee/employer relationship. Workers Compensation laws vary from state to state, but for the most part coverage is the same everywhere in that it is the sole remedy for bodily injury and occupational disease to you and your employees/independent contractors while on the job.

An example of a workers compensation claim would as follows:
A Pet Sitter is bitten by a client’s dog during a visit or walk. Another example would be a dog that you sit for is infected with a disease and passes it to the pet sitter or employee of the pet sitter.

The Pet Sitter’s (employee/independent contractor) injuries are not covered under your NAPPS Liability policy (a general liability policy only covers you for bites to a third party, not to you or any employees or independent contractors)!

To protect your business against these types of claims (injuries to you, your employees, and/or independent contractors), you would need to purchase a workers compensation policy. Please note, as stated above, that all states have their own laws regarding workers compensation. However, for the majority of states, workers compensation is required by law if you have 3 or more employees, and many states require the coverage if you employ even one person.

Another issue is the role of independent contractors. In most states, if you do not receive/maintain a certificate of insurance from independent contractors showing proof of workers compensation coverage, then you/your business are responsible for injuries to those independent contractors and you/your business can be held liable. Please contact your state insurance commissioner’s office and or a licensed insurance agent in your home state to be sure you are following your state law.
If you do pursue workers compensation coverage, please note that the rates will again vary by state. Most states will follow the rules of the National Council on Compensation Insurance (NCCI). NCCI determines the classification for all types of work via their Scopes Manual, but they do not determine the rate. In the 2008 NCCI Scopes edition, pet sitting is currently classified under class code 0917-Pet Sitting Services and Drivers. This classification encompasses pet sitters that care for their customer’s pets in the customer’s home including walking, feeding, and other general “pet-sitting” activities.

**Individual vs. Standard Policy & Administration Issues**

Two Pet Sitting Liability policies are available. They are the Individual Policy and the Standard Policy. The individual policy covers all sole proprietors, individuals and their spouse. The standard policy covers all corporations, LLC’s, employees, and independent contractors.

The Individual Policy extends coverage to the named insured and spouse. The care, custody, and control limit you decide, which ranges from $10,000 - $200,000 each occurrence, combines coverage for the animal and client’s property. You decide this limit at the time of completing the application.

The Standard Policy extends coverage to the named insured, spouse, employees, and independent contractors. The care, custody, and control limit you decide, which ranges from $10,000 - $200,000 each occurrence, combines coverage for the animal and client’s property. You decide this limit at the time of completing the application. Also on the application you have to provide what your gross annual receipts are for your business (for new business it is required you provide your best estimate on anticipated gross receipts). If your business is classified as a partnership, LLC, INC, S Corp, or any other entity, you will have to apply for the Standard Policy.

**Policy Changes:**

Once you have established your policy, if during the course of the year you need to change your policy, a signed request is needed. The following is a list of changes that can be made:
1) Name Change or Business Name Change
2) Address Change
3) Changing from a Individual Policy to a Standard Policy or vise versa
4) Increasing/Decreasing Care, Custody, and Control Limit
5) Adding the Grooming, Limited In Your Home Pet Care (supplemental form required) or House Sitting endorsement
6) Adding Additional Insured
7) Cancellation
8) Non Renewal

Please note that insurance cannot be transferred in the event you sell your business. The new owners will have to apply for their own policy.

Renewal:

Two months before the policy is to renew, you will receive a renewal letter and applications. You are required at renewal to complete the application and submit it with premium payment. This is required so that your business information can be updated on an annual basis.

Claims:

In the event that you do have a claim, the procedure is to call Business Insurers at 1-800-962-4611, extension 1. The information needed is your client’s name, address, telephone number, date of loss, and description of what happened. We will take this information from you and report it to the adjuster. The adjuster in turn will call you in 1 to 2 business days. The insurance company guidelines state that a claim should be reported in a reasonable amount of time. What this means is to turn in the claim as soon as you know of it, failure to do so could result in the claim not being paid.

Claims vary from one to another and it is very important to contact us immediately if you believe a situation might evolve into a claim. The primary ingredient that any adjuster looks for in settling a liability claim is NEGLIGENCE. There are thousands of what if’s (?) that could be asked everyday, but if you just remember to ask yourself this question, (Was I negligent in the situation?). I think you will find the answer as to whether your claim will be paid. In the past we have had
several claims that have been turned in that sitters wanted paid, but they were not truly negligent. Please be aware that the coverage is not going to respond unless you are clearly negligent, so never tell your client or a stranger that your “insurance will take care of it” until you have turned the claim in and been contacted by the adjuster.

Business Insurers of the Carolinas