



Automobile Insurance and Your Nanny:

What The Hiring Family Needs to Know

Many nannies run household errands and drive their employer's children to and from activities as part of their daily work routine. Oftentimes families and nannies overlook the importance in ensuring there is adequate automobile insurance in place to cover the risks of both the nanny and the family in the event of an accident. We have highlighted some of the issues to consider and suggested best practices, whether the nanny is driving her own vehicle or one provided by the family. In any case we recommend you speak with a state-licensed insurance agent about your specific situation so they can ensure you and your nanny have adequate automobile insurance should an accident ever occur.

Nanny Driving the Family's Automobile

It is optimal to have the nanny drive a vehicle provided by the family when a nanny is required to drive as part of her job. This scenario keeps the family in firm control of safety conditions of the vehicle and helps ensure adequate automobile insurance remains in force at all times.

The family's automobile insurance provides coverage for family members who cause injury or property damage while driving an automobile. Automobile insurance rules vary widely between states – there is no one size fits all set of rules that families can rely on. Generally, an automobile insurance policy covers a particular automobile when operated by the named insured or members of the named insured's family. When the family intends to have their employee drive their vehicle, it is a best practice to disclose this to the insurance company and have the nanny added as an additional named insured on the family's automobile insurance policy. Your nanny's age and driving record may cause your insurance to be re-rated, particularly when the nanny is under 25 or has a poor driving record.

Nanny Driving Her Automobile

Many nannies drive their own personal automobile in the performance of their duties for their employer. A nanny is not covered by the family's automobile insurance while she is driving her own car. Moreover, the nanny's personal automobile insurance policy may not cover her business use of her automobile.

This can be problematic if the nanny is in an accident while driving on family business. The law considers an employer to be liable for an injury caused by an employee while doing their work. This is called "vicarious liability." The family can be held personally responsible for paying any damages that either exceed the nanny's automobile insurance coverage limits or are denied under her policy due to her business use.

Your children's safety and protecting your family from expensive and potentially devastating liability are two important reasons to carefully consider your nanny's automobile arrangement. Do speak to a state-licensed insurance agent about your specific situation.

Kathleen Webb

Co-founder, HomeWork Solutions Inc.

"I could do this myself but HomeWork Solutions is so easy to work with. Dealing with seniors every day, I know the assurance that required paperwork is completed accurately, reliably and on time for senior care is invaluable"

- Stacy C., Attorney, Washington D.C.

"Please renew my annual service. I did find a new nanny, Mary Poppins to be exact ;-), and I will be needing your services again. Thanks for a great service!"

- Janine M., Mother, Cary, NC

It is a best practice for the nanny and the family in this situation to sit down with the nanny's automobile policy and review the coverage with a licensed insurance agent. Depending on state law, the agent may recommend that the family be named as additional named insured on the nanny's policy, that a business use rider be added to the nanny's insurance, and generally that the nanny's policy coverage limits be increased to the maximum available under state law. Any and all of these suggestions will increase the cost of the nanny's insurance policy, and it is a best practice for the family to absorb this cost.

Families should reimburse the nanny for her business use of her personal vehicle as it is being used for the family's benefit rather than the nanny's personal use. The IRS' annual mileage reimbursement rate is the most commonly used formula, and this is intended to reimburse not just for gasoline, but also maintenance, wear and tear and depreciation. See [IRS mileage reimbursement rates](#). As long as mileage reimbursement does not exceed the IRS annual mileage reimbursement rate it is not considered taxable income to the nanny; however, any amount above the IRS annual mileage reimbursement rate is considered taxable income to the nanny and should be included as such on her W-2 at year end.

Children take a toll on the condition of an automobile. As a courtesy, the family should also consider providing a semi-annual detailing of the nanny's automobile to reduce the impact of wear and tear.

Do you have other questions about common situations in nanny employment? HomeWork Solutions' professionals are here to help.

Call us and a household payroll specialist will be happy to chat with you.

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