



Insurance Considerations for Nonprofit Organizations

Insurance Agent – The selection of your insurance agent is the first item to consider when securing insurance for your organization. Many smaller nonprofits depend on their local insurance agent to assist them with selecting insurance coverage, carriers and services. Selecting the appropriate coverage and finding the best methods to finance an organization's risks can be complicated. Organizations should select an agent that has the knowledge and experience necessary to properly assist them with their insurance needs. Your organization should review who you've selected as your agent before considering insurance proposals. Agents that specialize in working with nonprofits often provide additional risk management and loss prevention services. More information on selecting an insurance agent is available in the [Safe-Wise Consulting Online Resource Library](#).

Insurance Company (carrier) – Once you've selected your agent, the next step is considering what insurance companies might offer or write policies for your type of organization. Companies should have experience with nonprofits, an A.M. Best rating of A IX or better and be admitted in your state; your agent will assist you with these qualifications and the proposal process. You should understand what services, support and claims handling are offered as part of the policy.

General considerations – There are a number of different coverages that an organization should consider. Specific types of insurance coverage are listed below. There are a number of general considerations to keep in mind when working with your agent to secure insurance for your organization. These include:

- Policies should have a common expiration date to ease administration
- Property Deductibles should be discussed in relation to the organization's financial capabilities but should range from \$1,000-\$10,000; Auto deductibles for comprehensive/collision range from \$250-\$1,000 typically.
- General Liability deductibles should be avoided unless there is an underwriting reason to take one. (larger nonprofits may use liability deductibles to save costs)
- Self-Insured Retentions (SIRs) are used in D&O, pollution, earthquake and specialty lines of insurance when deductibles are not available.
- Commercial packages which include property, liability, crime, auto, umbrella and other basic coverages are available for nonprofits.
- Identify what premium payment options are available at little or no cost

General Liability Policy – This type of coverage helps to protect the organization from allegations (or claims) of negligence by the organization, its employees, volunteers or representatives. This policy typically covers the following items:

- Bodily injury to any participants and persons
- Personal property damage
- Personal injury
- Advertising injury
- Sexual abuse or molestation on an occurrence basis
- Professional liability; if appropriate (ex: nurses, counselors, and social workers)

This policy may also include coverage for no-fault bodily injury medical payments. Medical payments usually will have a limit of \$1,000 - \$5,000 person. “Med Pay” does not require a finding of negligence and is a direct reimbursement for medical bills. It can avoid a larger claim down the road and is an important coverage for nonprofits to have.

General Liability limits should be at least \$1 million per occurrence with a \$2 million aggregate. It is preferable to have an “occurrence” form rather than a “claims-made”; however your agent will help you craft the right coverage in either case. If your liability coverage is on a claims-made basis, the “Retro Date” (date your first went on claims-made) needs to be carried forward each year.

Gaps in coverage can be avoided through good communication and vigilance by your insurance agent. Keep them in the loop when you are adding or eliminating programs, considering collaborations or new operations. Insurance agents are an important resource to protect the assets and image of your nonprofit.

If you want higher general liability limits, you will need to consider an umbrella or excess liability policy (see below).

Commercial Auto– This policy provides coverage for vehicles owned by your organization and can include coverage for non-owned vehicles such as those you lease, rent or hire. Coverage can include liability and physical damage resulting from auto accidents or vandalism. You should have a limit of at least \$1 million per occurrence with a combined single limit (CSL) for bodily injury and property damage. You may want to consider higher limits (via an umbrella or excess policy) if you own, rent or lease buses or passenger vans.

Property Insurance – This policy covers real and personal property owned by the organization. The following items should be considered when securing property coverage:

- Values should be based on replacement cost (consider construction and inflation costs)
- Blanket Limits for Buildings, Personal Property and Business Income
- Agreed Amount coverage so coinsurance is avoided at the time of loss
- Building Ordinance coverage should be evaluated for code upgrades, increased cost of construction and demolition requirements in your city should you building be damaged.
- Additional coverage is available for computer, phone and technology equipment
- Business Interruption values should be based on 18 to 24 month's of disruption and the amounts of any property loan or bond payments. Also consider the Extra Expense involved to continue your operations after your building is damaged. This can be insured.
- Review the need for flood insurance and purchase through a federal program if your property is located in a national flood zone
- Review the need and availability for geographic- specific or weather related coverage (earthquake, flood, windstorm)

Worker's Compensation Insurance –This is a mandatory coverage and covers your statutory obligations to injured workers imposed by the state. The policy covers job related injuries to full and part-time employees, and may also include staff volunteers. Deductibles are allowed in some states. Options such as "Retro or Dividend Plans", when available, can offer premium savings over traditional guaranteed cost plans. These plans are tied to your loss experience and require careful consideration.

Workers Compensation insurance can be purchased through private insurance companies, State Funds or Assigned Risk Pools-depending on your location.

Other Coverages:

There are a number of other types of insurance that may also be appropriate depending on the scope of program and size of the organization.

Umbrella or Excess Liability Policy –provides an organization with additional limits for a catastrophic liability loss. The umbrella or excess policy provides additional limits over the general, auto and employers' liability policies and follows the form of the underlying primary policies. Umbrellas also provide gap coverage if a hazard is not specifically named or excluded in an underlying policy. Excess Liability will cover only what is identified in the primary policies in the underlying limits.

Most nonprofits will have limits ranging from \$1 million to \$10 million, although higher limits are available depending on the size, location and exposures of your organization.

Directors' And Officers' Liability - Known as D&O, this policy protects your organization's directors, officers, employees and volunteers from allegations of breach of duty, errors and omissions, and other alleged management for "wrongful acts" that may cause harm. The policy limit is generally \$1 million; depending on the size of the organization. Defense costs can be inside or outside the policy limits; ask your agent about the cost and benefit of each so you can evaluate the best coverage.

Employment Practices Liability Insurance (EPLI) – this coverage is usually included as part of the organization's D & O coverage and protects your organization for employment related claims for wrongful termination, harassment, discrimination and more; these are the most common D & O claims for nonprofits. Deductibles or Self Insured Retentions are common for this line of coverage.

Publishers' Liability – This coverage is usually an option on the D&O policy and protects your organization for libel, defamation, copyright or trademark infringement when producing newsletters and other marketing materials.

Crime or Employee Dishonesty –protects your organization for employee dishonesty, theft and embezzlement by employees and, in some instances, volunteers.

Cyber Liability, Environmental, Builder's Risk, International Liability, Watercraft, Aviation, Attorneys Professional or Medical Malpractice are specialty lines of insurance that your nonprofit may need to consider. Your insurance agent will help you identify special coverages you need if you are operating programs involving these exposures.

This information is presented as general guidance for your nonprofit organization when securing insurance coverage. More information is available from your insurance agent and the [Nonprofit Risk Management Center](#).

More risk management resources can be found at the [Safe-Wise Consulting Online Resource Library](#).

Safe- Wise Consulting thanks and recognizes Joan Dove, CPCU, Area Executive Vice President of Arthur J. Gallagher Risk Management Services for her contribution to this bulletin.