



Commonly Asked Questions About Insurance for Nonprofits

What is insurance?

- ▶ Insurance is one way to protect your organization from financial loss. It is a way of transferring risk away from your organization. Although it doesn't remove the risk, it limits the financial impact of any insurable risk to the cost of your insurance premium and any deductibles or coinsurance.
- ▶ When we are talking about risk, we are talking about the potential for a loss to take place. Those insurable losses can include:
 - injuries (to your staff, volunteers, the clients you serve, or to the public)
 - damage to your property or the property of others
 - theft/fraud
 - monetary damages caused to others that you may be wholly or partially responsible for

Does my organization need insurance?

- ▶ The need to carry insurance varies widely, and depends on many factors about your business. It is important to work with a qualified insurance broker or agent to review your unique exposures, and determine what types of insurance you need to carry, as well as which might be a good idea to carry.
 - Workers' comp is commonly required by law to protect employees from injury, illness or death while on the job—but that requirement varies state to state—so you will need to check the laws in your state to see if that applies to your nonprofit.
 - Auto insurance is also required by law for any owned vehicles, but coverages differ greatly depending on which state. If your organization has a retirement plan, you may be required to carry as ERISA bond as well.
 - If your organization has a retirement plan, you may be required to carry an ERISA bond as well.
- ▶ There are no laws that require nonprofits to carry general liability, property or directors and officers coverage. However, funding sources and others that contract with a nonprofit routinely require insurance as a condition of engaging in an agreement.
- ▶ It is up to each nonprofit organization to determine what coverage is necessary, however, an insurance broker can help with this decision.

What kinds of things influence nonprofits to purchase insurance?

- ▶ Board members: It's not uncommon for prospective board members to request that a Directors and Officers policy be purchased before they will participate as a board member.
- ▶ Events: Some venues request that the nonprofit provide them with a certificate of insurance to use their space for an event.
- ▶ Vendors and funding sources: Typically, they require a minimum of general liability insurance before entering into an agreement.
- ▶ Prior experience with claims: Often nonprofits think that they won't be sued because of their good work. That is simply not the case. Nonprofit executives who have been the target of a claim or a lawsuit understand the value of having an insurance policy to depend on.

What is General Liability (GL) coverage?

- ▶ General Liability provides coverage for
 - Bodily Injury: (This coverage part applies to injury to others, not to you or your employees. An example of this would be if your nonprofit ran a thrift store and mopped-up a spill, but neglected to put the mop away, and a shopper fell over the mop and hurt themselves)
 - Property Damage: (This coverage part protects your nonprofit organization against claims from other people for damage that your nonprofit may cause. An example of this would be if your nonprofit or your employees was involved in a work-related project and damaged the property of the property owner who sued your organization to recover damages.
 - Personal Injury: (This coverage part provides coverage for your nonprofit organization if you or any of your nonprofits employees make derogatory comments in the course of your business operations about someone and they sue your nonprofit for defamation.)
- ▶ Your organization, your volunteers, your employees and your directors and officers should all be included as insureds under this policy.
- ▶ This coverage does not cover any damage for anything your nonprofit owns, or any injuries to your employees. You should contact your broker to insure these types of injuries or damages are covered elsewhere.

What is Directors and Officers (D&O) coverage?

Also known as “Board of Directors” coverage or “D&O” coverage.

- ▶ This policy should provide coverage for the organization and the directors and officers, employees and volunteers for damages and defense costs arising from claims alleging various “wrongful acts” A good example of a “wrongful act” would be if any of your directors, serving in a volunteer capacity on your board were to be sued for improper oversight of business operations or breach of an obligation of the officer or director. For nonprofits, this policy also typically includes coverage for employment practices liability such as allegations of harassment, discrimination and wrongful termination. Even when you feel your organization has done nothing wrong, a suit filed against you by a disgruntled former employee can be expensive to defend. An employment practices liability policy should pay for both the defense costs and any indemnity payment relative to these types of allegations. Make sure to ask whether there is a deductible, as that is the amount that your organization will be required to contribute!

What is Improper Sexual Conduct (ISC) coverage?

Also known as sexual/physical abuse/molestation coverage.

- ▶ This policy should provide coverage for the organization and the directors and officers, employees and volunteers for allegations of sexual or physical abuse against third parties (children in a school or daycare, vulnerable adults, etc.)
- ▶ This is important coverage for nonprofits if there is any opportunity for staff, management, board members or volunteers to be in unsupervised contact with clients or members of the public, particularly if they are working with any vulnerable populations such as children, the disabled or the elderly.
- ▶ Even if your organization did nothing wrong at all, Improper Sexual Conduct insurance should pay for the cost of defense and any indemnity payment relative to these types of allegations.

What is Social Service Professional (SSP) coverage?

Also known as Errors & Omissions (E&O) or Professional Liability coverage.

- ▶ This policy should provide coverage for the organization and the directors and officers, employees and volunteers for damages due to the vicarious liability (negligence and errors and omissions) arising out of the work or service provided by your organization. Under some policies, consultants may also be covered under this policy.

- ▶ For purposes of this coverage, the range of professionals covered can vary and it is important to disclose to the insurance company what type of professional services you provide and what the credentials are, if any, of those providing those services. Depending on the insurer, coverage for professionals such as nurses, daycare providers, counselors, veterinarians, and other certified professionals may be found under a professional liability policy. Anyone who is credential or licensed and provides professional services for your nonprofit may not be covered under a general liability policy
- ▶ Be sure to discuss with your broker what and who your policy covers

What is Business Auto coverage?

Also known as Commercial Auto Coverage, this includes coverage for Auto Liability and/or Auto Physical Damage for autos owned or leased by the organization.

- ▶ Depending on your state, you must have coverage for auto liability, no-fault, uninsured, under-insured, and/or auto physical damage coverage. Be sure to check with your broker to see what coverages are appropriate for your organization. Coverages and limit requirements vary from state to state.
- ▶ Auto liability provides coverage for bodily injury and property damage to others caused by autos owned or leased by the nonprofit. Property damage should not be confused with auto physical damage, which is described below.
- ▶ Auto physical damage provides coverage for damage to vehicles owned or leased by the nonprofit. If your employee hits a fire hydrant while driving a company vehicle, the insurance should cover the damage to the fire hydrant, but you will not have coverage for the damage to your owned auto unless you purchase auto physical damage coverage. You should also check to see what the deductible is for this policy.
- ▶ This policy should provide coverage for your organization when employees or volunteers are driving vehicles owned or leased by the nonprofit.

What is Non-Owned/Hired Auto Liability?

- ▶ This is liability insurance in excess of the owner or operator's personal auto policy for bodily injury and property damage caused by a vehicle you hire (including rented or borrowed vehicles) or by vehicles owned by others providing services on behalf of the nonprofit (including vehicles owned by your employees or volunteers).
- ▶ This is not protection for the individual driver. It is coverage for the organization should the organization be sued for damage caused by a hired vehicle or a vehicle owned by others using it on behalf of your nonprofit organization.

What is Property coverage?

- ▶ This provides coverage in case of loss of physical property that your nonprofit owns or leases, including its building and contents. Typical covered causes of loss are fire and windstorm.
- ▶ Inland Marine covers "mobile property" your nonprofit owns, for example, if your nonprofit is a traveling theater group, its costumes, props and sound equipment that are transported to other venues should be covered by an Inland Marine form.
- ▶ Crime coverage typically includes coverage for employee dishonesty, including forgery or alteration, computer fraud, funds transfer fraud, kidnap, ransom or extortion, money and securities, etc. For nonprofits, it is important that this coverage extends to wrongdoing by volunteers as well as employees.
- ▶ Equipment breakdown or failure coverage is important for organizations that rely on machinery in the course of their operations. A good example of this would be a food bank that relies on refrigeration to prevent food spoilage.

What is the primary role of an insurance broker?

Brokers, also referred to as independent agents, are licensed, independent insurance professionals.

- ▶ Insurance for nonprofits is a very specialized niche of the marketplace and brokers working with nonprofits must be able to assist nonprofits in understanding and evaluating these specialty coverages.
- ▶ An important role for a broker is to understand your nonprofit operations and to be able to advocate to insurance carriers on behalf of your organization.
- ▶ A key responsibility, but not the only responsibility of an insurance broker is to obtain quotes for insurance for your organization and help you determine appropriate amounts of coverage for your organization.

What else can a broker do for my nonprofit organization?

- ▶ Assist your organization with loss control and risk management.
- ▶ Review contracts and advise on insurance needs on a regular basis.
- ▶ Quickly report claims and potential claims to the appropriate insurance carrier.
- ▶ Notify insurance carriers of any changes to your operations that would impact the insurance coverage.
- ▶ Issue certificates of insurance.

What are some qualities my broker should have?

- ▶ Be knowledgeable about “commercial lines” insurance (insurance for corporations and organizations) and the insurance carriers that offer it.
- ▶ Be experienced with regard to the special risks facing nonprofits and the insurance products best suited to finance those risks.
- ▶ Be free from conflicts of interest. A broker should not use a history of donations, a promise of donation, or a friendship with a board member or board membership itself as enticement for the organization to hire them as their insurance broker.
- ▶ Be willing to take the time to learn about your agency’s operations and to provide thoughtful advice and counsel about the agency’s exposures and insurance needs.
- ▶ Be assertive in advocating your interests to insurance companies.
- ▶ Be knowledgeable about the free risk management services provided by various insurance carriers and willing and able to help you get the best use of them to keep your costs down.
- ▶ Be organized to meet deadlines and responsive to your requests.
- ▶ Be prompt in returning phone calls and emails.
- ▶ Be transparent about the commission paid to them from each insurance carrier.

Why do I need to work with through an insurance broker?

- ▶ Typically insurance companies offering coverage to nonprofits work through insurance brokers to provide their coverages. Even small nonprofits can have unique and complex operations.

How do insurance brokers get paid?

- ▶ Most brokers are paid a commission by the insurance carrier to service the accounts for their nonprofit clients throughout the year.
- ▶ Insurance carriers pay different amounts of commission and some offer bonuses through incentive programs.
- ▶ Though not common, some brokers charge a fee to service the insurance policy for your nonprofit organization in addition to receiving a commission.

Can I get a better deal by having two brokers get a quote from the same insurance carrier?

- ▶ One broker can provide you with quotes from multiple insurance carriers, but insurance companies typically do not provide quotes to different insurance brokers for the same nonprofit.
- ▶ Presented with the same information on the application for insurance, the price of insurance should not vary depending on which broker requested the quote.

Does it matter where my broker is located?

- ▶ For small nonprofits without the need to have regular onsite safety and risk management inspections, location shouldn't matter.
- ▶ More important than location is a broker who is knowledgeable about nonprofit insurance, has attention to detail, and who responds in a timely manner to emails and phone calls.
- ▶ Small nonprofits are often better served by small or mid-sized brokers. Very large brokers may not be as well-suited to provide the sort of service often required by small nonprofits.

What can I do to expedite getting a quote?

- ▶ The best thing you can do to assure you get a quote as quickly as possible is to fill out the application that your broker provides as thoroughly and clearly as possible.
- ▶ Small organizations can expect to receive a quote in 2 or 3 days, sometimes sooner.
- ▶ Larger, more complex organizations should allow at least two weeks to get a quote, although this often can be expedited if the application is complete and the broker makes a special request.

What are my payment options?

- ▶ Insurance carriers make different payment options available to allow for payment over the course of the annual policy term.
- ▶ It's always good to ask your broker to find out if the insurance carrier has premium financing options before you consider using a more expensive premium finance company.

We hope this Q&A has been helpful to you and your organization.

The Nonprofits Insurance Alliance is a group of 501(c)(3) nonprofit, tax-exempt cooperative insurers whose purpose is to serve 501(c)(3) tax-exempt nonprofit organizations by:

- ▶ providing a stable source of reasonably priced liability and property insurance tailored to the specialized needs of the nonprofit sector and
- ▶ to assist these organizations to develop and implement successful loss control and risk management programs

We love our mission of service to other hard-working nonprofits and we hope it shows!

For more information on insurance for your nonprofit, please visit our website at

insurancefornonprofits.org

To get a quote for insurance with us, either ask your insurance broker to get you a quote or [visit this page](#).

If you have additional questions, please contact Julie Bernhard at 800-359-6422, ext. 6037

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