INSURANCE POLICIES

Introduction

All voluntary organisations need to take out insurance. Whatever you do there is a risk and we live in a world where people and organisations are increasingly likely to take your charity to court. Terrible things do happen. Imagine a charity taking children to the seaside and one child being injured running across the road. It could be claimed that the charity failed to provide adequate supervision.

Many individuals can get free advice from Citizens Advice Bureaux and similar agencies. Firms of solicitors now advertise on television offering no win no fee so it may not cost an individual any money to take your organisation to court. Many firms take out legal insurance to meet the cost of suing other organisations. It is very easy for claims to be made against your organisations and if it is not insured the trustees may be personally liable and have to pay the damages out of their own pockets. Trustees do not personally benefit from being trustees so it is reasonable for a charity to take out all the insurances that are needed to protect them.

A charity with an income of £100,000 might be spending £800 a year on insurance.

A very small charity might have to spend £300 a year on insurance.

Compulsory insurances

Some insurances are compulsory. That means the law states you must have them.

Employer's liability

If you employ staff you must by law take out employer's liability insurance. This should cover liability for injury or disease sustained by your employees arising out of their employment. The cover must be for at least £2 million and the insurance certificate must be displayed on the employer's premises. Volunteers can sometimes be classified as employees so you should ensure that they are covered by the policy.

Motor insurance

If a voluntary organisation owns or hires a vehicle then a motor insurance policy must be held by the organisation. If the organisation's employees use their own vehicles on the organisation's business or activities then the employee must check with their insurer that business use for their employer is covered. The charity may pay an extra premium incurred by the employee; normally you would not have to charge PAYE tax on this benefit. The charity might insure the employee's vehicle under the employer's policy. Normally, some PAYE tax would be paid by the employee on this benefit. We suggest that you ask to see employee's motor insurance policies to check that business use for their employer is covered.

Some brokers can cover the risk to your employee and volunteers No Claims Discount. So if they have an accident whilst on the charities business and loose their discount they receive a payment from the insurance company.

Optional insurances

These are insurances which you are not required by law to have, but which you may think it wise to take out.

Public liability insurance

Nearly all charities need this. It covers personal injury, death and damage to property caused by the activities or negligence of its employees and volunteers. So if a member of the public or a client is injured as a result of your activities in most cases you will be covered. However, note that you may need product liability insurance if you are manufacturing or selling goods. You may need medical negligence insurance if you are undertaking activities such as getting people in and out of the bath (bathing schemes), or in and out of bed (respite care projects). Public liability insurance also covers death, injury and damage to property arising from ownership, occupation or management of premises.

Claims that could be covered by other types of policy such as motor insurance, employer's liability, professional negligence, or product liability, are excluded from cover in public liability policies

Liabilities established through contracts between the charity and other organisations or people are not covered

Personal accident

Covers accidents that could not be claimed for under public liability insurance, that is accidents that are not a result of the charity's negligence. This is often included in a bundle of other insurances.

Professional indemnity insurance

If your organisation provides advice, publishes advice in a newsletter, on a website, or runs training courses, then this policy should cover claims for loss arising from bad advice. More broadly it covers the risk that a supplier of services may not comply with its legal duties. So if a charity negligently performs its duties under a contract and incurs a liability to an injured party, then, professional indemnity insurance could cover the risk.

Medical negligence

If your staff or volunteers hold or administer any types of drugs for clients or people in their care then you should check to see if you need this type of insurance. If you lift people out of bed or into and out of baths this cover may be needed. The policy should pay if somebody is injured or becomes ill as a result of the actions of your volunteers or staff.

Product liability insurance

Consider this insurance only if your charity sells or manufacturers goods. The policy should cover liabilities arising from death, personal injury or damage to property caused by the products sold by the insured.

Legal expenses insurance

There are a range of insurances covering various types of legal costs. They include protection if you are sued and the costs of suing another organisations if you have a genuine claim or grievance against them. Normally you cannot make a claim in the first six months of this type of insurance.

Employment disputes insurance

This is a specialist type of legal expenses insurance. It covers costs relating to industrial tribunals and compensation awards made by tribunals. Compensation for some claims such as racial discrimination is unlimited. Claims can be made maliciously by disgruntled employees and if you do not have the resources to defend your charity they can be successful. Defending a claim without proper professional support can involve an enormous amount of work and totally distract the management of a charity from achieving its goals.

This type of insurance means you should have support from experienced professionals. It could reduce the risk of malicious claims because claimants may back off when they realise you are defended by an insurance company. The insurance company will require that you inform them immediately a problem arises and follow the advice of their staff exactly. You may feel that some of the management decision making of the charity has been shifted to the insurance company, but they should be picking up the bill if compensation eventually has to be paid. Typically you cannot make claims in the first six months because the insurance companies do not want to meet the cost of existing disputes. They are covering new disputes and grievances.

Libel and slander

If your staff, volunteers or trustees publish lies about individuals or other organisations and your charity is sued this insurance should pay out. It often includes slander so could be useful if someone is rude about the local council.

Fidelity bond insurance

Insures against employees stealing from the charity. If you have a significant bank balance or handle large amounts of cash then this policy is worth considering. There will be conditions relating to taking up references on staff and volunteers, changes may also need to be made to your financial procedures to make fraud more difficult.

There will be an emphasis on two people being involved in financial transactions so that activities like book-keeping and banking can be kept separate.

Buildings insurance

If a charity owns its buildings, it will need to arrange insurance to cover damage to its buildings from fire, storm or subsidence. If the charity leases the building then it is normal for the landlord to insure it. However, the charity will still want to insure the contents.

If insuring the building be sure that the sum insured is enough to cover rebuilding and fees like architects and surveyors.

If you are leasing the building and the landlord is responsible for the insurance check that the policy covers a reasonable period for loss of rent (for example 2 years) so you do not have to pay rent while the building cannot be occupied. Also check that the insurance is divided between the landlord and the tenant in accordance with their interests. So if the tenant carried out improvements and these are destroyed then tenant is reimbursed for the cost of the improvements out of the insurance. If the landlords policy does not cover this consider insuring the improvements separately.

Contents insurance

This covers loss or damage to contents including office equipment, computers, stock and employees belongings. The risks covered would include fire, explosion, flood and theft. Make sure that you meet any security conditions required by the insurer such as doors of a certain thickness, bars on ground floor windows or locks to a specific standard. If you fail to meet the insurers requirements, the insurer may refuse to pay if you make a claim.

You should consider whether to have contents insurance on a historic cost basis in which case the insurance company would pay what the items lost cost or whether to insure the replacement value in which case the insurance company will pay an amount which takes account of inflation.

Always keep receipts for insured items, and make sure that your accounts reflect what they actually cost before a possible adjustment for depreciation.

Computers

Covers loss of data and breakdown. Normally requires that a maintance contract is in place and duplicate records are kept at a separate location or in a fire resistant cabinet. Typically this would be an optional extension to an Office Contents or All Risks policy.

All risks

If some items like portable computers are removed from the office then you may want to insure them on an all risks basis. This will mean they are insured anywhere in the UK provided basic precautions are taken like not leaving them unattended in unlocked rooms or cars.

If employees or volunteers take equipment home you should check whether it is covered on their home insurance policy, (if they have one,) or if you need to inform the insurance company and get the policy extended to All Risks, or extended to include the charities equipment at the employees home address.

Money

Does you charity hold significant amounts of cash? Is the charity's money sometimes kept in a trustee's house?

Increased cost of working or business interruption

If there is a fire or other disaster your charity may need to rent temporary premises while the damaged premises are being repaired. The rent could be a lot higher than what the charity is paying today. There would be other costs like installing telephones, printing temporary letterheads, moving costs and possibly loss of income due to your stopping activities for a time. This policy will cover these types of cost and is sometime included as an optional extension to buildings or contents insurance. It tends to be relatively cheap, so is worth considering.

Travel insurance

For staff and volunteers travelling on the charity's business. Typically covers personnel accident, medical expenses, cancellation/curtailment, baggage and money, legal expenses, personal liability and personnel replacement.

Engineering insurance

Typically covers damage and breakdown to boilers, lifts and similar large pieces of equipment.

Trustee liability insurance

Where trustees act negligently, or in breach of their duties as trustees, it is possible for them to incur personal liability for wrongful action. Spending funds on objectives outside those specified in the constitution or specified by a funder could be deemed to be a wrongful action or breech of trust. If the trustees have acted with due diligence in a reasonably well managed charity then the risk of being held liable by a court is low. However it is not always possible to attend every trustee meeting and illness could keep a trustee away from the charities business for many months. This type of insurance can give peace of mind, particularly to trustees who own their own houses and are bringing up children, who would be affected by a significant payment of damages from the family's funds. The cover would include liabilities arising from negligence caused through well intentioned actions that might arise from poor judgement, inexperience, honest mistake or inefficient administration. It will not cover actions that trustees knew to be wrong or were reckless.

The charity must have the power included in its constitution to take out this type of insurance so you may need to put a resolution before an AGM to change the constitution.

Under insured

If a charity under insures the value of a building or contents the insurance company will only pay out a proportion of the loss and the charity will have to pay the balance. In some circumstances the insurance company may refuse to pay. So if you insure your office contents for £7,500 but it costs £10,000 to replace them after a fire they might only pay 75% of £7,500 which is £5,625 arguing that the risk was larger than you declared.

Bundles

Several brokers offer bundles of insurances for charities. Risks like libel may be included at no extra costs with public liability, employer's liability and office contents insurance if they are all brought together.

Exclusions

If there are exclusions in the policy - statements about what is not covered - you should consider them very carefully, in the context of how appropriate the insurance is for your situation. Be sure that the insurance you are buying is right for your organisation's unique situation. A different insurance company might not include specific exclusions so may be able to offering better value to your charity even if their price is slightly higher.

Retention

Some policies will expect the charity to pay for the first part of any claim. The amount might be in the region of £100 to £500.

Shop around

It is worth getting quotes from more than one broker or insurance company. Sometimes exclusions can save several hundred pounds. Organisations that employ solicitors or barristers typically pay more for professional indemnity insurance. So if you do not employ solicitors or barristers then pick a policy that excludes them from cover.

Review

Insurances bought from different companies or brokers can overlap. The needs of your charity are likely to change over time. It could save money and reduce risk if you review your insurances at least once a year.

Trading companies

If your charity has a connected trading company or subsidiary then the trading company will be an entity in its own right and will normally need its own insurances.

Funders

Some funders insist that you have certain insurances. Local authorities often require charities to take out public liability insurance. Check insurance requirements when you apply for funds and when you read the funding agreement.

Disclosure

You must disclose to the insurer all material facts of which you are aware. Inform the broker or insurance company of any events that are likely to affect the level of risk. This would include taking on more employees or volunteers, or a break in even if you do not claim for loss resulting from the break in.

Check list

Before taking out insurance consider the following:

- Is the insurance compulsory or required to meet the needs of funding agreements?
- Is the insurance necessary or prudent? Does the person recommending it understand the charity's activities or are they seeking to earn commission by selling insurance that you do not need?
- What risks are covered by the policy?
- What risks are excluded?
- Does the quotation cover everything?
- Does the quotation cover more than is needed?
- How much is the premium, do you have a second quotation from another broker?
- Has the proposal form been completed in full? (The doctrine of utmost good faith requires that the insured tells the insurer of all material facts that the insured is aware of).
- What are the conditions of the policy? For example, do door locks need to be of a specific standard?

Remember to:

- Renew the insurance on time. Put a reminder in your diary/planner
- Promptly advise insurers of any significant change in the risk
- Notify insurers of all claims under any insurance policies
- Review insurance once a year, typically in January if policies renew in April so you have enough time to get alternative quotations

Check for:

- Double or overlapping insurances
- Level of cover
- Risks covered
- Risks faced by the charity

Brokers

AON Limited, Capital House, 1 Houndwell Place, Southampton, Hampshire, SO14 1HU. 0845 7402003
www.aon.com/uk/en/default.jsp

Independent Advice Services, 12th Floor, New London Bridge House, 25 London Bridge Street, London SE1 9ST. 020 7407 4070
www.advicenow.org.uk

Keegan & Pennykid (Insurance Brokers) Ltd. 50 Queen Street, Edinburgh EH2 3NS. 0131 226 3811
www.Keegan-pennykid.com