

Guidance Notes

Insurance Policies

Do we need insurance?

All voluntary organisations need to take consider their insurance requirements. Whatever activities you do there is a risk and you should ensure that your organization is covered against the possibility of people and/or organisations taking your organization to court.

Many individuals can get free advice from solicitors and Citizens advice Bureau. Many solicitors now advertise on television offering representation on a “no win no fee” basis which may encourage some individuals to seek damages in court.

It is relatively 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, therefore it is essential to ensure that insurance cover to protect Trustees and organization are purchased.

What do I need? Think about the following subjects before discussing with your Insurance Broker.

Employer's liability

If you employ staff or work with volunteers 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.

Motor insurance

If a voluntary organisation owns or hires a vehicle then a motor insurance policy must be held by the organisation. You must ensure that the motor insurance policy covers all personnel who may drive the vehicle and also if carrying passengers that adequate insurance is taken out.

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.

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. Public liability insurance also covers death, injury and damage to property arising from ownership, occupation or management of premises.

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 other 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: check if this covered under Legal expenses 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.

Fidelity bond insurance

This 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, but organizations should check their lease carefully on this point. 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 landlord's 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. For computers and other fixed assets it is worthwhile keeping a fixed asset register which lists all details of equipment such as serial numbers purchase dates and model numbers

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.

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 breach 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.

Excesses

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 excesses 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

Where do I go for quotes? Insurance Brokers...

- ***Endsleigh (Insurance) Brokers Limited***

Hadley House, Shurdington Road, Cheltenham Glocs GL51 4UE.

Tel 01242 866800 - Fax 01242 86691 - www.endsleigh-charities.co.uk.

Endsleigh have worked with the Not for Profit sector for the past 30 years. They have one of the largest accounts in this market with clients ranging from large national organisation to hundreds of smaller and medium sized charities all the UK including volunteers working from home.

- NCVO Encompass Insurance Cover.

Web address www.ncvo-vol.org.uk

- [Keegan & Pennykid](#) (Insurance Brokers) Ltd.

50 Queen Street, Edinburgh EH2 3NS.

Telephone: 0800 731 8030, Fax 0800 731 8448

Launched by NCVO in conjunction with Keegan & Pennykidd Insurance Brokers and Royal & Sun Alliance, the Encompass policy delivers the following flexible benefits at competitive rates: Employers and Public Liability insurance and Professional indemnity cover. Volunteers insurance, Trustee Liability Insurance, Legal Expenses cover, Office insurance for contents and buildings, Charity shop insurance for stock, contents and buildings, project insurance. Advice on risk assessment, claims and valuations

- [AON Limited](#)

Capital House, 1 Houndwell Place, Southampton, Hampshire, SO14 1HU.

Tel: 0845 7402003.

AON offer both individual broking and the development of sector specific insurance packages. They supply insurance for a variety of situations, specializing in voluntary and charitable organization. They offer adaptable insurance packages to suit client need.

- MCIS Ltd

Church Court, Cox Street, St Paul's Square, Birmingham, B3 1RD

Tel: 0121 233 2722.

Specialises in the insurance needs of charities. They offer a wide range of services which includes liability, property and motor fleet insurance amongst others. They offer advice on trustees indemnity insurance as well as household insurance schemes with regard to raising income for charities. A significant percentage of profits is donated to charity.

- MIA General Insurance

Kings Court, London Road, Stevenage, Herts.

Tel 01438 739787.

The Embrace charities insurance policy covers a variety of needs in the voluntary sector. You can choose from 18 covers on a pick'n'mix basis and there is a premium rebate for a good claims record.

- Special Insurance Schemes Agency Ltd
PO Box 168 London SW20 8LE
Tel 020 8543 6166

Specialised insurance packages for charities including Charities Office insurance, Charity shop insurance and Charity Trustees professional indemnity insurance.

If you would like further help in considering what insurance you require please contact Tina Champion – Community Accountant on 020 8875 2845 or email comm.accountant@wvsda.org.uk.

More Guidance Notes can be found on our website, www.wvsda.org.uk.

The Wandsworth Voluntary Sector Development Agency (WVSDA) provides information, advice and training to assist voluntary and community groups with issues relating to setting up and managing effective organisations. Whilst every effort is taken to ensure the information, advice and support we offer is current, relevant and accurate, it does not constitute legal advice.