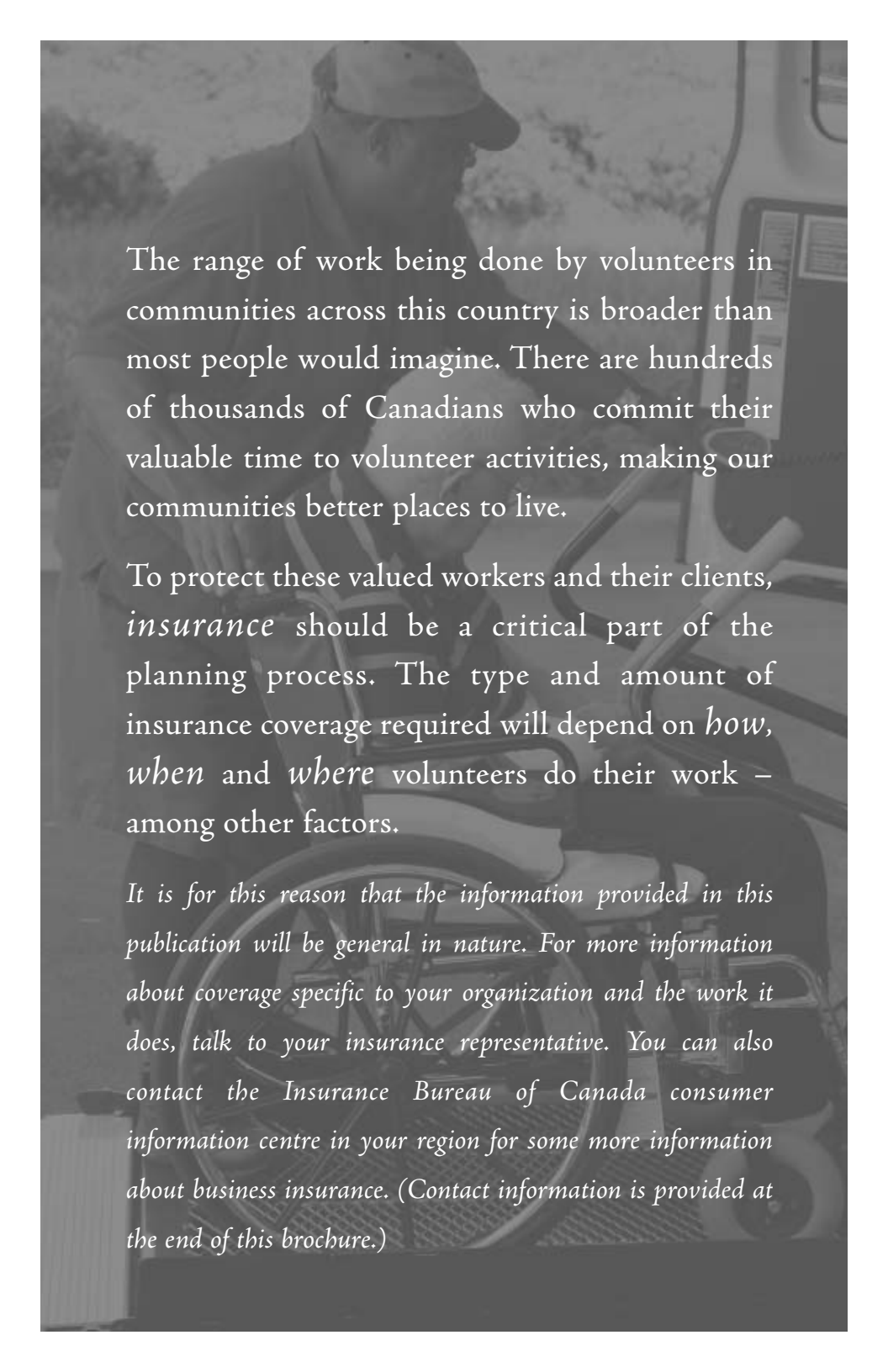


Insurance for
voluntary organizations:
Things to consider

INSURANCE
BUREAU
OF CANADA



BUREAU
D'ASSURANCE
DU CANADA



The range of work being done by volunteers in communities across this country is broader than most people would imagine. There are hundreds of thousands of Canadians who commit their valuable time to volunteer activities, making our communities better places to live.

To protect these valued workers and their clients, *insurance* should be a critical part of the planning process. The type and amount of insurance coverage required will depend on *how*, *when* and *where* volunteers do their work – among other factors.

It is for this reason that the information provided in this publication will be general in nature. For more information about coverage specific to your organization and the work it does, talk to your insurance representative. You can also contact the Insurance Bureau of Canada consumer information centre in your region for some more information about business insurance. (Contact information is provided at the end of this brochure.)

I've heard from my insurance representative that premiums are related to risk. What kinds of insurance risks does a voluntary organization pose?

Insurance is all about risk. It is about measuring and calculating the likelihood that an individual, organization or group of organizations will submit an insurance claim. The premium your organization is charged is based on a number of individual and external factors, including the current legal environment and an estimate of the number and cost of current and future claims. Past claims is only one of the many factors used to calculate premiums.

So, insurance companies look at the riskiness of the services provided by an organization. For example, an organization that transports disabled children to sporting activities will likely have higher premiums than one that offers telephone counselling.

Consider the potential situations that might lead your company to make an insurance claim. Do you have clients come to you? Do you go to clients? Do you have vehicles for your volunteers or do they use their own? Do you provide your service all year or do you just do special events, like fundraising?

Why is it called commercial insurance? My organization is a voluntary group and we're not making any money.

For-profit and voluntary organizations are indeed gathered under the same "commercial insurance" banner. They are grouped together because the same risks and coverages apply whether a company is insuring a for-profit or voluntary group. From an insurance perspective, the risks presented by these two groups are the same. Let's look at a daycare centre as an example. A for-profit daycare centre and not-for-profit centre both use staff to take care of the children (whether paid employees or volunteers), both daycare centres could possibly be transporting children, both centres could be having the children playing on playground equipment – all present similar insurance risks.

What types of protection can my organization purchase?

There are many, many types of insurance coverage available. The type and amount of insurance coverage you purchase will depend entirely on the type of service your organization provides. Some examples of types of coverage you may need are listed below.

Commercial general liability insurance (otherwise known as CGL) is the most basic form of commercial insurance. If an organization has only one type of insurance, it is most likely commercial general liability. CGL policies cover claims in a number of basic categories of business liability:

- **Bodily injury**
(e.g., a client or visitor is injured as a result of the work of your organization)
- **Property damage**
- **Personal injury (including slander or libel)**
- **Advertising injury**
- **Tenant's legal liability**
- **Non-owned automobile insurance**
(e.g., volunteers using their own cars for the organization's business)

In addition to covering the claims listed above, commercial general liability policies also cover the cost of defending or settling claims – even if the claims are fraudulent.

Directors' and officers' insurance, or D&O, provides coverage for boards of directors against “wrongful acts,” which might include actual or alleged errors, omissions, misleading statements, and neglect or breach of duty on the part of a board of directors.

Errors and omissions insurance (sometimes called E&O, professional liability insurance or malpractice insurance) provides protection for those who give advice, make educated recommendations, design solutions or represent the needs of others. People who may benefit from this type of coverage include teachers, financial planners, consultants and placement services workers. It can be important coverage for anyone who deals with clients who could claim that something done on their behalf was done incorrectly, and that this error cost them money or caused them harm in some way.

Commercial auto insurance is required if your organization or its volunteers operate a car as part of your organization's activities. It will protect your organization in the event of accident, theft, injury and other damages involving your organization's vehicles. It will also protect your employees while they are driving insured company vehicles. There are a variety of coverages available for your organization's cars. Your coverage will depend on how you use the cars.

What can I do to reduce the cost of my organization's premiums?

One of the first questions you can ask your insurance representative is whether he or she represents a company or companies that have identified the voluntary sector as an area of coverage. There are a number of insurers who include the voluntary sector in their targeted area of business.

Another step you can take is to shop around for a quote that meets your needs for price and coverage. If you are not satisfied, ask your insurance representative to check with other companies. If he or she represents only one company, check with another insurance representative.

You should also look at how your organization manages risk and consider revising, updating and/or codifying your risk management policies and procedures in a risk management plan. A risk management plan includes strategies and techniques for recognizing and confronting threats. Good risk management doesn't have to be expensive or time-consuming; it may be as uncomplicated as answering these three questions:

1. What can go wrong?

(For example: If you own a building, you run the risk of having a fire.

If you employ paid staff or volunteers, there is the risk that they may be injured or that they might steal from you.)

2. What will we do, both to prevent harm from occurring and in response to harm or loss?

3. If something happens, how will we pay for it?

For organizations that put volunteers in a position of trust or ask volunteers to work with more vulnerable clients (e.g., children, the disabled, seniors), it is good practice to request a police record check. Even if volunteers are in short supply, a letter of good conduct from the police is a standard practice and should not deter people from volunteering.

You can also ensure that your facilities are as safe as possible. An organization can be legally liable for damages or injuries if it has not taken all reasonable precautions to prevent them. Make sure that your organization takes these precautions, such as regular inspections and maintenance, and carefully documents them.

Be “best in class”

To get the best possible rate and coverage for your organization’s needs, you must make your organization stand out. You must present your organization as the best possible client for an insurance company. In insurance terms, you want to be “best in class.” You can achieve “best in class” status by taking an active role in the insurance buying process and implementing the strategies below.

- **Cultivate** a relationship with your insurance representative. The more he or she knows about your operation, the better prepared he or she will be to present your organization to insurers.
- **Prepare** any supporting materials that can accompany your application before meeting with your representative.
- **Ensure** that your application is well organized, referenced and labelled for easy review before submitting it to your representative. Include all information about your risk management policies and procedures.
- **Ensure** that all information requested by your insurance representative is included in your application.
- **Include** any documentation that clearly describes your operation in your application. Make sure you provide an executive summary that describes your organization and why it is “best in class.”

Finally, always review your organization’s application one last time before your insurance representative submits it to the insurance company. Make sure the application accurately reflects your organization, its operations, its needs and the requested coverage.

My insurance representative says that there is absolutely no company that is willing to insure my association.

What can I do now?

Sometimes the type of work that your organization does is considered so risky that insurers will be too reluctant to take on your business. This does not usually mean that NO insurer will be willing to provide insurance. It means you’ll have to work a little harder to find an insurer to cover you.

Many insurance companies have identified the voluntary sector as a priority area of business and have developed special products to serve the unique needs of volunteer groups. There are a number of on-line databases that collect and distribute the names of insurance representatives who specialize in different types of commercial insurance. You can find links to these databases at

http://www.abc.ca/en/Need_More_Info/Glossary/A.asp.

You can also check with other organizations that offer services similar to yours, to see how they are insured. If your organizations present similar risks by offering the same or similar services, the other organizations' insurer may be in a position to offer the kind and amount of coverage you require.

Definitions

The language of insurance can be quite complex and confusing. Here are just a few commonly used business insurance terms and their meanings. Insurance professionals with whom you may come in contact should be prepared to explain these terms. If you don't understand, ask!

Advertising injury – In the course of advertising goods, products or services, there is a claim of libel or slander, violation of a right to privacy, infringement of copyright or trademark.

Deductible – The portion of the loss covered by insurance that the policyholder must pay himself or herself; the amount appears on the policy. If a policy has a \$1,000 deductible, the policyholder would pay the first \$1,000 of the claim and the insurance company would pay the balance up to the policy limits. Any loss that costs less than \$1,000 would be the policyholder's own responsibility.

Exclusion – All policies have exclusions that detail the items that are not covered and the risks that are not insured. For some excluded items, it is possible to buy a separate endorsement that provides coverage. However, there are some risks that are never covered, such as mould and terrorism.

Negligence – To fail to do what a reasonable and prudent person would do (or to do what a reasonable and prudent person would not do); this inaction – or action – can result in an injury, property loss or death.

Vicarious liability – An organization is liable for the negligent actions of its employees and/or volunteers. For example, if the organization assigns a supervisor to look after people using sports or recreational equipment and the supervisor's negligence results in someone getting hurt, the organization may be held responsible.

In the long term...

The insurance industry, along with voluntary sector stakeholders, is working toward insurance solutions for non-profit and charitable organizations.

There are several resources available for voluntary organizations looking for insurance.

Many organizations are working to provide you with the tools you need to help you make informed insurance choices. More information can be found at:

http://www.abc.ca/en/Business_Insurance/Risk_Management/

http://www.volunteeralberta.ab.ca/resources_and_links/insurance_toolkit.asp

<http://strategis.ic.gc.ca/epic/site/cilp-pdci.nsf/en/ci00689e.html>

<http://www.volunteer.ca/volcan/eng/content/screening/training.php?display=4,0>

Regional Consumer Information Centres

Head Office/Ontario

777 Bay Street, Suite 2400
P.O. Box 121
Toronto, Ontario M5G 2C8
416-362-9528
800-387-2880

Quebec

800, Place-Victoria, bureau 2410
C.P. 336, Tour de la Bourse
Montréal, Québec H4Z 0A2
514-288-4321
877-288-4321

British Columbia/Yukon

510 Burrard Street, Suite 1010
Vancouver, British Columbia V6C 3A8
604-684-3635
877-772-3777

Atlantic Provinces

1969 Upper Water Street, Suite 1706
Halifax, Nova Scotia B3J 3R7
902-429-2730
800-565-7189

Prairie Provinces/NWT/Nunavut

10722-103 Avenue, Suite 401
Edmonton, AB T5J 2G6
780-423-2212
800-377-6378

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