



Insurance and Risk Management “101”



Community Guard

INSURANCE AND RISK SOLUTIONS FOR CANADIAN NONPROFITS



Insurance 101

Ασφάλεια - It's all Greek to me!

Insurance Defined: It is a pool of money to pay the claims of the few through the dollars of many

Insurance allows you to add your organization's risks to all those that buy insurance



Why Do This?

When people understand their risks and take action to manage those risks, they:

- ▶ Reduce their risks
- ▶ Which reduces claims from happening
- ▶ Reduces the number and cost of claims

Why Do This?

The results:

- ▶ They become better risks for insurers because they are managing their risks
- ▶ Insurance is more available, accessible and affordable
- ▶ Premium costs stabilize





What is Liability?

Our laws make every person/organization liable for acts or omissions that causes:

- ↳ Damage to others property and/or
- ↳ Injury to persons

We have legal obligations to:

- ▶ Be aware of the losses we cause



What is Liability?

- ▶ Those who undertake an enterprise are required to take all reasonable means to reduce risk of loss by others
- ▶ Require us to compensate those who suffer as a result or consequence of our activities



What is Liability?

The defense:

- ▶ We must demonstrate an ability and attempt to manage risks
- ▶ Its called: Due diligence

The Greatest Risk of All: **DO NOTHING**



Liability Basics

Negligence

- The failure to act as a reasonable person would given the circumstances
- Doing something a reasonable and prudent person would not do under the circumstances

Liability Basics

Direct vs. Vicarious Liability

- ▶ A non-profit is liable for its own actions (direct liability)
- ▶ Responsible for the actions of an employee/volunteer acting within the scope of their duties for the organization (vicarious or indirect liability)





Our Duty of Care

Four part test to determine negligence:

- ▶ Was there a duty of care owed?
- ▶ Was the duty of care breached?
- ▶ Was damage or harm suffered as a result?
- ▶ How did the breach contribute to the harm?



What Insurance Do You Need?

- ▶ Commercial General Liability
 - ↳ Non-Owned Auto Liability
 - ↳ Sexual Misconduct Liability
- ▶ Commercial Property Insurance
- ▶ Directors & Officers Liability
- ▶ Crime
- ▶ Owned Auto Liability (Fleet Auto)
- ▶ Umbrella Liability
- ▶ Blanket Insurance
- ▶ Errors & Omissions Liability

Commercial General Liability (CGL)

Provides protection against:

- Bodily Injury
- Property Damage
- Personal Injury
- **suffered by third parties** as a result of the organization's **negligence**
- Includes the costs of defending the organization against claims

Non-Owned Auto Liability

Provides protection when:

- Non-owned autos are used to carry out activities of the organization
- This coverage is excess of the vehicle owner's policy - responds after that policy has been exhausted

Limited Abuse Coverage

Coverage for the organization only

- result of staff/volunteers committing physical, mental, sexual abuse or harassment
- The organization must take all reasonable steps to guard against those activities for the coverage to respond
 - Risk Management

Limited Abuse Coverage

- There is no coverage for the individual who committed or allegedly committed the act.
- This coverage is mainly used for organizations that deal with children. i.e. daycares, camps and churches
- Main use: pays defence costs

Sexual Misconduct Liability

Coverage for claims made against the organization for **sexual abuse**, as result of a volunteer, member or staff actions.

- Coverage provided for the individual, alleged to have committed the act. If proven guilty, no coverage is provided.
- Proactive risk management required

Commercial Property Insurance

Provides protection for:

- Buildings
- Contents
- Equipment
- Stock

Arising from perils such as fire, wind and theft.

Coverage Against Crime

Provides protection against Loss of Money by:

- Robbery
- Fraudulent or dishonest acts of employees and signing officers acting alone or together

Does not cover loss of monies due to mysterious disappearance.

Director's & Officer's Liability

Provides protection for:

- Allegations or claims made by third parties for financial loss resulting from the Board's and/or management's decisions

Common claims example: wrongful dismissal of an employee.

Errors & Omissions Liability (E&O)

Provides protection for:

- Claims made by third parties for financial loss as a result of professional service provided

Umbrella Liability

Provides additional limits of liability insurance:

- In addition to Primary insurance: Auto & CGL
- Example:
 - \$1M Auto + \$2M Umbrella = \$3,000,000 Total Limit
 - The limit (\$1M) Primary insurance used up first, then umbrella (\$2M) responds
 - Good way to buy additional liability insurance

Blanket Accident Insurance

Provides protection for:

- Volunteers, registered clients and employees

This coverage allows for a modest payout to be made quickly based on the extent of the injury.

***A determination of fault is not required.

Automobiles

Provides protection for Automobiles:

- Owned by or registered in the name of your organization

This type of policy provides for Third Party Liability, Accident Benefits, Collision and Comprehensive coverage.

Products Available



Sexual Misconduct Liability

Blanket Accident Insurance

Commercial General Liability and Commercial Property (if applicable) And Crime (if applicable) and Non-Owned auto (if applicable)

Owned Auto

Non-Profit Directors and Officers Liability

Errors and Omissions Liability

Umbrella Liability

Risk Management 101

Risk Management Defined:

The process of recognizing, assessing and controlling risks or hazards

→ includes insurance

Organizations need to understand and manage their risks – due diligence issue



Principles of Risk Management

Identify, assess and acknowledge your risks

- Understand what can go wrong?

Evaluate, then prioritize your risks

- Frequency and severity – how often could they happen, how much will it cost?
- Which ones need to be treated? (transfer, insure)

Principles of Risk Management

Decide how to Manage your risks

- What can/should you do?
- Examine your options: Avoid, Modify, Retain, or Transfer/Share the risk

Implement your Risk Management Plan,
review and revise on regular basis

What needs to be examined?

- Use of your premises/property
- Your activities and operations through the actions of others – managers, employees, volunteers, board members
- Your Policies and Procedures, training methods, supervision and screening



Your Risk Management & Community Guard

Those practices highlighted in **red**:

→ Coverage is not available without the specified risk management practice(s) in place

▶ Other risk management recommended:

→ When implemented could result in lower premium

→ More importantly, they help avoid injuries, losses or claims

Liability Risk Management

Slip and Fall is your #1 Exposure

- Identify the hazards, whether or not you own the building
 - Entrance ways and aisles, washrooms
 - Parking Lots, walkways, or patios
 - Stairs, ramps or areas of unexpected elevation changes

Liability Risk Management

Hazardous conditions that contribute to slip and falls

- Snow and Ice, Slippery surfaces due to water
- Uneven surfaces, Inadequate lighting
- Poor Maintenance, Poor Housekeeping

Liability Risk Management

Loss Prevention Programs

Prepare a plan

- Write it down
- Communicate the plan to all stakeholders
- Train and task key employees with responsibility for Risk Management Plans

Inspections

- Do regular inspections
- Create an Inspection Check List

Liability Risk Management

Training

- Train to identify exposures, what do to when something happens, especially when someone is injured

Keep Records of:

- Written guidelines and procedures
- Inspection and Maintenance Logs
- Incident or Investigation Reports

Liability Risk Management

Do you serve any liquor at any events?

- Who is responsible for service, license, etc.

Do you keep maintenance logs?

Do you keep incident reports?

- Valuable management tool – fix what is needed, also excellent memory jog if incident becomes problem

Liability Risk Management

If you care for children or vulnerable clients, do you have and train personnel on safe handling procedures for those you provide care?

Do you use best practices with regard to the safety of your organization's activities?

Liability Risk Management

Do you provide facilities or participate in extreme sporting activities such as:

- **para-sailing**
- **heli- skiing, etc.?**

Property Risk Management

Do you have a fire alarms and/or fire suppression (sprinkler) system? Are they regularly maintained?

Do you have a security system? Is it checked and monitored regularly?

If you hire someone to do work on your premises, do you check if they have the proper qualifications and liability insurance?

Crime Risk Management

Do you have cash handling policies and procedures?

Are two signatures required on your cheques?

Do you require police checks for those with signing authority?

Crime – Risk Management

Does your organization have a credit card?
Is there a policy set out for its proper use.

Do you have policies for the approval of
financial expenditures?

Do you conduct annual financial audits or
reviews?

Vehicle/Driver Risk Management

Do you check annually to ensure that your drivers have a valid licence?

Do you require Motor Vehicle Record checks from your drivers annually?

Do you have written applications from drivers of your owned vehicles?

Vehicle/Driver Risk Management

Do you have any vehicle safety programs?

Do you have written Vehicle Maintenance Programs for your owned vehicles?

Do you use a Vehicle Inspection Form?

Directors & Officers Risk Mgmt

Do you have a formalized employee policies and procedures, such as an employee handbook?

Do you have formalized staff policies and procedures including a hiring and firing checklist?

Do you require annual disclosure statements from each director/officer

Directors & Officers Risk Mgmt

Do you keep minutes of your meetings?

Do you review the financial statements of your organization at least monthly?

Do you require annual financial audits?

Errors & Omissions Risks

Are your service providers licensed or certified to provide professional services?

Do the service providers carry their own Professional Liability Insurance?

Do you request a Certificate of Insurance to verify?

Sexual Misconduct Risk Mgmt.

Key areas

- Carefully select employees and volunteers
- Establish written policies and procedures
- Communicate policies and procedures to all staff and volunteers
- Train and supervise staff and volunteers
 - monitor compliance with the organization's policies
- Report suspected abuse to the proper authorities

Improper Sexual Conduct Risk Management

Do you have a formalized volunteer recruitment process?

- Written application for your volunteers
- Conduct face to face interviews
- Reference checks on your volunteers

Have you outlined your expectations of volunteers in position descriptions?

Improper Sexual Conduct Risk Management

Do you require Police Record Checks on your volunteers?

Do you conduct orientation and training for your staff and volunteers?

Do you have a written “change room” policy requiring the presence of 2 or more adults? “Two deep leadership”

Do you have written policies against abuse?

What makes sense in your Organization?

Look at what you do now, what more should you do?

Who do you need involved in your plan?

What tools do you need?



Concerns?

Questions?

Opportunities?

How can we help You?