

DO YOU HAVE THE “RIGHT STUFF”?

Building Blocks of a Nonprofit Insurance Program



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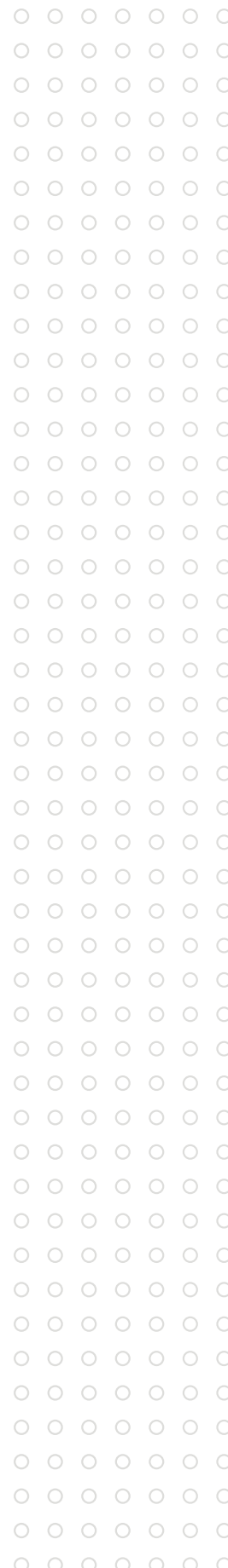
Nonprofit organizations ranging from start-ups to household-name global organizations regularly solicit our advice to bulletproof their asset protection. For established organizations, our work often revolves around tweaking existing insurance policies to close gaps or achieve more efficient commercial risk transfer, while for fledgling entities, we're building from ground-up. Either way, we strive to deliver mission-critical protection while conserving financial resources for mission.

No two organizations are quite alike, but many share the same core insurance needs. This primer outlines the most common types of nonprofit insurance protection we recommend, with the caveats that requirements naturally vary by operational risk profile and that virtually every product must be tailored to the buyer's unique needs.

Remember that an insurance policy is a legal contract conveying specific rights and obligations, and that no two products are identical. Read the fine print of your insurance policies or work with an advisor who does and can 'translate' them for you. The contract language will ultimately govern adjudication of every claim – and no one likes surprises.

Type of Insurance	Purpose	Claim Example
Property	Insures against direct physical loss or damage to tangible property and ensuing extra expenses or loss of income.	A fire damages a nonprofit's office and contents, destroying furniture, fixtures, computers and important records. The organization incurs additional expenses to rent and equip temporary office space for several months while its own quarters are repaired.
Fine Arts	Insures against direct physical loss or damage to objects of art, including paintings, drawings, tapestries, statuary, stained glass, precious gems and metals, ornamental ironwork, musical instruments, rare books and manuscripts, and other articles of artistic merit or historical significance.	Steam emissions from an underground utility damage a church organ's blower mechanism in the basement, further damaging the instrument's leather and wood parts.
Commercial General Liability	Insures against civil liability for bodily injury, property damage, and personal/advertising injury liability arising from premises, operations and products.	An exhibit collapses at a nonprofit fundraiser, sending several patrons to the emergency room. They claim the exhibit was negligently erected by the organization's volunteers.

Type of Insurance	Purpose	Claim Example
Sexual Misconduct Liability	Insures against civil liability for bodily and/or personal injury arising from sexual abuse, molestation or exploitation.	A participant in a museum's children's education program claims a custodian accosted and touched him inappropriately while using the lavatory.
Professional Liability	Insures against civil liability for acts, errors or omissions in the rendering of, or failure to render professional services (e.g., healthcare, counseling, consulting, legal, etc.).	The family of a developmentally disabled woman claims that the nonprofit residential facility responsible for her care failed to recognize and arrange treatment for a serious illness.
Automobile Liability	Insures against civil liability for bodily injury and property damage arising from the ownership, operation or use of owned, leased, rented or borrowed/personal motor vehicles.	A nonprofit organization's executive director hits a pedestrian while driving her own car for agency business. The victim's family sues the executive director and the entity for damages.
Workers' Compensation & Employer's Liability	Provides state-mandated wage loss, medical and other benefits associated with workplace injuries, and insures against civil liability under common law.	A nonprofit's long-time receptionist claims that she suffers from carpal tunnel syndrome induced by years of repetitive motion while keyboarding at her computer.
International Package	Insures against: <ul style="list-style-type: none"> • Overseas occupational injury (Foreign Employer's Responsibility). • Civil liability in foreign jurisdictions for bodily injury, property damage and personal/advertising injury arising from premises, operations or products (Foreign Commercial General Liability). • Civil liability in foreign jurisdictions for bodily injury and property damage arising from the ownership, operation or use of owned, leased, rented or borrowed/personal motor vehicles (Foreign Automobile Liability). 	<p>An NGO's grants auditor stumbles while alighting from a taxi in a developing nation, breaking his leg badly and requiring medical evacuation to appropriate medical facilities elsewhere on the continent.</p> <p>A traveling board member draws a bath in her hotel room before joining an international conference call, forgetting that the water is running. The tub overflows, causing damage to her hotel room and the one below.</p> <p>An overseas missionary driving a local friend's borrowed car strikes a child who suddenly darts into her path, killing him instantly. Local police jail the driver and the family seeks financial compensation.</p>
	May also insure against direct physical loss or damage to property abroad, including ensuing extra expenses and loss of earnings (Foreign Property).	



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Umbrella/Excess Liability	Insures against catastrophic civil liability beyond the limits of specifically-designated primary liability policies.	A van driver transporting his nonprofit agency's handicapped clients skids on a wet road, crossing the median and triggering a multi-vehicle, head-on collision with several fatalities and catastrophic injuries. The primary auto policy limit is only \$1 million, but the resulting claims could be as much as \$3.5 million.
Management Liability	Insures against civil liability arising from acts, errors or omissions of the organization, its leaders, employees and volunteers, including employment-related offenses and wrongful acts as fiduciaries of group health and welfare plans.	A regulatory agency launches an investigative action of a nonprofit organization based upon alleged financial irregularities reported by several former employees.
Commercial Crime	Insures against loss of assets through criminal acts, including employee dishonesty, computer/funds transfer fraud, depositor's forgery and alteration, counterfeit money orders and paper currency, and loss of money and securities inside/outside the premises.	An internal audit uncovers an embezzlement scheme through which a nonprofit's bookkeeper siphoned off over \$500,000 of the organization's assets for her personal gain over a 12-year period.
Multimedia Liability	Insures against civil liability for personal injury and intellectual property infringement arising from oral, printed, broadcast, electronic, and internet content, including social media.	A photographer claims that a nonprofit advocacy group used his work on its global website without attribution, permission, or compensation, and he seeks monetary damages and injunctive relief.
Network Security & Privacy Liability	Insures against loss or damage to IT networks/digital assets, including ensuing extra expenses and loss of income; civil liability for damage to others' networks/digital assets and for unauthorized release of private information; and breach response costs, including regulatory fines and penalties.	A nonprofit fundraising executive inadvertently leaves his company laptop in an airport shuttle bus while rushing for a flight. The hard drive contains personally identifiable information for thousands of donors. The organization's general counsel is later advised that the event constitutes a data breach, and the nonprofit incurs substantial expenses to engage privacy counsel, conduct forensic investigations, notify potentially affected parties, provide credit monitoring, and engage public relations consultants.

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Environmental Liability	Insures against civil liability for bodily injury or property damage arising from pollution, mold or bacteria, including remedial costs.	Residents of a home for the developmentally disabled become ill from unknown conditions that are later determined to have arisen from toxic mold in the aging building.
Kidnap Ransom & Extortion	Insures against kidnap, extortion, hijack, and detention, among other security risks.	An expatriate NGO manager is abducted by revolutionaries during civil unrest in a developing nation and detained as a political statement.
Political Risk	Insures against confiscation, expropriation, or nationalization of assets by foreign governments, political violence, currency inconvertibility, and revocation of licensure.	After a sudden shift in country leadership, a foreign nation revokes the operating licenses of all foreign NGOs, expelling their personnel and seizing their local bank accounts.
Business Travel Accident & Sickness	Insures against accidental death and dismemberment and emergency medical expenses, including medical evacuation/repatriation, during business travel. May be broadened to include pleasure travel.	Several board members traveling together to a quarterly meeting perish when their airliner crashes on takeoff.

SOME FINAL ADVICE

Commercial insurance is simply a risk financing tool to pay for bad things that happen. It should complement other risk management techniques including risk avoidance and reduction (through corporate safety programs, human resource policies, and similar initiatives), risk transfer (through contracts), and risk retention (through deductibles and self-insured retentions.) Protect your organization against catastrophic events that could threaten its viability--but avoid trading dollars with insurers by selecting affordable deductible/retention levels that effectively screen out nuisance-value claims.

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