



Liability Insurance 101

What coverage does your organization need?

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Umbrella, EPL, D & O...do those terms sound vaguely familiar and put you into a panic? Here is an overview of the types of liability insurance coverages available to nonprofits:

Commercial General Liability (CGL)

This is typically the “core” coverage for a nonprofit. Most commercial general liability insurance provides coverage for a wide range of acts or offenses which result in bodily injury, personal injury, advertising injury or property damage to a third party. The common occurrence covered by this policy is “slip and fall”. Be sure this coverage is provided on an “occurrence” policy, not a “claims made” policy.

Social Service Professional Liability

This coverage is often provided as an endorsement to the commercial general liability policy. It typically provides coverage for errors or omissions as a result of described activities. While it may, depending on the policy, cover counseling, nurse practitioners and the dispensing of medications, it is not true malpractice liability coverage. This policy is typically not sufficient for organizations with medical malpractice or other professional liability exposure.

Employee Benefits Liability (EBL)

This coverage is usually purchased as an endorsement to the commercial general liability policy. It is intended to cover specific damages from your organization's negligent handling of the administration of your employee benefits program.

Non-owned/Hired Auto Liability

If your employees or volunteers use their own vehicles on company business, this coverage is highly recommended. The purpose of this policy is to provide coverage excess of an employee's or volunteer's personal auto insurance. If an employee or volunteer is involved in a collision on company business and the limits of his or her personal auto insurance policy are exhausted, this coverage may be engaged.

Business Auto Liability

Necessary for company-owned or leased vehicles. Business auto coverage may include liability only or may also cover physical damage. The liability portion covers damage to other vehicles or property and injury to others for accidents for which you are at fault. Auto physical damage covers repair of vehicles you own. Uninsured motorist coverage may be purchased with a business auto policy and it provides specified coverage for accidents involving uninsured or underinsured motorists.

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Student/Volunteer/Participant Accident Insurance

Accident insurance provides a limited amount of coverage for injury to a student/volunteer/participant (depending on the specific coverage) on a no-fault basis. Under commercial general liability, it is typically necessary to establish fault before a payment is made. Accident insurance typically pays regardless of fault, and may engage prior to an individual's health insurance or in excess of it, depending on the particular policy.

Improper Sexual Conduct Liability

Buyers of this type of coverage should be particularly careful to understand what they are getting and not getting with this coverage. Frequently, insurers claim to offer this free "silent" coverage with the commercial general liability, because they do not specifically exclude improper sexual conduct. Buyer beware. Unless this coverage is purchased as a separate policy specifically providing coverage for improper sexual conduct, you likely will not have any coverage for your employees or volunteers. With the silent coverage, employees or volunteers who may be unfairly accused may receive no coverage at all.

Director and Officers Liability (D & O)

Directors and officers liability coverage is intended to cover damages resulting from the wrongful acts of the directors and officers of your nonprofit. Directors and officers liability coverage extends to damages which are not covered under the commercial general liability policy. Among the items a good directors and officers policy should include is broad coverage for all types of employment related actions, including allegations of wrongful termination, harassment, discrimination and failure to hire. It should also pay defense costs as they are incurred, not on a reimbursement basis.

Property

Property coverage is purchased to protect the physical assets you own or lease such as buildings, office equipment, furniture, fixtures, etc. There may be special types of coverage which need to be purchased for property in transit, mobile equipment, fine arts, etc. When considering this coverage, it is important to have a thorough inventory of all physical assets, then make sure that the property is accurately valued and that adequate coverage limits are purchased.

Employee Dishonesty

Employee dishonesty coverage is intended to provide a source for recovery of funds embezzled by employees or volunteers. This coverage may sometimes be purchased with the property coverage or may be purchased separately as a fidelity bond.

Umbrella Liability

True to its name, umbrella coverage typically provides higher liability limits for a variety of coverages as well as potentially providing coverage for damages which may not be covered by the primary coverages. For example, one umbrella policy may increase the limits of coverage on a commercial general liability policy, a business auto policy, and a directors and officers policy simultaneously. This policy engages when the limits of another policy have been exhausted.

For more information on all types of insurance to cover your nonprofit organization, please contact Flory Alvarado (flory@caninsurance.com) at (800) 901-0103.

The information provided is summary only, as policies and coverages differ from carrier to carrier. We recommend you obtain additional advice from our insurance brokers to obtain a clear understanding of insurance policies and the extent of coverage available. ■