



This article presents general guidelines for Ohio nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

Insurance 101 for Nonprofits

Kevin Duke, Great American Insurance Group

Navigating the insurance-buying process can be a complex and challenging task for any nonprofit leader. However, in the current state of the insurance industry, which is seeing generally rising costs due to increased litigation and inflation, which drives the cost of replacement goods up, the task may be even more challenging. In an effort to give your nonprofit a head-start and help improve your working knowledge of what a typical nonprofit insurance portfolio may look like, the below referenced Coverage Glossary was created.

However, prior to reviewing the Glossary, please see a few tips below:

1. Find a trusted insurance agent or broker to assist you in navigating the insurance process. If you have a broker, ask yourself are they meeting your needs? Are they responsive, consultative, knowledgeable, and able to communicate your greatest risk exposures and find insurance or risk transfer solutions for them? If the answer to any of the above is “No”, consider finding a new agent who will meet those needs.
2. In consultation with your insurance agent/broker, conduct an exercise to identify your risks associated with running your nonprofit. Identify your risk tolerance related to those exposures. And then develop a solution to address them including risk transfer, insurance, avoidance or retention of that risk. Many Risk Management tools, such as a heat map, can assist in this process.
3. Work with your insurance agent/broker to procure the appropriate insurance coverage AND limits for coverage. For example, when considering Umbrella insurance, consider your assets at risk in the event of a large loss and use this information to determine how much umbrella to procure. Similarly, as costs to rebuild continue to rise, review your building insurance limits to ensure you have adequate limits available to rebuild in the event of a loss.
4. Once you and your insurance agent have placed appropriate insurance coverage, read your insurance contract in full. Contained therein are requirements and responsibilities that you, the insurance buyer, have to fulfill, especially in the event of a loss. Like with any contract, it is important to know what is expected of you and what you should expect in return. Recognizing that sometimes the language can be dense and challenging, coordinate with your trusted insurance agent to be sure you fully understand the document.
5. Finally, make sure everyone who may need access to the policies in the event of a loss has a copy of them. And then, consider leaving your insurance program alone for several years. Many businesses want to “market” their insurance annually; while this may result in cheaper premiums, many insurance carriers value longevity of customers and may treat you more favorably in the event of a loss by continuing to choose to renew your coverage or do so at a reasonable rate. Unless there is a gap in coverage, a poor service or claims experience, or some other reason for marketing your insurance program, consider sticking with one carrier for three years or so before sending to market.



Now, to aid you in knowing what coverage most nonprofits need, please see the below glossary.

Coverage Glossary

Chelsea Wood, *Great American Insurance Group*

As a nonprofit, it is important to understand the insurance coverages that might help protect your organization and the services you provide. Equally critical is recognizing the exposures your organization may have that could subject you to financial loss and what coverages could help protect you against a claim for that exposure. While not an exhaustive list, these are common insurance coverage options for nonprofits and can be instrumental in managing risk.

- **Workers' Compensation** - Provides benefits to people who are injured or become ill while performing duties on behalf of their employer. Benefits can include medical treatment, lost wages, funeral costs and disability benefits. Workers' Compensation is mandated at the state level and benefits vary by state. Ohio is considered a monopolistic state whereby coverage is provided by a state-run program rather than a private insurance company.
- **Directors & Officers Liability** - Helps protect directors and officers from personal losses for claims made against them for management errors, omissions, negligence, and breach of duty while serving on a board or in their duties as an officer. In addition, coverage can be extended to the organization itself.
- **Employment Practices Liability** - Covers wrongful acts arising from the employment and onboarding process. Claims can include wrongful termination, defamation, discrimination, sexual harassment, and retaliation amongst others. Insureds under these policies can include directors and officers, management personnel, employees, and volunteers. Employment Practices Liability is often afforded as a coverage option in management liability packages that also include Directors & Officers Liability.
- **General Liability** - A traditional Commercial General Liability Policy helps protect organizations from financial loss against claims for bodily injury and property damage arising out of negligent acts on your premises, or out of your operations, products and completed operations along with advertising and personal injury liability. Specialized carriers provide general liability enhancements tailored to nonprofit and social service organizations.
- **Abuse or Molestation** - Abuse Liability can be included in General Liability coverage or as a separate policy with its own set of limits. Many Sexual Abuse policies help protect your organization for claims made against them for acts of sexual abuse. Nonprofits often care for vulnerable populations including operating programs for children and elderly that may need expanded coverage beyond vicarious liability for sexual abuse acts. A leading Abuse or Molestation policy will include coverage for both direct and vicarious liability made against your organization, staff, or volunteers for not only acts, but also threats. It will cover not only sexual abuse, but also bullying, verbal, and emotional abuse. Defense costs can be high in abuse cases. A strong Abuse policy will grant defense costs outside of the stated limit.
- **Professional Liability** - Professional Liability can be included in General Liability coverage or as a separate policy with its own set of limits. Coverage is often provided for professionals and other staff against liability incurred for financial loss as a result of the professional's error or omission in performing professional services. Nonprofits often



provide services that require specialized education, judgment, and skill. A leading Professional Liability policy will have a broad definition of what constitutes a professional service and grant coverage for legal obligations arising out of both rendering or failing to render a professional service. A strong Professional policy will grant defense costs outside of the stated limit.

- **Auto Physical Damage** - Coverage for your owned autos that insures against damage to your vehicles for perils such as collision, vandalism and theft.
- **Auto Liability** - Helps protect you against financial loss because of an accident you are found legally liable for. Coverage pays for property damage and/or injuries to another person.
- **Umbrella** - Insurance that provides liability coverage limits that go beyond underlying policy limits that are scheduled on the Umbrella Policy. It can often be scheduled over many of the above liability policies.
- **Cyber** - These policies can cover a variety of both liability and property losses that may result when a business engages in various technological activities, such as collecting personal data within your internal network. Data breaches are one of the most common causes of loss.

Why You May Need Coverage

Let's take a look at what exposures you may have that could expose you to financial loss and what coverages could help protect you against a claim for that exposure.

Exposure	Coverage
In many states employers with one or more employees must have workers compensation coverage, including Ohio.	Workers' Compensation
Your organization has a board of directors or advisory committee that make operational decisions.	Directors and Officers Liability
You make hiring, firing and promotion decisions within your nonprofit organization. Even nonprofits who operate with 100% volunteers can face allegations of harassment, discrimination, etc.	Employment Practices Liability
Nonprofit organizations often work with the public. Organizations that have visitors, customers, or even conduct operations away from your premises or online. Example exposures: <ul style="list-style-type: none"> • Fundraising events • Running errands on behalf of an organization • Training provided to clients • Youth development 	General Liability



Exposure	Coverage
<p>Providing services to vulnerable populations including youth, elderly, or those with developmental disabilities. Providing one-on-one counseling services. Abuse can occur between two clients, visitors and clients, or employees or volunteers with clients.</p>	<p>Abuse or Molestation</p>
<p>Employees or volunteers of your organization offer services to your customers that require specialized judgement, skill or knowledge. Example exposures:</p> <ul style="list-style-type: none"> • A school nurse helps administer prescribed medications • A physical trainer teaches proper lifting techniques • A counselor provides confidential services 	<p>Professional Liability</p>
<p>Owning autos under the organization presents both physical damage and liability exposures. Employees or volunteers that drive their own autos on your behalf and have other insurance elsewhere can still present a liability exposure.</p>	<p>Auto Liability and Physical Damage</p>
<p>Claims for underlying exposures such as abuse and auto liability can lead to large verdicts and high defense costs that can put financial burden on your organization.</p>	<p>Umbrella</p>
<p>If you store client information, process donations, take event registrations online, or have a web presence of any kind then your organization could be at risk of experiencing a data breach.</p>	<p>Cyber</p>

About the Author:

As Divisional Senior Vice President of Specialty Human Services at Great American Insurance Group, Kevin Duke is responsible for underwriting, risk management, sales, and marketing. Across his sixteen-state Region, Kevin’s underwriting teams execute a profitable growth strategy, work directly with contracted producers and third-party services and offer the professional expertise needed to appropriately help protect social service and non-profit clients.

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