

# get it right on... Insurance

## Why you need insurance?

The Management Committee (or trustees) of a community or voluntary organisation have a legal responsibility to ensure their organisation is adequately insured. It's important that you review your insurance cover regularly e.g. when you take on more volunteers, employ staff or start a new activity.

## Finding Insurance

There are many providers and types of policy on the market, but you will generally find that it is cheaper to arrange your insurance in a combined package. Always make sure you consult a reputable insurance broker for this – ask other local organisations who they use or contact WDCVS staff for assistance.

Before making an approach to a broker, take time to list all of your activities and the possible hazards you need to insure against. Taking time now, may save you a lot of trouble later. Any omissions or inaccuracies may lead to disputes or even the refusal to pay a claim.

## Buildings Insurance

Generally, property cover will be grouped in a combined policy. You may need advice from a surveyor or valuer on this. Changes to the property e.g. improvements will mean the cover needs increasing. If an organisation rents or leases its premises it is important to check the lease or licence agreement to determine who is responsible for insuring the buildings and/or contents.

If a building is rented, it is often the landlord who is responsible for the fabric and foundations of the building but not the internal spaces or the contents. If the landlord is responsible, you should check the extent and value of the insurance cover and ask that your interest as tenant be 'noted' on the policy. Alternatively, you could ask for joint insurance with the landlord. You will probably be asked to pay towards the premium.

Where tenants have responsibility for insurance, landlords often require approving the policy and insurer, and can ask for evidence that the premiums are up to date. Sometimes, they may require to insure the property jointly with the tenant.

There are two bases for cover: **reinstatement cover** rebuilding with new or **indemnity cover** bringing it back to the state it was in immediately before the loss/damage occurred.

**Basic cover** generally includes fire, lightening and 'limited' types of explosions. **All risks** can include storm, flood, earthquake, aircraft, explosion, riot, malicious damage and 'other' impact. The policy may also include contents cover for the same risks. It can be cheaper to insure under an all-risks insurance policy than select a few items or risks for insurance protection. However, be careful, as an all-risks policy could also exclude cover for loss or damage caused by subsidence, defective building design, equipment breakdown, damp, corrosion, vermin or insects, theft, fraud or dishonesty.

### Contents Insurance

As with buildings, there are two possible types of cover for office equipment: either reinstatement cover (replace with new) or indemnity cover (present day value considering wear and tear). It is important to inform the insurance company if volunteers or contractors carry out work or the premises are used by other organisations. If the contents are to be insured separately from the buildings, instead of under an 'all-risks' basis (see above under Buildings), then in addition to fire and other perils, you could ask for the following:

- **Accidental damage** to office equipment whether owned, leased or on hire
- **Theft** –check wording carefully as many policies restrict cover to losses resulting from forced entry or forced exit from the premises
- **Fraud/dishonesty by an employee** - organisations dealing with large amounts of cash should consider this insurance
- **Money** including cheques, postal orders, money orders and unused postage stamps can be insured against loss or theft. There will normally be a fixed upper limit on the amount of cover
- **Glass** covers accidental damage to any glass resulting from any cause other than fire or burglary
- **Engineering** covers equipment such as boilers, electrical machinery or lifts against accidental damage and the cost of repairing breakdowns
- **Computer** cover against loss, damage or breakdown. May also cover costs involved in reinstating data following damage, breakdown or accidental erasure.

### Consequential loss or business interruption

Organisations, particularly those providing direct services, should also consider any additional financial loss to an organisation which results when its premises become unusable because of loss or damage. Business interruption insurance can be taken to cover the costs of this and can either be based on actual loss of

revenue while the organisation is unable to function, or on the additional cost of continuing work elsewhere such as the hire of premises and extra travel costs.

### **Insurance against Claims for Damages**

A claim for damages could be made against an organisation if it is found to be legally liable for the death, injury or ill-health of an employee, voluntary worker or member of the public, or for loss or damage to property. The organisation might also be held responsible for loss caused by incorrect information given.

- **Employers Liability:** Employers are legally required to be insured against claims for injury, death or illness of an employee for a minimum indemnity of £2million. Most policies have an unlimited indemnity. It is the duty of the employer to keep an employee safe from injury. The definition of employee on the policy should be as wide as possible and include volunteers. A certificate of insurance will be issued and the law states that a copy must be prominently displayed in the employer's place of business.
- **Public Liability (Third Party Insurance):** This covers legal liability for injury to people other than employees and for loss or damage to third party property. For example, an organisation may be legally liable if a member of the public (including a voluntary worker) is injured while on the premises. The organisation will be held legally liable if injury, damage or loss arises from its negligence or failure to take reasonable care. Employers are also legally liable for the negligent actions (or failures to act) of all their employees or voluntary workers in carrying out their business: this is known as 'vicarious liability'. All the organisation's activities (including the work done by volunteers) should be noted in the business description of the policy to ensure adequate cover. The recommended minimum cover even for very small organisations is £1million, as damages awarded in severe personal injury claims can be very high. If an award of damages exceeds the maximum cover in the policy, the organisation will be liable to meet the difference. This could mean that the committee members themselves will be personally liable if the organisation cannot afford to pay. The premiums for voluntary organisations are often comparatively low because of the infrequency of claims compared to other businesses or industries. The policy should be extended in the case of a special event.
- **Professional Indemnity Insurance.** Groups that advise the public or other organisations or provide other professional services should take out this type

of insurance. It covers claims resulting from incorrect advice or negligence in providing services which causes loss, damage or injury to the client.

- **Fidelity Guarantee Insurance** protects against losses arising through theft, fraud or dishonesty of employees. It usually covers losses discovered within two years after the theft, etc has occurred. Most insurers will require an organisation to demonstrate that it has adequate supervision systems in place to guard against dishonesty before they will offer cover.
- **Legal expenses** will provide cover for solicitors' and barristers' fees, court attendance allowances and opponents' costs if awarded in the event of a legal dispute. These policies can also cover legal costs and compensation awarded in an Employment Tribunal and provide access to free legal advice as soon as a dispute arises.
- **Trustees Indemnity.** Trustees may face unlimited personal liability for breach of trust. For example, if they failed to act as reasonable and prudent business-people and the charity has suffered financial loss as a result. However, cover is only available for negligence or mistaken actions and not for deliberate dishonesty or deliberate failures to follow legal or financial advice. In order to take out Trustee Indemnity insurance, registered charities must either have a specific power for this in their governing document (constitution) or, in the absence of such a power, permission from the Office of the Scottish Charity Regulator
- **Motor Insurance** Any vehicles owned, hired or used by an organisation for its work must be insured for business use and the insurance must be notified of the details of all drivers. Where employees or volunteers use their own cars for an organisation's work, then they should make sure their own insurance policies cover this. In addition, the organisation should obtain contingent liability insurance to cover third party claims for negligent driving by employees/ volunteers in these circumstances.

### **Additional protection for employees and volunteers**

Liability insurance provides compensation only in cases where there is legal liability to pay damages. An organisation may think it appropriate to provide extra protection for accident and sickness to compensate for injuries and loss of earnings. This should be considered together with entitlement under employment conditions and any pension scheme.

- **Personal Accident** compensation can be paid in a lump sum if an accident leads to death or permanent disablement. A weekly sum is payable while the insured person is unable to resume their normal work, usually for a period of up to 2 years.
- **Personal Accident and Sickness** Personal accident can be extended to cover temporary disablement resulting from illness, usually for a maximum of one year. It can also include permanent disablement and loss of sight caused by illness.

### Making a claim

- Immediately you are aware that there may be a possible claim under an insurance policy, check the conditions to ensure you comply with them.
- Contact the insurance company as soon as possible giving full details and quoting the policy number. If a claim involves a question of legal liability, obtain legal advice before contacting the other party involved.
- Never admit responsibility for an accident, however obvious it is that you are at fault.
- Many policies allow the insurance company to refuse to pay out if you have accepted liability without their knowledge or permission.

### Good Practice Summary:

- Review your cover at least once a year
- Keep two copies of the insurance information – in the office and off-site
- Consider any additional cover you may need realistically. Only take what you need and can afford

West Dunbartonshire CVS produces a range of resources covering different issues of interest to community and voluntary organisations. Please contact us if you would like one-to-one support or advice on any issue.