

WHAT KIND OF INSURANCE DO I NEED FOR MY NONPROFIT?

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Most nonprofits need General Liability insurance and Directors and Officers (D&O) insurance. If the organization has employees, workers compensation insurance, as well as other insurance offered to employees as benefits such as health, dental, and life insurance may be needed.

More information on types of insurance relevant to nonprofits can be found below.

1. General Liability Insurance

Nonprofits typically need this insurance. The amount of insurance of this nature depends on many factors; e.g., what kind of programs you have, whether you have volunteers, whether your clients visit you at your site, etc.

General liability insurance covers claims alleging bodily injury or property damage caused by an accident. This policy has three parts: Coverage A, Coverage B, and Coverage C.

Here are some of the types of claims under Coverage A

- Injuries arising from the insured's premises
- Injuries to clients under the insured's supervision
- Injuries to guests at special events
- Injury caused by products the insured sells or manufactures
- Fire damage to the insured's landlord's building
- Damage to property not owned by the insured or in its possession

Coverage B (personal injury and advertising injury liability) responds to claims alleging libel, slander, false arrest, malicious prosecution, wrongful eviction, wrongful entry, violation of privacy, infringement of copyright and unauthorized use of an idea in advertising.

Coverage C (medical payments) provides accident coverage at the nonprofits premises or at activities the organization conducts off the premises unless it is limited to designated premises.

2. Directors and Officers Liability Insurance (“D&O Insurance”)

Directors and Officers insurance provides coverage for the members of the Board of Directors, the officers of the organization, and the organization itself for claims made against the organization. Usually, a D&O policy covers Wrongful Acts which may include false arrest and detention, libel, slander, defamation, invasion of privacy, copyright and trademark infringement, plagiarism or misappropriation of ideas, and defense costs. The most common claim made against nonprofit entities involves employment-related matters. While most D&O policies cover employment-related claims, it is critical to ensure that your policy provides this type of coverage. D&O liability insurance is payable to the directors and officers of a corporation to cover damages or defense costs in the event they are sued for wrongful acts, which include those listed above, while they are with the insured organization.

D&O insurance is usually written on a “claims made” basis, which means that coverage is provided only for a claim made against an insured during the term of the insurance policy. Generally, D&O insurance does not cover claims handled by other types of insurance, such as bodily injuries, which are usually covered under a comprehensive general liability policy, or dishonest, illegal acts. When examining the coverage provided under a D&O policy, pay careful attention to what is included under the term “loss”, the definitions of the words “claim”, “insured person”, and “wrongful act.” Ask your insurer if legal defense expenses can be advanced; and whether the policy provides coverage for expenses related to investigations, for actions involving an insured versus an insured, and coverage of the entity itself. If you are sued and don’t have D&O insurance, you will be forced to incur expenses defending your organization and its directors, employees, and volunteers. One of the principal reasons for buying D & O coverage is that it will pay for the costs of legal defense.

A director should expect the corporation to provide D & O insurance protecting him or her from liability. Where such insurance is not provided, a potential director should examine the risks of serving without it. No director should serve without insurance if insurance would be available to the corporation at a reasonable cost.

3. Health Insurance

Even nonprofits with one employee are eligible for a good health plan. The provisions of the Affordable Care Act require that one rate is calculated for each individual organization. These rates may vary significantly from organization to organization due to the average age of the employees

covered and the mix of dependent coverage. The benefits received depend on the plan chosen by the organization.

Part-time staff working as few as 17.5 hours a week are also eligible for coverage. However, there must be at least one person covered by the plan who is full time (30 hours per week). Independent contractors or consultants are not usually eligible for coverage.

Under the provisions of the Affordable Care Act, the Maryland Health Connection has a Small Business Health Options Program (SHOP) for small businesses and their employees. The SHOP provides employers innovative plan options that are easy to administer; access to tax credits to cover a portion of employee premiums; and the employee choice model. Small employers can continue to work with their brokers in the SHOP.

4. COBRA and Continuing Coverage for Health Insurance

“Congress passed the landmark Consolidated Omnibus Budget Reconciliation Act (COBRA) health benefit provisions in 1986. The law amends the Employee Retirement Income Security Act, the Internal Revenue Code, and the Public Health Service Act to provide continuation of group health coverage that otherwise might be terminated when an employee is terminated.

“COBRA contains provisions giving certain former employees, retirees, spouses, former spouses, and dependent children the right to temporary continuation of health coverage at group rates. This coverage, however, is only available when coverage is lost due to certain specific events. Group health coverage for COBRA participants is often more expensive than health coverage for active employees, since usually the employer pays a part of the premium for active employees while COBRA participants generally pay the entire premium themselves. It is ordinarily less expensive, though, than individual health coverage.”

5. Fidelity Bond

A nonprofit organization’s first line of defense against employee theft and fraud should be a good system of internal controls. But no system is perfect, and a fidelity bond, or “employee dishonesty” insurance, can be a relatively inexpensive safety net.

Fidelity bonds indemnify the employer against any loss of money or other property that is sustained through any fraudulent or dishonest acts committed by any of its employees, whether they were acting alone or in collusion with others, up to the amount of coverage stated in the bond.

6. Property Insurance

Property insurance policies fall into two categories: those covering direct damage to property and those covering loss of income from direct damage to property. Assets covered include real estate, valuable papers, securities, money, computer equipment, machinery, personal property of others, fine arts, and buildings under construction or renovation. If these assets are important to your organization, you will want to protect against their loss or damage with an insurance policy.

Usually, a property policy covers many types of causes (e.g.; fire, lightning, wind, water), except those specifically excluded in the policy, such as nuclear war, floods or earthquakes. Always read a policy carefully to ensure that the losses you want covered are not excluded by the policy language.

7. Fiduciary Insurance

Anyone who is a plan fiduciary should be concerned. A plan fiduciary is any person who has control or is involved in the administration of an employee benefit plan in any way. And, as fiduciaries, they're held **personally liable** to the plan participants and beneficiaries for errors or omissions or any breach in their fiduciary duties as outlined in ERISA.

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