



# How to Get Your Nonprofit Submission Written

**WHITE PAPER**

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The nonprofit sector is unlike any other when it comes to placing risk. Even small nonprofits can present outsized risk factors, and many standard appointed markets are unfamiliar with those risks and do not have programs set up to deal with them. In addition, few independent insurance agents have specialized expertise in this area.

Still, the right level of coverage is essential to protecting the operations of every nonprofit, social service, and religious organization. Getting these submissions successfully written involves a combination of asking the right questions and understanding the risks.

*Explain who they serve and how they do it.*

One of the biggest mistakes agents and brokers make is using a nonprofit's mission statement to describe what the organization does.

Mission statements may be inspirational and effective in gaining funding, but they rarely provide concrete, useful information for risk assessment purposes. The first place an agent

## *Nonprofit Risks to Consider*

- Clients & Premises
- Employees
- Board Members & Executives
- Volunteers
- Sexual Abuse & Molestation
- Social Services Professional
- Cyber Liability
- Vehicles
- Events

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EXPERTS IN WRITING NONPROFIT RISKS

should start when filling out these submissions is to ask two very simple questions:

1. Who does the organization serve?
2. How does it serve them?

It's crucial not to let board members and executives point you to their mission statement in order to get these questions answered. If they do, follow up by asking *how* they do the things they mention there.

## *Consider some of the major risks.*

To get a submission successfully written, it's essential to start with an understanding of what makes nonprofits different from other organizations when it comes to placing risk—and what makes them the same. While each nonprofit is different, most have a few common sources of risk that can get agents started in building a more detailed picture of coverage needs.

### **The Clients and Premises**

Nonprofits, religious organizations, and social services work with some of the most at-risk populations there are—these may include substance abuse addicts, convicts on parole, indigent populations, and at-risk youth. Determining exactly who the nonprofit serves is crucial in determining its risk.

In addition to who it serves, it's necessary to identify where those services are provided. A halfway house, where clients are on the property 24/7, presents a different risk profile than an after-school program working with at-risk youth only at certain times of day.

The place to start with coverage is usually a general liability policy and property insurance. These will provide coverage for injuries to clients and other third parties on the premises, as well as damage to property from events such as theft, acts of vandalism, and natural disasters. These are often the most basic forms of insurance that most nonprofits need.

## Employees

General liability policies don't cover injury to employees injured on the nonprofit's premises. For that, organizations need workers' compensation insurance. Some states require nonprofits who use W2 employees to carry workers' compensation. However, in other states, nonprofits, religious organizations, and social services can be exempt from this requirement. That doesn't mean they don't need it, however.

Most nonprofit D&O policies now include Employer's Practices Liability Insurance (EPLI), which provides coverage to organizations and officers when an employee or volunteer sues for employment related activities such as wrongful termination, sexual harassment and discrimination.

Crime insurance can also be essential for nonprofits, as it covers damages caused by employee dishonesty.

## Board Members and Executives

Nonprofits are particularly vulnerable to D&O claims for a variety of reasons. There is less regulation surrounding nonprofit operations than there is in the for-profit sector—but nonprofits are still under stringent public scrutiny. On top of that, board members and executives are often volunteers, sometimes without professional expertise in running a nonprofit.

D&O coverage protects nonprofit officers, directors, and trustees in the event of litigation against them for their decisions on the nonprofit's behalf. These span regulatory compliance, finance and operations. And as mentioned above, most nonprofit D&O policies cover actions against employees. This is probably the most common nonprofit D&O claim; these involve allegations such as wrongful termination, harassment, and discrimination.

## Volunteers

Nonprofits can be held liable for damages caused by a volunteer's actions, which could include slander and libel, invasion of privacy, and defamation of character. A general liability policy should shield both the volunteer and the organization in the case of these claims.

General liability policies also cover injuries to volunteers while working for a nonprofit, but this is only true if the nonprofit is found to be negligent. If this is not the case, there is no coverage—unless the nonprofit also holds a volunteer accident policy. These policies don't require proof of negligence when covering volunteer injuries.

While it's possible to add volunteer coverage to workers' compensation policies, this is generally not recommended. Adding this coverage to a workers' compensation policy could negatively affect the organization's experience modifiers and loss history, resulting in more expensive premiums.

Nonprofit risk profiles for volunteers are often as unique as thumbprints—and it takes expert knowledge to assess the work provided, volunteer qualifications, the populations served, and other factors to determine volunteer risk and coverage needs.

## **Sexual Abuse & Molestation**

Because nonprofits work so often with vulnerable populations, sexual abuse and molestation liability insurance is a must—this covers the nonprofit in the event that a volunteer or employee is accused of sexual abuse by a client or other third party. This insurance must be purchased separately from general liability.

## **Social Services Professional**

Errors and omissions insurance can be particularly important for nonprofits and religious organizations as well. Also referred to as malpractice or professional liability insurance, this product covers the cost of claims that arise due to alleged errors, omissions, and other mistakes committed by the people providing services on the nonprofit's behalf. In many cases, these are counselors, trainers, and others—either professionally qualified or not, depending on the nonprofit, the service provided, and the state's regulations.

## **Cyber Liability**

Nonprofits are just as vulnerable to cyber hacks as for-profit companies; some are even more so. Many nonprofits gather data that is protected by federal and state privacy laws. In addition, ALL nonprofits are vulnerable to social engineering type claims. These are claims that involve

deception through means as simple as an email to an employee or volunteer. They can appear to come from an officer or director and can be very costly as most often they involve requests to transfer money from one account to another or some similar financial transaction. Any nonprofit that accepts donations online is vulnerable to having their income interrupted by a cyber attack.

Cyber extortions are not unheard of; recently, hackers forced a Hollywood hospital to pay \$17,000 to restore access to its records.<sup>1</sup> And even a small nonprofit can have its donations interrupted and reputation damaged by a malicious hack—as happened to The Red Barn, an organization providing equine therapy to adults and children with disabilities, whose website was hacked and defaced by an ISIS sympathizer.<sup>2</sup>

Any nonprofit, social service or religious organization maintains or utilizes a website, an email system, data for individuals covered by privacy laws, or online donation program needs cyber liability insurance.

## **Vehicles Driven by Employees and Volunteers**

Employees and volunteers are often called upon to use their own vehicles while delivering services and performing other work for nonprofits. If an employee or volunteer is involved in an accident, non-owned auto liability coverage is essential. This type of policy can be added to a commercial auto or general liability policy.

## **Events**

Determining an organization's event-related risks often involves getting a sense of the size and type of events, the duration of the events, the time of day, whether alcohol is served or sold, and other factors.

General liability policies will usually cover damage arising from liquor served at events for free under "host" liquor liability. However, separate liquor liability insurance is often required if the beverages are being sold—even if the nonprofit includes them in the price of a ticket that attendees buy.



## *Get expert help.*

It's not unusual for insurance agents without experience in the nonprofit industry to submit to standard appointed markets. When they do that, one of two things can happen: either the nonprofit gets a policy that leaves them exposed to significant risk, or the market refuses the submission and the agent must turn to a specialty market.

Specialized markets with expertise in this area can be of huge help to agents searching for nonprofit coverage and the organizations they serve. A specialist will know how to structure the coverage, taking into account all the complex risk factors that nonprofits represent. Most standard appointed markets will refuse to cover the risks some nonprofits present out of hand, whereas a specialized market will have seen these risks many times before.

Markets that work with nonprofits every day will know which questions to ask to build an accurate risk picture for each individual organization. They will also know how to craft a program best suited for your nonprofit risk.

## About Charity First

Charity First is a program manager and wholesale brokerage specializing in social services, nonprofit charities, and religious institutions. We have been serving the nonprofit community since 1985.

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## Notes

<sup>1</sup> Winton, Richard. "Hollywood Hospital Pays \$17,000 in Bitcoin to Hackers; FBI Investigating." *Los Angeles Times*, February 18, 2016.

<sup>2</sup> Stein, Kelsey. "Local Nonprofit Hacked by Islamic State Sympathizer." *AL.com*, April 16, 2015.

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