



WHITE PAPER

**RESILIENCY AMID CRISIS:**  
**How Nonprofits Can Better**  
**Navigate Emergency Situations**  
**For Greater Sustainability**

# Introduction

A crisis such as the COVID-19 pandemic has had a significant financial and operational impact on nonprofits as nationwide restrictions on public gatherings are imposed, vital programs and services are indefinitely shut down and large fundraisers are canceled. If we can learn anything from this pandemic, it is that it is critical to be prepared for the unexpected.

The fact is, the ability of a nonprofit to successfully recover from a crisis situation depends on how well it has prepared. Without critical processes and a strategic plan to guide the organization in and through an emergency, it can be difficult to maintain stability and effectively bounce back once things begin to return to normal.

In this white paper, we'll look at specific challenges that a crisis situation can present to your nonprofit clients and solutions for how they can better address them using best practices and risk mitigation strategies.

## FINANCIAL AND OPERATIONAL CHALLENGES

Nonprofits generally have two significant sources of revenue: contributed and earned. When a crisis strikes, it's not unusual for organizations to indefinitely postpone or cancel most or all their fundraising events that typically deliver the operational funding they need to survive. A crisis can also impact community programs, ceasing earned revenue potential from program and service fees.

Through no fault of their own, most nonprofits typically don't have a large reserve of cash they can tap into in times of crisis. The truth is, organizations are simply doing what most donors and funders require of them, and that is to see that their gifts are being put to use for specific purposes — and not being set aside in a savings account for a rainy day. Organizations know there are people who depend on their services, and if donated or funded money is earmarked for a specific cause, that is where it is immediately going to be applied.

For most businesses, a crisis can also create a variety of situations and operational challenges. These issues can be especially impactful for nonprofits, who typically have fewer response options than for-profit companies, such as advanced technologies for working remotely. Nonprofits also have employees with hands-on responsibilities that require working alongside the people they serve. These and other issues can prevent a nonprofit from fulfilling its mission.

## WAYS TO BETTER WEATHER THE STORM AND BOUNCE BACK

In an emergency or crisis, organizations need to be able to continue to provide resources for the people in their community. They also need to continue to generate funds that are vital to the financial health of the organization.

By having a strategic volunteer management plan, risk management program and other proactive safeguards, nonprofits can better navigate their way in and through a crisis to ensure they can recover at a time when the organization and its volunteers, employees and resources are strained.



## MANAGING VOLUNTEERS

Volunteers are a vital part of a nonprofit organization, which is why in a crisis, it is critical to have a continuity plan for managing and keeping them safe. Organizations need to first determine whether their current program is sufficiently prepared to respond in an emergency and then take the necessary steps to develop a program. This can include asking key questions, such as:

- How well designed is their current volunteer program? Is it equipped to respond to a local or nationwide crisis?
- In a crisis, are there specific steps volunteers should take to ensure an immediate transition from “business as usual” to response and recovery efforts?
- What core services must remain in place during a crisis, and are there enough resources to help volunteers respond effectively?
- Are there opportunities for volunteers to take the lead in certain critical roles?

Emergency situations can change quickly, so it's critical to establish and a communication strategy to keep volunteers informed and updated. Suggestions can include:

- 1. Sending updates via email or text.** This includes communicating the organization's plan for responding to the crisis and where your volunteer program fits into this response.
- 2. Sharing resources.** Local resources and other key contact information are critical in helping volunteers do their work better, stay safe and help them get answers when questions.
- 3. Using online tools and social media channels.** Organizations should establish a point person who will be responsible for sending updates via social media and updating the banner on the volunteer page. These can be used to direct to volunteers to the need-to-know information and FAQs.

### An effective crisis response plan involves five key areas:

- Identifying key personnel and functions.
- Developing an employee communication plan and updating staff as events and plans evolve.
- Testing remote access to key operational systems.
- Coordinating with clients and other community leaders when needed.
- Assessing the short-term and mid-term financial situation.

*In a crisis, organizations need to think about the functions that must continue and who will perform in those roles. If possible, organizations should explore opportunities for cross-training staff and volunteers.*

## MAINTAINING FUNDRAISING AND GRANT EFFORTS IN A CRISIS

A crisis often results in a pullback of donations from businesses, individuals and foundations. In most cases, donations decline not because a donor's philanthropic values have changed,

*Despite the high level of uncertainty, nonprofits must maintain open and regular dialogue with critical donors during a crisis. It's a recipe for disaster to pretend that things are "business as usual" until the next fundraising event is held or a grant application is due.*

but because many donors are faced with budget constraints and market losses stemming from the crisis. Not only must nonprofit organizations be prepared financially for a dip in contributions, but they must also become proactive in establishing a plan for maintaining fundraising efforts.

A key way to accomplish this is by continuing to engage with donors. By staying in communication now, the organization will hopefully be top of mind when the crisis is over and the economy and markets recover. Today's technology allows for a wide range of communication methods to engage with donors often and effectively in a crisis situation. Communication strategies that are both high- and low-tech can include:

- **Social media.** Regular posts on social media platforms provide an easy and effective way to stay engaged with existing and prospective donors. It's a no-cost option to keep the organization's mission and causes in front of existing donors. Paid promotions are also an option for reaching out to new target audiences and demographics by way of social media newsfeeds.
- **Email.** Email messaging doesn't have to revolve around donation requests. It could also present information regarding what the organization is doing now and its plans for moving forward after the crisis has passed. Emails can include short messages with updates on canceled events and what the organization is doing in the community. Given the COVID-19 pandemic, using email instead of the postal service allows the distribution of updates to donors without the fear of contaminated packages and letters.
- **Video chat.** In situations such as the COVID-19 pandemic where states enforced stay-at-home mandates, video chat meetings allow organizations to stay in touch with foundations and other large benefactors. When an organization solicits donations from new prospects, video chat puts a face to that organization and helps establish a more personal connection.
- **Webinars.** When critical meetings or certain in-person events are forced to reschedule or remain canceled for an indefinite length of time, webinars can be a good substitute. And while they're not the same as an actual charity event, they can be an effective way to keep donors engaged with an organization and its mission.
- **A phone call.** An easy way to reach out to large donors is by simply calling. Keep the conversation focused on their situation and how they are doing, as opposed to asking for a donation. During a difficult time, donors will appreciate a personal inquiry that demonstrates that the organization cares.

## ***TAPPING INTO THE SKILLSET OF BOARD MEMBERS***

Most nonprofits have a board of directors that typically comprises individuals with a wide range of experience and skillsets. In a crisis situation, tapping into the expertise within the organization for individuals who can lend a hand can be a huge benefit. This can include board members who are currently working or who have worked in a number of professional occupations. While not an all-inclusive list, here are some examples of professions where individuals can lend a hand.

### **ATTORNEYS AND PARALEGALS**

In a crisis or emergency situation, new laws and mandates are often enacted to protect organizations. For many nonprofits, this can be a great deal of legal information to assimilate. Board members with legal experience can help the organization by breaking down the details, then educating others on the benefits that may be available and how to take advantage of potential opportunities.

### **INSURANCE PROFESSIONALS**

An insurance agent can review the organization's policies to identify potential gaps in coverage and determine whether it is adequately insured against losses when faced with a crisis. When claims situations arise, he or she can help determine whether the organization might have a potential insurable loss.

### **IT PROFESSIONALS**

Board members with IT know-how can be a good resource for helping the organization with employees and volunteers who may be working remotely. This can include assisting with the installation of web video and collaboration tools such as Zoom, AnyMeeting and Google Hangouts. They can also help with posting updates and notices during a crisis on social media accounts and on the organization's website.

### **ACCOUNTANTS AND BOOKKEEPERS**

Assessing finances after a crisis situation can help determine not only how well the organization held up financially overall but also determine specific areas where it was cash-stressed. Board members with a financial background can help interpret/review financial reports and run cash flow projections so that the organization can avoid unexpected cash deficits and be better prepared in a crisis.

### **WRITERS AND OTHER CREATIVES**

From press releases to social media updates, website communication and email notices, communication during a crisis is critical. Board members with communication and writing skills can help produce content that keeps stakeholders, staff, volunteers and the public informed and updated.

## LIABILITY INSURANCE CONSIDERATIONS AND RISK MITIGATION

It's important for organizations to understand the limitations of their insurance policies before a crisis situation develops. Doing so can allow them to identify potential gaps and decide whether they have a need for specific coverages. For example, when the COVID-19 pandemic first hit, many nonprofits found themselves assessing to what extent their commercial insurance policies would cover losses for emerging liabilities and risks.

Today, it is critical for organizations to analyze all the definitions, exclusions and limitations to their insurance coverage with their broker — a task that is especially critical as it relates to communicable disease coverage, such as with the COVID-19 pandemic. The following is an overview of common challenges that may arise for nonprofit organizations during a crisis and insurance solutions that can help mitigate risks.

### Event cancellation

**insurance** is critical coverage in a crisis, helping organizations recover lost profits along with losses associated with the cancellation of important income-generated events.

### EVENT CANCELLATION

Many nonprofits rely on in-person events to generate net income to fund year-round educational offerings. When a crisis strikes, it's not uncommon for important events to be canceled. Purchased separately, event cancellation insurance can help reduce or offset the financial exposure of unexpected cancellations. However, when it comes to communicable diseases, it is critical to review policy language as insurers may specifically exclude coverage for cancellations in response to a pandemic. Because of the COVID-19 pandemic, these types of exclusions may become more commonplace for event cancellation policies issued after 2020 and should be discussed with your clients.

### DIRECTORS AND OFFICERS LIABILITY

It's not unusual for employees and volunteers to work remotely in a crisis situation. For example, if an organization must close for a specific period of time for repairs after a fire or, in the case of the COVID 19 outbreak, be forced to close because of a statewide mandate, it may be impossible to operate from the existing location. Given the vast amount of personal information that nonprofits store in their systems, cybercriminals will use an emergency situation as an opportunity to exploit weaknesses from a surge in remote connections. They will attempt to infiltrate IT infrastructure to steal or encrypt sensitive organization data, extort funds or launch social engineering fraud schemes. In these unprecedented times, it's critical to discuss cybersecurity issues with all your nonprofit clients.

### BUSINESS INTERRUPTION AND CONTINGENT BUSINESS INTERRUPTION

In a crisis, organizations may experience an interruption or even a temporary closure of business operations. Property insurance typically includes coverage for business interruption

and the loss of income, plus extra expense when the organization is unable to operate normally because of property damage and destruction. However, most property policies will typically provide coverage for business interruption only if the cause of the property damage is considered a “covered cause of loss,” such as an emergency situation resulting from a fire or windstorm. Contingent business interruption coverage covers disruptions to the policyholder’s business that result from damage to the property of a supplier or customer. Again, the direct physical loss or damage must result from a covered cause of the loss that is not otherwise excluded by the policy. Understanding how business interruption coverage works has become a matter of heightened interest as a result of COVID-19, as most nonprofits have experienced some form of business interruption. And while this typically isn’t an issue in most crisis situations, in circumstances where infectious diseases, flu outbreaks and epidemics come into play, it’s important to review policies for exclusions with your insureds as most property policies specifically exclude losses resulting from viruses or bacteria.

## **CYBER LIABILITY**

It’s not unusual for employees and volunteers to work remotely in a crisis situation. For example, if an organization must close for a specific period of time for repairs after a fire or, in the case of the COVID 19 outbreak, be forced to close because of a statewide mandate, it may be impossible to operate from the existing location. Given the vast amount of personal information that nonprofits store in their systems, cybercriminals will use an emergency situation as an opportunity to exploit weaknesses from a surge in remote connections. They will attempt to infiltrate IT infrastructure to steal or encrypt sensitive organization data, extort funds or launch social engineering fraud schemes. In these unprecedented times, it’s critical to discuss cybersecurity issues with all your nonprofit clients.

## **WORKERS’ COMPENSATION**

Workers’ compensation insurance is a requirement in most states for businesses that have employees, providing coverage for injuries “arising out of or in the course of employment,” and could also include coverage for certain illnesses. In a crisis, having coverage is vital for protecting employees who may find themselves working in a variety of capacities in the course of their employment. This can include activities both on and off the premises, such as making food and clothing deliveries to people in need, helping at remote outreach programs, transporting volunteers to emergency locations and other charitable activities.

Organizations need to keep in mind that their obligation under federal and state safety laws to provide a safe

### **Organizations, take note!**

*Most health and safety roles and responsibilities are the same for at-home workers as for those in the workplace, including:*

- The immediate reporting of workplace injuries to management.
- Following through with all requirements for safety education and training.
- The duty for work-from-home employees to follow safe work procedures at all times.

and secure work environment for employees also extends to employees working from home or remotely. For example, an off-premise workspace should be treated as an extension of the regular workforce regarding safety requirements. This should include addressing safety issues in a specific remote work and safety policy.

## **VOLUNTEER ACCIDENT INSURANCE**

Nonprofits are typically not required or expected to provide workers' compensation insurance to volunteers. However, volunteers are vital to carrying through the mission of organizations, especially in a crisis where it is often an "all hands on deck" event. In this situation, volunteers can be subject to a number of work-related risks. Without some type of coverage to mitigate losses due to an injury to a volunteer, the organization opens itself up to costly lawsuits from which it can be difficult to financially bounce back.

Volunteer accident insurance provides coverage for the costs that volunteers incur if they are involved in an accident while performing activities for the organization. This can mean greater volunteer security and satisfaction, which are critical during and after a crisis to help stabilize an organization.

## **CONCLUSION**

The COVID-19 pandemic isn't the first and won't be the last crisis nonprofits will face. With careful planning that centers around financial and operational challenges, organizations can better mitigate losses associated with an emergency to ensure they can get through and recover from a crisis. Charity First has the expertise to provide adequate coverage during these challenging times so recovery doesn't have to be as difficult to achieve.



**FRANK TARANTINO**

Marketing

[frank\\_tarantino@charityfirst.com](mailto:frank_tarantino@charityfirst.com)

**SUBMISSIONS TO:**

[cfsubmissions@charityfirst.com](mailto:cfsubmissions@charityfirst.com)



## **ABOUT CHARITY FIRST**

At Charity First, our core focus is on serving the risk management needs of nonprofit organizations. We offer comprehensive insurance products and services that are designed around what matters most to nonprofits, playing an integral role as part of a long-term sustainability plan. To learn more about Charity First, contact us at 800-352-2761 or email [marketing@charityfirst.com](mailto:marketing@charityfirst.com).

## **CHARITY FIRST INSURANCE SERVICES, INC.**

1160 Battery Street, Suite 360  
San Francisco, CA 94111

Tel: 800.352.2761  
Fax: 415.536.4033  
[charityfirst.com](http://charityfirst.com)