

INSURING YOUR ORGANISATION

The trustees (management committee) of an organisation have a legal responsibility to see that the organisation is adequately insured.

It is important to review insurance policies regularly and check that the risks are properly covered as money-values and circumstances change. Some insurance policy schemes include index-linking and therefore the cover stays in line with price increases.

Each time you buy office equipment or start a new activity, you should check whether your insurance policies cover this.

Obtaining Insurance

Most types of office insurance are cheaper when arranged in a combined or package policy. The easiest way to find out about these is to consult a reputable insurance broker. Insurance bought from licensed brokers costs no more, as they earn their commission from the insurer. You can look around to find policies or schemes which best meet your organisation's needs. It may be worth asking other voluntary organisations or local businesses if they can recommend an insurance company or broker.

Before approaching a broker or insurer, draw up a list of activities, potential risks and types of cover required. It is very important that you include all relevant information on the proposal form as any inaccuracy or omission, even if unintentional, will mean that the insurer could dispute or even refuse to pay on a claim.

Make sure you:

- Review cover at least annually
- Keep up to date with payment of premiums
- Keep at least two copies of all information the insurance company supplies. One copy should be kept away from the premises in case of fire or theft.

Buildings Insurance

In most cases the various property covers will be grouped in a combined policy. The sum insured must cover the cost of reinstatement should the building be totally destroyed. You may need advice from a surveyor or valuer on this. If the cover is inadequate you may not be able to claim for more than a percentage of a loss or damage, even for partial damage. Changes to the property such as 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 for 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 to approve 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
- **indemnity cover** bringing it back to the state it was in immediately before the loss/damage occurred.

Often the cost of rebuilding or substantial repairs will be more than the market value of the property. The sum insured should include rebuilding and other costs such as clearing debris, architects' fees and complying with statutory requirements on rebuilding or repairs. An estimate of rebuilding costs should be obtained from a local builder, architect or surveyor.

Basic cover will include fire, lightning and 'limited' types of explosion.

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 which takes into account 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.** The wording needs to be checked as many policies restrict cover to losses resulting from forced entry into or forced exit from the premises. If the premises are shared it may not be possible to arrange cover for 'walk-in' thefts. The insurer might ask that alarm systems be installed or upgraded
- **Fraud/dishonesty by an employee** covers you against loss as a result of employee fraud or dishonesty. 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. Also covers the costs involved in reinstating data following damage, breakdown or accidental erasure.

Consequential loss or business interruption

This refers to additional financial loss to an organisation which results when its premises become unusable because of loss or damage. It is either 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 voluntary workers. 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, the Charity Commission's permission.
- **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.

Organisations that can advise and help

Voluntary Action Sheffield

Legal Consultant

69 Division Street
Sheffield S1 4GE
Tel: 0114 249 3360

The following local brokers are experienced at arranging insurance for voluntary groups:

Martin Ladbrook

Unit 17, Dinnington Business Centre
Outgang Lane
Sheffield S25 3QX
Tel: 01909 565 858
Fax: 01909 550 840
Email: enquiries@ladbrook.co.uk
Website: www.ladbrook.co.uk

IFM Insurance Brokers Limited

Cybor House
1 Tipton House Road
Sheffield S10 5BY
Tel: 0114 2684606
Email: admin@ifmins.co.uk
Website: www.ifmininsurance.co.uk

Advice UK

12th Floor
New London Bridge House
25 London Bridge Street
London SE1 9ST
Tel: 0207 407 4070
Fax: 0207 407 4071
Website: www.adviceuk.org.uk

Useful publications

- **Insurance Protection: A Guide for Voluntary Organisations** (1992) .
- **Trustee liability insurance: is it for you?**
Tim Gill and Kate Kirkland (1993) .
From NCVO Publications
Tel: 01536 399 016
- **Voluntary But Not Amateur**
London Voluntary Service Council
Tel: 020 7700 8107
- **Short Guide to the Employers' Liability (Compulsory Insurance) Act (HSE4)**
Health and Safety Executive, free.
Tel: 01787 881 165
- **Management of Voluntary Organisations**
Croner Publications
Tel: 020 8547 3333
- **The Voluntary Sector Legal Handbook**
Directory of Social Change
Tel: 020 7209 5151
- **Insurance for Small Groups**
Sheffield City Council's Grant Aid Information Pack
Tel 0114 273 4113
- **Charities and Insurance**
Booklet cc49
Charity Commission
Tel: 01823 345 427

Some of these publications are available in VAS's library which is open Mondays to Fridays 9am to 5pm.

Other **INFORMATION SHEETS**

Available from

Voluntary Action Sheffield

Accessible Organisations

Acquiring and Managing Premises

Action Planning

Business Planning

Constitutions

Contracts between Partners

Charitable Limited Companies

Data Protection

Disciplinary and Grievance Procedures

Employing a Worker

Handling Redundancies

Health and Safety

Involving Volunteers

Legal Status

Management Committees

Monitoring and Evaluation

Starting Up

Trading and Fundraising

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