Running your group: Insurance

Insurance Cover for Voluntary Groups

It is essential for all voluntary groups to have adequate insurance cover to cover all its activities and resources. It is important that each organisation researches all options to avoid having inadequate, inappropriate or overpriced cover:-

General guidelines and good practice:

- Unincorporated organisations (not companies) should take out insurance in the name of the committee, but signed by one individual on behalf of the committee
- Ensure all proposals are read and signed by the committee members
- Always submit accurate information
- Always advise the insurance company of any changes in the organisation or its activities that may affect the policy
- Always give too much information – rather than too little. If the insurance company refuses payment the management committee may be personally liable to pay compensation.
- Always keep two copies of all the information supplied, keeping one copy away from the premises.
- Regularly review policies.
- Never admit responsibility for an accident, even if you are at fault, as this could prejudice an insurers position
- Implementing Risk Assessments throughout all an organisations activities can provide evidence to be able to negotiate reduced premiums
- There are insurance companies who have specialist policies for the voluntary sector, which cover volunteers and unpaid management committee members, as well as activities

Charities & Trustee Responsibilities

Under the Charities Act 1993 the trustees of a charity have a duty to safeguard the organisation, its employees and assets. If trustees fail in this duty they may be personally liable to make good the charities losses.

Charity Trustees have responsibilities for:

- Carrying out and acting on the results of an appropriate assessment of the charities risks
- Ensuring that their organisation has adequate insurance cover at all times- this applies to: property (such as land, buildings, plant, furniture and computers); cash on premises or in transit; liabilities to employees; liabilities to volunteers; motor insurance; insurance for special events.
- Reviewing risks and polices to ensure the cover is still adequate and premiums competitive
- Keeping an up to date inventory of all property, furniture and equipment.

Compulsory Insurance

The following policies are compulsory if your organisation employs staff or uses a motor vehicle for its activities.

Employers Liability Insurance

- Under the Employers Liability Insurance Act 1969, all employers have a duty to insure against personal injury, illness or disease sustained by their employees as a result of their employment.
- Cover must be for at least £5 million to cover any one claim
- The certificate must be displayed in all workplaces and kept for 40 years

This policy does not normally cover management committee members, trainees, volunteers or service users. There are specialist polices to cover volunteers and their activities

Motor Vehicle Insurance

- Under the Road Traffic Act 1988 all organisations with vehicles used on the road must have insurance
- The insurance company must be told what the vehicle is used for , and who will drive it
- Staff and volunteers, who use their own vehicle, must ensure their insurance policies cover journeys made for work purposes. If there is an additional cost incurred, this should be reimbursed by the organisation, and in a charity is a legitimate expense to be paid out of charity funds
- Some specialist policies can cover staff and volunteers

There are special requirements in respect to mini buses used on a hire basis and the insurance company should be consulted

Essential Insurance

The following insurance policies are not legally compulsory, but are often regarded as essential being required by funders, landlords or by the nature of the organisations work, as well as being seen as good practice.

Public Liability Insurance

- This is not mandatory but is considered essential when the organisation interacts with the public
- Cover the organisation (or committee members of an incorporated body) in the event of injury, death and loss or damage to the property of non employees as a result of the organisations activities

- Always ensure the policy includes liability for damage caused by anyone, including volunteers who carry out work on behalf of the organisation. This may be included in your policy or may require a specialist policy
- If required the policy should cover work in other places and external projects
- Check that volunteers above or below a certain age are not excluded under the policy. Always inform volunteers about the insurance cover which applies to them
- The organisation have a duty of care to ensure that all sub-contractors carry relevant insurance covering the services they deliver

Many service contracts require the provider to take out public liability insurance

Buildings Insurance

- Organisations have no obligation under law to insure their building; however under charity law organisations have a duty to protect the charities assets by taking out adequate insurance.
- If the organisation leases a building, it would be a condition of the lease that the landlord insures the building, in order to protect their interests. However the terms of the lease should always be checked.
- The normal risks insured against are: destruction or damage by fire, lightening, explosion, storm, flood and subsidence
- The full reinstatement cost of the building must be insured against, including factors such as increased costs due to inflation, cost of replacing the building in the same style as the original ,cost of professional fees, and demolition/site clearance costs
- To ensure adequate insurance cover the Charity Commission recommends that trustees obtain professional advice on what the full reinstatement would cost, and then confirm every two years whether the current figure still stands. If the cover is not adequate the trustees should notify the insurer for an adjustment to be made
- Any alterations, improvements or additions to the building should be included in the reinstatement costs.

This is a legitimate expense and the charity can pay the premiums out of charity funds

Contents Insurance

- The duty to protect charity property extends to the contents of the building such as furniture, equipment and cash against damage and loss occasioned by most events and cover property when its outside the building
- Valuable items might best be protected by an “all risks” policy which covers damage

- If the value of insured items is too high (e.g. Exhibits in a museum) guidance must be sought from the Charity Commission
- Trustees need to consider whether their insurance:
  - Should be on a “new for old” basis
  - Covers lose arising from theft
  - Needs to include cover for accidental damage
  - Covers specific items such as computers
  - Covers money in transit and held on the premises

Be indexed linked

Other Types of Discretionary Insurance

Product Liability Insurance
Organisations should consider this type of insurance if they sell goods to the public. It covers death, personal injury or damage caused by the goods.
e.g.: items sold in a charity shop.

Professional Indemnity Insurance
If the organisation and its staff or volunteers provide complex advice and other services such as advice it should consider taking out this insurance. This covers any claims resulting from incorrect advice or poor services which cause damage, injury or loss to the service user.

Fidelity Insurance
This policy insures against employee or volunteer dishonesty and should be considered when organisations deal with large amounts of money.

Trustee Indemnity Insurance
This insurance covers trustees or directors against liability for acting in breach of trust. However there are restrictions on the circumstances in which an organisation can take out this type of insurance. Because it covers the trustees rather than the organisation .There is a potential conflict of interest between the individuals and organisation they are managing, as the policy is paid from the organisations funds and is regarded as being a personal benefit to the trustee.

Before a charity can take out trustees’ or directors’ indemnity insurance, its constitution must specifically allow for this type of insurance. If it does not, the organisation must amend its constitution with the prior written consent of the Charity Commission, before it can take out the insurance. Any charity wanting to obtain this insurance to cover its trustees should always approach the Commission as they want a standard wording to be included in the policy.

They will also ask the charity to justify the need for insurance, taking account of the group’s activities, the degree of risk, the number of committee members, the degree of risk , the amount of cover required and the likely insurance premium.

Trustee indemnity insurance does not cover trustees’ for losses or debts arising from contracts, negligence or obligations to third parties. Trustees who have acted honestly, reasonably, with due diligence and in accordance with their powers rarely suffer financial loss as a result of being a trustee. Therefore there may be little value in obtaining the insurance as it is not a complete protection against liability. Trustees do have full discretion to purchase this insurance from their own pocket.

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This information sheet is intended to provide an introduction to the most common types of insurance required by voluntary organisations.

Further information

- Charity Commission: Charities & Insurance (CC49); Trustee Indemnity Insurance (OG100) and Charities & Risk Management: www.charitycommission.gov.uk
- WCVA: "Insurance cover for voluntary groups" fact sheet, available to be downloaded www.wcva.org.uk
- WCVA: "Faith and hope don't run charities (trustees do)" Copies are available f rom WCVA Helpdesk 0870 607 1666
- PAVS have details of specialist charity insurers; contact the development team for details.
- Health & Safety Executive: www.hse.gov.uk