

4 Key Elements of Nonprofit Insurance Programs

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Most nonprofits operate on very tight budgets. One thing nonprofits can't afford is an unexpected bill from a claim, especially if insurance could have been purchased to cover the expenses. However, if the right elements are not included in your nonprofit insurance program then it's just like having none at all.

There are too many insurance coverages to review in one blog post but here are four that you should discuss in detail with your broker.



NON-PROFIT SOLUTIONS

- 1) Directors & Officers Insurance-** The officers on your board of directors (most, if not all, of whom may be volunteers) could be sued for their actions (or inactions) as a board member and decision maker for your nonprofit. For example, the organization, the board and the individual members of the board could all be sued (together and separately) if a third party thinks that funds have been mismanaged. This is actually a fairly common occurrence and there is some, but not much, legal protection for your individual board members if this were to happen.

A strong and competent Board of Directors is an important asset to any nonprofit organization. Therefore, it is vital that the board members are protected by a comprehensive Directors & Officers policy and that this be a key element in your nonprofit insurance program. It is important to note that your D&O policy will also provide coverage for defense costs, which in most cases can be as much as any settlement.

Some suggestions to help you minimize the potential of D&O Claims:

- ***Provide Annual Board Training***
- ***Document Board Decisions***
- ***Provide New Board Member Orientation and Mentorship***

- 2) Employment Practices Liability (EPLI)** – EPLI provides coverage for claims made by employees, volunteers and third parties for alleged or actual work place discrimination, wrongful termination, harassment, retaliatory treatment, unfair hiring practices, and other types of unfair or discriminatory activities. Unfortunately, EPLI claims are on the rise due to our current economic situation.

Many nonprofits don't have the resources for training or developing policies and procedures which raise awareness and reduce claim frequency which makes having EPLI a very important component in your insurance program. Another reason nonprofit organizations have a higher frequency of EPLI claims, is due to the diversity of volunteers and employees. This can cause differences in interpersonal interactions and lead to claims.

The other essential EPLI benefits are the defense cost coverage and the free legal service which provides advice on employment related matters. Additionally, many EPLI policies will provide help with reviewing and writing employee handbooks.

Some suggestions to help you minimize the potential of Employment Related Claims:

- ***Provide Employees a Confidential Way to Discuss and Report an Incident***
- ***Include detailed anti-harrassment rules in your Employee Handbook***
- ***Adopt a “No Tolerance” policy for discrimination and harassment***

3) Cyber Risk Insurance- You can't pick up a paper or turn on the TV without learning about another company that had their computers hacked and confidential information stolen. If you followed these stories you would also learn of the incredible costs associated with notification to all the individuals. Most states now have laws that require the entity to provide identity theft and notification insurance for a number of years after a cyber beach has occurred.

Because nonprofits store employee, client, and donor information they are subject to a cyber attack. What if an employee laptop was stolen that contained this information? Are you prepared to manage the loss alone?

The average notification and recovery costs are now estimated at about \$500 per identity. Most nonprofits cannot afford that expense. And by adding Cyber Liability insurance to your program you also can get help with Notification Expense, Data Loss, System Damage, Content Liability, and Regulatory Expense.

Some suggestions to help you minimize the potential of Cyber Liability Claims:

- ***Control access privileges, change passwords, use best available authentication***
- ***Develop a privacy policy***
- ***Provide employee training in how to protect confidential information***

4) Extra Expense (EE) – Extra Expense coverage provides payment for the expenses associated with a loss that you haven't budgeted for. These expenses can include the cost to relocate either temporarily or permanently, costs to expedite set up and other unanticipated expenses associated with a loss.

Will you be able to get your services back up and running quickly in the event of a fire or loss? EE coverage is essential to ensuring that you can seamlessly maintain your services and should be considered when insurance program.

Some suggestions to help you minimize the potential of Extra Expense Claims:

- ***Keep Backups of all Vital Information and Databases***
- ***Have a strategic plan for Emergencies***

Tags- Employment insurance, insurance, cyber, directors and officers, extra expense, business income, risk management, nonprofit, litigation, claims