

## Insurance Briefing Notes

These briefing notes have been prepared by Ladbroke Insurance, specialists in insurance for Charities, Voluntary & Community Sector Organisations

### Do we Need to Take Out Insurance?

Many individuals working in the Voluntary Sector whether they are volunteers, paid employees, Management Committee Members or Trustees appear unaware of the consequences when something goes wrong. Most organisations, whether big or small, will do their very best to organise themselves in such a way so as to minimise possible mistakes or problems that they might encounter. For example, every effort will be made to follow good employment practice, or if there is a particular outdoor activity involved then every effort will be made to ensure that those in charge or responsible receive adequate training and assistance to ensure that the activity is supervised properly.

### Public Liability Insurance

Even when every effort has been made to ensure that everything runs smoothly, an upset or mistake can still occur. Any organisation should always very seriously consider taking out Public Liability Insurance to provide adequate protection against the unknown. Public Liability Insurance protects an organisation should a member of the public or any other third party suffer damage to property or injury to their person due to the negligence of any member of the organisation. Public Liability Insurance is not, as yet, a legal requirement but too many Voluntary Sector Organisations operate without it. Public Liability Insurance, particularly for the smaller organisation, is relatively inexpensive when arranged by a Voluntary Sector Insurance Specialist. Most Public Liability Insurance Policies these days will carry a maximum limit of indemnity (or maximum payment for any one event) of £2 million. Indeed, many Local Authorities will insist that organisations that use their premises have Public Liability Insurance with a limit of indemnity of at least £5 million.

### Products Liability Insurance

Usually as a standard extension to the Public Liability Insurance, insurers provide cover in respect of the supply of free food and beverages and the possibility of such items causing an injury or third party damage. This area of cover is known as Products Liability Insurance. However, some organisations may supply, sell or hire items to a third party other than free food and beverages i.e. a community café selling food on a more regular basis. If this is the case, it would be recommended that the wider scope of Products Liability Insurance be obtained in order to protect against liability claims for injury or third party damage.

## Employers Liability Insurance

If any organisation has any paid employees then it is a legal requirement that they take out Employers Liability Insurance with a limit of indemnity of £10 million. It can also be argued that organisations that “employ” volunteers on an unpaid basis should consider Employers Liability Insurance. Some insurance companies consider a volunteer to be an unpaid employee.

## Material Damage Insurance

What happens if a Voluntary Sector Organisation should own some equipment whether kept in an office, in a Community Centre or even property that is used outside? Do these organisations consider insuring such equipment against fire or theft etc? Many feel that it is not worthwhile or may not know where to find appropriate competitive insurance cover. Organisations who use donated funds to purchase equipment etc should consider insuring such items.

Material damage insurance is provided in several forms including Contents, Stock, All Risks and Buildings.

Contents cover would relate to equipment used and kept on the premises at all times and would cover such incidents as fire, theft and could also extend to include accidental damage.

Stock cover relates to supplies of items that have been purchased by an organisation to sell or supply on that could also be damaged through fire and theft including literature etc.

All Risks would again relate to equipment purchased by an organisation, but that would be used away from the premises i.e. Laptop Computers. The All Risks cover would again cover the equipment for fire, theft and accidental damage but is on a wider basis covering the items whilst used anywhere in the British Isles.

Buildings would of course relate to any premises for which an organisation is responsible. This can include premises that have been purchased by the organisation, but can also include premises that are rented but whereby the organisation is made responsible for insurance within the wording of a lease agreement. Again, Buildings cover would include such incidents as fire, theft damage, storm etc.

## Tenants Improvements Insurance

In many cases, an organisation may be in the position of renting a premises but may make certain improvements to the set up of their space to assist with the way in which they run their organisation. This may include building partition walls or redecoration etc for which the tenant has spent money. In the event of a fire or other such incident, the buildings may well suffer severe damage that the landlord would claim for under their own Buildings Insurance. However, the improvements that the tenant has made may not be insured under the landlords policy and the tenant may therefore suffer a financial loss by having to re-do the work. The tenant can therefore insure the “improvements” that they have made against such incidents as fire, theft damage etc.

## Loss of Rent

As a landlord, certain circumstances may occur beyond the landlords control that may result in the building being unfit for occupation and subsequently Rent not being received. The landlord can therefore insure the amount of Rent they receive for such loss. It should however, be noted that the reason for this loss must have resulted from something that would have been insured by a Buildings policy i.e. fire, storm flood etc.

## **Business Interruption/Consequential Loss Insurance**

As an organisation, circumstances may arise that result in the Loss of Income or whereby Extra Expenses are incurred following an incident that would be insured under the Buildings or Contents section of a policy. It is possible for an organisation to insure themselves against such losses under the Business Interruption or Consequential Loss section of a policy. An example of such an incident may be that the premises being used suffer a fire and are seen to be unfit for occupation. The organisation may therefore need to seek an alternative base for which they may incur extra costs i.e. higher rent, additional wages for staff to help with the move, removal costs etc.

## **Personal Accident Insurance**

What happens if a paid employee or volunteer suffers an accident whilst working for the organisation, which is not in any way due to the fault of the organisation itself? It is possible, at a reasonable cost, to take out Personal Accident Insurance for employees and for volunteers whilst they are working for the organisation. If the cost is not excessive, is it not unreasonable to provide some protection in case an individual who gives up his/her time has an accident whilst helping the organisation.

## **Legal Expenses Insurance**

Even if an organisation does not consider that Public Liability Insurance is viable, what if a member of the public makes a claim against the organisation on a “no win, no fee” basis. These situations are heavily advertised on daytime television and a Voluntary Sector Organisation is just as likely to be the recipient of such an action as any Private Sector Organisation. Again, at relative low costs, a Voluntary Sector Organisation can insure itself for the legal costs involved in defending any action against it.

## **Money**

Many organisations hold small amounts of petty cash on their premises for several days before taking this to the bank. This may have come from donations received or fees charged etc for the services provided by the organisation. It is possible to insure this money whilst on the premises during open hours, overnight and whilst being taken to the bank, for theft.

## **Professional Indemnity Insurance**

As a further extension of Public Liability Insurance, some larger organisations may well wish to consider Professional Indemnity Insurance. This becomes a requirement where an organisation or its officers provide advice, which, when acted upon, could cause harm or damage to third parties. Professional Indemnity Insurance is the answer in this instance.

## **Charity Trustees Indemnity Insurance**

Trustees of a charity can be held personally liable for any breach of duty on their part for any loss falling upon the charity as a result of their own errors or omissions, or those of their Co-Trustees. This risk of potential loss or liability is insurable. Whilst the Charity Commission make it clear that the charity's constitution should include the appropriate power, that the cover should not be too wide, and that the cost of the insurance be reasonable, then charitable organisations can buy this protection from their charitable funds. More and more Trustees are seeking to purchase this protection.

## Conclusion

No matter which unfortunate event occurs, it is the ultimate responsibility of the Trustees or the Management Committee. Whether money has to be found to replace stolen property, whether Solicitors fees have to be paid to defend legal action from a third party or whether a volunteer or a member of the public is injured, it is the Trustees or Management Committee who should have the greatest cause for concern. Proper and adequate insurance cover is not just a good idea but should be seen as a necessity, particularly when, as a society, we are becoming evermore litigious.

Most insurance brokers and insurance intermediaries do not have a great understanding of Voluntary Sector Organisations and, as most insurance premiums are relatively low, very many insurance intermediaries are not particularly interested in providing assistance.

Whether you are a large organisation with several paid employees or a group of individuals that meet once a week or once a month for lunch or a coffee morning, serious consideration should be given to the minimum insurance requirements.

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