

Dear Affiliate Leader,

This insurance policy and procedure informational packet was designed to assist you with developing and maintaining best practices for affiliate insurance needs. It is important to have processes and procedures in place to protect your most important asset, your financial stability. Protecting your affiliate through the appropriate insurance policies is an important part of managing your affiliate.

The following policies are highly recommended to minimize the affiliate and Directors’ risk:

* Directors and Officers
* Liability
* Employee dishonesty or bonding for all individuals with access to affiliate funds.

Please use the templates in this packet as guides to assist you with either developing or updating your affiliate’s insurance information as needed. This packet also contains insurance recommendations for affiliates.

We hope this information is of value to you as you update or create insurance policies and procedures to protect your affiliate and its members from potential legal action.

Sincerely,

The ASRT Governance and Affiliate Relations Team

affiliaterelations@asrt.org

800-444-2778

**DISCLAIMER: ASRT is providing this guidance as a member/affiliate service. This document is not intended to provide definitive legal guidance or advice, but is intended to sensitize affiliates to possible legal issues and beneficial advantages to be gained from properly using the law. As legal issues can be complex and involve varying levels of exposure to potential liabilities, affiliates should not proceed with any transaction, event or decision without weighing the legal issues/risks and, if needed, after consulting with legal counsel.**

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**Director’s and Officer’s Insurance**

**and Risk Management**

It is important to consider protecting your organization’s officers and directors through insurance and risk management policies. Actions taken during their volunteer activities with the affiliate can put the personal assets of your directors and officers at risk. As we all know, litigation can be very costly and time consuming. Even an affiliate, which is operating appropriately, can still face the risk of someone bringing a lawsuit against the organization and its board. If the affiliate board wins the lawsuit, but exhausts all its funds through legal expenses, it risks the ability to continue operating. Many of the activities of an affiliate have the potential to lead to a claim by a vendor or an individual that alleges damage or injury by the corporation or individuals responsible for it (e.g., directors, officers, volunteers, management companies or employees). By purchasing and maintaining an insurance policy for directors and officers, affiliates can budget for an expected expenditure that is predictable and provides a reliable level of protection.

**D and O insurance is:**

A policy used to protect volunteers and staff against claims of *negligence, breach of duty, or other wrongful acts* in performing their obligations for the affiliate as a volunteer or staff member. Nonprofit organizations can purchase Directors and Officers coverage on behalf of their boards to indemnify them against these types of claims. Directors and Officers insurance can provide added protection against those liabilities that organizations can’t indemnify under state laws.

**What does it cover?**

Insurance policies will vary from state to state and carrier to carrier, however, usually the insurance will cover not only losses or damages, but also any attorney’s fees necessary to defend claims, which can sometimes be significant amounts. Directors and Officers (D&O) policies will often be packaged with other policies. The following is a list of potential acts that could be covered by a D&O policy:

* Mismanagement by the board of directors
* Failure to adhere to federal, state or local laws
* Employment law violations- a separate policy is recommended for employment practices
* Unauthorized loans or investments
* Misappropriation of funds
* Invasion of privacy
* Trademark or plagiarism infringement
* Acting with undue authority
* Conflict of interest
* Negligence in handling funds, controlling tax liabilities or maintaining financial records
* Failure to regularly attend board meetings
* Slander, libel or defamation of character
* Misleading financial statements
* Harassment of volunteers or staff
* Deceptive practices used to solicit contributions
* False advertising

It is advisable to consider a basic comprehensive general liability policy *in addition* to the D & O insurance. A basic comprehensive general liability policy covers liability for accidents that may occur in the affiliate offices, at affiliate meetings or through other activities.

**Where can we find information on director, officer and liability insurance for affiliates?**

Nonprofit organizations can purchase Directors and Officers coverage on behalf of their board to indemnify them against claims. Director and Officer insurance policies are offered through several companies. See [Member Perks](http://www.asrt.org/membership/why-join-asrt/member-perks) for information about ASRT's trusted partners, including insurance companies. You can also search the Internet for nonprofit state associations that list local insurance carriers and contact information. Affiliate leaders can contact the ASRT Affiliate Relations Office at affiliaterelations@asrt.org or call 800-444-2778 for more information or assistance with finding an insurance company.

**Developing Risk Management Policies:**

Volunteer leaders are critical to the operation and finances of your affiliate. You can mitigate risk and handle allegations of mismanagement, misuse of funds, wrongful termination and employee discrimination with strong policies. Policies should be put in place to prevent and manage this risk. One of the board’s responsibilities is to safeguard the organization’s resources — both human and financial. By establishing a written risk-management policy, the organization communicates its commitment to managing potential organizational threats. This policy statement reflects the organization’s mission and purpose, states the intent of the program, and lists the actions that others throughout the organization can take to contribute to the organization’s risk-management efforts. A risk management plan is a good companion to the policy. The plan should outline the steps the organization will take to prioritize and address risk and protect assets.

**Risk Management and Insurance Sample Policy and Procedure Templates**

Policy and Procedure Sample No. 1

**SUBJECT: RISK MANAGEMENT**

**POLICY:** It is the policy of the \_SRT to protect its human, financial, tangible, reputation assets and resources through the practice of effective risk management. \_\_\_SRT’s board is dedicated to protecting its paid and volunteer staff, its members, and those who have contact with the organization. The board will ensure that the organization has a risk management plan for the organization that is reviewed and updated on an annual basis.

# PROCEDURE: The \_\_\_SRT board shall review the risk management plan each fiscal year. Appropriate adjustments shall be made and implemented. The board will approve the risk management plan prior to the start of the fiscal year on \_\_\_\_\_\_\_\_\_\_.

Policy and Procedure Sample No. 2

**SUBJECT: INSURANCE COVERAGE**

**POLICY:** It is the policy of the \_\_SRT to purchase necessary policies to insure the organization against risk. Types of insurance to be purchased *should* include:

* Insurance against employee theft and dishonesty
* Indemnification
* General liability (personal, property and punitive damage)
* Commercial (for physical assets)
* Nonprofit Officers’ and Directors’ Liability (also known as association professional liability)
* Employment practices (EPLI)
* Workers’ Compensation
* Annual Meeting Cancellation

# PROCEDURE: The \_\_\_SRT board shall review the insurance plans each fiscal year. Appropriate adjustments shall be made and implemented. The board will approve the appropriate policies prior to their purchase. The board is responsible for purchasing and maintaining current insurance policies. Additional types of insurance needed to protect the organization must be approved by the board.

Policy and Procedure Sample No. 3

**SUBJECT: ASSET PROTECTION**

**POLICY and PROCEDURE:** It is the policy of the \_\_SRT that the board of directors shall adequately protect and maintain from unnecessary risk \_\_SRT assets by the following actions:

* Insure against theft and casualty losses of tangible personal property to at least 80 percent of replacement value and against liability losses to board members, staff, or the organization itself at no less than minimally acceptable and prudent levels.
* Have sufficient employee dishonesty insurance and directors’ and officers’ liability insurance for personnel with access to material amounts of funds.
* Ensure office and equipment are not subjected to improper wear and tear or insufficient maintenance.
* Protect the organization, its board, and staff from exposure leading to claims of liability.
* Protect intellectual property, information, and files from loss or significant damage.
* Seek bids or demonstrate other prudent methods for any purchases over $\_\_ and protect against conflicts of interest.
* Receive, process, or disburse funds under financial controls that meet the board-appointed auditor’s (or grant’s or other funder’s) standards.
* Invest or hold operating capital in secure instruments, such as insured checking accounts and bonds of greater than \_\_ rating, interest-bearing accounts (except when necessary to facilitate ease in operational transactions or where restricted by the funder).
* Acquire, encumber, or dispose of real property only with board approval, with the price set on any property to be disposed of following either a formal market appraisal or analysis of comparable properties by at least two reputable realtors in that market.
* Not endanger the organization’s public image or credibility, particularly in ways that would hinder its accomplishment of mission, except when necessary to accomplish its mission.

Policy and Procedure Sample No. 4

**SUBJECT: INSURANCE**

**POLICY:** It is the policy of the \_\_SRT to have an insurance agent evaluate the \_\_SRT’s insurance policies to ensure coverage and limitations adequately meet the needs of the organization and members.

# PROCEDURE: Prior to renewal, insurance policies and coverage should be reviewed by a qualified insurance agent, with guidance provided to the board.

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**Liability Insurance**

There are several types of liability insurance. In this section, we will describe the different types and provide information about the coverage they provide. Legal liability is the obligation or debt owed, or the thing for which one is liable. Typically, this would be an injury or damage of some type that is tied to the affiliate.

First, let’s discuss **General Liability**. This type of coverage protects against third-party bodily injury and property damage claims arising from an association’s physical premises or operations, or off-site meetings. In other words, it provides coverage to a person who is injured at a conference in addition to providing coverage to someone injured on the physical property of the association’s offices. General Liability is the minimum coverage an association should have, even if the association doesn’t have a physical location and paid staff. General Liability is typically required when executing any contract.

**Umbrella Liability** provides an additional layer of protection. It is on top of the coverage provided by the general liability, automobile and workers’ compensation insurance. Umbrella insurance is used for losses not covered by other policies. As its name implies, it is broad coverage for many instances and it is used as a sort of “reserve” or back-up insurance.

**An Office Package Policy** is a bundled coverage policy, usually consisting of General Liability, Property, Crime, and Automobile Coverage for non-owned Auto Liability (rented or leased auto). This covers the physical property of a building, the contents and its equipment, along with the building itself in the event of theft or liability.

**Employment Practices Liability Insurance (EPLI)** covers wrongful acts stemming from employment practices. It protects an employer against claims made by employees, former employees or employment candidates. Typically, this insurance is provided in conjunction with Nonprofit Directors & Officers (D&O) Insurance. Some of the claims covered by EPLI include wrongful termination, discrimination, sexual harassment, and retaliation. EPLI also would cover workplace conduct such as defamation and invasion of privacy. The policies cover directors and officers, management personnel and employees.

**Liability Insurance Sample Policy and Procedure Templates**

Policy and Procedure Sample No. 1

**SUBJECT: INSURANCE- GENERAL LIABILITY**

**POLICY:** It is the policy of the \_\_SRT to provide general liability insurance coverage. The policy minimum limit shall be $\_\_\_\_\_\_\_\_\_\_.

**PROCEDURE:** The board shall review the insurance policy and approve it prior to the end of each fiscal year.

Policy and Procedure Sample No. 2

**SUBJECT: INSURANCE- UMBRELLA LIABILITY**

**POLICY:** It is the policy of the \_\_SRT to provide errors and omissions insurance coverage for all Officers, Directors, ex-officio board members and committee members while acting within the scope of their official duties. The policy minimum limit shall be $1 million.

**PROCEDURE:** The board shall review the insurance policy and approve it prior to the end of each fiscal year.

Policy and Procedure Sample No. 3

**SUBJECT: INSURANCE- OFFICE PACKAGE POLICY**

**POLICY:** It is the policy of the \_\_SRT to provide Office Package Policy coverage. The policy minimum limit shall be $\_\_\_\_\_\_\_\_\_\_. The package shall include policies for General Liability, Property, Crime, and Automobile Coverage for non-owned Auto Liability (rented or leased auto).

**PROCEDURE:** The board shall review the insurance policy and approve it prior to the end of each fiscal year.

Policy and Procedure Sample No. 4

**SUBJECT: INSURANCE- EMPLOYMENT PRACTICES LIABLITY INSURANCE**

**POLICY:** It is the policy of the \_\_SRT to provide **Employment Practices Liability Insurance** coverage. The policy minimum limit shall be $\_\_\_\_\_\_\_\_\_\_.

**PROCEDURE:** The board shall review the insurance policy and approve it prior to the end of each fiscal year.

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**Employee Dishonesty Coverage**

**Employee dishonesty coverage** is for employee theft of funds or property. This includes the fraudulent activities of an individual or a group of employees. Unfortunately, it seems that these days we see more news stories about embezzlement in the workplace. Employee dishonesty insurance can be considered to be very similar to a fidelity bond. In most cases, both offer similar coverage. In addition to covering the monetary losses of the affiliate, this policy typically would cover the losses associated with burglary or destruction. This coverage usually includes employees, members, volunteers and directors.

The following fraudulent actions and thefts may be covered by this policy:

* Forgery or falsification of records
* Wire transfer of funds
* Computer-related fraudulent activities
* Credit card fraud
* Money order and/or counterfeit fraud
* Property theft
* Theft of funds or savings

**Employee Dishonesty Sample Policy and Procedure Templates**

Policy and Procedure Sample No. 1

**SUBJECT: BONDING**

**POLICY:** It is the policy of the \_\_SRT to bond all individuals involved in the financial functions of the organization.

# PROCEDURE: The bond may be in the form of an employee dishonestly insurance policy or as a security bond and will cover each individual involved in financial transactions. It will be renewed annually.

Policy and Procedure Sample No. 2

**SUBJECT: INSURANCE- EMPLOYEE DISHONESTY COVERAGE**

**POLICY:** It is the policy of the \_\_SRT to provide **Employee Dishonesty Coverage**. The policy minimum limit shall be $\_\_\_\_\_\_\_\_\_\_.

**PROCEDURE:** The board shall review the insurance policy and approve it prior to the end of each fiscal year.

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**Other Coverage**

There are a few other types of insurance your affiliate may want to consider to further protect its assets. These additional policies provide an extra layer of protection for events you host. Consult your insurance professional for more information about these.

**Event insurance** provides package coverage for affiliates that sponsor events such as conferences and tradeshows. It is a package that can include property insurance, general liability, employer liability and event cancellation coverage.

**Liquor liability** is typically excluded from general liability policies. This coverage would help protect assets in the event that liability can be tied to a specific event your affiliate hosts or sponsors where alcohol is served.

Coverage and pricing vary from state to state. Please consult with a local insurance carrier with non-profit organization experience.

You can also search Google for “nonprofit insurance” in your state. Most states offer information online.

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For more information about Directors and Officers insurance, contact your insurance agent. For a referral to an insurance agent, please contact Katie Badeusz of First Nonprofit® Insurance Company, *kbadeusz@firstnonprofit.com*, (312) 715-3049.

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Types of insurance:

<http://www.trisura.com/content/corporate_risk/business_office_package-39014.html>

Insurance glossary of terms:

<http://www.irmi.com/online/insurance-glossary/terms/e/employment-practices-liability-insurance-epli.aspx>

Employee Dishonesty Liability Insurance:

<http://www.naplia.com/employee-dishonesty/employee-dishonesty-FAQ.html>

Tips to Manage Risk & Liability When Liquor is Served:

[http://www.conventionplanit.com/e-alerts/e-alert-2013-12-09%2010:31:04.xml](http://www.conventionplanit.com/e-alerts/e-alert-2013-12-09%2010%3A31%3A04.xml)

**Finding insurance in your state:**

Coverage and pricing vary from state to state. Please consult with a local insurance carrier with non-profit organization experience.

You can also search Google for “nonprofit insurance” in your state. Most states have information online.

<http://www.independentagent.com/ContactUs/Pages/FindAnAgent/FindAnAgent.aspx>

The ASRT Governance and Affiliate Relations department may be contacted for questions at:

affiliaterelations@asrt.org or 800-444-2778