

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.

ASRT provides two insurance policies for all active affiliates and their subordinates:

1) Management Liability-includes Directors & Officers Liability, Employment Practices Liability, and Crime coverage for Employee Theft; and
2) General Liability

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 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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**Management Liability**

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 damages, judgments or settlements, but also defense costs, which can sometimes be significant. Following are examples of wrongful acts that could result in a D&O or employment-related claim:

* Mismanagement by the board of directors
* Failure to adhere to federal, state or local laws
* Unauthorized loans or investments
* Misappropriation of funds
* Invasion of privacy
* Trademark or plagiarism infringement
* Conflict of interest
* Negligence in handling funds, controlling tax liabilities or maintaining financial records
* Slander, libel or defamation of character
* Misleading financial statements
* Deceptive practices used to solicit contributions
* Employment law violations
* Harassment of or discrimination against volunteers, staff or third parties

ASRT provides a General Liability (GL) policy for affiliates and their subordinates.

**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. 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:** ASRT provides affiliates with 1) Management Liability policy that includes Directors & Officers Liability, Employee Practices Liability, and Crime/Employee Theft; and 2) Commercial General Liability policy.

The \_\_SRT is responsible for securing other types of insurance that may be required by law or prudent for the protection of the organization, its directors, officers, employees and volunteers. Additional coverage needs may include:

* Property coverage (for physical assets)
* Workers’ Compensation (statutorily required; check with your state’s specific requirements if you have one or more employees)
* Auto Liability if board members, employees or volunteers are driving their personal vehicles and/or renting vehicles on \_\_SRT business.
* Event Cancellation Insurance (typically covers revenue or expenses for cancellation, curtailment, postponement, abandonment or relocation due to a covered cause of loss; can also cover financial commitments such as room block and food & beverage)
* Special Event Liability for activities that are outside the scope of the General Liability policy. Examples include but are not limited to athletic and sporting events, animal-related activities, fireworks, use of inflatable amusement devices, concerts, biking events, construction activities, demonstrations or rallies, water-related activities, provision or arrangement of transportation
* Other types of coverage as needed

# 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 with exception of policies provided by the ASRT. 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 for the full replacement cost value and against liability losses to board members, staff, or the organization itself at no less than minimally acceptable and prudent levels.
* 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.
* Protection of personal and confidential information.
* 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.
* Require vendors, exhibitors and subcontractors to provide a certificate of insurance evidencing they maintain appropriate types and amounts of insurance and naming \_\_SRT as additional insured.
* Contract review available per ASRT legal counsel.

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. For example, it provides coverage if an attendee is injured at a conference or if a visitor is 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. **ASRT does not provide an Umbrella policy**.

**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. ASRT affiliate policy provides GL and Crime. **Property coverage and Auto coverage is not included in the ASRT policies.**

**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. ASRT affiliate policy provides EPLI coverage.

**Liability Insurance Sample Policy and Procedure Templates**

Policy and Procedure Sample No. 1

**SUBJECT: INSURANCE- GENERAL LIABILITY**

**POLICY:** It is the policy of the ASRT to provide general liability insurance coverage. The ASRT policy provides a $500,000 limit for each affiliate, subject to a $5,000,000 policy aggregate (the most the policy will pay for all affiliate claims combined.

**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. Employee Dishonesty insurance can be considered to be very similar to a fidelity bond. In most cases, both offer similar coverage. ASRT provides the Employee Theft coverage (some policies refer to it as Employee Dishonesty).

The ASRT Management Liability policy includes Crime coverage for Employee Theft only. It does not cover burglary (unless committed by an employee) or destruction. The definition of “employee” for this coverage includes directors, officers, managing members of a management committee and volunteers. This coverage usually includes employees, members, volunteers and directors. The ASRT Crime policy would only cover these if committed by an “employee.” There is no coverage provided for theft by a third party.

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

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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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Information in this packet was obtained from the following resources:

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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 department may be contacted for questions at:

affiliaterelations@asrt.org or 800-444-2778