Swansea Council for Voluntary Service

Your local county voluntary council

2. Running your organisation

2.11 Insurance

Why do organisations need insurance?

The members of a governing body have a general duty to protect the organisation including adequately insuring it.

The level and type of insurance your organisation needs will be determined by:

- The law – some insurance is compulsory.
- The governing document – it may include a positive duty to purchase insurance.
- The range and type of activities undertaken by your organisation – such as the assets it owns or manages and whether it has staff.

Do we have to insure?

Where insurances are compulsory or essential, organisations should obtain at least a legal minimum. Other insurances are discretionary but may be worth taking out depending upon the circumstances of the charity.

It is possible to insure against all kinds of eventualities, which could become very costly to an organisation. Therefore, when considering insurance think about the **real** risks the group will be exposed to.

It is also well worth shopping around to find combined policies which cover the variety of risks that are relevant to your organisation.

What about exclusion clauses?

The need for insurance may be reduced and in exceptional circumstances, avoided by the prudent use of exclusion clauses or disclaimers. These may appear as a notice on a ticket, sign at the entrance to premises, within the body of a contractual document or in separate written terms and conditions.

However, the law restricts the effectiveness of exclusion clauses and legal advice should be sought before attempting to exclude liability in this way. Under the provisions of the Unfair Contract Terms Act 1977, liability cannot be excluded for negligently causing death or personal injury or causing loss or damage to a consumer who uses negligently manufactured or distributed goods. Other clauses in written standard terms or where the purchaser is a consumer are subject to a ‘reasonableness’ test.

For example, simply saying that the organisation is not liable for incorrect advice will not necessarily provide protection, and does not absolve the organisation of its obligation to take reasonable steps to ensure information and advice is accurate and up to date.

Who to cover

It is important to cover staff, management committee members, volunteers and ordinary members for any liability they may incur while carrying out the work of the organisation.

Insurance for key areas of trustee responsibility

Compulsory insurance:

- Employer's liability insurance - If your organisation employs staff this is a legal requirement. Minimum insurance cover must be for £5 million for injury or disease suffered or contracted by employees while carrying out their duties. The certificate must be displayed in the workplace. This only covers staff, not the public.
- Motor Insurance – if your organisation uses a vehicle, it is a legal requirement to obtain insurance against liabilities to third parties.

Discretionary insurance:

- Staff sickness – you may also want insurance to cover the costs of paying sick pay to employees
- Public liability insurance – is essential for charities which own or occupy buildings or which offer services to the public, against claims from members of the public (including volunteers and trustees) for injury, loss or damage caused as a result of an organisation's negligence. Cover for a minimum of £5 million is recommended. You have a special responsibility for volunteers and when dealing with the insurance company should make it clear if they are involved.
- Property insurance – insuring a building for its full reinstatement value is highly recommended where a charity is the freehold owner and responsible for the insurance; contents of premises should be covered by an 'all risks' policy covering furniture equipment and cash.
- Professional indemnity insurance - provides against giving advice or other professional service to members of the public that results in damage, injury or loss to the user of the service.
- Fidelity insurance – protects against theft or loss arising from dishonest actions by staff or volunteers.
- Trustee's and director's indemnity insurance - this provides limited insurance for trustees against breaches of trust. Charities require authority to purchase Trustee Indemnity Insurance (TII). This can be obtained from the governing document, under the Charities Act 1993, s.73F (where the trustees believe it is in the best interests of the charity) and from the Charity Commission where there is an express prohibition on purchasing it in the governing document. Please note that this kind of insurance will not cover trustees who have behaved recklessly and

dishonestly, but that it is extremely rare anyway for trustees who have behaved prudently and honestly to suffer financial loss as a result of being a trustee.

General points

- It is important to review policies to ensure that cover is still adequate and that the premiums are competitive.
- It is worthwhile having a management committee member responsible for the group's insurance to prevent the issue being overlooked
- Incorporated organisations may take out insurance in the name of the organisation. Unincorporated organisations should take out insurance in the name of the committee but signed by an individual on behalf of the management committee.
- As with any insurance there will be circumstances which exclude cover. Make sure that these exclusions (the small print) are read and understood.
- When taking out insurance the proposer owes a duty of utmost good faith to the insurance company. This means that the company can refuse to pay out if the proposer has either failed to disclose or misrepresented information.
- It is essential to be covered for the right amount. Cover can be for replacement value at the time of loss or damage or its replacement cost (often called 'new for old'). If you are underinsured, some policies allow an insurance company not to pay out at all.
- Keep an up-to-date inventory of property, furniture and equipment.
- Specific guidance for charities can be found in the Charity Commission publication, *Charities and Insurance* (CC49).

Specialist charity insurers

The following is a non-exhaustive list of specialist charity insurers and brokers including the nationally recognised Encompass scheme promoted by WCVA.

WCVA Encompass
Keegan & Pennykid (Insurance Brokers) Ltd, 50 Queen Street, Edinburgh EH2 3NS
Tel: 0800 731 8030
Fax: 0800 731 8448
www.keegan-pennykid.com

AON Charity Assured
Aon Limited, 2nd Floor, Insurance House, 125/129 Vaughan Way, Leicester LE1 4SB
Tel: 0845 070 8983
www.charities.aon.co.uk

Charity Select
Thomas, Carroll Group plc, Pendragon House, Crescent Road Caerphilly CF83 1XX
Tel: 029 2088 7733
Fax: 029 2085 5230
www.thomas-carroll.co.uk/brokers

Ansvar Connect
Ansvar Insurance Co Ltd, Ansvar House, St Leonards Road ,Eastbourne
East Sussex BN21 3UR
Tel: 01323 737541
Fax:01323 739355
www.ansvar.co.uk

Ecclesiastical
Ecclesiastical Insurance Group, Beaufort House, Brunswick Road,
Gloucester GL1 1JZ
Tel: 0845 777 3322
www.ecclesiastical.com

Zurich Municipal
Community Insurance Centre, Mountbatten House ,Grosvenor Square
Southampton SO15 2RP
Tel: 0845 600 3184
www.zurich.co.uk/Municipal

Ladbrook
Ladbrook, FREEPOST NEA9003, Sheffield S25 3ZZ
Tel: 01909 565858
Fax: 01909 550840
www.ladbrook.co.uk

Endsleigh
Endsleigh Insurances (Brokers) Ltd, Shurdington Road, Cheltenham Spa,
Gloucestershire GL51 4UE
Tel: 01242 866800
www.endsleigh-business.co.uk/

Sector 3
Royal & Sun Alliance Insurance plc, St Mark's Court, Chart Way
Horsham, West Sussex RH12 1XL
Tel: 0800 072 0600
www.royalsun.com/sector3

Norris & Fisher
Norris & Fisher Insurance Brokers, 58 Abbey Enterprise Centre
Romsey, Hampshire, SO51 9DF
Tel: 01794 518855
www.norrisandfisher.com
www.villagehallinsurance.co.uk

Further information

Charity Commission for England and Wales
Tel: 0845 3000 218
www.charitycommission.gov.uk

Disclaimer
The information provided in this sheet is intended for guidance only. It is not a substitute for professional advice and we cannot accept any responsibility for loss occasioned as a result of any person acting or refraining from acting upon it.

For further information contact

Swansea Council for Voluntary Service
7 Walter Road, Swansea, SA1 5NF
Registered Charity *1063242*

Tel: 01792 544000 scvs@scvs.org.uk
Fax: 01792 544037 www.scvs.org.uk

Produced by WCVA, County Voluntary Councils and Volunteer Centres.
Last Updated:17/03/2011

Cyngor Gweithredu Gwirfoddol Cymru
wcva
Wales Council for Voluntary Action

Tel: 0800 2888 329
www.wcva.org.uk