



Insurance Toolkit

for the
Voluntary Sector

A Guide for Nonprofits and Charities

This toolkit was developed by the **Calgary Chamber of Voluntary Organizations (CCVO)** for the **Alberta Voluntary Sector Insurance Council (AVSIC)**.

Alberta Voluntary Sector Insurance Council (AVSIC)



AVSIC brings together members of Alberta's voluntary sector, the insurance industry and the Government of Alberta to address insurance-related issues affecting the voluntary sector. For more information, visit www.abc.ca.

The Calgary Chamber of Voluntary Organizations (CCVO)



CCVO
CALGARY
CHAMBER of
VOLUNTARY
ORGANIZATIONS

CCVO works to strengthen Calgary's voluntary sector and provide leadership on policy matters affecting the sector as a whole. To learn more about CCVO or to download a pdf of this toolkit, visit www.calgarycvo.org.

Free Insurance Toolkit seminars will be offered in Alberta from April to December 2006.

Workshops focus on increasing your organization's knowledge of the insurance industry, its products, and will provide answers to your questions about adequate coverage. Seminars are led by an insurance professional and the toolkit is used as a guide.

To arrange a workshop for your Alberta community, contact Volunteer Alberta by email insurance@volunteer.alberta.ab.ca or phone (780) 482-3300 or toll free 1-877-915-6336.

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Materials from the **Insurance Bureau of Canada (IBC)** were used to develop various sections of the toolkit. Visit IBC online at www.abc.ca to see detailed information about risk management and insurance.

For Additional Copies of this Toolkit

Limited printed copies of this toolkit are available, and an electronic version (PDF format) is available free of charge on Volunteer Alberta's website at www.volunteer.alberta.ab.ca or CCVO's website at www.calgarycvo.org.

DISCLAIMER

This publication is designed to provide general information about insurance. If legal advice or other expert assistance is required, the services of a professional should be sought.



The following organizations funded the development of this toolkit:



The Insurance Bureau of Canada (IBC)

The Insurance Bureau of Canada (IBC) is a national trade association that represents companies that insure the homes, cars and businesses of Canadians. Member insurance companies provide about 90% of the private (non-government) property and casualty (P&C) insurance sold in Canada. Learn more at www.ibc.ca.



The Wild Rose Foundation

The Wild Rose Foundation is a lottery funded agency created by the Government of Alberta to fund volunteer and nonprofit organizations that provide valuable services to Albertans; foster and promote the use of volunteers, or to assist those who volunteer or use the services of volunteers in Alberta; and foster or promote charitable, philanthropic, humanitarian, or public spirited acts or to assist those who perform them. Visit them online at www.cd.gov.ab.ca.



Canada Volunteerism Initiative - Alberta Network

The Canada Volunteerism Initiative is a national program to encourage Canadians to volunteer, improve the capacity of organizations to involve volunteers, and enhance the experience of volunteering. Learn more at www.volunteeralberta.ab.ca.



Volunteer Alberta

Volunteer Alberta is a provincial organization committed to building the capacity of the voluntary sector by strategically connecting leaders, organizations and networks to ensure Albertans are engaged in creating vibrant and progressive communities. Visit them online at www.volunteeralberta.ab.ca.

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1. Introduction

This Insurance Toolkit for the Voluntary Sector is a practical guide developed to help voluntary sector organizations understand their insurance needs and navigate the complex process of finding the appropriate insurance coverage. While the information in this toolkit is tailored to voluntary sector organizations operating in Alberta, it can be used by nonprofits and charities from across Canada.

This toolkit is a project of the Alberta Voluntary Sector Insurance Council. The Council brings together members of the insurance industry, the voluntary sector and the Government of Alberta. The Council was formed to identify emerging issues, maintain a dialogue between the industry and the voluntary sector, and address the insurance-related issues facing the sector.

While insurance will never cover everything that might go wrong, it is one way your organization can spread its risk and help protect against financial losses. Although it can be challenging for organizations with limited budgets to find the funds needed for insurance, having the appropriate coverage can help ensure your organization survives any unforeseen losses.

This Toolkit Will Help You to Become an Informed Consumer.

This toolkit will help you become an informed consumer so you can work with your insurance broker or agent to get the appropriate insurance coverage that will help protect your organization.

This toolkit includes a description of the common types of insurance coverage for nonprofits and charities and as you work through the toolkit, you will find information about how to assess your organization's insurance needs and how to choose a broker or an agent and work with them. You will also find information and tips about how to manage your insurance program and work with your Board on insurance issues. At the back of the toolkit, you will find a glossary of common insurance terms and references for more information. Throughout the toolkit you will find tools such as checklists, sample templates, and resources for more information. See page 3 for a full list of the tools included in this document.

WHAT IS THE VOLUNTARY SECTOR?

The voluntary sector includes nonprofits, charities and community-based organizations that may engage both paid staff and volunteers.

There are over 19,000 nonprofit and voluntary organizations operating in Alberta, and over 161,000 across Canada. (NSNVO)

In 2001, Canada's nonprofit sector generated over \$70.5 billion and its growth outpaced the rest of the Canadian economy. (Statistics Canada)

Studies from across Canada have documented the following common insurance-related challenges in the voluntary sector:

- finding affordable insurance coverage;
- accessing the appropriate coverage; and
- having stable pricing for insurance coverage.

Insurance is Just One Small Part of Risk Management.

Risk management takes a proactive approach to an organization's operations and seeks to avoid or reduce risks and losses in the first place. Insurance is one of many tools your organization can use to manage risks and liabilities.

This toolkit focuses specifically on insurance and only provides basic information about the larger process of risk management. See the resources on page 19 of this toolkit for more information about risk management.

Who Should Use this Toolkit?

The information in this toolkit is useful for the leaders of nonprofits and charities, including Executive Directors and Senior Managers, and employees or volunteers who are involved with the organization's insurance program. This kit also includes information that can be shared with your Board of Directors or other governing bodies.

Why Do We Need Insurance Coverage?

Buying insurance allows your organization to transfer some of its risk to a third party.

Although organizations in Alberta are not legally required to have any insurance except automobile coverage (if your organization owns vehicles), assessing your risks and liabilities will help you determine how insurance can be used to protect against different types of losses.

As well, in certain situations, insurance may be mandatory, for example, to meet the basic requirements of your office lease, to rent a facility for an event, or meet the insurance requirements of a funder.

TIPS FOR INFORMAL COMMUNITY ORGANIZATIONS THAT ARE NOT INCORPORATED

Insurance is a legal contract and has to be in the name of a legal entity such as a not-for-profit corporation or society. Informal community-based organizations that have no legal status cannot get insurance in the organization's name, and should consult a lawyer for advice about their options.

Whether your organization is incorporated or not, when you undertake certain activities such as hosting events, you are exposing the organization to certain risks. Depending on your organization's activities, your insurance options may include:

- When partnering with an organization that is incorporated and has insurance, or using their facility, they may be able to add your community organization to their insurance policy. However the insured organization needs to consider the additional liabilities they are taking on.
- You may be able to get an insurance policy that names all the individuals in your community organization. However, these individuals would be personally taking on the liability for the organization and should discuss the implications with their broker or agent.



2. Basic Information About Insurance

This section maps out the structure of the insurance industry, defines some key terms you will come across, and looks at the players you will encounter. A glossary of common insurance terms is available on page 30.

The Basic Terms

Insurance Policy

An insurance policy is a legal contract between your organization (the insured) and your insurance company (the insurer). The policy details the specific types of coverages that are included. Different kinds of insurance cover different kinds of losses; for example, losing your office to a fire requires different coverage than being sued by someone who hurts themselves during one of your programs.

COMMERCIAL INSURANCE

When seeking insurance, voluntary sector organizations are classified the same as commercial enterprises such as for-profit corporations, and have access to [commercial insurance products](#).

Premium

A premium is the money you pay your insurance company to have insurance coverage.

Deductible

A deductible is the amount your organization has to pay when you have a claim before the insurance company will pay its share. Usually, a higher deductible means your premium will be lower.

Exclusion

All policies have exclusions that detail the items that are not covered and the risks that are not insured. For some excluded items, it is possible to buy a separate endorsement that provides coverage. However, there are some risks that are never covered such as insurance coverage for mould and terrorism.

EXCLUSIONS AND ENDORSEMENTS

If your standard property insurance policy [excludes](#) sewer backup, and you decide you need this coverage, you can buy an [endorsement](#) to have it added to your policy.

Endorsement

An endorsement is a form that allows you to amend the coverage provided by your policy. This is also referred to as a rider or amendment.

Some Common Questions

How Does Insurance Work?

Insurance spreads your organization's risk across all the organizations and individuals that buy insurance from the same insurance company. The premiums paid by all of an insurance company's policyholders are pooled together and then used to pay claims.

Why Aren't Insurance Rates Stable?

There are a number of reasons why the cost of insurance changes over time. To set insurance rates, insurance companies use various calculations and general claims statistics from previous years to estimate the number and cost of current and future claims. As well, if your organization has a history of claims, that may also affect your rates.

Rates are also affected by factors such as an insurance company's overhead costs, commission payments and returns on their investments; external market forces; government regulations; and taxes.

All these factors affect whether your insurance rates stay the same, go up, or come down. Over the past few years, many voluntary sector organizations have experienced this cycle firsthand as they watched their premiums skyrocket, or were denied coverage for their programs and activities.

ROLE OF REINSURANCE IN INSURANCE RATES

Sometimes, insurance companies also need to spread their risk and they ask another company to insure their risk. This is called "reinsurance." If the reinsurer raises the rates that it charges the insurance company, this added cost may trickle down and affect consumer rates.

CLAIMS DATA

In Canada, when a claimant sues an organization the law doesn't distinguish between not-for-profit and for-profit organizations. For this reason, we do not have information about the number or type of insurance claims in the voluntary sector as it is not broken out from other types of commercial insurance claims.

The Industry Players

To be an informed consumer, it is valuable to understand who the players are in the insurance industry and the roles they play.

INSURANCE COMPANIES	INSURANCE AGENTS	INSURANCE BROKERS
Insurance companies are organizations that hold your policy and take on your risk. Although there are a large number of insurance companies competing for business in Canada's commercial market, only a small number serve the special needs of the voluntary sector.	Insurance agents are employees of a single insurance company and only offer that company's insurance products.	Insurance brokers are independent sales representatives for a selected number of different insurance companies and are paid commissions by the companies. A broker works as your organization's representative and can shop around to find an insurance company that offers a policy that best meets your needs.



Types of Insurance

This section includes an alphabetical listing of the common types of commercial insurance that voluntary sector organizations often have.

COMMON TYPES OF COMMERCIAL INSURANCE FOR NONPROFITS AND CHARITIES

- Automobile (Owned and Non-Owned Coverage)
- Business Interruption
- Commercial or Comprehensive General Liability
- Crime
- Directors and Officers (D&O) Liability
- Errors and Omissions
- Liquor Liability
- Machinery Breakdown
- Professional Liability (including Malpractice Liability)
- Property
- Special Events Liability
- Tenant's Legal Liability

NEED A TYPE OF INSURANCE NOT IN THIS TOOLKIT?

This toolkit does not include all types of insurance that are available, just the most common types that are held by nonprofits and charities. Talk to your broker or agent about your organization's operations to determine if there are other types of insurance that you need.

Automobile Coverage

Owned Automobile

Under Alberta law, if your organization owns vehicles, you require owned automobile coverage.

Non-owned Automobile

While you can't insure a vehicle your organization does not own, non-owned automobile coverage protects your organization against liabilities connected to any individual or company using a vehicle to undertake work for your organization, including employees, volunteers, couriers, or other types of drivers. This coverage can usually be added for a small cost.

Rental Car Liability

Rental car liability is covered by the rental agency. If for some reason in the event of claim the rental agency's cover was inadequate or void, your organization's non-owned auto coverage would defend your organization. Another option is to add an endorsement to your non-owned automobile policy to cover any physical damage to the rental vehicle.

TIP

Under the law, the owner of the vehicle, such as an employee, still needs their own personal automobile insurance.

Employee and Volunteer Use of Personal Vehicles

Employees should advise their insurance companies if they use their personal vehicle for business purposes.

Volunteers do not have to advise their insurance company if they use their personal vehicle as part of their volunteer work, as the work for the organization is not considered “business use.” However, volunteers should talk to their broker if the use of their vehicle for volunteering is more than occasional.

S.E.F. 6a

EMPLOYEE AND VOLUNTEER PERSONAL AUTO INSURANCE

In 2004, Alberta Finance clarified that employees or volunteers who use their personal vehicles to occasionally transport clients or prospective clients do not need to add an endorsement (the “S.E.F. 6a” endorsement) to their personal automobile insurance policy, even if they are reimbursed for their mileage and expenses.

Business Interruption Coverage

Business interruption coverage can provide compensation if your organization has to shut down temporarily because of a type of insured loss or incident that is covered under your insurance policy, for example, a fire on your property.

Depending on your policy, the coverage may cover extra expenses related to the incident, income that was lost as a result of the incident, or additional costs to continue operating, among other costs.

Organizations may also want to consider how business interruption coverage can help ensure they are able to meet any contractual obligations to funders. For example, if the government funds your organization to run a program, what happens if there is a fire on your property and you can't offer the programs for a period of time?

Commercial or Comprehensive General Liability (also called general liability, or CGL)

General liability coverage protects your organization against third party legal liability related to property damage or bodily harm, such as damage to property that you don't own or rent, or injuries sustained during your programs.

General liability automatically covers Directors and employees while they are acting in the scope of their duties; however, you may need to request an extension to cover volunteers.

Abuse Coverage (including physical, sexual and other types of abuse)

Most general liability policies specifically exclude abuse coverage. Organizations working with vulnerable populations such as children, the elderly, or the disabled, should consider obtaining abuse coverage. Depending on your insurance company, this may be added as an endorsement to your general liability policy, or it may be issued as a separate policy. However, only a small number of insurance companies in Canada offer abuse coverage, so talk to your broker or agent.



Employer's Liability

This coverage can be added to your general liability policy to protect your organization if an employee is injured and seeks compensation. This only applies if your organization is exempt from having Workers' Compensation coverage for your employees. It is not the same as having Workers' Compensation as it only responds if it is established that the employer was deemed to have been negligent.

Personal Injury and Advertising Injury Liability

Personal injury and advertising injury liability can be included in a separate insurance agreement under a commercial general liability policy to cover claims arising out of wrongful eviction, libel, and slander, violation of privacy, and infringement of copyright. This coverage is subject to limitations and restrictions.

"Claims-made" versus "Occurrence" Liability Policies

Depending on your insurance company, liability policies such as Directors and Officers (D&O), abuse coverage, and professional liability may be issued on a "claims-made" or "occurrence" basis.

CLAIMS-MADE	OCCURRENCE
<p><u>Claims-made</u> policies provide coverage for claims submitted during the policy term, even if the incident leading to the claim was before the policy was in place. However, insurance companies often add a "retroactive" clause so the policy will only cover claims stemming from incidents that happen while the policy is active, not claims based on incidents that took place before the policy was in place.</p>	<p><u>Occurrence</u> based policies provide coverage for incidents occurring during the time the policy is in effect, even if the claim is years later and the policy is no longer active.</p>
<p>Example:</p> <p>1991 and before: Your organization does not have a policy for abuse coverage.</p> <p>1991 – A client is allegedly abused by one of your employees.</p> <p>1992- You purchase your first claims-made policy that includes a retroactive clause.</p> <p>2001 – The client who was allegedly abused sues your organization.</p> <p>Your 1992 claims-made policy will not respond to the claim as it was before the policy was active and the policy includes a retroactive clause. As there was no policy active in 1991 when the alleged incident happened, you do not have coverage.</p>	<p>Example:</p> <p>1985 to 1995 - You have an occurrence-based policy with ABC Insurance.</p> <p>1991 – A client is allegedly abused by one of your employees.</p> <p>2001 – You cancel your ABC Insurance policy and buy a new occurrence-based policy with the XYZ Insurance company.</p> <p>2002 – The client who was allegedly abused sues your organization.</p> <p>Under an occurrence-based policy, the claim would be covered by the ABC Insurance policy that was active in 1991, not your current policy.</p>

TIP

Visit the Workers Compensation Board of Alberta online at www.wcb.ab.ca to see a list of industries that are exempt from WCB coverage.

ADDING OTHER PARTIES TO YOUR LIABILITY INSURANCE POLICY

In certain situations, your organization may need to add an “additional insured” (another organization or individual) to your general liability insurance policy. For example, if your organization is working in a partnership, carrying out a contract for another party, or hosting an event or activities on someone else’s premises you may need to add an additional insured to your policy.

Usually, you would add an additional insured after signing an agreement where your organization assumes responsibility to cover the other party as a result of your actions on their premises, or as a result of your actions on their behalf in carrying out a contract. In the case of a claim that names both your organization and the additional insured on your policy, only your insurance policy will respond.

Crime Coverage (types of coverage may include dishonesty bonds and robbery)

Each year in the news, we hear about employees who steal, embezzle or commit other crimes against their organizations. Although no employer wants to contemplate this type of situation, crime coverage will provide protection for these types of financial losses. As well, if your organization has custody of other people’s property, for example if you provide in-home care for clients, you can get a dishonesty bond to cover theft of clients’ property.

Directors and Officers (D&O) Liability Insurance

All nonprofit organizations have a governing body such as a volunteer Board of Directors. As the leaders of the organization, it is common for volunteer Board members to express concerns about their own personal liability for the organization’s operations.

D&O coverage typically protects against risks that are not included under your organization’s general liability policy, such as claims arising out of Board decisions or omissions, or out of actions or activities performed directly under the auspices of the Board of Directors. D&O policies are usually issued on a claims-made basis.

D&O does not cover bodily injury or property damage as this is covered by your organization’s commercial general liability coverage. For example, if someone slips in the lobby of a building you own, your general liability, not D&O policy, would respond to any claims.

Protecting Board Members in Your Bylaws

By “indemnifying” your Board members in your organization’s bylaws, your organization agrees to pay the costs associated with a claim related to a Director’s service on the Board.

While indemnification helps protect Board members, many nonprofits and charities do not have the money in reserve to pay the costs associated with a claim. D&O insurance covers the financial requirements of indemnification.



Do All Organizations Need D&O Insurance?

Your organization's decision to buy D&O insurance should be based on your level of risk. Most nonprofit D&O claims are employment-related, so the level of exposure is usually low for organizations with few or no employees. Talk to your broker or agent, and your Board about D&O insurance requirements.

RESOURCES

D&O RESOURCE LIST

"Directors' Liability: A Discussion Paper on Legal Liability, Risk Management and the Role of Directors in Non-Profit Organizations." Volunteer Canada www.volunteer.ca

"Primer for Directors of Not-For-Profit Corporations." Industry Canada <http://strategis.ic.gc.ca/epic/internet/incilp-pdci.nsf/en/cl00689e.html>

Risk management tips for your Board. Insurance Bureau of Canada www.ibc.ca

Errors and Omissions See description under professional liability.

Liquor Liability

When you serve alcohol at an event or function, your organization is exposed to a number of liquor-related liabilities including:

- **Liability as a server** – serving people past the point of intoxication.
- **Liability as an occupier** – whether you own the event venue, or are renting, you have a responsibility to protect people on the premises from harm.
- **Liability as an employer** – when employees are consuming alcohol at events such as staff parties.

Buying a liquor liability policy for an event or function can help protect your organization, however, you should also consider implementing policies and procedures that can address the risks connected to serving alcohol. For example, internal policies and procedures may limit the amount of alcohol served to guests, not allow bartenders to serve intoxicated guests, and encourage guests to use a taxi service.

Visit the Insurance Bureau of Canada online at www.ibc.ca for detailed information about how you can reduce your liquor liability.

Machinery Breakdown

Machinery breakdown usually covers the cost of repairing or replacing damaged equipment or machinery, and any other property that was damaged by the failed machinery.

This type of coverage is valuable for organizations that own machinery or equipment such as boilers, air conditioners, refrigerators, or phone systems as it may be difficult to cover unanticipated repair or replacement costs.

Malpractice Liability See description under professional liability.

Professional Liability

This coverage responds to claims arising from acts of professional negligence. Depending on your insurance company, this type of insurance coverage may also be called “errors and omissions” or “malpractice” insurance (note that malpractice always refers professional negligence leading to bodily harm).

The following examples show the difference between the two categories of professional negligence: financial loss and bodily harm.

Financial Loss

Your organization offers a program that provides financial advice to low-income earners. Advice from one of your employees who is trained as a professional financial advisor leads a participant to lose their life savings. The participant seeks compensation from your organization.

Bodily Injury

As part of your organization’s teen suicide hotline service, an employee who is a trained psychologist speaks to a teen caller. Subsequently, the teen commits suicide and the victim’s family sues your organization alleging negligence.

Funder Requirements for Professional Liability Coverage

Depending on the programs and services you offer, funders may require certain types of professional liability insurance be in place. Carefully review all contracts from funders and talk to your broker to determine what coverage you need to meet the funder’s requirements and to protect your organization.

Property Insurance

Property insurance is valuable for all organization, whether you rent or own property. In addition to buildings and other structures, property insurance also covers the physical assets your organization owns such as furniture, equipment, etc.

IF YOU OWN	IF YOU LEASE
If you own your office or other property, property insurance protects against losses to buildings or other property, and the contents of buildings, such as your organization’s furniture, computer equipment, and other assets.	If you lease your office or property, property insurance will provide coverage for the items your organization owns, for example, computers, furniture and other items. When leasing, review your lease to see if it specifies what property insurance is required. As an added precaution, you can also ask your insurance broker or agent to review your lease.

There is no single definition of who is a “professional,” so ask your broker how your insurance company defines professionals to determine if any of your employees or volunteers fall into this category. This will determine if you need professional liability coverage.

TIP

Employees or volunteers who are professionals and acting as a professional in their duties for your organization should have their own professional liability coverage to ensure their own interests are protected.



Covering the Value of Your Property

Property insurance policies usually include a co-insurance clause that sets out the percentage of your property's value you have to insure (such as buildings, contents, or other physical assets). A standard requirement is that you insure 90% of the value of your property. If you insure below the co-insurance rate you will not get full coverage for a claim.

For example if you insure only 45% of the value of all your property (including all assets) instead of the required 90%, you'll get precisely half your claim. On the other hand, if you insure to 90% of your property value and everything is destroyed, you'll get just the 90% you insured.

ITEMS IN-TRANSIT

COVERING ITEMS THAT ARE "MOVEABLE"

Many organizations move property items they own from one location to another, for example, a laptop and projector that are used for presentations, or lighting and staging used for a community theater program. Depending on your insurance company you may have the following options for covering these "moveable" items:

Floater: Covering Specific Items

Adding a floater policy to your property insurance allows you to name specific property items that are moveable and need coverage, such as an LCD projector or laptop computer.

In-Transit Coverage: General Coverage

An in-transit endorsement can also be used to provide coverage for items that are moveable. Under this type of coverage, you do not need to name the specific items that are in-transit as this provides blanket coverage.

ACTUAL CASH VALUE VS REPLACEMENT COST

Unless specified otherwise in your policy wordings, claims for damage to an organization's property are settled on an "actual cash value" basis or depreciated basis. Usually, there is no cost to have your property insurance policy changed to a "replacement cost" basis for settling claims.

Common Property Exclusions

Property insurance excludes a number of items and risks from being covered. While it is possible to buy an endorsement to cover some exclusions such as flooding and sewer backup, some things are never covered including mould, terrorism, data, and water seepage. Review your policy and make a note of the exclusions.

Special Events Liability

Nonprofits and charities often host special events to meet fundraising targets, raise awareness about their issue, or as part of their programs. Depending on the type of special event you are hosting and the risks connected to the activities, there are a variety of insurance products available including event cancellation, accident insurance, event liability, and liquor liability, among other types.

During the event planning stages, use the risk management process on page 19 to assess the event's risks and liabilities. Then, talk to your broker or agent to determine if you need to add endorsements to your existing policies, or purchase additional event-specific insurance. For a detailed event liability checklist, visit the Insurance Bureau of Canada online at www.ibc.ca.

Tenant's Legal Liability: Coverage When You Lease Property

As part of their operations, many organizations lease property, including an office, program space, or other buildings or structures. Under most leases, the legal liability for damage to the leased property falls on the tenant. Tenant's legal liability coverage can protect against this type of loss.

Read your lease carefully; it may broaden what you are already liable for under common law. Some leases have very broad "hold harmless" clauses that try to transfer responsibility for everything over to the tenant and insurance may not cover it all.

Tenant's legal liability coverage may be included in your general liability policy, but often you have to request a separate endorsement. Work with your broker or agent to choose the right amount of coverage.

Volunteers and Insurance

Most nonprofit organizations rely on volunteers in some way, whether the organization is 100% run by volunteers, or has staff who engage volunteers to support the organization's operations. The following are some insurance-related considerations to keep in mind when using volunteers.

Coverage Under a Volunteer's Personal Insurance Policy

A volunteer's personal homeowner, condo or tenant's insurance policy may protect them against some risks related to volunteering. For example, if they damage their own camera or other property they own while volunteering, it may be covered under their personal policy.

As well, if a volunteer is negligent and injures someone while carrying out their volunteer role, and the injured party seeks compensation, both the organization's insurance company and the volunteer's personal insurance company should be advised.

INSURANCE FOR AN ADVENTURE RACE FUNDRAISER

If your organization chooses to host an outdoor adventure race to raise money, some of the insurance you may require includes:

- a separate [event liability insurance policy](#) to protect against claims from event participants who may be injured, and
- [cancellation insurance](#) to cover the potential financial losses to your organization if you are forced to cancel the event due to rain or other bad weather.

RESOURCE

VOLUNTEERS AND THE LAW

For more legal information about working with volunteers, see "Volunteers and the Law in Alberta," a publication available from Volunteer Alberta
www.volunteeralberta.ab.ca.

TIP

VOLUNTEERS AND PROFESSIONAL LIABILITY

A volunteer who is a professional using their professional expertise in the volunteer work should have their own professional liability policy.



An Organization's Liability for its Volunteers

Your organization may be liable for the actions of your volunteers, particularly if they are acting within the scope of their volunteer job description. Visit Volunteer Canada online at www.volunteer.ca to learn more about how to reduce your liability through volunteer job descriptions, screening and training volunteers.

Protecting Volunteers

You should ensure your organization's general liability policy is extended to include volunteers. This will give your volunteers the same protection as your employees (if you have employees) if they are sued for their actions while operating in the scope of their duties.

TIPS

INSURANCE AND VOLUNTEER TIPS

- If you have **Workers' Compensation** for your employees, you can extend it to cover your volunteers as well. Learn more about WCB at www.wcb.ab.ca.
- You can buy an **accident insurance policy** to cover some volunteer accident-related expenses.

RESOURCES

VOLUNTEER LIABILITY RESOURCES

"Volunteers and the Law in Alberta" Volunteer Alberta www.volunteeralberta.ab.ca

"Volunteers: Asset or Liability?" R. Joy Jackson (see reference section for full details)

Volunteer Canada www.volunteer.ca

What is a Certificate of Insurance?

A certificate of insurance is issued by your agent or broker at your request to prove that your organization has particular types of insurance coverage. Organizations may need to provide a certificate of insurance when they host an event in a private or public facility, to be eligible for certain types of funding, or when signing a contract.

Checklist

CERTIFICATE OF INSURANCE CHECKLIST

Certificates may look different, but usually include the following:

- the insured organization's name;
- brief description of the insured organization's operations;
- name of the insurance company;
- summary of the insurance coverage including the types of insurance and the limits of liability for each type (dollar amount);
- policy number;
- policy period (effective/expiration dates).

Requesting a Certificate From Others

The following are some examples of when your organization should consider asking for a certificate of insurance from other organizations or individuals.

Checklist

REQUESTING A CERTIFICATE FROM OTHERS CHECKLIST

- To confirm external contractors, such as electricians or cleaners have the coverage needed to cover their own liabilities.
- When recruiting volunteers who are considered “professionals” to confirm they have their own professional liability insurance.
- When subcontracting work to other agencies or to professionals.

Working in Partnerships - Liability Concerns

If your organization enters into formal or informal partnerships to deliver programs or undertake other activities, you may also be taking on new liabilities. Walk through the following checklist when you are developing a partnership.

Checklist

PARTNERSHIP LIABILITY CHECKLIST

- Assess the risks of the partnership: What new risks or liabilities are created?
- What can you do to reduce this risk through policies, procedures, or other risk management strategies?
- Are there any risks or liabilities that need to be insured?
- Which organization(s) will be named on the insurance policy?
- Request a certificate of insurance from your partner(s) to ensure they have coverage for their liabilities.
- Do any members of the partnership need to add other members to their insurance policies as “additional insured” parties?
- Is your organization handling the funds for the partnership (the fiscal agent)? Talk to your broker or agent as you may have additional liabilities.

PARTNERSHIP RESOURCES

“Working in Partnerships – Recipes for Success” Alberta Community Development www.cd.gov.ab.ca



3. Risk Management

What is Risk?

Risk is the possibility of a loss or event that has the potential to interfere with an organization's ability to fulfill its mandate. Injuries to volunteers or employees, abuse of a client, damage to property, and robbery are just a few examples.

How To Manage Your Organization's Risk

Every activity your organization undertakes has inherent risks and liabilities. Risk management is a structured approach to help identify these risks and create and implement a plan to reduce or eliminate them.

The Role of Insurance in Managing Risk

It is almost impossible to eliminate all the potential risks connected to your organization's operations. When risk is present, insurance is one of many tools that can help protect your organization.

However, buying insurance is only a small part of risk management. A risk management plan is comprehensive and includes other types of preventative steps to avoid risk. For example, a risk management plan may include a combination of internal policies and procedures, complemented by the appropriate insurance coverage.

Risk management can address many risks that can't be insured such as damage to your organization's reputation or, in the case of a charity, the loss of your charitable tax status.

Risk Management – A Tool to Assess Your Insurance Needs

Undertaking a risk management process helps you identify when insurance can be used to protect your organization. Share the results of your risk analysis with your broker or agent to determine the types and amounts of coverage that are appropriate.

TIP

If your organization is new, or is getting insurance for the first time, you will need to undertake a detailed risk assessment.

Risk management strategies for working with volunteers may include:

- formal policies and procedures,
- screening volunteers,
- clear job descriptions, or
- appropriate training.

Taking Stock: The Risk Management Process

The Insurance Bureau of Canada outlines the following risk management process:

Identify what can go wrong.	Look at every part of your operations and identify where you are exposed to potential losses. Ask yourself: What can go wrong?
Evaluate the risks.	Now that you have a list of what <i>could happen</i> , ask the following questions: - Which risks are the most likely to happen and lead to a claim? - Which risks could have the greatest impact on the organization?
Examine the possible solutions.	Create a list of how you can help reduce or eliminate the risks you face. Your options may include the following: <input type="checkbox"/> Avoiding the high-risk activity altogether. <input type="checkbox"/> Using policies, procedures, or other tools to prevent the loss in the first place. <input type="checkbox"/> Accepting the risk and its consequences for your organization. <input type="checkbox"/> Finding ways you can reduce the impact on your organization if the loss happens. <input type="checkbox"/> Transferring the risk to another party, for example, through insurance, or by contracting another organization to undertake the task.
Decide which option is the best fit for your organization.	Look at the list of solutions and determine which is the best approach, both in terms of the cost and your organization's ability to follow through with the implementation.
Implement the chosen option.	Make a clear plan about how the option will be implemented, and how you will get support from your organization's key stakeholders (the community, members, Board, volunteers, etc.).

TIP

FIND CREATIVE SOLUTIONS!

When looking at the possible solutions, be creative! For example, an organization was able to reduce their costs and transfer their risk by contracting a bus company to transport their clients to events. This was less expensive than training their own staff and volunteers to drive the buses and buying the necessary insurance coverage.

RESOURCES

RISK MANAGEMENT RESOURCES

Visit the Insurance Bureau of Canada online at www.ibc.ca to see risk management modules tailored to the voluntary sector.

"Developing a Risk Management Strategy: Five Steps to Risk Management in Nonprofit and Charitable Organizations." Available online at www.kdc-cdc.ca (The Knowledge Development Centre).



4. Matchmaking: Finding the Right Insurance Broker or Agent

Finding the right broker or agent to work with is an important step in ensuring you get the right coverage.

Once in a relationship with your broker or agent, communication is the key to success. Your organization brings a comprehensive understanding of its operations into the relationship and the broker or agent brings knowledge and expertise about insurance, including the types of coverage that are available.

The following is a short list of questions that you can use to help determine if a broker or agent is a good fit.

Checklist

BROKER/AGENT SCREENING CHECKLIST

- Did someone in the voluntary sector refer you to this broker or agent?
- Do they have other voluntary sector clients? Can you contact these clients and talk to them about their experiences with the broker or agent?
- Do they have other clients with operations that are similar to your organization's?
- How many years have they worked in the insurance industry?
- What industry designations do they have?
- If you think your organization needs abuse coverage – do the insurers the broker or agent represents offer abuse coverage?

5. Working with Your Broker or Agent

Once you have found a broker or agent that meets your needs, you can work with them to find the appropriate insurance coverage – both in terms of the types and the amounts of coverage.

TIPS

TIPS FOR WORKING WITH YOUR BROKER OR AGENT

- Share the results of your organization's risk assessment with your broker or agent.** This will help them identify areas where insurance can be used to protect against risks.
- Provide details about your programs and activities.** Don't make assumptions about what the broker or agent knows about your operations.
- Assign a senior staff member, volunteer or Board member to work with the broker or agent.** Your organization's representative needs an in-depth understanding of your operations so they can work with the broker or agent to get the appropriate coverage.

CONSUMER RIGHTS AND RESPONSIBILITIES

It is important that you understand your rights and responsibilities as an insurance consumer. The Insurance Bureau of Canada has developed a *Code of Consumer Rights and Responsibilities* that includes:

- Right to be informed.
- Responsibility to ask questions and share information.
- Right to complaint resolution.
- Responsibility to resolve disputes.
- Right to professional services.
- Right to privacy.

Visit IBC online at www.ibc.ca to see the full code.

6. Evaluating an Insurance Quote

Once you have shared information about your operations with your broker or agent, and discussed the types and amounts of insurance that are needed, the following will happen:

Agents will get a quote from their insurance company, and

Brokers may approach various companies they represent that offer the products you need for quotes.

A proposal or quote is a summary of the types and amounts of coverage, premium and deductible you would have under the full policy if you accept the quote. Review the quote with your broker or agent and make sure it has all the types of insurance and coverage levels you need.

If you accept a quote, your broker or agent will create a “binder” or “cover note” that includes all the details of the coverage you have agreed upon. This is sent to the insurance company who then issues the full policy that includes a detailed breakdown of your coverage and the policy wordings.

THINKING OF SWITCHING BROKERS?

If you don't like a quote and are thinking of switching brokers for this reason, keep the following in mind. If an insurance company has already provided a quote for your organization to a broker, or declined to issue a quote, they will not consider a second request to quote from another broker.



7. Understanding Your New Policy

Once your new policy arrives, don't just put it on a shelf! It is important to read it over carefully and make sure the types and amounts of coverage are correct.

How to Read Your Policy

Although insurance policies issued by different insurance companies may look different, they usually include policy declarations pages and policy wordings.

Policy Declarations Pages

The declarations, or “dec” pages, are usually the first pages of the policy and they provide some basic information including:

Checklist

DECLARATIONS PAGES CHECKLIST

- policy number,
- name and address of your organization (the insured),
- broker or agent name and address,
- coverage details that are specific to your organization (both types of insurance and dollar amounts),
- policy premium (in dollars), and
- policy period (when it begins and ends).

Policy Wordings: Details about What is Covered

Following the declarations pages are your insurance company's standard policy wordings. Policy wordings detail what is included under the coverage and define terms that are used in the policy. For example, policy wordings may define how “data” or “explosion” is defined under the policy.

Checklist

POLICY REVIEW CHECKLIST

- Review the declaration page carefully and ensure all the details, including the types and amounts of coverage, are correct.
- Ensure your organization's name and address are correct.
- Make sure the addresses of any insured properties are correct.
- Verify the effective dates of the policy and make a note of the renewal date.
- Read the conditions and exclusions carefully.
- If any words are unclear, ask for them to be defined in the policy.
- If you have any questions, talk to your broker or agent.

8. Managing Your Insurance Program

Who Will Manage Your Insurance Program?

Effectively managing your insurance program will help ensure you have the coverage your organization needs. Ideally, one individual (employee or volunteer, depending on the structure of your organization) is responsible for tracking and monitoring your organization's insurance program.

Your organization's leader, for example, your Executive Director or President, should also review the coverage. Although your Board may not have to review the details of your coverage, they should be informed about what coverage you do have. Section 13 of this toolkit includes examples of insurance information you can share with your Board and an insurance primer you can use directly in your Board manual or orientation.

Re-assessing Coverage Over Time

As your organization's programs and activities change, it is important that you update your insurance to cover any new liabilities. If you are planning to add a new program, or make substantial changes to any existing program, contact your broker or agent before the changes are implemented to see if you need to change your coverage.

Annual Check-in

Even if your programs and activities don't change, you should review your coverage at least once a year. For example, over the course of the year, you may have purchased new assets and you need to increase your insurance amount to meet your co-insurance clause.

Organizing Your Insurance Paperwork

An insurance policy is a legal contract, and you are responsible for having records of all your insurance coverage.

Retaining Occurrence-Based Policies

Due to the nature of occurrence-based policies, it is important to keep them forever. If a claim is brought against your organization years after your occurrence-based policy has been cancelled, it is your responsibility to have a copy of the policy.



Summary of Your Coverage

Creating a short summary of your insurance coverage that has all the critical information in one place is useful when you need to quickly determine what coverage your organization has and who you need to call about a claim. If your organization has a crisis plan, include this summary in the crisis plan manual.

Checklist

A summary should include the following:

- List of all insurance policies held by your organization.
- Policy numbers.
- Details of the coverage types and amounts.
- Deductibles.
- List of endorsements.
- List of any notable exclusions.
- Renewal dates.
- For liability policies – note if it is a claims-made or occurrence-based policy.
- Insurance company name.
- Insurance company's claims phone number.
- Broker or agent name and contact information.
- Information about your insurance company's claims process (if you have this information).

Renewing Your Policy

The length, or term, of an insurance policy can vary depending on your insurance company. When the term ends, if you want to continue to have coverage, you have to renew the policy. Contact your broker or agent well before the renewal date and ask what is needed to begin the renewal process.

Research from across Canada has documented cases of voluntary sector organizations being denied coverage for their programs when they went to renew, even though they had no claims. By taking a proactive approach to the renewal of your insurance, you can help avoid any surprises at renewal time and, if needed, you can work with your broker or agent to find alternate solutions to meet your insurance needs.

TIP

WHAT TO DO IF YOUR POLICY LAPSES

If you forget to renew your insurance policy before it expires, call your broker or agent immediately to see if the coverage can be reinstated without a gap in coverage. If you do end up with a gap in your coverage, this may lead to higher premiums in the future.

TIP

RENEWAL TIP IF YOU WORK WITH CONTRACTORS

Before renewing, your insurance company may ask you to provide proof your contractors or subcontractors have the proper insurance. To save time, when you start working with any contractor, request a certificate of insurance up front and retain a copy of the certificate with your insurance paperwork.

9. Cancelling Your Policy

If you are considering cancelling your policy, talk to your broker or agent first. It is important that you do not just let your policy lapse or just stop paying your premiums. Also note that there may be a charge if you cancel your policy before the renewal date.

Extra Time to Submit Claims: The Discovery Period

Cancelling your policy is more of an issue with claims-made policy as you cannot submit claims after the cancellation. However, once you request to cancel a claims-made policy, you are usually given a short “discovery period” when you can submit any claims. You may also have the option of purchasing an extended discovery period for the policy to ensure all claims are submitted before the coverage ends.

10. Managing Claims

If you have a claim, contact your broker or agent for information about the claims process for your particular insurance company.

Directors and Officer's Policy Claims

The reporting requirements under claims-made policies such as D&O are usually very strict. Contact your broker or agent as soon as you become aware of a situation that could potentially lead to a claim.

For more details about managing claims, visit IBC online at www.abc.ca.

CLAIMS TIPS

- Not sure what to claim? Contact your broker or agent when trying to decide which losses to report to your insurance company.
- Report all claims promptly: failing to give prompt notice may result in denial of a claim.

11. Have Concerns? The Complaint Resolution Process

If you have concerns about your insurance company, contact your broker or agent. They can request a copy of your insurance company's complaint handling process and walk you through the various steps.

If you have a complaint about a broker, insurance agent, adjustor, or insurance company in Alberta, you can also contact the Alberta Insurance Council. Call them toll free 1-800-461-3367, or in Calgary, call (403) 233-2929; and in Edmonton (780) 421-4148. You can also visit them online at www.abcouncil.ab.ca.



12. Additional Insurance Considerations for New Organizations

In the planning stages for any new organization, before your operations start, take the time to assess your risks and liabilities, and decide how insurance can protect the organization against financial loss.

The ease of getting coverage may also depend on the experience level of your organization's Board and employees in the organization's area of work.

D&O Insurance

When applying for D&O insurance, organizations are usually asked to provide historical financial information such as audited financial statements. As a new organization, you will not have this type of information; however, talk to your broker or agent to see if the insurance company will accept projections of what your budget will be.

13. Working With Your Board

Whether your organization's Board is a hands-on operating Board that makes day-to-day decision, or a governance Board that looks at the big picture, part of their role is to ensure that the organization manages its risk whether through policies or procedures, or buying the appropriate insurance coverage.

This section contains information to help you inform your Board members about insurance issues, including a two-page insurance primer that you can copy and use directly in your Board manual or orientation.

Your Board's Liability

There are two different liability policies that address Board members' personal liability:

- Commercial General Liability that deals with alleged 'wrongful acts' that result in bodily injury or property damage loss to the claimant, and
- Directors' and Officers' liability that deals with alleged 'wrongful acts' that result in financial loss to the claimant.

As part of a Board's duties, they need to have a clear understanding of the organization's risk and liabilities, and how these are being addressed through risk management measures such as insurance.

TIP

RISK MANAGEMENT AND YOUR BOARD

As the leaders of your organization, it is important to have Board support for your risk management program. This will help the Board understand the organization's need to invest time and resources into activities such as developing and implementing policies and procedures, or buying insurance coverage.

INSURANCE INFORMATION FOR YOUR BOARD

In addition to the *Insurance Primer for Board Members*, the following summary of information should be provided to your Board:

- Summary of your organization's insurance program including the types of insurance coverage, amounts of coverage, and premiums.
- Detailed information about your Directors and Officers (D&O) coverage and general liability coverage.
- Overview of your organization's risk management activities and summary of how the risks are being addressed (through insurance or other means).

An Insurance Primer for Board Members

The following two pages include an *Insurance Primer for Board Members* that can be provided directly to your Board. For example, you can include the Board primer in your Board orientation process, or add it to your Board manual.



An Insurance Primer for Board Members

The following information is part of the Alberta Voluntary Sector Insurance Council's "Insurance Toolkit for the Voluntary Sector."

As a Board member for a nonprofit, charity, or other voluntary sector organization, you have certain duties and responsibilities. In your role as a Board member, you should understand your organization's risks and liabilities, and how these are being reduced or eliminated through risk management activities, or addressed through insurance coverage.

Buying insurance is one way your organization can spread your risk and help protect against financial losses. Although it can be challenging for organizations with limited budgets to find the funds needed for insurance, having the appropriate coverage can help ensure your organization survives any unforeseen losses.

What is Risk Management?

Risk management is a structured approach organizations can use to identify the risks and liabilities connected to the organization's operations and create and implement a plan to reduce or eliminate the risk. Insurance is one of many risk management tools that can help protect your organization against financial losses.

Just buying insurance is not risk management. A risk management plan is comprehensive and includes a variety of proactive and preventative steps to avoid risk. For example, a risk management plan may include a combination of internal policies and procedures and the appropriate types and amounts of insurance coverage.

Your Organization's Insurance

Depending on the risks and liabilities connected to your organization's operations, various types of insurance may be required. As a Board member, you should be aware of the types and amount of insurance coverage that are in place.

Insurance and a Board Member's Personal Liability

There are two different liability policies that address the Board members' personal liability:

- Directors' and Officers' liability policies (D&O) that deal with alleged 'wrongful acts' that result in financial loss to the claimant, and
- Commercial General Liability policies that deal with alleged 'wrongful acts' that result in bodily injury or property damage loss to the claimant.

TIP

Risk management addresses many risks that can't be insured such as damage to your organization's reputation or, in the case of a charity, the loss of your charitable tax status.

BOARD DUTIES

Under Canadian legislation, court decisions, laws and statutes, Board members have two basic duties:

Duty of Care: Act reasonably, in good faith, in the organization's best interest; carry out their due diligence.

Duty of Loyalty: Place the interests of the organization before their own; act honestly and in good faith.

For more information about Board duties, see [Industry Canada's Primer for Directors of Not-For-Profit Corporations](#).

Directors and Officers (D&O) Liability Insurance

D&O coverage typically protects against risks that are not included under general liability coverage, such as claims arising out of Board decisions or omissions, or out of actions or activities performed directly under the auspices of the Board or Directors.

Commercial General Liability

General liability coverage protects your organization against third party legal liability related to property damage or bodily harm, such as injuries sustained during your organization's programs, or damage to property that the organization does not own or rent. It automatically covers Directors and employees while they are acting in the scope of their duties.

Using Bylaws to Protect Board Members

By "indemnifying" its Board members in its bylaws, an organization agrees to pay the costs associated with a claim related to a Director's service on the Board.

While indemnification helps protect Board members, many nonprofits and charities do not have the money in reserve to pay the costs associated with a claim. D&O insurance covers the financial requirements of indemnification.

Checklist

INSURANCE CHECKLIST FOR BOARD MEMBERS

The following are some questions Board members should ask about their organization's risk management and insurance activities:

- Has your organization assessed the risks and liabilities connected to your operations?
- Have you undertaken measures to reduce or eliminate the risks?
- Do you have the appropriate insurance coverage to protect against financial loss in all areas of the organization's operations?
- Does your Board get regular updates from staff or volunteers about risk management activities?
- Do your organization's bylaws include a Board indemnification clause?
- Does your organization have D&O insurance in place to support indemnification?

RESOURCES

RESOURCES FOR MORE INFORMATION

"Directors' Liability: A Discussion Paper on Legal Liability, Risk Management and the Role of Directors in Non-Profit Organizations." Volunteer Canada www.volunteer.ca

"Primer for Directors of Not-For-Profit Corporations." Industry Canada <http://strategis.ic.gc.ca/epic/internet/incilp-pdci.nsf/en/cl00689e.html>

Insurance Bureau of Canada online risk management tips for Boards www.ibc.ca

To download a pdf of the full "Insurance Toolkit for the Voluntary Sector," visit www.volunteeraberta.ab.ca.



14. Glossary of Common Insurance Terms

Adjustor:	A person who acts on behalf of an insurance company to evaluate and settle claims.
Agent:	Employees of a single insurance company that only offer that company's insurance products.
Broker:	Independent sales representatives for a selected number of different insurance companies that are paid commissions by the companies. Brokers can approach an insurance company that best meets your organization's needs.
Claim:	Request for compensation stemming from an incident that has caused damage to your property or other people's property, or injury to other people.
Claims-made policies:	Policies that provide coverage for claims submitted when the policy is active, even if the incident leading to the claim was before it was in place.
Co-insurance:	A clause included in most property insurance policies that sets out the percentage of your property's value you have to insure, usually 90%.
Deductible:	The amount your organization has to pay when you have a claim before the insurance company will pay its share.
Endorsement:	A form that allows you to amend what is covered by a policy. This is also referred to as a rider or amendment.
Exclusions:	Specific incidents, items, etc. that are not covered under a policy.
Floater policy:	A policy that provides coverage for specific named property items that need special insurance coverage.
Occurrence-based policies:	Policies that provide coverage for incidents occurring during the time the policy is in effect, even if the claim is years later and the policy is no longer active.
Premium:	The money you pay your insurance company to have insurance coverage.
Risk:	The possibility of a loss or event that has the potential to interfere with an organization's ability to fulfill its mandate.
Underwriter:	An insurance company employee who decides if an insurance risk is acceptable, and determines the amount and terms that the insurance company will use to accept the risk.

Some terms in this glossary are provided by the Nova Scotia Office of the Superintendent of Insurance, Financial Institutions Division of the Department of Environment and Labour. Visit page 31 to see more details about their publication.

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