

Insurance for VCS organisations

This bite size resource is for VCS organisations that wish to insure against foreseeable risk within their project and are not sure where to start.

It is the role of a trustee to identify and manage any risks that a charity may face. There is support from the Charity Commission to guide a trustee in making appropriate decisions when choosing and buying insurance.

The charitable objects of an organisation are a good place to start, from here the trustee can look at the tasks the charity will complete. Consider what tasks will be undertaken? Where and how will this happen? As such you will be able to risk assess and identify risks that may be insured against.

If a charity does not have insurance expertise already it is possible to go to a specialist charity insurer who for a competitive price can help to ensure the correct coverage is arranged.

Why should a VCS organisation buy insurance cover?

A trustee has the duty of protecting the charities assets and resources. It is an essential part of their role and failure to act in a reasonable standard may lead to problems. There are many different types of insurance and not all will be relevant to an organisation; however, some types of insurance are essential and required by law. E.g. to employ staff a charity must by law get employer's liability insurance.

Nevertheless, those types of insurance not required by law should only be bought on informed decision i.e. the cost of cover and premiums should be worth spending in regard to the level of risk.

Would a charity be allowed to buy insurance using its own money?

Within the law a trustee may use charitable funds to buy insurance and pay premiums to cover against the risk of damage or loss to charity owned assets or resources.

However, in the trustee Act there are some further details that should be considered. Specific power is given to unincorporated charities to insure their property; however, this does not apply to charitable companies except where they are corporate trustees. Although a charitable company's articles of association will usually allow for the purchase of relevant insurance cover that is necessary.

NB if a trustee is granted power to purchase insurance and fails to do so this may make the trustee personally liable for any resulting loss.

For volunteers what insurance should be in place?

A volunteer should be protected from risk in the same way as an employee; this involves adequate training and insurance cover to protect the volunteer as well as to protect the organisation should a third party be harmed through negligence of a volunteer. The policy and procedure should clearly show your organisation position and the types of relevant insurance would be employers' liability or public liability cover. The policy should also be very specific in regard to showing the guidance is for volunteers, what the term volunteer is defined as in the policy, if any age limits apply and what are the activities the volunteer will undertake.

Using insurance brokers

An insurance broker will be able to give specialist advice. The fees for this service can be found by a charity. The FSA handbook <https://www.handbook.fca.org.uk/> clearly shows the rules:

- All fee details must be provided to the customer by the broker before the customer becomes liable to pay them.
- On request a broker must disclose the commission it or any associate receives with the policy.

The British Insurance Brokers Association also has guidance in place that shows a customer should at regular intervals be reminded of their right to ask for commission details.

International consideration

Complexity of risk will increase when your charity operates abroad.

When a charity is based in England and Wales it is not required by law to buy employers liability insurance for employees based abroad. However, it is important to be vigilant of any laws within the host country in regard to protecting employee related risk.

Some courtesies may be provided by charities to cover workers abroad such as travel insurance and medical insurance etc. Whether the charity will pay for this type of insurance or if the worker is expected to pay themselves this should be clearly shown in the policy and procedures.

There are also special considerations such as cover of ransom payment in the event of kidnapping. When having such cover in place it is not advised to add this to the policy as this makes such payment known to be available and can place risk on people you employ.

Buildings and contents

There are a number of considerations that a trustee must consider when buying insurance for buildings, land and assets. These are briefly investigated as follows:

- **Freeholds** – The charity should have in place full building insurance unless it is agreed responsibility of the tenant. If only part cover is in place the trustee may be liable for any losses. The insurance broker must remain informed of use, occupation and changes to the building.
- **Lessees** – A charity must understand the contents of a lease and who is responsible for insurance. Where lease terms show the lessee as liable for building insurance the charity trustee must ensure adequate cover is in place and that any foreseeable risks are considered and protected against. It may be that lease terms show tenants need to pay on top of rent a contribution to insurance; therefore, ensure a clear agreed agreement is in place.
- **Landlords** – If a trustee decides the charity should remain in charge of insurance for occupied buildings the trustee must ensure rent is charged in appropriate consideration or the lease may even allow the charity to charge the occupant with appropriate costs separately. Where tenants take responsibility of building insurance it may be that the lease allows the charity to see a copy of the insurance documents to have some level of control over cover.
- **Contents** – The contents in a leased building should be insured at current market value to remove any bias, furthermore liability and contents insurance responsibility needs to be agreed between charity and tenant ensuring it is a fair arrangement. E.g. if a charity is to furnish a building before letting, the agreement may be that the tenant is made responsible for insuring the contents to help motivate for the contents to be kept in a good state. It may even be that an item is irreplaceable and insurance for this item is of a fixed agreed value. Security is also a consideration, the insurance should not only cover contents against damage but also in covering costs when items are lost or stolen, this should include any fees relating to investigation by the insurer.
To better understand reasonable circumstances for insurance cover, a trustee can take professional advice in regard to the best interest of the charity.

Considering the Public

When your charity operates away from its own premises or invites members of the public on site, there should be cover in place to legally protect in the event a member of the public claims against any harm that comes to them or their property while on charity premises.

Remember; under the Occupier's Liability Acts 1957 and 1984 claims can not only be made by people who were invited to your property but it stands for trespassers also, therefore even when it is not expected that a person should be on site ensure the area is left safe and secure.

There is no statutory minimum level of cover and it is possible that a limit of indemnity may be placed on insurance. trustees must use reasonable judgement when choosing the level of cover and remember that any shortfall payable under the policy will be liable to the trustee.

Disclaimer notices

Some charities may choose to display disclaimer notices in car parks or cloak rooms stating that the charity will take no liability. This however, may not have the effect you intend. Liability can still fall to the charity in many circumstances. It is advisable to take professional advice about using disclaimer notices.

Types of insurance cover

Some of the insurance covers available to buy are as follows:

- Events and appeals insurance
- Fidelity Insurance
- Legal expenses insurance
- Legal advice helplines
- Loss of revenue/increased cost of working
- Professional indemnity insurance



- Staff sickness
- Terrorism and political violence
- Travel insurance
- Trustee indemnity insurance

Information about these types of insurance can be found on the Gov.uk website:

<https://www.gov.uk/government/publications/charities-and-insurance-cc49/charities-and-insurance#an-overview-of-other-insurance-cover-available>

The key to remember when choosing relevant insurance for your organisation is that trustees are responsible and in control of ensuring a charity does what it is set up to do and part of this role is to make balanced and adequately informed decisions in the best interest of the charity. As such consider first every aspect of possible risk through a risk assessment on the charity and then put reasonable insurance cover in place.

Remember, if the actions of a trustee lead to financial loss or there is a legal claim against a charity, the trustee may be held personally liable. Ensure your governing document and structure is most suitable to protect both the charity and trustees to help reduce the chance of risk later.

Further support is available from the Charity Commission: <https://www.gov.uk/government/organisations/charity-commission>

