

A BRIEF GUIDE TO CHARITY INSURANCE

Employers Liability

Required by law. All employers must have a minimum insurance cover of £5m for injury or disease suffered by employees. Most take cover of up to £10m, but might want more if employees are at particular risk. Simon Hickman, managing director of Access Insurance, says: “Charities must provide a safe place of work for employees. If a charity has left a wire across a floor, for example, and that was the reason an employee broke their arm, they would have failed in that care.” Payouts to employees in such cases can run into millions of pounds.

Cost: Can be expensive. Depends on size of payroll and type of work done by the employee. Charities with a £200,000 payroll could pay £300 to £400 a year.

Verdict: Pricey but unavoidable

Public Liability

Not a legal requirement, but could save charities from paying out millions. It protects a charity from injury or damage to people or property, which can happen on its premises or away from them - at fundraising events, say. “Charities would be well advised to take out this type of insurance. If a visitor comes on to your premises and your actions or omissions cause them to, say, trip on faulty carpet, you will be liable for compensation.” Charities must inform insurers of planned events because they may not automatically be covered.

Cost: Can be expensive. Depends on the activity. Premiums for a charity with an income of £10,000 can start from £99.

Verdict: Advisable for most

Professional Indemnity

Many charities have certain responsibilities in a professional capacity – be it counselling, advice or education. The services can be paid or unpaid, but the responsibilities and potential liabilities are the same. They owe a duty of care to anybody who might reasonably rely upon the service and advice you have provided.

It is essential charities and other not-for-profit groups who have specialist knowledge or expertise and offer a related service get the right protection for them. It is only right to obtain a comprehensive, tailor-made package to protect the charity from errors and omissions in the professional service they provide to the general public.

Cost: Reasonable. A typical premium can start at £250 and depends on the activities

Verdict: Costly but mandatory for some

Building

Essential for charities that own buildings. Policies should cover fire, lightning, flooding or damage through theft. The insurance should cover costs such as repairs, demolition and fees for professionals such as architects or surveyors. “Charities might not consider the impact of having no insurance; for a lot of charities it would be catastrophic. This is one of the risks that could put charities out of business.” Insurers recommend business interruption insurance to cover the costs incurred if a charity has to move to another building.

Cost: Reasonable. A building that costs £200,000 to rebuild could cost between £200 and £300 a year to insure.

Verdict: Very essential

Contents

Covers the contents of a charity’s operation, which could be anything from furniture and computers to museum pieces. It is not legally required. Charities should remember to inform insurers of the value of what they own. “It’s really important charities know the value of their contents so their equipment is insured. There are examples of charities that own donated equipment and contents and don’t know their value.” The Charity Commission suggests charities review security measures to reduce the risk of loss and make insurance cover easier and cheaper.

Cost: Can be expensive; depends on contents being insured. Buying cover for £10,000 or more from a standard commercial insurer could cost £350 to £500.

Verdict: Useful but hard to quantify

Volunteers

Volunteers are as much at risk as employees. They can be covered by employers' liability cover, but not always. "A specialist provider will include volunteers, but that would not necessarily happen with standard commercial insurers. It's an important cover to consider, and charities can pay extra for volunteers." The Charity Commission suggests volunteers are treated as employees covered by employers' or public liability insurance. The policy will define the term 'volunteer'; charities should keep records of all who work for them and fall within that definition.

Cost: Can be expensive. Can be included in another insurance cost or can be an extra £50 a year upwards on top - it depends on the number of volunteers.

Verdict: An optional extra

Legal Expenses

It is advisable for charities to take out this insurance to cover any costs that arise if they have to bring or defend legal cases. This might be needed if a member of staff starts an employment dispute or if there is an occupancy disagreement with a landlord. "If one of your staff takes action against you because you have discriminated against them in some way, the legal expenses will be paid for," another point is that, tribunals and courts can be hugely costly.

Cost: Reasonable, Unless it's part of a package, cover up to £100,000 in legal fees and £1m in compensation could cost between £300 and £400.

Verdict: Highly recommended

Trustee Indemnity

If a trustee makes a bad decision or breaches the charity's trust, this covers them from personal liability when legal claims are made. This is the only charity insurance that protects an individual trustee rather than the organisation. "It protects an individual who makes a judgement in good faith but which turns out to cost the charity a substantial amount of money. It removes a barrier to people putting their names forward to be trustees." This insurance cannot protect trustees if they knew or should have known their actions were not in the interests of the charity or if they are convicted of a crime such as fraud.

Cost: Reasonably expensive. It is based on assets and income and can cost between £200 and £300 for any number of trustees.

Verdict: To protect individuals

Fidelity Guarantee

This insures a charity against any loss of cash or valuables caused by employee fraud or dishonesty. It can be extended to cover fraud and dishonesty by trustees and volunteers. “You might think it does not happen in this sector because everyone is there for good motives. But it does happen.” The Charity Commission warns: “This cover is no substitute for sound financial and personnel risk management and is usually provided only if the charity can demonstrate its administrative arrangements are adequate and properly supervised.”

Cost: It can be part of a package including, for example, trustee indemnity and computer breakdown, for about £300 a year, or from a commercial insurer for between £500 and £1,000. **Verdict:** An optional extra

Verdict: A luxury few can afford