

Insurance Information Sheet

The importance of reading Insurance Policies

Many not for profit organisations pay their insurance premiums and throw the papers in a file without reading their insurance policies or schedules. This is a major omission as these are legal documents which explain what an organisation is, and more importantly, is not covered for under the policy. This is particularly significant with regard to public liability insurance where organisations may not be covered for certain activities and are unaware they have specific exclusions on their policies.

Take a few minutes to pull out your public liability policy while reading this sheet and learn about your coverage.



What is public liability insurance?

Public liability insurance protects the organisation, its staff and volunteers from legal actions where a person or property has been injured by the negligence of the organisation or any of its members. By not having public liability insurance, organisations are leaving themselves exposed to the risk of having a public liability claim that could bankrupt them as well as a potential risk to committee members' personal assets, if those committee members are, or may be, personally liable.

Do you have adequate public liability insurance?

Many funding agreements require organisations to have a minimum of \$10m public liability cover with some agreements requiring \$20m. Generally \$10m is considered the minimum cover community service organisations need to have to ensure they are adequately protected.

Does your public liability insurance cover all your activities?

Do you have any exclusions?

An exclusion in your policy is an activity that the insurance company has decided is too risky or they do not want to provide cover for. An exclusion could mean that your organisation does not have public liability insurance cover for certain of its activities. Exclusions encountered so far include:

- any type of excursion;
- play groups or child care; and
- activities in a centre that are outside the centre's normal business hours and a centre worker is not present, eg groups using the centre at night.

Generally an insurance company will only put an exclusion on your policy if they are aware you are undertaking a certain activity. If there is no exclusion on your policy it does not mean you are automatically covered for certain activities. For example, while your insurance company may cover your excursions, they may not cover sailing or skiing excursions. If in doubt, check with your broker.

What activities are you providing now that are different from when you first filled out a proposal form or last renewed your policy?

Have you recently started providing excursions, do you now run a play group, a monthly garage sale or perhaps you have commenced a regular community barbecue? If you have not informed your insurance company about these activities they may not be covered by your public liability insurance.

You must tell your broker or insurance company about all activities you will undertake in the next year when renewing your insurance policy. Some activities, such as horseriding or child care for example, will increase your insurance premium significantly. If you are unsure whether you will provide a certain activity in the next year, especially activities that will increase your premium, you may like to wait until a definite decision has been made. If you decide to offer these activities, contact your broker before you start them and find out if the activities are covered under your current policy. An important note: get the answer in writing! If these new activities will not be covered in your current policy, ask for a quote to include them.

Where are you operating from?

Are you covered for all the locations you run services from? If your organisation runs a regular group away from its offices, for example at the local school, ensure that location is noted on your policy.

Do you sign any contracts?

Every contract, whether it is a lease, a funding contract or a photocopying maintenance agreement, includes an indemnity clause. This clause generally indemnifies (releases from responsibility) the primary party to the contract for your actions. To make sure your insurance policy will cover you for any contracts you sign you need to get the insurer to approve the indemnity clause in that contract. Never sign a contract until that contract's indemnity clause has been approved by the insurer otherwise the insurer can refuse a claim in connection with the primary party to that contract. The same goes for contracts where you agree to note the primary party on your insurance policy as an 'interested party' – make sure the insurer agrees to this BEFORE signing the contract.

Who is covered under your policy?

Generally, the organisation, its employees and volunteers are covered under a public liability policy if a third party is injured due to their negligent actions (although it is best to check that your volunteers are covered as some general policies do not specify this which could lead to complications). However volunteers who do not have a visa that allows them to work in Australia may not be covered. Check with your broker if you have volunteers in this category and again, get the answer in writing.

Note that your public liability policy does not pay if volunteers or staff are injured due to your negligence – to some extent this is covered by workers compensation and volunteer personal accident insurances.

Contractors are not covered under your public liability insurance and need to show they have their own cover. Public liability insurance for community events such as markets and garage sales will not generally cover individual stall holders unless it so specifies in the policy. As a rule all stallholders should have their own public liability insurance. If you accept stallholders without public liability insurance you are exposing yourself and them to an unacceptable level of risk.

August 2005

Disclaimer: While every effort has been taken to ensure the contents of this information sheet are accurate, NCOSS accepts no liability for any loss or damage which may be incurred by any person acting in reliance upon the information.

NCOSS Insurance has established a nation-wide bulk buying insurance scheme and provides information and education on insurance and risk management for the not-for-profit sector. To obtain a quote for NCOSS Community Cover contact Aon Risk Services toll free 1300 363 764, email ncoss@aon.com.au and mention NCOSS.