INSURANCE
What's it all about?

A Guide for Not for Profit Organisations

ncoss
NSW Council of Social Service

The NSW Council of Social Service (NCOSS) works with a for people experiencing poverty and disadvantage to see positive change in our communities.

When rates of poverty and inequality are low, everyone in NSW benefits. With 80 years of knowledge and experience informing our vision, NCOSS is uniquely places to bring together civil society to work with government and business to ensure communities in NSW are strong for everyone.

As the peak body for health and community services in NSW we support the sector to deliver innovative services that grow and evolve as needs and circumstances evolve.

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Disclaimer

This guide provides general information only. Every organisation's insurance needs will be different. While we have checked for accuracy and made sure the information is up to date at the time of going to press we strongly recommend that readers obtain specific legal and/or insurance advice before taking any action based on the material provided within.

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Introduction

Insurance protects your organisation and its members from the financial cost of mistakes, disasters and accidents that befall you and your property. When you buy insurance, the insurer agrees to pay a specified amount for loss or damage, the sum insured, to compensate for potential injury to people and/or damage to property in exchange for a specified price, the premium. If you have inadequate insurance or the incorrect policies, financial loss could harm your organisation or its officers and could lead to closure of the organisation.

There are various insurances covering the business needs of not-for-profit organisations (NFPOs). The types of insurance required and amounts covered generally depend on the activities, assets and funding agreements of the organisation.

Insurance is a complex and often expensive necessity for a well run organisation and it can be difficult to find out all you need to know to be effectively and efficiently covered. All too often organisations find out about the limitations of their cover the hard way; when their claim is refused. This guide provides essential information about purchasing and managing insurance and discusses the different types of insurances your organisation may consider.

Background

In 2003, the Council of Social Service of NSW (NCOSS) received funding from NSW Treasury to implement a two-year insurance and risk management project assisting NFPOs with their insurance problems. The project involved:

- establishing a bulk-buying insurance scheme NCOSS Community Cover;
- providing ongoing information assisting NFPOs to identify their insurance needs;
- providing risk management training and information; and
- establishing groupings of like organisations to reduce premiums.

A guide to insurance for NFPOs was published in 2004. This document is an update of that information.

Important Tip

Create an Insurance file and keep copies of all your agreements, requests and policies as well as dated notes of all conversations. Always ask for written confirmation of verbal discussions with your insurance provider so you have a record in case of problems. Keep public liability, directors and officers and professional indemnity records indefinitely and other policies for seven years in case of a claim.

Purchasing Insurance

Selecting the Insurance Provider

There are three main players in the insurance industry:

- brokers;
- insurance companies; and
- insurance agents or underwriting agencies.

Brokers

A broker acts on your behalf to organise the most appropriate insurance to suit your organisation's needs. The broker's role is to:

- provide advice;
- approach insurance companies;
- negotiate competitive policy coverage and price;
- arrange insurance cover;
- assist with claims; and
- explain your policy, informing you of inclusions, exclusions and other important points.

Brokers are regulated by the Financial Services Reform Act 2001 and must hold an Australian financial service licence, or must be an employee or authorised representative of a licence holder. Brokers should supply you with their Financial Services Guide (FSG) detailing their products and services, remuneration and other important information.

A General Insurance Brokers' Code of Practice describing standards of good practice and service to be expected from insurance brokers is available through:
niba.com.au/codeofpractice/NIBA_Code_2013.pdf

The Code defines appropriate:

- information disclosure;
- policy arrangements for renewal and cancellation;
- claims procedures;
- roles of employees and agents;
- drafting of policy documentation; and
- dispute resolution procedures.

Important Tip

You have the right to expect good customer service from your broker. If you do not get it, complain (see Complaints page, X). If you are still not satisfied, look for another broker.

Brokers may obtain better results than other players as they know which insurance companies offer specific policies covering specific activities and organisations. Brokers buy larger amounts of insurance overall, so they may be able to secure you a better price than if you purchase directly from an insurance company.

Brokers generally receive a commission from the insurers, so their business depends on selling you insurance. You are entitled to know how much commission the broker receives from the insurer and how much the broker charges you for their services – just ask. The broker is also required to tell you any association or relationship they have with any insurer they recommend.

Talk to your broker when you begin working with them. Be clear about what you want, ask all your questions and fully discuss your organisation and its activities. The more the broker knows about your organisation, the more accurately your insurance cover will reflect your needs.

Your broker acts on your behalf in negotiations with an insurer. It is important to be aware that any information you give to your broker is seen by the law as being given to the insurer. Similarly, any information given by the insurer to your broker is seen as being given to you.

To further investigate brokers, including obtaining information on selecting a broker, visit the National Insurance Brokers Association of Australia's website at *niba.com.au*.

Insurance Companies

Some insurers will only deal directly with brokers or will only provide certain types of policies that need to be tailored more closely to the consumer, through brokers. However, you can sometimes purchase your insurance directly from the companies who sell insurance policies (insurers or underwriters) and who are actually covering you for your premium.

Activities of insurers and their policies are covered under the *Insurance Contracts Act 1984*. They are regulated by the Australian Prudential Regulatory Authority (APRA).

Insurers who are members of the Insurance Council of Australia must adhere to a self-regulatory General Insurance Code of Practice available at *insurancecouncil.com.au/for-consumers/code-of-practice*. The Code covers the roles of agents and their employees, policy documentation, claims handling, dispute resolution and insurer responsibilities.

To become an Australian authorised insurer an insurer must pass APRA regulatory requirements which assess insurers on their individual situation, business practices and plans. APRA authorised insurers are listed on the APRA website *apra.gov.au/GI/Pages/general-insurers.aspx*.

Unauthorised Foreign Insurers

Under certain circumstances non APRA authorised insurance companies can place business in Australia if it cannot be placed by APRA authorised insurers. The type of insurance business includes:

- atypical risks such as nuclear contamination, losses from war, aircraft hazards etc;
- high value insureds e.g. where gross assets total more than $200 million or operating revenue exceeds $200 million;
- other risks that cannot reasonably be placed with an authorised insurer.

Note that Lloyds underwriters are recognised as authorised insurers under direct offshore foreign insurer legislation.

Underwriting Agencies (Insurance Agents)

An underwriting agency sells policies on behalf of particular insurance companies and legally acts on their behalf. Some agencies operate as brokers. It is important to be aware that this type of broker will be acting in the interests of the insurer, rather than you.

Bulk insurance packages

Buying in bulk provides organisations with stronger market power which can translate into cheaper premiums, better quality policies and more relevant cover. There are several bulk purchasing schemes operating in the community sector including the NCOSS Community Cover insurance bulk buying scheme. For information on how to set up a bulk purchasing scheme contact the NCOSS Insurance Project Officer.

Selection Process

Select an insurance provider; a broker or insurer, who deals regularly with NFPOs, and make sure they understand your organisation and its activities. They can then better understand your risks and be able to locate appropriate policies. Call your peak body, NCOSS or an organisation with similar activities to find insurance providers who work with NFPOs.

Obtain quotes from several insurance providers or ask your broker to investigate several options. Before you buy research what is available. Investigate the costs and the quality of cover. Like all purchases, a cheaper premium might mean a poorer quality product, so compare the cover. You should be able to access general policy wordings before taking the policy so that you can check that the policy will suit your needs. Ask the insurance provider to send you a copy of the policy wording by email.

The Proposal

Once you have contacted an insurance provider, you will receive a proposal form requesting information on what you want insured and the risks associated with running your organisation. The insurer may or may not accept this proposal, depending on how high they think the risks of a claim are. If they accept the proposal they will decide what to charge for the insurance cover. This is the premium. If you accept the premium, the insurer will send you the policy document outlining your cover and what is excluded from cover.

Some insurance are available immediately if the completed proposal and information is received. Cover notes are available through a direct insurer but may not provide suitable cover. Brokers do not provide cover notes but effective cover may be organised subject to payment being made.

In most cases, however, it will take several days for the proposal process and negotiations around the insured's activities to be completed before the insurance is placed. Check the Renewals and Cancellations section (px) for additional information.

Always fill out the proposal accurately and honestly. Misleading information could void your policy in the event of a claim.

Duty of Disclosure

Insurers need information from consumers to decide whether to offer (and renew) insurance, and to decide the price or other terms of the insurance to be offered to the consumer.
The law imposes a duty of disclosure on policyholders when they seek to take out new insurance cover or to renew existing insurance cover. This Duty of Disclosure is defined in the Insurance *Contracts Act 1984*. It requires you to tell the insurer anything you know which might add to their risk when providing insurance to you. You also must tell the insurer about any changes to your risk before you renew or alter your insurance contract. If you do not, the insurer can refuse to pay any claims, or cancel or invalidate your policy.

Matters you must tell your insurer under duty of disclosure include:

- any previous claims you have made;
- any circumstances you are aware of that may give rise to a claim;
- any activities you conduct that they think may add to their risk;
- whether you have been refused insurance in the past; and
- whom you have indemnified in a contract.

You do not need to tell them anything that reduces the risk, that is common knowledge, or that they ought to know in the course of their business. However, if in doubt, it is better to disclose.

The insurance provider in turn, has a responsibility to clearly inform a consumer, in writing, of the general nature and effect of the duty of disclosure, including the consequences of non-disclosure. Insurers and brokers are also required, under the act, to notify you of certain privacy matters around the time of collecting your information. A privacy notice explaining the use, collection and disclosure of personal information must be provided. Unless you inform them otherwise, the insurance provider will assume that you have read the privacy notice and have no objections to the treatment of your personal information in the manner set out in this notice.

Indemnified Parties / Funding Agreements / Other parties interests

Most proposals will ask whether you indemnify or 'hold harmless' a third party through a contract. This can also be called assuming contractual or legal liability. Many funding, lease, hire, maintenance, repair, finance or contractor agreements require you to indemnify the primary party from liability. This means you have signed away the primary party's potential liability to be responsible for an injury.

An example of an indemnity clause is shown below. This example is from the NSW Department of Family and Community Services 2014 Funding Deed and applies only to Community Services and Homelessness funded services:

> ***Clause 18.1***
>
> *The Service Provider indemnifies on demand and must keep indemnified on demand Family and Community Services, the Minister for Family and Community Services, the State of New South Wales and any office holder, employee, agent, contractor, consultant, delegate or adviser of, or to, Family and Community Services, the Minister for Family and Community Services and the State of New South Wales (Indemnified Persons), from and against any Loss which any of them pays, suffers, incurs or is liable for in connection with or arising from:*
>
> *i. any unlawful, negligent, reckless or deliberately wrongful act or omission of the Service Provider or its Personnel;*
> *ii. any breach of this Deed or a Program Level Agreement by the Service Provider;*
> *iii. any infringement of Intellectual Property Rights by the Operator or any of its Personnel; or*
> *iv. any death, personal injury, loss or damage suffered by any person enjoying or affected by the performance of a Program caused or contributed to by the Service Provider or its Personnel.*

Important Tip

Help the insurance provider to assess your premium category by including supporting documentation with your proposal, for example:

- **an outline of your organisation showing:**
  - the people involved;
  - any activities your organisation carries out including volunteer activities, not just core activities;
  - all venues or locations used;
  - equipment or materials used;
  - full details of any markets, fundraising or other events your organisation attends or organises including location, estimated attendance, activities and confirmation that all stallholders, performers, and other contractors have their own insurance; and
  - any contracts you are a party to.
- **annual report**
- **organisational brochure**
- **risk management plan**
- **claims history**
- **staff training programs**
- **copies of indemnity and insurance clauses from contracts.**

Show your insurance provider all your contracts' indemnity clauses and inform them of any interested parties when submitting a liability proposal form. Once you have purchased your policy you must not indemnify any additional parties without obtaining the insurer's written consent, otherwise a future claim may be invalidated.

When you receive your insurance quote, the insurer will confirm which contracts/interested parties are or are not acceptable to them – that is, which contracts will not be covered by your insurance policy. Interested parties and approved contracts must be noted on your

Important Tip

Never sign a contract until you have sent the indemnity clause to the insurer and received their written agreement that they will accept the indemnity clause under your liability insurances.

You must also tell the insurer about any interested parties to be covered under your policy (e.g. financiers or lessors) and have these parties noted on your schedule.

Schedule. The Schedule is an additional page which sets out the individual details of a policy e.g. the sum insured, the excess etc.

Do not sign any contracts or agreements where you are indemnifying the primary party against their liability for causing injury or death through their own negligence.

Many contracts (particularly funding agreements) also include an insurance clause outlining minimum insurance requirements for your organisation. Check all your contracts to make sure you are aware of these insurance requirements as you have legally committed to fulfil them.

Risk Management

Insurers may reduce premiums or agree to provide cover when your organisation shows you have a risk management system in place. This means that your risk management analysis and procedures should be documented.

Insurance risk management is a broader variation of Work Health and Safety (WHS) and Occupational Health and Safety (OHS) risk management and is the process where your organisation identifies and manages potential risks, thereby reducing the possibility of a claim on your insurance. Examples of potential risks that you would look at managing could be:

- personal injury to members of the public;
- theft of your organisation's contents;
- loss from disaster events such as fire or flood;
- fraud by Directors;
- failure to meet governance obligations; or
- data theft through cyber attack.

For additional information on establishing a risk management system in your organisation, check the Resources and References (p51) section.

The Premium

This is the amount you pay to buy cover from the insurer. Once you have paid the premium, you have agreed to the limits, responsibilities and extent of the insurer's policy wording.

When calculating your premium, insurers consider several factors depending on the insurance policy requested. These factors can include:

- the type and location of activities;
- the size of the organisation. This includes the number of employees, volunteers and the annual turnover and income;
- previous claims history;
- risk management processes;
- whom the organisation indemnifies;
- the sum insured;
- products produced/sold;
- interaction of organisation with third parties; and
- construction.

The final amount your organisation is charged for a policy can include the insurer's premium, fire service levy, GST and stamp duty. Only the premium is kept by the insurer; the other fees are passed on to the government.

Potential ways to reduce your premium

- **Apply for Stamp Duty exemption**

  NSW-based NFPOs with charitable, benevolent, philanthropic or patriotic purposes can apply for an insurance stamp duty exemption by completing the Application for Exemption of Duty form through the Office of State Revenue *osr.nsw.gov.au*. The form can be downloaded from *osr.nsw.gov.au/sites/default/files/file_manager/oda006.pdf*. A copy of the exemption must be given to your insurance provider before the exemption can be provided. In NSW, stamp duty is currently set at 9% of premium.

- **Eliminate high-risk activities**

  Some activities are considered high-risk, and lead to a higher premium. High risk activities may include things like dance festivals, skate boarding etc. If the premium is too high, ask your insurance provider to identify activities that increase the premium so that you can investigate options for changing the risk-loaded activities.

- **Earn a No-Claim Bonus**

  Some motor vehicle insurers offer a no-claim bonus to reward policy holders who have not made claims. This may reduce your premiums, particularly if you stay with one insurer. A copy of your previous no-claim bonus will be required.

- **Choose a higher Excess (Deductible)**

  Premiums often vary depending on whether you have an excess and how much that excess is. An excess is the initial amount the insurer requires you to pay off each claim you make. It could be zero or the first $500 or $1,000 for example. Check that the excess is realistic for your requirements.

  You may pay lower premiums if you agree on a higher excess. This can be useful if you are worried about major loss rather than small losses i.e. you have the financial resources to self insure for the smaller losses. Check how much you will save on your premium and balance that against your higher risk. For example, would it be worth it to save $30 on the premium for contents insurance by doubling the excess from $450 to $900? In addition, be aware of the potential impact of a higher excess on your organisation if you have more than one claim in one policy year.

Check whether the excess is inclusive or exclusive of defence costs. If it is inclusive you pay the excess as soon as the first legal invoice is paid. If it is exclusive you do not pay the excess until settlement. An exclusive excess means that if the Plaintiff is unsuccessful and there is no settlement then the excess would not be payable.

- **Negotiate**

Finally, you can negotiate a better deal. If you feel that your premium is too high, negotiate by accepting a higher excess, removing or changing high-risk activities or asking for the insurer's help in improving your risk management plan.

The Policy

An insurance policy is a legally binding contract between you and your insurer that outlines the full details of your insurance cover. Once you have agreed to the cover, the insurer must send you a copy of the policy, with details of the coverage, along with a Schedule or Coverage Summary that will be attached to the policy. The Schedule 'personalises' the policy and provides the specific information applicable to your organisation.

Every insurer's policies are distinct, comprising different definitions, wording and cover. Wording is very important, as the specific wording of your policy will show you exactly what you are and are not covered for. Some policies have conditions you have to fulfil to keep the policy valid; for example, a Fire and Specified Perils policy may require you to have sprinklers fitted.

Some commercial insurance policies are sold in a 'business pack', where you select which insurance you wish to purchase but receive the policies for the whole pack. Generally these policies will have a Schedule attached to them stating which parts of the policy are in force (that is, which insurances you have purchased), as well as outlining any exceptional circumstances in each policy such as interests noted or endorsements.

Request a copy of the policy before paying the premium, so you can check if the cover is appropriate for your organisation.

Read both the Schedule and all the relevant sections of the policy, checking that it contains all the things you want covered and does not exclude any loss or damage which may be important to your organisation. The 'small print' will have critical information about what you are buying, special exclusions and other conditions. Refer to the definitions when interpreting the policy e.g. is 'the insured' defined to include volunteers?

The MOST Important Tip

READ YOUR POLICY: it contains important information showing what you are and are not covered for and the conditions around making a claim.

If you want extra coverage on your policy, for example, theft as well as burglary in a Contents policy, ask for an endorsement or extension to provide that cover.

Ask for clarification if you do not fully understand the information provided. You need to be sure what you are and are not covered for.

It is important that your Management Committee is aware of your insurance policies and what they cover, so provide them with a summary and update this summary before every renewal.

Sum Insured

The sum insured in your insurance policy is the amount that the insurer agrees to pay if loss or damage occurs and you make a claim. The sum insured can be for:

- Replacement or reinstatement amount. This is also called new for old. The insurer pays the costs of replacing the loss or damage so it is as new. Ensure that the level of cover will pay the market value of the items if you have to buy them new;

- Indemnity amount which replaces only the current or depreciated value. This type of cover only pays for what the asset is worth in its present condition at the date of loss or damage. This cover usually costs less; and
- Agreed value which is commonly offered in motor vehicle insurance and is an actual stated figure in the policy.

Make sure you know which cover you want and have bought in your policy.

Example:

It is important to ensure the sum insured is adequate to cover your loss.

An organisation disclosed the value of contents at $60,000, neglecting to include the $120,000 worth of donated items. Unfortunately a fire started and the total contents were destroyed. The policy paid out the $60,000 leaving the organisation $120,000 out of pocket.

Under/Over-insurance

Insure for the correct amount. Replacement type policies often include a Co-insurance or Average clause which means that insurers can proportionally reduce the amount of any claim if you underestimate the total value of your insured property when stating a sum insured. If you overestimate the amount you will not get extra back when you make a claim; you will just pay a higher premium.

When renewing your policies remember that the value of some property increases each year, while other property decreases and adjust the sum insured accordingly.

What to check on your Schedule:

- who is insured - make sure your organisation's name is legally correct and that all relevant entities and related bodies corporate you want insured are separately stated;
- what is insured;
- where - ensure that all locations you operate from are stated;
- the sum insured;
- the excess;
- replacement, indemnity or agreed value;
- who is indemnified and who is noted as an Interested Party; and
- any endorsements you have negotiated on the policy are noted.

What to check on your Policy:

- the definitions;
- the cover;
- the exclusions; and
- the conditions, especially around how to make a claim.

Important Tip

Advise your insurance provider immediately your activities and/or programs change, or you expand to a new venue, as you may not be covered if the insurer is not aware of the changes.

Important Tip

Before purchasing insurance, compare cost and cover. Insurance is a safety strategy that you will hopefully never need to claim on; but if you do, you want to ensure that your claim will be paid. Price is not always the best indicator for appropriate insurance. Lower prices most often reflect lower cover. Make sure you purchase insurance that works.

Claims

Call or email your insurance provider as soon as you become aware of circumstances that may give rise to a claim or where there is a possibility that you may be brought into a law suit. In many cases this is a legal requirement of your policy. Do not wait until you have a formal claim. You may also reduce costs or help resolve problems quickly by notifying the insurer instantly. Your broker can advise you on how to manage the claim or possibility of a claim.

Make sure you claim in writing (on the appropriate claim form) even if your first contact is by phone. For some claims you may need a police report, even if the police are unable to do anything about the loss or damage. Submit the claim form as soon as possible, as most policies set time limits for valid claims. You can check these limits by reading the policy or asking your broker for advice.

Keep a note of the date that you first notify the insurer or broker and a copy of the claim form in your files, so you know what information you need when you claim. Send the original copy of receipts or other evidence and keep a copy for your files.

The law requires insurers to deal with your claims expediently. See the General Insurance Code of Practice. Follow up your claim to check if the insurer has all the information needed and to ensure that the claim is dealt with promptly.

Consider whether it is worth claiming for small losses. It may cost you more in time, effort, excess, lost no-claim bonus and increased premiums than you receive in compensation. Talk with your broker about the costs and benefits of small claims.

Important Tip

Never accept or admit liability (fault) when an incident happens; otherwise you could void your insurance cover. Never say it is your responsibility or that you will pay on behalf of the insurer. This can cause legal problems for the insurer and can invalidate your claim.

Example:

An organisation has money insurance to protect against loss of cash from a till. The maximum amount of money in the till at any one time is around $200. Money insurance usually has a minimum premium of around $100 and a minimum excess of $200. If the money in the till is stolen there will never be an insurance payout because of the excess. In this case there is no point in purchasing the money insurance.

Occurrence vs. Claims Made Policies

Most insurance policies operate as Occurrence policies, which means that the policy in place when the incident occurs is the policy that pays out once a claim is made. For example, if a public liability claim is made in 2014 for an accident that happened in 2011, the 2011 policy will pay the claim.

However Professional Indemnity and Directors & Officers policies generally operate as Claims Made and Notified policies. This means the policy that pays is the policy in place when a potential or actual claim is made, not the one in place when the incident occurred, unless the claim is made within the same policy period as the incident occurred. With this policy type it is vital that you report any potential claims immediately you become aware of them, even if a claim has not been made, otherwise the insurer may not cover you.

The wording in a policy can be crucial to how that policy is triggered. It is essential that you understand how the policy works in order to successfully claim or so that you can avoid policies with conditions that would make a claim difficult.

- **Occurrence policy notes**

  Some claims under liability policies can take years to be made. What was considered adequate per occurrence coverage in 2014 may not be adequate for a claim in 2020 – and it is the 2014 policy that will pay the claim. Regularly check the sum insured to make sure it is sufficient for any potential increases in costs.

  In addition, some insurance policies, for example, Products Liability and Professional Indemnity, operate under a general aggregate for the year. This means that if your organisation receives, say, three claims for three different events that occurred in the one year (even if the claims come in several years apart), it may exceed the aggregate amount, leaving the organisation exposed.

Example:

An organisation has a $10,000,000 limit Public & Product Liability policy in 2010. They have three different Products Liability notifications & claims:

2011	Salmonella claim	$5,000,000
2012	Products Claim	$4,000,000
2013	Products Claim	$2,000,000

In the above example as the total claims relate to 2010 for $11,000,000 and the policy is only for $10,000,000, then the last claim would exhaust the policy and only $1,000,000 would be paid out.

Get advice and look to the future when assessing both 'per occurrence' and 'aggregate' cover amounts.

- **Claims Made policy notes**

  When commencing any claims made policy, make sure the policy has either a retroactive date or full prior acts coverage which covers you for incidents that occurred before the policy's commencement. It is important to not have any breaks in cover.

  Make sure you have an extended reporting period; for example, the insurer can be notified of a potential claim 30 days after the policy expires. This can be important if you are notified of a potential claim the day your policy expires.

Example:

A NFP organisation, XYZ, merged with a larger organisation and to save money, cancelled all their insurances including Association Protector, which contains claims made type policies. Although there was insurance in place for the new organisation, it did not provide cover for a claim that was made against the old board of XYZ for an incident that happened before the merger. In order to protect the XYZ board and organisation from potential past claims it would be necessary to purchase run off cover at the time of the merger.

Utmost Good Faith

The duty of utmost good faith is enshrined in the Insurance Contracts Act 1984 and basically means that each party to the insurance contract has to act honestly or in good faith to the other party.

From your organisation's view it means you should never make or support fraudulent claims or attempt to hide important details from the insurer. It is against the law to make false claims or provide false information to insurers and it may also mean you can be refused insurance in future.

From the insurers' view it means they have to pay claims which they have agreed to cover and cannot use minor discrepancies to get out of paying a claim.

Loss and Damage

Your insurance policy specifies the loss and damage it covers. Make sure you know what is covered and what is not.

For larger claims the insurer will generally send a loss adjuster or inspector to assess the damage and the costs involved. You have to assist and cooperate with this person, but remember they are paid by the insurer. Consider having your broker present at this inspection.

Loss adjusters also look at liability; for example, did someone leave the window open? Be careful to not give them incorrect information. Do not admit responsibility in error or in passing when you are just 'having a chat' or still feeling dazed from the incident.

Do anything you can to reduce the extent of any loss or damage or protect anyone from harm or injury; for example, board up smashed windows, fix broken floorboards, but do not touch burgled offices. Call the police where illegal behaviour has occurred and/ or anyone has been attacked or is at risk of harm or attack. Keep a record of names and contacts of anyone involved, including witnesses and police.

Example:

An organisation expanded and took over another building for their activities but neglected to inform their insurer of the change at renewal. The unlisted building suffered severe storm damage but since the property was not listed on the organisation's policy, there was no cover for the damage.

Renewal and Cancellation

Insurance renewal time is a good opportunity to make sure that your policies and sum insured are still up to date and to discover whether you can get a better deal through another insurance provider. By law, insurance companies have to give at least 14 days notice that your insurance policy is about to expire and provide you with information about your renewal terms, this may be provided to your broker or agent.

When requesting your renewal, check that your insurance provider has an up-to-date profile of your organisation and its activities. One easy way is to send them your service and/or program brochures.

Insurers are legally obliged to inform you of any major changes affecting your policy; however, it is a good idea always to check your renewed policy for changes – particularly exclusions.

By law, the insurer can only cancel the policy in specific situations and must give you notice. You can cancel your policy at any time and move to another insurer; however, before cancelling, check the Cancellation Clause in your contract to discover any penalties. Some insurers will refund you a pro rata proportion of the insurance period not covered, some will charge a penalty and others will not refund premiums at all. Insurance providers will generally not refund commission/administration fees given that they have already done their work; these may be quite substantial, so ask for a refund estimate before cancelling your policy.

Finally, many insurers provide cover notes or allow you to pay your renewal 14 days after your last policy expired. It is important to note that if you decide not to take up that insurance but move to another insurer, that 14 days cover will be voided and legally you will no longer have had insurance for those 14 days. This is particularly important with liability insurances. If a claim is made for an incident that happened during that time you will not be covered.

Important Tip

Start seeking quotes at least six weeks before your insurance expires. Put the insurance renewal date in your diary as a reminder.

Complaints

If you are unhappy with the service you receive from an insurance provider you are entitled to complain. As mentioned previously, there are separate Codes of Practice outlining the standards of service you can expect from both insurance brokers and insurers.

Insurance providers are required to have internal dispute resolution schemes to help consumers resolve complaints. Most providers also subscribe to external dispute resolution schemes. Access to internal and external schemes will be outlined in your insurance documentation.

If you are unhappy with your insurance provider, first discuss the problem with them, verbally and then in writing through the internal dispute resolution scheme. If your issue has not been resolved satisfactorily contact the Financial Ombudsman Service (FOS).

Phone: 1300 780 808 (toll free)
Website: *fos.org.au*

Legal Aid NSW or your Community Legal Centre may be able to assist if you have a significant problem with your insurance provider.

Website: *legalaid.nsw.gov.au*
Phone: Law Access 1300 888 529 to find Legal Aid offices

Justice Connect provides information and services to the not for profit community sector.

Website: *justiceconnect.org.au*

Insurance Policy Types Guide

The following section lists the main types of insurance you are likely to need, discussing issues and risk reduction for each type. Use this information as a checklist to help you buy or rearrange your insurance.

Insurance policies primarily fall into three categories:

- **Assets and Revenue** – what the organisation owns and earns;
- **Liability** – legal obligations arising from damage, or personal or financial injury to a third party or their property by the organisation or its representatives; and
- **People** – loss arising from accidents occurring to staff, directors and/or volunteers.

Some insurances can be combined—that is, one insurance can take on components of a second insurance. For example, some directors and officers insurance policies can be negotiated to include an endorsement for employment liability which eliminates the need to purchase a separate employment liability policy.

Asset insurances can be purchased under various combined policies such as business packs. Discuss your circumstances for required cover with your insurance professional and let them obtain quotes and cover on your behalf.

Assets and Revenue

Fire and Specified Perils

What it is and what it covers:

Covers you if your property, equipment, tools and/or contents are damaged due to fire or other specified perils. Specified perils (and assets covered) may change from policy to policy (generally the more perils covered, the more expensive the premium) and can include:

- storm and tempest;
- water damage and hail;
- flood can be built in;
- explosion;
- lightning;
- impact of vehicles and aircraft or falling debris;
- earthquake;
- malicious damage/vandalism/arson; and
- cyclone.

Fire and Specified Peril policies generally do not cover flood or properties undergoing alterations or additions. This insurance can be incorporated into combined packages such as business pack.

When you need it:

If you:

- own a building;
- own substantial property and equipment;
- have goods or materials which you need to be able to operate; or
- operate in a building that is not protected outside office hours.

Issues to be aware of:

- Check what perils your policy covers – some policies do not cover malicious damage, vandalism or other major perils.
- Ensure that damage caused in putting out a fire is covered (e.g. damage from fire extinguishers).
- Policies may or may not include cover for damage to furniture and goods, records and files, equipment, materials and supplies, removal of debris, increased cost of working, and electronic equipment and records.
- This policy only covers you for perils that occur at specified locations – list all locations you work from and specify sums insured for each location.
- If your organisation is likely to receive threats make sure the policy covers malicious damage and/or arson.
- Check to see if your funding agreement contract or money lender requires you to cover the insurance cost for the building owner.
- You can mix and match policies to suit your wants.

- Policies generally do not cover personal belongings unless requested – this is particularly important for organisations providing accommodation.
- Decide on replacement or indemnity value – get a valuation on your building for replacement and include inflation as well as rebuilding costs (removal of debris, architect fees, etc.).
- Most perils are standard to all covers and exclude flood. Negotiate for any specific perils you need covered. Some exclusions are common to most policies e.g. war, nuclear fall out, asbestos, pollution, fines and punitive damages. In flood prone areas flood is often excluded on property insurance or has a very high premium.

Risk reduction:

- Regularly maintain fire exit signs, sprinkler systems and fire extinguishers. In addition, owners of buildings will have to comply with the fire safety requirements of your local council before they can be issued with a fire safety certificate. If your organisation leases premises check that the building owners are compliant and have the required certification.
- Ask the Fire Brigade for advice on safety improvements.
- Keep archives and backup copies of important files and records off the premises.
- Develop and conspicuously post Evacuation Plans, and train staff in evacuation procedures.

Assets and Revenue

General Property

What it is and what it covers:

General Property is mobile equipment and covers specified property that is lost, destroyed, damaged or stolen while in transit, or theft from a securely locked motor vehicle. It is a floating limit extending cover anywhere in Australia.

When you need it:

- if staff take your organisation's property out of the office e.g. things like banners, mobile phones, laptops, iPads, computers, data projectors or overhead projectors.
- if your organisation is involved in outdoor projects where equipment is constantly moving away from the office e.g. a home modification project where staff are moving lawn mowers and other tools from the office to clients' homes.

Issues to be aware of:

- Check with the insurer to see what is covered if moving an entire office to a new location before you start the move. The insurer must also be informed of your new location.
- Read the policy wording carefully to see what situations you are covered for, including:
  - all property in transit i.e. out of the office, Australia-wide, as some policies only cover very specific situations. e.g. burglary only from specified private residences or securely locked motor vehicles.
  - mobile phones and electronic equipment (e.g. laptops, data projectors, iPads etc.)
  - property stolen from a locked hotel room, at an airport, in other offices or conference venues.
- Check the definition of transit under your policy. You need to ensure that the property will be covered at the point of destination if that point is away from the office.
- General Property does not cover the equipment while it is being used. (E.g. the policy will cover a laptop that is dropped and damaged while being carried to the car, but it may not cover the laptop if it slides off a table while you are using it and it is damaged).

Risk reduction:

- Engrave property with your organisation's details.
- Conceal property when it is left in a motor vehicle.
- Properly secure property when left alone e.g. lock the hotel room or vehicle.

Assets and Revenue

Business Interruption
(or Loss of Profits or Consequential Loss)

What it is and what it covers:

Provides cover if business is interrupted through damage to property by fire or other insured perils. Covers ongoing expenses and maintains provable anticipated net profits as well as extra costs to set up short-term operations or buy in additional services from other providers.

When you need it:

- When your organisation earns an income from services excluding funding.
- If your organisation and services are essential and need to be replaced immediately.
- Where your future income depends on a few processes or services working.

Issues to be aware of:

- Only likely to be useful for specific services.
- Cover the total turnover or total service budget such as Professional Fees, excluding funding.
- Check whether you have a time indemnity period; some policies will not pay out until your loss has lasted longer than a specified period.
- Check how long the insurer will pay the interruption for. e.g. if the cover only pays for 12 months from the interruption – will that be enough time to rebuild and re-establish your business?

Risk reduction:

- Set up preventive strategies and backup services ahead of time, so that in the event of a loss you have systems in place.
- Check other asset policies' strategies outlined in this guide for risk reduction pointers in specific areas.

Assets and Revenue

Machinery and Electrical Equipment Breakdown

What it is and what it covers:

Covers electrical, mechanical and machinery breakdown damage to computers and other electrical/electronic equipment and data. Cover may also be provided for:

- data restoration costs;
- increased cost of working;
- hiring replacement equipment;
- damage through power surge/cut;
- damage from effects of computer viruses; and
- damage of stock in some circumstances.

When you need it:

- If you rely on computers and specialist software for your work.
- If you have expensive computers, printers, scanners, software. telecommunication systems, photocopiers or other electrical equipment.
- If you have perishable stock and rely on special equipment such as freezers.

Issues to be aware of:

- Ensure that cover includes electrical disturbances, e.g. fused circuits and replacing lost data, and restoration after power supply interruption as well as after actual damage.
- If you want to be compensated for the interruption to your business as a result of the loss, ask the insurance provider to include business interruption.
- Some policies require you to have maintenance agreements for insured equipment.
- Equipment should be covered under fire, specified perils and theft/burglary insurance also.

Risk reduction:

- Install power supply protectors.
- Conduct staff training on how to use insured equipment.
- Place access restrictions and security on server and software.
- Have a contingency plan for lost hardware. e.g. undertake regular computer backups and keep one set of backup disks off the premises.
- Keep a full Asset Register
- Do not keep unnecessary stock on hand.
- Make sure switches cannot be switched off.
- Regularly maintain equipment and machinery.

Assets and Revenue

Theft and Burglary; Contents; Glass; Goods in Transit; Money

What it is and what it covers:

The basic Burglary policy generally covers loss or damage to contents within insured premises through theft involving violent or forcible entry only. A basic policy would not normally cover the following situations, although extensions can be requested for each of these if your organisation wants cover under these circumstances:

- theft by employees or others entitled to be on the premises e.g. clients or volunteers;
- theft of contents in open air or outside a building e.g. playground equipment;
- goods in transit e.g. if your organisation is shifting premises. It will also not cover general items such as mobiles or laptops which are usually covered under a General Property or Transit policy;
- glass e.g. breakage of windows. This can be covered by a glass policy; and
- loss of money (Money policy).

When you need it:

- If your organisation has assets that you could not replace if stolen.
- If you have plate glass windows or large expanses of glass.
- If you sometimes keep or transit substantial amounts of money.

Issues to be aware of:

- **Contents**

- Check whether you are covered for:
  - theft i.e. when the office is open;
  - personal belongings e.g. handbags, or residents' belongings in an accommodation service for example;
  - equipment you take out of the office such as to a workshop or on a trip; and
  - property not owned but for which you are responsible such as equipment stored on your premises.
- Check the insurer's requirements:
  - for deadlocks, window locks, bars on entry points;
  - for alarms and whether there is an alarm clause preventing payment unless an alarm is fitted and operating during a burglary; and
  - for your responsibilities for broken windows, toilets, etc. under your lease agreement and ensure that you are covered for these.

When selecting the limit insured, consider the maximum value you believe could be stolen by a burglar in one instance. Investigate self-insurance if you only have small items of equipment i.e. put aside an annual amount to replace assets.

- **Money (cash, postal orders, cheques and stamps)**
  - Check whether your Money policy covers:
    - theft of money from business premises during and after business hours or

- **Glass**
  - Ensure that cover includes signwriting on windows and emergency boarding until the glass can be replaced. Bear in mind it is sometimes cheaper to replace the glass than purchase the insurance.

Risk reduction:

- Keep an Asset Register, listing all equipment with brand names, serial numbers and current values.
- Engrave assets with your details.
- Update policy when major assets are purchased.
- Include security issues in orientation procedures
- Put up warning notices (e.g. 'We cannot take responsibility for your personal effects - keep them with you at all times').
- Investigate alarms and security systems to protect people and belongings.
- Ensure that systems are in place to cover the movement of money.
- Most of the above are now purchased in package policies such as Industrial Special Risk, Business Packs etc.

Liability Insurance

Public (Broadform) Liability (PL)

What it is and what it covers:

Legal liability to third parties for property and personal injury. PL provides coverage where a third party, e.g. a member of the public or service user, is killed or physically injured or their property is damaged due to the negligence of the insured. Products liability is generally included in PL insurance and provides coverage where the third party is injured by the insured's products, e.g. if a cake sold at a market stall causes food poisoning.

Cover includes legal costs and expenses incurred when defending a claim but only if costs are agreed beforehand by the insurer. A costs inclusive excess on your policy will require you to pay the excess on these costs.

PL is a 'long tail' insurance, meaning that a claim can be made on this year's policy many years later. Therefore it is important to consider the future when selecting the insurable amount. It is also important to keep records of your PL policies and schedules and a log of any accidents or incidents indefinitely.

Exclusions

The exclusions are things which the insurer considers too risky to insure and often make up the bulk of the policy document. Exclusions can apply to some or all of the following:

- Aircraft and watercraft
- Amusement rides
- Adventure, sporting or 'hazardous' activities
- Asbestos
- Assault and battery
- Building works (erection/alteration)
- Car boot sales
- Chemical application
- Child molestation
- Contractual liability
- Computer equipment
- Defective design
- Directors and Officers Liability
- Dishonest and fraudulent activities
- Discrimination
- E-Commerce
- Employer's liability
- Explosives
- Exports to the USA or Canada
- Faulty workmanship
- Festivals, fairs, street parties or parades
- Fines or penalties
- Injury to participants
- Libel and slander
- Loss of use of property
- Market days
- Participation in sports and games
- Pollution
- Product defect or recall
- Professional indemnity (except first aid)
- Property in custody or control
- Punitive damages
- Second-hand and used goods
- Stall holders
- Terrorism
- Tobacco
- Trade Practices Act
- Vehicles
- War and radioactivity

Some exclusions are common to most policies, e.g. war, nuclear fallout, asbestos, pollution, fines and punitive damages etc.

Some exclusions apply because those risks are covered by other policies, e.g. employment liability and personal injury or property damage by a vehicle are not covered in a public liability policy because those risks would be insured by Employment Practices Liability and Compulsory Motor (CTP Personal Injury) insurance respectively.

At sporting events, public liability insurance will cover spectators but will usually not cover participants. If this is an issue, make sure you get clarification from your insurance provider.

It is possible to negotiate with the insurer and pay an extra premium if you do require cover for an excluded activity e.g. festivals.

It is absolutely essential that you have read and understood the exclusions i.e. what you are and are not covered for.

When you need it:

The legal requirement for NSW Associations to have compulsory PL insurance was removed in 2002. However, not having PL insurance does not prevent associations from being sued. PL insurance is strongly recommended for NFPOs. Individuals may have some PL cover through their private home contents policies.

In particular, PL insurance is considered essential if:

- you supply services to, or deal directly with, members of the public;
- you produce, supply and/or sell any type of product, e.g. food, clothing, toys, electrical equipment or drinks;
- your organisation owns, leases or occupies a building;
- any of your lease, rental or financing agreements require PL insurance;
- your funding agreements require PL cover;
- you are not covered under some other organisation's PL insurance; and
- you carry out activities in council halls, buildings or shopping centres where PL is required by owners. As a rough guide, the site/building owner or lessee is usually responsible for injuries caused by the building/premises, while the users are generally responsible for injuries resulting from their activities.

Issues to be aware of:

- Read the wording in your policy – know what you are and are not covered for.
- Inform your insurance provider if commencing new activities/services or starting at a new location.
- Make sure you are covered for:
  - all premises you operate from, including clients' homes and hired halls;
  - all activities/events/business operations you undertake;
  - all products you produce, supply or sell (e.g. fundraising, raffle, community BBQ, etc.);
  - injury as a result of action by committee members, staff, volunteers, members and service users. Check the definition of 'insured' and then any other definition referred to in the 'insured' definition;

other definition referred to in the 'insured' definition;
- property in your physical and/or legal control, including leased premises;
- members' families and relatives where appropriate;
- children and their activities where appropriate; and
- fundraisers.

- Know the maximum amount your organisation can claim for any one incident or in any one insurance period. This will be listed on the Schedule.
- Ensure that :
  - your insurer is informed if you are indemnifying a third party through any contract e.g. a funding agreement. Your policy will need to be amended to reflect the change;
  - the limit of cover is sufficient for several claims from one incident;
  - the excess is set at a level able to be met by the financial resources of the organisation, especially if there are several claims in one insurance period;
  - the building owner has PL insurance for the premises from which you are operating; and
  - all contractors have their own PL.
- If running an event, make sure that all stallholders, entertainers, production contractors, etc. have their own PL insurance.
- Consider if you want 'member to member' cover to protect members injured by other members.
- Compare the different policy definitions, especially for personal injury and products. Definitions vary between policies; a tighter definition may mean you cannot claim on a specific event.
- Keep a log and copies of policies for all your organisation's PL insurances in case of a long-term claim. e.g. if you have a claim in 2018 for an incident occurring in 2014 you will need to know who the 2014 insurer was to make a claim under that policy.

Risk reduction:

- Create a risk management plan to reduce the potential for injury from your organisation's activities.
- Maintain an Accident Register and keep it indefinitely so you have details of anyone hurt during your activities. Inform your insurance provider of the incident even if no claim has yet been made. There may be no claim made at the time, but a claim could be made in the future.
- Have adequate safety procedures and warning signs in your workplace. This should be part of your risk management process.
- Get written confirmation of any coverage under an auspice body or umbrella policy (e.g. Council's PL policy if you are in a council hall).
- Never sign contracts with rights waivers in them without first consulting your insurance provider.

Liability Insurance

Special Events - Adverse Weather (Pluvious or Rain) Insurance

What it is and what it covers:

This policy covers the cancellation of event, fairs, festivals, concerts, conferences or camping trips due to adverse weather.

When you need it:

This might be needed if you are running an event where you stand to lose a considerable amount of money if the event has to be cancelled due to adverse weather.

Issues to be aware of:

- It can be expensive.
- Check what occurrences are covered
- Look for cover that includes a variety of reasons for cancellation due to 'adverse weather'.
- Check how 'adverse weather' is defined and measured.
- Most policies require cover to be taken out 14 days prior to the event.

Liability Insurance

Directors and Officers/Company Reimnursement (D&O) & Management Liability

What it is and what it covers:

Directors and officers are liable for their wrongful acts, breaches of trust or where the organisation does not meet its legal obligations. Some examples are: media misrepresentation, trading while insolvent or alleged restrictive trade practices. Directors and officers can be sued by their employees, creditors, clients, competitors, the public, government agencies or by administrators or liquidators in the event of liquidation.

D&O covers management committee members, board members and officers by compensating them for legal costs and other losses when they commit or have been alleged to have committed 'wrongful acts' in the performance of their duties. It is normally split into D&O Liability which covers personal liability, and Company Reimbursement which covers any costs your organisation incurs reimbursing directors.

D&O does not generally cover environmental or pollution-related claims, fraud or dishonest behaviour, wilful misconduct, fines/penalties, personal injury or claims against directors/ officers by the organisation or other persons insured under the policy, e.g. employees.

When you need it:

This insurance is recommended where:

- committee or board members are concerned about their personal liability and own property or have assets which could be under threat from people suing the organisation.
- the organisation cannot afford legal costs for action taken against the its directors.

Issues to be aware of:

- Check the definition of "officer" to see who is covered. Get an endorsement if you want all staff members and volunteers covered.
- Ensure that:
    - your volunteer management committee members are covered;
    - defence costs can be advanced i.e. defence costs are paid when incurred rather than reimbursed after settlement;
    - all your past and present directors and officers are covered, as well as your organisation;
    - you disclose any relevant information at commencement and renewal of policy;
    - you obtain retroactive cover for activities undertaken before policy commencement - only if cover is in place; and
    - run off

- Ensure that you are covered for:
  - WHS and OHS prosecution;
  - wrongful employment practices (check definitions); and
  - outside directorships.
- D&O is a "Claims Made and Notified" policy, so notify the insurer as soon as you become aware of a potential claim. Don't wait for a formal claim to be made.
- Check your policy's definition of what constitutes a 'wrongful act'.
- Most D&O policies contain an exclusion for any claim made by an insured company against its insured Director.
- As policies are Claims Made, if you merge with another organisation or close the organisation, run-off cover may be required.

Risk reduction:

Incorporation does not protect directors/ officers as individuals where they do not act with care and diligence when performing their duties. The best way to reduce risk is to ensure that the board and all officers understand and implement good governance practice. There are several good resources that provide governance guidelines for not for profit organisations. The NCOSS Management Support Unit Information Sheet: Good Governance is a good place to start. See: *ncoss.org.au*

Liability Insurance

Employment Practices Liability

What it is and what it covers:

Employment Practices Liability is often offered under D&O and Management Liability insurance and protects your organisation and its directors and officers against claims and legal costs where employees claim you have acted inappropriately with regard to their employment.

Cover differs between insurers, but generally covers suing as a result of:

- sexual or other harassment;
- wrongful dismissal;
- discrimination on the basis of age, race, sex or religion; and
- breach of contract.

When you need it:

If you employ people and are concerned about your potential liability.

Example

An employee complained to the director of an organisation both verbally and in writing that her manager was sexually harassing her. The director thought the complaint was trivial and was so snowed under with work that he neglected to follow up on the complaint. The employee quit and threatened to sue. The director was then spurred to investigate the allegation and found it to be true. He promptly dismissed the manager. The employee sued for constructive dismissal and the manager sued for wrongful termination because there had been no warnings that his behaviour had been unacceptable. expires. Put the insurance renewal date in your diary as a reminder.

Issues to be aware of:

- This is a 'claims made and notified' policy, so inform your insurer as soon as an incident arises.
- Check whether you can receive advance payment for defence costs.
- Check the Sum Insured to see whether your legal costs are included in, or are in addition to, the sum insured.

- Make sure:
  - you are covered for contract and temporary workers as well as board members and any potential applicant (see 'Employees' definition);
  - you have retroactive cover for activities undertaken before policy; commencement. This is especially important if you change insurers;
  - you are covered for claims for employment; and
  - related stress or mental anguish.
- As policies are Claims Made, if you merge with another organisation or close the organisation, run-off cover may be required.
- As this may overlap with D&O and Management Liability insurance, check the D&O insurance section p. x for additional issues.

Risk reduction:

- Develop effective employment policies and procedures outlining all your legal obligations when employing people.
- Ensure that any people sitting on selection panels or responsible for employment/termination matters are aware of these policies and their own legal obligations.
- Put the insurance renewal date in your diary.

Liability Insurance

Professional Indemnity

What it is and what it covers:

PI insurance provides coverage for a breach of 'professional duty' where your failure results in a third party's financial loss, personal injury or property damage. A breach can include giving wrong advice or information, breaching a 'duty of care' to service users, and/ or breaching professionally recognised standards of conduct.

Specific extensions are sometimes required, but PI generally covers:

- libel and slander;
- fraud and dishonesty;
- loss of documents or computer records;
- retroactive cover - only when previous cover was in place;
- defamation;
- dishonest acts by employees;
- trade Practices Act and related legislation; and
- intellectual property.

PI does not generally cover:

- medical malpractice;
- child molestation and abuse; and
- contractual liabilities.

Limited PI cover is sometimes included in PL insurance but does not include situations where there is financial loss only i.e. there has to be injury or damage to property.

When you need it:

PI insurance is recommended if you:

- provide advice of any kind;
- work on issues where there is conflict;
- care for children or other vulnerable groups e.g. frail older people;
- provide therapeutic, financial, or intensive family or personal counselling;
- provide legal advice or information on entitlements and rights;
- produce magazines or newsletters, or advocate via the media;
- run a website; or
- run educational workshops or classes.

Issues to be aware of:

- Ensure that you are covered for:
  - expenses incurred in the defence and/or settlement of a claim
  - volunteers' actions;
  - 'civil liabilities' as well as a negligent breach of professional duty; and
  - activities undertaken before the policy was taken out i.e. you have retroactive cover.

- PI operates as a 'claims made and notified' policy, requiring you to notify the insurer as soon as you become aware of a potential claim. Read the 'claims' section carefully.
- Some PI policies do not cover bodily injury. It is important to check whether your PL policy would cover you in the event of a PI claim.
- As policies are Claims Made, if you merge with another organisation or close the organisation, run-off cover may be required.

Risk reduction:

- Join relevant professional bodies.
- Keep information systems up to date.
- Prepare a written policy on appropriate advice provision.
- Provide regular training for everyone who provides information or advice.
- Advise all clients that:
  - you do not make their decisions for them;
  - you can only give them information you have available;
  - it is up to them to check everything properly; and
  - they should ask for a second opinion.
- Keep good records of your interactions with clients, particularly in any situation where the client is unhappy.
- Use personal contracts and disclaimers which clarify your role as an assistant to clients.
- Refer people to experts if necessary.
- Develop a good consumer complaint policy and procedure to resolve issues quickly.
- Use bilingual workers and interpreters where needed.
- If you produce large-scale publications, check if you need to cover defamation and slander from 'published works'.
- Cyber insurance.

Liability Insurance

Fidelity Guarantee

What it is and what it covers:

Fidelity Guarantee insurance protects against loss caused by fraud, dishonesty or misappropriation of cash, cheques or property by your organisation's members or staff. Your money and burglary policies will not cover these losses.

When you need it

- If you handle large amounts of cash regularly
- If your organisation has funds or stock that are necessary to your operations and which could be at risk from unscrupulous persons.
- If your funding agreement or other agreements require this cover

When you need it:

- There are strict reporting conditions which must be met before a policy will react. Check these conditions before considering Fidelity Guarantee insurance since it can be expensive and may not be worth the expense if risks are low.
- Check:
    - the excess amount on your policy and if it is appropriate for the size of the potential fraud;
    - the insurance policy requirements around your organisation's finance management. This insurance is not a replacement for effective financial management;
    - whether you have retroactive cover for a loss that has occurred over several years but has only recently been discovered; and
    - the exact definition of who you are insured against. For example, whether it cover volunteers, temporary employees, directors, employees who have left your employ and whether it cover contractors who have committed fraud against your organisation.
- Policies generally cover you for fraud committed during the period of insurance or a nominated time thereafter. The fraud must be discovered and notified within certain time limits.
- You will be obliged to prove the amount of the loss and that the loss was caused by dishonesty.
- Check that your policy covers:
    - electronic commerce or banking;
    - loss where you cannot identify which person is responsible;
    - loss of property that is not owned but for which your organisation is responsible; and
    - loss involving paying personal expenses by company credit card expenses incurred in identifying and quantifying a loss. In some cases, the cost of the investigation, which can be considerable, must be borne by the organisation.

Risk reduction:

Fraud is one of the challenges facing any business or organisation. The risks associated with fraud are more than just the immediate financial loss which insurance may be able to cover. Prevention is far better than cure and there are many useful resources which look at ways that organisations can reduce the risk. The following is a very brief summary.

- Implement sound financial policies and internal controls in relation to:
  - who can authorise expenditure, who can sign cheques and the maximum cheque value;
  - who has access to cash and how frequently it is deposited;
  - reconciling bank statements;
  - records kept of all money raised at any events; and
  - the number of people collecting money and recording amounts. It should be at least two people.
- Keep cheque signatories up to date.
- Have a safe for cash and cheque books. This may be a prerequisite of the policy.
- Have a good treasurer and auditor.

Example

A NFP organisation had fidelity cover in an association protector policy package. The fidelity cover was a claims made and notified type policy and for that particular fidelity policy to be triggered a loss has to be sustained, discovered and notified all within the same policy period. The manager of the NFP was sacked just a few days before the expiry of the policy. A thorough audit of the NFP's finances subsequently revealed that the manager had defrauded the organisation of a large sum of money. The Board of the NFP then notified the insurer of the fraud to make a claim against their insurance. This was two months into the new policy. The insurer rejected the claim because the loss was not sustained during the same period of insurance in which the claim was made. For the claim to have been accepted, the organisation would have had to have notified the insurer as soon as they suspected fraud; at the time of the sacking.

Associations can purchase an Association or Protector Liability insurance which includes a combination of Professional Indemnity, Directors and Officers, Employment Practices and limited Fidelity Guarantee insurances.

Assets Insurance

Motor Vehicles

What it is and what it covers:

There are four types of motor vehicle insurance available for organisations:

- Compulsory third party (CTP) insurance covers injury to people in other vehicles, passengers in the at-fault vehicle, and pedestrians or cyclists injured by at-fault vehicles. Motorists registering in NSW, ACT and Qld can select the insurance provider. Some states are not at fault legislation and cover drivers as well, some insurers will top up for at fault cover in at fault states.
- Third party property damage covers damage to other vehicles or property.
- Full comprehensive covers loss or damage to the organisation's vehicle and third party vehicles and property.
- Non-owned motor vehicles covers vehicles not owned by your organisation, and usually includes volunteers or staff vehicles as well as vehicles you have borrowed or hired.

When you need it

- If you own one or more vehicles.
- If you lease or hire a vehicle which specifies a certain level of insurance coverage.
- If you require volunteers or staff to use their private vehicles for organisational purposes.

NB: If you own several vehicles, investigate purchasing a fleet motor vehicle policy.

Issues to be aware of:

- Ensure that Non-owned policy covers loss of no- claim bonus at the time of accident, hire of alternative vehicle and payment of excess. Also check that it covers volunteer-owned, staff-owned, hired and/or borrowed vehicles, used for either volunteer or work purposes.
- Ensure that CTP policies cover injury caused by your stationary vehicle e.g. opening door, unattended rolling vehicle.
- Ensure that Comprehensive policy covers:
  - replacement of signs, tools, spare parts and employees' accessories in a vehicle if required;
  - hiring alternate vehicles if required; and
  - accessories and vehicle modifications such as wheelchair ramps or hoists if required.
- Determine whether you want a market value or agreed value policy. Market value takes into account the age and condition of the vehicle at the time of loss while agreed value is based on an actual stated figure in the policy.
- Some policies require a list of all drivers of that vehicle.
- Check what cover you need if your organisation leases or hires vehicles.
- Volunteers and workers who use their private vehicles for work purposes are required to inform their insurers of this, otherwise they may void their insurance.

- Be aware that policies generally exclude vehicle damage if the driver is under the influence of drugs and/or alcohol, racing etc.

Risk reduction:

- Ensure your organisation has policies concerning:
  - traffic infringements e.g. parking, speeding, invalid licences
    drivers under 25 years of age since insurers usually charge a higher premium for younger drivers;
  - drivers with previous suspension records;
  - damage caused by drivers under the influence of drugs and/or alcohol; and
  - whether employees and volunteers are required to have comprehensive insurance for their own vehicles when used for work purposes and whether your organisation will pay all or some of these extra costs.
    For further information see the NCOSS information sheet Motor Vehicles: employees ownership and insurance
- Keep log books when using organisational vehicles.
- Provide training courses for people driving your company cars.

People's Insurance

Personal Accident (Volunteer)

What it is and what it covers:

It provides volunteers with limited cover for expenses incurred as a result of accidental injuries and death that occur during the course of their unpaid work. It usually provides:

- Non-Medicare medical and other health costs. It does not cover any gap between the Medicare rebate and the cost of treatment;
- a lump sum in case of death or specified permanent disabilities;
- loss of income benefit if the volunteer is employed; and
- home help and personal assistance in some cases.

When you need it:

It is usually needed if you have volunteers. Volunteers generally cannot claim under your public liability policy if they are injured due to your organisation's negligence. However, they may be able to sue you for the damage they have incurred. A personal accident policy covering their injuries means they are less likely to be out of pocket from their injury and may not need to sue for damages.

Issues to be aware of:

- Personal Accident (Volunteers) provides limited cover and is not comparable to Workers Compensation. Volunteers with work injuries should make sure their health service provider understands the difference before receiving treatment.
- Ensure that the policy covers:
  - volunteers aged under 18 and those over 65 years of age as well as those with an existing disability;
  - direct travel to and from volunteer activities;
  - the management committee; and
  - volunteers not earning an income such as those people who are retired or unemployed.
- Check the excess and waiting periods, medical expense limits, age limits, activity exclusions and amount of cover provided.
- Compare the level of weekly income loss covered against your volunteers' weekly earnings. Is it acceptable?
- Check whether the policy covers volunteers who are not permanent residents of Australia.
- Policies generally only provide benefits to volunteers for two years after any accident and usually only one year for non-Medicare medical expenses. This time period may be reduced for volunteers over the age of 65.
- Proposals will either request that you list the average number of volunteers at any one time or the total number of volunteers on your books, depending on the policy. Remember that your management committee members are volunteers.
- Make sure students doing work experience are covered under their college or university insurance policies.

- Where a volunteer does not earn an income they will not be entitled to loss of income benefits; however, they can generally be reimbursed for the cost of home help and/or student tutorials.
- Personal accident insurance only provides cover for accidental injury, not illness contracted by volunteers while working. There are usually exclusions for pre-existing conditions.
- Note that policies do not cover needle-stick injuries.
- Check to see if the policy has any waiting periods before a claim can be made.

Risk reduction:

- Keep a Register of Volunteers and their activities.
- Include volunteer accidents in your Accident Register.
- Ensure that all volunteers are informed of your organisation's WHS and OHS policy and are included in WHS and OHS training.
- Provide volunteers with 'Roles and Responsibilities' descriptions clearly defining their duties.

Note: A separate personal accident insurance can be purchased to cover children.

Example

A volunteer was injured whilst assisting in an op shop. He was subsequently treated by a doctor who had assumed that it was a Workers Compensation case and had begun treatment. The bills for this treatment well exceeded the cap on non-Medicare expenses provided by the organisation's Personal Accident (Volunteer) cover. The organisation felt morally obliged to make up the difference but did not have the financial reserves to do so.

People's Insurance

Workers Compensation (WC)

What it is and what it covers:

WC covers employees for death, accident, injury or illness at work, or (in some states) on the way to or from work, and includes legal costs.

It does not cover:

- volunteers;
- contractors (although some contractors are classified as workers – see below); and
- consultants.

When you need it:

It is compulsory for all organisations employing workers. WC is compulsory for part-time and casual staff and for many contractors.

Each state and territory has its own workers' compensation scheme legislated under various acts. For information regarding a particular scheme contact the Workers Compensation Authority in your jurisdiction. For NSW based organisations contact WorkCover NSW at *workcover.nsw.gov.au*

Issues to be aware of:

- WC is calculated as a percentage of your organisation's payroll which includes fringe benefits and superannuation and varies according to industry classification type, perceived injury risk and your organisation's claims history.
- There are a range of legal requirements to provide a safe and healthy workplace to reduce the extent and effect of injuries and accidents.
- The following states and territories now use the harmonised Work Health and Safety (WHS) legislation rather than the previous OH&S laws:
  - Australian Capital Territory
  - The Commonwealth of Australia
  - New South Wales
  - Northern Territory
  - Queensland
  - South Australia

The WHS legislation has been strengthened to put increased onus on employers to manage workplace safety. For further information go to the Safe Work Australia website *safeworkaustralia.gov.au/sites/SWA*

- You may be able to negotiate for extra support services, injury prevention programs and training to be included.
- Employers must have a rehabilitation program and cooperate with insurers' injury management programs.

- Make sure you know who is an employee and who is a contractor for WC purposes. For further information refer to the Independent contractors and employees information sheet from the Fair Work Ombudsman website *fairwork.gov.au/ArticleDocuments/2221/FWO-fact-sheet-Independent-Contractors-Employees.pdf.aspx?Embed=Y*
- Ensure that consultants and contractors have their own WC coverage.

Risk reduction:

- Be aware of your responsibilities under the WHS and OHS regulations.
- Implement a WHS and OHS plan in consultation with staff, board, volunteers and members.
- Train staff and volunteers in safe working procedures.

Renewing Policies Checklist

At least six weeks prior to Renewal date:

- Ring Insurance Providers to obtain quotes.
- Apply for a Stamp Duty exemption if applicable.
- Fill in proposal forms – include prior claims history, any risk management processes in place, and a full list of activities, locations and indemnified contracts on your proposal form.
- Receive quotes and check:
    - the sum insured;
    - the excess;
    - Replacement or Agreed Value;
    - who, what and/or where is covered;
    - the definitions and the exclusions;
    - that Contract indemnity clauses and interested parties have been noted;
    - the terms and conditions; and
    - that an Unauthorised Foreign Insurer, if used, meets the new guidelines (See the APRA website *apra.gov.au/GI/Pages/UFI-information.aspx*)
- Read the full policy.

Insurance Record

Year: ________

Insurance Provider's Name: ____________________

Contact Details: ____________________

Policy Type	Underwriter	Sum Insured	Excess	Replacement or Agreed Value	Renewal Date

Insurance Claims History

Keep a record of all claims made by your organisation.

Date	Policy Type	Claim Amount	Incident	Risk Managemnet Solution to avoid future claims

Glossary

Claims Made

A claims made policy only covers claims made against you and notified to the insurer during that policy period, not the policy in place when the alleged incident occurred (unless the claim is made within the same policy period as the incident occurred). If you become aware of a potential claim in one policy period but do not notify the insurer until you have a new policy in place, your claim will not be valid. Generally occurs in Professional Indemnity, Directors and Officers and Employment Practices insurances.

Cover

What you are insured for, i.e. what you can claim on.

Definitions

Tells you the exact interpretation the insurers have put on each major word in your policy.

Duty of Disclosure

Your obligation to disclose to the insurer everything you know that could affect the insurer's decision to insure you. Failure to do so could lead to the policy becoming void.

Endorsement

Changes the wording of the policy. It can be an addition, an exclusion or an amendment and must be read carefully.

Excess/Deductible

The amount the insurer deducts when paying your claim, i.e. the amount your organisation pays for each and every claim.

Exclusions

Clauses that specify what your policy will not cover.

Inclusions

Clauses that specify what your policy actually covers.

Indemnified Party

This is where you sign away, usually in a contract, the primary party's potential responsibility for any future injury and therefore their potential liability.

Insurance Provider

Collective term used in this publication to denote the entity through which your organisation purchases its insurance, i.e. either a broker or underwriter.

Liability

Being legally bound or answerable for a situation, whether you have assumed it through a contract or are given it under law.

Officer

Any person concerned in managing your organisation's affairs. This does not usually include all employees but can include senior employees, executives and committee or board members.

Proposal

The form you fill out to apply for your insurance policy.

Premium

The price you pay in exchange for the insurer providing you with the specific cover.

Retroactive Date

Provides cover under Professional Indemnity, Directors and Officers and Employment Practices insurances for an incident which occurs before the policy commenced.

Unauthorised Foreign Insurer (UFI)

An insurer not authorised to operate in Australia by the Australian Prudential Regulatory Authority.

Underwriter

The insurance company actually covering you for your premium.

Utmost Good Faith

This is the principle of acting in good faith and being honest. It means that the insured does not make fraudulent claims and that the insurer pays claims they have agreed to cover under the policy.

Resources & References

General Insurance Brokers' Code of Practice
codeofpractice.com.au
National Insurance Brokers Association of Australia
niba.com.au
Insurance Contracts Act 1984
comlaw.gov.au/series/c2004a02944
Insurance Council of Australia: General Insurance Code of Practice
insurancecouncil.com.au/for-consumers/code-of-practice
Australian Prudential Regulatory Authority (APRA) - authorised insurers:
apra.gov.au/GI/Pages/general-insurers.aspx
Office of State Revenue
osr.nsw.gov.au
Exemption of Duty form
osr.nsw.gov.au/sites/default/files/file_manager/oda006.pdf
Financial Ombudsman Service (FOS)
1300 780 808 (toll free) | *fos.org.au*
Legal Aid NSW
legalaid.nsw.gov.au
Law Access - Legal Aid Offices
1300 888 529
Workers Compensation Authority
safeworkaustralia.gov.au/sites/swa/workers-compensation/authorities/pages/authorities
Safe Work Australia
safeworkaustralia.gov.au/sites/SWA
Independent contractors and employees information sheet
fairwork.gov.au/ArticleDocuments/2221/FWO-fact-sheet-Independent-Contractors-Employees.pdf.aspx?Embed=Y

NCOSS Resources

The NCOSS Insurance Program provides information and training to assist not for profit organisations with their insurance and risk management issues.

For assistance contact:
phone: 02 9211 2599
email: *insurance@ncoss.org.au*
web: *ncoss.org.au/capacity-building/our-services/ncoss-community-cover*

ncoss
NSW Council of Social Service

ncoss.org.au