

December 2023

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The following memo is part of a series on risk management topics for CEOs. This is an informational memo only, meant as organizational advice, not legal advice, and not the final word on your legal protections and risk management options. There is no substitute for maintaining 100-percent in-house legal compliance and discussing these matters with your own private legal counsel, board of directors, accountant, and other trusted advisors. We encourage you to review the full series of memos to ensure all aspects of risk management are being addressed at your organization.

What is insurance? Why is this topic important?

Most commercial insurance policies used by nonprofits can be described in three broad categories:

1. Property coverage (for damages or accidents related to your business property),
2. Liability coverage (for injuries, accidents, and risk related to activities and programs), and
3. Life and health coverage (traditional employment benefits).

This memo will address property and liability policies, but not life and health coverage.

Insurance is a broad topic, but generally encompasses a way to manage your organization's risk: It is a practice or arrangement by which an insurance company (or more rarely a government agency) provides a guarantee of compensation for specified loss or damage in return for payment of a premium. It is based on contracts between you (the insured) and the company providing the coverage (the insurer). While there are insurance best practices detailed in this memo, only you can decide your organization's tolerance for risk and the unique risks your organization specifically must manage.

While there are general national guidelines about insurance policies and how the insurance industry should run, each state has its own department of insurance that is responsible for licensing, regulating, setting norms, and enforcing policies and practices related to insurance in that state. Therefore, the geographic location of an organization and all its operations and programs is highly relevant when discussing insurance.

It is important to note that insurance policies can either be "first party" (compensating the individual or organization that is paying the premium, and whose name is on the policy), or "third party" (compensating a third party when the insurer individual or organization is liable for damages), or a combination of both.

The most common commercial insurance policies carried by organizations in our Network are commercial general liability and directors and officers. In fact, many board members will not serve on a nonprofit board that does NOT have these policies in place because of the risk of personal liability. In addition to these bread-and-butter policies, your organization may need additional coverage and policies, which are described later in this document.

Finally, properly assessing your risk and insuring your organization accordingly demonstrate your due diligence and conscientiousness to protect your board, your employees, and your organization's valuable assets.

What should we look for in an insurance broker?

Generally, insurance *brokers* represent the consumer and work with a range of insurance companies and providers to get you the best price and coverage on the policy you need. An insurance *agent* works for a specific insurance company or provider and collaborates with brokers and their clients. An organization, then, will ideally find an experienced *broker* who has numerous contacts at a variety of insurance companies.

Other areas to keep in mind:

- Is the potential broker licensed in each state in which you operate?
- Do you have references for this broker?
- Have you vetted several brokers before committing to working with one? (It is strongly advised to work with only one broker on an ongoing basis.)
- Does this broker understand your organization's work?
- Is the broker experienced in working with organizations of your type and budgetary size?

Your insurance broker is a key member of your professional support team and should be selected as carefully as your attorney, accountant, and human resources (HR) vendor. If the time comes to make a claim, and especially in the event of disputed coverage, you will want a broker who represents your interests and whom you trust. Your insurance broker will be a key advisor, along with your attorneys, when it comes to important decisions, including when to trigger your coverage versus absorbing the cost of an incident or claim.

And as with all professional advice you receive, you will need to use your best judgment about which advice to adopt and which to set aside. In a real sense, you are also negotiating with your own broker to get the best products and pricing for your organization.

How does insurance get put into place?

While each insurance broker and each insurance company will follow a slightly different process with new clients and writing new coverage, in general you can expect the following:

1. Your broker will discuss your operations and your programs with you, to get a high-level sense of the risks your organization may face. It may be a good idea to have a few members of your management team in this conversation (HR, operations, programs, communications), as each aspect of your organization's work will carry different kinds of risks.
2. Your broker will make high-level recommendations on the various policies that your organization may need, and why you may want or need these policies. Your broker should be licensed in each state that you operate in (this includes physical offices, employee residence, and where your organization's services are offered), not only so they can provide you policies that cover each state, but also because some states have mandatory insurance requirements that your organization must comply with, and your broker can educate you on these requirements.

3. Once you and your broker generally agree on the kinds of policies to look at for your organization, your broker will approach various insurance companies to get a sense of the coverage they might offer your organization and the cost of each policy.
4. Once your broker has a sense of where your policies might be best placed, they will provide you with detailed policy applications to complete. While each insurance company and each kind of coverage has their own application, generally you can expect questions about your budget, operations, internal policies and practices, and past claims or litigation your organization may have been involved in. You will want to be as specific and transparent as possible on these applications, as providing incomplete or incorrect information can void any coverage. Note: It is neither a good thing nor a bad thing to have a broker try to place all of your policies at different companies, or to place them all at just one or two companies.
5. After receiving the detailed applications from your organization, an insurance company will review your application materials, and may request additional information or documentation, or request a conversation about some of the information on the application. The insurance company will use the information you provide to calculate their perception of your organization's risk profile and offer various policies. An underwriter at the insurance company will determine what amount of coverage they would be willing to offer, and the exclusions on the policies they may require, as well as the price of a policy premium.
6. Once your broker receives policy and coverage options from an insurance company, they will present your options and their recommendation on how to proceed. They may recommend applying elsewhere for a different policy or different kind of coverage, or they may recommend binding the policies you have been offered. While there is no obligation to bind the first set of policies you receive, your organization may not want to shop around too long, as there are likely specific reasons you are receiving the prices and coverage offers that you are. It is important to discuss with your broker both any overlaps in policies (especially policies carried by different companies) and any major exclusions on the policies.
7. When you have agreed with your broker on the policies your organization wants, you will set a binding date with your broker. This is the date that your policies become effective. You will need to choose a payment method for your organization's policies (upfront or a payment plan over the term of your policies), and remit a portion of your annual premium payment before the binding date. A portion of this will be paid to your broker as a commission, and the remainder is a payment to the insurance company as your policy premium payment.
8. After the bind date you will receive copies of your policy documents as well as the declarations page for each policy. Save these documents!
9. A few months before the end of your policy term, your broker will reach out to discuss renewal. However, if you have questions about your policies or coverage, or your business operations and/or programs change during the year, you should not hesitate to reach out to your broker to discuss. It is possible to make mid-policy adjustments, however, that is much simpler to do when your broker is kept up to date on your business operations.

How do insurance claims work?

If you file a claim on your policy, the process will differ company to company; however, generally you can expect the following:

1. You will need to *promptly* alert the insurance company of your need to file a claim. This can either happen through your broker or through whatever contact information is on your policy documents. This initial notification will include very basic facts of the matter. A delayed notification regarding a claim—although “delayed” is an inherently subjective measure of time—can void your policy coverage. Because of this unfortunately subjective reality, prompt communication with your insurance company is essential.
2. The insurance company will assign a claims agent to your claim, and they will be your point of contact moving forward. They will generally inform you of the process for the resolution of this claim, including who else from the insurance company will be involved (e.g., an inspector, a legal team, etc.).
3. It is highly recommended to choose one point of contact from your organization to handle the claims process. A director of operations or a director of HR would be an appropriate role. While this point of contact should certainly keep you involved and informed, depending on the nature of your claim and the size of your organization, it is highly likely that the best point of contact is not you, the CEO, so that the process can move along more quickly.
4. You should generally involve your broker in discussions of any potentially disputed or high-level claims. In some cases, a broker can be instrumental in resolving claims without the need for involving a coverage attorney.
5. The insurance company will request information and documentation and may conduct their own fact-finding investigation related to your claim. This may include formal confidential interviews with members of your organization, informal fact-finding conversations and meetings, and data requests.
6. The resolution of the claim is completely fact dependent, though before any payment or compensation from the insurance company, your organization will be required to meet the policy's deductible.
7. Where coverage is disputed, you may need to retain a lawyer to represent you vis-à-vis the insurance company, to handle settlement negotiations or even a lawsuit should coverage be denied. Do not sign a release form from the insurance company absent legal review by your own attorneys. In any large or high stakes claim, you may want to consult a coverage attorney; such attorneys are expert in finding coverage and in exploiting coverage, particularly after a denial by the insurance company.
8. This claim, even if it is not covered by your policy, may appear on loss-run reports in the future, and it is highly likely that this claim will need to be reported to your organization's tax team and auditors. This is not necessarily negative.
9. Make sure you notify your board of directors—or at least the chairman and treasurer, or chair of the appropriate board committee (audit and finance)—of the matter and claim, as a claim can impact your board's fiduciary responsibility to your organization.

What is a “good” policy? How are policies priced? How are insurance companies rated?

There are nearly endless insurance policy types, but in general, if something is a risk or threat to your business, there is an insurance policy that can mitigate that risk. Some insurance companies (like Allianz or Pacific Life) operate internationally and offer a wide range of products and coverage limits. Others operate within a single state and offer a hyperspecific product. Both kinds of insurance companies can be valuable to an organization seeking coverage. For example, for a general commercial liability policy, your organization might be best suited with a giant insurance company. But, for a niche program that your organization runs, a small local company may be your best bet.

In the simplest terms, a good insurance policy is one that adequately meets your organization's needs.

Policy premiums (the cost of your coverage) and coverage terms and limits (how much and what they cover) are determined by number of factors, including:

- your organization's specific operations and programs,
- your organization's SOPs,
- the qualifications of your key personnel,
- your organization's awareness of risk and your ability to mitigate that risk along with your board of directors' tolerance for risk,
- segregation of duties within roles,
- past insurance claims,
- past and current litigation,
- the age of your organization,
- your operating region,
- your financial stability,
- number of employees and annual budget,

and many other factors.

Insurance companies vary in the scope and variety of policies they offer, the geographic regions they operate in, and the kinds of policies they specialize in. In general, companies are rated by their ability to meet their obligations to policyholders: Is the insurance company financially sound, and if necessary, could the company pay out the coverage amounts on the policies it has written? The most common and perhaps best-regarded ranking is that provided by AM Best, an independent authority (though Moody's and others also provide similar ratings). These ratings depend on a number of factors, including the kind and size of policies the company is writing, how susceptible an insurance company is to factors outside their control (e.g., policies that cover damage from natural disasters), and how well-managed the company is. An organization should only place policies with well-rated companies, which a good broker will help you evaluate.

What kinds of core insurance products are relevant for SPN Affiliates?

Note that many of these policies are sold together as "package policies."

Commercial General Liability

This is the most common general insurance to cover your standard business operations. Generally, it covers incidents related to property damage, personal injury, and reputational liability. You will want to find a policy that has an aggregate limit of similar or greater size to your annual budget.

Think of this as your bread-and-butter policy upon which you build. This kind of insurance is a third-party policy.

Directors and Officers (D&O) Liability Insurance

This insurance covers the personal assets, and the professional duties and responsibilities to your organization, of the directors and officers on your board. Most organizations indemnify their directors and officers as a matter of common practice, and this is the insurance policy that supports that indemnification in the event they are personally, or as representatives of your organization, sued for actual or alleged wrongful acts while managing your organization. Many professionals will not serve on a nonprofit board that does not have this kind of insurance. D&O usually also covers the organization as it relates to its management, fiduciary responsibilities, proper management and governance, and intellectual property. D&O does not usually protect against fraud or criminal activities. This kind of insurance is a first-party policy, protecting the organization and its directors and officers.

Professional Liability (also called Errors and Omissions)

Professional liability insurance protects against mistakes, negligence, libel and slander, misrepresentations, or omissions that occur if your organization or an employee or representative of your organization is providing a service. This insurance can be both broad and general (in the event you have broad programmatic offerings) or incredibly specific if you have licensed professionals performing services for your organization (e.g., lawyers, healthcare providers, social workers, etc.). This kind of policy can be held by an individual or by an organization. At minimum, every affiliate should have general coverage, and specific coverage should be considered for the professional services your organization provides. This kind of insurance is a third-party policy.

Cyber Insurance

A cyber policy protects against internet-based risks related to personal information, payment data, and online services. A cyber policy is likely a good idea for your organization if you collect payment or donation information online, if you have a membership program or membership information, if you have a customer relationship management (CRM) technology that is accessed via the internet (as opposed to a networked CRM), if you have a website that provides newsworthy information or information protected by intellectual property provisions, or if you have information online (via website or other publication) that you have trademarked or copyrighted. This kind of insurance policy can cover both first- and third-party claims, depending on the specifics of the policy.

Crime Insurance (also called Fidelity Insurance)

This policy will protect your organization against financial losses from business-related crime: employee theft, robbery, forgery, some online fraud activities, and other illegal activities. This policy may be a good idea if your organization routinely handles physical checks and money orders in excess of \$100,000, or if there are more than 10 employees. A crime policy works best hand in hand with thoughtful and proactive personnel policies (e.g., background checks for all employees as a condition of employment, segregation of duties, detailed onboarding and employee training programs, periodic performance reviews, thoughtful knowledge and skill redundancy, etc.). This kind of insurance is a first-party policy, protecting the organization from crime.

Property Insurance

Separate from a general liability insurance, a property insurance policy may be a good idea if your organization owns a building or land, or if your landlord requires it. Generally, like personal property insurance, commercial property insurance protects your organization's physical assets (including exterior fixtures and basic wear and tear). Some commercial property policies also cover theft and vandalism. It is important to note that most natural disasters are excluded from standard commercial property insurance coverage. This kind of insurance is a third-party policy.

Employment Practices Liability Insurance (EPLI)

If you use a payroll provider (such as TriNet or ADP), your organization likely already has EPLI coverage. This kind of policy covers employment-related claims from current, former, or prospective employees, such as actual or perceived discrimination, harassment, wrongful termination, mismanagement, breach of contract, and other similar complaints. If your organization has any number of employees an EPLI policy is a worthwhile investment, as litigation in this sphere is only increasing, and the cost of defense for employers can be exorbitant. This kind of insurance policy can cover both first- and third-party claims, depending on the specifics of the policy.

Workers' Compensation Insurance (Workers' Comp)

This insurance is also likely administered through an organization's payroll provider: The payroll provider automatically collects fees with each pay period and handles the periodic payment to the state. Workers' comp provides benefits to employees who are injured or harmed at work. Each state mandates a certain workers' comp rate, and each state administers this insurance differently (paid quarterly versus paid annually; requirements based on number of employees, etc.); however, compliance is mandatory. Each year, most states require a mandatory "workers' comp insurance audit" to ensure compliance by employers. This kind of insurance is a third-party policy.

Key Person Insurance

This kind of policy provides coverage in the event of a death or serious injury to a key member of your team. This kind of policy is more frequently seen in the world of for-profit small businesses, but depending on an organization's operating model and personnel structure, key person insurance may be worth considering. It might be useful when a single person is responsible for all fundraising or sales, when the organization's reputation and viability rests on the reputation of a single person, or when a loan or line of credit for the organization rests on the credibility of a single individual. Sometimes these policies are quite costly; alternative policies include life insurance policies held by the company, though this alternative will require the same insurer due diligence typical with traditional life insurance policies. This kind of insurance is a first-party policy, protecting only your organization.

Umbrella Policy

An umbrella policy is a specific kind of policy that provides coverage in excess of other policies for incidents that fall through the cracks with other policies. If your organization is highly litigious, has been unable to acquire adequate coverage, or is working in an especially risky operating environment, an umbrella policy may be a good idea. Typically, an umbrella policy is quite cheap in comparison to other kinds of policies, though it may not be purchased on its own. This kind of insurance policy can cover both first- and third-party claims, depending on the specifics of the policy.

What other kinds of specialized insurance are worth considering?

While these insurance policies may not be appropriate or necessary for every organization, they may serve your organization depending on your operations or programs.

Commercial Auto/Non-owned Auto

While most commercial general liability policies include some provisions to cover incidents related to automobiles, depending on your organization's specific operations, that coverage may not be sufficient. If your employees more than periodically are driving rental cars, riding in cars operated by other employees for work functions, or driving or transporting as part of their normal job duties, a specific commercial auto policy may be appropriate. This kind of insurance is a third-party policy.

Event Insurance

Special event insurance has become more commonplace in recent years, especially since more and more venues are now requiring these policies as a condition of the event contract. Regardless of a venue's requirements, your organization may want to consider a special event policy for your events. Event insurance can cover everything from injuries or damages that occur during or because of your event, the cost of vendor issues or vendor cancellations, the loss of deposits or other costs associated with an event cancellation out of your control, and even reputational damages that arise as a direct result of your event. Please note though that standard events contracts have changed considerably since COVID in ways that often limit cancellation clauses; similarly, event insurance policies have changed since COVID in ways that limit policy coverage and extend coverage waiting periods. This kind of insurance policy can cover both first- and third-party claims, depending on the specifics of the policy.

Intellectual Property/Copyright/Defamation or Libel

These policies may be considered based on the specific risks your organization faces. In general, it is possible to insure your organization's intellectual property (e.g., reports, research, publications, workshops, unique processes, etc.) and copyrights (i.e., that which you have filed with the US Copyright Office, and trademarks). Insurance against defamation or libel can be trickier to acquire, but typically provides protection to an individual or organization in defending themselves against allegations of defamation or libel, as opposed to protecting a person who has been attacked for their character. This kind of insurance policy can cover both first- and third-party claims, depending on the specifics of the policy.

Kidnap, Ransom, and Extortion Insurance

Organizations with an international presence or organizations whose executives conduct periodic international travel, especially in regions deemed dangerous by the US State Department, may want to consider this kind of insurance. In the event of a kidnapping or extortionary situation, active shooter, hijacking, hostage, or other threat, this kind of insurance policy provides protection and support. Typically, these policies include both monetary coverage and a support staff of negotiators, translators, and security personnel. This kind of policy may be more appropriate for organizations whose business continuity depends on the presence of a single individual. This kind of insurance policy can cover both first- and third-party claims, depending on the specifics of the policy.

Disability Insurance

While disability insurance is typically something purchased by an employee for their benefit, certain kinds of disability insurance policies can cover an organization's losses and business interruptions during extended periods of employee leave. A disability policy can aid during times of maternity and family leave, extended illnesses, work-related injury, or mental health leave. This kind of insurance policy can cover both first- and third-party claims, depending on the specifics of the situation and of the policy.

Accounts Receivable

This kind of policy protects your organization from losses due to the inability to collect payment from a client for any number of reasons. This kind of policy really only makes sense for organizations whose main source of income is services-for-hire work (e.g., consulting work, legal services providers, or similar project-based fee work), but can make a world of difference for organizations whose finances are structured in that way. This kind of insurance is a first-party policy, protecting only your organization.

Product Liability

Product liability insurance protects against clients claiming your products causes damage, injury, or bodily harm. If your organization runs in-person programming, runs workshops or seminars, provides products, provides access to a service, or operates in an unusually high-risk environment, this kind of policy may be a good choice. Typically, this kind of policy is meant to cover a physical product, but some companies offer this kind of policy for a digital product. This kind of insurance is a third-party policy.

Disaster Insurance

Most standard commercial general liability and commercial property insurance excludes natural disasters from any kind of coverage. Disaster insurance fills that void. So, if your organization operates or owns property in an area that is susceptible to floods, hurricanes, tornados, hail, earthquakes, wildfires, or other severe weather, disaster insurance may be a good idea (or, in some areas, required: for example, FEMA zone 1 areas are required to carry flood insurance). It is important to note that these policies are typically quite expensive, so should not be viewed as a "nice to have," but more as a "need to have." This kind of insurance is a first-party policy, protecting your organization.

Terrorism/Act of God Insurance

The majority of any kind of insurance policy excludes terrorism or "acts of God" from coverage. This policy fills that void. Terrorism insurance is highly regulated by the Terrorism Risk and Insurance Act (TRIA) and the US Department of State. However, for businesses operating in extremely dangerous or risky environments, this kind of policy, although expensive, can be the difference between continued operations or closure. This kind of insurance policy can cover both first- and third-party claims, depending on the specifics of the policy.

Business Interruption Insurance (also called Continuity Insurance)

Business interruption insurance, although separate from a terrorism or disaster policy, typically is written in tandem with either of them. For both kinds of policies, a "time deductible" is usually built

into coverage: time for FEMA to assess the scale and scope of disaster or time for the secretary of state to determine if an attack was indeed terrorism. That time deductible can be anywhere from 24 hours to a few weeks, during which a policy (and the policyholder) is in limbo. A business interruption policy provides cash and support to the policyholder in that interim period. This kind of insurance policy can cover both first- and third-party claims, depending on the specifics of the policy.

Do's and don'ts with insurance

Do:

- **Do be very transparent with your insurance broker** and on any application paperwork when you are vetting and/or ready to bind a policy. Share detailed information about your business operations, your actual and perceived business risks, and any claims or litigation involving you and/or your organization. Withholding information or providing incomplete information could void your policy coverage.
- **Do ask your broker for advice on getting a lower premium and better coverage.** Many factors affecting your premium and coverage are under your control (e.g., SOPs, internal policies and practices). Minor adjustments can often positively affect your insurance coverage.
- **Do spend time building a relationship with your organization's broker.** Relationships matter, and the insurance industry is a small world. Insurance, like taxes, can elicit many negative emotions in individuals, especially leaders of organizations. Insurance brokers and agents are people too, and often only hear from their clients when an incident has occurred. Getting past your frustration with or hesitation about the insurance industry and building a productive, professional relationship with your insurance broker can be the difference between a hastily put together policy with sloppy exclusions and a comprehensive policy with wraparound coverage.
- **Do pay your bills to the insurer or broker promptly.** Unpaid bills will lead to a lapse in coverage, which is highly undesirable. Insurance carriers are militant when it comes to premium deadlines, often indicating a date and TIME deadline a payment must be received before coverage is cut off.
- **Do be mindful of timelines for document requests, especially when purchasing a new policy.** Many insurers will want to have one binding date for all of your policies. This makes it easier upon renewal, and for the insurer to bundle various products you are purchasing (which usually leads to a better price). If you drag out the process, you risk missing your bind date.
- **Do periodically provide your board a short report on the kinds and coverage amounts of policies your organization carries.** It is not a glamorous report to share, but your board has a fiduciary duty to your organization, and proper insurance coverage is part of that.
- **Do have a dedicated person on staff read your entire set of policy documents, especially the disclosures, exclusions, and terms.** This should probably be someone within your operations department who understands the full scope of your organization's operations and programs. In the event you need to file a claim, having someone already

familiar with your coverage will make the difference in a time-sensitive situation.

- **Do advocate for yourself and your organization!** Not all brokers, agents, claims agents, or other insurance professionals will be the best fit for your organization's needs or culture.

Don't:

- **Don't assume confidentiality with your broker or agent.** They may be required to share your information with their company's underwriting department, which may affect your coverage or premium.
- **Don't let your coverage lapse.** Renewing a policy is much easier than re-applying for a new policy that you have let lapse. Coverage that is not continuous will also be seen as a red flag to future insurers and can be interpreted by future insurers that your organization is a high-risk organization.
- **Don't switch your coverage unless there is a legitimate reason for it.** Future insurers may be suspicious if your coverage is constantly moving around unless there is a legitimate business reason for the switching. This kind of switching could be seen as an indicator of nonpayment of premiums. It can also, in some circumstances, cause a gap in coverage.
- **Don't hesitate to ask questions about your policies or coverage.** There is no such thing as a dumb question, and a good broker will be delighted that you want to know what your coverage is. Plus, it is part of your due diligence to understand your policies and coverage.
- **Don't be afraid to file a claim for fear your policy will not get renewed or your premium will go up.** You have insurance for a reason. Policy renewals and premium calculations are incredibly fact specific and filing a claim does not necessarily equate to a huge price increase. This is key business decision to discuss with your broker, your board of directors, and other trusted advisors.
- **Don't keep your insurance broker in the dark about the changing operations, programs, or risks that relate to your organization.** Communicate proactively, thoughtfully, and clearly with them so they can do their best job for you.

Other things to be aware of:

Competing policies. In the event your organization is covered by two different policies from two different carriers for the same kind of coverage, and a claim is filed, you will find yourself in a position where neither carrier will want to cover the claim. For example, if your organization has a package policy for general liability that includes some crime protection, and with a different carrier your organization has a crime policy, when you file a claim related to a crime, both carriers will want the other carrier to be responsible for the claim. Because of this, it's important to work with one broker who can ensure your coverage does not overlap. It's also important to know the details of the policies you do have, to proactively resolve competing policies with your broker, or to anticipate where issues may arise.

Legal services provided during a claim process. During the process of filing a claim, your insurance company may appoint a lawyer or legal team to investigate or litigate a claim. While you may receive expert legal services, the appointed lawyers will get to choose the legal strategy and

may choose to settle the matter quickly based on their internal cost-benefit analysis and what's best for the insurance company first, as they are ultimately employed by your insurer, not your organization. Therefore, it can be challenging to “control the defense” when working with insurance-appointed attorneys. You may want to consult a coverage attorney about any high stakes claims or claims in which the insurance company has issued you a “reservation of rights” letter.

Insurance is not everything. Risk management, unfortunately, is not a one-and-done matter. It is an ongoing evaluation of your organization’s operations, programs, threats, weaknesses, and opportunities. Even the best insurance policies and coverage from the highest rated insurance companies are not perfect. Sloppy and/or inconsistent internal policies and practices can undermine the best of coverage. It is recommended to conduct a quarterly risk assessment for your organization—even as an informal 30-minute conversation with key leaders—to understand your changing needs and to anticipate risks.

Thoughtful accounting of insurance-related expenses is important. Your organization’s bookkeeper should have specific account codes for insurance premiums, and for any other charges related to insurance (including a deductible, fringe costs related to a claim, or for legal fees related to a dispute). It is not appropriate by any nonprofit accounting standard to lump all of those charges into a single expense account. It is also important to note that your organization’s auditors will test insurance-related ledger entries, without a doubt.

Glossary of insurance terms

The world of insurance, like many other technical professions, has its own language and terminology that can confuse those not steeped in it. Below you will find a glossary of common insurance terms to better help you communicate about your organization’s insurance needs and to better understand your policy documents.

Additional Insured—sometimes also called an “interested party,” this refers to anyone other than the policyholder who is covered by the policy. You will see this most commonly on property insurance or event insurance, where your policy covers more than just your organization (a venue, for example, would also be covered on an event insurance policy, and be listed as an “additional insured”).

Agent—an insurance agent works for an insurance company, selling policies either directly to consumers or through a broker. The insurance agent is the client-facing role on the insurance company’s end and is responsible for coordinating and communicating the needs of the insurance company’s team to the client or broker.

Bind—this is the process of formalizing the insurance policy. Typically, your insurance agent will give you an “effective date” or bind date. This is the date the policy becomes effective.

Broker—an insurance broker works with multiple different insurance companies to source the appropriate policies for their clients. A broker may connect one of their clients with an insurance agent, though they mostly function as the intermediary. A good broker can help their clients find appropriate policies for the best price.

Carrier—another term for insurance company or provider, “carrier” simply indicates what company the policy is with.

Certificate of Insurance—typically a single page document, the certificate of insurance serves as proof of coverage from the insurance company, and details generally the coverage limits and kind of policy. Sometimes you will be asked to provide this certificate to vendors or collaborators; this is normal and not suspect.

Declarations—like a certificate of insurance, the declarations page of your insurance policy will detail the kind and amount of coverage a certain policy has.

Deductible—the deductible on an insurance policy is the amount you are responsible for before the policy covers the loss or damage. For example, if you have a policy with a \$10k deductible and a \$1M coverage limit, you will pay the first \$10k in expenses or losses on the claim, before the policy kicks in to cover the remainder, up to \$1M.

Exclusions—these are things not covered by your policy. For example, nearly all commercial insurance policies will have a terrorism exclusion. This means an act of terrorism is not covered by your policy.

Limit—on a policy, the limit is the maximum amount of money that the insurance company will pay for a claim that is covered by the policy. The policy limit is described either “in aggregate” or “per occurrence.”

Aggregate—An aggregate limit means that no matter how many claims are filed in a policy period, this is the maximum amount covered. For example, if your aggregate limit is \$1M, you could file two claims for \$500k, four claims for \$250k, or one claim of \$1M within the policy period.

Per occurrence—A per occurrence limit describes the limit covered per claim. So, your policy may have a \$1M per occurrence limit, but a \$3M aggregate limit.

Lines—these describe types or groupings of insurance policies. For example, there are many different kinds of property insurance policies, but generally, they are described as a one kind of “line”—property, broadly. You are most likely to encounter this term when looking for a broker: You want a broker who can write all lines of policies, meaning, they are able to write a wide variety of kinds of policies.

Loss Run Report—when you are switching or updating your insurance policies or are purchasing a new kind of policy you have not had before, an insurance company may ask you to provide a loss run report. This report details all past claims filed by the organization, and sometimes includes litigation the organization was involved in related to a claim.

Package Policy—exactly what it sounds like, a package policy bundles together several different insurance policies with one carrier. The benefit of doing this is you will likely pay a lower premium. Often a package policy will include commercial general liability, property and casualty, and some kind of non-owned auto insurance.

Premium—the premium on a policy is the amount you pay, or price of the policy. Generally, it is calculated based on the amount of coverage, and specific risk of the covered parties.

Policy Documents—this is the full insurance policy. This includes the cover page, your certificate of insurance, exclusions, and other declarations. You will want to make sure you have a copy of the full policy documents for each policy your organization has bought.

Policy Holder—this indicates whom the insurance policy is for. In most cases it will be your organization; in rare cases it will be an individual.

Underwriter—an employee of the insurance company, the underwriter is a technical internally facing role that is responsible for analyzing the information the client provides to the insurance company, determining the client's unique risk factors, and determining whether and how to write an appropriate policy for the client's needs.