Understanding Not-for-Profit Insurance

Not-for-profit insurance

Not-for-profit insurance may cover damages or losses from an **insured event** such as fire or theft. Insured events are **perils** that insurance covers. A peril is a risk or an unexpected event. It causes losses or damages to your organization.

Insurance covers some perils and not others. (See Insured events on page 3 for more information.)

There are many types of not-for-profit insurance.

Coverage type	Description
Commercial property insurance	This insurance may cover damages to a **brick-and-mortar building**. A brick-and-mortar building is a physical location outside of your home. For example, the organization could operate from an office. This insurance may cover damages to your organization's **contents**. Contents are the items your organization owns. They are things such as your office furniture and equipment. If you **own** the building, this insurance may cover damages to the building. If you **rent** the building, usually the building owner is responsible for most damages. Your rental agreement sets out which building features you are responsible for. This insurance may cover any damages to those features.
Equipment, stock, inventory	This coverage is for organizations that do **not** have a brick-and-mortar building, such as the following: • They do not have a physical location. • They are mobile. • They are part of a personal home. If your organization does not have a brick-and-mortar building, you may need separate insurance to cover damages to equipment or stock. **Important:** In general, personal home insurance will **not** cover equipment or stock for not-for-profit organizations.

Coverage type	Description
General liability	**Liability** means legal responsibility. A court determines if you are legally responsible (**liable**) for legal claims. This insurance protects your organization against legal claims. It also protects employees and volunteers while they represent the organization. For example, someone might make a legal claim if they are injured on the organization's premises. **Not all general liability insurance protects volunteers.** When you talk to your insurance broker, tell them how many volunteers and employees your organization has.
Management liability insurance	This insurance protects your organization's **leaders** if there is a legal claim against your organization. Leaders are directors, officers, and board members. (This insurance is also known as **Directors and officers insurance**.) This insurance protects against the following types of claims: • **Wrongful acts** — A wrongful act is an action that harms someone. Some wrongful acts are crimes. • **Mismanagement** — Mismanagement is an organization's failure to manage its resources or duties responsibly. • **Employment practices liability** — This type of liability applies to claims that the organization has violated an employee's or applicant's legal rights. These claims include discrimination, harassment, and wrongful termination. This insurance may cover the costs for legal defence, settlements, and awards. This coverage means that leaders do not have to use their personal funds for these costs.
Volunteer accident insurance	If a volunteer is injured while doing their work, this insurance may cover related expenses. It may cover the volunteer's medical expenses, disability benefits, and accidental death coverage.

Choose the type of coverage that is best for your organization based on its type and size.

Only an **insurance broker** can add coverage to your policy. An insurance broker is trained to help clients with their insurance needs. They are also **licensed** to do this work.

> **Reminder:** Your insurance broker works for **you**, not the insurance provider. An insurance broker can answer any questions you may have.

Insured events

Generally, not-for-profit insurance covers the same perils as personal insurance:

- Fire
- Theft
- Windstorms
- Other events (check your policy)

Not-for-profit insurance may also cover flooding. (See below.)

> **Important:** You must purchase insurance **before** an event occurs. If a disaster such as a wildfire or a flood is approaching, insurance providers may not allow you to purchase a new policy.

Flood coverage

Flood coverage typically covers costs related to water damage:

- Cleanup
- Repairs
- Replacing contents

Flood coverage is sometimes called **overland water insurance**.

Standard policies do not typically include flood coverage. Flood coverage is an **endorsement**. An endorsement is a change or addition to your policy.

To add flood coverage to your policy, you must first qualify. Then you must pay a **premium**. A premium is an additional cost.

If you purchased flood coverage, check your policy's **Declarations Page**. (The Declarations Page is a summary near the top of your policy.) It will describe your coverage. The policy's endorsements also describe your coverage.

> **Notes:** Your policy may not cover all floods. For example, most policies do not cover **storm surge** or salt water damage. Storm surge is hurricane damage or wind-driven rain.
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> Water damages from sewage backup may have a separate **sub-limit**. A sub-limit is a limit on the amount insurance will pay out for a specific type of loss. This limit is lower than your policy's standard limit.

Inventory and equipment coverage

How you insure inventory and equipment often depends on the type of organization and its size.

Important: Talk to your insurance broker. Make sure you have the right coverage for your organization.

Inventory

Often, you can insure inventory under a **general contents limit**. This is a single limit. It covers **all** contents such as the following:

- Office equipment
- Furniture
- Stock
- Inventory

Make sure your limit is enough to cover all your organization's contents.

Equipment

You may be able to include equipment under the general contents limit.

But some policies may have special requirements for equipment. It depends on the **type** of equipment. And it depends on **how** you use it.

You may need to **schedule** equipment separately. This means that your policy must list each item of equipment individually. And you must insure each item to a specific value.

Insurance providers may have special requirements for certain types of equipment. For example, forklifts must be scheduled separately.

Deductibles

The coverages under your insurance policy will have a **deductible**. A deductible is the amount of the claim that you are responsible for.

The amount of deductible you pay depends on the type of insured event. Your policy will specify what your deductible is for different events.

Example: You lead a brick-and-mortar organization. A flood damages your organization's building and contents. You have flood coverage. The total damages amount to $20,000. Your deductible is $1,000. Your insurance provider covers $19,000.