

# Insurance 101 for Associations



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# ASSOCIATION RISK MANAGEMENT: INSURANCE 101

Associations are amazing organizations designed specifically to benefit their members. Looking at the history of associations and why people make the decision to join a membership organization, it's because the organization represents something greater than the sum of its parts. Associations do things for their members that the members could not accomplish on their own.

There can be many risks an association faces in operating on behalf of its members. It's important to apply the right forms of insurance protection to cover all the various risks an Association can be exposed to, many unknowingly. Unfortunately, we live in a highly litigious society and things can happen even when you're doing exactly what we should be doing. Someone can level an accusation or bring a lawsuit to the table and Associations must be protected from those risks and have the financial means to defend themselves. Below we have outlined the basic forms of coverage an Association should consider in order to properly protect itself.



## BASIC COVERAGE FOR ASSOCIATIONS

### General Liability and Property Insurance (Office Policy)

A General Liability policy insures your Association against a wide range of acts or offenses that result in bodily injury, personal injury, advertising injury, or property damage to a third party. This form of coverage protects tangible property, but equally important it also protects against marketing and advertising activities that someone could misconstrue as libelous. Properly written policies should cover leased or rented premises, or the location of a home office used for the association. The most common occurrence under this policy is “slip and fall” cases or “negligence” resulting in injury. This can be combined with property insurance and is referred to as an Office policy. This should also include Employee Dishonesty coverage in small amounts. Property coverage, when properly written, should provide coverage against perils (types of loss) such as fire, theft, vandalism, water damage and includes property such as computers, equipment, telephones, furniture, stock/supplies, etc.

### Directors and Officers Insurance (D&O) and Employment Practices Liability Insurance (EPL)

Anyone representing an Association can unintentionally expose it to risk. It's easy to see how an Associations' board of directors and officers are under a threat of litigation, however it's not that often we consider what a volunteer might do on an Association's behalf that can be equally as damaging. Individuals serving as directors or officers can be held personally liable for the actions or inactions of themselves and the people they oversee or serve. The right form of Association Directors and Officers insurance should cover the cost of defending a suit that may result in monetary damages against the directors, officers, committee members, **volunteers**, and employees.

## **Workers Compensation**

Most associations know this insurance is required because it is mandated by the states, however it's important to understand that Worker's Compensation protects both the employee **and** the Association (employer). This policy provides coverage for employees who get injured on a job-related task. Injury and wage loss are covered for the employee and definitions of coverage are defined by state law. Workers Compensation law also provides coverage for employer's liability, protecting the employer if the employee can prove the accident was a result of their negligence. Volunteers may or may not be included.

## **Employee Dishonesty/Crime Insurance**

While we hate to even think of someone stealing from us, it's a risk Associations need to protect against. This form of coverage protects a nonprofit against various types of theft. The most common types included are theft by dishonesty, forgery or alteration, and computer funds transfer. ERISA wording can be included to list the plan and a fiduciary. Crime Bonds include various types of crime.

## **Cyber Liability / Data Breach Insurance**

While technology has radically transformed the way we work and live, it has also brought with it a new era of threats to how Associations operate. Cyber policies are designed to protect against losses associated with a data breach from association's computer files on premises or data "housed" (Cloud) or operated by a 3<sup>rd</sup> party (PayPal etc.). Properly written policies should include coverage limits for crisis management, investigation, remediation, credit checking of affected persons/parties, intellectual property rights infringement, and crisis media handling. This coverage should also include coverage for Social Engineering.

## **Event cancellation insurance**

Associations often have conferences and events, some of which may be significant sources of revenue. Event cancellation is purchased for certain events as a protection against a loss of revenue or extra expenses that result from uncontrollable circumstances such as unforeseen weather conditions, power failure, terrorism, cancellation, abandonment, postponement, interruption or relocation of an event.



## How do you know if you're protected or not?

Not sure about the policies you have, or if you're not fully covered? We recommend performing an insurance audit. Work with an insurance professional that understands the Association industry. For the insurance and risk audit to be comprehensive, make sure you help the insurance partner understand the nature of how your Association operates. What is your value proposition, do you perform advocacy, offer credentialing, produce materials and publications, have conferences? It's critical for a professional to see the big picture from an operational standpoint in order to recommend the appropriate coverages that might be needed. As the old saying goes, "it's better to have it and never need it, than to need it and not have it!"

## Working with the right insurance professional

We find that selecting the right insurance partner is as important as selecting the right coverage. At the Haney Company we offer Associations comprehensive insurance consultations and analysis and provide insurance brokerage services to help Associations obtain cost-competitive coverage appropriate to their risks and risk tolerance. One call to handle it all.

We do the heavy lifting for you. The Haney Company supports Associations in assessing and prioritizing organizational risks that should be insured and recommends appropriate coverage. We work with insurance providers to obtain competitive bids, and coordinate with the Association to secure an overall insurance package that protects it from risk and is cost competitive. We provide an annual insurance summary for all policies for the Association as a quick reference guide to understanding exactly what is covered. We meet with the Association at least annually to review and update coverage needs. We match our capacity to your needs and have been serving the Association community for over 40 years.



If you have questions, don't understand what your policy covers, would like an audit of your existing policies, or just need a second set of eyes, please feel free to contact us at 301-593-0600 or find us online at [www.thehaneycompany.com](http://www.thehaneycompany.com)