# Insurance Options for Non-Profit Organizations

The information provided is a brief outline of “insurance options” available for Non-Profit Organizations incorporated under the Societies Act of Alberta, including groups known as “Fundraising Associations”, “Parent Associations”, “Friends of...” etc. affiliated with schools and school councils.

**Please note: a review of exposure unique to each client is essential in identifying and analyzing the full extent of risk exposures for each Organization.**

Recommended Insurance Requirements of a parent Fundraising Association

1. **General Liability**

   General Liability insurance protects the association in the event of an accident. The policy will provide coverage for defense and damage awards against the organization and its members/directors for claims arising from bodily injury or property damage to third parties that arise from their fundraising activities. Without a General Liability policy the organization and its members/directors will not have any coverage against these types of losses and the members/directors will be personally liability.

   Bodily Injury Claim Example – The most common claim filed under a General Liability policy is a “slip and fall” claim filed by a participant, visitor or guest attending a fundraising event or even just a meeting.

   Property Damage Claim Example – a claim could arise if the organization conducts a fundraising event at a school or mall, and a volunteer accidentally starts a fire that spreads or leaves water running in a bathroom that causes water damage.

   Abuse Claim Example – a volunteer is charged with allegations of abuse to a child during one of the fundraising events. The organization and its members/directors would be named in the lawsuit for allegations of improper supervision. Note the individual who was alleged to have perpetrated the abuse would not have coverage.

2. **Directors and Officers Liability**

   Directors and Officers Liability insurance protects the organization, its directors and officers and other volunteers for any breach or alleged breach of duty or wrongful act while acting within the scope of their duties. It provides personal financial protection for Directors and Officers against claims alleging wrongful management acts while performing their duties.

   Directors and Officers insurance protects individual directors and officers when they are sued individually or jointly and also provides protection for the entity itself including other volunteers.

   Directors and Officers Claim Example #1 – A wealthy family contributed a large donation to the organization thinking it was earmarked for a specific purpose. The money was then included for something else and the donors sued the organization.

   Directors and Officers Claim Example #2 – the government brought a claim for damages against the directors for misrepresenting the use of the funds and for breach of fiduciary duty.

Why is it important to have both a General Liability policy and a Directors and Officers Liability policy? These are two different liability policies that address the organization member’s personal liability:

a) The General Liability policy which deals with alleged “wrongful acts’ that result in bodily injury, property damage or personal injury to a third party.
b) The Directors and Officers Liability policy which deals with alleged “wrongful acts” that result in financial loss to a third party.

A Fundraising Association requires both insurance policies to be adequately insured. Without both policies in place they would only be partially protected.

The third important insurance requirement for a Fundraising Association:

3. **Crime Policy**

   Crime insurance policies, which are often referred to as Employee Dishonesty or fidelity bonds, protect organizations from direct financial loss arising out of dishonest and fraudulent acts committed by their members as well as specific types of fraudulent or criminal acts committed by non-members including theft, burglary or robbery, forgery, fraud and computer theft.

   This policy is key to the organization as it protects the “funds” raised through the fundraising events. Funds can be stolen from the organization through a volunteer embezzlement such as a fraudulent volunteer taking in $1000 at an event and handing over $900 to the treasurer or from a theft or robbery of cash by a criminal.

All three of the insurance policies noted above are key coverages that protect the Fundraising Association and its Directors. The Fundraising Association, like any non-profit organization, has a due diligence to maintain proper insurance in place to both indemnify their members/directors/ volunteers as well as their assets and funds.

Other policies that some Fundraising Associations may want or need to consider:

4. **Property Insurance** - provides coverage for any buildings and contents own by the Organization as well as any items that they have purchased for the intent of selling for fundraising; and
5. **Special Events Liability** - a onetime event Liability Insurance which is not meant to cover business operations throughout the rest of the year.

**Source:**

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