Non-Profit Insurance FAQ’s

Q. What exactly does General or Public Liability Insurance cover anyway?
A. Liability covers ONLY if you are alleged to have caused bodily injury to a 3rd party and/or damaged a 3rd party’s property. It covers any legal expenses incurred to defend you and any judgment rendered against you, up to your policy limits. It also can cover allegations of ‘personal injury’ which is coverage for wrongful arrest, advertising injury and some limited libel & slander.

Q. Does our Umbrella Policy cover damage to our building?
A. No, this is a common misperception. Umbrella liability ONLY provides higher amounts of general liability and automobile liability on top of your other policies. Coverage for property is entirely separate insurance.

Q. If we have our residency participants sign a waiver or hold harmless agreement, are we protected?
A. Yes, some but not 100%. Waivers are a good tool to help you defend accusations stating the injured party was not aware of the risks. However, it should not be interpreted that waivers are watertight and that you cannot be found negligent.

Q. Can we be held responsible for any artist’s injuries even if it is proven we were not negligent?
A. Yes. The outcome depends on a lot of factors but you could be held fully or partially negligent.

Q. Do we have any liability for an artist’s family members if they get injured?
A. Yes. Depending on the situation, you could be held liable. However, as they are 3rd parties, your general liability policy would respond.

Q. If an artist’s personal effects, artwork or materials are stolen, where are we covered?
A. It depends whether your property policy will respond or not. If the artist brings a suit claiming you did not adequately protect their property, your general liability could respond. It is best to address that you are not responsible for personal effects for whatever reason for any personal property in your contract-waiver agreement.

Q. Artists often go ‘off campus’ – into town to restaurants/bars, are we liable if they get injured?
A. Your organization can be held liable for any multitude of situations. It is not black and white. It all depends what kind of supervision or guidance you offered and was the situation adequately addressed in the contract-waiver agreement.

Q. If we let artists use equipment/ power tools, are we liable for injuries?
A. You could be. It all depends on the situation whether you provided adequate training, supervision, waivers, maintain safety standards, etc…

Q. If we let participants drive our organization owned vehicles, whose insurance applies the driver’s or ours?
A. Insurance follows the car, not the driver. Therefore, your organization’s auto insurance protects your institution but it does not necessarily protect the driver. It is your responsibility to get a copy of each driver’s valid driver’s license.

Q. How do I know if my agent is offering the lowest premiums available?
A. You are not necessarily looking for the lowest premiums. You want your coverage to be broad not just inexpensive. Your agent should give you options and show you that they have approached a variety of companies for bids.

Q. If we hire volunteers/interns how are they protected if they are injured?
A. Typically your workers comp policy will respond but in addition purchasing an ‘Accident-Medical’ policy that covers volunteers and interns is a good belt and suspenders approach.

Q. What policy protects us for claims alleging discrimination and sexual harassment?
A. The EPLI (Employment Practices Liability Policy) provides this coverage. Sometimes your D&O (Directors & Officers) policy can respond but it is best to have a distinct EPLI policy.
Q. What exactly does our D&O policy cover? We are a nonprofit, who is going to sue us?
A. Your Director & Officers policy covers your organization for claims against the Trustees, Officers, Directors, etc... for claims alleging mismanagement of the institution. However, as an example, one of your major funders could bring a claim alleging their money was spent irresponsibly or not how they intended.

Q. Our policy specifically lists our location(s), what if something happens off campus?
A. On your property insurance, the locations should be specifically named/listed. For your general liability, coverage should apply ANYWHERE the claim occurs and is not restricted to only your premises. Confirm with your agent that your liability is not limited to named locations.

Q. What does ‘Additional Insured’ (AI) do?
A. When another party adds you onto their policy as an AI, you are given protection under their policy if you are brought into a claim for bodily injury or property damage that was caused by their negligence. An AI requirement should be spelled out in a contract in conjunction with an indemnity agreement.

Q. What exactly is ‘risk transfer’ or ‘shifting of liability’ and why are they important?
A. This term refers to a way to risk manage your institutions risks by contractually shifting a risk to another party. It is an underlying tenant of insurance transactions. An example would be if you let a 3rd party organization use your public space for an event. Contractually you would require them to be liable for any injury arising from their event. You contractually shift the risk to them for their use of your space.

Q. Can I hire people (sub-contractors) who do not have insurance? What is my risk?
A. Yes, however, it is not advisable. Any vendor or contractor you work with should have insurance. It’s pretty standard operating procedure to carry insurance and if they do not, it is a red flag. However, some sole proprietors and certain trades like photographers, independent filmmakers, or makeup artists, for example, do not buy insurance. If you hire a lot of these type of trades, and they get injured on the job it can have an effect on your workers comp premiums.

Q. How is an insurance agent paid and why isn’t that explained to me anywhere?
A. Your agent is typically paid on commission, which is 10%-20% of the premiums. You should ask your agent annually what they earn on your account and/or during renewal. You should know the fees you are paying and, in some cases, you can negotiate an agreed fee amount.

Q. Do insurance companies rate non-profits lower rates?
A. Insurance companies analyze risk. It does not matter if you are nonprofit or not if you are taking on the same risk as a for profit company (i.e. during a construction project). Nonprofits are rated lower on their D&O insurance because you do not have shareholders looking to sue if they do not make a profit.

Q. Is getting a certificate of insurance (COI) evidencing a vendor has insurance good enough?
A. Getting a COI is good proof of coverage but it is not necessarily a guarantee that you are protected under that policy. A contact should be in place that sets out the terms of the agreement, what levels of insurance need to be carried and how your institution is to be protected (see risk transfer above).

Q. How do we protect ourselves when we or others who use our space, serve liquor?
A. Always make sure there is liquor liability insurance provided by the caterer. If you just serve wine to board members or employees, there is not a need for specific liquor liability coverage. Your general liability should include host liquor coverage which addresses incidental wine and beer you might serve.

Q. Since insurance is a commodity, should we select the lowest cost options?
A. It is a common misperception. Some insurance is a commodity but most is not. Selecting the lowest premium is not a good way to adequately protect your institution.

Q. How can I be assured that I am covered for any situation?
A. If you are not sitting down with your agent/broker every year and discussing your operations and what you perceive as your risks, then you are not adequately protected. We recommend that you meet with your agent each year and do a thorough review of all your exposures and risks.