



Insurance Toolkit for the Voluntary Sector

A Guide for Non-profits and Charities

Acknowledgements

The original version of this toolkit was developed in 2006 by the Calgary Chamber of Voluntary Organizations (CCVO). In order to reflect changes to voluntary sector insurance resulting from the implementation of Bill 58; Alberta's Freedom to Care Act, the toolkit was updated in September 2021 by the Government of Alberta, Insurance Bureau of Canada and Volunteer Alberta, with the permission of the Calgary Chamber of Voluntary Organizations (CCVO).



The Calgary Chamber of Voluntary Organizations (CCVO)

CCVO works to strengthen Calgary's voluntary sector and provide leadership on policy matters affecting the sector as a whole. To learn more about CCVO, visit www.calgarycvo.org.



Insurance Bureau of Canada (IBC)

Established in 1964, Insurance Bureau of Canada (IBC) is the national industry association representing Canada's private home, auto and business insurers. IBC works on a number of fronts to increase public understanding of home, auto and business insurance. Public understanding is also fostered through IBC's five regional consumer centres, where trained personnel with years of industry and government relations experience answer tens of thousands of consumer inquiries each year.

Materials from the Insurance Bureau of Canada (IBC) were used to develop various sections of the toolkit. Visit IBC online at www.ibc.ca to see detailed information about risk management and insurance



Volunteer Alberta

Volunteer Alberta is a diverse and inclusive member association strengthening and creating pathways for volunteerism and civic engagement in Alberta.

Disclaimer

This publication is designed to provide general information about insurance. If legal advice or other expert assistance is required, the services of a professional should be sought.

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Introduction

This Insurance Toolkit for the Voluntary Sector is a practical guide developed to help voluntary sector organizations understand their insurance needs and navigate the complex process of finding the appropriate insurance coverage. While the information in this toolkit is tailored to voluntary sector organizations operating in Alberta, it can be used by nonprofits and charities from across Canada.

There are many insurance options available to protect your organization and its assets against financial loss. It's important to have a conversation with your insurance representative to discuss what types of coverage are available and best suited for your organization's need.

Although it can be challenging for organizations with limited budgets to find the funds needed for insurance, having the appropriate coverage can help ensure your organization survives any unforeseen losses.

Freedom to Care Act, 2021

In June 2021, the Freedom to Care Act was passed by the Alberta government. The Act includes liability protections for individual volunteers who are acting within the scope of their responsibilities on behalf of a nonprofit organization. See "Volunteers and Insurance" section on Page 14 of this toolkit for further details.

For further questions on how the Freedom to Care Act may affect your insurance coverage needs, it is recommended that you contact your insurance provider or the Insurance Bureau of Canada for more information on your specific circumstances.

This Toolkit Will Help You to Become an Informed Consumer

This toolkit will help you become an informed consumer so you can work with your insurance broker or agent to get the appropriate insurance coverage that will help protect your organization.

Studies from across Canada have documented the following common insurance-related challenges in the voluntary sector:

- finding affordable insurance coverage;
- accessing appropriate coverage; and
- having long-term sustainable pricing for insurance coverage.

this document.

Insurance is One Part of Overall Risk Management

Risk management takes a proactive approach to an organization's operations and seeks to avoid or reduce risks and losses in the first place. Insurance is one of many tools your organization can use to manage risks and liabilities.

This toolkit focuses specifically on insurance and only provides basic information about the larger process of risk management. See the resources on page 19 of this toolkit for more information about risk management.

What is the Voluntary Sector?

The voluntary sector includes nonprofits, charities and community-based organizations that may engage both paid staff and volunteers.

There are over 26,000 nonprofit and voluntary organizations operating in Alberta, and over 170,000 across Canada.

In 2019, Canada's nonprofit sector generated over \$182 billion in GDP – almost three times the amount reported when this toolkit was created in 2005. (*Statistics Canada*)

Included in the toolkit is a description of the common types of insurance coverage for nonprofits and charities. As you work through this toolkit, you will find information about how to assess your organization's insurance needs and how to choose an insurance representative that understands the voluntary sector.

You will also find information and tips about how to manage your insurance program and work with your Board on insurance issues. At the back of the toolkit, you will find a glossary of common insurance terms and references for more information. Throughout the toolkit you will find tools such as checklists, sample templates, and resources for more information. See page 3 for a full list of the tools included in

TIPS FOR INFORMAL COMMUNITY ORGANIZATIONS THAT ARE NOT INCORPORATED

Insurance is a legal contract and has to be in the name of a legal entity such as a not-for-profit corporation or society. Informal community-based organizations that have no legal status cannot get insurance in the organization's name, and should consult a lawyer for advice about their options.

Whether your organization is incorporated or not, when you undertake certain activities such as hosting events, you are exposing the organization to certain risks. Depending on your organization's activities, your insurance options may include:

- When partnering with an organization that is incorporated and has insurance, or using their facility, they may be able to add your community organization to their insurance policy. However the insured organization needs to consider the additional liabilities they are taking on.
- You may be able to get an insurance policy that names all the individuals in your community organization. However, these individuals would be personally taking on the liability for the organization and should discuss the implications with their broker or agent.

Business Continuity Planning

Business continuity planning is an important part of the risk management process for any business. Ensuring your organization has a plan to continue to deliver the services and maintain your critical operations after a major event will help you to prepare for disasters you could be faced with. Additional information on business continuity planning can be found at this link: <http://www.ibc.ca/ab/business/crisis-management/business-continuity-plan>.

Who Should Use this Toolkit?

The information in this toolkit is useful for the leaders of nonprofits and charities, including Executive Directors and Senior Managers, and employees or volunteers who are involved with the organization's insurance program. This kit also includes information that can be shared with your Board of Directors or other governing bodies.

Why Do We Need Insurance Coverage?

Buying insurance allows your organization to transfer some of its risk.

Although organizations in Alberta are not legally required to have any insurance aside from mandatory automobile coverage (if your organization owns vehicles), assessing your risks and liabilities will help you determine how insurance can be used to protect against different types of losses.

As well, in certain situations, insurance may be mandatory, for example, to meet the basic requirements of your office lease, to rent a facility for an event, or meet the insurance requirements of a funder.

Basic Information About Insurance

This section maps out the structure of the insurance industry, defines some key terms you will come across, and looks at the players you will encounter. A glossary of common insurance terms is available on page 30.

The Basic Terms

Commercial Insurance

Insurance Policy

An insurance policy is a legal contract between your organization (the insured) and your insurance company (the insurer). The policy details the specific types of coverages that are included. Different kinds of insurance cover different kinds of losses; for example, losing your office to a fire requires different coverage than being sued by someone who hurts themselves during one of your programs.

When seeking insurance, voluntary sector organizations are classified the same as commercial enterprises such as for-profit corporations, and have access to [commercial insurance products](#).

Premium

An insurance premium is the money the policyholder pays to the insurer for financial protection against specific risks for a specific time-span

Deductible

A deductible is an agreed specified sum to be deducted from the amount of loss and assumed by the insured. Usually, a higher deductible means your premium will be lower. Usually, a higher deductible means your premium will be lower.

Exclusions

EXCLUSIONS AND ENDORSEMENTS

If your standard property insurance policy excludes sewer backup, and you decide you need this coverage, you can buy an endorsement to have it added to your policy.

Risks, perils or properties defined in the policy as not covered. For some excluded items, it is possible to buy a separate endorsement that provides coverage. However, there are some risks that are never covered such as insurance coverage for a pandemic, mould and war.

Endorsement

An amendment added to a written document, particularly an agreement between parties, altering its provisions. This is also referred to as a rider or amendment.

Some Common Questions

How Does Insurance Work?

Insurance spreads your organization's risk across all the applicable policyholders. The premiums paid by all of an insurance company's policyholders are pooled together and then used to pay claims. Essentially, the premiums of the many will be paying for the losses of the few.

Why Are There Differences in Insurance Premiums Between Providers?

There are a number of reasons why the cost of insurance changes over time and why different companies charge different amounts for their policies. To set insurance rates, insurance companies use various calculations and general claims statistics from previous years to estimate the number and cost of current and future claims. As well, if your organization has a history of claims, that may also affect your rates.

Rates are also affected by factors such as an insurance company's internal expenses and returns on their investments. External market forces, government regulations, and taxes also impact insurance rates. Similar to many other products, supply and demand can influence pricing, as well as macroeconomic factors like inflation, return on equity and global events. Each insurance company sets their own rates, based on their business model. It is important to review your options when renewing your insurance. All these factors affect whether your insurance rates stay the same, go up, or come down. Over time, many voluntary sector organizations have experienced fluctuations in premiums firsthand as they watched their premiums skyrocket, or found it more difficult to obtain coverage for certain programs and activities.

CLAIMS DATA

In Canada, when a claimant sues an organization the law doesn't distinguish between not-for-profit and for-profit organizations.

For this reason, we do not have information about the number or type of insurance claims in the voluntary sector as it is not broken out from other types of commercial insurance claims.

ROLE OF REINSURANCE IN INSURANCE RATES

Sometimes, insurance companies also need to spread their risk and they ask another company to insure their risk against large losses. This is called "reinsurance." If the reinsurer raises the rates that it charges the insurance company, this added cost could trickle down and influence consumer rates.

The Industry Players

To be an informed consumer, it is valuable to understand who the players are in the insurance industry and the roles they play.

INSURANCE COMPANIES	INSURANCE AGENTS	INSURANCE BROKERS
Insurance companies are organizations that hold your policy and take on your risk. Although there are a large number of insurance companies competing for business in Canada's commercial market, not all insurers serve the special needs of the voluntary sector.	Insurance agents are employees of a single insurance company and only offer that company's insurance products	Insurance brokers are independent sales representatives for a number of different insurance companies. A broker works as your organization's representative and can shop around to find an insurance product that best meets your needs

Types of Insurance

This section includes an alphabetical listing of the common types of commercial insurance that voluntary sector organizations often have.

COMMON TYPES OF COMMERCIAL INSURANCE FOR NONPROFITS AND CHARITIES

- Automobile (Owned and Non-Owned Coverage)
- Business Interruption
- Commercial or Comprehensive General Liability
- Crime and Volunteer Dishonesty
- Cyber
- Directors and Officers (D&O) Liability
- Errors and Omissions
- Liquor Liability
- Machinery Breakdown
- Professional Liability (including Malpractice Liability)
- Property
- Special Events Liability

NEED A TYPE OF INSURANCE NOT IN THIS TOOLKIT?

This toolkit does not include all types of insurance that are available, just the most common types that are held by nonprofits and charities. Talk to your broker or agent about your organization's operations to determine if there are other types of insurance that you need.

Automobile Coverage

Owned Automobile

Under Alberta law, if your organization owns vehicles, you are required to purchase mandatory automobile coverage.

TIP

Under the law, the owner of the vehicle, such as an employee, still needs their own personal automobile insurance.

Non-owned Automobile

While you can't insure a vehicle your organization does not own, non-owned automobile coverage protects your organization against liabilities connected to any individual or company using a vehicle to undertake work for your organization, including employees, volunteers, couriers, or other types of drivers. This coverage can usually be added for a small cost.

Rental Car Liability

Rental car liability is usually covered by the rental agency. If for some reason, in the event of a claim, the rental agency's cover was inadequate or void, your organization's non-owned auto coverage would defend your organization. Another option is to add an endorsement to your non-owned automobile policy to cover any physical damage to the rental vehicle.

Employee and Volunteer Use of Personal Vehicles

Employees should advise their insurance representative if they use their personal vehicle for business purposes.

Volunteers do not have to advise their insurance representative if they use their personal vehicle as part of their volunteer work on an infrequent basis, as the work for the organization is not considered "business use." However, volunteers should talk to their insurance representative if the use of their vehicle for volunteering is more than occasional.

S.E.F. 6

EMPLOYEE AND VOLUNTEER PERSONAL AUTO INSURANCE

Employees or volunteers who use their personal vehicles to occasionally transport clients or prospective clients do not need to add an endorsement (the "S.E.F. 6" endorsement) to their personal automobile insurance policy, even if they are reimbursed for their mileage and expenses.

Business Interruption Coverage

Business interruption coverage can provide compensation if your organization has to shut down temporarily because of an insured loss or incident that is covered under your insurance policy, for example, a fire on your property.

Depending on your policy, the coverage may provide extra expenses related to the incident, income that was lost as a result of the event, or additional costs to continue operating, among other expenses.

Organizations may also want to consider how business interruption coverage can help ensure they are able to meet any contractual obligations to funders. For example, if the government funds your organization to run a program, what happens if there is a fire on your property and you can't offer the programs for a period of time?

Commercial General Liability (also called General Liability, or CGL)

General liability coverage protects your organization against third-party legal liability related to property damage or bodily harm, such as damage to property that you don't own or rent, or injuries sustained during your programs.

General liability automatically covers Directors and employees while they are acting in the scope of their duties; however, you may need to request an extension to cover volunteers.

Abuse Coverage (including physical, sexual and other types of abuse)

Most general liability policies specifically exclude abuse coverage. Organizations working with vulnerable populations such as children, the elderly, or the disabled, should consider obtaining abuse coverage. Depending on your insurance company, this may be added as an endorsement to your general liability policy, or it may be issued as a separate policy. However, only specific insurance companies in Canada offer abuse coverage, so talk to your broker or agent about coverage options.

TIP

Visit the Workers Compensation Board of Alberta online at www.wcb.ab.ca to see a list of industries that are exempt from WCB coverage.

Employer's Liability

This coverage can be added to your general liability policy to protect your organization if an employee is injured and seeks compensation. This only applies if your organization is exempt from having Workers' Compensation coverage for your employees. It is not the same as having Workers' Compensation as it only responds if established that the employer was deemed to have been negligent.

Personal Injury and Advertising Injury Liability

Personal injury and advertising injury liability can be included in a separate insurance agreement under a commercial general liability policy to cover claims

arising out of wrongful eviction, libel, and slander, violation of privacy, and infringement of copyright. This coverage is subject to limitations and restrictions.

"Claims-made" versus "Occurrence" Liability Policies

Depending on your insurance company, liability policies such as Directors and Officers (D&O), abuse coverage, and professional liability may be issued on a "claims-made" or "occurrence" basis.

CLAIMS-MADE

Claims-made policies provide coverage for claims submitted during the policy term, even if the incident leading to the claim was before the policy was in place. However, insurance companies often add a "retroactive" clause so the policy will only cover claims stemming from incidents that happen while the policy is active, not claims based on incidents that took place before the policy was in place.

OCCURRENCE

Occurrence-based policies provide coverage for incidents occurring during the time the policy is in effect, even if the claim is years later and the policy is no longer active.

ADDING OTHER PARTIES TO YOUR LIABILITY INSURANCE POLICY

In certain situations, your organization may need to add an “additional insured” (another organization or individual) to your general liability insurance policy. For example, if your organization is working in a partnership, carrying out a contract for another party, or hosting an event or activities on someone else’s premises, you may need to add an additional insured to your policy.

Usually, you would add an additional insured after signing an agreement where your organization assumes responsibility to cover the other party as a result of your actions on their premises, or as a result of your actions on their behalf in carrying out a contract. In the case of a claim that names both your organization and the additional insured on your policy, only your insurance policy will respond.

Crime Coverage (types of coverage may include dishonesty bonds and robbery)

Each year in the news, we hear about employees or volunteers who steal, embezzle or commit other crimes against organizations. Although no organization wants to contemplate this type of situation, crime coverage will provide protection for these types of financial losses. As well, if your organization has custody of other people’s property, for example if you provide in-home care for clients, you can get a dishonesty bond to cover theft of clients’ property.

Cyber Insurance Coverage

Volunteer and nonprofit organizations are often a risk for cyberattacks because they may have fewer cybersecurity measures in place than other business types. Additionally, they commonly collect significant information on their volunteers and donors, from addresses and phone numbers to credit card details.

Cyber hackers are working around the clock to find new ways of compromising security systems of organizations regardless of their size. No one is immune. It makes sense for any organization, at a minimum, to assess the risks of a data security breach and protect its data from unauthorized disclosure. Organizations that rely on an online presence and use e-commerce as a distribution method, should consider exploring options to find coverage to best protect this data.

Directors and Officers (D&O) Liability Insurance

All nonprofit organizations have a governing body such as a volunteer Board of Directors. As the leaders of the organization, it is common for volunteer Board members to express concerns about their own personal liability for the organization’s operations.

D&O coverage typically protects against risks that are not included under your organization’s general liability policy, such as claims arising out of Board decisions or omissions, or out of actions or activities performed under the direction of the Board of Directors. D&O policies are usually issued on a claims-made basis.

D&O does not cover bodily injury or property damage as this is covered by your organization’s commercial general liability coverage. For example, if someone slips in the lobby of a building you own, your general liability, not D&O policy, would respond to any claims.

Protecting Board Members in Your Bylaws

By “indemnifying” your Board members in your organization’s bylaws, your organization agrees to pay the costs associated with a claim related to a Director’s service on the Board.

While indemnification helps protect Board members, many nonprofits and charities do not have the money in reserve to pay the costs associated with a claim. D&O insurance covers the financial requirements of indemnification.

Do All Organizations Need D&O Insurance?

Your organization's decision to buy D&O insurance should be based on your level of risk. Most nonprofit D&O claims are employment-related, so the level of exposure is usually low for organizations with few or no employees. Talk to your broker or agent, and your Board about D&O insurance requirements.

RESOURCES

D&O RESOURCE LIST

"Directors' Liability: A Discussion Paper on Legal Liability, Risk Management and the Role of Directors in Non-Profit Organizations." Volunteer Canada

https://volunteer.ca/vdemo/EngagingVolunteers_DOCS/Directors'%20Liability%20Discussion%20Paper.pdf

"Primer for Directors of Not-For-Profit Corporations." Industry Canada

<http://strategis.ic.gc.ca/epic/internet/incilp-pdci.nsf/en/cl00689e.html>

Risk management tips for your Board. Insurance Bureau of Canada www.ibc.ca

Errors and Omissions See description under professional liability.

Liquor Liability

When you serve alcohol at an event or function, your organization is exposed to a number of liquor-related liabilities including:

- **Liability as a server** – serving people past the point of intoxication and subsequent liabilities.
- **Liability as an occupier** – whether you own the event venue, or are renting, you have a responsibility to protect people on the premises from harm.
- **Liability as an employer** – when employees are consuming alcohol at events such as staff parties.

Buying a liquor liability policy for an event or function can help protect your organization, however, you should also consider implementing policies and procedures that can address the risks connected to serving alcohol. For example, internal policies and procedures may limit the amount of alcohol served to guests, not allow bartenders to serve intoxicated guests, and encourage guests to use a taxi service.

Visit the Insurance Bureau of Canada online at www.ibc.ca for detailed information about how you can reduce your liquor liability.

Machinery Breakdown

Machinery breakdown usually covers the cost of repairing or replacing damaged equipment or machinery, and any other property that was damaged by the failed machinery.

This type of coverage is valuable for organizations that own machinery or equipment such as boilers, air conditioners, refrigerators, or phone systems as it may be difficult to cover unanticipated repair or replacement costs.

Malpractice Liability See description under professional liability.

Professional Liability

This coverage responds to claims arising from acts of professional negligence. Depending on your insurance company, this type of insurance coverage may also be called “errors and omissions” or “malpractice” insurance (note that malpractice always refers professional negligence leading to bodily harm).

The following examples show the difference between the two categories of professional negligence: financial loss and bodily harm.

Financial Loss

Your organization offers a program that provides financial advice to low- income earners. Advice from one of your employees, who is trained as a professional financial advisor, leads a participant to lose their life savings. The participant seeks compensation from your organization.

Bodily Injury

As part of your organization’s teen suicide hotline service, an employee who is a trained psychologist speaks to a teen caller. Subsequently, the teen commits suicide and the victim’s family sues your organization alleging negligence.

Funder Requirements for Professional Liability Coverage

Depending on the programs and services you offer, funders may require certain types of professional liability insurance be in place. Carefully review all contracts from funders and talk to your broker to determine what coverage you need to meet the funder’s requirements and to protect your organization.

Property Insurance

Property insurance is valuable for all organizations, whether you rent, lease or own property. In addition to buildings and other structures, property insurance also covers the physical assets your organization owns such as furniture, equipment, etc.

There is no single definition of who is a “professional,” so ask your insurance rep how your insurance company defines professionals to determine if any of your employees or volunteers fall into this category. This will determine if you need professional liability coverage.

TIP

Employees or volunteers who are professionals and acting as a professional in their duties for your organization should have their own professional liability coverage to ensure their own interests are protected.

IF YOU OWN

If you own your office or other property, property insurance protects against losses to buildings or other property, and the contents of buildings, such as your organization’s furniture, computer equipment, and other assets.

IF YOU LEASE

If you rent or lease your office or property, property insurance will provide coverage for the items your organization owns, for example, computers, furniture and other items.

When leasing, review your lease to see if it specifies what property insurance is required. As an added precaution, you can also ask your insurance broker or agent to review your lease.

Covering the Value of Your Property

Property insurance policies usually include a co-insurance clause that sets out the percentage of your property's value you have to insure (such as buildings, contents, or other physical assets). A standard requirement is that you insure 90% of the value of your property. If you insure below the co-insurance rate you will not get full coverage for a claim.

For example if you insure only 45% of the value of all your property (including all assets) instead of the required 90%, you'll get precisely half your claim. On the other hand, if you insure to 90% of your property value and everything is destroyed, you'll get up to the limit of coverage purchased.

ACTUAL CASH VALUE VS REPLACEMENT COST

Unless specified otherwise in your policy wordings, claims for damage to an organization's property are settled on an "actual cash value" or depreciated basis. You should review options and consider having your property insurance policy changed to a "replacement cost" basis for settling claims.

ITEMS IN-TRANSIT

COVERING ITEMS THAT ARE "MOVEABLE"

Many organizations move property items they own from one location to another, for example, a laptop and projector that are used for presentations, or lighting and staging used for a community theater program. Depending on your insurance company you may have the following options for covering these "moveable" items:

Floater: Covering Specific Items

Adding a floater policy to your property insurance allows you to name specific property items that are moveable and need coverage, such as an LCD projector or laptop computer.

In-Transit Coverage: General Coverage

An in-transit endorsement can also be used to provide coverage for items that are moveable. Under this type of coverage, you do not need to name the specific items that are in-transit as this provides blanket coverage.

Common Property Exclusions

Property insurance excludes a number of items and risks from being covered. While it is possible to buy an endorsement to cover some exclusions such as overland flood and sewer backup, some things are not covered including pandemic, terrorism, or nuclear events. Review your policy and make a note of the exclusions.

INSURANCE FOR AN ADVENTURE RACE FUNDRAISER

If your organization chooses to host an outdoor adventure race to raise money, some of the insurance you may require includes:

- a separate [event liability insurance policy](#) to protect against claims from event participants who may be injured, and
- [cancellation insurance](#) to cover the potential financial losses to your organization if you are forced to cancel the event due to rain or other bad weather.

Special Events Liability

Nonprofits and charities often host special events to meet fundraising targets, raise awareness about their issue, or as part of their programs. Depending on the type of special event you are hosting and the risks connected to the activities, there are a variety of insurance products available including event cancellation, accident insurance, event liability, and liquor liability, among other types.

During the event planning stages, use the risk management process on page 19 to assess the event's risks and liabilities. Then, talk to your broker or agent to determine if you need to add endorsements to your existing policies, or purchase additional event-specific insurance. For a detailed event liability checklist, visit the Insurance Bureau of Canada online at www.ibc.ca

Tenant's Legal Liability: Coverage When You Lease Property

As part of their operations, many organizations lease property, including an office, program space, or other buildings or structures. Under most leases, the legal liability for damage to the leased property falls on the tenant. Tenant's legal liability coverage can protect against this type of loss.

Read your lease carefully; it may broaden what you are already liable for under common law. Some leases have very broad "hold harmless" clauses that try to transfer responsibility for everything over to the tenant and insurance may not cover it all.

Tenant's legal liability coverage may be included in your general liability policy, but often you have to request a separate endorsement. Work with your broker or agent to choose the right amount of coverage.

Volunteers and Insurance

Most nonprofit organizations rely on volunteers in some way, whether the organization is 100% run by volunteers, or has staff who engage volunteers to support the organization's operations. The following are some insurance-related considerations to keep in mind when using volunteers.

RESOURCES

VOLUNTEERS AND THE LAW

For more legal information about working with volunteers, see "Volunteers and the Law in Alberta," a publication available from Volunteer Alberta.

<https://volunteeraberta.ab.ca/volunteer-screening-program/vsp-education-training/>.

Freedom to Care – Liability Protection for Volunteers

Bill 58, the Freedom to Care Act, includes liability protection for volunteers. The Act specifies that a volunteer is not liable for damage caused by an act on behalf of an organization if the "volunteer was acting within the scope of the volunteer's responsibilities." (Further details on volunteer management resources, checklists and scope of duties related to the Freedom to Care Act can be found at: www.alberta.ca/freedom-to-care.aspx)

Scope of Duty

Nonprofit organizations should ensure that their volunteers understand clearly the scope of their role and assigned tasks, that they know who is supervising them and confirm that the volunteer has completed their orientation and has received all the appropriate training.

Generally, a nonprofit organization will not be held liable if the volunteer has acted outside the scope of work assigned or contrary to any instructions given by the organization to the volunteer.

TIP

Volunteers and Professional Liability

A volunteer who is a professional using their professional expertise in the volunteer work should have their own professional liability policy.

INSURANCE AND VOLUNTEER TIPS

If you have Workers' Compensation for your employees, you can extend it to cover your volunteers as well. Learn more about WCB at www.wcb.ab.ca.

You can buy an accident insurance policy to cover some volunteer accident-related expenses.

Coverage Under a Volunteer's Personal Insurance Policy

A volunteer's personal home, condo or tenant's insurance policy may protect them against some risks related to volunteering. For example, if they damage their own camera or other property they own while volunteering, it may be covered under their personal policy.

As well, if a volunteer is negligent and injures someone while carrying out their volunteer role, and the injured party seeks compensation, both the organization's insurance company and the volunteer's personal insurance company should be advised.

An Organization's Liability for its Volunteers

Your organization may be liable for the actions of your volunteers, particularly if they are acting within the scope of their volunteer job description. Visit Volunteer Canada online at www.volunteer.ca to learn more about how to reduce your liability through volunteer job descriptions, screening and training volunteers.

What is a Certificate of Insurance?

A certificate of insurance is issued by your agent or broker at your request to prove that your organization has particular types of insurance coverage. Organizations may need to provide a certificate of insurance when they host an event in a private or public facility, to be eligible for certain types of funding, or when signing a contract.

CHECKLIST

CERTIFICATE OF INSURANCE CHECKLIST

Certificates may look different, but usually include the following:

- the insured organization's name;
- brief description of the insured organization's operations;
- name of the insurance company;
- summary of the insurance coverage including the types of insurance and the limits of liability for each type (dollar amount);
- policy number;
- policy period (effective/expiration dates).

Requesting a Certificate from Others

The following are some examples of when your organization should consider asking for a certificate of insurance from other organizations or individuals.

CHECKLIST

REQUESTING A CERTIFICATE FROM OTHERS CHECKLIST

- To confirm external contractors, such as electricians or cleaners have the coverage needed to cover their own liabilities.
- When recruiting volunteers who are considered "professionals" to confirm they have their own professional liability insurance.
- When subcontracting work to other agencies or to professionals.
- If you are sharing a space or resources with another organization.

Working in Partnerships - Liability Concerns

If your organization enters into formal or informal partnerships to deliver programs or undertake other activities, you may also be taking on new liabilities. Walk through the following checklist when you are developing a partnership.

CHECKLIST

PARTNERSHIP LIABILITY CHECKLIST

- Assess the risks of the partnership: What new risks or liabilities are created?
- What can you do to reduce this risk through policies, procedures, or other risk management strategies?
- Are there any risks or liabilities that need to be insured?
- Which organization(s) will be named on the insurance policy?
- Request a certificate of insurance from your partner(s) to ensure they have coverage for their liabilities.
- Do any members of the partnership need to add other members to their insurance policies as “additional insured” parties?
- Is your organization handling the funds for the partnership (the fiscal agent)? Talk to your broker or agent as you may have additional liabilities.

Risk Management

What is Risk?

Risk is the possibility of a loss or event that has the potential to interfere with an organization’s ability to fulfill its mandate. Injuries to volunteers or employees, abuse of a client, damage to property, and robbery are just a few examples.

How to Manage Your Organization’s Risk

Every activity your organization undertakes has inherent risks and liabilities. Risk management is a structured approach to help identify these risks and create and implement a plan to reduce or eliminate them.

The Role of Insurance in Managing Risk

It is almost impossible to eliminate all the potential risks connected to your organization’s operations. When risk is present, insurance is one of many tools that can help protect your organization.

However, buying insurance is only a part of risk management. A risk management plan needs to be comprehensive and include other types of preventative steps to avoid risk. For example, a risk management plan may include a combination of internal policies and procedures, complemented by the appropriate insurance coverage.

Risk management can address many risks that can’t be insured such as damage to your organization’s reputation or, in the case of a charity, the loss of your charitable tax status.

Risk Management – A Tool to Assess Your Insurance Needs

Undertaking a risk management process helps you identify when insurance can be used to protect your organization. Share the results of your risk analysis with your broker or agent to determine the types and amounts of coverage that are appropriate.

RISK MANAGEMENT STRATEGIES

Risk management strategies for working with volunteers should include:

- formal policies and procedures,
- screening volunteers,
- clear job descriptions, and
- appropriate training.

TIP

If your organization is new, or is getting insurance for the first time, you will need to undertake a detailed risk assessment.

Taking Stock: The Risk Management Process

The Insurance Bureau of Canada outlines the following risk management process:

Identify what can go wrong.	Look at every part of your operations and identify where you are exposed to potential losses. Ask yourself: What can go wrong?
Evaluate the risks.	Now that you have a list of what <i>could happen</i> , ask the following questions: <ul style="list-style-type: none"> ➤ Which risks are the most likely to happen and lead to a claim? ➤ Which risks could have the greatest impact on the organization?
Examine the possible solutions.	Create a list of how you can help reduce or eliminate the risks you face. Your options may include the following: <ul style="list-style-type: none"> ➤ Avoiding the high-risk activity altogether. ➤ Using policies, procedures, or other tools to prevent the loss in the first place. ➤ Accepting the risk and its consequences for your organization. ➤ Finding ways you can reduce the impact on your organization if the loss happens. ➤ Transferring the risk to another party, for example, through insurance, or by contracting another organization to undertake the responsibilities or required task.
Decide which option is the best fit for your organization.	Look at the list of solutions and determine the best approach, both in terms of the cost and your organization’s ability to follow through with the implementation.
Implement the chosen option.	Make a clear plan about how the option will be implemented, and how you will get support from your organization’s key stakeholders (the community, members, Board, volunteers, etc.).

TIP

FIND A CREATIVE SOLUTION!

Risk management strategies for working with volunteers should include:

- formal policies and procedures,
- screening volunteers,
- clear job descriptions, and
- appropriate training.

RESOURCES

RISK MANAGEMENT RESOURCES

Visit the Insurance Bureau of Canada online at www.ibc.ca to see risk management modules tailored to the voluntary sector.

"Developing a Risk Management Strategy: Five Steps to Risk Management in Nonprofit and Charitable Organizations." Available online at <http://sectorsource.ca/resource/file/developing-risk-management-strategy-five-steps-risk-management-nonprofit-and> (Imagine Canada).

Matchmaking: Finding the Right Insurance Broker or Agent

Finding the right broker or agent to work with is an important step in ensuring you get the right coverage.

It's critical to establish a relationship with a commercial insurance agent or broker who knows your type of business and is willing to invest the time and effort to understand your specific needs. A proactive insurance agent or broker is a valuable asset for your company.

Your organization brings a comprehensive understanding of its operations into the relationship and the broker or agent brings knowledge and expertise about insurance, including the types of coverage that are available.

The following is a short list of questions that you can use to help determine if a broker or agent is a good fit.

CHECKLIST

BROKER/AGENT SCREENING CHECKLIST

- Did someone in the voluntary sector refer you to this broker or agent?
- Do they have other voluntary sector clients? Can you contact these clients and talk to them about their experiences with the broker or agent?
- Do they have other clients with operations that are similar to your organization?
- How many years have they worked in the insurance industry?
- What industry designations do they have?
- What additional tools or resources are available?
- If you think your organization needs specific coverage – do the insurers the broker or agent represent offer this coverage?

Working with Your Broker or Agent

Once you have found a broker or agent that meets your needs, you can work with them to find the appropriate insurance coverage – both in terms of the types and the amounts of coverage.

CHECKLIST

TIPS FOR WORKING WITH YOUR BROKER OR AGENT

- **Share the results of your organization’s risk assessment with your broker or agent.** This will help them identify areas where insurance can be used to protect against risks.
- **Provide details about your programs and activities.** Don’t make assumptions about what the broker or agent knows about your operations.
- **Assign a senior staff member, volunteer or Board member to work with the broker or agent.** Your organization’s representative needs an in-depth understanding of your operations so they can work with the broker or agent to get the appropriate coverage.

Consumer Rights and Responsibilities

It is important that you understand your rights and responsibilities as an insurance consumer. The Insurance Bureau of Canada has developed a *Code of Consumer Rights and Responsibilities* that includes:

- Right to be informed.
- Right to timely and transparent claims handling
- Right to complaint resolution
- Right to privacy
- Responsibility to understand your needs and provide accurate information.
- Responsibility to update your information
- Responsibility to report the facts.

To see the full code, visit IBC online at: <http://www.ibc.ca/on/resources/consumer-resources/code-of-consumer-rights-and-responsibilities>

Evaluating an Insurance Quote

Once you have shared information about your operations with your broker or agent, and discussed the types and amounts of insurance that are needed, the following will happen:

Agents will get a quote from their insurance company, and

Brokers may approach various companies they represent that offer the products you need for quotes.

A proposal or quote is a summary of the types and amounts of coverage, premium and deductible you would have under the full policy if you accept the quote. Review the quote with your broker or agent and make sure it has all the types of insurance and coverage levels you need.

THINKING OF SWITCHING BROKERS?

If you are thinking of switching brokers, keep the following in mind:

If an insurance company has already provided a quote for your organization to a broker, or declined to issue a quote, they typically will not consider a second request to quote from another broker to quote.

If you accept a quote, your broker or agent will create a “binder” or “cover note” that includes all the details of the coverage you have agreed upon. This is sent to the insurance company who then issues the full policy that includes a detailed breakdown of your coverage and the policy wordings.

Understanding Your New Policy

Once your new policy arrives, don't just put it on a shelf! It is important to read it over carefully and make sure the types and amounts of coverage are correct.

How to Read Your Policy

Although insurance policies issued by different insurance companies may look different, they usually include policy declarations pages and policy wordings.

Policy Declarations Pages

The declarations, or “dec” pages, are usually the first pages of the policy and they provide some basic information including:

CHECKLIST

DECLARATIONS PAGES CHECKLIST

- policy number,
- name and address of your organization (the insured),
- broker or agent name and address,
- coverage details that are specific to your organization (both types of insurance and dollar amounts, and deductibles),
- policy premium (in dollars), and
- policy period (when it begins and ends).

Policy Wordings: Details about what is covered

Following the declarations pages are commonly your insurance company's standard policy wordings. Policy wordings detail what is included under the coverage and define terms that are used in the policy. For example, policy wordings may define how “data” or “explosion” is defined under the policy.

CHECKLIST

POLICY REVIEW CHECKLIST

- Review the declaration page carefully and ensure all the details, including the types or risks, limits, endorsements, deductibles and amounts of coverage, are correct.
- Ensure your organization's name and address are correct and any others who have a financial interest in the property
- Make sure the addresses of any insured properties are correct.
- Verify the effective dates of the policy and make a note of the renewal date.
- Read the terms, conditions and exclusions carefully.
- If any words are unclear, ask for them to be defined in the policy.
- Know who to call in the event of a claim.
- If you have any questions, talk to your broker or agent.

Managing Your Insurance Program

Who Will Manage Your Insurance Program?

Effectively managing your insurance program will help ensure you have the coverage your organization needs. Ideally, one individual (employee or volunteer, depending on the structure of your organization) is responsible for tracking and monitoring your organization's insurance program.

Your organization's leader, for example, your Executive Director or President, should also review the coverage. Although your Board may not have to review the details of your coverage, they should be informed about what coverage you have. Section 13 of this toolkit includes examples of insurance information you can share with your Board and an insurance primer you can use directly in your Board manual or orientation.

Re-assessing Coverage Over Time

As your organization's programs and activities change, it is important that you update your insurance to cover any new liabilities. If you are planning to add a new program, or make substantial changes to any existing program, contact your broker or agent before the changes are implemented to see if you need to change your coverage.

Annual Check-in

Even if your programs and activities don't change, you should review your coverage at least once a year. For example, over the course of the year, you may have purchased new assets and you need to increase your insurance amount to meet your co-insurance clause.

Upcoming Policy Renewal

What can I do now, to prepare for my nonprofit organization for an upcoming policy renewal? Due diligence can go a long way in preventing any possible issues at renewal time. It is important to check in with your insurance representative a couple of months before your renewal date to discuss any changes within your organization that could impact your insurance coverage, asking for advice on ways to mitigate your risks, and take steps to improve your risk portfolio to help control your premium.

Organizing Your Insurance Paperwork

An insurance policy is a legal contract, and you are responsible for having records of all your insurance coverage.

Retaining Occurrence-Based Policies

Due to the nature of occurrence-based policies, it is important to keep them forever. If a claim is brought against your organization years after your occurrence-based policy has been cancelled, it is your responsibility to have a copy of the policy.

Summary of Your Coverage

CHECKLIST

COVERAGE SUMMARY CHECKLIST

A summary should include the following:

- List of all insurance policies held by your organization.
- Policy numbers.
- Details of the coverage types, risks insured and limits of coverage.
- Deductibles.
- List of endorsements.
- List of any notable exclusions.
- Renewal dates.
- For liability policies – note if it is a claims-made or occurrence-based policy.
- Insurance company name.

Creating a short summary of your insurance coverage that has all the critical information in one place is useful when you need to quickly determine what coverage your organization has and who you need to call about a claim. If your organization has a crisis plan, include this summary in the crisis plan manual.

Renewing Your Policy

The length, or term, of an insurance policy can vary depending on your insurance company. When the term ends, if you want to continue to have coverage, you have to renew the policy. Contact your broker or agent well before the renewal date and ask what is needed to begin the renewal process.

Research from across Canada has documented cases of voluntary sector organizations being denied coverage for their programs when they went to renew, even though they had no claims. By taking a proactive approach to the renewal of your insurance, you can help avoid any surprises at renewal time and, if needed, you can work with your broker or agent to find alternate solutions to meet your insurance needs.

TIP

What To Do if Your Policy Lapses

If you forget to renew your insurance policy before it expires, call your broker or agent immediately to see if the coverage can be reinstated without a gap in coverage. If you do end up with a gap in your coverage, this may lead to higher premiums in the future.

TIP

RENEWAL TIP IF YOU WORK WITH CONTRACTORS

Before renewing, your insurance company may ask you to provide proof your contractors or subcontractors have the proper insurance. To save time, when you start working with any contractor, request a certificate of insurance up front and retain a copy of the certificate with your insurance paperwork.

Cancelling Your Policy

If you are considering cancelling your policy, talk to your broker or agent first. It is important that you do not just let your policy lapse or just stop paying your premiums. Also note that there may be a charge if you cancel your policy before the renewal date.

Extra Time to Submit Claims: The Discovery Period

Cancelling your policy is more of an issue with claims-made policy as you cannot submit claims after the cancellation. However, once you request to cancel a claims-made policy, you are usually given a short “discovery period” when you can submit any claims. You may also have the option of purchasing an extended discovery period for the policy to ensure all claims are submitted before the coverage ends.

Managing Claims

If you have a claim, contact your broker or agent for information about the claims process for your particular insurance company.

Directors and Officer's (D&O) Claims

The reporting requirements under claims-made policies such as D&O are usually very strict. Contact your broker or agent as soon as you become aware of a situation that could potentially lead to a claim.

For more details about managing claims, visit IBC online at www.abc.ca.

Have Concerns? The Complaint Resolution Process

If you have concerns about your insurance company, contact your broker or agent. They can request a copy of your insurance company's complaint handling process and walk you through the various steps. This information can also be found on the insurer's website.

If you have a complaint about a broker, insurance agent or adjuster in Alberta, you can contact the Alberta Insurance Council. Call them toll free 1-800-461-3367, or in Calgary, call (403) 233- 2929; and in Edmonton (780) 421-4148. You can also visit them online at www.abcouncil.ab.ca

Additional Insurance Considerations for New Organizations

In the planning stages for any new organization, before your operations start, take the time to assess your risks and liabilities, and decide how insurance can protect the organization against financial loss.

The ease of getting coverage may also depend on the experience level of your organization's Board and employees in the organization's area of work.

D&O Insurance

When applying for D&O insurance, organizations are usually asked to provide historical financial information such as audited financial statements. As a new organization, you will not have this type of information; however, talk to your broker or agent to see if the insurance company will accept projections of what your budget will be.

CLAIMS TIP

- Not sure what to claim? Contact your broker or agent when trying to decide which losses to report to your insurance company.
- Report all claims promptly: failing to give prompt notice may result in denial of a claim.

Working With Your Board

Whether your organization's Board is a hands-on operating Board that makes day-to-day decision, or a governance Board that looks at the big picture, part of their role is to ensure that the organization manages its risk whether through policies or procedures, or buying the appropriate insurance coverage.

This section contains information to help you inform your Board members about insurance issues, including a two-page insurance primer that you can copy and use directly in your Board manual or orientation.

TIP RISK MANAGEMENT AND YOUR BOARD

As the leaders of your organization, it is important to have Board support for your risk management program. This will help the Board understand the organization's need to invest time and resources into activities such as developing and implementing policies and procedures, or buying insurance coverage.

Your Board's Liability

There are two different liability policies that address Board members' personal liability:

- Commercial General Liability that deals with alleged 'wrongful acts' that result in bodily injury or property damage loss to the claimant, and
- Directors' and Officers' liability that deals with alleged 'wrongful acts' that result in financial loss to the claimant.

As part of a Board's duties, they need to have a clear understanding of the organization's risk and liabilities, and how these are being addressed through risk management measures such as insurance.

INSURANCE INFORMATION FOR YOUR BOARD

CHECKLIST

In addition to the *Insurance Primer for Board Members*, the following summary of information should be provided to your Board:

- List of all insurance policies held by your organization.
- Summary of your organization's insurance program including the types of insurance coverage, amounts of coverage, and premiums.
- Detailed information about your Directors and Officers (D&O) coverage and general liability coverage.
- Overview of your organization's risk management activities and summary of how the risks are being addressed (through insurance or other means).

An Insurance Primer for Board Members

The following two pages include an *Insurance Primer for Board Members* that can be provided directly to your Board. For example, you can include the Board primer in your Board orientation process, or add it to your Board manual.

An Insurance Primer for Board Members

The following information is part of the Alberta Voluntary Sector Insurance Council's "Insurance Toolkit for the Voluntary Sector."

What is Risk Management?

Risk management is a structured approach organizations can use to identify the risks and liabilities connected to the organization's operations and create and implement a plan to reduce or eliminate the risk. Insurance is one of many risk management tools that can help protect your organization against financial losses.

Just buying insurance is not risk management. A risk management plan is comprehensive and includes a variety of proactive and preventative steps to avoid risk. For example, a risk management plan may include a combination of internal policies and procedures and the appropriate types and amounts of insurance coverage.

Your Organization's Insurance

Depending on the risks and liabilities connected to your organization's operations, various types of insurance may be required. As a Board member, you should be aware of the types and amount of insurance coverage that are in place.

Insurance and a Board Member's Personal Liability

There are two different liability policies that address the Board members' liability:

- Directors' and Officers' liability policies (D&O) that deal with alleged 'wrongful acts' that result in financial loss to the claimant, and
- Commercial General Liability policies that deal with alleged 'wrongful acts' that result in bodily injury or property damage loss to the claimant.

Directors and Officers (D&O) Liability Insurance

D&O coverage typically protects against risks that are not included under general liability coverage, such as claims arising out of Board decisions or omissions, or out of actions or activities performed under the direction of the Board or Directors.

Commercial General Liability (CGL)

General liability coverage protects your organization against third party legal liability related to property damage or bodily harm, such as injuries sustained during your organization's programs, or damage to property that the organization does not own or rent.

Using Bylaws to Protect Board Members

By "indemnifying" its Board members in its bylaws, an organization agrees to pay the costs associated with a claim related to a Director's service on the Board.

While indemnification helps protect Board members, many nonprofits and charities do not have the money in reserve to pay the costs associated with a claim. D&O insurance covers the financial requirements of indemnification.

TIP

Risk management addresses many risks that can't be insured such as damage to your organization's reputation or, in the case of a charity, the loss of your charitable tax status.

BOARD DUTIES

Under Canadian legislation, court decisions, laws and statutes, Board members have two basic duties:

- **Duty of Care:** Act reasonably, in good faith, in the organization's best interest; carry out their due diligence.
- **Duty of Loyalty:** Place the interests of the organization before their own; act honestly and in good faith.

For more information about Board duties, see [Industry Canada's Primer for Directors of Not-For-Profit Corporations](#).

INSURANCE CHECKLIST FOR BOARD MEMBERS

The following are some questions Board members should ask about their organization's risk management and insurance activities:

- Has your organization assessed all the risks and liabilities connected to your operations?
- Have you undertaken measures to reduce or eliminate the risks?
- Do you have the appropriate insurance coverage to protect against loss in all areas of the organization's operations?
- Does your Board get regular updates from staff or volunteers about risk management activities?
- Do your organization's bylaws include a Board indemnification clause?
- Does your organization have D&O insurance in place to support indemnification?
- Does your organization have a business continuity plan?

RESOURCES FOR MORE INFORMATION

"Directors' Liability: A Discussion Paper on Legal Liability, Risk Management and the Role of Directors in Non-Profit Organizations." Volunteer Canada www.volunteer.ca

"Primer for Directors of Not-For-Profit Corporations." Industry Canada <http://strategis.ic.gc.ca/epic/internet/incilp-pdci.nsf/en/cl00689e.html>

Insurance Toolkit for the Voluntary Sector: A brief history

The Insurance Toolkit for the Voluntary Sector was originally developed in 2006 by the Calgary Chamber of Voluntary Organizations (CCVO) for the Alberta Voluntary Sector Insurance Council (AVSIC). The Council was formed to identify emerging issues, maintain a dialogue between the industry and the voluntary sector, and address the insurance-related issues facing the sector. AVSIC included members of Alberta's voluntary sector, the insurance industry and the Government of Alberta to address insurance-related issues affecting the voluntary sector. Funding support of the project was provided by Insurance Bureau of Canada, Canada Volunteerism Initiative, Volunteer Alberta and the Wildrose Foundation.

Glossary of Common Insurance Terms

Adjuster:	An adjuster reviews and settles claims on behalf of the insurance company. The adjuster could be an employee of the insurance company or an independent contractor hired by the company.
Agent:	An individual authorized by an insurance company to create, modify, and terminate contracts of insurance or to arrange to do so or to advise on contracts of insurance.
Broker:	An insurance broker sells insurance for more than one company.
Claim:	The exercising of a policyholder's right under a policy to be paid by his or her insurance company for certain financial losses suffered. A claim can be any notification of a possible loss under an insurance policy, whether or not any payment follows. For every claim that is reported, the insurance company must set aside money ("reserves") sufficient to cover its anticipated cost.
Claims-made policies:	Policies that provide coverage for claims submitted when the policy is active, even if the incident leading to the claim was before it was in place.
Co-insurance:	A clause in an insurance policy requiring an insured to carry a certain percentage, usually 80, 90 or 100 per cent of insurance in relation to the value of the property insured. If the insured fails to do this, then he agrees to be a self insurer of all losses large or small in the same ratio as his failure to comply with the percentage required, is related to the insurance required.
Deductible:	An agreed specified sum to be deducted from the amount of loss and assumed by the insured.
Endorsement:	An amendment added to a written document, particularly an agreement between parties, altering its provisions.
Exclusions:	Risks, perils or properties defined in the policy as not covered.
Floater policy:	Additional coverage for movable items, like jewelry or antiques, beyond what's included in the basic homeowner policy. Also called a "rider" or "endorsement".
Occurrence-based policies:	Policies that provide coverage for incidents occurring during the time the policy is in effect, even if the claim is years later and the policy is no longer active.
Premium:	An insurance premium is the money the policyholder pays to the insurer for financial protection against specific risks for a specific time-span.
Risk:	The possibility of a loss or event that has the potential to interfere with an organization's ability to fulfill its mandate.
Underwriter:	An insurance company employee who decides if an insurance risk is acceptable, and determines the amount and terms that the insurance company will use to accept the risk.

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