



Risk Management 101 for Charities and Non-Profit Organizations

Managing insurance and risk costs is crucial for charities and non-profit organizations in Canada to ensure that financial resources are allocated efficiently. Here are some insurance and risk management tips tailored to the needs of these types of organizations in Canada:

1 Risk Assessment:

Regularly assess your organization's risks and vulnerabilities to identify potential areas of exposure.

2 Insurance Review:

Periodically review your insurance policies with your insurance agent or broker to ensure they align with your current needs and the evolving risks your organization faces.

3 Property Insurance:

Consider what properties you own that need insurance coverage and ensure your loans or mortgage contracts are satisfied with the insurance that you purchase. If occupying rented space, make sure any improvements you make to that rented space are adequately insured.

4 Board of Directors Liability Insurance:

Consider directors and officers (D&O) liability insurance to protect your board members from personal liability for decisions made on behalf of the organization.

5 General Liability Insurance:

Ensure your organization has proper general liability insurance along with volunteer liability coverage to protect volunteers who provide services on your behalf.

6 Cyber Insurance:

In the digital age, consider cyber insurance to protect against data breaches and other cyber threats that could compromise sensitive donor or beneficiary information. Cyber criminals have targeted non-profit organizations in the hope that donor resources are not expended

on cyber security. Ensure all files containing personally identifiable information, both paper and electronic are adequately secured. Privacy violations can cause organizations irreparable reputational damage.

7 Broker Selection:

Work with an experienced insurance brokerage specializing in non-profit organizations to get customized coverage at competitive rates.

8 Multiple Quotes:

Ask your insurance professional to obtain multiple insurance quotes to compare coverage options and pricing. This will help ensure you get the best value for your premiums.

9 Bundle Policies:

Consider bundling various insurance policies, such as liability and property insurance, with the same provider to potentially secure discounts. Ask your insurance agent or broker if there are other optional coverages you should consider. This is especially important for natural catastrophe events that may not be covered under base commercial property policies; such events are more prevalent today.

10 Deductibles:

Consider opting for higher deductibles in exchange for lower premiums, but ensure that you have the financial resources to cover these deductibles if a claim arises.

11 Risk Management Programs:

Implement risk management programs and safety measures to reduce the likelihood of accidents and insurance claims. Ensure all employees and volunteers know to whom they must report any potential damage or injury. Noting details of an incident promptly can be important to minimize further loss.

12 Review Contracts:

Carefully review and negotiate contracts, including indemnification clauses, to limit your organization's liability in agreements with vendors, partners, and service providers.

13 Legal Compliance:

Stay informed about legal requirements and regulatory changes that may impact your insurance needs, such as changes in employment laws or non-profit regulations.

14 Loss Prevention:

Invest in security systems, fire prevention measures, and disaster preparedness plans to minimize losses and potential claims.

15 Volunteer and Employee Hiring and Training:

Implement background checks on all new volunteer employees to ensure adequate hiring and acceptance, practices. Train staff and volunteers on risk management, safety protocols, and emergency procedures to minimize potential liabilities. Organizations should be encouraged to develop a standard of care policy for youth, children and vulnerable adults that are under the supervision of volunteers, if they do not have one already.

16 Claims Management:

Establish a clear procedure for reporting and managing insurance claims promptly to ensure timely resolution. Consider if small property claims need to be submitted to the insurer – more claims can equal more premium. Have one person in your organization act as the key contact for any claim.

17 Financial Reserves:

Maintain a reserve fund to cover unexpected insurance costs or deductibles, ensuring your organization can weather unexpected financial challenges.

18 Continuity Planning/Emergency Response:

Develop a business continuity plan, including emergency response plans to ensure that your organization can continue its mission in the event of a disruption or disaster.

19 Community Engagement:

Engage with your community and supporters to build a safety net of goodwill and support in case of adverse events.

20 Regular Updates:

Keep your insurance agent or broker informed about any changes in your organization's activities, assets, or structure that may affect your insurance needs. Any changes need to be reported to your insurance professional to ensure continuing coverage.

21 Professional Advice:

Seek legal and financial advice from professionals (brokers and risk managers) experienced in the non-profit sector to ensure that your insurance and risk management strategies are sound and compliant.

By implementing these insurance and risk management tips, charities and non-profit organizations in Canada can better protect their assets, volunteers, and beneficiaries while managing insurance costs effectively.

We are here to help.

IBC has insurance professionals to answer questions and help navigate the insurance marketplace. Contact IBC's Business Insurance Helpline at **1-844-2ask-IBC** (1-844-227-5422) if you need help obtaining affordable insurance coverage.

