

Charity Insurance



Charities throughout the United Kingdom face many risks that can result in loss, damage or liability for trustees—and for the charity as a whole. Risks include a loss of charity assets or resources, damage to a charity’s property and third party liability for professional indemnity or public liability. Part of mitigating these risks is having an appropriate insurance policy. The following is a brief overview of different covers that charities should consider.

Compulsory Insurance

There are types of insurance that charities may be legally required purchase, depending on circumstance.

- **Employers’ Liability Insurance (EL)**—A charity that employs staff is considered an employer under the law. All UK employers are required to take out EL with a minimum cover of £5 million for injuries or diseases their employees suffer while on the job.
- **Motor Insurance**—If a charity owns or operates motor vehicles, it must comply with all provisions of the Road Traffic Act—including the requirement to take out insurance against third party injury and property damage. If employees, volunteers or trustees use their own personal vehicles on charity business, the charity must also make sure that the vehicle owner’s insurance covers such use. If it doesn’t, the charity may need to purchase additional premiums.

Common Covers to Include

Even if a charity is not required by law to carry insurance, it should seriously consider including the following covers recommended by the Charity

Commission in a charity insurance policy in order to mitigate its risks.

- **Buildings**—Charities that are freehold owners of a building should insure the building for its full reinstatement value. This means that the sum insured, or maximum amount payable by the insurer, should be enough to cover demolition work, site clearing, professional fees and building replacement in case anything should happen to the building. It is recommended that trustees obtain advice from a professionally qualified building surveyor to determine the correct sum insured amount to avoid any potential liability.
 - If the charity is a lessee of the property, the terms of the lease should be reviewed to determine who is responsible for insuring the building—the charity or the landlord. Depending on the terms, the charity may also be responsible for repairs.
- **Contents**—Charities need to have a suitable policy in place that covers the contents of the building, such as furniture, equipment and cash. This is commonly done on a ‘new for old’ basis, meaning that the charity is compensated the current market replacement value for the item. Irreplaceable items can sometimes be on an ‘agreed value’ basis, meaning that the claims payment will be based on this agreed-upon figure. Charities should also find out whether theft cover is provided in the policy, including the cost of investigating and attempting to recover stolen items.

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- **Public Liability**—This cover protects charities from third party legal liability claims for bodily injuries and illness, and loss or damage to material property while on the premises of the property. This may also be appropriate for charities that carry out business activities away from their own premises. The charity and trustees would be indemnified against certain claims from the public.
- **Employee Dishonesty**—Employee dishonesty insurance covers loss arising from fraudulent or dishonest conduct by employees when handling the charity's cash or other valuables. It is advisable to extend this to cover to volunteers. However, this cover is no substitute for sound financial and personnel risk management. Claims are usually only paid if the charity can show that its arrangements were adequate and the employees were properly supervised.
- **Legal Expenses**—Costs for defending a charity in a legal proceeding, such as an employment dispute, can become very high. This cover can help with the costs of certain legal expenses which may arise if the charity has to bring or defend legal proceedings.
- **Professional Indemnity**—Whenever a charity provides a professional service, such as counselling, or any form of advice or information, the charity may be held liable if the service, advice or information was provided negligently. The charity could be held legally liable for loss, injury or damage that was sustained when the service was provided or as a result of following the advice or information.
- **Trustee Indemnity**—Trustees in a charity are required to follow certain duties laid out by law. Trustee indemnity insurance covers trustees from having to personally pay out legal claims against them that arise from negligence or a breach of trust or duty. It can also cover the charity for

corporate liabilities that arise from a trustee's breach of duty or negligence. However, this will not cover costs related to a criminal fine or penalty, or costs from the trustee being convicted of fraud, dishonesty or reckless conduct.

- **Additional Covers**—Depending on your circumstances, your charity may also want to consider covers for events, personal accidents, terrorism and political violence, increased cost of working, staff illness and others.

Volunteer Considerations

Many charities will use the services of volunteers. While volunteers are not considered employees, charities still have a duty to ensure their health and safety and give them proper training and supervision. If a volunteer is injured as a result of the charity's negligence, he or she could file a claim against the charity or trustees. The charity and its volunteers should also be covered in case a third party is injured due to actions of volunteers. Charities should check their insurance policies for the following:

- Whether the insurance policy includes volunteers, such as employers' liability extending to volunteers
- What the policy definition for 'volunteer' is
- Whether any upper or lower age limits apply
- What types of volunteer activities are covered

Get Help from Your Broker

Because each charity's purpose or public benefit aim is different, it takes an experienced broker with expertise in the industry to create a bespoke policy that makes sure all risks are addressed. Aspire Insurance Services Limited has the expertise and experience to work with your charity and trustees. Contact us today.