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## Factsheet/Advice Sheet No. 6

### Advice on insurance for voluntary organisations July 2007

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This is one of a series of Factsheets for voluntary and community groups issued by West Norfolk VCA.

These notes tell you about

- Insurance cover you may (and in some cases must) have
- Reasons for and against taking out Trustee Indemnity
- Ways of reducing risk and liability
- Where to find more information

We have made every effort to ensure accuracy, but cannot be held responsible for decisions you take based upon our guidance. You are advised to take expert advice as appropriate.

#### **1 Insurance cover you must take out:**

If you are a committee member or trustee of a charitable organisation, you have a duty to take good care of your property, and reputation. One way of taking good care is by taking out insurance.

Most organisations will need to insure for the following.

- Office policy (suitable if you rent an office) covering contents, stock, money, bad debts – and don't forget to specify cover for items taken off the premises e.g. laptops, and mobile phones
- Buildings and contents (suitable if you own the premises)
- Vehicles (if you have them, or authorise your members to use them)
- Public liability (claims from members of the public, or members of your organisation, for illness, injury, or loss caused by your activities) – usually limited to £2m. – can be increased on payment of an additional premium
- Employer's liability – usually limited to £5m or £10m. – and don't forget it is good practice to let volunteers have the benefit too
- Professional indemnity (claims from service-users about loss caused from receiving inappropriate advice or care from your organisation)

#### **2 Insurance cover you may need to take out:**

- Cancellation insurance (if you run a big fundraising event which is vulnerable to cancellation due to bad weather)
- Product liability (if the organisation produces or sells goods)
- Fidelity insurance (cover to make good any losses resulting from fraud or dishonesty on the part of any employee)
- Loss of revenue/profit (if the organisation ceases operation after a fire, etc.)

- Defamation (often included within professional indemnity)
- Breach of copyright, and breach of confidentiality
- Breach of contract

There may be others, e.g. if your club runs a bar, you may need insurance to cover loss in value of the premises if the club loses its drinks or entertainment license.

**If you hire out your premises**, make sure it is absolutely clear, in writing, who is responsible for insuring for building, contents, and public liability.

### **3 Trustee liability**

People in charge of organisations are often concerned about personal liability (i.e. possibly having to pay out if something goes wrong, and they are judged to have been careless or negligent).

There are three ways to reduce the effects of trustee liability.

- 1) Become a company limited by guarantee - this means that individuals only have limited personal liability if things go wrong – usually limited to £1
- 2) If company status is not appropriate to your organisation, the best ways to reduce risk/liability are to
  - a. Act honestly and reasonably
  - b. Act within the governing document (constitution, or memorandum and articles of association)
  - c. Seek (financial and legal) information and advice before making decisions
  - d. Declare an interest where appropriate
  - e. Ask Charity Commission advice when in doubt.
- 3) Take out Trustee Indemnity insurance – see below.

#### **For and against Trustee Indemnity insurance**

Arguments for taking out Trustee indemnity insurance

- It can help protect Trustees in situations where genuine mistakes were made in
  - Using funds outside the charity's objects or powers
  - Making poor investments.

Arguments against taking out Trustee Indemnity Insurance

- It will not cover for
  - Losses where Trustees acted dishonestly, or in (reckless) disregard of their responsibilities
  - Liabilities to third parties e.g. breach of contract, redundancy payments, negligence
  - Penalties/fines for breach of statutory duty.
- it only covers aspects which most groups would be unlikely to have problems with, and
- any serious liability is not covered in any case.

Charity Commission advice is

- Undertake proper risk assessments
- Provide good internal procedures, to prevent the need for Trustee Indemnity
- If you do consider taking out Trustee Indemnity, check the policy carefully to be sure that the cover obtained is worth having.

**Risk assessment** – charities with income over £100,000 are required to confirm in their Accounts that they have assessed and mitigated the major risks to the charity.

## **6 Choosing an insurer**

It is not our place to comment on the quality or cost of insurance services provided, but we give a list of insurers below.

List of insurers :

- AON Charity Insured, Trinity Court, 2-4 West Street, Fareham, Hants. PO16 0BH  
tel. 0845 7402003  
website : [www.charityassured.co.uk](http://www.charityassured.co.uk)
- Martin Ladbroke, Freepost NEA9003, Sheffield S25 3ZZ  
tel. 01909 565858  
website : [www.ladbroke.co.uk](http://www.ladbroke.co.uk)
- NCVO Encompass Insurance – handled by Keegan & Pennykid Insurance Brokers Ltd., 50 Queen Street, Edinburgh  
tel. 0800 731 8030  
Website : [www.keegan-pennykid.com](http://www.keegan-pennykid.com)
- MCIS Ltd., Church Court, St Paul's Square, Cox Street, Birmingham B3 1RD  
tel. 0121 233 6354/6347

**For more information see :**

- Voluntary but not Amateur – a guide to the law for voluntary organisations and community groups (published by London Voluntary Services Council 2000)
- The Voluntary Sector Legal Handbook (published by DSC 2001)
- Charities and Insurance (booklet CC49) published by Charity Commission
- Website [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk)