

# Insurance

## Why do organisations need insurance?

The members of a governing body have a general duty to protect the organisation including adequately insuring it.

The level and type of insurance your organisation needs will be determined by:

- **The law** – some insurance cover is required under statute and to not have it when you should is a breach of the law.
- **The governing document** – it may include a positive duty to purchase insurance.
- **The range and type of activities undertaken by your organisation** – such as the assets it owns or manages and whether it has staff and/or volunteers.

## Do we have to insure?



Where insurances are compulsory, you should obtain at least a legal minimum. Most Insurers, who offer compulsory insurance, will provide at least the minimum required by law. Other insurances are discretionary, some essential, and may be worth taking out depending upon the circumstances of the charity.

It is possible to insure against all kinds of eventualities, which could become very costly to an organisation. Therefore, when considering insurance think about the real risks the group will be exposed to.

It is advisable to obtain multiple insurance quotes and check if insurers agree on what cover is necessary based on your organisation's activities. This will help ensure appropriate coverage and potentially reduce costs.

It is also well worth shopping around to find combined policies which cover the variety of risks that are relevant to your organisation.

# What about exclusion clauses?

The need for insurance may be reduced and in exceptional circumstances, avoided by the prudent use of exclusion clauses or disclaimers. These may appear as a notice on a ticket, sign at the entrance to premises, within the body of a contractual document or in separate written terms and conditions.

However, the law restricts the effectiveness of exclusion clauses and legal advice should be sought before attempting to exclude liability in this way. Other clauses in written standard terms or where the purchaser is a consumer are subject to a '**reasonableness**' test.

## Unfair Contract Terms Act 1977

Under the provisions of the Unfair Contract Terms Act 1977, liability cannot be excluded for negligently causing death or personal injury or causing loss or damage to a consumer who uses negligently manufactured or distributed goods.

For example, simply saying that the organisation is not liable for incorrect advice will not necessarily provide protection and does not absolve the organisation of its obligation to take reasonable steps to ensure information and advice is accurate and up to date.

## Who to cover?

It is important to cover staff, management committee members, volunteers and ordinary members for any liability they may incur while carrying out the work of the organisation.

## Insurance for key areas of trustee responsibility

### Compulsory insurance:

- **Employer's liability insurance** – If your organisation employs staff this is a legal requirement. Minimum insurance cover must be for £5 million for injury or disease suffered or contracted by employees while carrying out their duties. The certificate must be made available to everyone who is covered by the insurance. This only covers staff and volunteers, not the public.
- **Motor Insurance** – if your organisation uses a vehicle, it is a legal requirement to obtain insurance against liabilities to third parties. If the vehicle is leased, you may be required to arrange cover for loss or damage to the vehicle too.

### Discretionary insurance:

- **Staff sickness** – you may also want insurance to cover the costs of paying sick pay to employees
- **Public liability insurance** – is essential for charities which own or occupy buildings or which offer services to the public, against claims from members of the public (including volunteers and trustees) for injury, loss or damage caused as a result of an organisation's negligence. Cover for a minimum of £5 million is recommended.

You have a special responsibility for volunteers. When arranging cover, ensure the insurer is aware that volunteers are actively involved in delivering services or working on site, as some policies treat them differently from employees.

- **Property insurance** – insuring a building for its full reinstatement value is highly recommended where a charity is the freehold owner and responsible for the insurance; contents of premises should be covered by an ‘all risks’ policy covering furniture equipment and other assets such as cash. If you lease premises, you may wish to consider including Tenants Improvements.
- **Professional indemnity insurance** – provides against giving advice or other professional service to members of the public that results in damage, or loss to the user of the service.
- **Fidelity insurance** – protects against theft or loss arising from dishonest actions by staff or volunteers.
- The National Cyber Security Centre and the Charity Commission have both released guidance for charities on minimising cyber risk. Insurance should be considered alongside preventive measures such as staff training, two-factor authentication, and data backups.
- Trustee’s and director’s indemnity insurance (subject to the latest Charity Commission guidance updates from 2023). – this provides limited insurance for trustees against breaches of trust. Charities require authority to purchase Trustee Indemnity Insurance (TII).

This can be authorised by your charity’s governing document or, if it is silent, under section 189 of the Charities Act 2011 (as updated by the Charities Act 2022). The Charity Commission’s updated guidance (CC49) outlines the conditions under which Trustee Indemnity Insurance (TII) may be purchased.

*Note: This kind of insurance will not cover trustees who have behaved recklessly and dishonestly, but that it is extremely rare anyway for trustees who have behaved prudently and honestly to suffer financial loss as a result of being a trustee.*

- **Cyber Insurance** – As per the Economic Crime and Corporate Transparency Act 2023, charities handling personal data should consider cyber insurance to mitigate financial and reputational risks.– can include losses incurred by you from a cyber event and also losses incurred by Third Parties who may have their personal data compromised during a cyber event. Most policies will also include forensic examination and system recovery where possible, notification costs, PR advice and Business Interruption losses.

## General points

- It is important to review policies to ensure that cover is still adequate and that the premiums are competitive.
- It is worthwhile having a management committee member responsible for the group’s insurance to prevent the issue being overlooked
- Incorporated organisations may take out insurance in the name of the organisation. Unincorporated organisations should take out insurance in the name of the committee but signed by an individual on behalf of the management committee.

- Unincorporated organisations cannot sign contracts in the name of the organisation. A named individual must sign on behalf of the management committee, and the committee bears collective legal responsibility.
- As with any insurance there will be circumstances which exclude cover. Make sure that these exclusions (the small print) are read and understood.
- When taking out insurance the proposer owes a duty to provide a fair presentation of the risk to the insurance company. The company could avoid paying a claim due to non-disclosure if the proposer has either failed to disclose or misrepresented information at quotation or subsequent renewal of cover
- It is essential to be covered for the right amount. Cover can be for replacement value at the time of loss or damage or its replacement cost (often called 'new for old'). If you are under insured, some policies allow an insurance company to apply average which proportionately reduces the amount payable .
- Keep an up-to-date inventory of property, furniture and equipment.
- The Economic Crime and Corporate Transparency Act 2023 introduces new rules on transparency and director identity verification. Organisations should ensure that the people taking out and managing insurance policies are correctly listed with Companies House (if incorporated), and that changes in responsible persons are updated promptly.
- Charities should review their insurance portfolio annually and after any significant change in activities, staffing, premises or structure. This ensures that the cover continues to meet the evolving risks and legal responsibilities of the organisation.
- As part of your annual review, ensure your insurance reflects any hybrid working models, remote assets, or online service delivery models introduced since the pandemic.

### **Charities and Insurance (CC49)**

Specific guidance for charities can be found in the Charity Commission publication, [Charities and Insurance \(CC49\)](#).

## Specialist charity insurers

The following is a non-exhaustive list of specialist charity insurers and brokers including the nationally recognised Encompass scheme promoted by WCVA.

### Keegan & Pennykid

Keegan & Pennykid (Insurance Brokers) Ltd 50 Queen Street, Edinburgh EH2 3NS

Tel: [0800 731 8030](tel:08007318030)

Fax: 0800 731 8448

[www.keegan-pennykid.com](http://www.keegan-pennykid.com)

[enquiries@keegan-pennykid.com](mailto:enquiries@keegan-pennykid.com)

## Thomas Carrol

Thomas Carroll Group plc

Pendragon House, Crescent Road, Caerphilly CF83 1XX

Tel: [029 2088 7733](tel:02920887733)

Fax: 029 2085 5230

[www.thomas-carroll.co.uk](http://www.thomas-carroll.co.uk)

## Ansvar Connect

Ansvar Insurance Co Ltd

Ansvar House, St Leonards Road, Eastbourne, East Sussex BN21 3UR

Tel: [01323 737541](tel:01323737541)

Fax: 01323 739355

[www.ansvar.co.uk](http://www.ansvar.co.uk)

## Ecclesiastical

Ecclesiastical Insurance Group Beaufort House, Brunswick Road, Gloucester GL1 1JZ

Tel: [0845 777 3322](tel:08457773322)

[www.ecclesiastical.com](http://www.ecclesiastical.com)

## Zurich Municipal

Community Insurance Centre Mountbatten House, Grosvenor Square Southampton SO15 2RP

Tel: [0845 600 3184](tel:08456003184)

<https://www.zurich.co.uk/en/charity-insurance>

## Ladbroke

Ladbroke,

Freepost NEA9003, Sheffield S25 3ZZ

Tel: [01909 565858](tel:01909565858)

Fax: 01909 550840

[www.ladbroke.co.uk](http://www.ladbroke.co.uk)

## Endsleigh

Endsleigh Insurances (Brokers) Ltd Shurdington Road, Cheltenham Spa, Gloucestershire GL51 4UE

Tel: [01242 866800](tel:01242866800)

[www.endsleigh.co.uk/](http://www.endsleigh.co.uk/)

## Norris & Fisher

Norris & Fisher Insurance Brokers

58 Abbey Enterprise Centre, Romsey, Hampshire, SO51 9DF

Tel: [01794 518855](tel:01794518855)

[www.norrisandfisher.com](http://www.norrisandfisher.com) [www.villagehallinsurance.co.uk](http://www.villagehallinsurance.co.uk)

## Further information

Charity Commission for England and Wales

Tel: [0845 3000 218](tel:08453000218)

<https://www.gov.uk/government/organisations/charity-commission>

## Disclaimer



Third Sector Support Wales is a network of support organisations for the whole of the third sector in Wales.

It consists of the 19 local and regional support bodies across Wales, the County Voluntary Councils (CVCs) and the national support body, Wales Council for Voluntary Action (WCVA).

For further information contact

<https://thirdsectorsupport.wales/contact/>

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