

Do Nonprofits Need Insurance?



By: Sally Lawson, Senior Vice President & Investment Advisor

As our society has become increasingly litigious, countless circumstances might bring an insurance claim to the door of a nonprofit organization.

So - what types of insurance policies do nonprofit organizations need? Here's a good overview –

1. General Liability

All nonprofit organizations should purchase general liability insurance. It covers against claims made by third parties for bodily injury and property damage that occurs during the nonprofit's operations.

2. Property Insurance

Property insurance covers damage or loss to buildings, office equipment, inventory, and any other property the nonprofit owns. Fire and theft are typical claims. Boards should be aware that not all insurance policies cover floods and earthquakes.

3. Auto Insurance

Nonprofits may buy auto insurance if their boards or employees use autos for the nonprofit business. Nonprofits may purchase liability coverage to cover others and physical damage coverage for cars. It is also essential to consider non-owned auto insurance coverage for volunteers who use their vehicles for nonprofit volunteering.

4. Workers' Compensation

Workers' compensation will cover medical expenses and wages if an employee gets injured while working for the nonprofit. This insurance is mandatory in every state except Texas.

5. Directors and Officers Liability (D&O)

D&O insurance provides coverage for board directors' and officers' management decisions, protecting the organization and individual board members. As part of their D&O insurance policies, many companies often include insurance coverage for employment practices liability, which extends to volunteers and employees. This coverage protects against claims for harassment, discrimination, and wrongful termination.

6. Professional Liability

Boards of directors can forget to tell people things or make mistakes. Professional liability insurance is also referred to as errors and omissions insurance. It protects against claims made as a result of a board director's action or inaction.

7. Sexual Misconduct Liability

Sexual misconduct liability pays for defense and settlement if the plaintiff wins their case in court. Claims may include client lawsuits against an employee, volunteer, or contractor due to abuse or from negligent supervision resulting in abuse or molestation.

General and professional liability policies exclude these risks, so organizations that serve vulnerable populations such as seniors, youth, or the disabled should seriously consider this coverage.

8. Cyber Liability Insurance

Nonprofits are just as vulnerable to data breaches as any other business, and they often retain sensitive data. Confidential client, donor, and employee data are at risk, primarily if an organization uses mobile technologies such as laptops and cellphones.

Cyber liability insurance covers expenses associated with data breaches, such as defense claims by state regulators, fines and penalties, credit monitoring, and identity theft losses.

Having good insurance is just good business. It protects the assets of the business, as well as the employees, board of directors and volunteers. If you are considering joining a board of directors, it is best to first inquire about their insurance coverages.

If the above coverages have sparked questions about whether your nonprofit has enough or the right kinds of insurance, don't hesitate to get in touch with me at 610.695.3651.

I would be happy to discuss the variety of insurance products offered by Malvern Insurance Associates, LLC, the insurance arm of Malvern Bank, National Association. When it comes to liability insurance, it is better to be safe than sorry.



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