

# How to find untapped (non)profits

Brokers who take the time to get educated on the world of nonprofits have an opportunity to build a solid book of business in this niche

**THE WORK** done by nonprofit organizations, social services agencies and charities to support those in need should not be underestimated. Although these agencies mostly operate away from the public spotlight – at least until

good long-term opportunity for those who put in the time to become industry specialists.

“In the mid-1980s to late ’90s, there were only two or three markets specializing in nonprofits, Charity First being one of them,”



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Vince Terlaje, NIF Pacific

something goes wrong – they work tirelessly to provide services to the less fortunate.

For insurance brokers, the nonprofit space offers two opportunities: the ability to make a real difference and the chance to build a book of loyal clients in a fast-growing segment.

The number of nonprofit and social service agencies continues to grow, and because the vast majority of brokers do not specialize in dealing with nonprofits, the space represents a

says Riley Binford, EVP at Charity First Insurance Services. “Today, there are at least seven or eight very strong nonprofit programs available, and this should only continue to grow. So you have a great combination for brokers: a growing industry segment, and a healthy and willing insurance market.”

Brokers operating in the nonprofit space need to display a level of understanding and empathy that is not required in other

segments. Every agency has its own mission and group of people it’s seeking to help, but for most nonprofits, insurance isn’t a top priority.

Although certain risks, such as property, general liability, automobile and workers’ comp are easy for nonprofit leaders to comprehend, others, like D&O or EPLI, are less obvious.

“Probably the most common D&O claim is mismanagement of funds and/or directed donations,” Binford says. “If you have employees and you elect not to carry EPLI, you are exposing the organization to employment practices claims such as wrongful termination, harassment and discrimination.”

Any organization that works with minors or mentally disabled adults also needs to protect itself by carrying sexual abuse and molestation coverage. In addition, Binford advises that “if you are a nonprofit with residential exposures or bus/van exposures that expose several lives to injury at one time, umbrella liability coverage is essential, as one bad loss could easily exhaust the underlying limits.”

## Necessary coverage

Although policies and coverages in the space differ between carriers, there is a general bucket of liability insurance coverages available to nonprofit organizations and charities.

Commercial general liability coverage is a fundamental requirement for most nonprofits and covers a range of events that could result in bodily injury, personal and advertising injury, or property damage to a third party.

“The most common occurrence covered by this policy is slip and fall,” says Pamela Davis, founder, president and CEO of the Nonprofits Insurance Alliance Group. “This coverage should be provided on an occurrence policy and not a claims made policy.”

Volunteer accident insurance provides coverage for injury to a volunteer or participant on a no-fault basis. “Accident insurance typically pays regardless of fault, and may engage prior to an individual’s health insurance or in excess of it, depending on the

particular policy,” Davis says.

Property coverage is another essential; in addition to covering all physical assets, it can be customized to cover property in transit, mobile equipment, fine arts, etc.

Finally, directors & officers liability covers damages resulting from the wrongful acts of a nonprofit’s directors and officers and extends to damages not covered under the commercial general liability policy.

“A good D&O policy should include broad coverage for all types of employment-related actions, including allegations of wrongful termination, harassment, discrimination and



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failure to hire,” Davis says. “It should also offer defense for breach of contract and wage and hour claims, as well as pay defense costs as they are incurred, not on a reimbursement basis.”

Social service professional liability, which is often sold as an endorsement to a commercial

general liability policy, usually provides coverage for errors or omissions. Although it may cover the dispensing of medications, counseling and nurse practitioners, it is not true malpractice liability coverage. “This policy is typically not sufficient for organizations with

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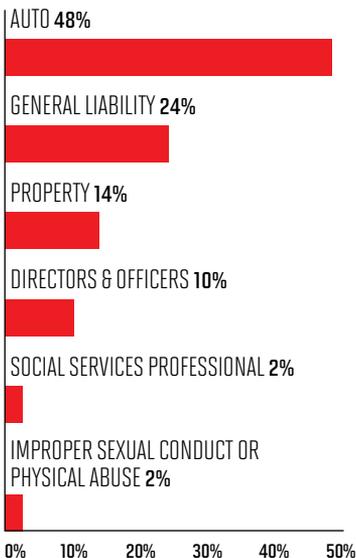
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# SECTOR FOCUS: NONPROFITS

## WHO NEEDS NON-PROFIT COVERAGE?

-  Group homes for children
-  Transitional living centers
-  Organizations for the developmentally disabled
-  Domestic abuse shelters
-  Food banks
-  Clubs
-  Foundations
-  Community and senior centers
-  Child care
-  Schools
-  Medical and dental clinics

## MOST FREQUENT CLAIMS



Source: Nonprofits Insurance Alliance Group, 2016



medical malpractice or other professional liability exposure,” Davis says.

Nonprofits may also need coverage for employee benefits liability, non-owned/hired auto liability and employee dishonesty.

### Budgetary challenges

The shockwaves caused by the new presidential administration are rippling through every aspect of the economy, and the nonprofit space has not been spared. In most cases, nonprofit and social services agencies have smaller budgets than other organizations to start with, and those embedded in the industry are playing close attention to how policies enacted by the Trump administration will affect those nonprofits’ ability to operate.

“Some of the cuts proposed by Trump could cause some organizations to not only work on limited budgets, but to close their doors completely,” says Vince Terlaje, president of NIF Pacific. “Some organizations face having their budgets eliminated entirely, so it’s definitely something that we as an industry need to be mindful of. Everyone is interested to see how it plays out.”

In addition to facing constant budgetary,

staff and legal challenges, nonprofit organizations also struggle to get the insurance coverage they desperately need. Standard markets are not typically set up to deal with the specialist risks presented by these types of companies, and nonprofits require a level of expertise that many independent insurance agents simply do not possess. That lack of expertise can lead to certain aspects of coverage getting overlooked; as a result, the organization might go uninsured.

For brokers, the nonprofit space represents the chance to grow a new, sustainable book of business. Every town and city across the county, regardless of size or socioeconomic status, is home to various nonprofit organizations and groups. Terlaje advises ambitious brokers to actively seek out nonprofits, charities and social services agencies within their communities and work with them to discover if there are any gaps in coverage.

“There are lots of those companies out there, and it is definitely a market that isn’t difficult for a broker to break into,” Terlaje says. “Markets that are catering to nonprofits are well placed to enable inexperienced brokers to write nonprofits in their communities.” **IB**