

The voice of the Voluntary Arts Insurance for voluntary arts groups

Insurance can provide protection against many of the things that are likely to go wrong when running a voluntary arts organisation, from your office being broken into to somebody injuring themselves at one of your events. Depending on what your group does and how it is set up, there are some types of insurance that you *must* have, and other types that, while not compulsory, are highly recommended. This briefing will guide you through the different types of insurance available, and help you find the right balance between low cost and adequate protection.

If your organisation is a charity, then your trustees have a legal duty to make sure that its money and property is kept safe. They should take out enough insurance to cover, in full, any losses or damage should things go wrong. If they don't, they could, in a worst-case scenario, be held financially responsible. Your national charity regulator (e.g. The Charity Commission, OSCR, etc.) will be able to provide you with detailed guidance on the recommended level of insurance cover for your charity (see *Further Resources for contact details*).

If your organisation is not a registered charity, you still have an ethical duty to your staff, volunteers, management committees, members and community to ensure that the organisation in which they have invested time and money is protected from unnecessary or avoidable risks (i.e. the situations where things can go wrong). You may also find it hard to attract volunteers on to your board or committee if they feel that they may be held personally responsible for uninsured risks.

A. Planning your insurance needs

Deciding on the types and level of insurance your organisation requires can be a bit of a balancing act. Some organisations find it acceptable to have a lower level of insurance cover in exchange for lower premiums (the amount you pay for your insurance). Others prefer, or are legally required, to pay more to protect against a greater range of risks. Some need all their

cover to be valid all of the time, while others (those involved in occasional project work, for example) can save money by taking out certain insurance policies to cover events just when they need to.

Before deciding which policies you need, check to see what (if anything) is covered by your own personal insurance, and that of your staff and/or volunteers, with regards to your organisation's activities. If you are storing costumes or props at your house for example, does your own contents insurance cover it? Does your vehicle insurance cover you when you are using your car for work purposes? Many personal policies don't cover work activities. Contact your insurance provider to find out, and, if necessary, inform them that you wish to change your policy to allow you to do so. Bear in mind, however, that staff and volunteers may leave the organisation, so don't rely too much on an individual's personal insurance.

Managing risk

If you have a good strategy for managing risk (see *information below*), then you may have found that the impact of some of the risks you face can be reduced by ensuring that simple precautions are followed by your staff, volunteers and participants. If this is the case, you may decide that one or more particular types of insurance cover are unnecessary. However, it is important to understand that you cannot completely avoid things going wrong just by being cautious; in many cases, combining insurance with a number of other precautions is the best approach.

Another benefit of such an approach is that insurance premiums can often be reduced if you can demonstrate to the insurance provider that your organisation actively manages risk on an ongoing basis.

Risk management

Risk management involves identifying and assessing risks (situations where things can go wrong) and then devising a plan to deal with them. This should be an ongoing process – regularly reviewed and updated to reflect changes in circumstances. It should involve the whole organisation (trustees, staff and volunteers) and be done collaboratively to give you a full picture of what you might face. It is important to note that not all risks can be eliminated but that most risks can, and should, be reduced.

For more details, see *VAN Briefing 73 – Risk management for charities – a good opportunity*.



Planning on a budget

If you have little spare cash you might be tempted to skimp on insurance cover. By putting your organisation at risk in this way, however, you might find yourself in serious financial trouble if things do go wrong. Deciding not to get insurance just to save money in the short term may prove to be a false economy if bad luck strikes and you are left with a hefty bill for legal representation or the replacement of stolen or damaged goods.

It is vital that you consider what insurance you may need, both in the short term and the foreseeable future, in the early stages of your organisation's financial planning. When fundraising through grant schemes and trusts, specify how much you will need to allocate for adequate insurance. As well as helping to ensure that there are no unforeseen shocks when a potential insurance provider's quote pops through the letterbox, you are also demonstrating to potential funders that you are a responsible applicant who will not take unnecessary risks with their money.

If you are a charity or social enterprise, you must also be conscientious about not wasting the money that has been allocated to you, a charitable cause. Charity regulators advise that you should only take out non-compulsory insurance if you can afford the premiums without badly affecting your ability to achieve your charitable objectives. It is your responsibility to ensure that you aren't paying for cover you don't actually need, and that you are getting the best deal on the insurance you do need.

Planning for one-off or occasional events

If you only need a certain type of insurance for an event that takes place over part of the year (for example, if you need insurance for a summer school in July and August, and for the rest of the year have little or no direct contact with the public), it makes little sense to have year-long cover for all your insurance needs. Event-specific insurance can save you money, provided you can plan well in advance what you will need and when you will need it.

If you are hiring a venue or someone has donated the use of their venue to you, find out what insurance the owner already has, and whether it covers your planned activities. Don't take it for granted that their insurance will protect you. Ask for the details of the cover including the exclusions, and ensure that your own cover is adequate to fill any gaps.

For unusually risky events (such as shows involving horse-riding or carnival floats) special insurance arrangements will need to be negotiated with your provider. A number of factors may influence their decision to insure you and, if they do, what premiums to charge. It is important to answer all their queries fully and honestly.

Other event-specific insurance policies you may wish to negotiate with your provider include non-appearance of a guest speaker, unforeseen cancellation, or 'pluvius' insurance against rain (it is important to determine in advance how much rain needs to fall and how it is measured).

B. What types of insurance might you need?

The following list is broadly divided into essential, recommended and optional insurance. Depending on your circumstances and constitution, however, what is essential to your organisation may vary from that which is set out here. If you are unsure of what cover your organisation actually needs, consult an independent professional adviser (see *Further Resources for details of some directories*).

1. Essential

There are two types of insurance that are compulsory, regardless of what your organisation does or how it is constituted. These are:

- **Employer's liability insurance** – if you employ paid staff or have volunteers then employer's liability insurance is compulsory. It covers the organisation against illness, injury or death to an employee or volunteer occurring during the course of employment and arising as a result of neglect or a breach of health and safety law.
- **Vehicle insurance** – if you have a vehicle that's kept on the road, you must have third party insurance for it.

2. Recommended

The following types of insurance are not always compulsory, but, if relevant to your organisation, are highly recommended:

- **Public liability insurance** – protects the organisation against claims from members of the public involving illness, injury or death, or damage to property caused by neglect or a breach of health and safety law on the part of the organisation or anyone working for it. Consider people visiting your office as well as people at events, classes, workshops, festivals and so on. Public liability insurance is one of the most important types of insurance in the voluntary arts sector, and one of the most expensive to ignore!
- **Buildings insurance** – covers the building and related fittings and fixtures. Where the organisation occupies the property under a lease, it is essential that the terms of the lease are examined to see whether the organisation (as the lessee) or the landlord is responsible for both buildings and contents insurance.
- **Contents insurance** – contents are everything that is contained within your building. Does your contents cover need to be on a new-for-old basis (to pay for new computers to replace old ones, for example) or include losses arising from theft or accidental damage? Do you need to specify certain high-value items, or money in transit or on the premises?
- **Professional indemnity insurance** – protects the organisation if there is a claim made against it for providing misleading or damaging advice. If your organisation is offering advice that will have financial implications, then this type of insurance is especially important.



- **Trustees and directors indemnity insurance** – protects the trustees/directors from claims made against the organisation, such as if there are debts outstanding were the organisation to cease operating. Although this type of insurance has been subject to much attention as a result of recent changes in charity law, it is important to keep the risk of trustee liability in proportion. Very few trustees who have acted honestly suffer financial loss as a result of their trusteeship. Charity trustees wishing to take out indemnity insurance must have proper authorisation from their charity regulator before purchasing it, as it is regarded as a personal benefit that could infringe the regulations governing the charity.
- **Insurance for plate glass windows** – for properties with shop-fronts.

3. Optional

The following types of insurance are not always compulsory, but, if relevant to your organisation, are things you might wish to consider:

- **Equipment failure** – loss of revenue or inability to meet your objectives through failure of equipment such as computers, lights, cameras, etc.
- **Fidelity** – employees' fraud and dishonesty, especially for organisations dealing with large sums of cash.
- **Loss of documents and data** – loss or damage of electronic and/or paper files.
- **Loss of revenue** – can cover a variety of reasons why revenue might be lost.
- **Personal accident, medical care and assault** – extra cover for you, your staff and/or volunteers, especially in high-risk situations.
- **Legal expenses** – covering costs of a solicitor or court action – usually includes free advice from a helpline.
- **Staff sickness** – to pay sick pay to staff or for replacement personnel.
- **Stock** – products or promotional items kept in store.
- **Cash** – money in transit or on the premises. This is especially important when cash is received for sales of artwork or events tickets.
- **Interruption of trade** – due to unforeseen external factors.
- **Theft, fire and flood** – for buildings, contents and equipment.
- **Fundraising** – for example, covering a fundraising event against bad weather.

C. Finding the right deal

Where to look

We aren't in a position to endorse any particular insurance providers, but a good place to start to look may be:

- **Your art or craft form umbrella or lead body** – some of these bodies offer discounted insurance negotiated with

the needs of their membership in mind. For a list of voluntary art and craft umbrella and lead bodies, visit the VAN directory at www.voluntaryarts.org/directory.

- **Voluntary sector umbrellas** – again, membership of these organisations may provide access to discounted insurers who understand the needs and the regulatory environment of voluntary organisations (see *Further Resources* section for contact details).
- **Organisations with activities similar to yours** – they may be able to recommend particular providers and also give you an insight into the level of insurance you may need.
- **Price comparison sites** – personal insurance policies such as vehicle and buildings can often be found using price comparison sites such as www.moneysupermarket.com or www.confused.com.

Things to consider

Finding the right deal can be time consuming, but it is worth shopping around to get an appropriate level of cover for the right price. Always obtain more than one quote to ensure you get the best value for money. Seek references, including, if possible, details of how efficient the provider is at handling claims.

Make sure you read and understand the exclusions (i.e. circumstances which are excluded from cover – the 'small print'). Make sure too that you disclose all relevant facts when you take out the policy, and any changes in your circumstances when you renew it. If material is not disclosed or the application form is inaccurate, then the insurance company may refuse payment of a claim.

When considering a particular policy, check the payment options. Can you pay quarterly or monthly to spread the cost, rather than yearly in advance? Can you get a better deal with a long-term agreement, by taking out a combined policy or by paying by automatic bank transfer or Direct Debit? Does the provider offer no-claims or loyalty discounts?

Insurance can be bought either directly from an insurance company or through a broker (a kind of insurance agent). It is important to note that some brokers will be genuinely independent, while other will be linked to particular companies. The Further Resources section of this briefing features signposts to lists of registered brokers in the UK and the Republic of Ireland.

Combined insurance policies cover more than one area of risk in a single policy. This sometimes works out cheaper and simpler than getting a lot of individual policies. Try to make sure the insurance package you settle on is right for you and doesn't include any cover that you don't need. Begin with buildings, contents, personal accident, and then add additional cover for non-standard items such as telephone helplines.

D. Reviewing your insurance needs

When you receive the policy, ensure that all the information recorded is accurate. Keep at least two copies of this information; one away from the premises.

It is important to review your insurance needs at least annually, taking into account inflation, changes in types and levels of activity of your organisation and any relevant changes in legislation. If the organisation engages in any different kind of work or activity requiring a change in cover the insurance providers should be informed immediately.

It may help to have one person in the organisation becoming the 'expert' in insurance matters, and making sure adequate cover is in place. Ensure that they document everything, however, in case they leave the organisation and take their expertise with them.

Further Resources

Insurance bodies

- **Association of British Insurers (ABI)** – provide general advice and details of insurance firms that specialise in given areas of work – www.abi.org.uk
- **British Insurance Brokers' Association (BIBA)** – trade association of general insurance brokers providing information for both brokers and consumers – www.biba.org.uk
- **Institute of Insurance Brokers (IIB)** – includes a list of members throughout the UK – www.iib-uk.com
- **Professional Insurance Brokers Association (PIBA)** of Ireland – information on insurance and an online map of members – www.piba.ie

- **Irish Brokers Association (IBA)** – the leading representative body of insurance brokers and independent financial advisors in Ireland – www.irishbrokers.com
- **Financial Services Authority (FSA)** – regulator of all providers of financial services in the UK – www.fsa.gov.uk

Voluntary sector umbrellas

- **National Council for Voluntary Organisations (NCVO)** for England – www.ncvo-vol.org.uk
- **Scottish Council for Voluntary Organisations (SCVO)** – www.scvo.org.uk
- **Wales Council for Voluntary Action (WCVA)** – www.wcva.org.uk
- **Northern Ireland Council for Voluntary Action (NICVA)** – www.nicva.org
- **The Wheel** – support and representative body connecting community and voluntary organisations and charities across Ireland – www.wheel.ie

Charity regulators

- **The Charity Commission** for England and Wales – www.charitycommission.gov.uk
- **The Office of the Scottish Charity Regulator (OSCR)** – www.oscr.org.uk

Publications

- **Charities and Insurance** from the Charity Commission website – www.charity-commission.gov.uk/publications/cc49.asp
- **What insurance does the organisation need?** from the NCVO website – www.ncvo-vol.org.uk/askncvo/index.asp?id=493
- **Advice Note 12: Insurance** from the NICVA website – www.nicva.org/uploads/docs/r_Insurance_010704.pdf

Information contained here may go out of date and you are therefore advised to check its currency. Updated information may be available on the VAN website: www.voluntaryarts.org

Disclaimer: Reasonable precautions have been taken to ensure the information in this document is accurate. However, it is not intended to be legally comprehensive; it is designed to provide guidance in good faith at the stated date but without accepting liability.

We therefore recommend you take appropriate professional advice before taking action on any of the matters covered herein.

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