

Non-Profit Organization & General Liability Insurance

Information Panel for Arlington
County Civic Federation

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Non-Profit Organization & General Liability Insurance

- Presenters:
 - Timothy R. Hughes, of Bean, Kinny & Korman, Attorneys
 - Richard V. Mercado, Vice President
Huntington T. Block Insurance Agency, Inc.
- Moderator
 - Duke Banks, Vice President, Arlington County Civic Federation.

Non-Profit Organization & General Liability Insurance

- Note – this panel is to provide general information only, and is not to be construed as legal or insurance advice from the Civic Federation to its member organizations. Member organizations are encouraged to contact attorneys and insurance brokers and/or agents for more specifics on how to be organized and/or obtain insurance coverage.

Organization Structure

What is your organization doing?

What risks is your organization taking?

How does your organization govern/manage itself?

Is your organization raising funds?

Should We Incorporate?

- Really no, downside to formal incorporation
- Protection of volunteers, officers, directors
- Does add some limited paperwork and filing requirements, but not significant
- May require separate accounts, but that is best practice regardless
- Need to file 990s

Incorporation Process

- Corporations – created by filing with the Virginia State Corporation Commission
- Articles forms – available on SCC site
- Non-stock articles: \$75 filing fee, annual report filing fees of \$25

Governance

- Level of documentation of governance processes depends on organization and incorporation
- Some have very limited
- If more than a handful of volunteers, far better to have bylaws, formal conflict and other policies, and stick to process

Typical Bylaws Questions

- Nomination of directors and officers
- Voting process for same
- Voting on other governance issues
- Meeting requirements
- Notice
- Quorum
- Conflicts, finances, inurement, etc
- Written v actual process
- Need to update

Seeking Non-Profit Status

- Unlike incorporation, getting an IRS 501(c)(3), 501(c)(4), or 501(c)(6) designation is costly, time consuming and complicated
- Requires detailed bylaws on governance, and the bylaws need to match IRS requirements
- Designations do create tax advantaged state

Which IRS designation?

- 501c3 - tax exempt – charitable, religious, scientific, etc.
 - Very limited lobbying
- 501c4 – social welfare orgs, local associations (can include HOAs)
 - Can include lobbying if pertains to main mission

Homeowners Associations

- Can file as a 501c4 to be tax exempt
- Alternatively – Can file form 1120-H tax form; allows exempt function income to be excluded from gross income and thus avoid taxes
- Exempt income includes members dues, fees, or assessments from member as owners, not customers

Solicitations

- Organizations soliciting donations need to register in most states
- In Virginia, done through filings with the Virginia Department of Agriculture and Consumer Services

Liability Insurance

- Commercial General Liability Insurance
- Directors and Officers Liability Insurance
- One Time Special Event Insurance
- Umbrella/Excess Liability Insurance
- NO Insurance

Commercial General Liability

A policy issued to organizations to protect them against liability claims for bodily injury (BI) and property damage (PD) arising out of premises, operations, products, and completed operations; and advertising and personal injury (PI) liability. "Host Liquor" liability is also covered. The CGL policy was introduced in 1986 and replaced the "comprehensive" general liability policy.

Commercial General Liability

- Owners of Premises and Property Management Companies generally require that they are Additional Insured in the CGL policy via a “Certificate of Insurance”.
- Standard limit is \$1,000,000 “Per Occurrence” and \$2,000,000 “Aggregate”. If higher liability limits are required, an Umbrella Liability coverage may be purchased. Annual premium starts at around \$500-750.
- Non-Owned and Hired Auto Liability may also be required if vehicles are used for loading and unloading.
- Liquor Liability may also be required if you actually sell alcohol instead of a “host bar”.

Directors and Officers Insurance

D&O Liability Insurance indemnifies **directors and officers** of nonprofit organizations for damages and defense costs arising from lawsuits alleging various “wrongful acts”, including but not limited to:

- *Unfair employment practices; Mismanagement of the organization’s assets; Inefficient administration; Violations of bylaws; Conflicts of interest; Improper self-dealing; False or misleading reports; Continual absence from meetings; Failure to file annual report; Failure to detect embezzlement of funds*

- D&O Liability is typically a “claims-made” policy as opposed to “occurrence basis” for CGL policy.
- Standard liability limit is \$1,000,000 “Per Claim” and \$1,000,000 “Aggregate”. Depending on the financial size of the organization, the annual premium normally starts at about \$500-\$750.
- Employment Practices Liability and Third Party Discrimination coverage are usually included automatically. Professional Liability is Excluded.

One Time Special Event Insurance

If you do not carry an annual CGL policy, a one time Special Event Insurance is your best option. Here are some links:

Virginia Association of Counties (VACO)

TULIP Event Insurance – Approx. cost \$100 for \$1 million coverage

<http://www.vacorp.org/coverages/tulip-event-insurance/>

The Event Helper <https://www.theeventhelper.com/>

Gateway Speciality Insurance <http://gatewayspecialty.com/Special-Event>

Nationwide Insurance <https://www.nationwide.com/general-liability-insurance-hb.jsp>

K&K Insurance:

<https://www.kandkinsurance.com/EventsAttractions/Pages/Short-Term-Special-Events.aspx>

When to get CGL insurance

- County may require it.
- Concern about frivolous lawsuits
- Getting involved with County projects that require organization to maintain financial records and files that involve using public funds.