Risk Management and Insurance Considerations

Proposal for: NCT Forum
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My understanding of the members is that each trust is an independent charity in their own right, they are important local sources of both financial support and advice to churches, and the NCT enhance their grant-giving through the Partnership Grants programme. They also organise an Annual Conference of their liaison body, the Churches Trusts Forum.
Insurance Requirements

A Standard Charity Policy can be made up of the following sections, some may apply to your Trust, and some may not, it is entirely up to the trustees or committee as to what they require.

➢ Material Damage
➢ Money and Assault
➢ Employers Liability
➢ Trustee Liability
➢ Public and Product Liability
➢ Professional Indemnity
➢ Fidelity Guarantee
For years Insurance Policies have tended to have rather general wordings, which meant for the clients, that they benefited from broader cover. Over the last 5 years, there has been a shift in the Insurers attitude and as a result they require a more specific description of the Trusts activities, this has been driven by claims that in reality should not have been covered.

List everything that you anticipate the trust will be involved in over the next Policy year and advise Insurers.
Has your trust got an Asset Register? If so does it marry up with your Insurance Policy?

If you have property, when was the last time it was surveyed to assess the condition and the Insurance rebuild sum insured.

In the event of under-insurance, insurers would usually apply the condition of averaging. This means that if you are under-insured then the insurer will reduce the amount that is paid in relation to the amount that you are under-insured.

For example – your sum insured is £8,000 and you claim for £4,000 but your actual sum insured should be £16,000, Insurers would only pay £2,000 as you have only insured 50% of the total cost.
Money And Assault

How many fundraising events do you have a year?

What is the maximum amount that you raise?

Does it match your Insurance Policy?

Is it banked Immediately or kept at someone’s house overnight?

Who takes the money to the bank?
All employers are required by law to insure against liability for injury to their employees which could arise out of their employment.

Does the Trust have any employee’s?

Do you update Insurers each year about wage roll figures?

While some charities believe they don’t need the cover if they don’t have any paid staff on their books, they still have the same duty of care for volunteers as they do for their paid employees. Having adequate insurance in place for volunteers is essential.
Regardless of how well intending your decisions as a trustee may be, claims or allegations of negligence could be made against you during (or after) your time as a charity trustee. Such allegations could cost thousands of pounds in legal fees, expenses and compensation – and without trustees insurance, you may be liable to pay them out of your own pocket.

Trustee indemnity insurance can cover your legal fees, expenses and any damages awarded against you following an allegation of negligence – giving you the peace of mind that your personal wealth won’t be at risk if a claim is brought against you.

• The offices of a Charity were damaged following a leak. The trustee who was responsible for maintaining the Charities insurances did not keep their insurance companies up to date with the values insured which resulted in a shortfall between the cost of remedial works required and the indemnity insurers paid. The Charity was unable to pay for the full extent of the work and the other Trustees took legal action against the Trustee responsible for this error to make up the difference.

• A committee member breached his authority in appointing a company belonging to one of his associates to undertake work on behalf of the committee. The member was sued for non-payment of fees following cancellation of the contract.
• An Organisation appoints one of its Trustees to be responsible for ensuring that Health and Safety requirements are met. However, following the injury of one of their employees the Health and Safety Executive bring an action against the Organisation for not complying with Health and Safety requirements and for failing to remedy problems that had been identified in a previous inspection. The Organisation is not financially able to support the Trustee in defending this claim and the Trustee is burdened with defending the claim on his own.

• A Charity faced an investigation by the Charity Commission after a whistle-blower informed them the Charity’s activities were being adversely affected because some Trustees were acting independently to the exclusion of other Trustees. The Investigation lasted for 6 months, resulted the Chairpersons resignation and the Commission using its powers to appoint two new independent Trustees. The former Chairperson is now facing potential personal liability from a breach of duty claim from the Charity members.

• A former Trustee claims the organisation has released misleading statements about him on their website which tarnishes his reputation. The continuing Trustees individually receive letters of complaint from the former Trustee’s solicitor which threatens legal action if this is not resolved, demands an apology and a substantial financial settlement.
Public and Product Liability

Public and product liability insurance covers your business against:

• Injury you cause to a third party during your business activities
• Damage you cause to third party property
• Personal injury or damage to property arising from any product you have supplied

What Limit should you have?

Give some thought to a worst case scenario and the likely costs involved with not only defending the allegation, but also the compensation you would have to pay to put your mistake right.
If you provide advice, design or a professional service to your customers, professional indemnity insurance (also known as professional liability insurance) is typically regarded as essential cover.

Everyone strives to provide their clients with the best service possible, but if things go wrong, it pays to be properly insured.

Professional indemnity insurance covers your legal costs and expenses in defending a claim, and any compensation or costs that may subsequently be awarded, following:

- **Professional negligence, such as making a mistake in a piece of work for a client, or giving them poor advice**
- **Unintentional breach of confidentiality and/or copyright**
- **Defamation and libel**
- **Loss of documents or data**
- **Loss of money or goods (for which you are responsible)**
Fraud cases involving charities seem to be reported on a weekly basis. According to the Centre for Counter Fraud Studies at the University of Portsmouth, fraud is estimated to cost the charity sector in England and Wales around £1.65bn per year, and from 2012-13, 23 of the Charity Commission’s 29 most serious investigations involved concerns relating to fraud, financial abuse and financial mismanagement. As some cases are likely to go undetected, the real cost of fraud against charities is probably even higher.

It is crucial to be aware of how fraud could occur in your organisation in the first place

Ensure that controls are led ‘from the top.’ Senior members of the charity should carry out fraud risk assessments, including both prevention and detection methods.

Ensure that even those in senior finance positions are subject to checks

Have a policy in place regarding whistleblowing within the charity.

Have an ‘action plan’ in place for how to deal with fraud if it arises
Anything that could prevent your charity achieving its aims or carrying out its strategies is a risk. The types of risks your charity might face will depend on its size, funding and activities, among other factors.

Risks your charity may face include:

- damage to its reputation
- receiving less funding or fewer public donations
- losing money through inappropriate investments
- change in the government’s policy on a particular issue, affecting grants or contracts
- Identify any potential risks that could prevent your charity from meeting the needs of its beneficiaries, and put processes in place to assess and manage those risks.

Your charity should have a structured approach to risk management that is appropriate for its size and complexity. Example approaches include:

Risk assessment toolkit – KnowHow NonProfit
Risk management standard – The Institute of Risk Management
Further Information

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Key information

- Scrutton Bland is an established business with over 95 years’ experience.

- Scrutton Bland are Insurance Brokers, Accountants, Tax Advisers and Independent Financial Advisers.

- Scrutton Bland has nine partners.

- Scrutton Bland employ around 150 staff.

- Scrutton Bland has over 3000 clients, with over 250 Charities Not for Profit and Trusts across the Sector.

- Scrutton Bland has a dedicated Charity Department.

- Scrutton Bland Insurance Brokers are members of the Willis Commercial Network who handle approximately £300 million in insurance premiums.

- Willis is the world’s fourth largest Insurance Broker.

- Our Financial Planning business has over £230 million funds under management.

- Scrutton Bland are a stable, profitable business with a group turnover in excess of £9 million.