



**Care Providers**  
Insurance Services



## YOUR GUIDE TO CREATING A SOUND REOPENING PLAN:

**Evaluating Insurance Implications for Nonprofits**



**Build Success.™**

## ▶ EXECUTIVE SUMMARY

COVID-19 has changed the way nonprofits do business. Many organizations are now in the midst of reopening and reinventing the workplace, which can be a daunting and confusing undertaking. This requires careful planning — taking into consideration a myriad of factors. One area that should not be overlooked is the protection of your business.

Follow this guide to take a proactive approach and turn uncertainty into a sound plan.



*We're all facing lots of changes in our organizations and workplace — we've been bombarded with change over the last few years. Great leaders admit that they don't have all the answers and that they're on a quest to figure out what's the best course of action in a particular instance.*

—**Melanie Lockwood Herman**, Executive Director at the Nonprofit Risk Management Center



*Whether you are an insurance agent with nonprofit clients or a nonprofit leader, it's vital to understand how to evaluate risks and insurance implications caused by alterations made to the way the organization functions.*

## ▶ HOW TO EVALUATE RISK AND INSURANCE IMPLICATIONS

Now is a great time for insurance agents to meet with nonprofit clients to review their policies and procedures — even if it's not time for renewal. The pandemic affected each nonprofit differently, an important factor to keep in mind. To help drive your conversations, here is an overview of key areas to cover during review meetings, split into three categories:

1. Nonprofits **ramping up** operations
2. Nonprofits **resuming** operations
3. Nonprofits **scaling back** operations



*As nonprofits work to build reopening plans, it's really important to take a close look at existing policies and procedures. It's likely that many in place pre-pandemic no longer make sense. It's key to dust those off and make changes where needed so they are relevant and sensible in today's world. A trusted insurance agent is a great partner to call upon for this exercise.*

—**Chris Hale**, Program Director,  
Care Providers Insurance Services



# ▶ HOW TO EVALUATE RISK AND INSURANCE IMPLICATIONS: FOR NONPROFITS RAMPING UP OPERATIONS

## 1. Identify any new property and vehicles

If a nonprofit purchased or leased a new building or vehicles (or plan to), it's important to ensure they are scheduled on the insurance policy.

## 2. Identify changes in operations that require special coverage

As nonprofits begin to hold fundraising events again, keep in mind many policies include limitations, which could include number of participants or the kinds of activities covered, like concerts, fireworks or animals. The insured may be able to endorse their existing policy by scheduling that event, or they may need to purchase a separate policy.

## 3. Ensure the insurance policy covers operations off-premises

The nonprofit may be expanding its operations to provide more services off-premises. When meeting, make sure the policy doesn't have a limitation endorsement to the nonprofit's specific premises.

## 4. Review policies, procedures and best practices to ensure they meet the nonprofit's expanding and changing operational needs

If a nonprofit is expanding its operations, they may need to implement new policies or procedures to address the changes. For example, maybe staff that had been using minivans to transport clients will now use 15-passenger vans instead because there is increased demand. You'll need to make sure the drivers are trained and experienced and add controls, like checking tire pressure.



## ▶ HOW TO EVALUATE RISK AND INSURANCE IMPLICATIONS: FOR NONPROFITS RESUMING OPERATIONS

### 1. Review the nonprofit's vehicle schedule to ensure it reflects the current fleet

Nonprofits may have sidelined some of their vehicles during the pandemic, so you'll want to verify coverage has been reinstated before they hit the road.

### 2. Inspect and verify key life safety systems are in working order

Nonprofits should do things like install new batteries in smoke detectors and check fire extinguishers to make sure the pressure gauge is in operable position. They should also check things like sprinkler systems and burglar alarms.

### 3. Ensure the nonprofit's business income limit includes accurate operating revenue

Insurance agents should provide nonprofit clients with a business income worksheet and walk them through the steps to determine the right figure. They may need to update things like payroll, grant funding or donations — or maybe their rent has gone up and their expenses have increased. You don't want the nonprofit to be over-insured because in the event of a claim, they'll only collect the actual loss.



## ▶ HOW TO EVALUATE RISK AND INSURANCE IMPLICATIONS: FOR NONPROFITS SCALING BACK OPERATIONS

### 1. **Understand the vacancy clause in the nonprofit's policies**

Let's say the nonprofit is a tenant in a building, and they've emptied most of their contents out — and therefore are not able to conduct their normal business operations at that premises. That could be an issue. When meeting with clients, make sure their policies accurately reflect the status of the properties to ensure they are covered.



### Did you know?

*Landlords need at least 31% of the total square footage of the building to be used to conduct business operations for it to be considered “occupied.” After 60 consecutive days of a building being “vacant,” your client will lose coverage for some perils, including vandalism, theft, sprinkler leakage, water damage and glass breakage. If a loss occurs from a peril other than those, like fire, then the amount that the insured would normally be paid would be reduced by 15%.*

### 2. **Identify property or vehicles that need to be removed from the policy**

Be sure to remove properties or vehicles nonprofits are no longer using or no longer own.

### 3. **Adjust the nonprofit's business income limit to reflect scaled back operations**

As mentioned above, agents and nonprofits should work together to adjust the nonprofit's business income. If the organization has lower revenue, lower expenses or lower payroll, that will affect the limit.

### 4. **Report reduced staff and client counts**

Agents should talk to their nonprofit clients about this, as it impacts their premium.

## ▶ KEY COVERAGE CONSIDERATIONS AND CHANGES

COVID-19 caused widespread changes, including working from home and hikes in construction costs — which in turn, impact insurance coverage. Here is an overview of recent, common changes to nonprofit insurance policies that are important to keep in mind.

### Building Limits

Construction costs have been increasing year after year – for both labor and materials. Having adequate limits prevents issues like co-insurance penalties. Agents and their nonprofit clients should review limits yearly, especially while construction costs are increasing, because replacement costs are also increasing.

### BPP and EDP Limits

As employees transitioned to working from home, many organizations had to purchase new equipment to keep those employees working effectively. As they are coming back to the office, upgrades may have been made to their technology and systems. It's important to make sure that current BPP and EDP limits are contemplated in insurance policies. Agents should encourage nonprofit clients to review their schedules of equipment to ensure: 1) their equipment values are adequately reflected in their policy, and 2) they are insured on the proper form, based on location (BPP vs. Inland Marine). It may be necessary to endorse their current policy to ensure proper coverage is provided.



*BPP (business personal property) typically contemplates tools and equipment used in your office. EDP (electronic data processing) refers to computer systems, hardware, wiring and the other components of the data processing systems. Inland Marine forms provide broader coverage for equipment used off-premises.*

# ▶ KEY COVERAGE CONSIDERATIONS AND CHANGES

## Operational Changes

A number of nonprofit organizations are starting new programs or removing programs for a variety of reasons, like new grants or society's needs changing. A program may be operating out of 15 locations instead of 10. Organizations who traditionally only worked with adults may now be working with children. With those program changes, come staff changes. Nonprofits need to pay attention to those staff and the services they are providing because their operations will impact their insurance policies, premiums and coverages.

## Popular New Coverages

- **Cyber:** The cyber insurance market has seen volatility in recent years, with increases in both premium and claims. With the way the world operates, cyber insurance should be a part of every nonprofit's risk management plan. Agents and nonprofits should discuss options and review current security measures.
- **Umbrella:** When nonprofits make operational changes or receive new grants, they may require new insurance limits, with umbrella being a major one. It's important for agents and nonprofits to work together to make sure new grant contracts are satisfied.
- **Special Events:** Fundraising events have returned for many organizations, including new events. Ensure there is no exclusion for the type of event being planned — especially if it hasn't been executed before.



## ► CONCLUSION

Taking a proactive approach is more important than ever in today's rapidly changing insurance landscape. Understanding how to evaluate risks and insurance implications is key – and requires nonprofits to work hand-in-hand with trusted agent partners. Together, you can turn uncertainty into a sound plan and reopen with confidence.

### Key takeaways

- **COVID-19 has permanently changed the way nonprofits do business.**
- **Take time to complete a full review of past and current business operations. When operations change, coverage needs could change.**
- **Review your current insurance policies.**
  - » **Are your coverage limits in line with current operations and programs?**
  - » **Make adjustments as needed.**
  - » **CPS is here to help!**

## ▶ WHO WE ARE



**Care Providers**  
Insurance Services

For more than 25 years, Care Providers Insurance Services (CPS), a best-in-class program built by NSM Insurance Group, has offered a specialized and comprehensive insurance program for nonprofit and social service organizations nationwide. Our team partners with agents to provide a compelling mix of product and process to meet the unique insurance needs of the nonprofit sector and delivers on a rigorous service promise as evidenced by our long-standing presence in the marketplace and relationships with A+ rated carriers. By working with CPS, agents and policyholders alike have access to our in-house claims department and premier risk management services to ensure that each organization has the appropriate resources to mitigate any risks that could distract from their core mission. Trust our expert underwriting team to quote and bind your nonprofit and social service accounts today.

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