



Charity Insurance and the Role of Trustees

by Stephen Lloyd, Chairman of CaSE Insurance

No-one knows the precise size of the charity insurance market. But a reasonable estimate is that total premium value is somewhere between £175 and £225 million.

Given the range of activities that charities undertake, it is quite probable that many charities spend more on insurance than they do on lawyers or auditors. But whilst it is standard practice for boards of trustees to regularly review their legal and accounting services, this is more rarely done when it comes to

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insurance. Why is this?

Firstly, because the cost of insurance cover seldom seems to come across a board of trustees' radar, save when trustees want to check that they have Trustees' Indemnity Insurance. But obviously, a coherent approach to risk involves having appropriate levels of insurance and cover with trustees reviewing their insurances once a year as part of their risk management process. But that then begs the question as to who provides the insurance.

This can be done either via a broker or directly with an insurer. Whilst it is quite normal for boards of trustees to have dealings with the charity's lawyers or accountants, it is much rarer for them to have dealings with their insurers or brokers. These

relationships tend to be delegated to the finance director or someone not even a member of the senior management team. As a result it seems it is less common for charities to review their relationship with their insurance providers than with other professionals. Yet looking at risk and checking that the right insurance is in place is a key responsibility of the trustees.

Trustees need to review the charity's insurance cover

As importantly, insurance provides potential for considerable cost savings for charities. The insurance market is competitive and, as chairman of CaSE Insurance, I am aware that we have been able to offer charities quotations for their insurance cover which are often significantly lower than the rates they have been paying previously.

Too many charities get a quote from brokers trying to win their business and then use it as a bargaining tool with their existing broker or insurer, to persuade them to reduce the premiums – and then stay with them. It is a perverse practice that rewards a supplier who has obviously been overcharging in the past and penalises a broker that has really worked hard to produce a competitive quote.

Trustees must overcome inertia – and save charity money!

Trustees should also be wary as to why the charity should stay with the previous provider in these circumstances. Is it really because the provider will now offer an improved service at a lower price? Or is inertia a major factor – the "it's a real hassle to change so why bother" syndrome. In fact, that attitude may hide something else, namely a somewhat cosy relationship between the insurance provider and members of staff which may possibly influence

judgments as to whether or not to change providers. Such an approach is not in the charity's best interests but it is also not in the sector's best interests.

In the next few years insurance market capacity will reduce because of the financial position of insurance companies and claims will rise, as they always do in a recession. So while we may be about to witness falling prices in many areas – including even labour costs – insurance premiums are likely to increase. Consequently, taking a grip on who provides insurance cover to a charity and at what price is a step that all prudent trustees should be taking.

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Trustees should be reviewing their cover seeking alternative quotes and having the energy and courage to switch suppliers if a more favourable arrangement is on offer.

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