

## Evaluating Your Land Trust's Insurance Needs and Obtaining Proper Coverage

It is well worth the time required to evaluate an organization's insurance needs before purchasing coverage. The beginning of the chapter provides insight on key factors in this process, as well as the need to determine the goals of an insurance program at the outset. Examining the factors and establishing goals are important precursors to obtaining appropriate coverage.

The following checklists provide additional tips and suggestions for purchasing coverage and working with an insurance intermediary.

### What to Do When Purchasing Insurance

- Find a competent insurance professional (broker or agent) whom you trust to advise you on insurance matters and act as your advocate in the insurance marketplace
- Do ask your insurance agent or broker to disclose how they are compensated and also the amount of compensation he or she receives for work on your behalf
- Take the time to read your insurance policies
- Investigate the financial stability of your insurers
- Ask your broker or agent to respond in writing to your questions
- Consider seeking multiple bids for your insurance coverage at least every four to five years
- Give thoughtful consideration to how much risk your land trust can afford to retain
- Provide your board of directors with a copy of the actual policy wording for the land trust's directors' and officers' liability policy
- Provide a periodic briefing on your insurance program to the land trust's board of directors

### What Not to Do When Purchasing Insurance

- Delegate responsibility for your insurance program to a junior staff member or new volunteer
- Simply renew your coverages each year without considering whether your coverage needs have changed
- Wait until the last minute to submit completed applications
- Be evasive about your operations and exposures on your application
- Be shy about asking questions concerning your coverage or the process
- Regard your insurance coverage as the equivalent to a risk management program

### Tips for Working with Your Insurance Professional

- Provide prompt, clear, concise answers to questions
- Expect your quote in a timely manner
- Ask questions and expect understandable answers
- Give your broker at least 30 days notice if possible regarding any and all policy changes
- Get important answers in writing
- Don't withhold information from your broker
- Report claims to your broker immediately and be prepared to give detailed information regarding the claim

## **Insurance Professional Services/Responsibilities**

The following list indicates some of the services an insurance professional might provide to a nonprofit client. The leaders of your land trust must decide which services it requires or views as desirable.

- Provide complete and accurate information to insurance carrier on behalf of the insured, including signed applications and updated information at renewal.
- Remit down payments and balance payments to insurance carrier in a timely fashion.
- Arrange financing if requested by insured member.
- Help insured with compliance with safety recommendations.
- Complete Certificates of Insurance and request Additional Insured endorsements as required by funding sources, landlords, and so forth.
- Review all contracts for the insured in respect to insurance requirements. Forward unusual contractual obligations to insurance carrier for review and comment.
- Be available to answer questions regarding the insurance contract.
- Report claims and coordinate claim adjusting with insurance carrier.
- Be available to participate in the land trust's risk management committee, if requested.
- Be available to attend at least one of the land trust's board meetings per year, if requested.
- Present an appropriate insurance package to the land trust for its review and decision.
- Serve as a source of information for his or her clients in regards to insurance questions.
- Maintain a complete insurance file for the insured nonprofit. As the insured, you should keep a copy as well
- Maintain continuing education and proper licensing status at all times

## ***How to Save Money on Purchasing Insurance***

1. *Exercise caution in claims reporting.* Your land trust's premiums will increase and you will ultimately find it harder to obtain coverage if you have more claims or larger claims than similar organizations. Therefore, it pays to try to limit your claims and manage any claims you do file with care. Make certain you understand the process and requirements for claims reporting. The failure to report a claim or potential claim can put coverage in jeopardy. Speak with your agent or broker about whether an incident should be reported to one or more carriers. On one hand, reporting incidents ensures that you don't violate the requirement for timely claims reporting. On the other hand, reporting too many incidents that never evolve into claims for damages could be interpreted as a red flag by your carriers and lead to a nonrenewal of coverage when the policy expires. Be sure you understand the consequences for reporting or failing to report potential claims.
2. *Make a positive impression.* Complete all applications in full. Ask your agent or broker for assistance, as needed. Be prepared to explain any discrepancies between your land trust website and information included on your applications for coverage. Answer follow-up questions from underwriters as promptly and completely as possible. If applicable, request the opportunity to review your claims history reports before submitting renewal applications. Finally, provide detailed information on loss control initiatives and risk management if your land trust has filed a claim during the five-year period prior to policy renewal. Be knowledgeable about your risks and management plan.

## **Know what amounts of coverage and deductible to obtain**

It is essential to assess your organizational risks and get the proper insurance coverage. Selecting limits and deductibles begins with determining the risk appetite and tolerance of the organization. Each type of insurance has certain coverage amounts that affect your organization. Remember that if you do not have enough coverage then you will pay the balance of a loss out of the organizational operating funds or you will have to fundraise or (worse) be forced to sell unrestricted assets. The amount of coverage you require under general liability insurance depends on many factors. The most important factors that determine the amount of coverage you need to carry are:

- *Risk associated with your organization.* The higher the perceived risk, higher the coverage required to meet it.
- *The type of work your organization does.* If you have many volunteers, open your land to school groups, have many special events, and use lots of equipment for land management, then your organization may be exposed to more risk and require more and more varied coverage.
- *The state in which your organization is located.* Does the state in which you operate shows a history of awarding high damage amounts to complainants? If the answer is “yes,” then it makes sense for you to carry higher coverage limits. You might also look at current trends of awards in each of the insurance areas you are purchasing. Are most of the awards around a \$1 million? Much more? Less? In current dollars, \$1 million does not often cover both the legal and expert expenses and any damages award.
- *The value of your property.* For property, obtain a professional appraisal of any buildings, equipment and other inventory, then determine the replacement value to arrive at the needed coverage and remember the deductible as you will need that in cash. You should assess this information annually. Be sure to consider your intangibles as well such as software for computers, the data in the computers such as your donor database.

Deductibles are typically used to deter large number of trivial claims that an organization can be reasonably expected to bear the cost of. This is also often called the *self-insured retention* or *retained risk*. By restricting its coverage to events that are significant enough to incur large costs, the insurance firm expects to pay out slightly smaller amounts much less frequently, incurring much higher savings. Determining the right deductible for your organization requires a clear assessment of the likelihood of the occurrence of a loss plus the magnitude of the loss. Depending on the reason for the insurance, you will not want to pay more in the deductible than the property is worth, which is another reason to revisit coverage annually as you depreciate the value of equipment and vehicles.

### **Ask for help**

You have a FREE affiliate membership with the Nonprofit Risk Management Center just for Alliance members. The free and discounted risk and insurance resources available to you are amazing. Take advantage of this Alliance member benefit funded just for **you!** Log on FREE to the Nonprofit Risk Management Center as affiliates of the Land Trust Alliance. [See directions](#) »

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