



Encinitas Educational Foundation

101 South Rancho Santa Fe Road • Encinitas, CA 92024 • 760-944-4300 x 1215

EEF Insurance 101

By Colleen West

Revised 9/12/05

Why do we need insurance as a foundation?

This is typically the "core" coverage for a nonprofit. Be sure it is provided on an "occurrence" policy, not a "claims-made" policy. Depending on the extent of the general liability coverage purchased, commercial general liability insurance may provide coverage for a wide range of negligent acts which result in bodily injury, property damage, personal injury or advertising injury to a third party.

Specific Features:

- Can be written on a mono-line basis
- Limits of \$1,000,000 per occurrence and \$3,000,000 aggregate available
- Funding sources included as additional insured at no charge
- Volunteers automatically included as additional insured at no charge
- State or Political Subdivisions included as additional insured at no charge
- Mortgagee included as additional insured at no charge
- Charitable Institutions included as additional insured at no charge
- Lessor of Leased Equipment included as additional insured at no charge
- Special events coverage
- \$50,000 limit for Fire Legal Liability provided. Additional higher limits available.
- Occurrence form
- Host liquor coverage included
- Defense costs in addition to the limit
- Written on ISO CG 00 01 form

Our Special Nonprofits' OWN provides the following additional enhancements:

- Blanket Additional Insured. Includes CG 2011 (landlords), CG 2012 (permits), CG 2018 (mortgagee), CG 2020 (charitable institutions), CG 2021 (volunteers), CG 2026 (fundors) and CG 2034 (lessor of leased equipment). Note: CG 2010 is not automatically included and must be endorsed onto the policy if needed and an additional charge will apply.
- Liquor Liability, CG 0033. Some of you have been concerned about the "host liquor" coverage available in the general liability coverage form, so we wanted to assuage your concerns by providing liquor liability coverage on its own form.
- Medical Payments (\$10,000 limit). An increase over the \$5,000 limit commonly offered.
- Aggregate Limits Per Location CG 2504. We know our members with multiple locations will appreciate this enhancement.



Encinitas Educational Foundation

101 South Rancho Santa Fe Road • Encinitas, CA 92024 • 760-944-4300 x 1215

- Revised Care Custody and Control Exclusion to Provide Limited CCC Coverage up to \$25,000. Did you know that property of others in the care, custody, and control of the insured is excluded under a general liability coverage form? Many members have expressed disbelief surrounding this issue, so we have written an endorsement to address this. It still requires the insured be liable. It is excess over any other available insurance.
- Fire Legal Limit of \$100,000. An increase over the \$50,000 commonly offered. Additional higher limits available.
- Limited Coverage to Employee's or Volunteer's car if damaged by client of nonprofit. From time to time, we receive claims when a client damages an employee's or volunteer's personal automobile. So, we have created this endorsement to provide deductible reimbursement coverage up to \$500.

What is Director's Insurance?

Directors and officers liability coverage is intended to cover damages resulting from the wrongful acts of the directors and officers of your nonprofit. Directors and officers liability coverage extends to types of claims that are not covered under the commercial general liability policy. Among the items a good directors and officers policy should include is broad coverage for all types of employment-related actions, including allegations of wrongful termination, harassment, discrimination and failure to hire. It should also pay for defense costs as they are incurred, not on a reimbursement basis.

What is a hold harmless agreement?

A hold harmless is an agreement between two parties that obligates one party to protect another against certain risks of legal liability. In a typical hold harmless agreement, one party agrees to pay and defend claims brought against the other party as a result of the first party's activities.

Usually a landlord will include hold harmless language in a lease to protect him or her from being sued as a result of an event occurring on his or her property. So, before signing a lease containing a hold harmless agreement, always ask yourself whether you are in a position to prevent or control losses covered under the agreement. Leases of this type also usually require you to name landlord as an additional insured. Funders, such as governmental agencies may also require a hold harmless agreement so that they will not be held responsible simply because they fund an event or a program.

On the other side of the issue are the agreements you should require from vendors and subcontractors that participate in events. Vendors may sell food and beverages, security, clean-up crews and other services – you want to be sure that you have a hold harmless agreement that protects your nonprofit in the event of an incident involving the vendor. But the surest way to protect yourself in these instances is to get your organization named as an additional insured on the vendor's policy. There are coverage considerations involved in a hold harmless because one party agrees to assume legal obligations of another in a lawsuit for damages to third parties



Encinitas Educational Foundation

101 South Rancho Santa Fe Road • Encinitas, CA 92024 • 760-944-4300 x 1215

arising from specified operations. It is important that the operations be specified or the agreement may be ambiguous and cause coverage questions in the event of a claim. The requirement that a hold harmless be signed by the nonprofit is becoming increasingly common. Just be sure that you read the language and make sure that you are NOT accepting more risk than is appropriate under the circumstance or for activities that are outside of your control.

What is risk management?

Risk management is a discipline for dealing with uncertainty. The first step in the risk management process is to acknowledge the reality of risk. Denial is a common tactic that substitutes deliberate ignorance for thoughtful planning. Once risk is acknowledged, the risk management process provides a systematic method of responding to the dangers of an organization's operations.