

VIS® CONNECTIONS

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Spring 2010

We are happy to provide you our publication for nonprofit risk managers, as part of our service to you. The titles in the contents section link directly to their articles, so you can navigate quickly. If you need to change the email address to which this is sent, please send your instructions to our [Communication Department](#). Be sure to include your name, organization and address. You also are welcome to call us at 800.468.4200 for assistance.

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Volunteer insurance program for 2010-2011 – an overview

The Volunteers Insurance Service (VIS®) program for the July 1, 2010 to July 1, 2011 policy period will remain unchanged in some important areas, and will include changes in others. We'll provide an overview in this issue of *VIS Connections*. First, we want to tell you – no matter how many times we've said this before – that we appreciate very much your participation in our unique program. We are glad that you recognize the value of the VIS® program as a practical and inexpensive way to protect your volunteers -- and attract new ones -- while at the same time protecting the organization's own limits of liability and claims experience. It's sound risk management for the long-term interest of the organization.

You should receive the invoice for your July 1, 2010 to July 1, 2011 volunteer insurance coverage soon, if you have not received it already. (If it does not arrive soon, please contact either Vicki Brooks or Joan Wankmiller, whose contact information is below, so we can send another copy.) We also would be happy to answer any questions you have about the renewal.

Rates

We're happy to let you know that the rates will remain the same for the program covering all volunteers except those in work-release and alternative-sentencing programs. We have not had a rate increase since 2006. Meanwhile, we were able to increase the limit on the accident medical reimbursement coverage for those volunteers from \$25,000 to \$50,000, effective last July 1. (The limit remains at \$25,000 for participants in our work-release and court-referred alternative sentencing programs.)

For participants in the work-release program, the rate for the accident medical coverage has increased from \$54 to \$57 per year. For participants in the alternative-sentencing program, the rate for that coverage has increased from \$7 to \$7.60 per year.

Underwriters

Accident medical reimbursement – CIGNA has been acquired by QBE Specialty Insurance, part of QBE Insurance Group, Ltd., one of the top 25 insurers in the world. With headquarters in Sydney, Australia, QBE operates in 45 countries and is rated “A” (Excellent) by A. M. Best and “A+” (Strong) by Standard and Poor’s. QBE’s policy form will provide the same coverage you now have through CIGNA, and the transition will be seamless for your organization and its volunteers.

Volunteer liability and excess automobile liability – When Liberty Mutual decided that these two programs no longer fit within their market appetite, we turned to Lloyd’s of London, with which we have enjoyed a great relationship in other programs for many years. We’re very happy that Lloyd’s will be your new underwriting company. Lloyd’s is the world’s leading insurance market, providing specialized coverage to organizations in more than 200 countries. It is rated “A” (Excellent) by A. M. Best and “A+” (Strong) by Standard and Poor’s. The Lloyd’s policy form will provide the same coverage you now have with Liberty Mutual. As with the accident medical coverage, the transition will be seamless for you.

To keep the same coverage as the invoice shows, please send us your payment, and a copy of the invoice, in the envelope that’s enclosed with your invoice. Your coverage will be renewed from July 1 this year to July 1, 2011. Your cancelled check will be your evidence of coverage until we email your renewal certificate.

Important – Please include your email address in the space provided near the middle of the invoice. We need it to send your renewal certificate, and also to notify you each time we publish a new issue of *VIS Connections* (three times a year).

Reminder...beneficiary forms – Please remember that you should keep on file a beneficiary form for each volunteer. In the tragic event that a volunteer should die in a covered accident, the insurance company will require the beneficiary form. If there is none, the insurance company will require that the volunteer’s next of kin complete and have notarized an affidavit that the company will provide – a cumbersome task that can be avoided if the beneficiary form is available instead.

If you wish to add coverage – Sometimes, VIS® members who do not carry all three available coverages (accident, volunteer liability, and excess automobile liability) wish to add coverage. It is easy to do, and the renewal is a good time to do it. Instead of sending us payment now, just email us your client code (shown on the invoice), the type of coverage to add, and the number of volunteers. We will issue a revised invoice. Or, just call Vicki Brooks or Joan Wankmiller, and we can handle it on the phone.

Resources on our Website – There are downloadable volunteer brochures, copies of all our policies, “proof of loss” forms, and other resources, at www.cimaworld.com. Click on “Volunteer Insurance Gateway.” You will go to a page where you will see a link to “Forms.”

Your service team

For volunteer insurance:

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“Head for insurance, heart for nonprofits”...a success story keeps adding chapters

Henry J. Kaiser, the American industrialist and founder of the Kaiser Family Foundation, once said, “Trouble is only opportunity in work clothes.” The truth in that statement has no better example than an organization that provides insurance exclusively for nonprofits – a success story that continues adding chapters. We wanted to share the organization’s story with you in this issue of *VIS Connections*, because it is one that we hope every nonprofit risk manager will come to know. It is a model for the insurance business at its best.

In the mid-Eighties, there was plenty of trouble for nonprofit organizations seeking general liability insurance. It was an historic “hard” market, when insurers did not have the capacity to write enough business to meet the demand. In California, one in four nonprofits was experiencing rate increases of 200% or more, and one in five was unable to renew coverage at any price. Many nonprofits were forced to curtail services or close their doors altogether. But a University of California at Berkeley graduate student named Pamela Davis saw an “opportunity in work clothes,” as Mr. Kaiser would have put it, and wrote a master’s thesis addressing the insurance problem and potential solutions that could provide nonprofits a continuous, stable source of reasonably priced liability insurance. A seed of that opportunity was a law the

California legislature had just passed, allowing nonprofits in that state to create risk pools – insurers that are constituted, themselves, as 501(c) (3) nonprofit organizations.

The California Community Foundation published 5,000 copies of Ms. Davis's thesis, and support for her ideas grew. The Ford Foundation extended her a \$500,000 loan to form a risk pool. Other funding followed, and on November 1, 1989 the Nonprofits' Insurance Alliance of California (NIAC) was established. Ten years later, that landmark organization was joined by a second -- the Alliance of Nonprofits For Insurance, Risk Retention Group (ANI), through grants from the David and Lucile Packard Foundation and the Bill & Melinda Gates Foundation. The risk retention group structure, authorized under the federal Risk Retention Act, allowed the new organization to offer liability insurance to nonprofits in states other than California. With Ms. Davis as chief executive officer of both organizations, ANI began extending the range of the work NIAC had begun.

Today, ANI, with "a head for insurance, a heart for nonprofits," is insuring nearly 3,000 nonprofit organizations in 24 states and the District of Columbia, while its affiliate NIAC insures more than 6,000 California nonprofits. ANI is rated "A-" (Excellent) by A. M. Best Company for its ability to meet its obligations to policyholders, and NIAC is rated "A" (Excellent). The CIMA Companies, Inc., which administers the Volunteers Insurance Service (VIS®) program, often places additional lines of coverage for its nonprofit customers with ANI and NIAC.

"Reliable, long-term solution"

The philosophy of NIAC and ANI has its roots in the hard-market liability crisis of the mid-Eighties. As Ms. Davis expressed it in the insurance magazine *Rough Notes* in 2008, "Our prices reflect our best assessment of the lowest sustainable price for the individual risk involved, but not necessarily the lowest price during a soft market. We believe that providing the nonprofit sector with a reliable, long-term solution takes precedence over short-term market pressures."

Although ANI and NIAC might not always have the lowest price for every nonprofit organization that applies for coverage, their rates are consistent and have been declining as members use the free loss control resources available through ANI and NIAC. Ms. Davis tells *VIS Connections*, "Year after year, actuaries are scratching their heads and saying, 'How are you doing so well?' For us, it's not about how much premium we can get. It's about charging the fair risk premium to each nonprofit. Fairness is a formidable tool. It hasn't come back to bite us." In fact, NIAC has declared \$17 million in dividends to its California "members," as customers are called, in the last four years.

Similarly, she adds, ANI has plenty of capacity, and is looking forward not only to bringing more nonprofits into the group, but also to paying members a dividend, based on two factors: longevity with the program, and favorable loss ratio. At this point, Ms. Davis says, the hope is to begin the dividend distribution when ANI reaches a certain size. She estimates that may be in about five years. Meanwhile, participation is growing, and member retention was a robust 93% last year, with member nonprofits that renewed accruing the credits necessary to qualify for a future dividend.

Risk management training -- strictly for nonprofits

In addition to providing insurance coverage that is priced appropriately, ANI and NIAC also offer deep resources to help nonprofit managers understand and address the risks their organizations face. These resources, which are available either free or at substantial discounts for nonprofits purchasing insurance through the group, include books and booklets, checklists, an audiovisual library and Webinars on a wide variety of risk topics; interactive Web tools for risk assessment and board management; services of two staff attorneys for consultation on employment practices and other issues with legal implications; a loss control specialist; and a comprehensive vehicle loss-control program.

The “usage summary” members receive each year itemizes the value of the risk management resources they have used, as well as any dividends received, so they can see the actual value received for their participation in ANI or NIAC.

Ms. Davis notes the direct link between the use of these resources for active risk management, and the cost of insurance. “Insurance costs are not just a mystery,” she says. “Executive management has a lot to do with preventing insurance claims. You can’t prevent everything, but the tone management sets has a lot to do with what happens.”

She credits members’ use of ANI’s and NIAC’s resources with helping improve loss experience over the years, and enabling ANI to reduce its loss reserves by over \$3.7 million last year – the largest reduction in the group’s history.

Governance by the members

The majority of the ANI and NIAC boards is drawn from the management of member nonprofits, ensuring that the nonprofit organizations placing their trust in ANI and NIAC will be able to influence the direction of the organizations. Each fall, members are invited to nominate directors, and then vote on the slate presented by the nominating committee.

ANI and NIAC rely on this customer representation for decisions on all aspects of their operations, Ms. Davis points out. “They’re responsible for letting the board know what’s bothering members, what members are concerned about with their operations.” The staff also shares claims information with the board members, she adds, which is useful in deciding what risk management resources to develop, and offer members.

NIAC and ANI = Nonprofits Insurance Alliance Group

The story of the Alliance of Nonprofits for Insurance, Risk Retention Group and its affiliate Nonprofits’ Insurance Alliance of California is still being written, but we wanted to let *VIS Connections* readers know how far these two organizations have come already, since the days some 25 years ago when a troubled insurance market led to opportunity, and opportunity led to

the creation of these unique and thriving organizations. You can learn more about this unusual Group, its history, insurance program, membership qualifications, member resources, and governance at www.insurancefornonprofits.org. Any of us here at Volunteers Insurance Service and The CIMA Companies would be happy to share with you our own experience with the programs and people of this Group as well.

“Warm” or “competent”? Supporters want both

One of the biggest risks a nonprofit organization can face is the possibility that potential supporters will underestimate the organization’s ability to use that support effectively...and therefore not make that financial contribution, not volunteer those hours, not join the board or recommend the organization to others, or whatever the lost opportunity might be. A recent study by researchers from The Wharton School, the University of Minnesota and Stanford University confirms that the risk is very real, even for nonprofit organizations with excellent operations backing up a worthy mission.

The [study](#), prepared for the *Journal of Consumer Research*, found that consumers tend to view nonprofit organizations as “warm and caring,” but not as “competent” as for-profit organizations. However, the researchers also found that those preconceived ideas can be turned around readily if there is information available that substantiates the nonprofit organization’s competence. Cassie Mogilner, Wharton marketing professor, said, “For (nonprofits) stuck with the stereotype of being warm but not particularly competent, anything that boosts their perceived competence will help them survive in the marketplace.”

One information resource that can help a nonprofit distinguish itself and tell its story to potential supporters everywhere is the Form 990. You submit the Form 990 to the IRS, but its visibility goes much farther. With www.guidestar.org, potential supporters easily can compare the form 990’s of various nonprofits they consider supporting, to gain insight about how their contributions would be used. According to Independent Sector, 89% of U. S. households contribute to nonprofits, at an average of \$1,620 per year, so there is a lot of financial support at stake, in addition to the contribution of time and talent.

Nonprofit Issues (www.nonprofitissues.com) described the common problem with Form 990’s: “Most fail to promote program service accomplishments in a way that would encourage a wavering donor to support the organization...”

“Many organizations miss the opportunity to tell not only what they do, but what impact it has on their clients, patients, or community. A return that says its program is ‘job training,’ or ‘drug and alcohol abuse treatment,’ without telling how many people were helped and what happened to them after they completed the program is not enlightening those who review the return.”

You might have board members or volunteers whose professional skills include writing clear and compelling narratives. Why not engage them to provide the narrative sections of your Form 990, or at least to review and edit what you have written yourself? (Don’t know which volunteers

might have those skills? That's one good reason among many to identify volunteers' abilities and interests when they join the organization.)

Form 990 requirements affect more nonprofits now

The IRS has begun lowering the threshold at which organizations are required to file the 990 (see chart below). Penalties of up to \$10,000, or five percent of gross receipts, can be imposed for failure to file the correct form, or provide complete information.

TAX YEAR	GROSS RECEIPTS	ASSETS
2009	> \$500,000 or	>\$1.25 million
2010 and later	> \$200,000 or	>\$500,000

(In contrast to the Form 990, the 990-N is an electronically filed "postcard," in which nonprofit organizations with less than \$25,000 in receipts are required to confirm annually their contact information, and the fact that receipts remain under the threshold. Failure to file the "postcard" three years in a row results in automatic revocation of tax-exempt status.)

More information is available at www.irs.gov/charities, and at the IRS's special compliance Website for nonprofits, www.stayexempt.org.

Timely reporting of claims is a must

Please remember that when you buy an insurance policy, the agreement with the insurer is that you will let the insurer know whenever you are aware of a situation that *might give rise to a claim*. Time -- and timely notification -- is critical, if the insurer is to keep its own part of the agreement...to make you whole for any covered loss you might have. Often, particularly with liability claims where a legal defense is required, the insurer needs to begin gathering information right away.

For example, employee-practices claims -- a frequent type of directors and officers liability claim -- often are slow to develop, beginning with a complaint and concluding with a court or agency proceeding many months later. If the insurer is not put on notice until the later stages, an effective legal defense might be impossible, and the carrier might exercise its right to deny the claim on the basis that the policyholder did not provide timely notification. State laws vary, but in general they support the insurers in their denial of such claims.

Sometimes, an organization refers a potential claim to its own attorney for direction, without involving the insurance company. *This is always a mistake*. Insurers sometimes allow policyholders to choose their own attorney, subject to the insurer's approval, but that is always the insurer's call.

Do not wait to see if a problem will “blow over.” As soon as you are aware of circumstances that might give rise to a claim, please review your policy language regarding covered claims, and your reporting responsibility. For the policies we have placed on your behalf, at your request we will assist you in dealing with the insurance company in an effort to assure that the claim is properly evaluated and you are treated fairly.

VIS Commitment

Volunteers Insurance Service is committed to providing its members a complete resource for the nonprofit organization’s risk management needs. Our services include:

- Publishing *VIS Connections* as one of our information resources for members;
- Maintaining for members’ use a library of information relating to management of risks in the nonprofit organization;
- Researching available and appropriate insurance relating to volunteer activities;
- Designing and administering insurance programs, and compiling underwriting information;
- Providing consultation on risk management issues at no additional charge to our members, via a toll-free line (800.468.4200);
- Assisting members, on request, with matters relating to insurance.

Insurance and administrative services are provided to VIS® and its members by The CIMA Companies, Inc. and/or one of its affiliated companies.

CIMA licensing information

The following licensing information is being provided in order to comply with state governmental regulations:

Volunteers Insurance Service Association, Inc. is a risk purchasing group formed and operating pursuant to the Liability Risk Retention Act of 1986 (15 USC 3901 et seq.)

Notice to Texas clients: The insurer for the purchasing group may not be subject to all the insurance laws and regulations of your state. The insurance insolvency guaranty fund may not be available to the purchasing group.

Notice to California clients: License #0B01377 and #0A06046, CIMA Companies Insurance Services

Notice to Minnesota clients: License #009285 and #07544084, The CIMA Companies, Inc.

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