

INTRODUCTION

When we join a non-profit organization, or any other charitable institution to contribute our valuable time and resources, it is imperative that both we as volunteers and the organization for which we are so passionate is protected. Some of us are experienced and expert in insurance and others of us have been fortunate enough to avoid this issue. However, as a volunteer board member, there is a fiduciary obligation to educate ourselves or surround ourselves with the necessary experts to handle the association's risk management issues and to maximize protection.

PROTECT AND PRESERVE

Our participation and volunteer work for Museums and Cultural/Historical Institutions is to protect and preserve the treasures of history and the fine arts. As Board Members, a key fiduciary obligation is to "insure" that these treasures are protected. Accordingly, we must pursue great diligence in procuring the best and strongest products and programs to effectuate this responsibility.



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Nicole Rickett

National Program Manager

nrickett@mcgowaninsurance.com

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Museums & Cultural / Historical Institutions



NON-PROFIT MUSEUMS AND HISTORICAL /CULTURAL INSTITUTIONS

An Insurance Primer

MUSEUMS AND CULTURAL/HISTORICAL INSTITUTIONS

Directors & Officers

The articles of incorporation are what transform a group of individuals into an association. Once an association is formed, it is a legal entity that, like a corporation, cannot run on its own. Accordingly, the association will have directors and officers to manage the association or institution and to perpetuate the entity's mission. These boards are made up of well-intentioned individuals volunteering their time. But these are human beings, and human beings make mistakes. Even if they do not make mistakes, they are often challenged for the decisions they make. Virtually all associations have provisions to indemnify the directors and officers for their mistakes and in the event that they are challenged. But the association must decide whether they want to carry this insurance or whether they prefer to be self-insured.

The D&O coverage is probably the most complicated, because the differences in coverage that are available between carriers can be substantial.

Employment Practices Liability

In many situations, the executive director of an association is the largest operational expense. Having the appropriate EPLI coverage is key to this exposure.

Property Coverage

The property coverage for a non-profit association can be as simple as providing coverage for a small office with only volunteers or may be as complex as a large museum with virtually priceless collections that are sent around the world. Museums and Cultural/Historical Institutions have a significant obligation to obtain the appropriate insurance for its property. The location itself may be the treasure as in a specific historical home or location. On the other hand, there may be significant collections that must be insured and even more, protected from a risk management standpoint. The bottom line is that this is an area that requires expert assistance when it comes to procuring the appropriate insurance. This is also an area where appraisals and authenticity may be an issue that in the normal course is less of an issue for many other types of insured.

Fidelity/Crime Coverage

Non-profit associations are businesses, and maintain checking accounts, collect dues, receive donations, have reserve funds, and endowment funds. What happens if someone walks off with the money? Associations need Fidelity coverage, also known as Employment Dishonesty coverage. If the association policy is prepared properly, its insurance coverage will include a crime component. The crime coverage is also significant for Museums and Cultural/Historical institutions as collections are potentially at risk from theft. Again, this is an area where associations with fine arts, collectibles and other significant intellectual and other property must be protected.

Liability Coverage

Associations can have significant liability exposure. For museums and cultural/historical institutions, the physical location which are open to the public give rise to basic if someone is injured or someone's property is damaged. How much coverage an association should carry is generally decided by the board of directors, with the guidance from insurance professionals.

Liability coverage, in basic terms, defends and indemnifies an association in any action that seeks damages for bodily injury or property damage as a result of the association's negligence. One coverage that may not allegedly be standard and must be purchased is personal injury coverage, which protects the association against various claims for the standard listed offenses, such as defamation, invasion of right of privacy, malicious prosecution, or false imprisonment.

Umbrella Liability

Normally, the general liability policy provides \$1,000,000 or \$2,000,000 in coverage. Is this enough for the association? It is also important to know if the umbrella liability coverage provides coverage excess D&O and Employment Liability coverage?

Other Insurance

Associations may need worker compensation coverage, earthquake, flood or windstorm, and automobile liability insurance depending on its particular exposures that the entity has. In addition, Museums will need coverage for its collections and special events coverage.