

# **Interview with Penny Rowe on CBC Morning Show**

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## **Lead In**

### **Liability Insurance and Volunteers**

First it was bars and restaurants... and then legions and fire halls. Now, the soaring cost of liability insurance - especially director's liability - is threatening the province's base of volunteers. So many organizations face a crisis that Government Services minister Dianne Whalen has now added the issue to the Public Utilities Board's insurance hearings.

For more on just how serious the issue of liability insurance has become, Jeff Gilhooly welcomed Penny Rowe, CEO of the Community Services Council, to the studio.

### **Transcript of the Interview**

JEFF: Good morning. Thanks for coming in.

PENNY: Good morning. Great to be here.

JEFF: Can you give me a sense of just how this whole insurance issue has affected say you directly?

PENNY: Well last summer, Jeff, we were notified that our board of directors liability was going to increase by over one hundred percent. We were going to be charged five thousand dollars to protect our board of directors against the threat of liability and legal liability. That's ... it was a whopping big increase for our organization, particularly an organization that's never made a claim.

JEFF: You've made no claims. Okay.

PENNY: It has very few risks, we're not dealing with vulnerable clients. So it was outrageous. Eventually we were able to shop around and by increasing our deductible so that we would have to bear a big brunt of the cost should anything, any claim, be made and merging it with other insurance we were actually able to forestall that increase, but we know that many other organizations are facing even worse situations than we did.

JEFF: Well, at least you could pay it. You're, in a sense, at the top of the chain, you're province wide. So what's happening inside some of these other community associations that can't?

PENNY: This is a really good point that you make. Yes, we could pay it, but by paying it we would have to take money from the programs that we're there to deliver. And this is what organizations are telling us. Many of them have flat or decreasing budgets, they're being charged huge increases in their insurance, if they're lucky enough to be

able to afford insurance in the first instance, and this is a direct impact on the programs that they're able to deliver. We've spoken to organizations that have been told to expect anywhere up to three hundred percent increase in their insurance rates in the next year.

JEFF: Three hundred percent?

PENNY: Three hundred percent. So the real hit does not seem to have occurred yet. What we know is that people are being forewarned that there is more to come. Our concern is that as far as we tell very few, if any, organizations have ever had a claim, in this province, on their board of directors' liability insurance, for example. And even across the country this is a huge issue now. I'm involved with a national organization called the Voluntary Sector Forum and this is one of the priority issues we've identified. This problem, really, of increasing insurance rates has been festering for several years now in the voluntary, community-based sector, but it's really coming to a head. Groups have had to cancel camp programs. We've heard this year, in Newfoundland for instance, about ski resorts that haven't been able to open because they couldn't afford to pay their insurance. This is going to have a ...

JEFF: Speaking about volunteer Fire Departments, which ....

PENNY: ... absolutely huge impact on what's happening in our communities.

JEFF: All right. Associations, Fire Departments, that's one thing, but what's it doing to the volunteer?

PENNY: It's also affecting our ability to recruit volunteers. Last year, the Community Services Council interviewed residents all around the province to try and find out why there seemed to be a diminishing base of volunteers, why fewer people were volunteering. And almost fifty percent of the people we interviewed identified their fear of legal responsibility as a potential reason why people won't get involved. That's pretty scary. We can all tell stories of board members who resign, or who won't get involved at a board level because of their fear of personal liability, but the liability goes way beyond just being a board member. It's if you are driving a volunteer, or if two volunteers get together to drive to a meeting, insurance companies are now saying you need commercial insurance. The companies have, I think it's fair to say, gone a bit mad, in terms of what they expect the voluntary, community-based sector to have covered, and the way in which they're treating the risks, or the lack of risks, that we're all facing.

JEFF: Yeah, let me come back to what you're telling, what you want to tell the insurance companies in a second, but I want to just explore this examples I guess, of what we could lose here. I've got a friend on the west coast, who says that if this continues a program they have to hire students, they won't be able to do it. They hire, on average, between twenty and twenty-five students. You know how important work is to a student in the summer. Are we seeing that on this side of the island, too?

PENNY: I think we are seeing it all over. We've heard stories on the southern peninsula where an organization usually has summer students and they would be working out of one of the volunteer's homes or garages during the summer and sometimes one of the volunteers would drive the students to various activities and because of a couple of situations that occurred, volunteers are simply refusing to do this now. So it will have an impact. This is kind of a bottomless pit in terms of the spin-off effect that all of this could have, because so many groups have such limited funding that it becomes impossible for them contend with insurance. But the other huge thing that's emerging now, of course Jeff, is that for years many organizations have operated with a certain degree of good faith and have not bothered to carry insurance, but as individuals and organizations hear more of these stories, more and more people are going to refuse to take that kind of personal risk that we've been doing in the past.

JEFF: All right. So, what's your message to insurance companies? I've been using a line that you said to me on Friday, you said, "We have to find a way to bring them to their knees."

PENNY: Well, that's quite true. And one of the things that ... we've formed an Ad Hoc Committee now of several organizations, who are really concerned about this issue, and concerned not only for their own organizations, but concerned about the health of the community-based sector, overall. And it's very clear in our conversation with people that there are very few claims being made by non-profit organizations. So I think the insurance companies owe us some response. Why is it that our rates are going up? So, we will be calling for a meeting with the insurance industry, but in preparation for that meeting a couple of groups, for instance Newfoundland and Labrador Association of Regional Economic Development Boards is conducting some research amongst their members, and the Community Services Council is about to launch a very intensive survey of non-profit organizations, just to see precisely, exactly what's happening out there. And the kinds of low risk we are, how few claims are being made, and yet how much the cost for coverage is increasing. That particular survey will be mounted online, anyone can see that at [enVision.ca](http://enVision.ca), that's [e,n,v,i,s,i,o,n,dot,c,a](http://enVision.ca). That survey is being conducted by the Community Services Council and will ready to be launched within a few days. We hope within a month to have some very detailed information from hundreds organizations around this province, and at that point we will be calling for a meeting with the insurance industry.

JEFF: So you are mobilizing now, but does it help you in some ways when the insurance companies had to release, last week, that it had record profits?

PENNY: Well, it certainly doesn't hurt. It's very clear that what they were saying a few years ago, in terms of their own losses, has been turned around. So I think that their excuse, for continuing to raise insurance across the board, is ridiculous. And its ... clearly there are some high-risk organizations, there are organizations that deal with vulnerable people, where they have adults working with children. Our argument is

that there needs to be a very close look to really assess the risk of organizations and to apply the insurance fairly and reasonably where there is risk, and where there is no risk. And we also believe that it is pretty important for organizations to assess their risk, so that they can contain the risk by changing the way in which they deliver their programs, so that there are less and less vulnerabilities within their organizations. But this is a real issue that has been festering for years and is now really about to come to a head.

JEFF: I mentioned the current Government Services Minister, Dianne Whalen. You met with her, my understanding, as late as last week and she's going to add this whole thing to the PUB hearings?

PENNY: That was the request that our committee put to the Minister, and I have to say that it was an excellent meeting with the Minister. She clearly understands the issues. She's a woman who herself has been very much involved as a volunteer and with the community-based sector. And her message was very clear; volunteers are the heart of the community, voluntary organizations are essential to keeping communities vibrant in this province, and she is willing to try to do exactly what she can to help out. And to that end, we requested that the public hearings that will be held next fall, or next spring, will be broadened, so that the issues that affect the non-profit sector will be brought into this review of the insurance industry, and we hope government will be able to take some steps to help us contain our costs.

JEFF: All right, thanks very much for coming in this morning.

PENNY: Thanks very much, Jeff.

JEFF: That's Penny Rowe, Chief Executive Officer of the Community Services Council Newfoundland and Labrador. If you're an organization or association on the rocks as a result of these liability issues, please give the morning line a call. Here are the numbers, in St. John's 576-5259, or toll-free 1-866-576-5259.