

catalyst problem-solver incubator

bridge-builder *partner* advocate

strategist resource leader supporter

link participant promoter organizer

investigator *pioneer* independent

stimulator facilitator social activist

networker *service-provider* analyst

consultant *researcher*

collaborator observer ground-breaker

founder risk-taker contributor

Community Services Council Newfoundland and Labrador

Presentation to

Public Utilities Board

Commercial Insurance Review

January 20, 2006

by

Penelope M. Rowe
Chief Executive Officer



Increasingly, non-profit, voluntary organizations are concerned about legal liability and the cost of insuring against legal suits in which people in positions of responsibility may be held liable for actions associated with the organization.

- ✓ Growing demand by people serving on Boards of Directors that insurance coverage be in place to protect them.
- ✓ Volunteers and staff are becoming more aware of the risks they assume while in pursuit of their duties.
- ✓ Organizations and individuals are, understandably, becoming more skittish about performing day-to-day courtesies, and wondering whether their insurance is adequate.

Many groups do not have any insurance. In 2004, the Community Services Council Newfoundland and Labrador conducted an online survey to explore concerns related to availability and affordability of insurance for voluntary organizations.

Of 106 respondents, 36% said they operated without any insurance coverage whatsoever and few had a full range of coverage.

The 68 organizations that had at least some coverage were predominantly larger, incorporated groups and mainly categorized as faith-based or sporting/recreational with head offices located in the Northeast Avalon.

Small, unincorporated and rural organizations tend to have lower rates of insurance coverage, regardless of policy type.

The main reasons reported for not purchasing insurance were:

- too costly (40%)
- do not know what coverage to look for (20%)
- do not need insurance coverage (20%)
- cannot find a broker with appropriate coverage (6%)

More than half the organizations in the uninsured group said they had made an overt decision to operate without any coverage.

Because of the nature of non-profit and voluntary organizations, particularly the financial circumstances of many groups, these are not easy matters to resolve.

Diverting limited resources to the purchase of insurance is producing a detrimental affect on activities and programs.

Overview of Voluntary Sector in Newfoundland and Labrador

- ✓ 2200 registered, incorporated nonprofit groups
- ✓ About half have at least one employee
- ✓ About half operate exclusively with volunteers
- ✓ CSVGP estimates about 138,000 people volunteer annually (2000)
- ✓ Many volunteers associated with multiple organizations

Overview of Sector in Newfoundland and Labrador

- ✓ About 29,000 people employed in charitable nonprofit voluntary sector
(it is estimated about 75% work in organizations other than large institutions)
- ✓ NL volunteers contribute the highest number of hours per year on average than anywhere else in the country. (206 hours)
- ✓ Almost half of groups in Atlantic Canada operate with annual revenues under \$30,000

Overview of Sector In Atlantic Canada

- ✓ Almost 2/3 of groups operate at a local community or neighbourhood level
- ✓ Less than 1/5 of groups receive more than 50% of revenue from governments
- ✓ Groups primarily serve the general public and offer no special support to members
- ✓ Over half largely reliant on earned income (as proposed to government services)

Industry Issues

- ✓ Emphases on sales not advice
- ✓ Disperse population
- ✓ Lack of knowledge of agents / brokers
- ✓ Need for Training
- ✓ Not many companies serving the special market

Challenges for Society

- ✓ To protect the ability of voluntary groups to do their work
- ✓ To enable volunteers to be involved without worry about personal risk of liability or injury
- ✓ To give employees reasonable protection

Some Key Concerns of Organizations and Volunteers

- ✓ Legal liability
- ✓ Injury
- ✓ Use of automobile
- ✓ Special events
- ✓ Raising money to pay insurance
- ✓ Unprotected groups
- ✓ Inability to pay costs
- ✓ Even those with some government funding growing trend for governments not to pay core or administrative costs

Insuring Sector Survival: Insurance and the Voluntary Community-based Sector in Newfoundland and Labrador Recommendations:

Insuring the Uninsured

- Group insurance plans, self-insurance, or indemnification should be explored as possible solutions to making appropriate insurance coverage more accessible to uninsured groups.

Insuring Sector Survival: Insurance and the Voluntary Community-based Sector in Newfoundland and Labrador Recommendations:

Regulating Protection

- Governments should explore measures that protect volunteers and voluntary, community-based organizations from greater than necessary insurance premium costs, and that limit the liability of volunteers acting in good faith.

Closing the Information Gap

A neutral source of risk, liability, and insurance information needs to be established and promoted among non-profit groups in this province

- ✓ The provincial government, in partnership with the insurance industry and the voluntary sector, should establish a joint process to provide independent information and advice to voluntary organizations to help them better understand the nature and type of insurance suited to their needs at the best possible price.
- ✓ Information should be available about sound risk management practices and practical methods to contain costs.

- ✓ Government of Newfoundland and Labrador, should reduce or eliminate the taxes on insurance premiums to make commercial insurance more affordable especially for voluntary, non profit organizations

Premium Related Taxes

	Premium tax	Fire Tax	Sales tax on premiums	Combined rate on premiums
Newfoundland and Labrador	4%	0%	15%	19%
Nova Scotia	4%	1.25%	0%	5.25%
New Brunswick	3%	1%	0%	4%
PEI	3.5%	1%	0%	4.5%

Atlantic Task Force on Insurance Availability and Affordability Recommendations

- ✓ The insurance industry should develop consumer-friendly information to assist commercial customers to become better insurance consumers.
- ✓ Insurers should work with interested stakeholders and their representative organizations to distribute this information.

AN IDEA

- For unfunded groups which deliver important programs to meet community needs, alternative approaches to providing coverage should be pursued. Perhaps the insurance industry could attribute a percentage (say, 1%) of their profits to support the non-profit and charitable sector. Or government and the community might search for other solutions to ensure that the voluntary sector is not made vulnerable.