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Consumer Article:

“Do You Volunteer Your Time AND Insurance?”

Abstract: Millions of Americans donate time—their most valuable asset—to serve as a volunteer board member on non-profits, booster clubs, churches, PTAs and civic organizations, just to name a few. If you’re sued as a volunteer, will your personal insurance cover you?

Millions of Americans donate time—their most valuable asset—to serve as a volunteer board member on non-profits, booster clubs, churches, PTAs and civic organizations, just to name a few. The decisions these folks make can have a dramatic impact on their respective organization—and not always for the better. If a volunteer endeavor goes bad, would a volunteer board member have coverage against a lawsuit under his or her homeowner’s policy?

Homeowners’ Insurance

The last thing volunteers want to consider is what would happen if their favored organization file suit against them as a result of their efforts. But it happens, and not infrequently. This does happen, especially when volunteers make decisions that directly influence the finances of an organization. Often, the only insurance these volunteers have to back their efforts is a homeowner’s policy. Unfortunately, this policy may be of little assistance.

The reason homeowners’ policies do not usually cover liability stemming from actions as a volunteer is the nature of the claim. The policy is designed to cover claims of “bodily injury,” such as someone slipping on cracked pavement in your driveway; and/or “property damage,” such as accidentally setting your neighbor’s house ablaze when burning some brush on a windy day.

Claims against board members do not usually involve bodily injury or property damage. Rather, they involve bad decision making that results in financial loss to the organization, such as the decision to invest in an IT system that turns out to be a debacle, costing the organization tremendous time and money.

There is another problem. Homeowners policies do not cover “professional services.” This is important to note, because board members are often asked to serve in a capacity consistent with their profession. For example, a church member who is a CPA may be asked to serve on the church’s board as finance chairman. Even though he is not paid for his services, the “professional services” exclusion under his homeowner’s policy would still apply.

In addition to the above, homeowners policies do not cover claims of personal injury unless this coverage is specifically added. Personal injury insurance is added to the homeowner’s policy to cover claims such as libel, slander, wrongful eviction, and false advertising.

What to Do

Events causing claims are unpredictable. While the reasons shown above prove it’s unlikely, not all claims against volunteer board members are excluded by a homeowners policy. Decisions to purchase personal injury coverage and a personal umbrella policy will increase your ability to find coverage for a suit against you.

The best method for insuring the actions of board members is for the organization to purchase a directors and officers (D&O) liability policy. These policies are relatively inexpensive for most non-profits. Before volunteering, request information on the organization's D&O policy. The absence of this insurance leaves you at risk of having no personal insurance to defend a suit brought against you by the organization and should influence your decision to serve.

Please call our office to determine if your volunteer activities are covered and if your insurance limits should be increased.

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