

FARCH National Resource Center Factsheet Number 16

Are Your Volunteers Insured?

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Introduction

A common question asked by insurance underwriters is, "Does the insured have volunteers?" If the answer is "yes," a red flag goes up. Other questions arise:

- What do the volunteers do?
- What are their ages?
- How many hours are volunteered?
- Does the insured tell them when to work, where to work, and what work to do?
- Do the volunteers drive the insured's vehicles
- Do the volunteers drive their own vehicles on behalf of the insured?
- Do the volunteers receive any fringe benefits, such as meals, lodging or transportation expenses?

All of these questions must be answered to the underwriter's satisfaction if a nonprofit agency is to obtain insurance. Insurance companies must control the risks they take, and many underwriters believe that control diminishes substantially when volunteers are introduced into the equation. Those of us familiar with the nonprofit world know that many organizations would be unable to provide valuable services without volunteers. For this reason, we must strive to educate underwriters and allay their fears.

To correct misperceptions on the part of a carrier, you must establish a dialogue with your insurance professional to explain the management of volunteers and the duties they perform. You must also be organized in your approach to managing volunteers. Lack of procedures and controls can jeopardize your chances of getting insurance.

Workers' Comp: Where Do You Stand?

Some states require that all employees be covered by workers' compensation insurance, but volunteers are often excluded from this requirement. You should carefully check the laws in your state on this point. Your board of directors may decide to include volunteers in workers' compensation, but that can be expensive.

The premium for such coverage is based on the type of work a volunteer performs. The insurance company usually applies a comparable hourly wage rate to the hours worked. For example, if you had 2,000 volunteer typist hours in the year, the carrier would multiply the total number of hours by the average pay for a typist (say, \$8 per hour) to yield a comparable payroll cost of \$16,000. This would then be multiplied by the current workers' compensation rate for the clerical category in your state. If the rate is \$7 per \$1,000, then workers' compensation would cost \$112 per year to cover the equivalent of one full-time volunteer typist.

There are alternatives to workers' compensation insurance for volunteers. An accident policy covering volunteers is available from several insurance companies. These policies provide more restricted coverage than that provided by

workers' compensation. But the premium is generally much less than that charged for workers' compensation. Costs will vary, but, in general, \$10,000 of accident coverage can be obtained at a premium of \$1 to \$2 per year per volunteer. For the most part, these policies are fairly standard in that they cover only accidents, not illness.

What If a Volunteer Sued?

If a client is injured while being assisted by a volunteer, both your agency and the volunteer could face lawsuits. Some general liability carriers will extend their policies to cover volunteers if you specifically request that they do so. They can issue a blanket endorsement, usually known as "Additional Insureds-Volunteers."

If the carrier will not add volunteers as additional insureds, there may be protection under the volunteer's personal liability insurance provided by his or her home owner's policy. Coverage under this type of policy is questionable, however, and subject to interpretation by the insurance carrier. Most companies consider volunteering to be a business-related activity and therefore exclude it from coverage.

The surest way to protect your volunteers from a liability judgment, if your general liability carrier will not name them as additional insureds, is to purchase a special volunteer liability policy. This coverage is offered by Insurance Company of North America (CIGNA) at a rate of less than \$1 per volunteer per year for coverage of \$1,000,000.

Neither the special volunteer liability policy nor the "Additional Insureds-Volunteers" endorsement on your general liability policy will protect board members for board-related activity. Such coverage is only obtained through the purchase of directors' and officers' liability insurance.

Who is in the Driver's Seat?

Transportation is one of the thorniest areas with respect to insuring volunteers. If an organization asks its volunteers to use their own vehicle to transport clients, the volunteers are very vulnerable. If an accident occurs while a volunteer is transporting clients in his or her vehicle, both the owner and the agency face grave consequences.

With the abrogation of the guest-host statute in most states, a passenger may now bring suit against a driver even in the absence of "gross negligence." If the volunteer carries only minimal insurance, he or she may be open to a judgment that exceeds the amount of his coverage.

The agency may be able to add a coverage to its general liability policy called "Social Service Excess Auto Coverage" or "Volunteers' and Employees' Excess Auto Coverage." This relatively new coverage will protect the volunteers as individuals up to the limit of liability carried by the agency. If this coverage is not available, a separate policy called "Volunteer's Excess Auto Liability" is available, also from CIGNA.

Neither of these forms of coverage should be considered as primary insurance for the individual driver. Drivers must still have their vehicles insured for at least the minimum limits required by the state in which they reside. The additional coverage is there to supplement those minimum financial limits, or the amount of insurance carried by the volunteer.

Conclusion

Volunteers are a valuable asset to many human services organizations including crisis nurseries and respite care programs. Insurance coverage for volunteers helps programs and families feel more secure, and provides one mechanism for effective risk management.

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