

## **Insurance for school-related organizations**

Many school districts have organizations focused on helping the school district or a specific school within the district with volunteers and/or financial support. Sometimes these are parent-teacher organizations (PTO), in Sun Prairie these organizations are called School Community Organizations (SCO), booster clubs, foundations, etc. As an organization with a board of directors conducting events, activities, and fundraisers, there is exposure to loss for the organization or the individuals involved with the organization. Some of the insurance coverages for the school district extend to these organizations. However, these organizations should consider purchasing certain types of coverage. Below are the exposures these organizations face, the considerations for determining coverage, and the types of insurance coverage to be considered by the organization.

### **What are the risks for school-related organizations?**

School-related organizations exist to help the schools and the school district. It is easy to overlook the need for insurance coverage to properly protect the volunteers and the organizations. However, there are a number of potential risks these organizations could encounter including:

- Theft of funds
- Embezzlement
- Disagreements on the distribution of scholarships
- Contractual requirements when renting an outside venue
- Allegations of fund mismanagement
- Negligent program administration
- Automobile accident while conducting organization business
- Injury at an event
- Damage caused at a venue during an event
- Allegations of self-dealing
- Personal asset of board members
- Employees injured while working within their scope of employment
- Phishing scam resulting in the loss of money

### **What should be considered when determining the need for coverage?**

Organizations should conduct a review of their size i.e. the amount of money managed, their legal status, the kinds, types, and frequency of events and fundraisers held, to determine which coverages to purchase.

The organization is considered an additional insured on the school district's General Liability coverage, but the school district does not provide coverage for the theft of the organization's money or coverage for the directors and officers of the organization.

# What insurance coverages should be seriously considered to protect the organization?

## **Directors and Officers' Liability Coverage**

Any organization with a defined Board of Directors and volunteers holding certain positions should purchase Directors and Officers (D&O) Liability coverage. Without this coverage in place, the volunteer's personal assets are at risk in the event of a claim brought against the organization and/or the Board of Directors. This policy affords coverage for allegations of wrongful acts by the Board of Directors and includes coverage for damages and defense costs.

## **Crime Coverage**

A Crime policy affords coverage for theft of the organization's funds. This would include bank accounts, cash, endowments, investment accounts, etc. If the organization manages these funds on its own, the organization should consider Crime coverage.

## **General Liability Coverage**

General Liability coverage addresses third-party bodily injury or property damage caused by the organization or its volunteers. The school-related organization is included as an additional insured under the school district's General Liability policy. This coverage should only be needed for larger organizations conducting large-scale events or events not held for the benefit of the school district.

## **Cyber Liability Coverage (rarely needed in school organizations today, but it may become standard in the future).**

There are a number of coverages provided by a Cyber Liability policy and the exposure for school-related organizations is typically minimal. However, there has been a significant increase in the number of ransomware attacks and phishing scams resulting in claims recently. It is unlikely for the organization to be managing its own IT network, which reduces the opportunity for a ransomware attack. However, a phishing scam or social engineering scam tricking a volunteer into sending the organization's money somewhere may still be a significant exposure. This exposure can be managed effectively with good internal financial controls including limits on checks to be written and dual authorization for checks/distributions. There can also be exposure if the organization is maintaining in its position personally identifiable information, such as credit cards.

## **Non-Owned Automobile Liability Coverage (rarely needed in school organizations)**

Non-Owned Automobile Liability coverage protects the organization in the event of inadequate limits in place by a volunteer involved in an automobile accident while conducting business for the organization. If volunteers regularly drive their personal vehicle while conducting business for the organization, this coverage should be purchased. This does not include the volunteer driving themselves to events or meetings. The exposure might include a meal delivery program, or delivering supplies to the various schools at the direction of the organization. The volunteer's personal insurance would be primary coverage. If the volunteer's personal insurance does not provide adequate limits, there may be an exposure for the organization. School-related organizations rarely need to purchase this coverage.

## **Workers' Compensation Coverage (rarely needed in school organizations)**

Most school-related organizations are completely operated by volunteers. If the organization has anyone on payroll for work being performed, there may be a need for Workers' Compensation coverage. This affords coverage for medical and indemnity expenses arising out of injuries sustained in the course and scope of employment. School-related organizations rarely need to purchase this coverage.

**This information provides a roadmap for determining the school-related organization's insurance needs. It is difficult to consider spending money raised for the school district on insurance premiums for the organization, but it may provide necessary protection for the volunteers of the organization and allow the organization to continue providing a benefit to the specific school and school district.**