



## ***Are you covered?***

### **A Guide to Insurance for CCPR Member Organisations<sup>1</sup>**

#### **Introduction**

In recent years many sport and recreation organisations have faced increased insurance costs or have experienced difficulties in finding cover. Whilst these difficulties have a variety of causes, there are some key steps CCPR member organisations can take to improve their situation.

This guidance note provides vital information on how your organisation, regardless of its size, can protect against the risk of claims for damages, including being sued. It concentrates on the two types of liability insurance most sport and recreation organisations will need – public liability insurance and employers' liability insurance. It covers:

1. Why you need insurance
2. Different types of liability insurance
3. The rising costs of liability insurance
4. How to buy insurance
5. Good practice and risk management - to increase your access to competitively priced liability insurance
6. Useful Contacts

#### **1. Why your organisation should provide insurance cover for staff and volunteers**

*Your organisation may be liable for harm caused to its members, to volunteers and to the public.*

The law makes clear that we all owe other people a duty of care. If there is a breach of that duty which causes injury to someone else, or damage to their property, then your organisation or its members or volunteers could receive a claim for damages, and face a very expensive bill if found to be at fault. You can protect your organisation against the financial consequences of negligence through liability insurance, and by taking action to protect the safety of people affected by your activities.

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<sup>1</sup> The CCPR and Perkins Slade are grateful to the Association of British Insurers for their help with preparing this document.

## 2. The different types of liability insurance

Liability insurance broadly speaking covers the compensation that may be due to somebody harmed by negligent acts or failures to act. It also covers the legal costs of investigating and defending any such claims made against the organisation and its officials or volunteers.

**Employers' Liability Insurance** covers the organisation's legal liabilities for injuries to its employees sustained in the course of employment. This insurance is compulsory by law.

**Public Liability Insurance provides** cover for injuries to the public or damage to their property. It is important to remember that "the public" here means anyone other than an employee, so it can include volunteers, participants and spectators.

For a sports organisation this could include claims from those who organise or take part in its activities, or members of the public who may otherwise be affected by it - for instance a passer-by who is injured during a road race. Some insurers may also offer 'member to member' liability within the scope of their public liability policies.

**Professional Indemnity Insurance** covers financial loss or personal injury to clients resulting from your negligent advice or actions.

**Product Liability Insurance** protects against damage caused as a result of a fault in the design or production of a product sold or supplied [including defective containers]. In addition to the sale of sports equipment, this can include refreshments supplied at events.

**Directors and Officers (D&O) Insurance** covers claims against one of the organisation's directors or other officers individually, as opposed to those made against the organisation itself. People with management responsibility (including members of a committee) may also be held responsible for lack of care and skill in carrying out their duties, so D&O insurance may be relevant in these circumstances as well.

**Trustee Indemnity Insurance** provides similar cover to D&O insurance (above) for appointed trustees against the risk of personal liability arising from any breach of trust. The purchase of this cover will need to be authorised by the governing document of the organisation, or by the Charity Commission as appropriate.

Typically, these liability policies provide cover of between £2 million and £5 million.

### Employers' liability insurance

Employers' Liability (EL) insurance covers the legal liability of employers towards injury or ill health sustained by an employee in the course of their employment. It is compulsory by law for nearly everyone who employs someone else. Whether EL insurance is required will depend on whether there is an employer to employee relationship. More information is available in the Health and Safety Executive's Guidance on Employer's Liability Insurance (<http://www.hse.gov.uk/pubns/hse40.pdf>).

Policies are legally required to provide minimum cover of £5 million, although most policies offer EL £10million. Your EL insurance should cover all conventional employees and include contract staff, casual, seasonal and temporary workers (including work experience students).

If you have volunteer workers (e.g. coaches, officials, event organisers) you should tell your insurance broker and/or insurer in order to make sure they are covered properly.

### **3. The rising cost of Public and Employer's Liability insurance.**

Following the collapse of the stock market late in 2001, insurers discovered they could no longer rely on investment income as a significant revenue stream and that they needed to underwrite for profit.

In addition to this personal injury award inflation is running at between 10% to 15% a year and between 1996 and 2002 there has been a 300% rise in the average cost of EL insurance claims.

Insurers are also facing the emergence of new and uncertain risks, such as claims for stress, abuse and discrimination.

Two years ago, this inevitably increased premiums and restricted the number of insurers willing to underwrite Liability insurance (Employers Liability in particular).

More recently the market is experiencing a "flattening" of premiums. Insurers, however, continue to seek an active approach to Health & Safety Risk Management with demonstrable Health & Safety Policies, Procedures and documentation (for example, a current Risk Assessment programme). Clients must continue to "sell" their business to the insurance market and use any differentiating factor they can identify to their advantage.

### **4. Buying liability insurance**

Both employers' and public liability insurance can be purchased on their own or as part of a combined insurance policy, which includes other cover such as insurance for the buildings and equipment or stock. For example, for a sports club, such a combined policy might cover damage to the club's premises and its specialist equipment as well as offering cover for liability claims.

If you have a combined policy, do check to see if it includes public liability insurance cover and do talk to your current insurer. An insurance broker or intermediary can discuss your liability insurance requirements and should advise on what insurers typically expect before they can offer cover.

The ABI and the British Insurance Brokers' Association (BIBA) have recently produced a code of practice on service standards. It says that you should receive details of your renewal terms from your broker around 3 weeks before your insurance renewal is due. Nonetheless it really is worth making note of your renewal date and thinking about it about 2 months in advance. Doing this allows you to be well prepared to respond to any questions before renewal and gives you good time to find an alternative insurance quote if you need one.

If you are having problems with buying insurance, the CCPR's enterprise partner, Perkins Slade Limited are specialist insurance brokers for sport and recreation and should be able to assist you. Their contact details are referenced below.

### **5. Good practice and risk management**

Insurance providers want assurance that your organisation operates to high standards of good practice, and has appropriate risk management processes in place – as this reduces the likelihood of anyone being harmed through their involvement in your activity, which in turn reduces the likelihood of a claim. Key documents that insurers are likely to request sight of when preparing a liability insurance proposal include:

- **Constitution** – this should provide assurance that you have robust corporate governance and lines of accountability, it will also give an outline of the nature of your activities;
- **Child Protection Policy & Procedures** – these should outline how your organisation safeguards children who participate in its activities, once again showing clear lines of communication and accountability;
- **Good Practice Guidelines and Health and Safety Policy** – these should demonstrate that your activities are organised and delivered according to agreed standards of good practice and with due care and attention to health and safety;
- **Qualifications and Training Information** – this should demonstrate that those responsible for organising and delivering your activities are appropriately trained and qualified;

In setting liability insurance premiums, insurers will take account of your full business activities (company brochures, recent newsletters, calendar of events, website details will assist in 'selling your business to the insurance market') and recent claims experience (details of accidents over last 5 years and any actions taken to prevent reoccurrence will be required).

## **Towards good risk management**

Evidence of a risk management policy across your organisation is critical. Assessing the risks you face, and taking steps to control and minimise them is crucial. The actions you need to take to reduce risks will depend on the nature of your activities. However taking the following five steps will help you take the appropriate actions

### **Step 1: Identify the risks you face**

This involves considering any hazards that may be inherent to your activity or the environment in which it takes place.

### **Step 2: Consider who could be harmed and how**

This means considering the implications of these hazards for volunteers, competitors, spectators and members of the public

### **Step 3: Decide how serious the risks are**

This involves considering the likelihood of someone being harmed as a result of one of your risks, and what the impact of this might be. For instance how likely is it that someone might be injured by incorrectly prepared equipment – and how serious might this injury be.

### **Step 4: Identify responses to risk**

Do you need to take further action to reduce the risk. In the case above this might include developing training on the use of a piece of equipment – or even contra-indicating the use of that equipment.

### **Step 5: Record and Review**

You should record your findings and actions for each of the steps above, and regularly return to step one to identify whether any new risks have occurred.

You should supply a copy of your risk assessment to your insurance broker or provider, and be willing to discuss the steps you have taken and why. The more you do to manage the risks you face, the easier it will be to continue to obtain liability insurance.

## 6. USEFUL CONTACTS

**Association of British Insurers**

[www.abi.org.uk](http://www.abi.org.uk)

**British Insurance Brokers' Association**

[www.biba.org.uk](http://www.biba.org.uk)

**CCPR – One Voice for Sport and Recreation**

<http://www.ccpr.org.uk>

**Health and Safety Executive**

[www.hse.gov.uk](http://www.hse.gov.uk)

**The Child Protection in Sport Unit**

[www.thecpsu.org.uk](http://www.thecpsu.org.uk)

**Perkins Slade Limited – insurance brokers**

[www.perkins-slade.com](http://www.perkins-slade.com)



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