

Introduction to risk and insurance

Legal information for community organisations

This fact sheet covers:

- ▶ the risks of running a community organisation
- ▶ measures to avoid or minimise risk
- ▶ what is insurance?
- ▶ is your organisation required to get insurance?
- ▶ which insurance is right for your organisation?
- ▶ if things change or go wrong



Disclaimer

This fact sheet is an introductory resource to risk and insurance. For more detailed information, see [our guide to insurance and risk management for community organisations](#).

The information in this fact sheet is intended as a guide only and is not legal advice. If you or your organisation has a specific legal issue, you should seek legal advice before deciding what to do.

Please refer to [the full disclaimer](#) that applies to this fact sheet.

All activities in life involve risk and, of course, there are risks associated with a community organisation's activities.

By recognising potential risks, community organisations can implement strategies to manage them. For unavoidable risks, insurance can help provide protection.

When a community organisation should consider risk and insurance

There are key times when organisations should consider risks, risk management and insurance.

A community organisation should consider its risks:

- when it initially sets up
- when it starts offering services or products, or changes the type of services or products offered
- when it starts employing staff or engaging volunteers
- when it's hosting or running events

- when it starts using new premises
- when it enters into relationships with other organisations, (ie. like partnership agreements or services agreements)
- when there are changes to the laws that affect the organisation
- when unexpected incidents have occurred that raise liability issues
- when the organisation's circumstances change, and
- at least once a year before the organisation's Annual General Meeting (**AGM**) – the organisation should do a full audit to ensure that risks are identified and addressed, and that insurance cover is still meeting the needs of the organisation

What are the risks of running a community organisation?

Examples of risks of running a community organisation include:

- someone (a volunteer, employee, member of public) slips in your building and injures themselves
- someone within your community organisation steals your organisation's money
- someone has an allergic reaction to the food you sell or serve
- you are a victim of theft, and your equipment is stolen
- your building or the building you are occupying floods or is burnt down, and you lose all your records
- an employee undertakes activities without authorisation
- your computer equipment fails or you get a virus and lose all your documents and client records
- one of your volunteers has a car accident while visiting a client



For more information about assessing these risks, see [our guide to insurance and risk management for community organisations](#), particularly:

- part 4 – risk considerations for activities that involve travel, and
- part 5 – risk considerations for activities that involve sport and adventure activities

Why is your organisation's legal structure relevant?

Your organisation's legal structure is relevant to what liabilities (legal responsibilities) your office holders have if they breach their duty of care to members of the public.



See [our guide to insurance and risk management for community organisations](#) for more information about how the legal structure you choose is relevant to your office holders' liabilities (legal responsibilities).

Measures your organisation can take to avoid or minimise risk

Your community organisation can take measures to minimise risk and the impact on your community organisation if the risk does occur.

Measures your community organisation can take to avoid or minimise risk include:

- creating a safe physical environment
- providing goods and services to the public in a safe manner
- implementing staff and volunteer safety guidelines
- having financial controls
- appropriate risk management and insurance



See part 2 of [our guide to insurance and risk management for community organisations](#) for more information about measures your organisation can take to avoid or minimise risk.

Insurance



What is insurance?

Insurance is a way of managing risks your organisation can't avoid or minimise, by paying another party (the insurer) to bear the costs if certain risks eventuate.

Insurance reduces exposure to liability, and transfers particular risks that an organisation can't avoid or minimise.

Common types of insurance include:

- workers compensation insurance
- volunteer personal accident insurance
- motor vehicle insurance
- public liability insurance
- product liability insurance
- professional indemnity insurance
- building contents, occupiers insurance
- directors and officers liability insurance
- cyber liability insurance
- fraud insurance
- travel insurance



See part 3 of [our guide to insurance and risk management for community organisations](#) for more information on these types of insurance.



What is an insurance policy?

An insurance policy is the document that sets out the terms and conditions on which the insurance company agrees to insure your community organisation against particular risks (for a fee).

Your organisation can only claim on your insurance policy if:

- the event that goes wrong is covered by your insurance policy, and
- the organisation follows its obligations required by the policy (such as notification to your insurer)

Things your organisation should you look for in an insurance policy include:

- what the policy covers and in what circumstances
- how much the insurer agrees to pay for each different event
- if there is any 'excess or 'deductible' (an amount your organisation may have to pay to claim on the policy or the amount paid by the organisation before the insurer will make any payment)
- whether there are any waiting periods before your organisation can make a claim, and
- how much the insurance policy will cost each year (the 'premium')

Some standard obligations under an insurance policy include:

- providing full and accurate information
- keeping your insurance up to date, notifying your insurer (or broker) if your circumstances have changed, and
- notifying the insurer or broker of an event or incident that may give rise to a claim within a certain time period.

Is your organisation required to get insurance?

Even if your community organisation has measures in place to avoid or minimise risk, your organisation may still need to get insurance.

To assess whether your organisation is required to get insurance, ask:

Is your organisation required by law to get insurance?

For example:

- if your organisation is an employer, the law requires your organisation to get workers compensation insurance for its employees
- if your organisation owns, leases, or uses motor vehicles, it's required by law to insure against third party injury liability

Is your organisation required to get insurance under a contract or agreement?

For example:

- if your community organisation wants to hire equipment, the hire agreement may include a requirement that your organisation has building and contents insurance and public liability insurance
- if your organisation is going to lease an office, building or land, the lease agreement may require your organisation to have public liability insurance
- if your organisation signs an agreement to supply services, the agreement may require your community organisation to have public liability, product liability and professional indemnity insurance

Even if not required by law or contract, does your organisation need insurance?

For example, if your organisation faces certain risks, and:

- those risks can't be adequately avoided or sufficiently minimised by adopting other measures, and
- the organisation can't afford to pay the amount of money that would be involved if the risk eventuated



See part 3 of [our guide to insurance and risk management for community organisations](#) for more information on assessing whether your organisation should get insurance.

Which insurance is right for your organisation?

There is no 'one-size-fits-all' insurance program for community organisations.

Things that will inform what kind of insurance a community organisation should hold include:

- the organisation's activities and operations
- the organisation's preparedness to manage risks in ways other than insurance
- the legislative and regulatory environment in which the organisation operates
- the organisation's contractual obligations owed to others, and
- the costs and benefits of particular types of insurance

**Tips to help reduce the cost of insurance**

- get advice about your organisation's insurance needs
- consult with any peak bodies, funding bodies, umbrella bodies, parent, or related community organisations about the availability of a 'group' or 'blanket scheme'
- shop around for quotes to compare the different insurance policies available, and
- if your organisation needs a few different types of insurance, you may be able to get a better price by buying an insurance package

**Caution**

Be careful when seeking advice directly from insurance companies or insurance company agents. Both the company and the agent will advise your community organisation about the policies available from that insurer only.

By contrast, insurance brokers are not employed by the insurer so may advise you about insurance policies available from a range of companies. The law requires that insurance agents and brokers be licensed and that they provide you with certain information about the policies they are advising you on (including whether they are paid by the insurer, including commissions).

What happens if things change or go wrong?

If something goes wrong, it's important to notify your insurer (or broker) and lawyer as soon as possible when:

- any event causing loss or damage occurs
- a claim is made against your community organisation, or
- any fact or change in circumstance which may create a claim in future (do this before renewing your policy)

Claims against your community organisation

Generally, if your community organisation has professional indemnity insurance, or insurance covering its employment practices or the conduct of its officers, the policy will operate on a 'claims-made' basis.

On the other hand, public liability insurance is 'occurrence based', which means your community organisation is covered for any events that happen during the policy's timeframe, regardless of when it is notified.

Each subsequent period of insurance will usually exclude from cover any claims made on the policy which arise from 'prior known circumstances'. 'Prior known circumstances' are circumstances which you became aware of before that period of insurance started that might later give rise to a claim.

Once you have notified the insurer of any such circumstances, the insurer will record them on your policy. Should those circumstances develop during a later period of insurance, your community organisation will be in a better position to receive coverage under its insurance policy.

If your insurance policy does not apply

There may also be times where things go wrong at your community organisation, and it is not covered under your insurance policy. If this happens, your organisation can be left vulnerable to bearing the full cost of legal proceedings and compensation payouts.

If your insurance policy does not apply to the situation that has occurred, you should:

- contact your insurer (or broker) as soon as possible
- contact your lawyer as soon as possible, and
- update your policy as soon as possible



Complaints or concerns

If your organisation has a complaint or concern about an insurance contract that it can't resolve with the insurer, it can contact regulatory bodies such as the [Australian Financial Complaints Authority \(AFCA\)](#).

AFCA can intervene to assist your organisation in providing fair, free, and independent dispute resolution services for financial complaints.