

Introduction to risk and insurance

Legal information for community organisations

This fact sheet covers:

- ▶ common risks for community organisations
- ▶ measures to minimise risk
- ▶ insurance and insurance policies
- ▶ when insurance may be required
- ▶ selecting appropriate insurance for your organisation
- ▶ responding to incidents and claims



Disclaimer

This fact sheet is an introductory resource to risk and insurance. For more detailed information, see [our guide to risk management and insurance 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 community organisations face risks. Many risks can be eliminated or reduced through appropriate planning and risk management.

Where risks cannot be avoided or adequately minimised, insurance may help protect your organisation against the financial consequences if something goes wrong.

Key times to review risk and insurance

Your organisation should consider its risks when it:

- sets up
- changes its activities
- employs staff or engages volunteers
- holds events
- moves into new premises, or
- enters into new arrangements with other organisations

Risk and insurance arrangements should also be reviewed when relevant laws or circumstances change, after an unexpected incident and at least once a year.

Common risks for community organisations

Risks may arise from:

- injuries to volunteers, employees, participants or members of the public
- theft, fraud or scams
- harm caused by goods or services, and
- damage to property

Organisations may also face risks arising from unauthorised conduct, cyber incidents, privacy breaches, unsafe work, failures to meet child safety obligations and motor vehicle accidents connected with their activities.



For more information about identifying and assessing risks, see [our guide to risk management and insurance for community organisations](#). Parts 4 and 5 provide additional guidance on activities involving travel, sport and adventure.

The impact of legal structure on liability

Your organisation's legal structure affects the liabilities and responsibilities of its office holders and governing committee members. Different legal structures can affect whether office holders may be personally liable for certain actions, decisions or obligations of the organisation.



For more information about how legal structure affects office-holder liability, see [our guide to risk management and insurance for community organisations](#).

Measures to minimise risk

Community organisations can take practical measures to minimise risk and reduce their impact if they occur. These measures may include:

- creating a safe physical environment
- providing goods and services safely
- protecting computer systems and information
- implementing staff and volunteer safety measures, and
- maintaining appropriate financial controls

Risk management should be an ongoing process. Your organisation should regularly consider whether its existing measures remain effective and whether changes to its activities or circumstances have created new risks.

Insurance does not prevent an incident from occurring. It can help manage the financial consequences of risks that cannot be avoided or adequately minimised.



See part 2 of [our guide to risk management and insurance for community organisations](#) for more information.

Insurance as a risk management tool



What is insurance?

Insurance is an arrangement under which an insurer agrees to cover specified losses or liabilities in exchange for payment of a premium and subject to the terms and conditions of the policy.

Common types of insurance include:

- workers compensation insurance
- volunteer personal accident insurance
- motor vehicle insurance
- public liability insurance
- products liability insurance
- professional indemnity insurance
- buildings and contents insurance
- directors' and officers' liability insurance
- cyber liability insurance
- fraud insurance, and
- travel insurance



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

Understanding insurance policies



What is an insurance policy?

An insurance policy is a contract that sets out the terms and conditions on which an insurer agrees to cover specified risks.

Your organisation can generally only make a successful claim if:

- the incident is covered by the policy, and
- the organisation has complied with its obligations under the policy

Assessing an insurance policy

Before purchasing insurance, consider what and who the policy covers, any exclusions or eligibility restrictions, coverage limits, any excess or deductible, waiting periods, and the annual premium.

Read the policy wording together with any Product Disclosure Statement (**PDS**) or other documents provided by the insurer. A PDS summarises the main features, costs, risks and limitations of the policy. If anything is unclear, seek clarification from the insurer or broker.

Your obligations under an insurance policy

Your organisation's obligations may include:

- providing complete and accurate information and disclosing relevant matters when applying for or renewing insurance
- informing the insurer of significant changes that may affect the cover, where required, and
- promptly notifying the insurer of incidents, claims or circumstances that may result in a claim

Failing to comply with these obligations may affect the organisation's insurance cover or the insurer's obligation to pay a claim.

When insurance may be required

Even where an organisation has effective risk management measures, insurance may still be necessary.

When considering whether your organisation needs insurance, ask:

1. Is the insurance required by law?
2. Is the insurance required under a contract or agreement?
3. Even if it is not required, is the insurance appropriate given the organisation's risks?

Insurance required by law

Some forms of insurance are compulsory. For example, organisations that employ staff are generally required to obtain workers compensation insurance. Motor vehicles must generally be covered by compulsory third party insurance or an equivalent statutory scheme.

Specific insurance requirements may also apply to certain professions, industries and activities.

Insurance required under contracts

Leases, funding agreements, venue hire agreements, equipment hire agreements and service agreements may require an organisation to maintain particular insurance.

For example:

- an agreement to hire equipment may require public liability insurance and insurance covering loss of or damage to the equipment
- a lease may require public liability insurance, and
- an agreement to provide services may require public liability, products liability or professional indemnity insurance

Before signing a contract, check the type and level of insurance required, who must be covered, how long the insurance must remain in place and whether another party must be noted on the policy.

If insurance is required, your organisation's policy must satisfy the contractual requirements.

Insurance that is not mandatory

Even where insurance is not required by law or under a contract, an organisation may decide that it is appropriate because:

- the organisation faces particular risks
- those risks cannot be reasonably eliminated or reduced, and
- the financial consequences could be significant

Insurance is not a substitute for risk management. Organisations should continue to take reasonably available and cost-effective measures to avoid or minimise risks.



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

Selecting appropriate insurance for your organisation

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

The types and levels of insurance that may be appropriate will depend on the organisation's activities and risks, its legal and contractual obligations, its capacity to manage risks in other ways and the cost and scope of available insurance products.



Managing insurance costs

Organisations may be able to manage insurance costs by:

- obtaining advice about their insurance needs
- checking whether a peak body, funding body or related organisation offers group insurance
- comparing policies and quotes from different insurers, and
- considering whether an insurance package is suitable



Caution – insurance advice

Insurance companies and their agents generally provide information about products offered by that insurer. An insurance broker may be able to compare products from a range of insurers.

Before relying on advice, check who the adviser acts for, which products they can consider and how they are paid.

Responding to incidents and claims

If an incident occurs, notify your insurer or broker promptly. Depending on the circumstances, it may also be appropriate to seek legal advice.

Notification may be required when:

- an event causes loss, damage or injury
- a claim is made against the organisation
- the organisation receives a letter of demand or legal documents, or
- the organisation becomes aware of circumstances that may result in a future claim

Your organisation should understand the notification requirements in its policies. It should also avoid actions that could prejudice the insurer's position, such as admitting liability or negotiating a settlement without the insurer's agreement.

How insurance cover applies

Different insurance policies provide cover on different bases.

Many professional indemnity, employment practices and directors' and officers' insurance policies operate on a **claims-made basis**. This generally means cover applies to claims made and notified during the insurance period, subject to the policy terms.

By contrast, public liability insurance is generally **occurrence-based**. This means cover usually applies to incidents that occur during the insurance period, even if a claim is made later, subject to the policy terms and notification requirements.

Claims-made policies commonly exclude claims arising from circumstances that the organisation knew about before the relevant insurance period and did not disclose. For this reason, organisations should notify their insurer or broker promptly if they become aware of circumstances that may later result in a claim.

When insurance may not apply

If an incident may not be covered:

- contact the insurer or broker promptly
- obtain legal advice where appropriate, and
- review whether additional or different cover may be needed for future incidents

Insurance obtained after an incident will not generally cover that incident retrospectively.



Complaints about insurance

If your organisation has a complaint about an insurance policy or the handling of a claim, it should first try to resolve the complaint directly with the insurer.

If the complaint cannot be resolved, the organisation may be able to refer it to the Australian Financial Complaints Authority (AFCA). AFCA provides a free and independent external dispute resolution service. Its jurisdiction and eligibility requirements determine which complaints it can consider.