“The Changing Landscape: Insurance 101”
Rick Braschler

The role of insurance is vital to your organization’s overall risk management plan in that it provides the resource needed to fund the losses that may incur. The purchasing of an insurance policy to pay claims is a function of risk management called ”Risk Transfer.” In other words, should a loss occur, the organization will transfer all or most of the financial loss to the insurance policy while paying only a deductible, if selected.   This is necessary to protect the longevity of the organization due to the magnitude of liability and property claims often reaching into the millions of dollars. The amount of premium is often regulated by the choice of maximum limits and deductible options. These options can either raise or lower your premium, and should be made in consideration of the organization’s financial ability to self-fund losses up to certain limits. I would recommend that you first determine the financial threshold for self-funding losses, then select insurance deductibles and limits to match this threshold.

Selecting the proper insurance coverage can be daunting for many professionals often burdened with wearing too many hats. Therefore, wisdom urges the selection of a qualified agent, who can then be entrusted to select the best possible insurance policy, coverage’s, and carrier. Of the many considerations for selecting brokers and carriers, here are two recommendations. First, agents are not all created equal in their knowledge of outdoor recreation, their experience in working with these organizations, or their capacity to insure the scope of your activities into the future. Therefore, when selecting, I recommend you identify their years of experience in working with the this industry, and the number of groups they have insured in their agency. Second, while relationships and loyalties with “friends” who can offer insurance services can be advantageous, it can be equally detrimental. Ensure that this relationship is further supported by the agent’s ability to secure adequate insurance markets as well as understand your risk.

The question that I am asked over and over again without fail is, “How much insurance does my organization need?” Of course, I generally respond that if I, or anyone, could answer that question, then we’d write the book and retire. Perhaps a more legitimate question that needs to be asked is, “What coverage’s and limits should we have to effectively cover the exposures so that a loss will not spell financial disaster for our organization.” Now a question such as that is certainly more definable, so let’s begin. Insurance is commonly viewed in reference to coverage type, coverage limits, and duration. So, let’s examine some general insurance schemes and gain insight on how we can utilize insurance as a tool in our risk management plan.

Property insurance is certainly a must given the frequency of damage to property in the U.S. and the cost of labor and supplies. Property coverage limits should accurately reflect the value of property that it would cost to replace it today. Therefore, when considering coverage limits, do not factor in volunteer labor or donated supplies, as this will result in an inaccurate calculation. Such inaccuracy can likely result in a severe “under-insured” outcome which is not beneficial to your organization. A knowledgeable agent should be able to assist you with a cost analysis of your property. The duration of property coverage is usually one year, and the deductible is applied per incident.

Included in your property insurance category are three important coverage's called Inland Marine (IM), Business Interruption (BI) and Leased Equipment. Inland Marine (IM) sounds like just marine coverage, but it entails much more. IM coverage exists to focus coverage on specific moveable items such as watercraft, data processing equipment, golf carts, tractors, lawn equipment, and other high value items. Generally, the deductible is lower on IM equipment. Business Interruption (BI) is available should a covered incident cause the program to shut down for a period of time. Since outdoor organizations receive the majority of their revenue during the summer months, this type of loss can be devastating. It is wise to identify your BI coverage limits noting that the deductible is usually different from your property coverage, and typically is a time frame such as 72 hours. Lastly, if your organization leases some high value equipment, I recommend a review of this coverage to adequately cover your operational use.

Liability insurance is a major element of your insurance protection, and should be reviewed intently. The primary components of liability insurance include General Liability, Medical Malpractice Liability, Sexual Misconduct Liability, and Umbrella Liability. Liability insurance policies are written on a annul basis, and all but the Umbrella coverage usually do not have a deductible. Since these components are largely self explanatory, I'll spend this time focusing on some uncommon liability issues, namely *Claims Made* vs. *Occurrence Forms, Non-owned & Hired Auto*, and *Charitable Immunity & Liability.*

Liability policies are written largely on the basis of two coverage forms, Claims Made or Occurrence. A claims-made policy form covers claims *made* during a given period of time, and thus reported in the same policy term. A claims-made form has value, but no guarantee of continued insurability, so you may not have coverage in the future for activities in the past should you cancel a claims-made policy. Occurrence forms, which are perhaps the better of the two, cover losses that *happen* during a given period of time (i.e the policy term). The loss can be reported years later, but the key is when it happened, and what insurance company you had at that time. I recommend that you review all four of the liability policies mentioned in the previous paragraph to determine what policy form they are written If needed, contact your agent for clarification.

Organizations are often dependent on the use of private passenger vehicles to conduct business in their operation. Likewise, many organizations rent or lease vehicles when traveling or for program transportation purposes. As such, a necessary endorsement to add to your liability is the "Non-owned and Hired Auto" coverage. This endorsement not only extends liability coverage to those non owned or rented vehicles, but in many cases, physical damage coverage can be added as well for an additional premium. In many cases, an agreement or contract needs to be in place before insurance coverage can be extended to a vehicle of this type. I recommend checking with your agent and carrier so that your business process of utilizing non-owned or rented vehicles is in line with your coverage expectations.

News reports of high liability settlements make selecting maximum limits a very difficult decision for leaders. In the end, the decision is often made simply in response to the premium cost, rather than effective strategic planning. Of the many factors included in determining maximum liability limits, an understanding of your state's *Charitable Immunity & Liability Laws* should be an integral part of your strategic planning.

Recreation Laws and Charitable Immunity and Liability Laws are generally designed to maximize the resources devoted to delivering the services of an organization by reducing the liability exposure and insurance costs of these organizations and their employees and volunteers. While not every state has adopted this type of protection, it is prudent to understand your state's immunity and recreation laws when selecting your maximum liability limits. The absence of these laws in your state should provoke your strategic planning to consider the possibility of higher limits for better protection.

As the definition of the "outdoor experience" continues to evolve in the minds of leaders, the task of insuring this changing landscape is equally challenging to the insurance industry. To ensure the longevity of outdoor recreation upheld by adequate insurance coverage, it is essential that organizations and insurance carriers set aside the "cat and mouse" mentality. Rather, we should resolve ourselves to promote transparency and cooperation while building viable solutions equally beneficial to both missions.

Bio - Rick Braschler

Rick Braschler serves as the Director of Risk Management for Kanakuk Kamps in Branson, Mo. Rick is also the Senior Risk Consultant for CircuiTree Solutions, offering camp risk management consulting to ministries throughout the country. Rick has been in the insurance and risk industry for 18 years specializing in camping, outdoor recreation and wilderness organizations. You can contract Rick at rsbraschler@kanakuk.com