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# **Insurance: Covering Your Tail!**



**A Resource for Animal Welfare Organizations**

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**Best Friends**  
ANIMAL SOCIETY

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## About Best Friends Animal Society

Best Friends Animal Society is working with you – and with humane groups all across the country – to bring about a time when there are no more homeless pets.

The sanctuary at Angel Canyon, in the Golden Circle of southern Utah, is home, on any given day, to about 1,500 dogs, cats, and other animals from all over the country. Many of them need just a few weeks of special care before they're ready to go to good new homes. Others, who are older and sicker, or who have suffered extra trauma, find a home and a haven here, and are given loving care for the rest of their lives.

In our home state, Best Friends manages a model No More Homeless Pets campaign with shelters and humane groups, to ensure that every healthy companion animal that's ever born can be guaranteed a caring home.

And Best Friends reaches across the nation, helping humane groups, individual people, and entire communities to set up spay/neuter, shelter, foster, and adoption programs in their own neighborhoods, cities, and states.

The work of Best Friends is supported entirely through the donations of our members. Through the generous hearts and hands of people like you, we're getting close to the day when there will be No More Homeless Pets.

Thank you for being part of this work of love.

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**The animals are depending on you**, so as an animal welfare organization, you'll want to protect yourself and your organization from catastrophic loss and lawsuits. There are a variety of insurance types that an organization like yours may need. Finding a good insurance agent, staying involved, and asking questions will help ensure that you get appropriate coverage.

This publication contains brief descriptions of the types of insurance you might need, suggestions for how to go about buying insurance, and examples of good practices to minimize your risk of loss. It includes a few case studies and additional resources to help you along in your search for insurance.

There's good news and bad news about buying insurance. First, the bad news: There is no such thing as a comprehensive policy that covers everything. You'll want to evaluate the various risks of your organization and the programs you run, and to discuss these risks with your agent to be certain the policy you purchase will cover you adequately.

Many policies have exceptions for certain things, such as liability policies that do not cover events with animals. Obviously, a clause like that is simply not acceptable for an organization that brings animals to events on a regular basis. Make sure you read all exceptions to your policy carefully.



Now the good news: If you are served with a lawsuit for a risk covered by insurance, the insurance company absorbs all the defense costs, including hiring a lawyer on your behalf. In many cases, the legal costs in a lawsuit are more than the amount the person is suing you for!

In addition to purchasing proper insurance, it's important to establish good practices and procedures to limit risks and keep the costs of insurance low. For example, installing an alarm system and turning it on every night can be crucial to the protection of your organization. More examples are given on page 7.

We hope this resource will be valuable to you and your organization as you make those often difficult decisions about what types of insurance to buy and how much to spend. However, it is not legal advice, and should not take the place of consulting with a qualified insurance agent or attorney.

## Types of Insurance

**General liability insurance** covers claims for bodily injury or property damage to people not associated with your business, as a result of negligent actions for which your company is legally responsible. It is important to note that your organization can be held liable for the actions of people acting on your behalf, including employees, volunteers, board members and subcontractors (such as a veterinarian).

Basically, according to the website Nonprofit Genie<sup>1</sup>, if a third party is "physically injured or his/her reputation is hurt, or another person's property is damaged because of a mistake by someone at your agency," then liability insurance will normally cover this claim.

Most liability policies include event coverage for off-site events, such as fundraisers, award ceremonies, or adoption events. Please remember to confirm that your policy does not have an exclusion that would leave your organization unprotected.

Some policies, for example, may automatically include a clause that excludes coverage for events involving animals.

Medical payment, or “med-pay,” can be part of your general liability coverage. This coverage will often cover medical costs incurred by volunteers who are injured while helping your organization, unless these members are classified as “additional insured.” Debi Jagodzinski from the Chesapeake Bay Insurance Company explains, “The classification depends on the underwriter, and the carrier. The best way to assure coverage for your volunteers is to have an accident, death and dismemberment policy.” Adult group accident insurance is another way to cover the medical costs for injuries sustained by volunteers.

**Property insurance** covers the building(s) and contents of the business in case of fire and other named perils. In some policies, this type of insurance may cover theft as well. If your organization owns a building, then you should carry enough insurance to rebuild the physical structure and replace its contents, including items such as fixtures, carpeting, cages, medical supplies, grooming tables, and computers. You don’t need to cover the value of the land because the land will still be there, even if the building is damaged or destroyed.

The Nonprofit Genie<sup>1</sup> says, “It’s best to insure your property (building and contents) for 100 percent of its value, and if necessary, reduce the expense of the insurance policy by requesting a higher deductible.” Property insurance does not usually cover detached signs, fences and trees – an additional endorsement is needed for this coverage.

**Worker’s compensation** is legally required by most companies with employees. This type of insurance protects your employees if they suffer job-related injuries. The policy pays for medical bills as well as disability pay if the injured worker needs to take time off from work because of a work-related injury.

It also pays for third-party liability, when someone has been affected by the employee’s loss and



is claiming injury due to the employee’s loss. (Here’s an example: Wives of coal miners sued using third-party liability when they developed black lung disease from shaking out the work clothes of their husbands.) With many policies, you can extend your worker’s compensation coverage to include volunteers.

**Commercial auto policies** can include collision, comprehensive, and rental or towing coverage, depending on what options you choose. If your employees or volunteers use their personal cars to do work for your organization, then you should consider a policy that covers liability for non-owned vehicles. This is important because “most Personal Auto Policies exclude liability coverage when the covered auto is used for business.”<sup>2</sup> For small organizations, it may be appropriate to consider a business endorsement for your personal auto policy, which provides additional coverage to existing personal insurance to cover limited business needs.

Hired and non-owned coverage can be added to a commercial auto policy to cover personal vehicles when volunteer and paid staff use their own vehicles for organization work. Hired and non-owned coverage can also be added to a general liability policy for an organization that does not have a commercial auto policy.

**Directors and officers (D&O) insurance** covers the unintentional actions of board members that may result in liability. This type of insurance is important because a general liability policy will usually not apply to a claim against a director or officer. The Nonprofit Genie<sup>1</sup> says, “Nearly 90 percent of claims against boards of directors will involve some type of employment dispute.” The dispute is often between the executive director and the board of directors, so even small organizations should seriously consider buying D&O insurance.

Even if board members are insured by the organization’s by-laws, this may not be adequate protection for them without D&O insurance, because “few non-profits have sufficient unrestricted funds to mount an expensive and prolonged defense.”<sup>3</sup>

D&O insurance also covers allegations of improper financial oversight, harassment, or discrimination. However, it’s not possible to buy insurance for illegal acts, so if an organization or individual is found guilty of something like intentional discrimination, the insurance company will not cover the damages awarded by the court and may seek reimbursement for the cost of the defense. Therefore, even if you have D&O insurance, your



organization must protect itself and its officers by ensuring that it has employment policies and procedures in place that comply with the law.

**Umbrella liability insurance** extends the liability limits of your general liability, worker’s compensation, directors and officers, and commercial auto policy. Normally, the additional coverage is purchased in \$1 million layers, and this additional coverage is often a great value. You can double your coverage, or more, by adding just a small amount to your premium.

There are many other types of specialty insurance. If your organization has animal cruelty officers with the right to seize animals, then you may need police professional liability. You will also need bailees insurance to protect yourself when you have care, custody and control (CCC) of another person’s pets. This type of coverage is also necessary if your organization provides private boarding for people’s pets.

There are other policy types that may be worthwhile for your organization. Depending on your location, flood or earthquake coverage may be important. Crime loss protection could be important for a mobile spay/neuter clinic. Professional liability may be desirable for an organization that is providing advice, services, and counseling to other organizations or individuals. Fidelity bonds may protect your organization if you provide pet sitting or other services that require a volunteer or staff member to enter a customer’s home or place of business, where theft may occur.

Boiler and machinery coverage, also known as mechanical or equipment breakdown coverage, insures heating or cooling systems, and expensive veterinary equipment. Your organization may also need a small computer policy, also known as an electronic data processing (EDP) policy, to cover not only the hardware but the cost to restore critical data if it’s lost. To determine the additional types of coverage that you might need, discuss your risks and coverage needs with your insurance broker.

## How to Buy Insurance

The first step is to find an insurance agent who handles business insurance. If you can find an agent with experience insuring nonprofit organizations, and animal groups in particular, then you will likely have an easier time finding coverage and ensuring that your policy is right for you.

It is important to find an agent that you trust, someone who will be directly involved in the decision-making process of choosing the right type of policy for your organization. Your agent should be willing to take the time to answer all of your questions. You're not an insurance expert, so remember that it's okay to ask your agent plenty of questions. As the SBA Online Women's Business Center<sup>4</sup> advises, "An agent should take the time to analyze your operations and coordinate all types of insurance coverage ... and be willing to obtain quotes from several companies to see that you obtain the most affordable coverage possible."

There are a few things that you can do to find a good agent. You might want to contact organizations similar to yours in your state to find out what insurance agent and coverage they use. You may also want to ask your board members if they know a trustworthy agent with appropriate experience.

Insurance coverage for animal sheltering organizations can sometimes be difficult to find, because many insurance companies perceive animal welfare groups as high-risk enterprises. To help you get started in your search, here are a few insurance companies that cover animal welfare organizations. Best Friends Animal Society does not endorse any of them, but these companies may be able to help if you are having trouble finding an insurance agent who is responsive to your needs.

- Kennel Pak ([www.kennelpak.com](http://www.kennelpak.com)) has been in the business of providing coverage for animal sheltering and nonprofit organizations for many years.

- The Philadelphia Insurance Companies ([www.phly.com](http://www.phly.com)) has recently added insurance specifically designed for animal shelters, and one of its specialties is nonprofits.

- The Chesapeake Bay Insurance Company has experience providing coverage to shelters and rescue groups. Chesapeake only covers some states, but the company's owner, Debi Jagodzinski, has volunteered to review any animal welfare group's policy from any other agency free of charge, to help ensure that you have the coverage you need. Jagodzinski can be reached at [cbinsurance@chesapeake.net](mailto:cbinsurance@chesapeake.net) or by phone at (800) 696-8120. She will also be happy to refer you to a local agent if she knows one in your area.

- Prince Associates, Inc., offers insurance for animal welfare organizations. The direct page for the animal-related insurance is [www.princeins.com/page4.asp](http://www.princeins.com/page4.asp). The phone number is (516) 822-6550 and the e-mail address is [info@princeins.com](mailto:info@princeins.com).

- Commerce Insurance Services may provide insurance for animal welfare organizations. For more information about the company, visit <http://insure.commerceonline.com> or call (800) 328-0095.

- You can also try the Creative Agency Group. Visit [www.creativeagency.com](http://www.creativeagency.com) or call (800) 888-8381.

Remember, shop around for the best price and the best coverage. You may find that one agent can get you a better price, but another agent instills more confidence that you are properly covered. The more you learn about insurance, the more informed decision you can make. A few extra dollars may protect you better in the end.

Most importantly, read your insurance policy carefully, paying particular attention to the exclusions section. According to Debi Jagodzinski of the Chesapeake Bay Insurance Company, this is the most important part of your policy!

## Good Practices

Good practices and procedures are crucial to keeping your organization healthy and strong, and limiting your risks. By limiting your risks, you will also help to keep your insurance premiums low. The cost of proper training and other risk prevention measures can save your organization thousands of dollars on insurance premiums. It can also prevent your organization from simply losing coverage, because insurance companies don't want to insure an organization that submits excessive claims.

Here are some things you can do to minimize risks:

- Keep your employee handbook up to date and compliant with state and federal laws. Make sure directors and managers have appropriate training to adhere to the handbook policies and the law.
- Provide mandatory safety training to all staff (employees and volunteers).
- Provide mandatory sexual harassment training to all staff (employees and volunteers).
- Establish policies, procedures, and training that limit risks, and make sure that employees and volunteers stick to these rules. For example, establish procedures for proper identification of animals, provide animal-handling training to staff who work directly with animals, and give adoption-counseling training to anyone who gives advice to the public.
- Post warnings and signs to alert people of danger, and to keep the public away from private areas.
- Install a security system and train staff to use it on a regular basis.
- Install sprinklers.
- Use relinquishment, foster, and adoption forms that have been reviewed by a lawyer.

- Require volunteers to sign a liability waiver that has been reviewed by a lawyer.

- Use an in-depth intake questionnaire to gather information on relinquished pets.



## Sample Case Studies

These sample case studies, based on fictional organizations, show the types of insurance policies and best practices that can protect different types of organizations. Since these are only examples, you should not base your insurance policy choices on these case studies alone. Please consult a licensed insurance agent to choose proper coverage for your organization.

### ► Furry Friends Animal Shelter and Spay/Neuter Clinic

Furry Friends Animal Shelter is a nonprofit organization that owns its own facility and low-cost spay/neuter clinic. Furry Friends has paid workers, volunteers, a board of directors, and a transport vehicle. Volunteers occasionally use their own vehicles for shelter purposes.

Furry Friends has general liability insurance, property insurance, worker's compensation with an extension to protect volunteers, a commercial auto policy that covers non-owned vehicles, D&O insurance, and boiler and machinery coverage to insure their expensive veterinary equipment. Furry Friends also decided to get an umbrella policy to extend the coverage of the general liability and auto policies.

Furry Friends keeps their employee handbook up to date and compliant with state and federal law. They train all new employees and hold group training sessions and regular employee meetings to be certain that all employees are trained in safety practices and important procedures.

All animals are clearly identified. Euthanasia procedures are clear and double-checked. Dogs are evaluated by experienced personnel before inexperienced staff, volunteers, or potential adopters interact with them. Only friendly animals are brought to off-site adoption events. Relinquishment and adoption forms, as well as volunteer waivers, have been reviewed by a lawyer. Sidewalks and parking areas are properly cleared and salted during winter weather to ensure the safety of all visitors. Warning signs are posted in appropriate areas of the shelter to keep people away from certain areas.



### ► Bow Wow Foster Group

Bow Wow Foster Group is an all-volunteer, non-profit organization without a shelter facility. All animals are housed in private homes and personal vehicles are used for transporting animals. Adoptions are performed primarily at local pet-supply stores, but some adoption meetings take place at experienced foster homes.

Bow Wow has general liability insurance with hired and non-owned vehicle coverage and adult group accident insurance. Bow Wow plans to get D&O insurance at some point, but they are not ready yet.

Bow Wow has a volunteer training book that clearly explains what they expect of all volunteer positions. All volunteers go through a training period with an experienced volunteer watching over the new volunteer to be sure all safety measures and proper procedures are followed. All animals are seen by a veterinarian prior to entering foster homes, and the most experienced animal handlers evaluate a pet and determine which foster home is capable of handling that dog. Dogs with questionable temperaments are not placed in foster homes with children or elderly people, and they are only placed with experienced foster parents. Relinquishment and adoption forms, as well as volunteer waivers, have been reviewed by a lawyer.

### ► Stray Kitty TNR

Stray Kitty TNR is a nonprofit organization with one paid employee and many volunteers. The organization performs trap/neuter/return (TNR) on stray and feral cats, and provides free advice about ferals to caretakers, animal welfare organizations, public officials, and the general public. Stray Kitty also manages an extensive online database that stores information for hundreds of colony caretakers. Volunteers use their own vehicles to transport cats to spay/neuter clinics and veterinary offices.

Stray Kitty holds general liability insurance with hired and non-owned vehicle coverage, worker's compensation with an extension to cover volun-

teers, D&O insurance, professional liability insurance, adult group accident insurance, and a small computer policy. Stray Kitty also has an umbrella policy to increase the policy limits of the general liability policy.

Stray Kitty requires that all volunteers directly involved with the trapping, transport, or care of feral and stray cats are trained at a workshop especially designed to teach people to properly handle feral cats. All volunteers sign a waiver that has been reviewed by a lawyer. No one under 18 can handle the feral cats in any way, although volunteers over the age of 16 can participate in the trapping process with the supervision of an adult and a parent's permission. New volunteers who foster and socialize kittens are provided with written information and a volunteer training manual, as well as guidance from an experienced volunteer.



## References

1. Nonprofit Genie, "Where does Directors & Officers Insurance fit into the overall insurance picture?" [http://search.genie.org/genie/ans\\_result.lasso?cat=Insurance](http://search.genie.org/genie/ans_result.lasso?cat=Insurance)
2. SBA Online Women's Business Center, "Understanding the types of insurance." [www.onlinewbc.gov/docs/finance/insure\\_types.html](http://www.onlinewbc.gov/docs/finance/insure_types.html)
3. Nonprofit Genie, "Things every director and officer should know – commonly asked questions." [http://search.genie.org/genie/ans\\_result.lasso?cat=Insurance](http://search.genie.org/genie/ans_result.lasso?cat=Insurance)
4. SBA Online Women's Business Center, "Insurance: Do I need it? What kind? How much?" [www.onlinewbc.gov/docs/finance/insure.html](http://www.onlinewbc.gov/docs/finance/insure.html)

## Other Articles from Nonprofit Genie:

"D & O coverage forms: Cutting through the confusion."

"Policies and procedures: How can you minimize the chances of facing an employment-related lawsuit?"

"What board practices are particularly important to guard against lawsuits?"

"Prevention and protection are the keys."

Links to all these articles can be found here: [http://search.genie.org/genie/ans\\_result.lasso?cat=Insurance](http://search.genie.org/genie/ans_result.lasso?cat=Insurance)

## Other Articles from SBA Online Women's Business Center:

"Buying insurance for your small business." [www.sbaonline.sba.gov/gopher/Business-Development/Success-Series/Vol6/insure.txt](http://www.sbaonline.sba.gov/gopher/Business-Development/Success-Series/Vol6/insure.txt)

"Determining your insurance needs." [www.onlinewbc.gov/docs/finance/insure\\_needs.html](http://www.onlinewbc.gov/docs/finance/insure_needs.html)