

NGEDA Roundtable – Insurance Essentials for Nonprofits (Script) October 2, 2025

Title Slide

Good afternoon, everyone. I want to share how we approach insurance at NGAT and why I think every nonprofit should think strategically about coverage. Insurance matters for nonprofits the same way it matters to people—you don't expect to use it every day, but when you need it, it can save you from financial disaster.

Agenda

Here's what I'll be covering. The four policies we'll talk about today are

- Workers' Compensation
- General Liability
- Directors & Officer
- Property Insurance

And throughout the brief, I'll be giving real-life examples.

Why Insurance Matters for Nonprofits

Nonprofits face unique risks—staff, volunteers, events, and facilities all carry liability. Insurance isn't just a line item expense; it's a safeguard for your mission. It protects people, leadership, and the assets that keep your organization running.

Example: A nonprofit without liability insurance hosted a fundraising event. Someone tripped over an extension cord, broke their wrist, and sued for medical expenses. The settlement nearly wiped out the nonprofit's reserves. With coverage, the insurance company would have absorbed the costs, preserving the nonprofit's ability to serve its mission.

Workers' Compensation

Workers' Comp ensures that if an employee is injured on the job, their medical care and wage replacement are covered. State laws drive the requirement for worker's comp. The general rule is once you pay someone as an employee (not contractor), Workers' Comp is needed. The coverage applies regardless of hours worked. Without Workers' Comp, there's a liability risk for nonprofits. The nonprofit is exposed to paying medical bills, lost wages, and potentially legal damages if that person is hurt at work. Even though workers' comp is not required in Texas, for NGAT, even as a small nonprofit, this is non-negotiable. It protects our employees and shields the association from financial exposure.

Example: At another nonprofit, a part-time staff member slipped while carrying boxes into storage and needed surgery. Workers' Comp covered medical bills and recovery wages. Without it, the nonprofit would have faced direct financial liability.

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A part-time administrative assistant strained their wrist while lifting a box of supplies. Workers' Comp covered the medical visit and physical therapy, so the nonprofit wasn't paying those costs directly.

General Liability

General liability covers accidents, injuries, or damages to others. For NGAT, as well as most of you, this is crucial—we host conferences, meet with members, and interact with the public. A single incident could be costly without this protection.

This is often the first policy funders and venues ask to see, because it covers the public. If you host events, rent space, or even have volunteers, general liability is the baseline protection. Without it, a single claim could easily exceed your nonprofit's annual budget

Example: During a statewide association's annual conference, a vendor booth collapsed and injured an attendee. The nonprofit's general liability insurance covered the hospital bills and legal fees. Without it, the organization would have been on the hook for thousands of dollars.

At a nonprofit's open house, a visitor accidentally spilled coffee on another guest's laptop. General Liability stepped in to cover the damage, protecting the nonprofit from paying out of pocket.

Directors & Officers (D&O)

D&O protects your leadership. Board members and executive staff can be held personally liable for decisions, even if made in good faith. At NGAT, we carry D&O to safeguard our board and myself as ED. It's peace of mind that allows leaders to focus on governance.

D&O is sometimes misunderstood — it doesn't cover bodily injury or property damage, but it protects decision-making. Claims often involve allegations of mismanagement, misuse of funds, or failure to follow bylaws. Even unfounded claims can be expensive to defend, which is why this coverage is critical.

Example: A nonprofit arts organization was sued by a disgruntled former board member who claimed the board made poor financial decisions that harmed the group's mission. Even though the allegations were baseless, the organization had to defend itself in court. Their D&O insurance covered the attorney fees and settlement discussions, preventing the nonprofit from draining its operating funds.

A small nonprofit community group elected new board officers but skipped some required steps outlined in their bylaws. A member challenged the validity of the election. D&O insurance provided coverage for the legal consultation and response, ensuring the board could resolve the issue without draining program funds.

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A nonprofit faced a claim from a former employee who alleged wrongful termination by the board. Even though the nonprofit followed proper procedures, they still had to respond to the claim. D&O insurance covered the legal costs, allowing the organization to move forward without major financial disruption.

Property Insurance

NGAT owns two properties outright. That makes property insurance essential for us—covering buildings, equipment, and contents. For nonprofits leasing space, you may not need the same level of coverage, though it's always worth reviewing what your landlord's policy includes.

Property coverage isn't just about buildings — it also protects contents like furniture, computers, and records. For nonprofits with owned property, think in terms of replacement value, not just market value. It ensures continuity of operations after fire, flood, or vandalism.

Example: A nonprofit youth center that owned its building suffered major damage from a burst pipe. Their property insurance covered repairs and replacement of equipment, keeping programs running. Without it, they would have had to shut down temporarily and lose critical services.

A nonprofit's office experienced a break-in and several laptops were stolen. Property insurance reimbursed the cost of replacing equipment, allowing staff to get back to work quickly.

Tailoring Coverage

Insurance isn't one-size-fits-all. The right mix depends on whether you have employees, own property, host events, or rely on volunteers. We review our policies annually with our broker to ensure they evolve with our operations.

Example: A small nonprofit with no property and only volunteers carried just D&O and general liability. When they later hired staff, they added Workers' Comp. Their coverage adapted as they grew—avoiding both overpaying early and being underinsured later.

Key Takeaways for EDs

At minimum, every nonprofit should consider Workers' Comp, General Liability, and D&O. Beyond that, evaluate based on your structure—property, cybersecurity, and event insurance may be situational. The key is to review and adjust regularly.

Example: A nonprofit arts organization added event insurance only for their annual gala.

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This prevented them from paying year-round premiums but gave them protection for their riskiest activity.

What New EDs Ask

For those of you newer to the ED role, these are some questions you might ask yourself.

Don't read each one.

- Why do we need insurance if we're small?
- What's must-have vs. nice-to-have coverage?
- How much coverage is enough?
- How much does it cost?
- Where do I start — broker or agent?
- Does the board need to be involved?

The key takeaway: Even if your nonprofit is small, one accident, one lawsuit, or one unexpected event can put you at risk. The must-haves are Workers' Comp, General Liability, and D&O. The rest depends on your operations, but don't wait until a crisis to find out you're underinsured. And that last bullet – YES, your board must be involved.

Why the Board Must Be Involved in Getting Insurance

1. Fiduciary Duty

- Boards have a legal and ethical obligation to safeguard the organization's assets. Insurance is part of risk management, so approving and reviewing coverage falls under their fiduciary responsibility.

2. Personal Liability Exposure

- Without proper insurance (especially D&O), board members themselves can be held personally liable for certain decisions. Many people won't serve on a board unless they know D&O coverage is in place.

3. Governance vs. Management

- While the ED handles operations, the **board oversees risk at the strategic level**. Insurance decisions affect not only staff and property but also governance stability, so the board must be part of that oversight.

4. Funders and Transparency

- Grantmakers and corporate partners often ask: "Does the board oversee risk and compliance?" Being able to say the board reviews insurance annually builds credibility.

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Insurance Decision Checklist

Here's a quick decision guide that I recommend new EDs use when reviewing coverage:

- Do you have employees? → Workers' Compensation
- Do you host events or interact with the public? → General Liability
- Do you have a board? → Directors & Officers (D&O)
- Do you own property? → Property Insurance
- Do you handle sensitive data or fundraising online? → Cyber Liability
- Do you run large or high-risk events? → Event Insurance

This checklist gives you a practical framework to prioritize coverage and have an informed conversation with your broker.

Closing

Ultimately, insurance is about sustainability. We don't want a single incident to derail the mission we've worked so hard to build. Thank you, and I look forward to the discussion.