

# The 7 Questions Every Nonprofit Board Should Ask About Insurance

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A Practical Checklist for Executive Directors, CFOs, and Board Members

Insurance is one of the most critical — and most overlooked — responsibilities of nonprofit governance. Board members have a fiduciary duty to protect the organization, its staff, its volunteers, and the communities it serves. Yet most nonprofit boards review their insurance program once a year (if at all) and rely on assumptions rather than verified coverage.

This checklist gives you seven essential questions to bring to your next board meeting, insurance renewal, or conversation with your insurance advisor. Each question includes why it matters, what to look for, and a specific action step your team can take today.

**Who should use this checklist:** Executive Directors, CFOs, COOs, Board Chairs, Treasurers, Finance Committee members, and anyone responsible for organizational risk at a 501(c)(3) nonprofit, human services agency, or community-based organization.



## Are our board members personally protected if the organization is sued?

### Why This Matters:

Directors & Officers (D&O;) liability insurance protects individual board members from personal financial liability arising from management decisions, alleged mismanagement, employment disputes, or regulatory actions. Without D&O; coverage, board members can be held personally responsible for legal defense costs and settlements — even if they acted in good faith. This is the single most important coverage for attracting and retaining qualified board members.

### What to Look For:

- Does your D&O; policy cover individual board members by name, or only the organization?
- Is Employment Practices Liability (EPLI) included or does it require a separate policy?
- Does the policy extend to past board members for decisions made during their tenure?
- What is the per-claim limit and the aggregate annual limit?
- Are defense costs inside the limit (reducing available coverage) or outside the limit?

**Action Step:** Request a copy of your current D&O; policy declarations page and confirm that individual board member coverage is explicitly included. If EPLI is not bundled, ask your advisor about adding it.



## Does our insurance cover allegations of abuse or misconduct involving the people we serve?

### Why This Matters:

If your organization works with vulnerable populations — children, elderly individuals, people with disabilities, or individuals experiencing homelessness — abuse and molestation (A&M;) coverage is essential. Standard general liability policies often exclude or severely limit coverage for these allegations. A single claim without proper coverage can bankrupt an organization and expose board members to personal liability.

### What to Look For:

- Is abuse and molestation coverage included in your general liability policy or is it a separate endorsement?
- What is the specific A&M; coverage limit? (Many policies cap this far below the general liability limit.)
- Does the coverage extend to allegations against volunteers, not just employees?
- Does it include defense costs for the organization even if an individual is at fault?
- Are there reporting requirements or background check obligations that must be met to maintain coverage?

**Action Step:** Identify every program where staff or volunteers have unsupervised contact with vulnerable populations. Cross-reference this list against your A&M; coverage terms. If any program falls outside the coverage scope, flag it for your advisor immediately.



## What happens if a volunteer is injured while serving our organization?

### Why This Matters:

Many nonprofit leaders assume their general liability policy covers volunteer injuries. In most cases, it does not — or the coverage is limited to third-party claims (someone injured by a volunteer), not injuries to the volunteer themselves. Volunteer accident coverage fills this gap by providing medical expense coverage for volunteers injured during authorized activities. Without it, an injured volunteer may have no recourse except to sue your organization.

### What to Look For:

- Does your general liability policy include or exclude volunteer bodily injury?
- Do you have a separate volunteer accident policy?
- What activities are covered — only on-site, or also off-site events, transportation, and home visits?
- Is there a medical expense limit per volunteer per incident?
- Does your workers' compensation policy exclude volunteers? (In most states, it does.)

**Action Step:** Ask your insurance advisor to confirm in writing whether your current program covers volunteer injuries. If it does not, request a quote for volunteer accident coverage — it is typically one of the least expensive additions to a nonprofit program.



## Is our insurance aligned with our grant and funder requirements?

### Why This Matters:

Federal, state, and private grant agreements increasingly include specific insurance requirements — minimum liability limits, additional insured endorsements for the funder, professional liability coverage, and sometimes cyber liability or pollution coverage for certain program types. Non-compliance can result in grant clawbacks, audit findings, or loss of future funding. Most nonprofits never cross-reference their grant agreements against their actual insurance program.

### What to Look For:

- Have you compiled the insurance requirements from every active grant agreement?
- Do any grants require minimum liability limits higher than your current policy limits?
- Do any grants require you to name the funder as an additional insured?
- Are there coverage types required by grants that you do not currently carry (e.g., professional liability, cyber)?
- Does your certificate of insurance reflect the correct entity names and limits for each funder?

**Action Step:** Compile a spreadsheet of every active grant's insurance requirements (coverage type, minimum limits, additional insured, and certificate requirements). Share this with your insurance advisor at least 60 days before your next policy renewal to ensure alignment.



## Do we have fiduciary liability coverage for how we manage donor funds and grants?

### Why This Matters:

Fiduciary liability protects board members and officers from claims related to the mismanagement of funds held in trust — including donor-restricted gifts, grant funds, endowment assets, and employee benefit plans. If a donor, regulator, or beneficiary alleges that funds were misused, misdirected, or negligently managed, fiduciary liability coverage responds. This is separate from D&O; coverage and is often overlooked by nonprofit boards.

### What to Look For:

- Do you carry fiduciary liability coverage, or do you assume D&O; covers fund management claims?
- Does the policy cover both ERISA fiduciary claims (employee benefit plans) and non-ERISA claims (donor funds, grants)?
- What is the coverage limit, and is it sufficient relative to the total funds under management?
- Does the policy cover regulatory defense costs if a state attorney general or IRS investigates fund usage?
- Are finance committee members and grant managers included as covered individuals?

**Action Step:** Calculate the total dollar value of restricted funds, grant funds, and endowment assets your organization manages. If this number is material, confirm that your fiduciary liability limit is proportionate. If you do not carry fiduciary coverage at all, add it to your next renewal discussion.



## Are we protected if a data breach exposes donor, client, or employee information?

### Why This Matters:

Nonprofits collect and store sensitive data — donor credit card information, client case files, employee Social Security numbers, health information for program participants, and minor's records for youth-serving programs. A data breach or ransomware attack can trigger regulatory notification requirements, legal liability, and reputational damage. Cyber liability insurance covers breach response costs, legal defense, regulatory fines, and business interruption from cyber events.

### What to Look For:

- Do you carry cyber liability insurance, or do you assume general liability covers data breaches? (It almost never does.)
- Does the policy cover both first-party costs (breach response, notification, forensics) and third-party claims (lawsuits)?
- Is ransomware explicitly covered, including ransom payment and recovery costs?
- Does the policy include regulatory defense and penalty coverage for HIPAA, state privacy laws, or PCI-DSS?
- What is the retroactive date — does it cover breaches that occurred before the policy inception?

**Action Step:** Conduct a basic inventory of the sensitive data your organization stores (donor PII, client records, employee data, minor's information). If you handle any of these categories and do not carry cyber coverage, request a quote immediately — nonprofits are increasingly targeted precisely because attackers assume their defenses are weak.



## When was the last time we had an independent, comprehensive review of our entire insurance program?

### Why This Matters:

Most nonprofits renew their insurance annually on autopilot — same carrier, same limits, same coverages. But your organization evolves: new programs launch, headcount changes, grant requirements shift, and the regulatory environment moves. An insurance program that was adequate three years ago may have significant gaps today. An independent review by a specialist who understands nonprofit risk can identify blind spots, eliminate redundancies, and often reduce total cost while improving protection.

### What to Look For:

- Has an independent advisor (not your current carrier's agent) reviewed your program in the last 24 months?
- Does your current advisor specialize in nonprofit and human services organizations?
- Have you added any new programs, locations, or funding sources since your last review?
- Has your headcount, volunteer count, or budget changed significantly?
- Are you confident your program reflects your current operations, not your operations from when the policy was first written?

**Action Step:** If your insurance program has not been independently reviewed in the past 24 months, schedule one. A comprehensive review takes 30–45 minutes and should cover every coverage line, every limit, every exclusion, and every gap relative to your current operations and grant requirements.

## Ready for a Comprehensive Review?

If any of these seven questions raised concerns about your organization's current insurance program, we can help. Prominent Insurance Services specializes in nonprofit and human services organizations across Delaware, Pennsylvania, Maryland, and New Jersey.

**We offer a complimentary, no-obligation coverage review that takes approximately 30 minutes.**

Contact us to schedule your review:

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