



#33 USA Liability Insurance Bulletin

December 2006

Introduction

This bulletin is intended to provide NA service committees with general information about liability insurance coverage for their groups and activities. NA World Services receives frequent requests for information on issues related to liability, insurance, and availability of coverage. We have seen an increase in liability litigation by members and others that can cost thousands of dollars to resolve. This can result in a substantial loss of resources to a group or service body that has no liability insurance coverage. With that considered, NA World Services is providing the fellowship with current information about liability insurance. All groups are encouraged to obtain liability insurance through local brokers or through insurance brokers listed by NA World Services as a resource.

Liability insurance issues can be unfamiliar to many of our members, and the data necessary to make good decisions when buying insurance may seem complicated. Many of us do not think it's likely we will experience injury or related occurrences at our meetings and activities. To others, this whole discussion may seem too organized for NA. But the truth of the matter is that NA trusted servants, groups, and committees have exposure to liability and liability insurance can provide vital protection for these individuals and for fellowship funds. The Eleventh Concept proposes that we take all reasonable steps to manage the fellowship's funds. Protecting NA funds by maintaining insurance coverage helps us carry out this responsibility.

Additionally, the Seventh Tradition essay from our Basic Text reminds us that we only ask members to do their fair share. We practice that principle when we protect trusted servants from unnecessary risk of personal liability for group activities. NA World Services encourages groups, areas, and regions to give serious consideration to this issue. It is in the spirit of supporting this effort and in response to the many inquiries we have received from around the fellowship that this bulletin has been developed.

This specific information is primarily directed toward the United States NA community, but it may be adaptable elsewhere as well. However, the spiritual principles discussed here may have applicability for any service body considering the underlying issues addressed in this bulletin. We recommend any evaluation or decision-making processes include thorough discussion among interested members and guidance from a local, licensed insurance professional with experience insuring nonprofit organizations. The term "group" used throughout this document refers to any NA group, service board or committee.

What is liability insurance?

We have tried to address this question as simply as possible but have had to use legal and technical terms to describe this issue. "Liability" means legal responsibility to a third party or parties (another person or organization) for one's acts or omissions. Failure of a person or entity to meet that responsibility leaves one open to a lawsuit for damages from any resulting injury or loss the third party or parties suffer. "Liability damages" are generally a sum of money to compensate the injured party.

A liability insurance policy is a contract or agreement between the insurance company and a policyholder whereby the insurance company agrees to compensate an injured party or parties that suffer a loss or injury due to the acts or omissions of the policyholder. Said another way, liability insurance provides protection against claims from third parties (e.g., hotels, convention centers, churches, attendees, or innocent bystanders) for bodily injury, personal injury,

or property loss or damage (i.e., accidents). Liability insurance also covers the cost to defend an asserted claim from a third party against the policyholder whether or not the policyholder is later found not to have done anything wrong. When an incident occurs that is covered by the policy, the insurance company will interact with the individual(s) who may have been harmed in an effort to resolve any related costs, within the limits provided in the policy.

Liability insurance basically covers the negligence of the policyholder and others covered as “insured parties.” “Negligence” is defined as the failure to exercise the care toward others for a foreseeable and unreasonable risk of harm that a reasonable or prudent person would have taken in the same or similar circumstances, or taking an action that a reasonable person would not.

The primary liability insurance policy for organizations holding meetings and events is called Commercial General Liability (CGL) insurance. The types of coverage included in liability insurance policies vary, and numerous exclusions to coverage apply to policies. CGL insurance policies can vary slightly from state to state, but the typical policy covers the following things: bodily injury or death, and property damage to third parties, personal injury (including libel, slander, and false arrest), advertising liability, fire legal liability, and medical payments for injury to third parties. Property damage to premises (e.g., hotels, convention centers, churches, etc.) in the care, custody, and control of the policyholder is also covered as long as the property is used for seven (7) or fewer days.

A partial list of typical exclusions found in a CGL policy includes coverage for damage, loss, or injury from intentional acts or omissions (i.e., violence or a malicious act). Also excluded are damage or loss to person’s or property from arson, losses or damage from the use of an automobile, material published with knowledge of falsity, and discrimination against certain parties.

Because policies vary in what they cover, it is very important to fully understand any insurance policy coverage before purchasing it.

Why is liability insurance needed?

A growing number of facilities require liability insurance from groups renting meeting or event space. Having such coverage can make finding meeting space easier, but there are even more important reasons for securing liability insurance, such as personal liability of trusted servants.

If an accident or incident occurs at an NA meeting or event, the trusted servants who coordinate meetings or activities could be held liable and their personal assets could be placed in jeopardy unless insurance coverage is in place. Insurance provides trusted servants, groups, and service committees with a level of protection by reducing or eliminating any financial risk to fellowship funds or trusted servant’s personal finances.

Insurance coverage can provide significant legal support in the case of civil litigation or law suits. For example, if an injury occurs at a meeting place due to the group’s negligence (e.g., if someone suffers substantial injury from a fall caused by a loose microphone cord or is severely burned by a hot coffee spill) the insurance company typically will conduct an investigation, represent NA in any court proceedings, and pay any damages up to the limit of the liability policy. Usually, when an insurance company handles a claim it does not require any expense or substantial involvement from the trusted servants of the group or committee. Additionally, in those cases where local insurance coverage is in place, NA World Services is less likely to get involved. This saves additional time and resources because we need not become a party to local matters in which we are not involved and for which NA World Services has no responsibility.

Who should purchase liability insurance?

Every NA group and committee who meets or holds functions should consider liability insurance coverage. Though each group or area service committee could purchase liability insurance coverage individually, most policies currently held within the fellowship are at the regional service committee level, as most

times this will be the most economical approach. In addition, local activities, such as dances and picnics, and annual events like retreats and conventions should be included in a regional-level policy unless the event carries its own insurance coverage.

How to provide proof of insurance to a facility?

Many times a facility will request verification that the group, committee, or event has liability insurance coverage. This request requires you to provide specific information from the group or committee to the group's insurance company. The insurance company will then issue the facility a *Certificate of Insurance* which verifies and discloses the amounts of the coverage. We have included a *Proof of Insurance Request Form* as an addendum to this bulletin that can be used for this purpose.

Some facilities may also require that they be named as *Additionally Insured* on the certificate of insurance. This means that the facility is asking the group to specifically add the facility on its insurance policy to cover (to the extent the policy allows) any claims against the facility that may arise from your group's use. Keep in mind that the group's insurance company may charge for adding Additionally Insured language to the policy, but the charge should be minimal. Discuss this important detail with your group's insurance agent.

What to do if someone gets hurt?

It is a good risk management practice to discuss how to respond to liability situations with your group's insurance agent prior to any incidents. In the unfortunate event of an incident or accident, the first order of business is to get medical help for the injured party or parties and address any emergencies. After that, if possible, the group needs to collect complete contact information (including statements of what witnesses saw, names, contact information, place, and times) from those involved and/or observers.

Regarding issues of anonymity, keep in mind that the information you are collecting is not intended to be used to reveal NA membership, but rather as a part of the legal resolution process. In that way, collecting this information is not in conflict with our Twelve Traditions.

What if a group or member gets "served"?

Sometimes an injured individual may file a civil law suit against those involved or identified as having some responsibility for the incident or accident. As a part of that filing, you may personally receive "service of process". Service of process is the procedure whereby a defendant (person or organization being sued) in a lawsuit is given legal notice that a lawsuit has been filed against them and a specific court is exercising its authority over that person or organization. Generally service involves the delivery of a formal legal document. The purpose of service of process is to enable the person or organization being sued the opportunity to respond to the lawsuit. Once a person has been "served," that person, or the organization represented by that person, typically has thirty (30) days to respond. If the court does not receive a response within the thirty (30) days, the person or organization can be held in default. If a party is held in default, the other party automatically wins and is awarded damages by the court.

Our recommendation is to respectfully accept the service of process documents. Accepting these documents does not imply admission of guilt. If you are served, we recommend you contact your group's insurance agent. The insurance company will likely take up the issue for you, depending on the parameters of your coverage.

Other issues of coverage

Certain activities like dances, conventions, and campouts carry a greater degree of risk for injury and may require more coverage than recovery and committee meetings. It is important that the group's insurance agent be provided accurate information regarding the nature of activities and events in order to assure proper coverage. It is also advisable to send event contracts that include insurance provisions to the

group's agent to review, prior to signing the contract. In this way the agent will have the opportunity to give the group an assessment of the requirements, quote any additional insurance coverage premiums required, and allow the group's committees to make informed decisions. Whenever signing contracts, for insurance coverage purposes, the policyholder's name should appear on the contract. For example, if an area was holding a function, the area would identify themselves as "The ABC Area of the XYZ Regional Service Committee of Narcotics Anonymous" on the contract.

On a related topic, some service boards may be interested in protecting themselves against liability for decisions they make as a part of their fiduciary duties. Board members can find such protection through purchasing *directors' and officers' liability coverage* (referred to as *D&O insurance*). Additionally, service boards may be able to purchase *dishonesty coverage* for protection against internal theft, including forgery and alteration of checks, by its employees. Finally, service committees that employ special workers need to have *workers' compensation coverage*. These plans cover employees injured in the course of doing their job. This coverage is compulsory in most states, and not to have it would be a violation of the law.

All of these matters are best discussed with a professional—an insurance agent, a state insurance agency, or an attorney, for example. Bear in mind that in many states a service board may need to be incorporated in order to have access to these types of insurance coverage. This bulletin is, however, not intended to persuade you to incorporate. There are many other issues beyond insurance involved in that decision. If you have further questions about incorporation, you can contact the World Service Office.

Additional resources

In an effort to support regional service committees in this matter, we have also attached two tools for your use. Addendum 1 of this bulletin is a six-step process that may help in securing liability insurance coverage. Addendum 2 is a sample Proof of Insurance Request Form that may simplify the process for groups and committees to request needed insurance documentation.

In addition, we have listed those insurance companies that we know have helped other service committees to secure group liability insurance. This is not intended to be an endorsement, nor does NA World Services have any affiliation with these companies. If your regional service committee finds group liability insurance coverage with a company not on our list, we ask that you forward that company's contact information so that we can make it available to other service committees.

Conclusion

This bulletin is merely an overview and should not be considered the final word about liability insurance. We invite members and service committees to share your group's experience with this matter in an effort to have the most complete information available for other NA communities. It is our hope that through this cooperative effort we can address this issue of growing importance to our fellowship.

Liability Insurance Addendum 1

A Six-Step Process for Acquiring Liability Insurance

If your group's regional service committee is considering purchasing insurance for its NA groups and activities, here are some steps to follow that may assist you in your efforts.

Step One: Discuss your needs

First we suggest your region hold discussions about obtaining group liability insurance coverage. For practical financial purposes, it is usually substantially less expensive for a region to obtain a group policy for all of its groups, rather than each group obtaining an individual group policy.

Step Two: Gathering data necessary for adequate coverage

The next step is to acquire the right policy(ies) for your needs. A professional such as an insurance agent, a state insurance agency, or an attorney can provide expert consultation, but here are some useful things to know.

The policy cost is usually based in part on the number of locations covered, which might correspond to the number of meeting facilities in your area. You may want to consider using a regional meeting directory to help with this.

They may ask your group representative for the number of members. An estimate is sufficient. Your group might base this number on the average meeting size in your region. For example, if there are 200 meetings in the region and an average of 20 members at each meeting, you would estimate 4000 members (200 x 20 = 4000 members).

Another consideration in determining the group's policy may also include the nature of activity that your group wants to cover, as it relates to NA events (i.e., dances, picnics, campouts, and conventions). It will be important to your group and your agent that the groups give the agent an estimate of how many events are held and the number of attendees at each event.

Step Three: Determine the insured's name

The next step is to be sure that the group name used for insurance purposes is consistent with the name used to rent meeting space, or a building for an NA function. From an insurance underwriting standpoint, consistently using one group name for each entity is best. For example, use either "SWRSCNA" or "Southwest Regional Service Committee of Narcotics Anonymous," but not both.

Step Four: Contact a local agency

Locate a local, licensed insurance agency that can write a general liability policy rated for nonprofit "social gatherings, meetings, or dances." This is insurance industry terminology that describes the necessary coverage for the kinds of activities usually associated with NA meetings and/or activities and social functions. The insurance agent needs to understand insurance needs for nonprofit groups. Your group may also contact one of the companies listed below.

Step Five: Determine adequate coverage

Your group insurance liability limits need to provide adequate coverage. We recommend a minimum of \$300,000 combined single liability coverage. If you want to cover local activities and conventions, we would strongly encourage you to increase liability coverage to \$1,000,000. Ask the insurance agent for options. The thought here is that activities such as dances, conventions, and campouts involve activities that are typically considered higher risk. The possibility of injury increases, for

example, when members are lighting fires at a campout or dancing at a dance, compared to sitting in a meeting.

Also ask questions about how the cost of legal support is provided in the policy. Some policies will pay all defense costs over and above the limit of the liability coverage. In other words, a \$1,000,000 policy would pay any defense expenses *independent* of that \$1,000,000 limit. Other policies might include legal expenses *within* the policy's limit, essentially offering less coverage. The option you choose will usually affect the cost of the policy. Our recommendation is, whenever possible, purchase coverage with legal expense coverage *independent* of the policy limit.

Step Six: Supply addresses and contact info

Be sure to use a stable mailing address and a stable point of contact for all communications with the insurance company. A problem, from an insurance carrier's standpoint, is having the ability to contact the committee if necessary. For example, if a premium is not paid on time or if someone files a claim, the agent will need to contact the committee. Given our collective history of trusted servant rotation, this can be a significant challenge. For this reason you may want to supply the agent with several names as backup and corresponding contact information. Committees should also update that information as trusted servants change.

Finally, some service bodies have purchased liability insurance policies for their groups from the following insurance companies. This information is not offered as an endorsement, nor does NA have any affiliation with these companies. Typically insurance companies will not deal with your authorized group representative directly, so your representative will need to obtain a referral to an authorized insurance agent in your area.

The Cincinnati Insurance Company
PO Box 145496
Cincinnati, Ohio 45250-5496
513.871.2000

Philadelphia Insurance Companies
One Bala Plaza, Suite 100
Bala Cynwyd, PA 19004
800.873.4552

Other companies may be added as they are identified.

Liability Insurance Addendum 2 Proof of Insurance Request Form

Often times a facility will ask us for proof of liability insurance coverage. In most cases a *Certificate of Insurance* issued from the group's insurance carrier is all that is required. This certificate provides the facility with proof of insurance coverage and the amount of coverage from the insurance company. This is a routine procedure, and insurance companies will typically provide this free of charge. To request a certificate, please fill out sections 1, 2, and 4 of the form and return it to the appropriate trusted servant assigned to work with the region's insurance provider.

Other times, the facility requires that they be added to the insurance policy as an *Additionally Insured* on your group's insurance policy so that any claims against the facility that arises from your use will be covered (to the extent the group policy allows). Keep in mind, your group's insurance company may charge for adding *Additionally Insured* language to the policy. If this is what is needed, the entire form must be completed and returned to the appropriate trusted servant for follow-up.

Part 1: To be filled out for all requests

Full name of facility or its legal entity: (Ask the location or facility to provide this information. For example, a meeting may be held in XYZ Park, but the certificate is to be issued to their legal entity which is The City of ABC):

Full address of entity/location: _____

Part 2: To be filled out for all requests

Facility/Entity contact person (full name please): _____

Phone: _____ **Fax:** _____ **Email address (if any):** _____

Part 3: Fill out only if the facility/entity has asked to be named as "Additionally Insured"

Specific wording and/or endorsements to be stated on the certificate for the additional insured
(Have the location or facility provide this information to you in writing):

Part 4: To be filled out for all requests

Group or committee name: _____

Contact person's name: _____

Contact person's position: _____

Contact person's phone: _____ **Fax:** _____ **Email:** _____