
Taking Risks The Safe Way

**Risk Management
and Insurance Practices
of Ontario's Voluntary Sector**



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1. ABOUT THIS RESOURCE

Who it is for

Taking Risks the Safe Way was developed as a knowledge-building tool and research reference for nonprofit organizations across Ontario. The contents of this document will also guide the work of government in supporting capacity-building among voluntary and community organizations, and provide a valuable resource for the insurance industry in serving the nonprofit sector.

How it was developed

This resource is the result of a year-long, three-phase investigation of insurance and risk management practices in Ontario's nonprofit and voluntary sector, commissioned by the Voluntary Sector Relations Unit of the Ministry of Citizenship and Immigration. It is based on research carried out by the Centre for Voluntary Sector Studies, Ted Rogers School of Management, Ryerson University. Research was conducted by Centre Director Agnes G. Meinhard, PhD, and the research team of Phaedra Livingstone, PhD, Farhat Faridi, PhD, Gail Mathews, PhD, Jacqueline Medalye, PhD Candidate, Derek Nawrot, Ronak Patel and Maame Barima.

What it contains

Taking Risks the Safe Way presents the results of three distinct phases of research carried out by the Centre for Voluntary Sector Studies, Ryerson University.

Literature review: an overview of accumulated theoretical, empirical and practice-based knowledge about risk, risk management and insurance, especially as it relates to the nonprofit and voluntary sector in Canada.

Quantitative research: the results of a quantitative on-line survey investigating insurance and risk management practices. Close to 1300 organizations randomly sampled from across the province responded to the survey. The resulting analysis was based on 1184 valid questionnaires.

Qualitative research: the observations and insurance concerns of the voluntary sector as expressed by forty-three participants in seven focus groups that were conducted throughout the province in Fall 2007 and Winter 2008.

Why it was created

Ontario depends on community organizations and their volunteers to deliver vital services and build strong, vibrant and socially cohesive communities. A vibrant nonprofit sector engages citizens and strengthens Ontario's communities by building social capital, a vital component in economic development.

As the Ontario Government's Corporate Lead for Volunteerism and the Nonprofit Sector, the Ministry of Citizenship and Immigration (MCI) works with the Voluntary /Nonprofit Sector to encourage and promote volunteerism, to support the sector and strengthen the capacity of organizations serving communities.

The Voluntary Sector Relations Unit (VSRU), Citizenship Branch (MCI) leads several strategies of engagement with Ontario's Voluntary Sector including new initiatives such as the Ontario Volunteer Partnership (OVP) Initiative addressing insurance and risk management in the Voluntary Sector. In addition to services provided through the Insurance and Liability Resource Centre, the OVP commissioned this research that examines current risk management practices in Ontario's Voluntary Sector.

Taking Risks the Safe Way provides a solid foundation upon which we can continue to strengthen the Voluntary Sector's capacity to manage risks and to encourage volunteer engagement across Ontario.

Acknowledgements

This resource would not have been possible without the work of the Centre for Voluntary Sector Studies, Ryerson University, and the cooperation of more than 1300 representatives of nonprofit and voluntary organizations who took the time to fill out surveys and/or participate in one of seven focus groups conducted throughout the province. The Ryerson research team gratefully acknowledges the contributions of the sector, and members of the Ontario Volunteer Partnership Steering Committee, including the Ministry of Citizenship and Immigration, Imagine Canada, the Insurance Bureau of Canada, the Insurance Brokers Association of Ontario, the Ministry of Government Services and the Ministry of Health Promotion, to this work.

Where to learn more

Visit these websites for further information:

Ministry of Citizenship and Immigration
www.citizenship.gov.on.ca

Insurance & Liability Resource Centre for Nonprofits
www.riskmanagement.imaginecanada.ca

Centre for Voluntary Sector Studies, Ryerson University
www.ryerson.ca/cvss

Disclaimer

This report reflects the findings and conclusions of the research team, led by Agnes G. Meinhard, PhD, of the Centre for Voluntary Sector Studies, Ted Rogers School of Management, Ryerson University. As such, the analysis and recommendations are solely those of the research team.

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2. EXECUTIVE SUMMARY

By virtue of their mission to help vulnerable populations, many nonprofit organizations engage in programs and services that inevitably involve some unavoidable risks. Operating their programs under the assumption that ‘doing good’ by providing important public services gives them some form of immunity¹, taking protective action against liability risks was and is not a high priority activity among most nonprofit organizations.

However, some high profile lawsuits, increasing numbers of claims brought against voluntary organizations and steep increases in insurance rates during ‘hard’ cycles, have raised the sector’s awareness of the need “to develop appropriate risk management systems and procedures” (Gaskin, 2006, p. 7). A growing body of literature from the US, Great Britain, Australia and Canada now offers voluntary sector organizations information and advice about managing risks and obtaining the appropriate insurance. However, prior to this research study, there has been no focused investigation of insurance and risk management practices in Ontario’s nonprofit sector. Following are brief summaries of the research findings.

Literature review

The literature review indicates that interest in risk and liability as it pertains to the voluntary sector has been growing steadily in the last five to ten years. Stimulated by sometimes precipitous increases in insurance premiums and some high profile lawsuits, many in the voluntary sector have begun to recognize a need to develop risk management procedures.

All three levels of Canadian government, as well as the insurance industry in Canada, have been partnering with the voluntary sector to find solutions. A growing body of literature from the US, Great Britain, Australia and Canada now offers voluntary organizations information and advice about managing risks and obtaining the appropriate insurance. In Canada, both national and provincial surveys have been conducted to investigate the parameters and depth of insurance and liability concerns.

In brief, the surveys indicate concern among nonprofits with respect to premium rates and the availability of insurance. Programs have been dropped, and certain operations curtailed because of unavailable or unaffordable insurance. The surveys also indicate that a majority of organizations do not have formal risk management policies and procedures in place. Furthermore, many organizations believe that they are in a low-risk category.

By virtue of their mission to help vulnerable populations, many nonprofit organizations engage in programs and services that involve some unavoidable risks. Therefore, focusing on risk as something negative to be avoided, can be counterproductive in the voluntary sector. The approach taken in this research recognizes that some risks are worth taking because their benefits to the organization and their clients outweigh the threats, and a definition of risk management reflecting this reality is offered.

¹For centuries, Canadian charities functioned under the protection of the doctrine of charitable immunity. A Supreme Court of Canada ruling in 2005 rendered the doctrine as no longer a valid protection against vicarious liability (Alexander, Holburn, Beaudin & Lang. LLP, “Supreme court confirms there is no doctrine of charitable immunity”, Corporate/Commercial Practice e-News, February, 2006. www.ahbl.ca/files/publications/commercial_litigation/Corporate_Commercial_ENews_Feb_2.pdf, Accessed July 9, 2007.)

Organizations face both insurable and uninsurable risks as they go about their activities. These are presented in a unified framework in Model 1 of this resource. The literature focuses on risks as defined in insurance policies and suggest ways in which they can be contained through specific risk management practices. However, uninsurable risks, such as losing funding sources or alienating volunteers, either of which may jeopardize a nonprofit's survival, are prevalent in organizations. These risks are best mitigated through good management practices.

The conclusion drawn from the analysis of the literature is that risk management and good management are inextricably related. The challenge for nonprofit organizations is to embed awareness of risk and safe practices into every level of the organization and every aspect of organizational activity. Safe practices should not only be discussed and encouraged, they should be rewarded in order to ingrain the behaviour in organizational members until they become part of the organization's culture.

Acquiring the right insurance for an organization is a very important tool in a nonprofit organization's risk management toolkit. From the perspective of risk management, insurance is an 'after-the-fact' method of damage control. But both Canadian and foreign literature confirm how difficult it is for nonprofit organizations to get appropriate insurance. In Canada there are few insurers that cater to the needs of the voluntary sector, and when they do provide insurance, it is often very expensive.

Over the years, the variety of insurance products has grown. As part of a sound risk management policy, organizations have to decide what types of insurance they need to protect their enterprise. Thus, they have to weigh the probability of a particular risk occurring to the cost of the protection against that risk. In the nonprofit world this is particularly difficult given sometimes high risks but limited financial resources to protect against them, leaving many Canadian voluntary organizations insufficiently covered. The literature review provides strong evidence that nonprofits are struggling to get appropriate insurance at a reasonable price. This is exacerbated during 'hard' insurance cycles.

Quantitative research

Analysis of results of the on-line survey extends the findings in the literature. The first large scale study of insurance practices in Ontario's voluntary sector, it is also the first in Canada to examine risk management in nonprofit organizations in such depth. The study provides a detailed profile of the insurance and risk management practices of nonprofit organizations in Ontario.

While ninety percent of organizations in the sample are insured, 112 organizations in the sample operate without insurance. These organizations tend to be small, with few if any paid employees, annual budgets of less than \$15,000, and unlikely to be getting funding from any level of government. They are also less likely to be registered charities and less likely to serve people directly or be in the social service sector. Although half of the uninsured organizations rate their risks as low, a number of organizations acknowledge the high risks they are taking and the dire consequences that could follow. The most frequently mentioned repercussion of not having insurance is difficulty recruiting volunteers.

The ninety percent of insured organizations in the sample hold an average of six types of insurance policies. The most subscribed to policies are: General Property, General Liability, Directors' and Officers' Liability and Accident and Injury. More than two thirds of the organizations obtained insurance from commercial agents. The average (median) cost for insurance premiums is \$7,500 and almost half the organizations report that their premiums had increased an average of 10% over the previous two years, however, for one quarter of the respondents the rate increase was 15% or more. Close to forty percent of organizations attributed their increased rates to internal reasons which included broadening coverage and

claims history. Forty-five percent attributed the rise in costs to various external reasons, including inflation, 9/11 and other disasters.

Despite the fact that almost half of the organizations in the sample believe their organizational risk is low, two thirds of the sample practice risk management in some detail. On average, organizations engage in nine risk management activities. Most frequently practiced procedures are: signing authority protocols, privacy and confidentiality protocols and independent audits. Insured organizations are more likely to have risk management policies and procedures in place and to implement risk management practices.

When asked to define the meaning of risk management in their own words, respondents most frequently mentioned that risk management was being aware of risks, identifying risks and then minimizing them. But almost one third of respondents did not answer this question and another nine percent either answered that they do not know or gave answers that indicated they had an incorrect concept of risk management.

Insurance costs are related to a number of variables. The most expensive premiums are in Toronto and Northern Ontario, at a rate almost double those in Eastern Ontario. Organizations serving more than 100 people a month pay roughly twice as much in insurance premiums as organizations serving less than 100 people. The larger the organization, the more likely they are to have submitted claims and the higher their premiums cost.

Although an organization's perceived level of risk is related to the cost of insurance, risk management policies and practices are not directly related. All the variables that individually contributed significantly towards understanding the relationship between insurance, risk management and organizational characteristics were modeled together in a stepwise regression analysis. This section concludes with the presentation of a Path Analysis Model to illustrate the relationship of all organizational, risk and insurance variables in explaining the reasons for the cost of insurance. The measured variables in the survey explain 55% of the variance in insurance rates; in other words, the survey captured 55% of the reasons determining the cost of insurance. This high rate of explained variance attests to the validity of the survey questions.

Qualitative research

The qualitative research provides contextual support for the quantitative findings. The regional focus groups provided organizations the opportunity to voice their opinions about insurance and risk management and make suggestions about how the government and insurance companies might better assist the sector in coping with rising insurance rates.

Many participants felt that it would be beneficial if they were provided small-group tutorial sessions on better risk management. The leader of this tutorial would ideally come from a neutral party and have a background in risk management with experience in the voluntary sector. Another suggestion was a template of proper risk management practices that could act as a 'checklist' for organizations to follow. Further to this would be a comparative report card on the types of insurance provided by the major companies that easily put their coverage details and rates into perspective. Finally, many participants expressed their frustrations at being unable to obtain and keep volunteers. Outside of personal satisfaction, some felt that there was little benefit for those providing their time and felt that the sector would be more attractive for potential volunteers if there was tax-reduction assistance.

Discussion

Evidence from the literature review, the survey and the focus group discussions paint a picture of a sector that is becoming more aware of a wide range of risks that nonprofit organizations are facing. 'Doing good' no longer confers immunity to nonprofit and charitable organizations. Suddenly confronted with new realities which include a greater focus on human rights and a more litigious society, coupled with dwindling resources and higher insurance rates, these organizations are looking for solutions to protect themselves and manage their risks. They are seeking assistance from government, from the insurance industry and through their own networks.

The research team notes the following actions currently being undertaken by the Ontario government:

The Ontario Volunteer Partnership (OVP) has been established to provide nonprofit organizations with support in this quest. At the initiative of the Ministry of Citizenship and Immigration (MCI), a committee has been struck which includes representatives from government, the voluntary sector, the insurance sector and academia. Its mandate is to develop strategies to help the sector address risk management and improve insurance availability.

As part of the OVP, the Ministry of Citizenship and Immigration commissioned the study that is the subject of this resource. It is the first public comprehensive study on insurance and risk management practices in Ontario. As the province with the largest voluntary sector, it informs not only the Ontario nonprofit and insurance sectors, but other Canadian ones as well. Its scope is larger than any study conducted on this topic thus far, with a sample of close to 1300 nonprofit organizations. The online survey was augmented by in-depth qualitative interviews. This two-pronged approach not only provides valuable information with respect to the insurance and risk management practices of the voluntary sector, but it also illuminates the needs and concerns of the sector.

As demonstrated in the literature, there is often a lack of awareness in nonprofit organizations about the risks they face. The OVP initiative provided the impetus for the creation of the Insurance & Liability Resource Centre for Nonprofits at <http://riskmanagement.imaginecanada.ca>. The centre currently provides a range of services, including educational workshops, across the province.

This kind of partnership is exemplary of a new trend in intersectoral collaboration designed to solve social problems that have an impact on the viability of a truly civil society. Nonprofit organizations have to continue to take risks in order to serve the most vulnerable of society's citizens. The importance of their work has to be recognized and their activities have to be facilitated, not impeded, by the public and private sectors. By inviting representatives from all three sectors to work on these issues together and find solutions that will allow the voluntary sector to continue its important work, the OVP is providing important leadership to resolve a growing concern.

Key recommendations are presented as follows:

Insurance Industry

- The insurance industry should be more aware of the importance of this sector, which accounts for 6.8% of the GDP and employs 20% of Canada's labour force.
- Insurance companies should be more aware of the particular needs of nonprofit organizations, especially regarding volunteer liabilities.
- The insurance industry should assist in exploring group insurance alternatives.

Government

- Government should support the development and delivery of educational opportunities and resources related to insurance and risk management.
- Government should explore options to assist the sector and increase volunteer participation.
- Government should make the results of research accessible to the sector.

Voluntary Sector

- Given the varying risk levels of sub-sectors, subsector specific organizations should use their existing networks to share information about insurance and risk management.
- Nonprofits should practise effective risk management, and ensure effective implementation through the following practices:
 - Clearly define the concept of risk management and identify areas of risk for their employees at all levels and through all organizational processes
 - Encourage their employees/volunteers to participate in information sessions/workshops on risk management
 - Promote sustained risk management awareness among board members, employees and volunteers by organizing yearly orientation/ refresher programs about risk management and insurance related issues
 - Practice overall good governance, as an essential aspect of risk management
 - Redefine management practices to incorporate risk management into organizational activities
 - Monitor risk management practices in their organizations and offer attractive rewards for employees who follow the risk management policies.

3. LITERATURE REVIEW

The past two decades have been characterized by many challenges for Ontario's approximately 48,000 nonprofit and voluntary organizations. Changes in government funding policies, devolution of programs and steep budget cuts have plunged the voluntary sector into a state of semi-permanent crisis (Eakin, 2006; Meinhard & Foster, 2003; Rice & Prince, 2000; Scott, 1992). More recently this crisis has been exacerbated by rising insurance costs fuelled, in part, by the 9/11 terrorist attacks, the bursting of the dot.com stock-market bubble, a series of natural disasters afflicting the global community and the cyclical shift from a resource abundance or "soft" insurance market to a resource scarcity or "hard" one.

Ironically, it was at the very time that these huge changes were taking place that more attention was directed to the voluntary sector by governments and researchers. Statistical studies measuring the size and contribution of the Canadian voluntary sector revealed for the first time how significant a player the voluntary sector was in the Canadian economy.

Research Methodology

The selected research methodology included a review of 400-plus sources, including both domestic and international jurisdictions. See Appendix O for a detailed discussion of the methodology used in conducting the literature review.

The approximately 161,000 nonprofit organizations comprise nine percent of Canada's employers and employ 20% of the nation's labour force (McMullen & Schellenberg, 2002, p. 20-1). This translates into more than two million jobs (NSNVO, 2005) and accounts for 6.8% of the nation's GDP (Statistics Canada, 2004, Figure 2, p. 6). In addition to this, six and a half million Canadians volunteer in nonprofit organizations (Hall et al, 2001), contributing more than one billion hours of labour to Canada's economy.

Along with this recognition came the realization that many voluntary organizations, operating on shoestring budgets, were facing growing problems as a consequence of devolution and funding changes. Both the federal government and its provincial counterparts were organizing conferences, seminars, think-tanks and round tables to determine how to help the sector cope with the changing realities. The most ambitious of these programs was the federal government's Voluntary Sector Initiative (VSI), established in 1998 to examine issues of concern to the sector. The VSI finished its mandate in 2003. During this period, "the viability of the voluntary sector [was] threatened by skyrocketing insurance premiums, an increasing inability to obtain coverage, and a climate of fear of serving in an increasing litigious and risk adverse climate" (Bustard, 2004, p. 5).

"Concerned about the impact of the high cost and limited accessibility of liability insurance" the Voluntary Sector Forum (VSF), one of the VSI's offspring, "identified insurance as a national issue for the voluntary sector" (Voluntary Sector Forum, 2004, p. iii). In 2004 they conducted a survey of 330 nonprofit organizations from across Canada to better understand the insurance practices of the sector and how it was coping with the rising premiums (Voluntary Sector Forum, 2004). Another survey by Easter Seals and Ryerson University tapped a larger pan-Canadian sample for essentially the same purposes (Meinhard, 2005). These and a number of provincial surveys (mentioned below) indicate that nonprofits are concerned about the availability and affordability of insurance and their impact on their ability to continue providing services, but only a small minority of organizations engage in formal risk management practices. For a summary and synthesis of these and the other surveys cited below, please see Appendix A.

Provincial initiatives

During the same period independent investigations into the insurance situation were undertaken in several provinces. Many of these initiatives were either instigated by provincial governments or supported by them, indicating recognition on the part of provincial governments of the seriousness of this concern in the voluntary sector. The earliest was a survey in British Columbia designed in response to a growing concern on the part of BC's voluntary sector regarding risk management, liability and anecdotal evidence of difficulty recruiting Board members because of liability concerns (Goldberg, 2002). This study involved support from two government branches: the Ministry of Community, Aboriginal and Women's Services, and the Corporate and Personal Property Registries.

Voluntary organizations in Alberta were also contending with lack of information about appropriate insurance coverage. This led to the "establishment of the Alberta Voluntary Sector Insurance Council (AVSIC), comprised of the insurance industry, voluntary sector and Alberta government representatives" (Alberta Superintendent of Insurance, 2007: p. 1). In addition to preparing an insurance toolkit for the voluntary sector, AVSIC also conducted a survey of insurance companies to identify the types of insurance they offered to the voluntary sector. In 2004 the Edmonton Chamber of Voluntary Organizations partnered with the City of Edmonton to conduct a survey of 47 nonprofit organizations to discern insurance practices and problems.

Although we were unable to find published surveys from other provinces, insurance concerns are evident there too. In Saskatchewan, programs such as the Premier's Voluntary Sector Initiative (PVSII) and agencies such as Volunteer Regina and Volunteer Saskatoon have been instrumental in raising the profile of the voluntary sector and its concerns, including risk management and liability coverage. The Law Reform Commission of Saskatchewan published a series of reports on liability issues faced by the voluntary sector: *Liabilities of Volunteers and Organizations in the Not-for-profit Sector* (1999); *Liability of Board Members in the Not-for-profit Sector* (2001); and *Report on the Liability of Directors and Officers of Not-for Profit Organizations* (2003). These reports, based on the Law Reform Commission's consultation with the nonprofit sector, concluded that liability was an issue of grave concern among the nonprofits.

Manitoba is the only province to have followed the lead of the National Voluntary Sector Accord, by signing a Declaration of Support wherein the provincial and municipal governments of Manitoba pledged to support Manitoba's voluntary sector (Voluntary and Nonprofit Sector Organization of Manitoba, 2005). However, there has been no specific attention placed on risk and risk management issues.

Quebec supports a Directors' and Officers' liability program for provincial sports and recreational organizations that is administered by the *Regroupement Loisir Quebec*. The main focus of this program is to provide liability against third-party claims directed at administrators of those nonprofit and sports organizations that fall under provincial jurisdiction. It covers prejudicial acts charged against the administrators or board members.

In Atlantic Canada, a task force was created by the Insurance Bureau of Canada (IBC), Atlantic Region, to deal with the issues of insurance availability and affordability (Uebel, Wolfgang & BizNext, 2005). In Newfoundland and Labrador, the Minister of Government Services participated in an Ad Hoc committee that reviewed insurance issues in the province. The Ministry of Government services partnered with the IBC Atlantic Region and the Community Services Council Newfoundland and Labrador (CSC) to conduct a study investigating liability insurance issues. The Nova Scotia Insurance Review Board, enacted under Bill No. 1 by the Government of Nova Scotia, issued a separate report, *Rates and Availability of Insurance in Nova Scotia*, in November 2004 regarding affordability and availability of insurance in the province. In

2002, the Nova Scotia General Assembly passed the Volunteer Protection Act to Limit the Liability of Volunteers Serving Nonprofit Organizations. Thus far, it is the only provincial legislature to have done so.

Ontario

In 1997 the Government of Ontario commissioned a report on the nonprofit sector. On its recommendation, the government convened the Ontario Voluntary Forum in 1998 to "support the voluntary sector in establishing a means for voluntary organizations to address their common challenges" (Ontario Voluntary Forum, 1998). Another recommendation of the report was that charities be allowed to purchase liability insurance for Board members (Eakin, 2004).

Insurance issues came to the forefront of concern in Ontario's voluntary sector when rising insurance rates threatened the existence of groups such as the Ontario Federation of Snowmobile Clubs (OFSC), which rely on volunteers to deliver their programs. "Any organization in Ontario that relies on volunteers to deliver its programs has a real serious liability issue ... because there wasn't any law in Ontario to shield a volunteer from unreasonable lawsuits when the volunteer hasn't been negligent or deliberately malicious - just out there doing the best they can" (Craig Nicholson, quoted in CharityVillage, Oct. 24, 2005). They created a coalition of Ontario community service groups called "Protect Our Volunteers" in January 2005, to urge the Province of Ontario to "pass appropriate volunteer liability legislation ... to adequately shield community volunteers from exposure to unreasonable claims of liability" (Protect our Volunteers, 2005).

The critical importance of risk management for the nonprofit sector is further demonstrated by the creation of the Ontario Volunteer Partnership launched by the Ministry of Citizenship and Immigration in November 2006. The partnership involves representatives from the nonprofit and voluntary sector, the insurance industry, various Government of Ontario ministries involved with nonprofit organizations and academia. This five-year, one million dollar initiative will explore ways in which to help nonprofit organizations manage and reduce their liability risks and get the right insurance coverage.

Summary

This brief overview demonstrates the growing concern across Canada over adequate risk management and insurance coverage in the voluntary sector. All three levels of Canadian government, as well as the insurance industry in Canada, have been partnering with the voluntary sector to find solutions. Both national and provincial surveys have been conducted to investigate the parameters and depth of insurance and liability concerns. In brief, the surveys indicate concern among nonprofits with respect to premium rates and the availability of insurance. Programs have been dropped, and certain operations curtailed because of unavailable or unaffordable insurance. The surveys also indicate that a majority of organizations do not have formal risk management policies and procedures in place. (Please see Appendix A for a detailed review and synthesis of the various studies.)

Volunteer centres and chambers in all provinces and territories are now providing information about risk management on their websites. From our literature review it appears that attention focused on this issue is a recent phenomenon, reflecting an increasing awareness on the part of nonprofit organizations that risk management is an important protective measure in an increasingly litigious world, recently shocked by many highly publicized scandals. The following sections describe current perspectives on risk and liability, risk management and insurance.

The meaning of risk and risk management

Most definitions of risk and risk management come from the insurance industry and tend to have a negative connotation: Risk is a threat, something to be avoided, and if it is not possible to avoid, then it must be mitigated through risk management practices, which includes insurance policies.

Although in its origin risk is a neutral term, a measurement of probability for good as well as for bad, in current usage “there seem to be no more good risks; all risks appear bad” (Landry, 2005, p. 5). For example, the Insurance Bureau of Canada (2007) considers risk as the possibility of incurring undesirable outcomes or harm with respect to employees, clients, volunteers, board members, property or reputation of an organization.

Any eventuality that might detract from a nonprofit’s ability to carry out its mission and mandate is considered a risk (Alliance for Nonprofit Management, 2007; Alberta Voluntary Sector Insurance Council, 2006). It is therefore not surprising that Internet sites offer a full array of risks threatening organizations.

According to the Charity Commission of the United Kingdom (2007), risks can be sorted into five categories:

Risks incurred by lax governance: e.g. compromised fiduciary oversight because of unskilled directors, rubber-stamp boards, conflict of interest, poor information flow etc.

Operational risks: include (but are not limited to) risks to property (including intellectual property), staff (employment regulations, health and safety), volunteers, clients, and organizational reputation, that are incurred by inadequate or faulty operational procedures.

Financial risks: incurred by poor budgetary control and financial reporting, insufficient reserves policy, poor investments and loans, fraud or error.

Risks originating from the external environmental: poor public perception, adverse publicity, deteriorating relationships with stakeholders, demographic changes and changes in government policy.

Compliance risk: ignorance of, or lack of compliance with, laws and regulatory requirements, including tax laws, human rights laws, etc.

This focus on risk as something negative to be avoided can be counterproductive in the nonprofit sector. A significant number of nonprofit organizations engage in risky missions to begin with, given the nature of the services they offer and the vulnerable populations they serve. Trying to eliminate risk altogether would not only constrain their activities and make them less attractive to volunteers, it would undermine their mission and ultimately, the reason for their existence.

Sometimes risks are needed to achieve desired goals. New initiatives and programs are often more prone to risk, but avoiding such experimentation could lead to stagnation, in itself a risk to organizational longevity (Herman, Head, Fogarty & Jackson, 2004). Herman and her associates (2004, p. 7), offer a more neutral definition of risk as “the measure of the possibility that the future may be surprisingly different from what we expect. Risk therefore, is something for which there is a greater than zero but less than 100% chance of happening.” Depicting risk in this manner allows for the possibility that taking a risk on a new program for instance, may yield unexpected positive results as well.

The challenge for voluntary organizations is to determine which risks are worth taking, and then work towards reducing uncertainty around the new program or activity by planning and structuring it as well as possible (Graff, 2003). In this context, conventional definitions (e.g. Alliance for Nonprofit Management, 2007; Bertrand & Brown, 2005; Insurance Bureau of Canada, 2007) that view risk management basically as a procedure for minimizing threats and reducing exposure to liability, can be seen as unnecessarily constraining nonprofit organizations from important mission-building activities (Herman, et al, 2004).

Defining risk management

In this spirit, the following definition of risk management is offered:

Risk management is a disciplined process that helps an organization first, to determine the viability of each of its activities by identifying and weighing their benefits and threats to the mission and future well-being of the organization, and then, to confront and mitigate the threats through good management practices and the implementation of strategic safeguards to prevent losses or reduce their impact.

This definition not only recognizes that some risks are worth taking because their benefits to the organization and their clients outweigh the threats, but it also emphasizes the importance of good management practices in general as well as strategic safeguards against risk. This theme will be discussed in greater detail in the section following.

The practice of risk management

For this report we reviewed more than 400 articles, reports, toolkits, and websites that mentioned risk and risk management in nonprofit and voluntary organizations. Most commonly, articles prepared by and for the nonprofit sector focus on risks to clients, employees and volunteers, in other words, risks that are related to carrying out their mission; however, their approach is piecemeal, and for the most part anecdotal, giving advice on how to minimize particular risks in their own areas of operation. Conversely, articles, reports and advice sheets prepared by the insurance industry tend to focus on risks that are covered by various types of insurance options.

The Alliance for Nonprofit Management (2004) identified the following as the most common risks faced by voluntary organizations (in descending order of frequency): injuries to clients, employees, volunteers and the public; damage to property; employment practices; fraud; and non-compliance with legal requirements.

The articles spell out how to minimize risk, focusing on individual risks and the necessary tactics to control them. Only a small handful of articles present risk management in a holistic manner to be incorporated as part of an organization's overall management strategy (Landry, 2005; Herman et al, 2004; Gaskin, 2005; Volunteer Australia, 2003). And yet, research indicates that the greatest risk an organization ever faces is what is known as the "liability of newness" - the tendency of new organizations to die within the first five years of their existence (Stinchcombe, 1965; Hannan & Freeman, 1977; Aldrich & Ruef, 2006). Only twenty percent of newly formed organizations of any kind survive past their fifth year (Aldrich, 1979). Liability of newness is the result of a combination of fierce external pressures on the organization coupled with inexperienced management lacking the core competencies necessary to withstand pressure. The early establishment of good management practices helps mitigate the liability of newness.

In this paper we argue, in accordance with our definition and research evidence, that good management practices constitute the foundation of risk mitigation and that specific risk management safeguards should be embedded in an organization's strategy, governance structure and everyday managerial practices. With the exception of external risks, it is clear that all risks are related to poor management. Risk management is inextricably linked with good overall management practices.

For most nonprofit organizations the primary objective of risk management is to protect their organization's core assets - property, income, staff, volunteers and reputation - from harm, loss or erosion. Losses, damage or harm in any one of these areas can be very costly to an organization, and may ultimately result in the demise of the organization. Protection of these assets, primarily through insurance policies, constitutes the mainstay of risk management strategies. Some procedural safeguards to prevent losses and damage may also be in place. With few exceptions (see Herman, et al, 2004), most books, articles, toolkits and manuals refer to this aspect of risk and risk management almost exclusively.

However, there are other ways to control an organization's risk, ways that are not usually considered as strategies for risk management. These are: mission fidelity, sound human resource management, public accountability and high standards of moral and ethical behaviour.

Mission fidelity. Staying true to its mission is an important goal for a nonprofit organization - a goal which is easy to lose sight of in efforts to quell crises, raise funds and/or embark on new ventures (Meinhard et al, 2005). Often referred to as mission drift, straying from one's mission has a negative impact on stakeholders which can affect the organization's ultimate survival, through loss of clientele, donors, staff and volunteers, who continue to believe in the mission. The likelihood of engaging in behaviour that alienates stakeholders is much lower in organizations that are true to their mission.

Sound human resource management. Nonprofit organizations face several challenges with respect to HR management. Only large organizations can afford to hire a manager of human resources and only the largest have human resources departments (McMullen & Schellenberg, 2003). In the remainder of the organizations, HR management is left to their executive directors, few of whom are trained in HR. Available guidelines to help them do not reflect the reality of smaller nonprofits (Meinhard, 2006). Training in HR management with respect to recruitment, hiring and interpersonal management skills, combined with the institution of specific policies with respect to discrimination, harassment, dismissal, and workplace safety, would make the organization a better place in which to work and also decrease the risk of claims brought against the organization with respect to employment practices.

Public accountability. Perhaps there is no one word that better describes the current reality of nonprofit organizations than "accountability". Government and other funders are now demanding it as a requisite for providing funds (Meinhard et al, 2003). The public, aware of accountability fiascos such as the American Red Cross's misappropriation of dollars meant for the 9/11 victims, the sponsorship scandal here in Canada, and other headline cases involving misuse of funds, are demanding greater transparency from nonprofit organizations. Organizations with clearly defined accounting procedures that "follow the money" automatically become more accountable. But money management is not the only way to be accountable. Ongoing program and performance evaluation demonstrating the effective use of the organization's resources is important to the organization's stakeholders. The greater the accountability and transparency, the more attractive the organization is to donors, volunteers and competent staff and the less likelihood of losses, claims and court cases.

High standards of moral and ethical behaviour. Ensuring high moral and ethical standards is ever more important in these litigious times when corporate governance is under the highest scrutiny. This is generally taken for granted in nonprofit organizations as part of the aura of “dedicated people doing good things”. However, recent exposés of unethical behaviour and vicarious liability rulings have focused more attention on this in the nonprofit world². Transparent fiduciary oversight and clear expectation of moral and ethical behaviour at all levels will mitigate risks to the organization’s reputation.

Good management practices go a long way towards mitigating risks, but in organizations without ideal management, instituting risk management practices is essential. Even in well managed organizations, specific risk reduction strategies are often necessary. A beneficial side effect of incorporating risk management practices may be better management in general which in turn will result in other benefits such as improved efficiency, performance and management-staff relations.

Incorporating risk management practices

According to Graff (2003), the aims of risk management are threefold: 1) prevention - keep things from going wrong, 2) minimization of harm - usually through acquiring insurance, and 3) liability reduction - documenting risk management practices to “reduce the likelihood of successful legal action”.

Responsibility for risk management can be delegated to a full-time professional risk manager, it can be part of the senior manager’s job description, or it can be assigned to a committee composed of staff and volunteers (Herman, et al, 2004). In the case of the latter two options, the advice of outside experts would most likely be needed.

The articles, websites, toolkits and models we reviewed present steps and guidelines to achieve these aims. Some are more elaborate than others, tailored to different needs, depending on the size, activities and structure of the organization. The steps and practices suggested by the various articles fall into the following general categories of activities:

- Identifying and assessing risks
- Determining what actions need to be taken, in other words, establishing a risk policy- this is the main focus of the majority of the articles and websites
- Putting the risk controls in place - this is another important focus in the literature
- Monitoring and reevaluating risk management practices as needed.

Each of these risk management categories subsumes many specific activities so that it is easy to lose sight of the strategic whole, or to use a well known metaphor, to focus on the trees rather than the forest. However, risk management should never just be a series of activities carried out simply to address some specific risks. Well-practiced, it is a holistic strategy involving the entire organization starting at the board level, down through senior and junior management, to staff members and volunteers (Landry, 2003; Volunteering Australia, 2003; Herman et al, 2004).

The role of the board in setting the tone for risk management is crucial (Siegel, 2006), yet barely 40% of Canadian nonprofit boards have risk management policies (Bugg & Dallhoff, 2006). Starting with board members, each person in the organization should be trained to recognize the risks inherent in carrying out their activities, whether it involves the general public, clients, peers, or subordinates, and to follow

² Examples include the 1995 case against United Way of America’s former president for defrauding his organization and the 1999 vicarious liability court case against Children’s Foundation for immoral and unethical actions by its employees.

stipulated procedures in order to avoid or minimize the risk. Constantly encouraged and rewarded, these behaviours become ingrained in the individual and embedded in the organization. In time, such practices become part of the organization's culture (Purdue, 2007; Wiegman, von Thadden & Gibbons, 2007).

When addressing risk management, all of the reviewed articles begin from an assumption that organizations and their members are aware of their risks and the need for risk management. The articles then identify organizational activities necessary for risk management. However, as the findings from various Canadian surveys indicate (see Appendix A), "many nonprofit organizations either are not aware of or have not implemented such policies or practices in their organizations..." (Goldberg, 2002, p. 16).

Some organizations are aware of risks, but do not think they are relevant to their organization, to the extent that they do not even have insurance (Meinhard, 2005). Extant literature does not address how to raise the awareness of organizations to the risks they face and the consequent importance of risk management.

Awareness of risk sometimes comes as a result of a highly publicized lawsuit, such as *Bazley v. Children's Foundation* and *Jacobi v. Boys' and Girls' Club of Vernon*. At other times, awareness comes when volunteers refuse to associate with an organization because of inadequate liability coverage (Goldberg, 2002; Meinhard, 2005). Sometimes, awareness of an important issue only comes about through the efforts of interested parties to raise awareness.

The Canadian voluntary sector, with the help of the Insurance Bureau of Canada and its provincial counterparts, has responded to the challenge by creating websites that discuss insurance and risk management. In Ontario, the Ontario Volunteer Partnership is organizing a series of workshops across the province to raise awareness about risk and help organizations develop risk management policies and practices.

The lack of formal risk management in Canadian voluntary organizations

Both anecdotal and survey evidence indicate that a majority of Canadian nonprofit organizations do not have formal risk management policies or procedures in place. Most of the surveys are small in terms of their sample size, but all come to the same conclusion: very few organizations have formal risk management programs in place.

Averaging across the various studies reviewed in Appendix A, only about 40% of Canadian nonprofit organizations engage in risk reduction activities. In a large study of nonprofit governance, with a sample size exceeding 1300 organizations from across Canada only 40% of organizations reported having any kind of risk management as part of the Board's governance strategy (Bugg & Dallhoff, 2006). Clearly the majority of nonprofit organizations do not have formal risk management policies or practices. Some of the reasons that nonprofits often do not practice risk management include the following:

- Many nonprofits believe that their risks are low (Meinhard, 2005).
- Limited budgets and small staff contingents leave little time for dealing with risk management in the face of everyday operational duties (Meinhard, 2005; Herman et al, 2004).
- The current practice by governments of funding projects, rather than full programs, decreases operational overheads even more, making obtaining appropriate insurance coverage more difficult (MacLeod, 2005).
- The role of governance lies in the hands of volunteer board members, who often lack experience and knowledge in risk management (Hunter, 2003; Volunteer Canada, 2002).

- The belief that “doing good” cannot result in harm. This stems from the Doctrine of Charitable Immunity, which is no longer an acceptable excuse as it was struck down at law, but the myth remains (Alexander et al, 2006; Oshinsky & Diaz, 2002; Public Entity Risk Institute, 2007).

And yet, nonprofit organizations face some unique risks:

- They serve vulnerable populations where the risk of abuse and/or unintentional harm is greater (Herman et al, 2004; MacLeod, 2005).
- They undertake a wide range of activities, for many of which, insurance is not available (Herman, 2002) and where control is more difficult to establish (Herman & Jackson, 2004).
- Their funding is unstable and inadequate creating overworked staff members who are more prone to mistakes (Meinhard, 2006).
- The demands of donors may threaten an organization’s ability to carry out its mission Meinhard & Foster, 2003).
- Nonprofit organizations are particularly prone to volunteer-related risks (Gaskin, 2005). These include misuse of authority, performance abuse, defiance of confidentiality, and misrepresentation of organization (Graff, 2003).
- An organization could face disastrous consequences because of errors made by the volunteers and could lose the confidence and trust of the public, which is its priceless asset (Griffith et al, 2005).

Summary

Organizations face both insurable and uninsurable risks as they go about their activities. Much of the literature focuses on risks defined in insurance policies and how they can be contained through specific risk management practices. However, uninsurable risks, such as losing funding sources or alienating volunteers, both of which may jeopardize a nonprofit’s survival, are prevalent in organizations. These risks are best mitigated through good management practices.

The conclusion drawn from this analysis of the literature is that risk management and good management are inextricably related. Sound management practices not only ensure that an organization will be true to its mission, treat its employees well, be accountable to its stakeholders and maintain a reputation for moral and ethical behaviour, it also reduces both insurable and uninsurable risks. Well managed organizations can easily incorporate specific risk management measures. Conversely, the introduction of risk management practices into organizations that are not well managed can be the basis for improved general management practices which will benefit organizations in dealing with their uninsurable risks as well.

Although risk management practices and strategies are often presented in piecemeal fashion, the challenge for nonprofit organizations is to embed awareness of risk and safe practices into every level of the organization and every aspect of organizational activity. Safe practices should not only be discussed and encouraged, they should be rewarded in order to ingrain the behaviour in organizational members until they become part of the organization’s culture.

We conclude this discussion of risk management by presenting a unified framework of risks faced by nonprofit organizations based on the Open Systems Model of Organization. This model depicts organizations as cybernetic systems importing resources from the environment, transforming these resources, and exporting the outcomes of this transformation process back into the environment. As Model 1 suggests, risks can occur in any one of these three phases. They can occur in the input phase, which relates to acquiring resources and accommodating the demands of the environment; in the

transformation phase, during which organizational inputs are processed to provide the services or products of the organization; and in the output phase, in which the end product is exported back into the environment, reflecting the mission and goals of the organization.

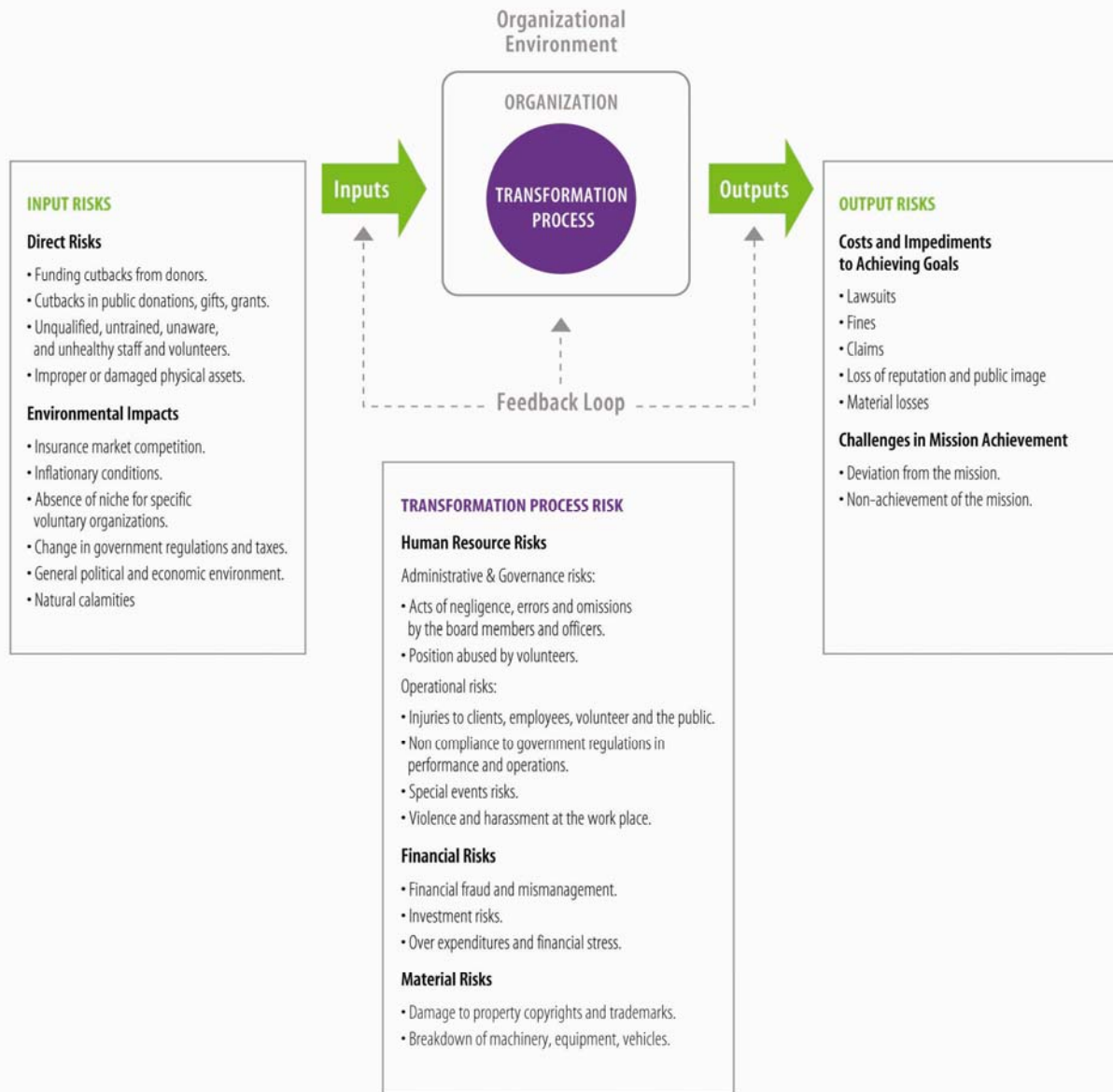
In the input phase, risks can be categorized as: a) direct risks, relating to the critical resources needed by the organization to complete its mission, for example: funding cutbacks; and b) risks incurred because of general environmental instability, for example poor economic conditions, changes in government regulations, natural disasters and the like.

It is in the transformation phase that the potential for risks is greatest. As an organization carries out its mission and goals it can incur risks related to its human, financial and material assets. These could include abuse and injury to employees, volunteers or clients, fraud and financial mismanagement and property damage. See Model 1 on the following page for a more detailed listing.

In the output phase the risks are related to costs and impediments to achieving goals such as fines and lawsuits. Inability to realize organizational goals and fulfill the organization's mission can ultimately lead to the demise of the organization.

In summary, this section focused on the identification, assessment and prevention of risks from a holistic cross-organizational perspective. However, a significant part of risk management is containment or minimization of harm once damage occurs. This is the role of insurance, the subject of the next section.

Model 1. An Open System Framework for Viewing Organizational Risks



Insurance as a risk management tool

From the perspective of risk management, insurance is an 'after-the-fact' method of damage control. It is compensation for losses already incurred and is a very important plank in a nonprofit organization's risk management arsenal.

Definition of insurance

Insurance is a promise of compensation for specific potential future losses in exchange for a periodic payment. Designed to protect the financial well-being of an individual, company or other entity in the case of unexpected loss (<http://www.investorwords.com/2510/insurance.html>), it is a system that "shares the losses of the few among the many ... providing financial peace of mind in a world filled with risk" (Insurance Brokers Association of Canada, 2005). "It allows [organizations] to engage in many ventures without having to set aside reserves to meet the financial requirements that may arise from certain types of losses" (Ibid).

A brief history of insurance ³

Written records of insurance date back to the ancient world. The first recorded evidence of insurance was documented in China, in 3000 BC. Chinese merchants, in an effort to minimize their risk of loss, would spread their cargo among many ships as well as partner with insurers who would compensate for losses incurred. "Premiums" were only collected after insurers paid the claims. This was in the form of indentured labour until all costs were repaid the insurer.

Insurance in ancient Babylon was more reasonable and resembled our system more closely. As recorded in the Hammurabi Code in 2100 BC, money suppliers agreed to cancel loan repayments in case of losses incurred by the traders. For this protection, the money suppliers demanded a premium on their regular interest for the loans. Premiums from many absorbed the losses incurred by a few. Other ancient peoples, Jews, Egyptians, Greeks, Phoenicians, and Romans, also have records of insurance, similar to the Babylonians.

Although most of the insurance in these times was related to trade hazards and was transacted between individuals, other forms of insurance developed. The Babylonians began extended insurance to cover provisions for a family in case of loss of life – a precursor to life insurance. The Romans had burial societies relieve surviving family members of the burden of paying funeral expenses. Fire insurance was introduced after the great fire of London in 1666. However, it wasn't until 1688 that the first insurance company was formed – Lloyd's of London, named after the coffee house in which the early insurance transactions took place between merchants, ship-owners and underwriters.

The first insurance companies operating in Canada were based in Britain and involved marine and fire insurance. Canada's first insurance company, founded in 1804, was Montreal's Phoenix Assurance. Today there are more than 150 insurance companies operating in Canada providing a wide range of insurance coverage (Canadian Insurance, 2007). A selection of these is presented in the section "Types of insurance".

³ This short discussion is not meant to be an exhaustive scholarly treatise of the history of insurance. It is presented merely to offer an appreciation of the ancient roots of risk management. The information presented was cobbled together from various websites and makes no claims for accuracy.

Insurance in the nonprofit sector

It is not clear when nonprofit and voluntary organizations first began to use the services of insurance agents. Until rendered invalid in a number of court cases in the latter decades of the twentieth century, there was a general acceptance of the doctrine of charitable immunity across North America (Siegel, 2006). This lulled many charities and nonprofits into thinking that they did not need liability insurance.

Today, an estimated 70%-90% of Canada's voluntary organizations have some kind of insurance coverage⁴, however, "there is limited understanding of what protection the insurance contract provides" (MacLeod, 2005, p. 15). With only a few insurance agencies specializing in insurance for the voluntary sector, an estimated 45,000 nonprofit organizations have been having difficulty finding the appropriate coverage at affordable rates (MacLeod, 2005). This has been one of the catalysts for the flurry of activity surrounding insurance and risk management.

Some of the more risk prone sub-sectors have been actively examining alternatives and seeking solutions, in many instances along with their agents. For example, a broker in Southern Ontario has been trying to alert politicians and the public to the desperation of sports and recreational groups because insurance companies are reluctant to continue insuring them (Algie & Adams, 2005).

Domestic insurers have ceased providing insurance for recreational activities; and while a handful of foreign companies are willing to insure these activities, they do so only at high premium rates (Olney, 2004; MacLeod, 2005). Rising insurance rates, combined with rising energy costs have driven up operating overheads, which in turn have led to a substantial increase in user fees (Ontario Recreation Facilities Association, 2003). Premium increases and insurance availability has affected other higher-risk fields as well, such as services for special needs adults and youth (Olney, 2004). "Obtaining affordable coverage for the vast majority of voluntary sector organizations that provide services or products to vulnerable populations has been extremely difficult" (MacLeod, 2005, p. 20).

The insurance industry's reluctance to provide liability insurance to nonprofit organizations stems primarily from the vulnerability of the clients they serve (MacLeod, 2005). Added to this is a belief that nonprofit organizations are riskier to insure because, lacking business skills, their standards of operation are lower (MacLeod, 2005).

With a growing number of lawsuits, people have stopped volunteering in sports and recreational activities (Ontario Recreation Facilities Association, 2003). This is a major cause of concern for those organizations that function, to a large extent, on the strength of their volunteers. They are concerned about decreasing numbers of volunteers as well as worried about the liabilities their volunteers may be facing.

In 1997 the US Congress passed the Volunteer Protection Act to reassure volunteers and encourage volunteering. A 2005 court case in Wisconsin demonstrated that this act may protect the volunteer, but not the organization, which was sued for an accident caused by the volunteer while acting for the organization in question (Charity Governance Blogs, 2005). There is an initiative underway in Ontario to pressure government to pass a volunteer protection act as was passed in Nova Scotia. A similar proposal in New Brunswick was ultimately defeated upon second reading.

⁴ This estimate is derived from various studies conducted in Canada (reviewed in Appendix A), some of which place the rate as high as 90% and others as low as 70%.

Understanding insurance rates

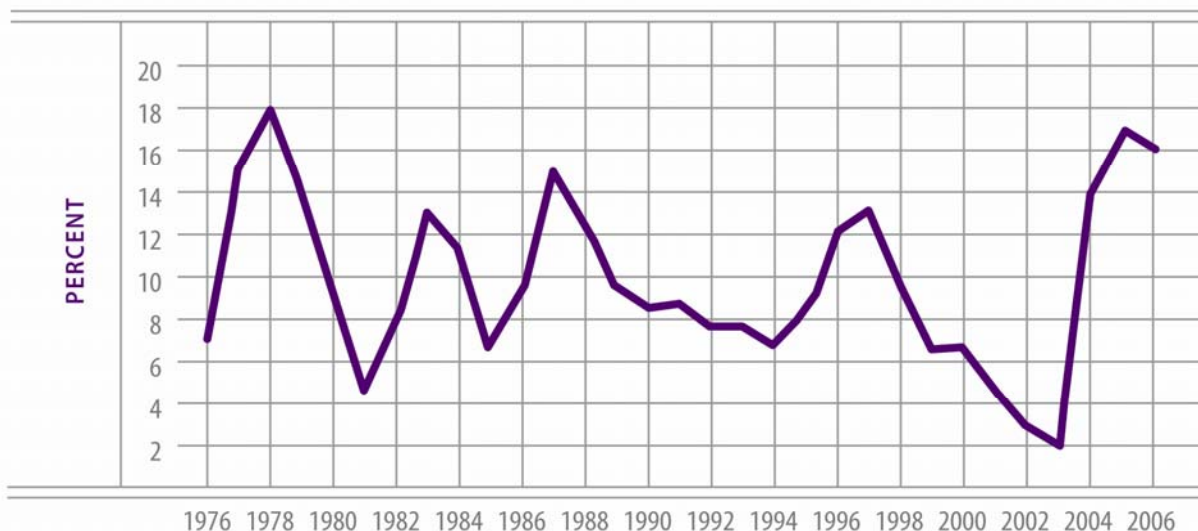
The cost of insuring individual entities (people or organizations) is borne only in part by the premiums paid for liability or casualty protection. Money from premiums is invested, and earnings from these investments are used to supplement premiums to cover the actual cost of the insurance. Thus, insurance premiums fluctuate not only according to the magnitude of underwriting losses, but also in tandem with the performance of investments.

In times of booming markets, insurance companies are in search of more capital to enable them to invest and take advantage of rapidly rising market returns. Fierce competition for new clients, and a willingness to take greater risks, as return on investments outweigh underwriting losses, drive down the price of premiums. This is called a “soft” market. The opposite occurs when investment income declines. Companies are unwilling to take risks as reserves are diminished. With insurance hard to get, premiums rise. This is referred to as a “hard” market (Hodgson & Brakel, 2004).

The last hard market in Canada was affected by a number of factors that all came together: 1) a low return on investment, 2) a sharp increase in the costs of injury claims, even though the number of claims have remained steady, 3) increase in fraudulent claims, 4) global catastrophes and 5) a substantial increase in reinsurance rates - insurance that insurance companies buy to protect themselves against large, unexpected claims (Insurance Brokers Association of Canada, 2007).

The cycle of fluctuation from hard to soft markets is about ten years. Chart 1 below illustrates the cyclical fluctuations in return on equity. Note the steep decline in 2001 and 2002, the lowest return on equity recorded in the last three decades. When the return on equity goes down, the market turns ‘hard’ and the cost of premiums rises to compensate.

Chart 1. Return on Equity, P & C Insurance Industry (1976–2006)



Source: Insurance Bureau of Canada, as cited in Cook G. & Hogan, D. (2007) Cycle Politics. *Canadian Insurance 2007 Annual Statistical Issue*, p. 20.

In Canada, “the insurance industry is closely monitored and regulated by both federal and provincial governments to ensure that insurance companies can meet their financial obligations to policyholders. In addition, provincial governments have jurisdiction over market conduct and consumer issues such as rate-setting, sales practices and the conduct of brokers” (Insurance Bureau of Canada, 2005).

Newest figures by the Insurance Bureau of Canada indicate that the steep premium hikes experienced in the aftermath of 9/11 have stabilized and are even declining, especially in the property and casualty areas. Premiums for Directors and Officers Liability and especially General Liability insurance, the ones most important to nonprofit organizations, are not declining at the same rate (Uebel, Wolfgang, and Biz Next, 2005: 85).

Types of insurance

Not all nonprofit organizations have the same insurance needs, but there is a general consensus with respect to basic coverage. The most common claims filed against nonprofit organizations are: 1) claims and lawsuits filed against a nonprofit organization, 2) claims for injuries to staff and volunteers, and 3) claims to repair or replace property a nonprofit owns or controls (Alliance for Nonprofit Management, 2007).

Claims and lawsuits filed against nonprofit organizations

This is what is generally referred to as Third Party Liability. Such claims are covered by various different types of insurance:

Commercial general liability insurance: CGL protects the organization against claims made by third parties with respect to property damage or bodily harm caused by the organization’s products, or the activities of its members, including volunteers, or occurring on its premises.

Directors' and officers' liability: D & O protects the officers of an organization with respect to employment related claims such as wrongful dismissal or discrimination, mismanagement of funds, or failure to carry out fiduciary duties that result in non-bodily harm to an individual.

Professional liability: This policy covers liability claims against licensed experts delivering services for an organization. This type of insurance is mandatory if the organization’s services are provided by licensed professional practitioners. Also referred to as professional errors and omissions liability.

Umbrella coverage: An addition that provides extra protection when primary coverage is exhausted.

Automobile insurance: This pertains to organizations whose staff or volunteers drive to carry out the organization’s mission. It typically provides separate coverage, with separate premiums, for liability for injuries to others, for damage to the car, and for the risk that another motorist may be uninsured or under insured.

Other, less common policies include: employment practices liability (EPLI); employee benefits liability; and improper sexual conduct/sexual abuse liability.

Claims filed against nonprofit organizations for injuries to staff and volunteers

Such claims are covered by:

Workers compensation: Compensation provided by the government for injuries suffered while carrying out job-related duties during the convalescence period, or permanently if an employee cannot return to work.

Employers' liability: This policy protects the organizations from claims made by employees or volunteers who get injured while performing job-related duties. This is often part of CGL.

Accident and injury coverage for volunteers: Covers costs of harm or injury incurred by volunteers while performing their volunteer duties.

Claims for damage to property a nonprofit owns or controls

Such coverage includes:

General property coverage: This insurance covers damage to the organization's property, including damage caused by the organization to the property of others.

Crime coverage: This coverage provides financial protection against the potential dishonest acts of employees, and a "3D" policy of destruction, disappearance and dishonesty policy which covers theft and similar crime losses inside and outside the premises.

Fidelity bond: A policy that protects an organization from loss in case of financial misconduct by officers or employees. If a bonded person takes money, the bonding company will pay the organization the missing amount. All officers and employees with financial duties should be bonded.

Boiler and machinery coverage: This insurance covers the costs of repairing or replacing heating, air conditioning, and ventilating equipment.

Computer equipment and software coverage: This insurance covers the costs incurred as a result of computer failure.

Alternatives to commercial insurance

Gail MacLeod, in her report prepared for the Muttart Foundation in March 2005, identified various options to commercial insurance:

Mutual trusts and cooperatives: where the members provide mutual protection.

Nonprofit insurance company: as established in California by a group of large grant makers "to provide reasonably priced insurance to nonprofits domiciled in California" (MacLeod, 2005, p. 33).

Self insurance: preparation for the eventuality of a loss by allocating money on a regular basis to build up a reserve fund.

Reciprocal insurance exchange: provides mutual protection to subscribers whose premiums may differ, depending on the size and nature of their organization, but whose coverage is exactly the same as all others.

Summary

From ancient times, provisions have been sought for compensation of losses or damages incurred through accidental or wilful means. Premiums paid by many, augmented by investment growth, pay for the losses incurred by the few. The insured buys protection, not against the risk of loss, but for compensation of losses, should they occur. Protection can be bought not only against losses or damage to the insured, but also damage and harm the insured may cause others.

Over the years, the variety of insurance products has grown to cover virtually any risk. As part of a sound risk management policy, organizations have to decide what types of insurance they need to protect their enterprise. Thus, they have to weigh the probability of a particular risk occurring to the cost of the protection against that risk. In the nonprofit world this is particularly difficult given sometimes high risks but limited financial resources to protect against them.

With the invalidation of the doctrine of charitable immunity, and a growing reluctance of volunteers to serve in risky ventures without proper insurance, nonprofit organizations are seeking better insurance coverage. However, with few insurance companies specializing in insurance for the nonprofit sector, the unavailability of some types of insurance, and the generally high cost of insurance, many Canadian voluntary organizations are not sufficiently covered.

Discussion

This review, based on more than 400 sources including academic publications, newspaper articles, reports, surveys, toolkits, and websites, has attempted to give a comprehensive overview of the latest information on risk management and insurance in the nonprofit sector, focusing mainly, but not exclusively, on the Canadian experience. Its purpose is to provide the reader with a better understanding of the issues and problems relating to risk and liability, risk management, and insurance in the voluntary sector.

Not intended to be a “how to” manual for risk management, this review nevertheless provides valuable insights into the essence of risk management: vigilant governance at the Board level, good management practices across the entire organization that permeate the organization’s culture, and when needed, specific risk management activities. This report provides a framework for understanding the holistic scope of risk and its management.

There are some glaring gaps in the literature. We were unable to identify the magnitude of risk exposure in the sector as a whole. While there are a number of anecdotal examples of risks incurred in the voluntary sector, there is no study that measures the frequency of lawsuits and claims, nor the financial costs of these losses. Conversely, some sources claim that overall risk in the sector is low, however these claims are not backed by empirical evidence. Moreover, we specifically looked for evidence to determine whether engaging in risk management practices confers the organization accessibility to more favourable insurance rates. Claims that proper risk management leads to reduced premiums are theoretical, not empirically based. There has been no empirical examination of this relationship and even anecdotal evidence is lacking. Some qualitative interviews (e.g. Voluntary Sector Forum, 2004) seem to indicate that risk management practices have no bearing on insurance premiums.

While most discussions of risk and risk management emphasize the negative aspects of risks, especially in reference to the vulnerable populations served by the voluntary sector, we accentuate that some risks are worth taking in furthering the fulfilment of a nonprofit’s mission; otherwise the survival of the organization may be threatened as its services are not fulfilling client needs and it ceases to be attractive to its donors and volunteers. So, we conclude that risks can be positive and even essential, but they must be taken with the proper safeguards; safeguards embedded in all aspects of organizational activity and at all levels of organizational governance.

Trying to prevent risk from occurring, through good organizational management practices, is just one aspect of dealing with risk. Another is arranging for protection against losses incurred by claims against the organization or its staff from third parties, claims against the organization relating to employees’ and volunteers’ physical and mental well-being, and claims for damage to property. Most commonly, this kind of protection is provided by commercial insurance agents, although there are alternatives to commercial insurance.

The literature review provides strong evidence that nonprofits are struggling to get appropriate insurance at a reasonable price. This is exacerbated during “hard” insurance cycles, but even in favourable market conditions there are relatively few insurers providing service to the nonprofit sector.

4. QUANTITATIVE RESEARCH

From October 2007 through February 2008, approximately 8000 of Ontario's nonprofit organizations were invited to participate in an on-line survey about insurance and risk management practices. This section presents the findings and conclusions gleaned from the survey and provides an analysis of the insurance profile and risk management practices of Ontario's nonprofit organizations.

Sample characteristics

As described in Appendix O, the sampling strategy was designed to offer a representative sample of Ontario's nonprofit organizations, stratified according to region. The sections below describe the sample in terms of organizational mandate, size, budget, location and whether or not the organization was a registered charity. The sample characteristics are then compared with those published by the National Survey of Nonprofit and Voluntary Organizations (NSNVO) in 2003.

Organizational mandate

Table 1 presents the sample distribution according to their organizational mandate. Definitions of these organizational types can be found in Appendix B.

Table 1. Organizational Mandate

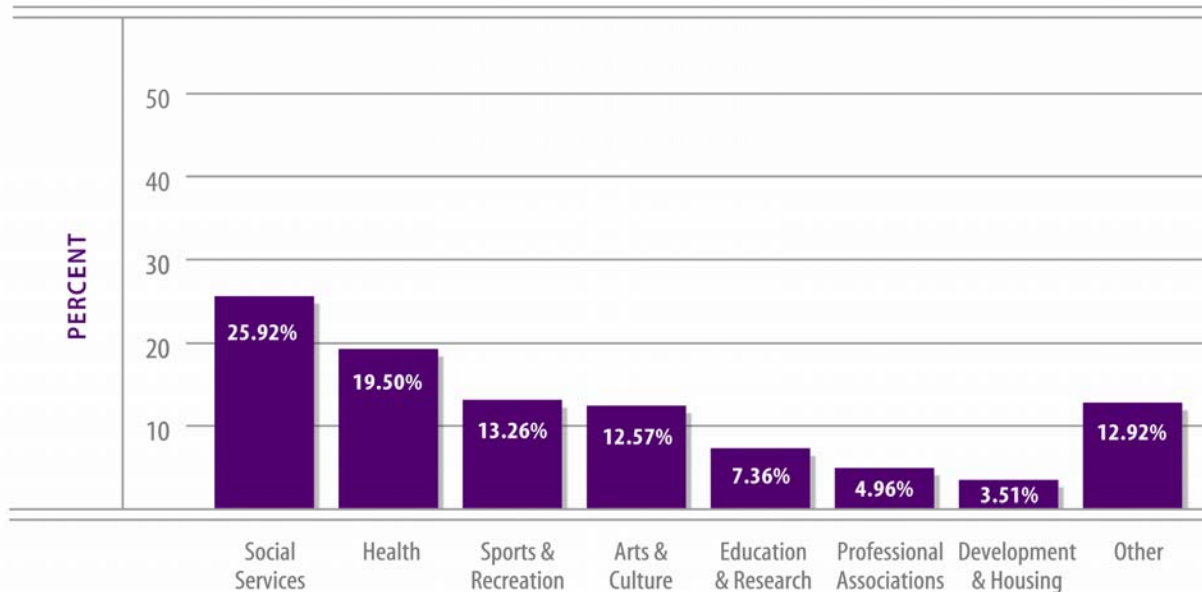
	Frequency	Percent	Valid Percent
Arts and Culture	147	12.4	12.6
Prof. Assoc., Union	58	4.9	5.0
Development & Housing	41	3.5	3.5
Education & Research	86	7.3	7.4
Environment	36	3.0	3.1
Grant-making, Volunteer promotion	24	2.0	2.1
Health	228	19.3	19.5
International	20	1.7	1.7
Advocacy	23	1.9	2.0
Religious	16	1.4	1.4
Social Services	303	25.6	25.9
Sports & Recreation	155	13.1	13.3
Other	32	2.7	2.7
Total	1169	98.7	100.0
Missing	15	1.3	
Total	1184	100.0	

Research methodology

Research design focused on an online survey for Ontario's voluntary sector. The sampling strategy was designed to offer a representative sample of Ontario's nonprofit and registered charitable organizations and allow examination of a number of key dimensions. See Appendix O for a discussion of the methodology used in conducting this research.

Figure 1 represents the distribution of organizational types in descending order of frequencies. Organizational types comprising less than 3% of the total sample were combined into the “other” category. Social service organizations comprise one quarter of the sample, followed by agencies providing health and wellness services (19.3%), sports and recreational organizations (13.1%) and arts and cultural organizations (12.4%).

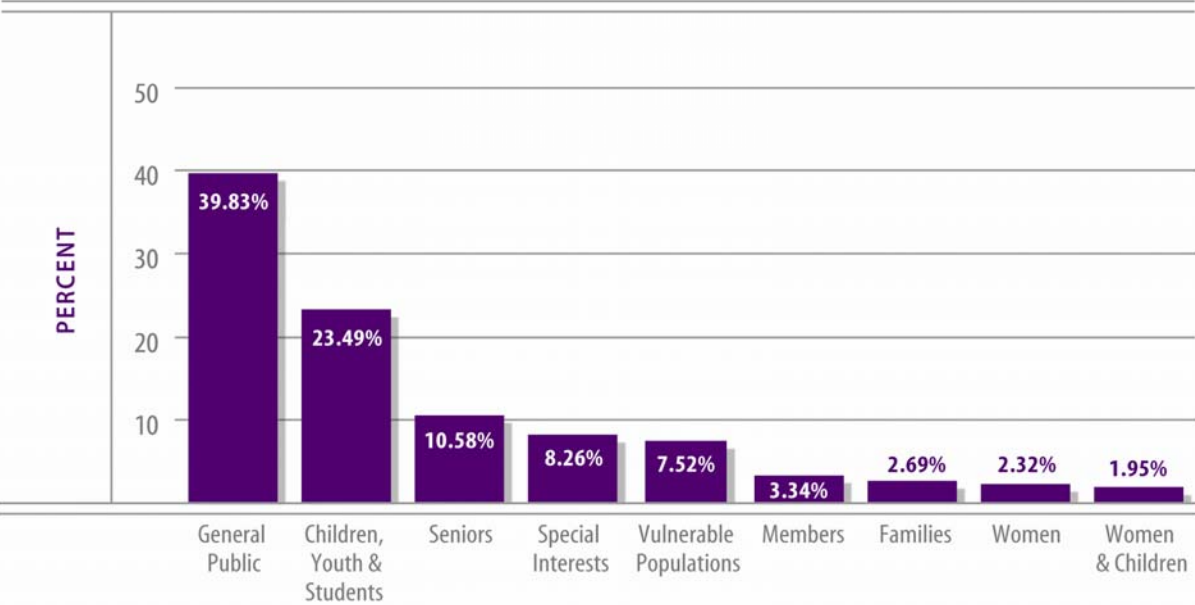
Figure 1. Organizational Mandate in Descending Order of Frequency



Ninety-two percent of sampled organizations provide services to people directly. Two fifths of these organizations serve the general public. Just over one fifth provide services to children (10.8%), youth (6.2%) and students (4.4%). Eighteen percent serve vulnerable populations which include seniors (10.6%) and others in need of care (7.5%). Organizations created to provide venues for people to partake in special interests such as hobbies, music sports, comprise eight percent of the sample.

Figure 2 lists the beneficiaries of the organizations’ services and their frequencies in descending order of frequency. Almost two thirds (64%) of the sampled organizations serve more than 100 people a month, the remaining organizations are evenly split between those that serve fewer than 50 people a month and those that serve between 50 – 100.

Figure 2. Beneficiaries of Organizational Services in Descending Order of Frequency



Organizational status and location

While ninety percent (90%) of organizations in the sample are legally incorporated entities, seventy eight percent are registered charities. The organizations range in age from less than 1 year old to 182 years old. The mean age is 33 years and the median age is 25 years. Eighty-five percent of the organizations are less than 50 years old.

As Figure 3 indicates, two thirds of the organizations in the sample are stand-alone organizations, twenty three percent are head offices and twelve percent are branch offices. Their geographic location is presented in Figure 4.

Figure 3. Type of Organizational Unit

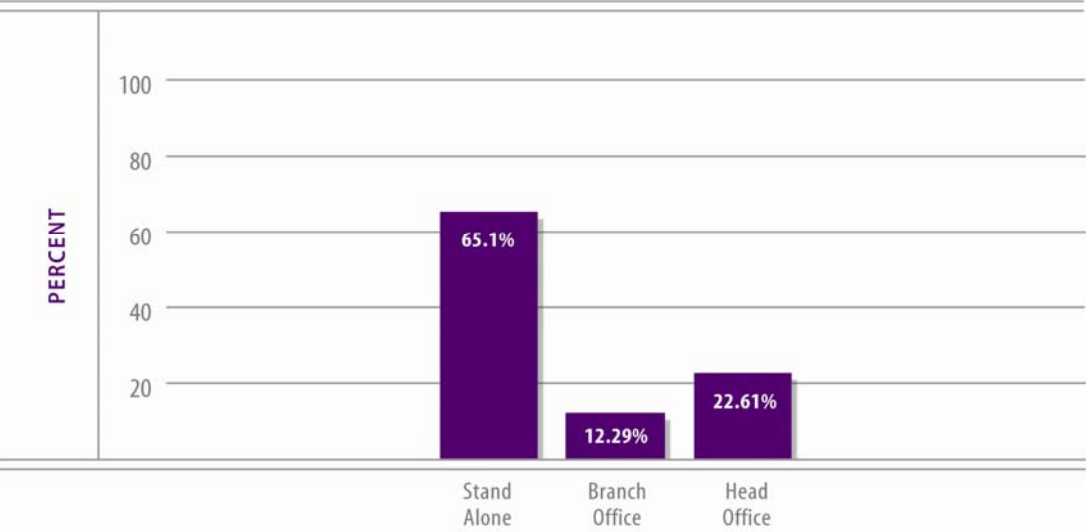
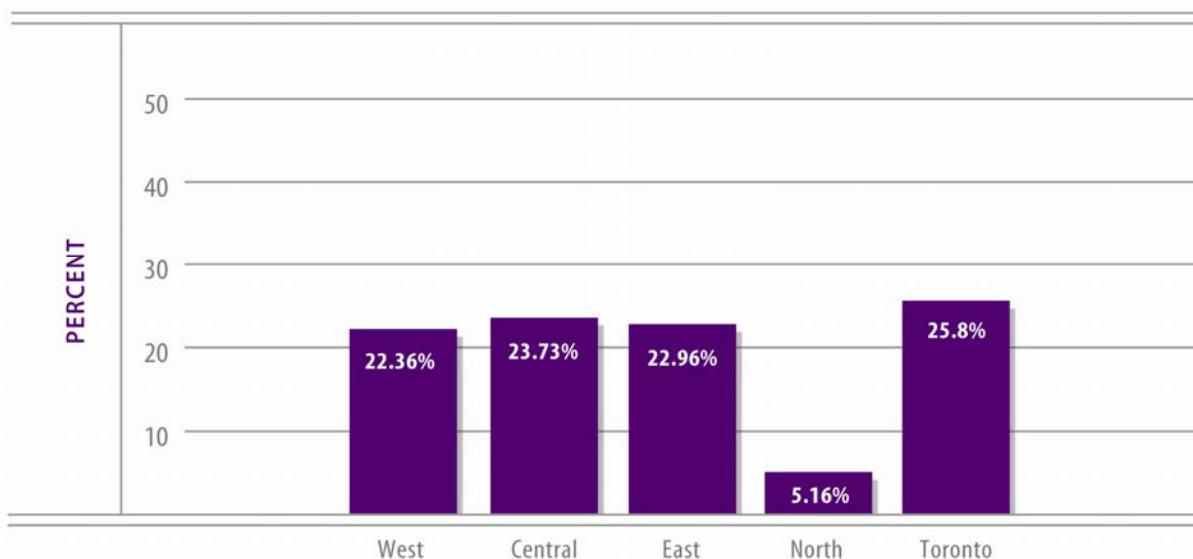
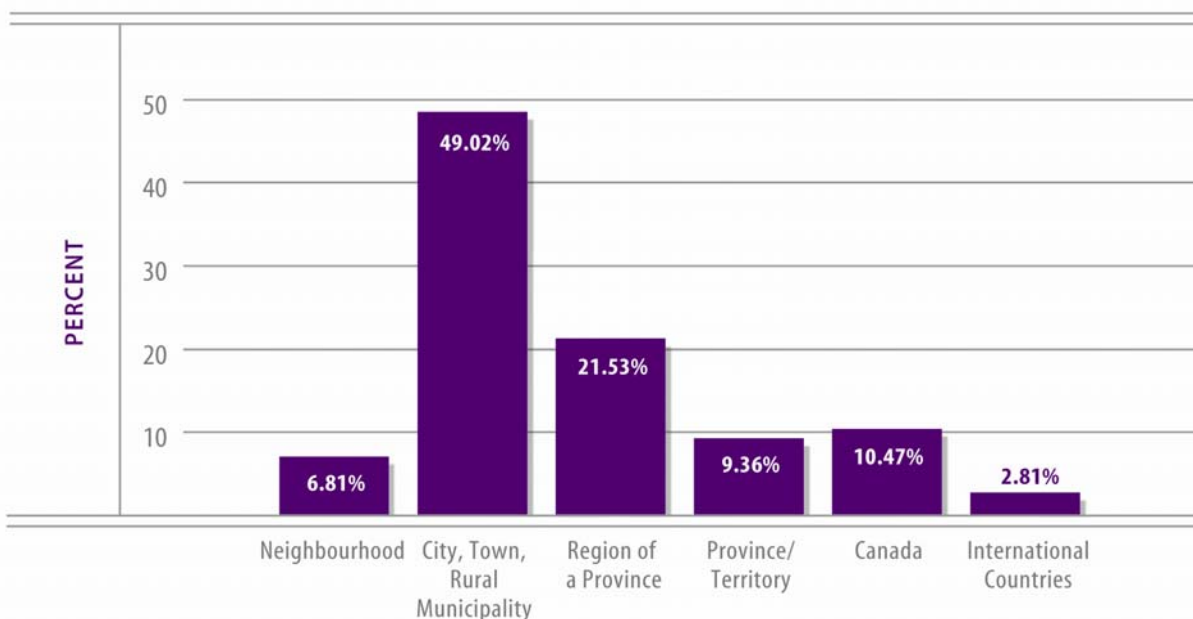


Figure 4. Regional Distribution of Organizations



With the exception of the northern region, the sample is quite evenly distributed among the regions. They serve mostly cities, towns and rural municipalities (49%), however 21% serve larger regions of a province, while nine percent (9%) have province-wide jurisdictions and ten percent service nationally (see Figure 5).

Figure 5. Geographic Area Served



Organizational size

Three different measures can be used to determine the size of a nonprofit organization: number of paid employees, number of volunteers and size of budget. Figures 6 and 7 present the distribution of paid employees and volunteers in our sample. More than 20% of the sampled organizations have no paid staff at all, and another 11% have only part-time or up to one fulltime position. Altogether, almost half of the organizations operate with fewer than 5 employees. A very small percentage of organizations employ in

excess of 500 employees, with the largest reporting 10,000. The mean number of employees is 51, but the median is only 5.⁵

Figure 6. Number of Employees (*grouped from raw data*)

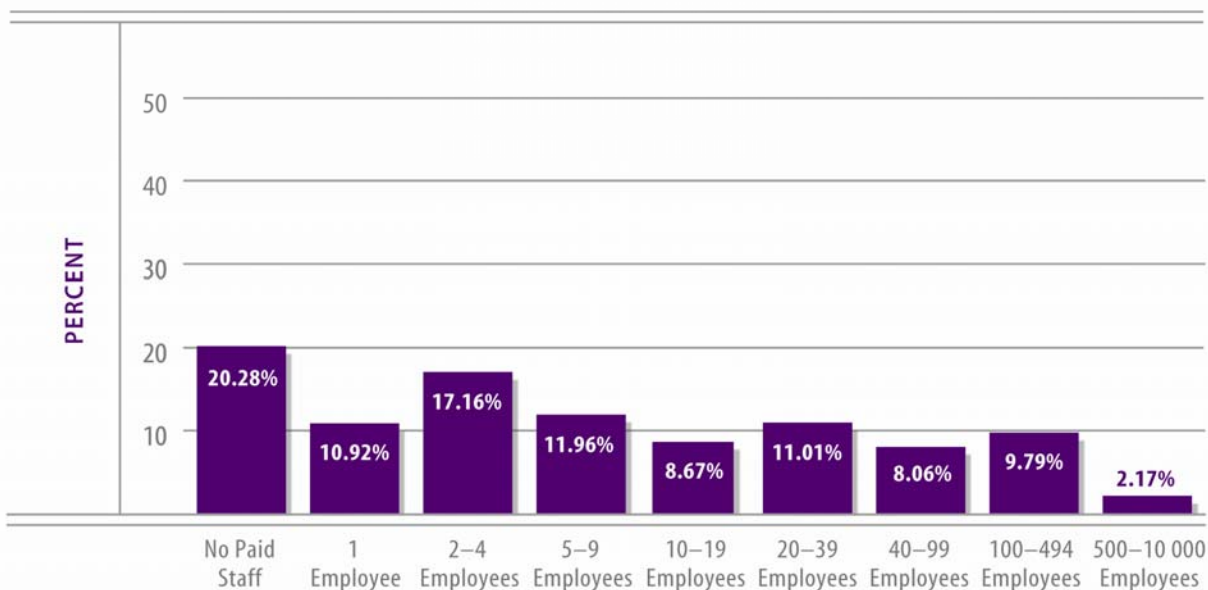
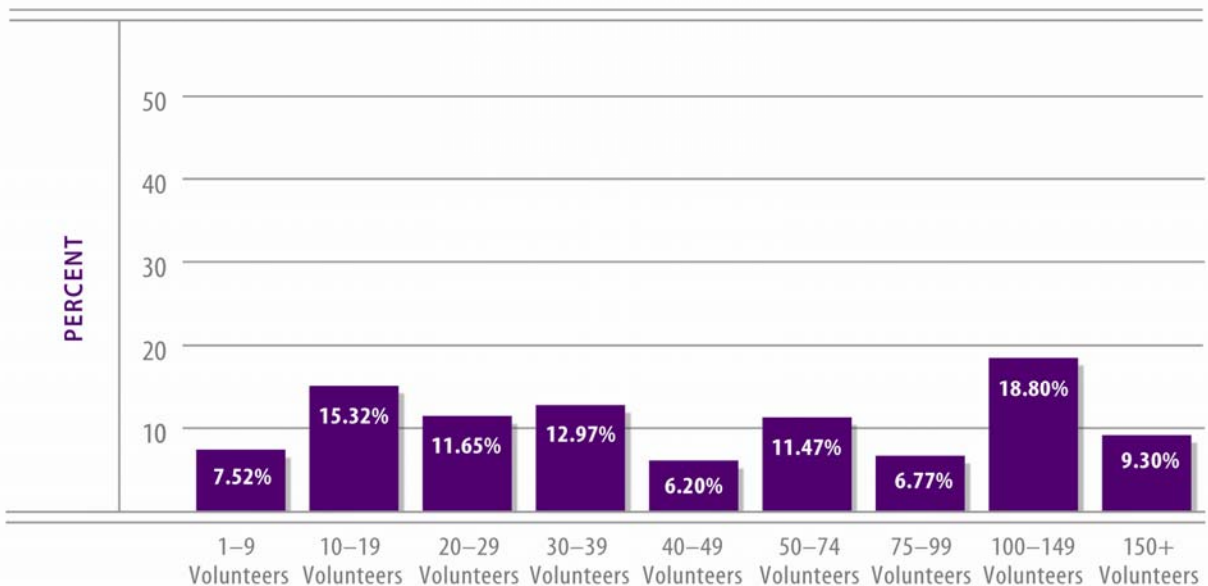


Figure 7. Number of Volunteers (*grouped from raw data*)



In contrast to paid employment, all organizations have at least one volunteer. The mean number of volunteers is 70 and the median is 45.⁶ There is a significant linear relationship between the number of

⁵ This is a typical finding in the nonprofit sector, where a small number of organizations employ the vast majority of workers.

⁶ The means and medians quoted for both employees and volunteers are from the raw data sets.

volunteers in an organization and the number of paid staff ($\eta^2 = .34, p < .000$), thus the greater the number of employees, the greater the number of volunteers as well. This is demonstrated in Table 2.

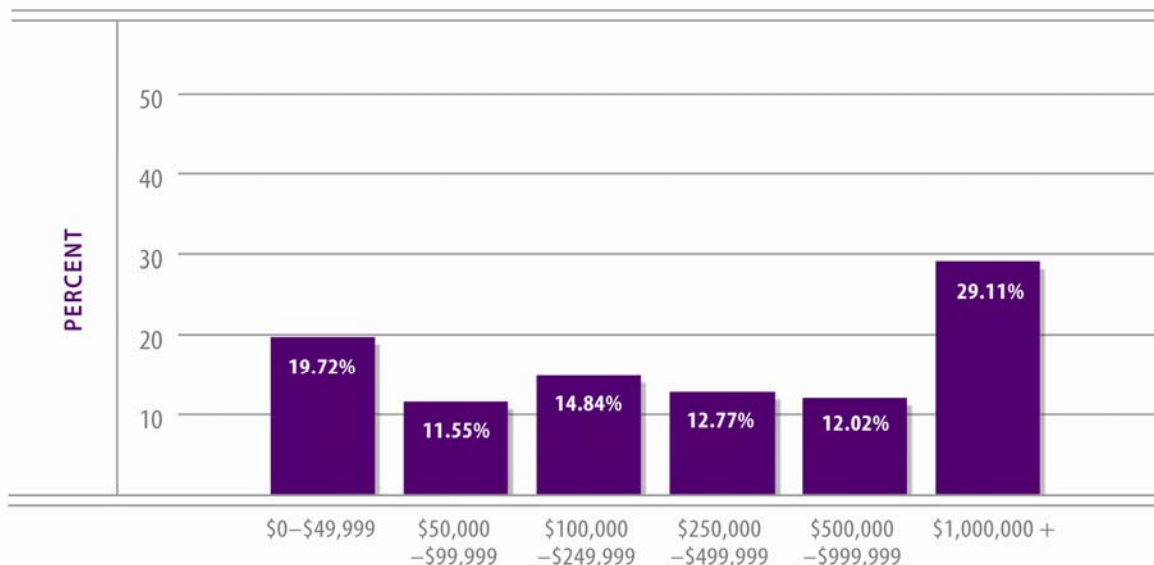
Table 2. Mean number of volunteers in by number of employees

Number of Employees (grouped from raw data)	Mean number of volunteers	N
No paid staff	43.21	208
1 employee	60.76	113
2 - 4 employees	65.52	178
5 - 9 employees	66.68	129
10 - 19 employees	71.68	92
20 - 39 employees	70.71	118
40 - 99 employees	71.63	83
100 - 494 employees	94.10	106
500 - 10000 Employees	156.64	25
Total	67.39	1052

Organizational budget

Financial measures such as revenues and budget are commonly used to describe the size of an organization. Figure 8 presents the distribution of organizations in the sample according to the size of their annual budgets.

Figure 8. Annual Budget



⁷ Eta is a measure of the strength of a relationship (similar to a linear correlation coefficient) when the independent variable is expressed in categories and the dependent variable is a continuous scale.

As it happens, the distribution among the various budget categories between the largest and the smallest is quite similar. The sample is skewed towards the larger organizations. The implications of this will be discussed in the next section. The relationship between budget and size of workforce is strongly related ($\text{Eta} = .413$, $p < .001$) and although not as strong, there is a significant relationship between budget and the size of the volunteer contingent of an organization ($\text{Eta} = .278$, $p < .01$). (Please refer to Tables 3 and 4).

Table 3. Budget by staff size

Annual Budget (grouped)	Mean number of employees	N Total
\$0 - \$49,999	0.45	209
\$50,000-\$99,999	2.29	120
\$100,000 - \$249,999	3.96	157
\$250,000 - \$499,999	23.56	134
\$500,000 - \$999,999	22.82	127
More than \$1,000,000	189.84	305
Total	61.73	1052

Table 4. Budget by numbers of volunteers

Annual Budget (grouped)	Mean number of volunteers	N Total
\$0 - \$49,999	40.06	186
\$50,000-\$99,999	52.57	111
\$100,000 – \$249,999	68.62	145
\$250,000 – \$499,999	71.46	123
\$500,000 – \$999,999	66.83	117
More than \$1,000,000	86.53	288
Total	66.77	970

Sample representativeness

In 2006 the National Survey of Nonprofit and Voluntary Organizations published the first ever mapping of Ontario's nonprofit and voluntary sector (Scott, Tsoukalas, Roberts & Lasby, 2006). The sample attained for the present study deviates from the NSNVO Ontario report in some significant ways.

First, for the purposes of this study, institutions of religious worship, hospitals and universities were deliberately omitted. Of the remaining nonprofit subsectors, the current sample is overrepresented in the Health (19.5% vs .3%) and Social Services (26% vs. 11%) sub-sectors, and underrepresented in the Grant-making (2% vs. 12%) and Development and Housing (3.5% vs. 9%) subsectors.

The low sample numbers in Development and Housing and high numbers in the Health and Social Services can be partly explained by the fact that many organizations have multiple mandates and respondents may choose Health or Social Services when providing sheltered housing, for example. The NSNVO data was collected by means of personal interviews, where the interviewer could help pinpoint the mandate. This study relied wholly on self-identification. Many respondents selected a category but subsequently wrote comments about their difficulty to select only one category, while listing other things they do. This may account for some of the variation. However, a more likely explanation for the deviations in the sample is that this is a purposive sample; organizations chose to respond or not to our letters of invitation to fill out the survey. It may be that health and social service agencies are more concerned with issues of insurance and risk management than are grant-making organizations, for example.

Second, the current sample is skewed towards larger organizations even though special outreach efforts were made to capture the smaller organizations. Twenty-nine percent of the sample is made up of organizations with budgets in excess of \$1,000,000, as compared to only ten percent reported in the NSNVO. Conversely, only 30% of organizations in the current sample have budgets of less than \$100,000 as compared to 50% reported in the NSNVO. This may have implications with respect to the estimate of how many of Ontario's nonprofit organizations are uninsured. These will be discussed in the appropriate sections.

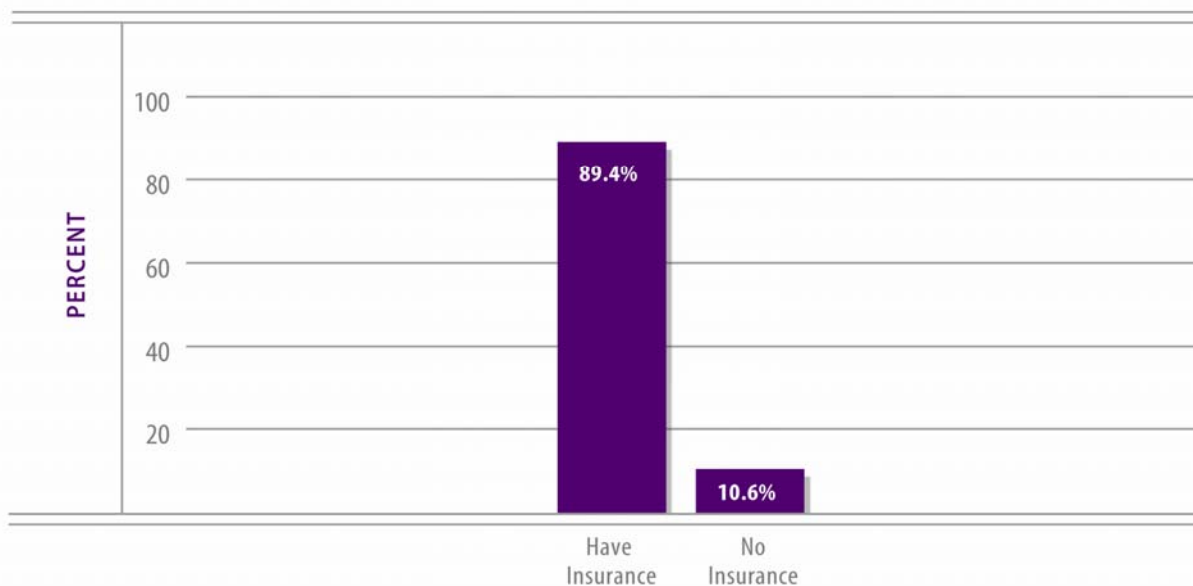
With respect to geographical reach, the present sample is almost identical to the NSNVO results. In this study a neighbourhood category was added. Combining neighbourhood with the municipal category would make the distributions even more closely aligned. Similarly with population served; although the categories in this study are defined slightly differently, the main categories – General Public, Children and Youth, Seniors, Vulnerable Populations (Special Needs in the NSNVO), have almost equivalent distributions.

Although in areas of mandate and size, the current sample deviates from the findings in the NSNVO, there is sufficient representation in all categories to provide valuable information about insurance concerns and risk management practices in all of Ontario's nonprofit subsectors.

Insured versus uninsured organizations

As Figure 9 indicates, just over ten percent of organizations in the sample are uninsured (N=120). Because the sample is over-represented by large organizations and underrepresented by small ones, this estimate of uninsured organizations is most likely too conservative.

Figure 9. Insurance Status



Correcting for this difference in distributions by weighting the current sample according to the NSNVO distributions increased the estimate uninsured organizations to almost 17%.

Analysis of organizational characteristics reveals that there are some significant differences between insured and uninsured organizations.

Not unexpectedly, there is a very strong linear relationship between organizational budget and whether or not an organization is insured (Eta = .537, $p < .000$); higher ratios of organizations without insurance are to be found in the lower budget categories than in the higher ones.

Fifty-four percent (54%) of organizations with budgets of less than \$15,000 are uninsured, and 24% of organizations with budgets between \$15,000 and \$50,000 are uninsured, but once the budget is between \$50,000 and \$100,000, the rate drops to seven percent, and over \$100,000 it is down to four percent. Only two organizations out of 438 with budgets greater than \$500,000 are without insurance (see shaded row of Table 5).

Table 5. Insurance status by annual budget

Insured		Annual Budget									
		\$0 - \$14,999	\$15,000- \$29,999	\$30,000 - \$49,999	\$50,000 - \$99,999	\$100,000 - \$249,999	\$250,000 - \$499,999	\$500,000 - \$999,999	\$1,000,000 - \$9,999,999	More than \$10 million	Total
Yes	N	43	55	33	114	152	131	128	235	73	964
	%	45.3%	77.5%	75.0%	92.7%	96.2%	96.3%	100.0%	99.2%	100.0%	90.5%
No	N	52	16	11	9	6	5	0	2	0	101
	%	54.7%	22.5%	25.0%	7.3%	3.8%	3.7%	.0%	.8%	.0%	9.5%
Total	N	95	71	44	123	158	136	128	237	73	1065
	%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Cross tabulations with the variable 'Insurance Status' (whether or not an organization has insurance) were performed for all measured organizational characteristics. Neither an organization's age nor whether the organizational unit is a head office, branch office or stand-alone unit is related to whether or not the organization holds insurance.

However, thirteen other organizational variables are significantly related to whether or not the organization holds insurance. Column 1 of Table 6 lists these variables. These thirteen variables differentiate various organizational characteristics and types. For example the variable "organizational mandate" differentiates among arts and cultural organizations, social service organizations, advocacy organizations and the like. If these characteristics did not determine whether or not an organization has insurance, then it would be expected that the distribution of insured versus noninsured organizations in each category would be the same as for the overall sample: 10% of all organizational types would not have insurance and 90% of all organizational types would have insurance. This is not the case for the thirteen variables listed in Table 6.

For each of the variables measured, Column 2 displays the organizational types that are more likely to be insured (exceed 90% of the distribution), and Column 3 lists the types of organizations that are more likely to be uninsured (exceed 10%). Thus for the variable 'Mandate', 19% of Arts and Cultural organizations are uninsured, far exceeding the expected 10%, whereas 96% of Social Service organizations have insurance exceeding the expected 90%. Only those variables with significant chi squares at $p < .01$ are included in the table. Blank cells indicate that there are no organizational types exceeding the 90% distribution.

Organizations more likely to be insured are: social service and sports organizations, serving children, youth, seniors and other vulnerable populations, with a clientele of more than 100 people a month, served by more than two paid staff members, in a unionized environment, with a budget of more than

\$500,000 and receiving more than 50% of their funding from government. Organizations from Western Ontario are also more likely to be insured.

Table 6. Comparative profiles of insured and uninsured organizations

Variable	More likely to be insured	More likely to be uninsured
Organizational mandate	Social Service (96.4%) Sports and Recreation (94.2%)	Arts and Cultural (19%) Environment (16.7%) International (25%) Advocacy (21.7%)
Type of service provision		No direct service to people (28.4%)
Beneficiaries of service	Youth (100%) Children and Youth (100%) Seniors (94%) Vulnerable populations (95%)	Special interests (13.5%) Students (21.2%)
Number of people served	More than 100 (94%)	Fewer than 100 (13%)
Charitable registration		Non-registered (18.9%)
Incorporation		Non-incorporated (22.7%)
Paid staff	Anything above 2 employees (96-100%)	No paid staff (35%)
Unionized staff	Unionized (98.1%)	
Area served		International (30.3%)
Annual budget	More than \$500,000 (99.9%)	\$15,000-\$50,000 (24%) Less than \$15,000 (54.7%)
Government funding	More than 50% from government (97.5%)	No government funding (21.8%)
Number of volunteers		Fewer than 20 volunteers (19.3%)
Region of Ontario	Western Ontario (94.6%)	Eastern Ontario (15.7%)

Uninsured organizations are more likely to be found among arts and cultural, environmental, international and advocacy organizations. These organizations generally do not provide direct service to people and if so, then they serve fewer than 100 people a month, mostly students and special interest groups. They are more likely to be operating without paid staff and with fewer than 20 volunteers, on an annual budget of less than \$50,000, receiving no government funding. They are more likely to be unincorporated and without charitable registration and more likely to come from the Eastern Ontario region.

Description of uninsured organizations

The majority of uninsured organizations had never had insurance (82%). Subsequently, they had been uninsured for more than ten years (54%). Only one fifth of the organizations indicated that they were thinking of acquiring insurance within the next two years.

Reasons for not having insurance

The main reasons given for not getting insurance are (in order of frequency): the risk for the organization is low (59.6%), the organization cannot afford insurance (51.7%), the organization prefers to spend their money in other ways (41.6%) and the organization does not need insurance (33.7%). Only twelve percent (12%) of organizations claimed that they were uninsured because they were unable to acquire insurance. Some other reasons given (2 organizations) for being uninsured were that the insurance really did not cover what they needed it for most, so they decided to drop insurance altogether. Another stated that insurance rose so much that they decided to drop the insurance and focus on risk reduction.

Repercussions

Three quarters of the uninsured organizations claimed, when asked about repercussions experienced from not having insurance, that their organizations suffered no repercussions from failing to have insurance. A small percentage (9%) felt that not having insurance had an impact on their ability to recruit volunteers and get people to take up leadership roles. Four organizations said there was certain programming they were unable to carry out because they had no insurance, and two others spoke of the risk of lawsuits and how “devastating” that would be.

Insurance profile of insured organizations

The vast majority of organizations in the sample are insured. Tables 7a-c list the different types of policies, their frequencies and the percentage of organizations that carry each type of insurance. The four most commonly held policies are: General Property (98%), General Liability (92.5%), Directors’ and Officers’ (81.2%) and Accident and Injury (78.2). On average, organizations carry approximately 6 different policies: 3 general liability policies (Table 7a), 1 employee-related policy (Table 7b) and 2 damage protection policies (Table 7c).

Table 7 a-c. Insurance policies by frequencies of subscription

Table 7a. General Policies			
	N	Percent of all policies	Percent of insured organizations holding these policies*
General Liability	882	30.3%	92.5%
Directors' & Officers'	774	26.6%	81.2%
Professional Liability	308	10.6%	32.3%
Umbrella Coverage	190	6.5%	19.9%
Auto Third Party	310	10.6%	32.5%
Event Insurance	389	13.4%	40.8%
Other Types of Insurance	58	2.0%	6.1%
Total	2911	100.0%	305.5%
Table 7. b Employee- related Policies			
Employer's liability	463	37.0%	71.0%
Accident and injury	510	40.7%	78.2%
Protect against employee claims	267	21.3%	41.0%
Other employee-related policies	13	1.0%	2.0%
Total	1253	100.0%	192.2%
Table 7c. Protection against Damage			
General Property	797	41.4%	98.0%
Crime Coverage	353	18.3%	43.4%
Fidelity Bond	226	11.7%	27.8%
Boiler and Machinery	234	12.2%	28.8%
Computer Equipment	308	16.0%	37.9%
Other Damage protection	7	.4%	.9%
Total	1925	100.0%	236.8%

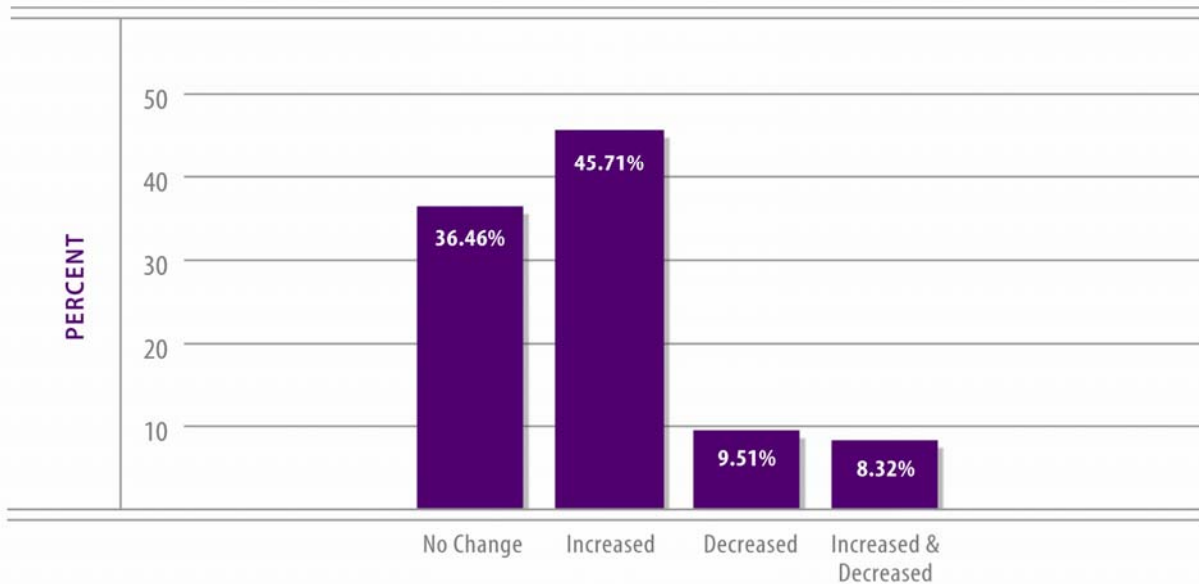
* Percentages do not add up to 100% because of valid multiple responses

Insurance rates

The cost of insurance for nonprofit organizations ranges from less than \$2,500 to more than \$50,000. The median cost of insurance premiums is \$7,500. Almost half (45.7%) of those who responded, reported that their insurance premiums had increased during the past two years. On average (median), their rates increased by 10%, but one quarter of the respondents whose rates increased reported an increase of more than 15%. Almost ten percent of respondents reported that their insurance premiums had

decreased during the previous two years. On average (median) they paid 20% less than paid previously. Eight percent of organizations reported both increases and decreases. (See Figure 10.)

Figure 10. Changes in Premium Costs over Previous 2 years



Respondents were asked, in an open-ended question, to speculate as to why their premiums increased or decreased. Their responses were analyzed and sorted into seven categories.

Figure 11 displays these categories and the response rate for each. The most commonly cited reason for rate increases was that the organizations raised their coverage or increased the number of insured programs. But twelve percent of respondents reported that their rates increased because of the claims they had. The second most common explanations for the rate increases were vague statements about tendencies for rates to increase, industry trends etc.

Figure 11. Reasons for Increases in Insurance Premiums

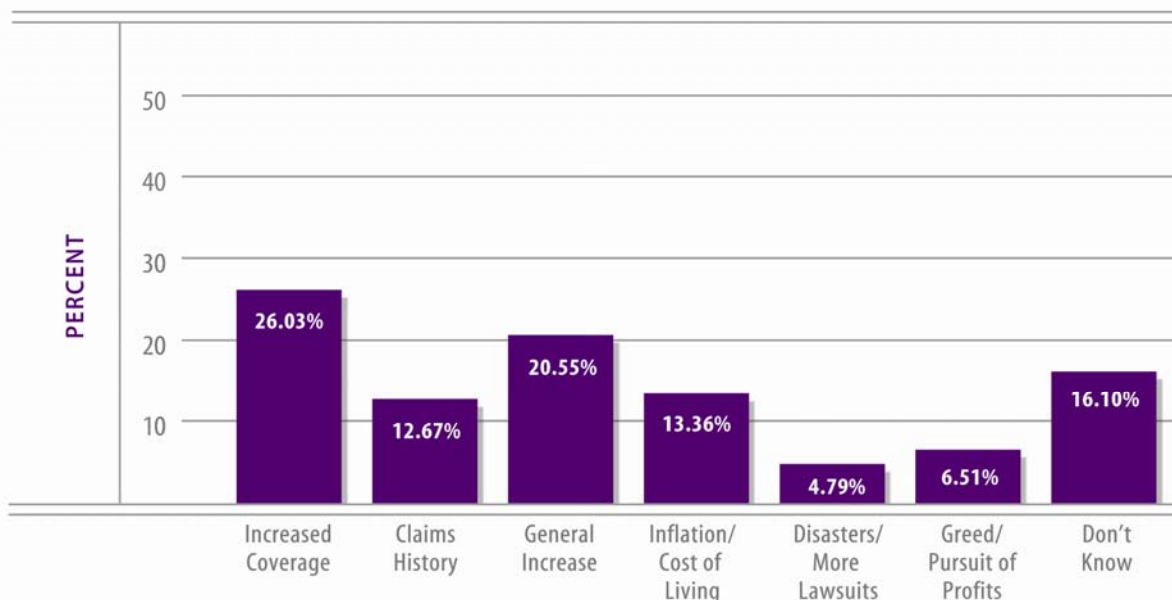
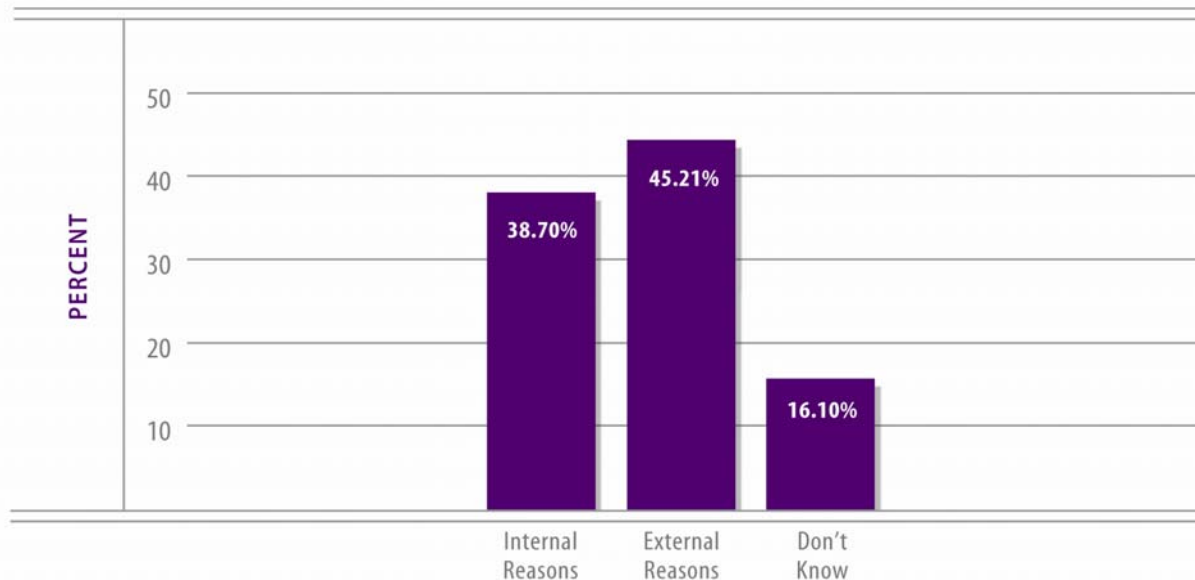


Figure 12 displays the categories grouped into internal (increased coverage and claims history) and external (remaining categories) reasons for the rate increase. Slightly more respondents blame external causes for their rate increases than they do internal causes.

Figure 12. External and Internal Reasons for Increases



The reasons given for rate increases were compared with the actual percentage increases to determine whether there was a relationship between the perceived causes for the increases and the rise in premiums. Comparing internal versus external causes, there was only a slight difference in mean increases (16.6% internal vs. 12.9% external) between those giving internal reasons and those giving external ones. However, looking at the disaggregated data, there are some interesting differences. Organizations with the highest increases tended to blame disasters and lawsuits for the increases.

Asked how their organization responded to the increases, ninety percent of respondents said their organizations paid the increase. Among the remaining ten percent, more than half increased their deductible to lower the cost of their premium; the rest reduced their coverage or switched insurance providers. Only one organization cancelled its coverage.

Most of the 336 respondents who reported increases in their premiums did not believe their organizations were adversely affected by the increases; nevertheless, seventeen percent did report that the increases had an impact on their operations. Eighty-three respondents took the time to elaborate how their organizations were affected. Content analysis revealed that almost two thirds (60.2%) said that they had to either increase user fees or reduce services, staffing or programming; almost one third (31.3%) reduced coverage and/or adjusted the budget; the remaining seven organizations (8.4%) tried to smooth out the increase through fundraising.

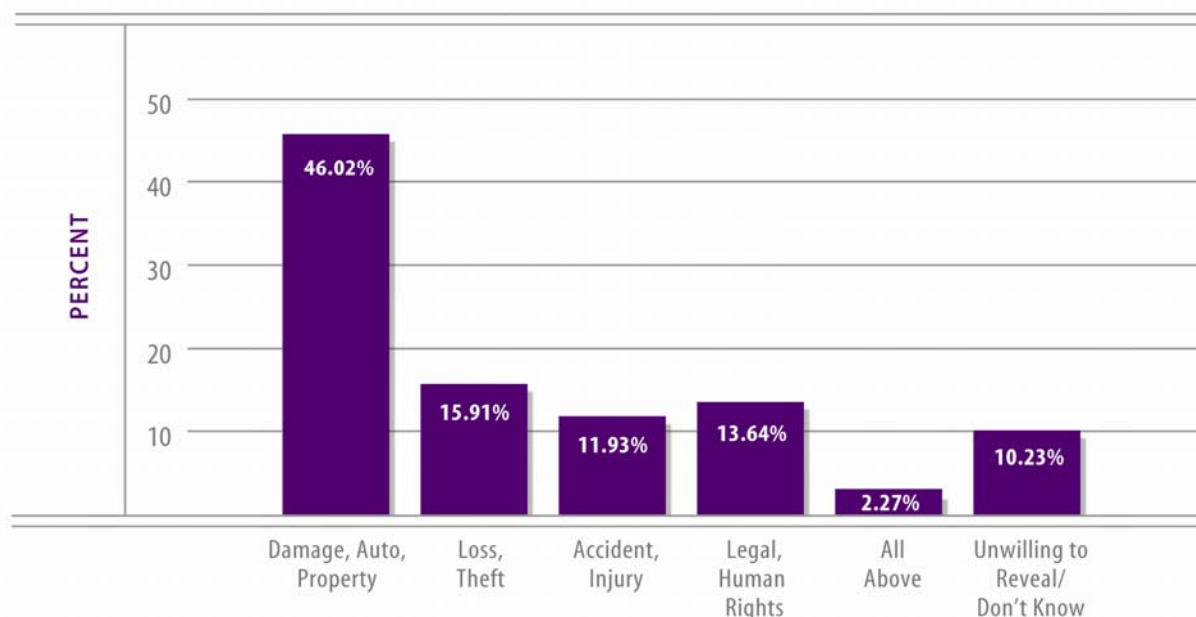
Table 8. Mean increases in insurance premiums by perceived cause

Causes	Mean	N
Increased coverage/programming	18.57	64
Claims history	13.00	35
General increase	12.67	59
Inflation/cost of living	7.03	38
Disasters/increase in lawsuits	26.07	14
Greed/pursuit of profits	15.94	17
Don't know	9.19	43
Total	13.66	270

Claims history

One hundred and seventy-six organizations, almost 17% of insured organizations, had experienced damages, losses, injuries or legal challenges that resulted in a claim to their insurance agent. The majority of these claims (46%) were for damage to property (see Figure 13 for detailed breakdown).

Figure 13. Types of Claims



Difficulties acquiring insurance

The organizations in this sample generally did not have difficulty in obtaining insurance. This notwithstanding, there were fifty organizations, comprising just over 5% of the insured organizations, that claimed to have difficulty. Forty respondents took the time to explain their difficulties. The most commonly mentioned difficulty (48%) was finding an agent who is specialized in what they need. Others (17.5%) mentioned the difficulty in even getting companies to offer quotes; yet others (17.7%) were refused many times because their organization or the activity that they wanted insured was too risky. Some (12%) mentioned the difficulties they had because of the expense of the insurance coupled with the lack of competitive quoting. Ten percent of the respondents gave reasons that were idiosyncratic to their organization.

Obtaining insurance

As Table 9 below indicates, a majority of organizations obtain insurance from a commercial agent, however, more than a quarter are covered through an umbrella association and fifteen percent have group insurance. Fifteen percent of organizations obtain their insurance by more than one means.

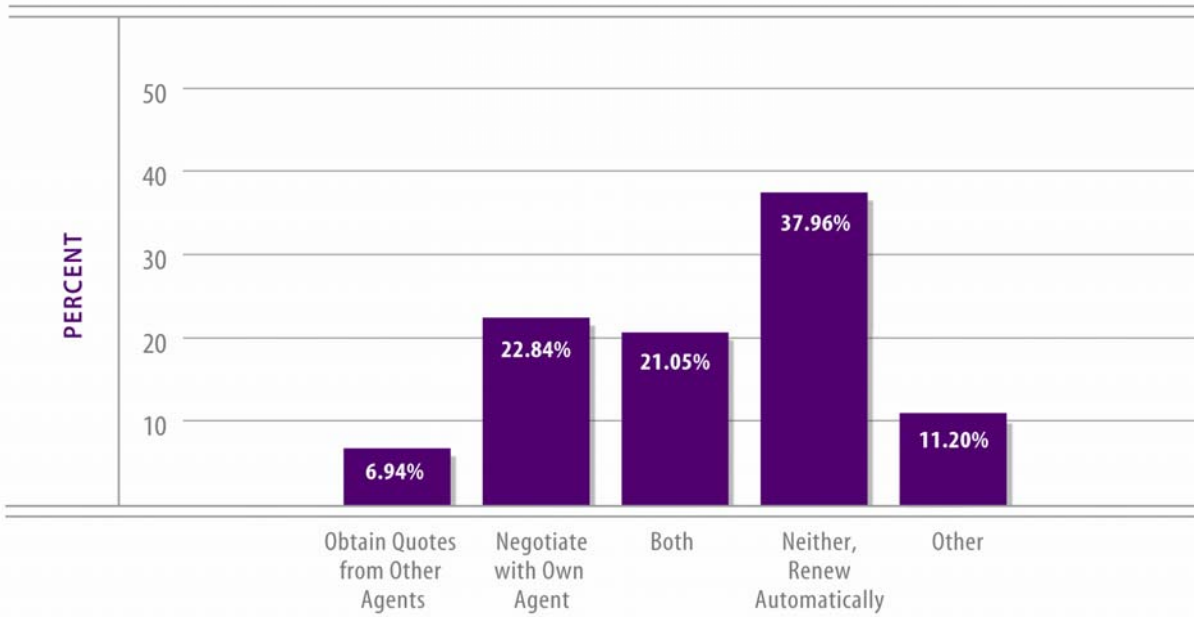
Table 9. Types of insurance providers in decreasing order of frequency

	N	Percent	Percent of Cases
Commercial agent	609	57.0%	68.0%
Through umbrella association	247	23.1%	27.6%
Group insurance	136	12.7%	15.2%
Mutual Trust, Coop	36	3.4%	4.0%
Self insurance	13	1.2%	1.5%
Co-insurance	12	1.1%	1.3%
Other Arrangements	16	1.5%	1.8%
Total	1069	100.0%	119.3%

* Percentages do not add up to 100% because of valid multiple responses

When the time comes for renewal, a plurality of organizations (38%) just renew automatically; others obtain quotes from other agents and/or negotiate with their own. (See Figure 14 for details.) For those who chose the “other” category, the most common response was that they were insured through another organization. One quarter of organizations changed agents in the past five years. A count of open-ended responses revealed that 55% of those who switched (12% of the entire sample), did so only once. The main reasons for most were: better price, better service and better coverage.

Figure 14. Insurance Renewal



Insurance profile by organizational characteristics

The organizations in this sample vary over a number of organizational characteristics: mandate including population served and numbers of people served, status, location, sources of funding and organizational size, as measured by budget, number of employees, and volunteer contingent. This section explores whether there is a relationship between organizational characteristics and organizations' insurance practices and concerns.

The insurance variables investigated are: total number of policies held, insurance rates, changes in insurance rates, percentage increase, reasons for increases, claims history, difficulty in getting insurance, and type and number of providers.

Two types of statistical analyses were performed, depending on the nature of the variables compared: analysis of variance was performed if the dependent variable was measured as an interval scale, and the independent variable was defined by discrete categories; Chi squared analysis was used when both the dependent and independent variables were defined by discrete categories. For example, to determine whether there is a difference in insurance costs (scaled variable) among the various subsectors of the nonprofit sector (organizational mandate), analysis of variance was performed; however, to determine whether an organization's mandate would influence whether or not the organization had difficulty obtaining insurance (categorical variable), a chi squared analysis was used. Only results where there is less than a 1 in 100 probability ($p < .01$) that the difference is due to chance are reported.

Organizational mandate

Organizations providing health and social services, or involved in housing and development, paid more for their insurance than organizations in other subsectors. The higher rates are likely a result of the fact that these three subsectors held more insurance policies than organizations in other subsectors, and were also more likely to have submitted insurance claims in the previous five years. However, when it came to

percentage increase in rates over the two previous years, it was Arts and Cultural organizations that reported the highest increases. For statistical details, please refer to Appendix C.

As noted earlier, ninety-two percent of the respondents in the sample of organizations serve people directly. On average, these organizations hold six types of insurance policies as opposed to four by organizations not providing direct service. They pay \$5,000 more for their insurance and were more likely to have had a claim in the previous 5 years. (Please refer to Appendix D.) The number of people an organization serves monthly also has an impact on insurance costs: organizations serving more than 100 people a month pay roughly twice as much in insurance premiums as organizations serving fewer than 100 people. They also tend to have more than 1 agent, and are more likely to have made a claim in the previous five years. In addition to this, they are also more likely to have had increases in rates. (Please refer to Appendix E.)

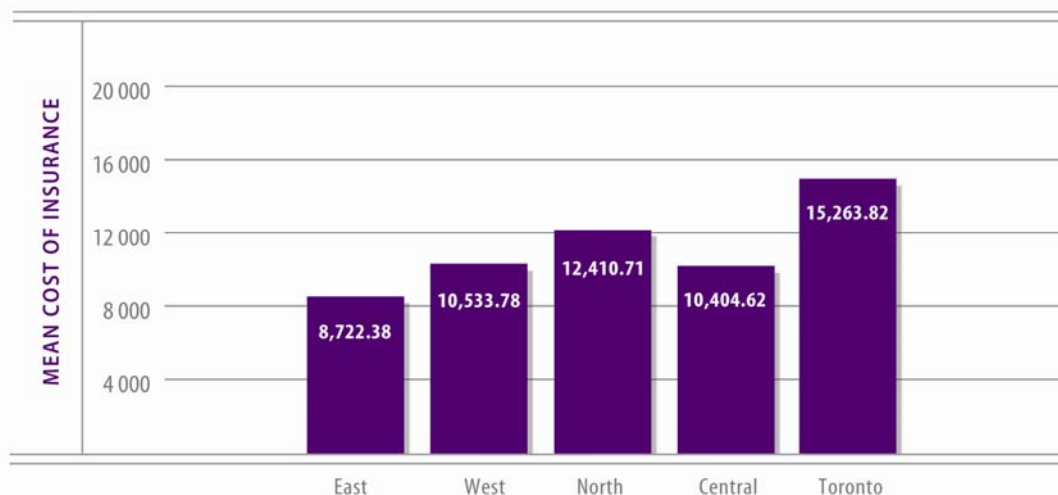
Organizations serving seniors, vulnerable populations and women and children subscribe to more policies than organizations serving other populations. Surprisingly, who the clients of these organizations are has no bearing on the cost of their insurance. (Please refer to Appendix F.)

Organizational status and location

Registered charities pay about \$3,000 more in insurance premiums than organizations without charitable registration. Otherwise there are no differences between registered charities and organizations without charitable registration. (Please see Appendix G.)

An organization's age, on the other hand, seems to be related to almost all of the insurance variables. The older an organization, the greater the number of policies they have and the greatest number of agents used. Older organizations are also more likely to have submitted claims in the previous 5 years. These three variables probably account for the higher premiums older organizations pay. On the other hand, organizations in existence for less than ten years had the most difficulty getting insurance. For some reason, organizations between the ages of 10 and 30 were most likely to experience increases in their premiums. (Please refer to Appendix J.) The cost of insurance premiums varies by region: Toronto has the highest rates, followed by the Northern region. Premiums in the Eastern region cost just under half of what they do in Toronto. (See Figure 15 and Appendix H.)

Figure 15. Cost of Insurance Premiums by Regions



Organizations that receive the majority of their funding from the government subscribe to more policies, use more agents and as a consequence, pay more for premiums. This is especially true of organizations that receive more than 70% of their funding from government sources. The higher the percentage of funds from government the greater the number of policies, the more agents used, the greater the cost of insurance. This is more pronounced when the proportion of total funding from government is greater than 70%. (Please refer to Appendix K.)

Organizational size

Since all three measures of organizational size: budget, number of employees and volunteer contingent, are related to each other, it is not surprising that they are all related to premium costs, number of policies held and number of agents used. The larger the budget, the greater the number of employees and volunteers, the higher all three of these variables are. Organizations with budgets of more than \$1,000,000 were far more likely to have submitted a claim in the previous five years, as were organizations with the largest staff. Conversely, organizations with the fewest volunteers were the least likely to submit claims. Organizations with the smallest budgets were less likely to experience increases in insurance premiums. (Please refer to Appendix L.)

Stepwise regression analysis reveals that almost half (47.8%) of the explained variance of insurance premiums is attributable to the three size variables, with number of employees accounting for 31.7% and annual budget increasing the explained variance by 15.1% to 46.8%. Number of volunteers adds little to the explained variance, raising it only 1% to 47.8%.

A more complete regression model including other variables that seemed to be related to cost of premiums include: organization age, claims submitted, and total number of policies explains 51.4% of the variance. Table 10 presents the order of variables and their relative contribution to the explained variance (R Square). As above, the two strongest predictors of the price of insurance premiums are number of employees and annual budget. However, having had a claim in the last 5 years adds significantly to the explained variance indicating that it is an important factor in the cost of insurance.

Table 10. Stepwise Regression:
Price of insurance premiums regressed on organizational variables and insurance variables

Dependent variable: Cost of premiums Model ^a	R	R Square	Adjusted R Square	Std. Error of the Estimate
1 Start: Number of employees	.554	.307	.306	12121.59540
2 Add: Annual budget	.677	.458	.456 ^b	10731.63546
3 Add: Claims in last 5 years	.701	.491	.489 ^b	10404.24484
4 Add: Number of policies	.710	.504	.502 ^b	10273.49370
5 Add: Organization age	.717	.514	.511 ^b	10178.63600
6 Add: Number of volunteers	.720	.518	.514 ^c	10148.57597

^a Each of the 6 models is significant at $p < .000$.

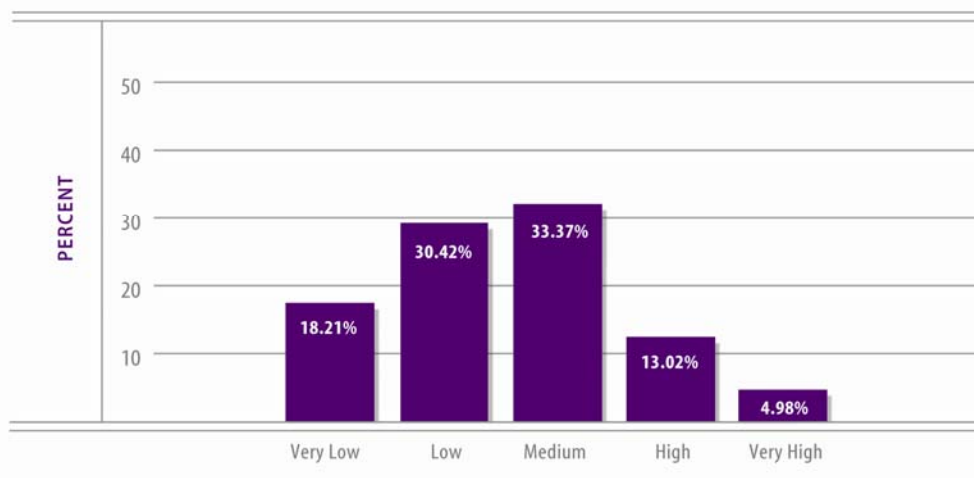
^b Change in R Square is significant at $p < .000$.

^c Change in R Square is significant at $p < .03$.

Risk management

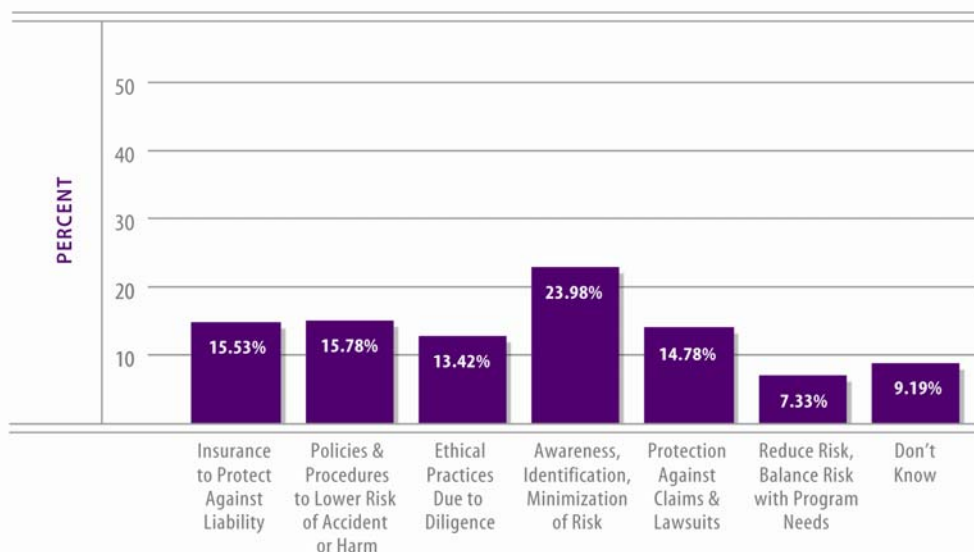
All respondents, including those without insurance, were asked to rate their organization's level of risk. Figure 16 indicates that of 83% of the sample who responded, almost half (48.6%) believe their organizational risk is low or very low. One third (33.4%) rate the risk to their organization as medium, and 18% classify their organizational risk as high.

Figure 16. Level of Organizational Risk



Respondents were asked to express, in their own words, what they think of when they hear the term “risk management”. These answers were analyzed and combined into seven categories, as described in Figure 17. Thirty-two percent of respondents (N=376) skipped the question. Of the remaining 805 respondents, nine percent answered either “don’t know” or gave responses indicating that they did not know what the term really meant. Please refer to Figure 17 for the distribution of responses. From the figure it is clear that a whole range of activities came to mind when respondents answered this question. Almost one quarter of respondents included awareness and identification of risk in their answer; however only thirteen percent of respondents mentioned ethical practices and due diligence.

Figure 17. The Meaning of Risk Management



Risk Management policies and activities

A list of organizational policies and activities that are part of proper risk management procedures, as identified in the literature, was presented to the respondents. Table 11 summarizes the percentage of organizations having these policies and engaging in these activities. Two hundred and five organizations (17%), failed to identify even a single activity as being practiced in their organization. On average, each organization engages in nine of these seventeen risk management activities.

Table 11. Frequencies of risk management policies and activities

	N	Percent	Percent of Cases
Signing authority protocols	904	8.4%	92.3%
Privacy and confidentiality	832	7.7%	85.0%
Independent audits	803	7.5%	82.0%
Records and information management	747	7.0%	76.3%
Inventory of assets	695	6.5%	71.0%
Harassment and Discrimination policy	691	6.4%	70.6%
Conflict of interest policy	687	6.4%	70.2%
Performance evaluation	682	6.3%	69.7%
Employee health and safety	604	5.6%	61.7%
Grievance procedures	602	5.6%	61.5%
Volunteer health and safety	583	5.4%	59.6%
Reserve fund	583	5.4%	59.6%
Facilities and equipment management	580	5.4%	59.2%
Information technology management	531	4.9%	54.2%
Donors rights policy	520	4.8%	53.1%
Lawyer reviewed contracts	384	3.6%	39.2%
Intellectual property policies	318	3.0%	32.5%
Total	10746	100.0%	1097.7%

* Percentages do not add up to 100% because of valid multiple responses

Implementation of risk management

Table 12 lists five risk management practices that organizations are advised to undertake with respect to their board members, staff and volunteers: provide written position descriptions for staff and volunteers; screen new recruits (both volunteer and paid staff); provide general training to staff and volunteers; provide risk training to staff and volunteers; and monitor performance of staff and volunteers. As the table demonstrates, implementation of risk management practices is most widespread with respect to paid employees of an organization; each risk management practice is more frequently applied to the staff members than to board representatives or volunteers. Monitoring the performance of board members is practiced in barely one third of organizations, and almost half of all organizations have no risk training for board members and no screening procedures for their recruitment. The only area in which there is no significant difference among the three types of organizational members is "general training".

Table 12. Risk management practices with respect to board, staff and volunteers

Variables					
	Written Position Description	Screening of New Recruits	General Training	Risk Training	Monitoring Performance
Board	76.1%	54.8%	73.6%	54.9%	37.2%
Staff	80.7%	82.6%	78.8%	77.4%	84.6%
Volunteer	58.9%	71.2%	75.8%	60.9%	75.3%
N	1184	1184	1184	1184	1184

* Percentages do not add up to 100% because of valid multiple responses

On average, organizations have at least six of the fifteen risk management practices in place, however 21% of the sample (256 organizations) do not practice any of these five risk management procedures with any group in their organization. Six percent of organizations have all of the risk management procedures in place with respect to all their members: board, staff and volunteers. Risk management is practiced least with respect to board members (Mean=1.9) and most with respect to staff members (Mean= 2.6). On average 2.2 are practiced with respect to volunteers.

Responsibility for risk management

Table 13 illustrates the distribution of responsibility for risk management in the organizations sampled. In three quarters of the organizations the board is involved in deciding on risk policy, however in one quarter of the organizations the board seems to defer to others. Determining the extent of risk seems to be a joint activity between the board and the CEO. Responsibility for implementation of risk policies seems to lie most commonly with the CEO, although staff members have a larger role to play in implementation than in either determining risk or deciding on risk policy. A small minority of organizations rely on specialists.

Risk management profile by organizational characteristics

Level of organizational risk, total number of risk management policies and total number of risk management practices are all significantly related to the three size measures. The higher the budget, the greater the number of employees and volunteers, the greater the self-estimated risk level, the greater the number of risk management policies and the more ways in which risk management is practiced. With respect to budget, the relationship is strongly linear.

Table 13. Responsibility for risk management

Variables				
	Determine Risk	Decide Risk Policy	Implement Risk Policy	None of these
Board	61.0%	75.0%	33.1%	28.1%
CEO	61.5%	54.1%	67.4%	28.1%
Staff	24.3%	16.5%	37.0%	52.5%
Specialist	5%	3.4%	1.9%	87.8
Other	3.8%	2.3%	3.0%	52.2
N	1184	1184	1184	1184

* Percentages do not add up to 100% because of valid multiple responses

The three nonprofit subsectors that rate their risk the highest are Health, Social Services, and Development and Housing, the same three that have the highest number of insurance policies and pay the highest premium rates. Arts and Culture organizations rate their risk the lowest. As far as risk policies and practices are concerned, the pattern is the same except that social service organizations have the most policies and practice risk management in more ways.

Organizations that serve people directly estimate the risk levels of their organizations as being higher, and therefore have more risk policies and engage in more risk management. Organizations serving seniors, vulnerable populations, children and youth and women and children rate their risks higher than organizations serving other populations. Concomitantly they engage in risk management in more ways, but the difference in numbers of risk policies is not significant at the .01 level of probability.

Risk management related to insurance premiums

It is to be expected that higher risk levels are related to higher insurance premiums, and our data confirm this: the higher the level of risk, the higher the insurance premiums ($r = .32$, $p < .01$). And, although anecdotally, there is agreement that having risk management policies in place and practicing risk management do not necessarily confer an organization with lower insurance rates, the fact that our analysis reveals that risk management policies and practices are significantly and positively related to the cost of insurance ($r = .35$ and $r = .25$ respectively, $p < .0$ each) is surprising. Path analysis might present some clues as to why this may be so.

Path model

To conclude the analysis we present a Path Model to illustrate how organizational characteristics, risk levels, risk management practices, types of insurance policies and claims history are related to each other and how they help explain the differences in insurance premiums among the organizations in the sample.

Path analysis is used to identify both the factors that explain a phenomenon and how these factors are interrelated. It is an extension of regression analysis wherein variables are ordered in sequence to help explain the relationship between endogenous characteristics (in this case organizational characteristics), intervening factors (in this case risk levels, risk management and claims history) and the dependent variable (in this case cost of insurance premiums). The dependent variable is regressed on each independent variable while all of the other variables in the equation are held constant.

Thus, by controlling for all the other variables in the equation, one can determine the uncontaminated effect of a specific independent variable on the dependent variable. Path analysis works backwards in a stepwise fashion: in the first step, the dependent variable is regressed on all of the independent variables, both intervening and endogenous; in the next steps, each intervening variable is regressed on prior-occurring intervening variables and the endogenous variables.

Applying these principles to our model, in the initial path analysis, we regressed the dependent variable, “Cost of Insurance Premiums”, on all the variables that had been found to be significantly related to it in our individual analyses. The final Path Model however, as depicted in Figure 18, displays only those variables that remained significantly related to the cost of insurance after controlling for all the other variables in the initial analysis.

In Figure 18 the endogenous organizational characteristics are listed along the left hand of the diagram and the intervening factors relating to perceived risk, risk management policies, risk management practices, claims history and number of policies are arranged in the centre of the diagram according to sequence.⁸ The lines leading into each of the variables are all significant at the .01 level. The numbers beside the lines are *beta weights* depicting the actual strength of the effect when controlled for all other effects. The lines are depicted in different colours and forms (solid lines, dashed lines, etc.) to help the reader follow the various paths.

Thus we see that four endogenous characteristics and three intervening factors are significantly related to the cost of insurance (gray dashed line). Most strongly related are: “Number of Employees” and “Organizational Age”, followed by “Claims History”, “Annual Budget”, “Number of Policies”, “Risk Management Practices” and “Located in Toronto”. These seven variables account for 55% of the variance in the cost of insurance.

Each intervening variable can in turn be viewed as a dependent variable. Thus, moving to the next level of analysis, we see that the number of insurance policies an organization holds is influenced by five endogenous organizational characteristics and risk management policies and practices. Note the negative relationship between “Location Toronto” and “Number of Insurance Policies” indicating that organizations located in Toronto tend to hold fewer policies.

Interestingly, two of the five intervening variables do not have a direct effect on the cost of insurance: “Risk Levels” and “Risk Management Policies”. As indicated in the section above, both of these variables were highly and significantly correlated with the cost of premiums ($r = .32$ and $r = .35$ respectively, $p < .01$ each). Those high correlations can be explained by their relationships to other variables that affect insurance rates, as demonstrated in the Path Model: the former, by its impact on claims history, and the latter by its impact on the number of policies held by an organization and their risk management practices.

⁸ In the event that historical sequencing is not possible, the use of recursive equations helps determine the sequence of occurrence. Thus in this case, Risk Management Policies and Risk Management Practices are highly correlated ($r = .65$, $p < .001$), but in recursive analysis the impact of Policies on Practices is greater than vice versa (54% vs. 48%).

Note the very strong relationship between risk management policies and risk management practices ($\beta = .54$). Organizations with risk management policies are more likely to practice risk management. “Risk Management Practices” however, maintains a direct positive relationship with the cost of insurance premiums albeit the impact is reduced ($\beta = .12$). The rest of its impact is channelled through “Number of Insurance Policies”. It seems that organizations practicing more risk management also tend to have a higher number of insurance policies, perhaps as part of their risk management practices.

Similarly, when looking at organizational characteristics, we note that not all of them have a direct impact on insurance costs. In fact, none of the mandate variables (social service organizations, health service organizations and organizations serving women and children) is directly related to the cost of insurance; however, they have an indirect influence through some of the intervening variables.

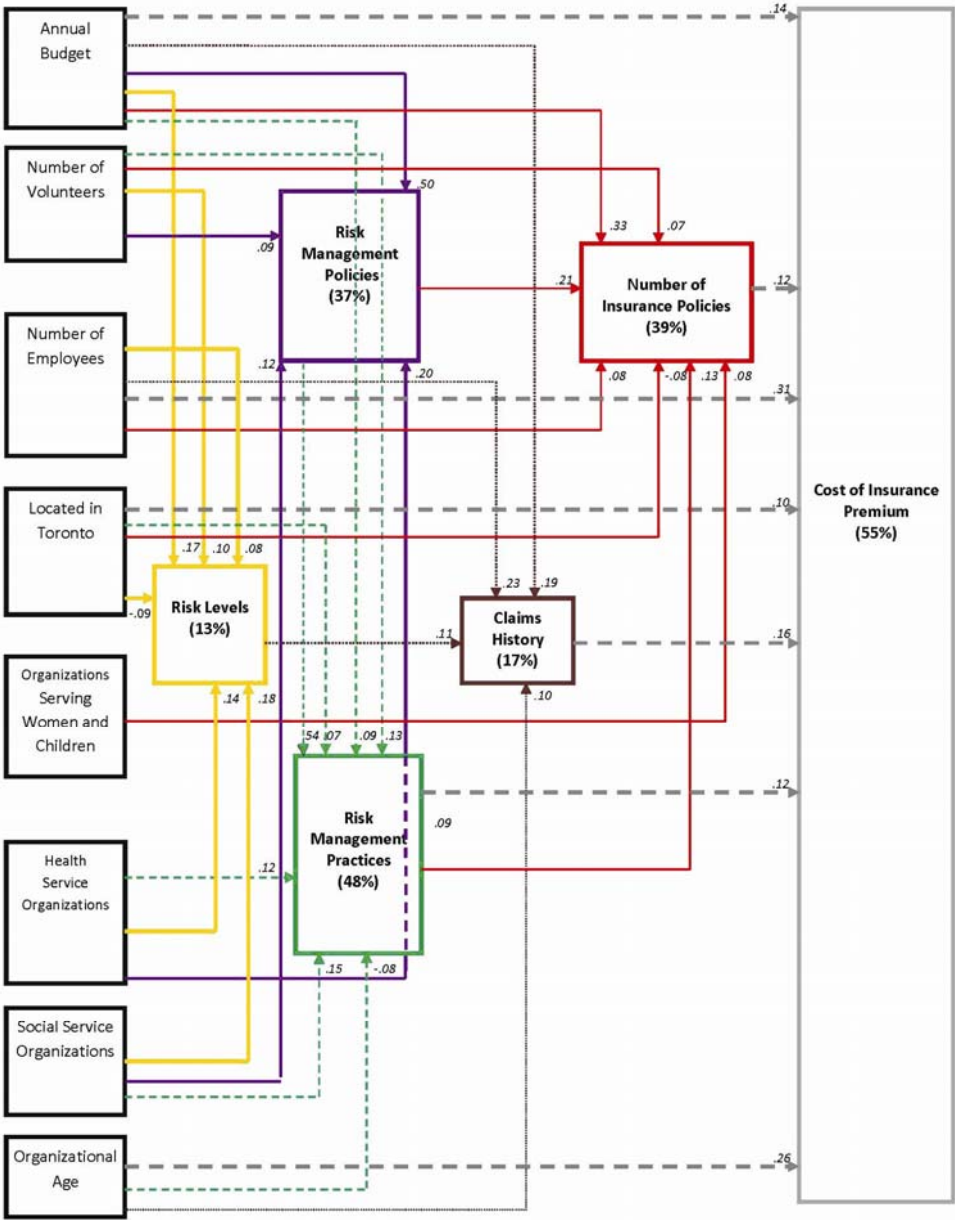
For example, organizations serving women and children tend to hold a greater number of insurance policies, and thus are more likely to have higher premiums. Both health service organizations and social service organizations tend to have higher risk levels which affect their claims history and thus their insurance premiums. The number of volunteers in an organization does not have a direct impact on its insurance rates, however, the greater the volunteer contingent, the greater the level of risk, the more policies likely to be held and the greater the likelihood of practicing risk management.

In summary, the Path Model depicted in Figure 18 provides a more accurate explanation of the various determinants of the price of insurance premiums than simple correlation and regression analyses can. Reading from right to left, the reader can determine how the dependent variable and each of the intervening variables are influenced by the variables that precede them, and how much of the variance of each variable is explained by the influencing variables. The total model explains 55% of the variance of the cost of insurance premiums indicating that the current survey measured many of the most important elements related to determining the cost of insurance.

Following the lines carefully from left to right, the reader can determine the paths of influence for organizational characteristics on risk levels, risk management, insurance behaviour and finally the cost of insurance premiums.

An interesting finding with respect to being located in Toronto can serve as an example. We know from previous analyses in this report that insurance rates are generally higher for organizations in Toronto. From the path diagram we know that part of the explanation lies simply in the fact of being located in Toronto (perhaps because cost of living is higher etc.). This is depicted by the direct dashed-line linking “Located in Toronto” to “Cost of Insurance Premiums” ($\beta = .10$). Some of the influence on insurance rates is indirect, mediated through “Risk Levels” and “Risk Management Practices”. However, there is a negative relationship between being located in Toronto and the number of insurance policies held ($\beta = -.08$); thus we can conclude that the rates in Toronto are not higher because Toronto organizations are more heavily insured, but rather, they are due to other factors as explained above.

Figure 18. Path Model



Discussion

The current survey of insurance and risk management in Ontario's voluntary sector is the first in-depth study of its kind in the province and the first in Canada to examine risk management in nonprofit organizations in such depth. Close to 1300 organizations from every region of the province responded to the invitation to participate in the survey, covering a wide segment of Ontario's nonprofit sector. Although the sample is skewed towards larger organizations and those with a social service mandate, organizations of all sizes and subsectors are well represented.

While ninety percent of organizations in the sample are insured, 112 organizations in the sample operate without insurance. These organizations tend to be small, with few if any paid employees, annual budgets of less than \$15,000, and unlikely to be getting funding from any level of government. They are also less likely to be registered charities and less likely to serve people directly or be in the social service sector. Although half of the uninsured organizations rate their risks as low, a number of organizations acknowledge the high risks they are taking and the dire consequences that could follow. The most frequently mentioned repercussion of not having insurance is difficulty recruiting volunteers.

The percentage of organizations without insurance in this sample is slightly higher than the 6.7% estimated in the national survey *Island or Iceberg* (Meinhard, 2006). However, because in both studies small organizations are underrepresented and uninsured organizations are less likely to respond to a survey about insurance, the reported rates for uninsured organizations are probably lower than those found in reality. Using the NSNVO distributions for size and weighting the current sample by that distribution, a more accurate estimate of the percentage of uninsured organizations would be around seventeen percent.

The ninety percent of insured organizations in the sample hold an average of six types of insurance policies. The most subscribed to policies are: General Property, General Liability, Directors' and Officers' Liability and Accident and Injury. More than two thirds of the organizations obtained insurance from commercial agents. The average (median) cost for insurance premiums is \$7,500 and almost half the organizations report that their premiums had increased an average of 10% over the previous two years, however, for one quarter of the respondents the rate increase was 15% or more. Close to forty percent of organizations attributed their increased rates to internal reasons which included broadening coverage and claims history. Forty-five percent attributed the rise in costs to various external reasons, including inflation, 9/11 and other disasters.

Despite the fact that almost half of the organizations in the sample believe their organizational risk is low, two thirds of the sample practice risk management in some detail. On average, organizations engage in nine risk management activities. Most frequently practiced procedures are: signing authority protocols, privacy and confidentiality protocols and independent audits. Insured organizations are more likely to have risk management policies and procedures in place and to implement risk management practices.

When asked to define the meaning of risk management in their own words, respondents most frequently mentioned that risk management was being aware of risks, identifying risks and then minimizing them. But almost one third of respondents did not answer this question and another nine percent either answered that they don't know or gave answers that indicated they had an incorrect concept of risk management.

Insurance costs are related to a number of variables.

The most expensive premiums are in Toronto and Northern Ontario, at a rate almost double those in Eastern Ontario. Organizations serving more than 100 people a month pay roughly twice as much in insurance premiums as organizations serving less than 100 people. The larger the organization, the more likely they are to have submitted claims and the higher their premiums cost. Although an organization's perceived level of risk is related to the cost of insurance, risk management policies and practices were not directly related.

A Path Analysis is presented to illustrate the relationship of all organizational, risk and insurance variables in explaining the reasons for the cost of insurance. The measured variables in the survey explain 55% of the variance in insurance rates; in other words, the survey captured 55% of the reasons determining the cost of insurance. This high rate of explained variance attests to the validity of the survey questions.

5. QUALITATIVE RESEARCH

From October 2007 through February 2008, seven focus groups and an in-depth interview were conducted in the various regions of Ontario, including:

- Timmins (Northern Ontario)
- Peterborough (Eastern Ontario)
- London (Western Ontario)
- Hamilton and Niagara (Central Ontario)
- Toronto (Toronto)

Research Methodology

See Appendix O for a more detailed discussion of the methodology used in conducting this research.

A focus group planned for Ottawa did not materialize, but one participant agreed to an in-depth interview. All subsectors of Ontario's nonprofit sector were represented across the entire sample of focus groups, but not necessarily in each focus group.

All of the focus group discussions began with the interviewer introducing herself to the participants, explaining the purpose of the study, going over the informed consent document and then asking the participants to briefly introduce themselves and the organizations they represented. The first question participants were asked was whether or not they had insurance and if so, what kind. Some participants came prepared with a list of their various insurance policies. The types and numbers of policies discussed by focus group participants are identical to those reported in the survey findings so they are not summarized here. Interestingly, in accordance with the survey estimate of 10% non-insured, only 4 discussants represented uninsured organizations. It was when the interviewer asked about some of the concerns they had about their insurance coverage that the discussions got animated.

Concerns about insurance coverage

Most organizations think that they could have better coverage. Although some hold several different policies they all feel that there are probably eventualities for which they are not covered. As some respondents put it:

"Every year there are riders on insurance policies that there are different things that aren't covered."

"A lot of insurance that you need most is withheld."

Others realize that they need more coverage but just cannot afford it.

"As smaller organizations, like ours, who can't get decent coverage or benefits for their employees, we are taking on a huge risk."

"Anytime you involve children, the premium is exorbitant."

These sentiments are echoed over and over by the smaller organizations and those serving vulnerable populations.

Two organizations had to resort to self-insurance because they were unable to get the proper coverage for child-related, high risk programs “because of prior claims, not by us, but by similar organizations”.

Difficulties getting insurance are not only focused on price and risk, but also on the unavailability of insurance providers and, in smaller locations in the North region and East region, the lack of understanding with respect to the needs of nonprofits on the part of local brokers.

“Insurance companies don’t like new businesses where there is a learning curve; and with nonprofits particularly, you are starting a learning curve with each one.”

“They are not fully informed about the complications of the nonprofit sector so they might not provide the right coverage.”

“Many insurance companies have left the area.”

Not only are the participants concerned about the lack of knowledge of nonprofits among insurers, but they are concerned that in the event of claims, there is a lack of understanding within the organization regarding their coverage.

“We don’t know exactly what we are covered for. I’m not sure if the insurance salesman would if we were to make a claim.”

“Nobody really understood the coverage. They just renew automatically.”

“At one time there were packages, but they no longer exist. Makes things harder.”

Repercussions of inadequate or no insurance coverage

Mirroring the open-ended survey responses, focus group participants also feel that the greatest detriment to inadequate coverage is difficulty recruiting volunteers at all levels of the organization, but especially so at the board level.

“The more professional the potential voluntary board member, the more they will ask about D&O coverage.”

“Volunteers will just not join uninsured boards.”

One participant offers an interesting organizational perspective:

“We are scared to get volunteers because we cannot afford to cover them, however, we choose to take the risk.”

As in the survey, there are organizations that increased user/member fees and/or dropped programs.

“We had to increase membership rates to cover the cost of insurance.”

“There are some things we just no longer provide our clients.”

The role of insurance brokers

Some organizations feel very fortunate and appreciate the efforts made by their brokers on their behalf.

“We are fortunate because we ended up with a broker (colleague of a board-member) who, I think, worked extra hard on our behalf. But he was frank with us that this was ‘the best I could get you’.”

“We currently have sufficient coverage through friendship with an insurance agent.”

While some organizations in smaller municipalities seek agents in bigger centers “because they are the only ones that can supply our needs,” others prefer brokers close to home because...

“...he understands our needs and knows us well. He is interested in our cause and participates in local fundraising, so he makes sure we get the coverage we need.”

There is a suspicion among some participants that some brokers really do not know about the provision of insurance coverage for specific activities.

“Insurance brokers come and do workshops and even then we don’t really know what we are covered for. Got the renewal and had heart failure ‘where is this coming from?’ Our broker didn’t really know what she was covering.”

“Each insurance company has their own forms, their own exclusions...and you really have to read and know what they’re getting at. Your broker doesn’t know what you’re doing as well as you do. You have to have a broker that is willing to listen and spend time.”

Risk management

In each of the focus groups, much time was spent discussing this issue. There seems to be a general consensus that risk management is an activity that is fairly common in terms of policy, but not always successfully implemented.

“I would think that the majority [of organizations] have something in writing about risk-management that does nothing functional.”

“We do provide a [risk management] training once a year for managers and volunteers but as we know, that tends to have very little impact in the decision-making process of an organization. They can be as together as they want to be but how much they’re going to influence the overall action of the organization in relation to the volunteer program is pretty minimal.”

Participants feel that risk management is rapidly becoming a prerequisite to receiving any kind of coverage. At the same time, they generally concede that the practice of risk management has not resulted in lower premiums. This reflects the findings in the survey. However, as one participant points out, although risk management may not help keep rates down, it will help organizations get insurance in tight markets.

"We are coming to the end of what we call 'the soft market'. Which means that from this point on probably the cost of insurance will go up. If you exercise risk management, and if you have a clean record, you're going to be much better off."

This same person gives the following example:

"If you come to an insurance broker with two or three claims and they say, 'How did these things happen' and you say 'Oh these things happen,' that's bad because it means that you don't have the right attitude. But if you come in and say look, 'We haven't had a claim since 1968 and this is how we handle our risk management', in a tight market, it's going to help you get insurance."

In general, the participants identify risk management as activities and policies that either eliminate or mitigate the danger of incurring a lawsuit of some sort.

"Thinking through worst case scenarios, either eliminating risk or trying to make it better and reduce the risk, and then afford coverage for the risk that is left and if it can't be covered, then decide if we should continue the activity or not."

"Understanding where your exposures are and ameliorating those risks. I don't think you can totally eliminate them."

Some of the participants see risk management in terms of impact on insurance.

"The insurance part of risk management is fairly minor once we exhaust every other possibility of dealing with risk to insure it, if you can."

"If we're taking on something new, one of the first questions we ask is: 'what is the impact on the insurance, what's the impact on the staff, what's the impact on everything else we're doing? And all of that I see as risk management."

"Organizations that deal with children have to have proper screening procedures else they won't be covered."

Screening procedures are a bane to some organizations that have experienced losing potential or past volunteers.

"Our volunteers feel insulted by the requirement for a police check, especially after having contributed for years to the organization in good faith."

On the other hand, other organizations see the reluctance to be screened as "separating the wheat from the chaff".

For some organizations, risk management means taking certain risks despite everything.

"Sometimes we take the burying-your-head-in-the-sand approach because we simply have no money. Our youth programs have risk, and we haven't mentioned it to the insurance company. Instead, we think of the risks and find ways of minimizing them. For example: No lifts from older members especially with the

opposite sex. So we address risks by having rules and regulations - as part of the training of young people.”

“When you get down to it, you have to assess the risk, get what coverage you can and then after that just take the risk.”

“We can’t stop doing what we do so we end up tightening policies and looking at each scenario and helping to reduce the risk.”

There was also some discussion about crisis management and planning for emergencies, although most organizations do not seem to be engaged in such activities.

Risks that are not related to insurance

In many of the focus groups there seemed to be a tacit understanding that the greatest risks to the organization are not necessarily related to insurance issues. Risks to survival because of lack of adequate funding are implied in many of the comments made, such as the one below:

“The expectations that as a small nonprofit, you are able to deal with cost-of-living increases, insurance increases, rent, hydro...everything else, but yet we are not given any kind of core-funding that we can count-on is one in a list of a million things in terms of how solid and how protected my organization is.”

"When I think of risk management, I think in terms of the average nonprofit or charity...they're taking money in for the work that they do and then they're spending it on program. Anything that could create a problem for money coming in or you doing your program.... that's what you want to try to avoid."

Risk to survival entailed by loss of reputation is also on the mind of several organizations.

“One thing that insurance doesn’t cover is the goodwill of your enterprise - the public perception that your entity is doing a good job. That’s the most valuable asset that most entities have that is not covered by insurance.”

“Really, it is about protecting our reputation in the community we serve, among our donors, etc.”

The importance of ethical conduct comes up frequently such as this comment:

“Ethical conduct is a way to comply with legal issues, a minimum level that you need be compliant. And then there is ethical behaviour which is [related to] higher standards that you use because you think you want to operate at a higher standard. Some organizations just want to operate at a legal standard...they don't think about higher standards. But if you operate at a higher standard in many cases, you will be reducing your risks because you will be thinking things through.”

Some organizations see risk in lack of succession planning, poor HR policies, poor financial planning and lack of knowledgeable board members about risk related issues.

“What if I leave next month? Our organization has no succession plan, and the board is not involved enough in the organizational operations.”

“How to handle finances is often overlooked, as are HR risks. Board members may not think these things would be an issue.”

Perception of Insurance and risk management

During discussions about risk management and deciding on appropriate insurance coverage, it became clear that for most of the participants, these considerations were not their highest priority.

“Insurance isn’t my biggest problem now. It’s an issue but if I was going to prioritize, that’s not my number one issue.”

"I think that one has to take a perspective that if you spend all your time thinking of risk management, you wouldn't be taking money in...your organization is now lost."

“When do we have time to do the rest of our jobs? It takes a lot of time.”

There are some who lament the lack of involvement of their organization’s board in issues dealing with insurance and risk management.

“Insurance and risk management is so far out of the board’s mind that they don’t even think of doing it. A staff person has to tell them.”

“You can get board members that are extremely sophisticated, talented, leaders in their particular field. Does that mean that they understand risk-management from a nonprofit perspective? No. Does that mean that they are prepared to learn more about it? Not really.”

“There was no one-way to engage these people (board members). First, they are hard to get a hold of, particularly board chairs because they volunteer.”

Comments about insurance companies

During discussions about insurance coverage in particular, several complaints were voiced about insurance companies. These comments were not solicited in any way by the interviewers. They were part of the discussion on insurance coverage. The comments range from mild complaints about costs to some disturbing accusations of deviousness.

The cost of insurance and the way rates are calculated are frequently questioned:

“Insurance premiums for associations in Ontario that just operate an office are extremely high. We’re being clustered together with other nonprofit organizations that are much higher risks than an association that just basically operates an office.”

"After 9/11, the rates have skyrocketed and the coverage has been reduced. I don't think Ontario Nonprofits are being sued in any greater number now than they were back then."

Of greater concern among the participants is either the lack of coverage or changes in coverage:

"A lot of insurance is withheld when you need it most."

"I find more and more that there are things that are no longer covered. For example, we held a fundraising walk in 50 places across the country ... was covered at first, now it is excluded."

Some accuse the insurance companies of being devious:

"Problem is that they change coverage and do not inform the client of it."

"So many different rules and regulations, that if you don't fall exactly within the parameters, you are not insured. These are little tricks of the insurance companies."

"They hide information."

The greatest complaint is with respect to claims. Many voiced a fear of making a claim.

"If you make a claim, it doesn't matter if it goes anywhere, the act of making the claim increases your premium. And if you know you're at risk, you're obligated to report it."

"Once you have made a claim they might not insure you for anything. Even inquiring about making a claim, you risk premiums going up."

Comments about government

The comments about the government are more general in nature. Some participants, whose funding comes from the government, and who are required by the government to have insurance, are concerned that this requirement incurs greater costs for the organization.

"Core funding has remained the same despite insurance costs rising."

"They're going to have to put money into the sector to ensure that we're able to provide our services."

One participant, doubting anything would come of this project, asked:

"If the government isn't going to listen to what we're telling them, that we need support, then why are we doing this?"

The insurance concerns spilled over to more general complaints.

“We spend too much time worrying about where the money is coming from and trying to get the money by writing proposals.”

Participant suggestions and recommendations

Each focus group was asked to suggest how the government can better assist the sector. From the analysis of responses, it is evident that there are regional differences in terms of issues needing attention. In the larger urban areas (Toronto, Ottawa) suggestions range from compiling a list of risk management suggestions to arranging hands-on tutorials in risk management, to providing tax-breaks for volunteers. The smaller centres (London, Niagara Falls) are concerned with a lack of consistency in required accountability reports and risk reporting. Standardized forms would reduce their work and avoid unnecessary duplication. They also suggested a government sponsored low cost insurance package for organizations that cannot afford insurance. Following are some of the specific suggestions proffered by focus group participants to both the government and the insurance industry.

Government

- Provide small-group tutorial sessions on better risk management practices. These sessions should be provided by a neutral party with a background in risk management. Concern should be addressed to the fact that people do not want to feel as if they are being 'sold to' in the guise of providing support.
- Publish a book that might be called 'Risk Management for Dummies' to make the idea of risk management simple and applicable to the nonprofit/volunteer sector.
- Strengthen existing networks that are being ignored rather than creating new ones.
- Standardize the many and varied templates used in government communications.
- Make government forms and communications more 'computer-friendly'.
- Have government compile a comparative report card on the types of insurance provided by the main companies that put their details and rates into perspective.
- Allow organizations to offer volunteers a tax-deductible credit for their volunteer hours.
- Reduce board liability as well as the overall amount that they can be sued.
- Place limits on the size of lawsuits against nonprofits.
- Recognize that nonprofits are performing a public service by holding boards less liable.
- Encourage the insurance industry to give nonprofits a break.

Insurance industry

- Provide a check-list for better risk management practices and seeing to it that abiding by these recommendations would result in lower insurance costs.
- Minimize the liability of volunteers.
- Help organizations to provide accident and injury protection to volunteers when they come to work in the organization. If volunteers were somehow covered it would encourage agencies to recruit more vigorously.
- Provide some kind of group-based insurance geared towards smaller organizations.

Discussion

The focus groups provided a richly textured understanding of the issues that are of greatest concern to nonprofit organizations with respect to insurance and risk management. It is evident that nonprofit organizations are deeply concerned about continuing to provide exceptional service to their clients and society by managing risk, even while recognizing that some risks must be engaged in order to fulfill their mission. There is some bitterness with respect to the high costs of insurance, the increasing difficulty in getting coverage and the perceived punitive response to even enquiring about a claim. Organizations in smaller centres felt less accommodated by their brokers, but many organizations were full of praise for their local brokers.

The above summary of the focus group discussions was just a brief sampling of the attitudes and concerns of the participants, who were very knowledgeable and eager to suggest improvements. A beneficial side effect observed at the end of most focus group meetings was how much the participants learned from hearing each others' problems and solutions.

6. CONCLUSION AND RECOMMENDATIONS

Evidence from the literature review, the survey and the focus group discussions paint a picture of a sector that is becoming more aware of a wide range of risks that nonprofit organizations are facing. “Doing good” no longer confers immunity to nonprofit and charitable organizations. Suddenly confronted with new realities which include a greater focus on human rights and a more litigious society, coupled with dwindling resources and higher insurance rates, these organizations are looking for solutions to protect themselves and manage their risks. They are seeking assistance from government, from the insurance industry and through their own networks.

The Ontario Volunteer Partnership (OVP) has been established to provide nonprofit organizations with support in this quest. At the initiative of the Ministry of Citizenship and Immigration, a steering committee has been struck which includes representatives from government, the voluntary sector, the insurance sector and academia. Its mandate is to examine various strategies designed to help the sector attain affordable coverage, educate voluntary sector organizations in risk management and explore ways in which to expand the insurance industry’s knowledge regarding the voluntary sector.

As part of the OVP initiative, the Ministry of Citizenship and Immigration commissioned the study that is the subject of this report. It is the first publicly funded comprehensive study on insurance and risk management practices in Ontario. As the province with the largest voluntary sector, it informs not only the Ontario nonprofit and insurance sectors, but other Canadian ones as well. Its scope is larger than any study conducted on this topic thus far, with a sample of close to 1300 nonprofit organizations. The online survey was augmented by in-depth qualitative interviews and focus group interviews. This two pronged approach not only provides valuable information with respect to the insurance and risk management practices of the voluntary sector, but it also illuminates the needs and concerns of the sector.

In addition to the survey, the OVP initiative provided the impetus for the creation of the Insurance & Liability Resource Centre for Nonprofits, whose resources can be accessed on line at (<http://riskmanagement.imaginecanada.ca>). This is a timely development because, as demonstrated in the literature, there is often a lack of awareness in nonprofit organizations about the risks they face. The Insurance and Liability Resource Centre is also organizing educational workshops in risk management across the province.

This kind of partnership is exemplary of a new trend in intersectoral collaboration to solve social problems that have an impact on the viability of a truly civil society. Nonprofit organizations have to continue to take risks in order to serve the most vulnerable of society’s citizens. The importance of their work has to be recognized and their activities have to be facilitated, not impeded, by the public and private sectors. By inviting representatives from all three sectors to work on these issues together and find solutions that will allow the voluntary sector to continue its important work, the OVP is providing important leadership to resolve a growing concern.

Recommendations

Following are key recommendations from the research study for the insurance industry, government and the voluntary sector.

Insurance Industry

- The insurance industry should be more aware of the importance of this sector, which accounts for 6.8% of the GDP and employs 20% of Canada's labour force.
- Insurance companies should be more aware of the particular needs of nonprofit organizations, especially regarding volunteer liabilities.
- The insurance industry should assist in exploring group insurance alternatives.

Government

- Government should support the development and delivery of educational opportunities and resources related to insurance and risk management.
- Government should explore options to assist the sector and increase volunteer participation.
- Government should make the results of this research accessible to the sector.

Voluntary Sector

- Given the varying risk levels of sub-sectors, subsector specific organizations should get together and/or use their existing networks to share information about insurance and risk management.
- Nonprofits are advised to practise effective risk management, and ensure effective implementation through the following practices:
 - Clearly define the concept of risk management and identify areas of risk for their employees at all levels and through all organizational processes
 - Encourage their employees/volunteers to participate in information sessions/workshops on risk management
 - Promote sustained risk management awareness among board members, employees and volunteers by organizing yearly orientation/ refresher programs about risk management and insurance related issues
 - Practice overall good governance, as an essential aspect of risk management
 - Redefine management practices to incorporate risk management into organizational activities
 - Monitor risk management practices in their organizations and offer attractive rewards for employees who follow the risk management policies.

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Appendix A. Other Canadian Insurance, Risk and Liability Studies

For the purposes of this report various surveys on insurance, risk, and liability were reviewed. This appendix outlines the findings, similarities, and differences across eleven publicly available Canadian studies on insurance, risk, and liability. These studies are:

- *Protecting Volunteers and Nonprofit Organizations A study on Risk Management and Liability Insurance of Voluntary Organizations in British Columbia (2002).* (Subsequently referred to as *Protecting Volunteers, BC.*)
- *Edmonton Chamber of Voluntary Organizations (ECVO) Insurance Liability Study (2004).* (Subsequently referred to as *ECVO Insurance Liability Study, AB.*)
- *Insurance Liability in the Voluntary Sector: A Threat to Survival? (2004).* (Subsequently referred to as *A Threat to Survival.*)
- *Liability Insurance and the Voluntary Sector: Framing the Issues (2004).* (Subsequently referred to as *Framing the Issues.*)
- *Report to the Governor in Council on Rates and Availability of Fire, Other Property and Liability Insurance for Homeowners, Tenants, Nonprofit Organizations and Small Businesses (2004).* (Subsequently referred to as *Report to the Governor, NS.*)
- *Improving the Insurance and Public Policy Environment for Nonprofit and Voluntary Organizations in Atlantic Canada (2005).* (Subsequently referred to as *Improving Insurance in Atlantic Canada.*)
- *Approaches to the Insurance Dilemma: A First Cut for the Voluntary Sector (2005).* (Subsequently referred to as *Approaches to the Insurance Dilemma, AB.*)
- *Atlantic Task Force on Insurance Availability and Affordability (2005).* (Subsequently referred to as *Atlantic Task Force on Insurance.*)
- *Insuring Sector Survival: Insurance and the Voluntary, Community-based Sector in Newfoundland and Labrador (2005).* (Subsequently referred to as *Insuring Sector Survival, NF.*)
- *Island or Iceberg? Liability and Voluntary Organizations: A Research Report (2005).* (Subsequently referred to as *Island or Iceberg*)
- *Insurance Coverages for the Alberta Voluntary Sector (2007).* (Subsequently referred to as *Insurance Coverages, AB.*)

Objectives of Reviewed Research Projects

All of the above reports are concerned with rising insurance rates and insurance availability in the nonprofit sector to one degree or another. Some, such as the *Atlantic Task Force* are more focused on recommendations for the sector, while others, such as *Insuring Sector Survival, NF* are more exploratory and try to grasp the scope, extent, and prevalence of the insurance problem. Table 1 offers a summary of the mandates set forth by each report and the nature and scope of the studies.

Perspectives

The studies vary in the way in which they address insurance, liability, and risk management issues in the voluntary sector. A majority address insurance issues from the perspective of the voluntary sector, seeking to identify the problems, strategies and possible solutions available to the sector in particular. Three provincial and three national reports use a similar lens, focusing on the problems faced by nonprofit organizations in the wake of rising insurance premiums: *Protecting Volunteers, BC*; *ECVO Insurance Liability Study, AB*; *Insuring Sector Survival, NF*; *Island or Iceberg; A Threat to Survival*; and *Framing the Issues*.

The *Atlantic Task Force on Insurance* takes a multifaceted approach examining the issue from the perspective of the insurance industry, the nonprofit sector, and public policy. Its recommendations address all actors who are affected by and affect the insurance policies and practices.

Insurance Coverages, AB adopts a market based approach looking at which insurance companies provide specific coverage options to sector specific nonprofit organizations. The study focuses on listing the insurance companies and outlining the different coverage sold to different nonprofits. This report also argues that the nonprofit sector presents a large market opportunity to the insurance industry.

Table 1. Objectives of the Reviewed Research Projects

Project	Objective	Nature and Scope
Protecting Volunteers, BC (2002)	This study examined both risk management and insurance concerns in nonprofit organizations in order to gain a better understanding of the challenges facing the sector.	Quantitative survey, provincial
ECVO Insurance Liability Study, AB (2004)	This study sought to understand the impact of the insurance environment on the operations of nonprofit organizations.	Quantitative survey, local
A Threat to Survival, (2004)	The focus of this study was to research the nature and scope of the insurance problem and use the information to work toward an environment for the voluntary sector where programs are not restricted by insurance considerations.	Qualitative interviews, national
Framing the Issues, (2004)	The purpose of the study was to obtain a more accurate picture of the insurance concerns of nonprofits.	Quantitative survey, national
Report to the Governor, NS (2004)	In response to the Government of Nova Scotia's concern that property and liability insurance is not readily available, nor affordable, to property owners, tenants, nonprofit organizations, and small businesses, this study examined the rates and availability of fire and other property and liability insurance for homeowners, tenants, nonprofit organizations, and other small businesses.	Qualitative, provincial
Improving Insurance in Atlantic Canada (2005)	The objective of this study was to identify workable insurance solutions suited to the particular needs of voluntary organizations in Atlantic Canada and to show the rationale for recommending solutions.	Qualitative interviews, regional
Approaches to the Insurance Dilemma, AB (2005)	This study assessed the extent of the insurance problem and how these problems have negatively impacted the services delivered by charities. The focus was to identify viable solutions that would stabilize the cost and depth of coverage of general	Qualitative interviews, provincial

	liability insurance for the province of Alberta's voluntary sector organizations.	
Atlantic Task Force on Insurance (2005)	The purpose of this study was to describe what happened to the Atlantic Canadian commercial insurance marketplace between 2000 and 2003, describe who was affected and how by the last hard market and identify actions that insurers — including brokers and agents — governments and consumers might take to improve the situation and to better weather the next hard insurance market.	Qualitative interviews, regional
Insuring Sector Survival, NF (2005)	The study's objective was to provide an overview of insurance issues in the Newfoundland and Labrador voluntary sector.	Quantitative survey, provincial
Island or Iceberg, (2006)	The purpose of this study was to identify and document the challenges that rising insurance costs have created for voluntary organizations and to identify the strategies and initiatives that they are using to cope with the situation.	Quantitative survey, national
Insurance Coverages, AB (2007)	The survey was designed to provide Alberta's voluntary organizations with accurate information regarding the insurance products and to inform insurance companies of the size and scope of the provinces voluntary sector.	Quantitative survey, provincial

Methodologies

Five of the eleven studies reviewed used quantitative methodologies to survey voluntary organizations. (A sixth used quantitative methodology on the insurance sector). Please refer to Table 1. All five of the studies augmented the survey data with qualitative interviews. Surveys were administered either online or by telephone interviews using for the most part, purposive sampling methods. The studies varied sample size and the number of questions asked,

The other studies were more qualitative in nature. *Improving Insurance in Atlantic Canada, Approaches to the Insurance Dilemma* and the *Atlantic Task Force on Insurance* all looked at insurance, liability and risk management issues in the sector from a broad perspective, which focused on reviewing the literature, case studies, and legislation. They explained the trends in the insurance market, the unique characteristics of the voluntary sector and its relationship with the insurance industry, and to some extent the role of government/public policy in framing the issues for the sector. These studies were not accompanied by questionnaires, and were more exploratory in their approach to the voluntary sector and insurance issues. The *Report to the Governor, NS*, was a broad study on insurance in general in Nova Scotia and only briefly touched on the issues surrounding insurance in the nonprofit sector, and *A Threat to Survival* was limited to regional consultations with a select number of voluntary organizations.

Table 2. Sampling Methods, Response Rates and Number of Questions Asked

Study	Sample	Number of Questions
Protecting Volunteers, BC	1,735	30
ECVO Insurance Liability Study, AB	46	10
Framing the Issues	130	10
Insuring Sector Survival, NF	106	Undisclosed
Island or Iceberg	1,135	16

Research Questions

All of the quantitative surveys asked similar questions in order to:

1. Identify the number of insured and uninsured nonprofits
2. Identify the frequency and type of coverage of nonprofits
3. Determine if increasing insurance premiums affected operations
4. Identify the reasons for not having insurance
5. Determine if operations (volunteer recruitment, programs, services etc.) had been effected by lack of insurance

Some of the studies, such as: *Island or Iceberg*, *EVCO Insurance Liability Study, AB* and *Protecting Volunteers, BC* disaggregated the results into the various nonprofit subsectors. Two studies evaluated the average cost of annual premiums: These were *Island or Iceberg* and *Protecting Volunteers, BC*. *Island or Iceberg* and *EVCO Insurance Liability Study, AB* also attempted to estimate the percentage increases in premiums that nonprofit organizations have experienced since 2000. *Island or Iceberg* and *Protecting Volunteers, BC* compared rate increases for small and large organizations.

A few of the studies looked at strategies used to reduce risk and liability. These were *Island or Iceberg*, *Insuring Sector Survival, NF*, *Protecting Volunteers, BC* and *Approaches to the Insurance Dilemma, AB*.

Several studies evaluated risk management practices and policies, albeit from different perspectives. *Insuring Sector Survival, NF* looked into risk management practices and the prevalence of risk management plans, whereas *Protecting Volunteers, BC* studied risk management practices and policies indirectly, by querying organizations about their human resource policies and procedures. *Island or Iceberg* asked nonprofit organizations if they had implemented risk management policies as a strategy to reduce risk and liability.

Finally, only *Island or Iceberg* attempted to evaluate the attitudes and perceptions of nonprofits about possible solutions to the insurance issues.

Summary of Findings

The quantitative and qualitative studies generally agree in their broad findings. They all note that rising insurance rates have affected the nonprofit sector and the ability of nonprofits to purchase insurance. Some studies point out that this is the result of the 'hard insurance' market, which is cyclical. They note that the 'hard market' affected all sectors, not only the voluntary sector. Almost all of the studies indicate that rising insurance rates have affected the sectors' ability to recruit volunteers, particularly board

members. This is a major concern given the important role nonprofits play in the socio-economic development of Canada. The studies also find that costly insurance has forced a minority of nonprofits to operate without insurance. However, most nonprofits (70% to 90%) do have some kind of insurance. General Liability is the most widely held, followed by Directors and Officers Liability insurance. In general, most of the studies conclude that nonprofits have difficulty finding the insurance they need, are unaware of the risks and potential liabilities facing their organizations and need greater access to information regarding how premiums are determined. Several studies note that premiums are not necessarily determined by claims history and that changes in tort legislation have adversely affected the willingness of insurance companies to provide insurance to the nonprofit sector.

Although the majority of studies found that operations, programming, and services have been adversely affected by rising premiums, the *EVCO Insurance Liability Study* concluded that rising premiums had little or no impact on nonprofit operations, but that nonprofit organizations had to re-allocate resources or secure additional ones in order to continue their operations.

Most of the studies recommend a policy approach to addressing the insurance issue in the voluntary sector, noting the need for government involvement, stakeholder participation and collaboration between the insurance industry and the nonprofit sector. In particular there is an overwhelming consensus that more information, training, and education for nonprofits are necessary. The nonprofit sector needs more information on risk management and alternatives to traditional insurance. The insurance industry needs to better inform nonprofits on how premiums are determined and what they can do to get more favourable rates. Some studies, such as *Improving Insurance in Atlantic Canada*, *Protecting Volunteers*, *BC* and *Insuring Sector Survival*, *NF* favour government intervention. All of these studies call for implementing the Volunteer Protection Act or making insurance more affordable by eliminating insurance taxes for nonprofit organizations.

Other studies, such as *EVCO Insurance Liability Study*, *AB*, *Atlantic Task Force on Insurance*, *Insuring Sector Survival*, *NF* and *Approaches to the Insurance Dilemma*, *AB* emphasize the need for insurance alternatives such as group insurance. Only two studies, the *Report to the Governor*, *NS* and *The Atlantic Task Force on Insurance*, note that the commercial insurance market has improved recently, and that many availability and affordability concerns have diminished as a result of a healthier insurance industry. Nonetheless, measures can still be taken to further improve availability and affordability of insurance for nonprofits to lessen the impact of the next hard market.

Appendix B. Subcategories of Organizational Mandates

Organizational Mandate	Sub-categories
Arts and Culture	Media and communication, visual arts, architecture, ceramic art, performing arts, activities related to historic, literary, or humanistic pursuits, museum operations, zoo or aquarium operations
Business and Professional Association, Unions	
Development and Housing	Community, social or economic development, vocational training, sheltered housing and housing assistance
Education and Research	Elementary, primary and secondary education, vocational, technical, or trade school, adult or continuing education, literacy and reading programs, research organizations
Environment	Pollution abatement and control, recycling, natural resources conservation and protection, environmental beautification, and open spaces protection, animal protection and welfare, wildlife preservation and protection, veterinary services
Grant-making, Fundraising and Voluntarism Promotion	Providing grants, promoting or supporting voluntarism for other organizations, fund-raising on behalf of other organizations, or a group of organizations that they belong to
Health	Inpatient rehabilitation services, inpatient nursing home services for the elderly or disabled, inpatient psychiatric treatment, outpatient mental health treatment, community mental health, halfway homes, mental health crisis intervention, public health, health promotion, and wellness education, women's health, outpatient health treatment, outpatient rehabilitative medical services, emergency medical services
International	Exchange, friendship or cultural programs, international development assistance, international disaster assistance and relief, international human rights and peace
Law, Advocacy, and Politics	Human rights, ethnic heritage, rehabilitation, consumer protection
Religious associations	
Social services	Children's services, child welfare and daycare, youth services, youth welfare, and youth groups such as Scouts or Guides, family services, services for single parents and victims of family violence, services for the disabled, services for the elderly, self-help and other personal social services, disaster or emergency prevention and assistance
Sports and Recreation	Sports and physical fitness, tourism, providing recreation, social, or leisure clubs, service clubs such as Rotary Club, Kinsmen and Lions Club
Other (please specify)	

Appendix C. Statistical Tables

Table C1-a. Organizational Mandate by Insurance Variables (Significant Results Only)

		N	Mean	Std. Deviation
Total number of policies	Social Service	268	7.2463	3.20331
	Health	179	7.6872	3.65237
	Sports and Recreation	139	5.3813	3.17462
	Arts and Culture	105	5.0857	2.85924
	Education and research	64	5.3281	3.18755
	Professional Associations	46	5.8261	3.09339
	Development and housing	33	7.4848	3.06310
	Other	123	5.1382	3.02537
	Total	957	6.3615	3.38884
Cost of Insurance	Social Service	234	14385.6838	16353.14797
	Health	112	15546.8750	16232.90963
	Sports and Recreation	121	9989.6694	14218.80345
	Arts and Culture	95	6750.0000	10240.46001
	Education and research	59	9046.6102	12874.43291
	Professional Associations	41	8414.6341	10379.60888
	Development and housing	29	14870.6897	14288.73506
	Other	103	7876.2136	11757.13560
	Total	794	11434.1940	14557.07444
Percentage increase in insurance	Social Service	96	12.58	12.679
	Health	49	11.59	11.567
	Sports and Recreation	47	11.86	15.490
	Arts and Culture	33	23.30	29.283
	Education and research	15	10.67	7.490
	Professional Associations	14	9.91	5.204
	Development and housing	11	11.45	12.910
	Other	38	14.16	11.377
	Total	303	13.42	15.406

Table C1-b. Anova Significance Tests

		Sum of Squares	df	Mean Square	F	Sig.
Total number of policies	Between Groups	1136.047	7	162.292	15.647	.000
	Within Groups	9842.858	949	10.372		
	Total	10978.905	956			
Cost of Insurance	Between Groups	8.626E9	7	1.232E9	6.076	.000
	Within Groups	1.594E11	786	2.028E8		
	Total	1.680E11	793			
Percentage increase	Between Groups	3917.918	7	559.703	2.437	.019
	Within Groups	67762.382	295	229.703		
	Total	71680.300	302			

Table C2-a. Mandate by Claims in the Previous 5 Years

			Claims in last 5 years		
			Yes	No	Total
Mandate Grouped	Social Service	Count	63	195	258
		% within Mandate Grouped	24.4%	75.6%	100.0%
		% within Claims in last 5 years	35.8%	26.5%	28.3%
	Health	Count	47	114	161
		% within Mandate Grouped	29.2%	70.8%	100.0%
		% within Claims in last 5 years	26.7%	15.5%	17.7%
	Sports and Recreation	Count	21	115	136
		% within Mandate Grouped	15.4%	84.6%	100.0%
		% within Claims in last 5 years	11.9%	15.6%	14.9%
	Arts and Culture	Count	10	92	102
		% within Mandate Grouped	9.8%	90.2%	100.0%

		% within Claims in last 5 years	5.7%	12.5%	11.2%
Education and Research	Count		8	55	63
	% within Mandate Grouped		12.7%	87.3%	100.0%
	% within Claims in last 5 years		4.5%	7.5%	6.9%
Professional Associations	Count		1	41	42
	% within Mandate Grouped		2.4%	97.6%	100.0%
	% within Claims in last 5 years		.6%	5.6%	4.6%
Development and Housing	Count		9	23	32
	% within Mandate Grouped		28.1%	71.9%	100.0%
	% within Claims in last 5 years		5.1%	3.1%	3.5%
Other	Count		17	101	118
	% within Mandate Grouped		14.4%	85.6%	100.0%
	% within Claims in last 5 years		9.7%	13.7%	12.9%
Total	Count		176	736	912
	% within Mandate Grouped		19.3%	80.7%	100.0%
	% within Claims in last 5 years		100.0%	100.0%	100.0%

Table C2-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.560 ^a	7	.000
Likelihood Ratio	38.236	7	.000
Linear-by-Linear Association	12.108	1	.001
N of Valid Cases	912		

Appendix D. Statistical Tables

Table D1-a. Direct Service by Insurance Variables (Significant Results Only)

		N	Mean	Std. Deviation
Total number of policies	Yes	891	6.4972	3.40633
	No	62	4.5161	2.49420
	Total	953	6.3683	3.38895
Cost of Insurance	Yes	735	11823.1293	14797.57288
	No	56	6026.7857	9629.81622
	Total	791	11412.7686	14564.18492

Table D1-b. Anova Significance Tests

		Sum of Squares	df	Mean Square	F	Sig.
Total number of policies	Between Groups	227.496	1	227.496	20.208	.000
	Within Groups	10706.227	951	11.258		
	Total	10933.723	952			
Cost of Insurance	Between Groups	1.748E9	1	1.748E9	8.318	.004
	Within Groups	1.658E11	789	2.102E8		
	Total	1.676E11	790			

Table D2-a. Direct Service by Claims in the Previous 5 Years

			Claims in last 5 years		
			Yes	No	Total
Serve people directly	Yes	Count	171	676	847
		% within Serve people directly	20.2%	79.8%	100.0%
		% within Claims in last 5 years	97.2%	92.3%	93.3%
	No	Count	5	56	61
		% within Serve people directly	8.2%	91.8%	100.0%
		% within Claims in last 5 years	2.8%	7.7%	6.7%
	Total	Count	176	732	908
		% within Serve people directly	19.4%	80.6%	100.0%
		% within Claims in last 5 years	100.0%	100.0%	100.0%

Table D2-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	5.237 ^a	1	.022	.019	.012
Continuity Correction ^b	4.498	1	.034		
Likelihood Ratio	6.295	1	.012		
Fisher's Exact Test					
Linear-by-Linear Association	5.231	1	.022		
N of Valid Cases	908				

Appendix E. Statistical Tables

Table E1-a. Number of People Served by Insurance Variables (Significant Results Only)

		N	Mean	Std. Deviation
Total number of policies	Fewer than 50	150	5.1733	2.88422
	50 - 100	150	5.9933	3.26564
	More than 100	575	6.9530	3.43220
	Total	875	6.4834	3.38433
Total number of agents	Fewer than 50	146	1.0890	.30897
	50 - 100	144	1.1389	.38524
	More than 100	528	1.2424	.54227
	Total	818	1.1968	.48643
Cost of Insurance	Fewer than 50	141	6028.3688	8679.92821
	50 - 100	121	6012.3967	6501.83077
	More than 100	465	14776.8817	16403.47215
	Total	727	11621.3893	14532.11864

Table E1-b. Anova Significance Tests

		Sum of Squares	df	Mean Square	F	Sig.
Total number of policies	Between Groups	420.291	2	210.145	19.108	.000
	Within Groups	9590.219	872	10.998		
	Total	10010.510	874			
Total number of agents	Between Groups	3.277	2	1.639	7.028	.001
	Within Groups	190.034	815	.233		
	Total	193.312	817			
Cost of Insurance	Between Groups	1.285E10	2	6.424E9	33.109	.000
	Within Groups	1.405E11	724	1.940E8		
	Total	1.533E11	726			

Table E2-a. Number of People Served by Claims in the Previous 5 Years

			Claims in last 5 years		
			Yes	No	Total
Number of people served	Fewer than 50	Count	15	133	148
		% within Number of people served	10.1%	89.9%	100.0%
		% within Claims in last 5 years	9.0%	19.9%	17.8%
	50 - 100	Count	21	128	149
		% within Number of people served	14.1%	85.9%	100.0%
		% within Claims in last 5 years	12.7%	19.2%	17.9%
	More than 100	Count	130	406	536
		% within Number of people served	24.3%	75.7%	100.0%
		% within Claims in last 5 years	78.3%	60.9%	64.3%
	Total	Count	166	667	833
		% within Number of people served	19.9%	80.1%	100.0%
		% within Claims in last 5 years	100.0%	100.0%	100.0%

Table E2-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.359 ^a	2	.000
Likelihood Ratio	19.843	2	.000
Linear-by-Linear Association	17.658	1	.000
N of Valid Cases	833		

Appendix F. Statistical Tables

Table F1-a. Beneficiaries of Service by Total Number of Insurance Policies

		N	Mean	Std. Deviation
Total number of policies	General Public	353	6.2578	3.35814
	Seniors	95	7.4632	3.46966
	Children	91	6.3407	3.23941
	Special Interests	74	5.4730	2.96196
	Vulnerable Populations	66	7.5303	3.73021
	Students	34	6.2059	4.03605
	Children and Youth	46	6.7826	3.14758
	Youth	41	5.7805	3.82434
	Members	29	6.0000	3.03550
	Families	24	7.4167	2.51805
	Women	21	6.0476	2.88922
	Women and Children	17	9.1765	3.10715
	Total	891	6.5006	3.40600

Table F1-b. Anova Significance Tests

		Sum of Squares	df	Mean Square	F	Sig.
Total number of policies	Between Groups	440.597	11	40.054	3.562	.000
	Within Groups	9884.153	879	11.245		
	Total	10324.750	890			

Table F2-a. Beneficiaries of Service by Difficulty in Obtaining Insurance

			Difficulty getting insurance (past two years)		
			Yes	No	Total
Beneficiaries (Grouped)	General Public	Count	22	310	332
		% within Beneficiaries (Grouped)	6.6%	93.4%	100.0%
		% within Difficulty getting insurance (past two years)	47.8%	38.3%	38.8%

	Children, Youth and Students	Count	12	196	208
		% within Beneficiaries (Grouped)	5.8%	94.2%	100.0%
		% within Difficulty getting insurance (past two years)	26.1%	24.2%	24.3%
	Seniors	Count	2	91	93
		% within Beneficiaries (Grouped)	2.2%	97.8%	100.0%
		% within Difficulty getting insurance (past two years)	4.3%	11.2%	10.9%
	Special Interests	Count	3	68	71
		% within Beneficiaries (Grouped)	4.2%	95.8%	100.0%
		% within Difficulty getting insurance (past two years)	6.5%	8.4%	8.3%
	Vulnerable Populations	Count	2	64	66
		% within Beneficiaries (Grouped)	3.0%	97.0%	100.0%
		% within Difficulty getting insurance (past two years)	4.3%	7.9%	7.7%
	Members	Count	0	28	28
		% within Beneficiaries (Grouped)	.0%	100.0%	100.0%
		% within Difficulty getting insurance (past two years)	.0%	3.5%	3.3%
	Families	Count	0	22	22
		% within Beneficiaries (Grouped)	.0%	100.0%	100.0%
		% within Difficulty getting insurance (past two years)	.0%	2.7%	2.6%
	Women	Count	1	19	20
		% within Beneficiaries (Grouped)	5.0%	95.0%	100.0%
		% within Difficulty getting insurance (past two years)	2.2%	2.3%	2.3%

	Women and Children	Count	4	12	16
		% within Beneficiaries (Grouped)	25.0%	75.0%	100.0%
		% within Difficulty getting insurance (past two years)	8.7%	1.5%	1.9%
	Total	Count	46	810	856
		% within Beneficiaries (Grouped)	5.4%	94.6%	100.0%
		% within Difficulty getting insurance (past two years)	100.0%	100.0%	100.0%

Table F2-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.850 ^a	8	.016
Likelihood Ratio	16.740	8	.033
Linear-by-Linear Association	.022	1	.883
N of Valid Cases	856		

Appendix G. Statistical Tables

Table G1-a. Charitable Registration by Insurance Variables (Significant Results Only)

		N	Mean	Std. Deviation
Total number of policies	Yes	772	6.5881	3.40576
	No	173	5.4624	3.19065
	Total	945	6.3820	3.39383
Cost of Insurance	Yes	654	11982.0336	14757.37812
	No	139	8579.1367	12914.50552
	Total	793	11385.5612	14501.57503

Table G1-b. Anova Significance Tests

		Sum of Squares	df	Mean Square	F	Sig.
Total number of policies	Between Groups	179.078	1	179.078	15.791	.000
	Within Groups	10694.016	943	11.340		
	Total	10873.094	944			
Cost of Insurance	Between Groups	1.327E9	1	1.327E9	6.355	.012
	Within Groups	1.652E11	791	2.089E8		
	Total	1.666E11	792			

Appendix H. Statistical Tables

Table H1-a. Region by Cost of Insurance (Significant Results Only)

		N	Mean	Std. Deviation
Cost of Insurance	East	181	8722.3757	11160.87832
	West	185	10533.7838	14383.64133
	North	42	12410.7143	17330.17084
	Central	173	10404.6243	14015.62693
	Toronto	199	15263.8191	16266.29323
	Total	780	11392.6282	14491.87813

Table H1-b. Anova Significance Tests

		Sum of Squares	df	Mean Square	F	Sig.
Cost of Insurance	Between Groups	4.622E9	4	1.155E9	5.632	.000
	Within Groups	1.590E11	775	2.051E8		
	Total	1.636E11	779			

Appendix I. Statistical Tables

Table I1-a. Organizational Unit by Cost of Insurance (Significant Results Only)

		N	Mean	Std. Deviation
Cost of Insurance	Head office	191	15955.4974	16973.37260
	Branch office	63	14404.7619	18406.60978
	Stand alone	536	9519.5896	12648.74448
	Total	790	11465.1899	14581.76621

Table I1-b. Anova Significance Tests

		Sum of Squares	df	Mean Square	F	Sig.
Cost of Insurance	Between Groups	6.424E9	2	3.212E9	15.669	.000
	Within Groups	1.613E11	787	2.050E8		
	Total	1.678E11	789			

Appendix J. Statistical Tables

Table J1-a. Organizational Age by Insurance Variables (Significant Results Only)

		N	Mean	Std. Deviation
Total number of policies	1-9 years	94	4.8936	3.08819
	10-19 years	190	6.1842	3.19933
	20-29 years	232	6.3103	3.25514
	30-39 years	179	6.5754	3.41488
	40-89 years	160	6.8688	3.40573
	More than 90 years	101	7.0000	3.86005
	Total	956	6.3619	3.39059
Total number of agents	1-9 years	91	1.1429	.38214
	10-19 years	183	1.0984	.29862
	20-29 years	225	1.1956	.47900
	30-39 years	168	1.2500	.53332
	40-89 years	142	1.2394	.54486
	More than 90 years	86	1.2442	.61234
	Total	895	1.1922	.47880
Cost of Insurance	1-9 years	87	5790.2299	9474.02152
	10-19 years	166	7891.5663	11277.20232
	20-29 years	195	10134.6154	12815.83545
	30-39 years	149	11258.3893	13264.22032
	40-89 years	130	16923.0769	17336.69223
	More than 90 years	67	21063.4328	20355.80027
	Total	794	11434.1940	14557.07444

Table J1-a. Anova Significance Tests

		Sum of Squares	df	Mean Square	F	Sig.
Total number of policies	Between Groups	299.654	5	59.931	5.331	.000
	Within Groups	10679.120	950	11.241		
	Total	10978.774	955			
Total number of agents	Between Groups	2.946	5	.589	2.593	.024
	Within Groups	201.999	889	.227		
	Total	204.945	894			
Cost of Insurance	Between Groups	1.532E10	5	3.064E9	15.806	.000
	Within Groups	1.527E11	788	1.938E8		
	Total	1.680E11	793			

Table J2-a. Organizational Age by Claims in the Last Five Years

			Claims in last 5 years		
			Yes	No	Total
Organization Age Grouped	1-9 years	Count	8	85	93
		% within Organization Age Grouped	8.6%	91.4%	100.0%
		% within Claims in last 5 years	4.5%	11.6%	10.2%
	10-19 years	Count	24	158	182
		% within Organization Age Grouped	13.2%	86.8%	100.0%
		% within Claims in last 5 years	13.6%	21.5%	20.0%
	20-29 years	Count	39	190	229
		% within Organization Age Grouped	17.0%	83.0%	100.0%
		% within Claims in last 5 years	22.2%	25.9%	25.1%
	30-39 years	Count	38	131	169
		% within Organization Age Grouped	22.5%	77.5%	100.0%
		% within Claims in last 5 years	21.6%	17.8%	18.6%
	40-89 years	Count	34	114	148
		% within Organization Age Grouped	23.0%	77.0%	100.0%

		% within Claims in last 5 years	19.3%	15.5%	16.2%
	More than 90 years	Count	33	57	90
		% within Organization Age Grouped	36.7%	63.3%	100.0%
		% within Claims in last 5 years	18.8%	7.8%	9.9%
	Total	Count	176	735	911
		% within Organization Age Grouped	19.3%	80.7%	100.0%

Table J2-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	31.744 ^a	5	.000
Likelihood Ratio	30.821	5	.000
Linear-by-Linear Association	28.493	1	.000
N of Valid Cases	911		

Table J3-a. Organizational Age by Changes in Premium Costs for the Previous 2 Years

			Changes in Premium Costs Previous 2 Years				
			No Change	Increased	Decreased	Some increased, some decreased	Total
Organization Age Grouped	1-9 years	Count	42	24	5	4	75
		% within Organization Age Grouped	56.0%	32.0%	6.7%	5.3%	100.0%
		% within Changes in Premium Costs previous 2 years	15.2%	7.0%	6.9%	6.3%	9.9%
	10-19 years	Count	48	84	18	11	161
		% within Organization Age Grouped	29.8%	52.2%	11.2%	6.8%	100.0%
		% within Changes in Premium Costs previous 2 years	17.4%	24.3%	25.0%	17.5%	21.3%
	20-29 years	Count	64	94	13	9	180
		% within Organization Age Grouped	35.6%	52.2%	7.2%	5.0%	100.0%
		% within Changes in Premium Costs previous 2 years	20.0%	26.1%	19.2%	14.7%	79.9%

	% within Organization Age Grouped	35.6%	52.2%	7.2%	5.0%	100.0%
	% within Changes in Premium Costs previous 2 years	23.2%	27.2%	18.1%	14.3%	23.8%
30-39 years	Count	54	65	14	12	145
	% within Organization Age Grouped	37.2%	44.8%	9.7%	8.3%	100.0%
	% within Changes in Premium Costs previous 2 years	19.6%	18.8%	19.4%	19.0%	19.2%
40-89 years	Count	48	50	12	20	130
	% within Organization Age Grouped	36.9%	38.5%	9.2%	15.4%	100.0%
	% within Changes in Premium Costs previous 2 years	17.4%	14.5%	16.7%	31.7%	17.2%
More than 90 years	Count	20	28	10	7	65
	% within Organization Age Grouped	30.8%	43.1%	15.4%	10.8%	100.0%
	% within Changes in Premium Costs previous 2 years	7.2%	8.1%	13.9%	11.1%	8.6%
Total	Count	276	345	72	63	756
	% within Organization Age Grouped	36.5%	45.6%	9.5%	8.3%	100.0%
	% within Changes in Premium Costs previous 2 years	100.0%	100.0%	100.0%	100.0%	100.0%

Table J3-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.627 ^a	15	.003
Likelihood Ratio	32.709	15	.005
Linear-by-Linear Association	7.886	1	.005
N of Valid Cases	756		

Table J4-a. Organizational Age by Difficulty in Getting Insurance

			Difficulty getting insurance (past two years)		
			Yes	No	Total
Organization Age Grouped	1-9 years	Count	12	81	93
		% within Organization Age Grouped	12.9%	87.1%	100.0%
		% within Difficulty getting insurance (past two years)	24.0%	9.3%	10.1%
	10-19 years	Count	10	174	184
		% within Organization Age Grouped	5.4%	94.6%	100.0%
		% within Difficulty getting insurance (past two years)	20.0%	20.0%	20.0%
	20-29 years	Count	8	224	232
		% within Organization Age Grouped	3.4%	96.6%	100.0%
		% within Difficulty getting insurance (past two years)	16.0%	25.7%	25.2%
	30-39 years	Count	7	165	172
		% within Organization Age Grouped	4.1%	95.9%	100.0%
		% within Difficulty getting insurance (past two years)	14.0%	19.0%	18.7%
	40-89 years	Count	9	140	149
		% within Organization Age Grouped	6.0%	94.0%	100.0%

		% within Difficulty getting insurance (past two years)	18.0%	16.1%	16.2%
	More that 90 years	Count	4	86	90
		% within Organization Age Grouped	4.4%	95.6%	100.0%
		% within Difficulty getting insurance (past two years)	8.0%	9.9%	9.8%
	Total	Count	50	870	920
		% within Organization Age Grouped	5.4%	94.6%	100.0%
		% within Difficulty getting insurance (past two years)	100.0%	100.0%	100.0%

Table J4-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.776 ^a	5	.026
Likelihood Ratio	10.424	5	.064
Linear-by-Linear Association	1.047	1	.306
N of Valid Cases	920		

Appendix K. Statistical Tables

Table K1-a. Government Funding (Significant Results Only)

		N	Mean	Std. Deviation
Total number of policies	0	275	5.1273	3.18788
	10	95	5.6105	2.87430
	20	57	5.7719	3.05905
	30	41	6.9512	3.34628
	40	45	6.8444	3.21188
	50	48	6.0208	2.84709
	60	54	6.6667	3.46954
	70	78	7.4231	3.12725
	80	81	7.9259	3.64272
	90	97	7.5979	3.43893
	100	72	7.0972	3.37413
	Total	943	6.3446	3.38050
Total number of agents	0	261	1.0996	.32469
	10	93	1.2043	.47911
	20	55	1.2182	.49781
	30	38	1.2105	.52802
	40	43	1.3256	.71451
	50	44	1.0682	.25497
	60	51	1.1765	.38501
	70	74	1.3784	.63468
	80	73	1.2603	.47221
	90	91	1.1978	.52111
	100	65	1.2462	.61316
	Total	888	1.1937	.48038
Cost of Insurance	0	241	6509.3361	10291.84376
	10	82	10289.6341	13999.97076
	20	52	10288.4615	13354.64454
	30	37	13547.2973	16474.18412
	40	42	8690.4762	12960.87093
	50	40	9843.7500	13070.89734
	60	44	11392.0455	12526.76179
	70	63	14126.9841	14950.58210

80	62	20584.6774	18666.77944
90	78	15833.3333	16103.44334
100	49	18341.8367	17523.02755
Total	790	11403.4810	14521.51186

Table K1-b. Anova Significance Tests

		Sum of Squares	df	Mean Square	F	Sig.
Total number of policies	Between Groups	1000.795	10	100.079	9.553	.000
	Within Groups	9764.196	932	10.477		
	Total	10764.990	942			
Total number of agents	Between Groups	6.848	10	.685	3.036	.001
	Within Groups	197.836	877	.226		
	Total	204.685	887			
Cost of Insurance	Between Groups	1.610E10	10	1.610E9	8.345	.000
	Within Groups	1.503E11	779	1.929E8		
	Total	1.664E11	789			

Table K2-a. Government Funding in the Previous 5 Years

		Claims in last 5 years		
		Yes	No	Total
Government funding 0	Count	26	241	267
	% within Government funding	9.7%	90.3%	100.0%
	% within Claims in last 5 years	15.0%	33.1%	29.7%
	10 Count	18	74	92
	% within Government funding	19.6%	80.4%	100.0%
	% within Claims in last 5 years	10.4%	10.2%	10.2%
	20 Count	9	48	57
	% within Government funding	15.8%	84.2%	100.0%
	% within Claims in last 5 years	5.2%	6.6%	6.3%
30	Count	9	31	40
	% within Government funding	22.5%	77.5%	100.0%

	% within Claims in last 5 years	5.2%	4.3%	4.4%
40	Count	5	39	44
	% within Government funding	11.4%	88.6%	100.0%
	% within Claims in last 5 years	2.9%	5.4%	4.9%
50	Count	5	38	43
	% within Government funding	11.6%	88.4%	100.0%
	% within Claims in last 5 years	2.9%	5.2%	4.8%
60	Count	10	42	52
	% within Government funding	19.2%	80.8%	100.0%
	% within Claims in last 5 years	5.8%	5.8%	5.8%
70	Count	19	55	74
	% within Government funding	25.7%	74.3%	100.0%
	% within Claims in last 5 years	11.0%	7.6%	8.2%
80	Count	27	47	74
	% within Government funding	36.5%	63.5%	100.0%
	% within Claims in last 5 years	15.6%	6.5%	8.2%
90	Count	22	68	90
	% within Government funding	24.4%	75.6%	100.0%
	% within Claims in last 5 years	12.7%	9.4%	10.0%
100	Count	23	44	67
	% within Government funding	34.3%	65.7%	100.0%
	% within Claims in last 5 years	13.3%	6.1%	7.4%
Total	Count	173	727	900
	% within Government funding	19.2%	80.8%	100.0%

	% within Claims in last 5 years	100.0%	100.0%	100.0%
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Table K2-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	47.148 ^a	10	.000
Likelihood Ratio	46.450	10	.000
Linear-by-Linear Association	32.972	1	.000
N of Valid Cases	900		

Table K3-a. Government Funding – Type of Impact (Previous Two Years)

			Type of impact (past two years)					
			1	2	3	4	5	Total
Government funding	0	Count	15	2	0	11	2	30
		% within Government funding	50.0%	6.7%	.0%	36.7%	6.7%	100.0%
		% within Type of impact (past two years)	50.0%	10.0%	.0%	42.3%	28.6%	33.3%
	10	Count	3	1	0	1	1	6
		% within Government funding	50.0%	16.7%	.0%	16.7%	16.7%	100.0%
		% within Type of impact (past two years)	10.0%	5.0%	.0%	3.8%	14.3%	6.7%
	20	Count	0	0	0	3	0	3
		% within Government funding	.0%	.0%	.0%	100.0%	.0%	100.0%
		% within Type of impact (past two years)	.0%	.0%	.0%	11.5%	.0%	3.3%
	30	Count	0	0	0	1	0	1
		% within Government funding	.0%	.0%	.0%	100.0%	.0%	100.0%
		% within Type of impact (past two years)	.0%	.0%	.0%	3.8%	.0%	1.1%
	40	Count	3	4	2	1	0	10

	% within Government funding	30.0%	40.0%	20.0%	10.0%	.0%	100.0%
	% within Type of impact (past two years)	10.0%	20.0%	28.6%	3.8%	.0%	11.1%
50	Count	0	0	0	2	0	2
	% within Government funding	.0%	.0%	.0%	100.0%	.0%	100.0%
	% within Type of impact (past two years)	.0%	.0%	.0%	7.7%	.0%	2.2%
60	Count	1	2	1	1	0	5
	% within Government funding	20.0%	40.0%	20.0%	20.0%	.0%	100.0%
	% within Type of impact (past two years)	3.3%	10.0%	14.3%	3.8%	.0%	5.6%
70	Count	2	3	3	1	0	9
	% within Government funding	22.2%	33.3%	33.3%	11.1%	.0%	100.0%
	% within Type of impact (past two years)	6.7%	15.0%	42.9%	3.8%	.0%	10.0%
80	Count	4	3	1	2	1	11
	% within Government funding	36.4%	27.3%	9.1%	18.2%	9.1%	100.0%
	% within Type of impact (past two years)	13.3%	15.0%	14.3%	7.7%	14.3%	12.2%
90	Count	2	3	0	3	1	9
	% within Government funding	22.2%	33.3%	.0%	33.3%	11.1%	100.0%
	% within Type of impact (past two years)	6.7%	15.0%	.0%	11.5%	14.3%	10.0%
100	Count	0	2	0	0	2	4
	% within Government funding	.0%	50.0%	.0%	.0%	50.0%	100.0%
	% within Type of impact (past two years)	.0%	10.0%	.0%	.0%	28.6%	4.4%
Total	Count	30	20	7	26	7	90

	% within Government funding	33.3%	22.2%	7.8%	28.9%	7.8%	100.0%
	% within Type of impact (past two years)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table K3-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	59.165 ^a	40	.026
Likelihood Ratio	58.766	40	.028
Linear-by-Linear Association	.334	1	.563
N of Valid Cases	90		

Appendix L. Statistical Tables

Table L1-a. Organizational Size by Organizational Characteristics (Significant Results Only)

		N	Mean	Std. Deviation
Total number of policies	\$0 - \$49,999	116	3.0172	1.80330
	\$50,000 - \$99,999	110	4.9000	2.64731
	\$100,000 - \$249,999	146	5.7466	2.82797
	\$250,000 - \$499,999	123	6.3740	2.81506
	\$500,000 - \$999,999	120	6.8333	3.04679
	More than \$1,000,000	285	8.4877	3.26052
	Total	900	6.3900	3.38322
Total number of agents	\$0 - \$49,999	113	1.0973	.29775
	\$50,000 - \$99,999	105	1.0952	.35420
	\$100,000 - \$249,999	137	1.1241	.37269
	\$250,000 - \$499,999	120	1.1833	.44878
	\$500,000 - \$999,999	115	1.1913	.41666
	More than \$1,000,000	260	1.3038	.61197
	Total	850	1.1894	.47120
Cost of Insurance	\$0 - \$49,999	106	1992.9245	2319.54879
	\$50,000 - \$99,999	100	3337.5000	3324.11130
	\$100,000 - \$249,999	129	5261.6279	7208.99371
	\$250,000 - \$499,999	109	7844.0367	10156.28961
	\$500,000 - \$999,999	104	10949.5192	11753.81470
	More than \$1,000,000	226	24706.8584	17387.84913
	Total	774	11371.1240	14559.74030

Table L1-b. Anova Significance Tests

		Sum of Squares	df	Mean Square	F	Sig.
Total number of policies	Between Groups	2901.951	5	580.390	70.230	.000
	Within Groups	7388.159	894	8.264		
	Total	10290.110	899			
Total number of agents	Between Groups	5.883	5	1.177	5.438	.000
	Within Groups	182.621	844	.216		
	Total	188.505	849			
Cost of Insurance	Between Groups	6.216E10	5	1.243E10	93.873	.000
	Within Groups	1.017E11	768	1.324E8		

Total	1.639E11	773			
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Table L2-a. Annual Budget – Claims in the Previous 5 Years

			Claims in last 5 years		
			Yes	No	Total
Annual Budget (grouped)	\$0 - \$49,999	Count	3	111	114
		% within Annual Budget (grouped)	2.6%	97.4%	100.0%
		% within Claims in last 5 years	1.8%	16.0%	13.3%
	\$50,000 - \$99,999	Count	3	103	106
		% within Annual Budget (grouped)	2.8%	97.2%	100.0%
		% within Claims in last 5 years	1.8%	14.9%	12.3%
	\$100,000 - \$249,999	Count	22	119	141
		% within Annual Budget (grouped)	15.6%	84.4%	100.0%
		% within Claims in last 5 years	13.2%	17.2%	16.4%
	\$250,000 - \$499,999	Count	17	104	121
		% within Annual Budget (grouped)	14.0%	86.0%	100.0%
		% within Claims in last 5 years	10.2%	15.0%	14.1%
	\$500,000 - \$999,999	Count	22	94	116
		% within Annual Budget (grouped)	19.0%	81.0%	100.0%
		% within Claims in last 5 years	13.2%	13.6%	13.5%
	More than \$1,000,000	Count	100	162	262
		% within Annual Budget (grouped)	38.2%	61.8%	100.0%
		% within Claims in last 5 years	59.9%	23.4%	30.5%
	Total	Count	167	693	860
		% within Annual Budget (grouped)	19.4%	80.6%	100.0%
		% within Claims in last 5 years	100.0%	100.0%	100.0%

Table L2-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.016E2	5	.000
Likelihood Ratio	110.180	5	.000
Linear-by-Linear Association	86.866	1	.000
N of Valid Cases	860		

Table L3-a. Annual Budget – Changes in Premium Costs for Previous 2 Years

			Changes in Premium Costs previous 2 years				
			No Change	Increased	Decreased	Some increased, some decreased	Total
Annual Budget (grouped)	\$0 - \$49,999	Count	45	34	8	3	90
		% within Annual Budget (grouped)	50.0%	37.8%	8.9%	3.3%	100.0%
		% within Changes in Premium Costs previous 2 years	17.0%	10.0%	11.1%	4.8%	12.2%
	\$50,000 - \$99,999	Count	33	43	10	4	90
		% within Annual Budget (grouped)	36.7%	47.8%	11.1%	4.4%	100.0%
		% within Changes in Premium Costs previous 2 years	12.5%	12.6%	13.9%	6.5%	12.2%
	\$100,000 - \$249,999	Count	56	51	8	6	121
		% within Annual Budget (grouped)	46.3%	42.1%	6.6%	5.0%	100.0%
		% within Changes in Premium Costs previous 2 years	21.2%	15.0%	11.1%	9.7%	16.4%
	\$250,000 - \$499,999	Count	40	46	14	5	105
		% within Annual Budget (grouped)	38.1%	43.8%	13.3%	4.8%	100.0%

	% within Changes in Premium Costs previous 2 years	15.2%	13.5%	19.4%	8.1%	14.2%
\$500,000 - \$999,999	Count	37	53	7	7	104
	% within Annual Budget (grouped)	35.6%	51.0%	6.7%	6.7%	100.0%
	% within Changes in Premium Costs previous 2 years	14.0%	15.6%	9.7%	11.3%	14.1%
More than \$1,000,000	Count	53	113	25	37	228
	% within Annual Budget (grouped)	23.2%	49.6%	11.0%	16.2%	100.0%
	% within Changes in Premium Costs previous 2 years	20.1%	33.2%	34.7%	59.7%	30.9%
Total	Count	264	340	72	62	738
	% within Annual Budget (grouped)	35.8%	46.1%	9.8%	8.4%	100.0%
	% within Changes in Premium Costs previous 2 years	100.0%	100.0%	100.0%	100.0%	100.0%

Table L3-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	50.995 ^a	15	.000
Likelihood Ratio	49.930	15	.000
Linear-by-Linear Association	31.336	1	.000
N of Valid Cases	738		

Table L4-a. Organizational Size by Organizational Characteristics (Significant Results Only)

		N	Mean	Std. Deviation
Total number of policies	1 - 9 volunteers	57	5.9825	3.40950
	10 - 19 volunteers	125	5.6720	3.05270
	20 - 29 volunteers	100	5.9400	3.53859
	30 - 39 volunteers	108	5.8241	3.45824
	40 - 49 volunteers	57	6.6667	3.40867
	50 - 74 volunteers	108	6.7130	3.44259

	75 - 99 volunteers	58	6.5517	3.55001
	100 - 149 volunteers	171	6.6550	3.06464
	More than 150 volunteers	84	8.2738	3.41630
	Total	868	6.4412	3.39312
Total number of agents	1 - 9 volunteers	55	1.0545	.22918
	10 - 19 volunteers	122	1.1148	.34490
	20 - 29 volunteers	95	1.2000	.47490
	30 - 39 volunteers	103	1.2524	.57255
	40 - 49 volunteers	54	1.0741	.26435
	50 - 74 volunteers	103	1.2039	.49228
	75 - 99 volunteers	54	1.3148	.60887
	100 - 149 volunteers	157	1.2102	.51927
	More than 150 volunteers	75	1.3600	.60716
	Total	818	1.2005	.48870
Cost of Insurance	1 - 9 volunteers	46	10407.6087	14308.24924
	10 - 19 volunteers	110	6784.0909	9502.32210
	20 - 29 volunteers	89	8890.4494	11161.96330
	30 - 39 volunteers	86	9883.7209	13838.12390
	40 - 49 volunteers	47	12234.0426	14115.53687
	50 - 74 volunteers	93	8602.1505	11774.96403
	75 - 99 volunteers	51	11004.9020	14324.41013
	100 - 149 volunteers	134	14570.8955	16599.48398
	More than 150 volunteers	66	24640.1515	19699.38152
	Total	722	11608.3795	14763.48237

Table L4-b. Anova Significance Tests

		Sum of Squares	df	Mean Square	F	Sig.
Total number of policies	Between Groups	453.713	8	56.714	5.113	.000
	Within Groups	9528.291	859	11.092		
	Total	9982.003	867			
Total number of agents	Between Groups	5.839	8	.730	3.120	.002
	Within Groups	189.281	809	.234		
	Total	195.120	817			
Cost of Insurance	Between Groups	1.680E10	8	2.100E9	10.670	.000
	Within Groups	1.403E11	713	1.968E8		
	Total	1.571E11	721			

Table L5-a. Number of Volunteers – Claims in the previous 5 years

			Claims in last 5 years		
			Yes	No	Total
Number of volunteers (grouped)	1 - 9 volunteers	Count	10	45	55
		% within Number of volunteers (grouped)	18.2%	81.8%	100.0%
		% within Claims in last 5 years	6.0%	6.8%	6.6%
	10 - 19 volunteers	Count	15	106	121
		% within Number of volunteers (grouped)	12.4%	87.6%	100.0%
		% within Claims in last 5 years	8.9%	16.0%	14.6%
	20 - 29 volunteers	Count	9	88	97
		% within Number of volunteers (grouped)	9.3%	90.7%	100.0%
		% within Claims in last 5 years	5.4%	13.3%	11.7%
	30 - 39 volunteers	Count	15	89	104
		% within Number of volunteers (grouped)	14.4%	85.6%	100.0%
		% within Claims in last 5 years	8.9%	13.4%	12.5%
	40 - 49 volunteers	Count	14	41	55
		% within Number of volunteers (grouped)	25.5%	74.5%	100.0%
		% within Claims in last 5 years	8.3%	6.2%	6.6%
	50 - 74 volunteers	Count	19	84	103
		% within Number of volunteers (grouped)	18.4%	81.6%	100.0%
		% within Claims in last 5 years	11.3%	12.7%	12.4%
	75 - 99 volunteers	Count	12	44	56
		% within Number of volunteers (grouped)	21.4%	78.6%	100.0%
		% within Claims in last 5 years	7.1%	6.6%	6.7%
	100 - 149 volunteers	Count	47	116	163

		% within Number of volunteers (grouped)	28.8%	71.2%	100.0%
		% within Claims in last 5 years	28.0%	17.5%	19.6%
	More than 150 volunteers	Count	27	49	76
		% within Number of volunteers (grouped)	35.5%	64.5%	100.0%
		% within Claims in last 5 years	16.1%	7.4%	9.2%
	Total	Count	168	662	830
		% within Number of volunteers (grouped)	20.2%	79.8%	100.0%
		% within Claims in last 5 years	100.0%	100.0%	100.0%

Table L5-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	33.793 ^a	8	.000
Likelihood Ratio	33.795	8	.000
Linear-by-Linear Association	27.263	1	.000
N of Valid Cases	830		

Table L6-a. Number of Volunteers – Difficulty Getting Insurance in the Previous 2 Years

			Difficulty getting insurance (past two years)		
			Yes	No	Total
Number of volunteers (grouped)	1 - 9 volunteers	Count	2	53	55
		% within Number of volunteers (grouped)	3.6%	96.4%	100.0%
		% within Difficulty getting insurance (past two years)	4.5%	6.7%	6.6%
	10 - 19 volunteers	Count	10	114	124
		% within Number of volunteers (grouped)	8.1%	91.9%	100.0%
		% within Difficulty getting insurance (past two years)	22.7%	14.4%	14.8%

20 - 29 volunteers	Count	6	91	97
	% within Number of volunteers (grouped)	6.2%	93.8%	100.0%
	% within Difficulty getting insurance (past two years)	13.6%	11.5%	11.6%
30 - 39 volunteers	Count	4	102	106
	% within Number of volunteers (grouped)	3.8%	96.2%	100.0%
	% within Difficulty getting insurance (past two years)	9.1%	12.8%	12.6%
40 - 49 volunteers	Count	6	50	56
	% within Number of volunteers (grouped)	10.7%	89.3%	100.0%
	% within Difficulty getting insurance (past two years)	13.6%	6.3%	6.7%
50 - 74 volunteers	Count	7	96	103
	% within Number of volunteers (grouped)	6.8%	93.2%	100.0%
	% within Difficulty getting insurance (past two years)	15.9%	12.1%	12.3%
75 - 99 volunteers	Count	0	56	56
	% within Number of volunteers (grouped)	.0%	100.0%	100.0%
	% within Difficulty getting insurance (past two years)	.0%	7.1%	6.7%
100 - 149 volunteers	Count	0	164	164
	% within Number of volunteers (grouped)	.0%	100.0%	100.0%
	% within Difficulty getting insurance (past two years)	.0%	20.7%	19.6%
More than 150 volunteers	Count	9	68	77
	% within Number of volunteers (grouped)	11.7%	88.3%	100.0%
	% within Difficulty getting insurance (past two years)	20.5%	8.6%	9.2%

Total	Count	44	794	838
	% within Number of volunteers (grouped)	5.3%	94.7%	100.0%
	% within Difficulty getting insurance (past two years)	100.0%	100.0%	100.0%

Table L6-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.358 ^a	8	.001
Likelihood Ratio	34.345	8	.000
Linear-by-Linear Association	.008	1	.931
N of Valid Cases	838		

Table L7-a. Organizational Size by Organizational Characteristics (Significant Results Only)

		N	Mean	Std. Deviation
Total number of policies	No paid staff	139	3.3309	2.00502
	1 employee	104	5.1923	2.66978
	2 - 4 employees	176	5.7330	2.95727
	5 - 9 employees	127	6.1417	2.88049
	10 - 19 employees	86	6.8605	2.97900
	20 - 39 employees	115	7.5565	2.89946
	40 - 99 employees	81	8.7284	3.09440
	100 - 494 employees	93	9.1720	3.35450
	500 - 10000 Employees	21	9.7143	3.56571
	Total	942	6.3854	3.37792
Total number of agents	No paid staff	134	1.1045	.33061
	1 employee	100	1.0800	.30748
	2 - 4 employees	172	1.1105	.34961
	5 - 9 employees	124	1.2339	.47897
	10 - 19 employees	78	1.1795	.41852
	20 - 39 employees	106	1.2453	.53115
	40 - 99 employees	74	1.3243	.59927
	100 - 494 employees	80	1.3875	.72030
	500 - 10000 Employees	15	1.4000	.91026

	Total	883	1.1937	.48079
Cost of Insurance	No paid staff	127	2283.4646	2515.30281
	1 employee	92	4279.8913	4094.66324
	2 - 4 employees	158	6257.9114	8858.51370
	5 - 9 employees	109	8486.2385	11012.24250
	10 - 19 employees	75	9866.6667	10214.28628
	20 - 39 employees	91	14931.3187	11940.77200
	40 - 99 employees	59	22648.3051	16065.06964
	100 - 494 employees	59	37055.0847	15098.03223
	500 - 10000 Employees	15	48333.3333	6454.97224
	Total	785	11393.3121	14527.37025

Table L7-b. Organizational Status and Location by Organizational Characteristics (Significant Results Only)

		Sum of Squares	df	Mean Square	F	Sig.
Total number of policies	Between Groups	3104.023	8	388.003	47.426	.000
	Within Groups	7633.094	933	8.181		
	Total	10737.118	941			
Total number of agents	Between Groups	8.955	8	1.119	5.019	.000
	Within Groups	194.930	874	.223		
	Total	203.884	882			
Cost of Insurance	Between Groups	8.839E10	8	1.105E10	111.255	.000
	Within Groups	7.707E10	776	9.931E7		
	Total	1.655E11	784			

Table L8-a. Number of Employees – Reasons for Increase

			Reasons for increase (recoded)			
			Internal reasons	External reasons	Don't know	Total
Number of Employees (recoded)	No paid staff	Count	8	20	6	34
		% within Number of Employees (recoded)	23.5%	58.8%	17.6%	100.0%
		% within Reasons for increase (recoded)	7.1%	15.3%	13.0%	11.7%
	1 employee	Count	11	17	4	32

	% within Number of Employees (recoded)	34.4%	53.1%	12.5%	100.0%
	% within Reasons for increase (recoded)	9.7%	13.0%	8.7%	11.0%
2 - 4 employees	Count	14	34	17	65
	% within Number of Employees (recoded)	21.5%	52.3%	26.2%	100.0%
	% within Reasons for increase (recoded)	12.4%	26.0%	37.0%	22.4%
5 - 9 employees	Count	24	12	4	40
	% within Number of Employees (recoded)	60.0%	30.0%	10.0%	100.0%
	% within Reasons for increase (recoded)	21.2%	9.2%	8.7%	13.8%
10 - 19 employees	Count	8	11	4	23
	% within Number of Employees (recoded)	34.8%	47.8%	17.4%	100.0%
	% within Reasons for increase (recoded)	7.1%	8.4%	8.7%	7.9%
20 - 39 employees	Count	21	12	5	38
	% within Number of Employees (recoded)	55.3%	31.6%	13.2%	100.0%
	% within Reasons for increase (recoded)	18.6%	9.2%	10.9%	13.1%
40 - 99 employees	Count	14	11	4	29
	% within Number of Employees (recoded)	48.3%	37.9%	13.8%	100.0%
	% within Reasons for increase (recoded)	12.4%	8.4%	8.7%	10.0%
100 - 494	Count	13	11	2	26

		% within Number of Employees (recoded)	50.0%	42.3%	7.7%	100.0%
		% within Reasons for increase (recoded)	11.5%	8.4%	4.3%	9.0%
	500 - 10000 Employees	Count	0	3	0	3
		% within Number of Employees (recoded)	.0%	100.0%	.0%	100.0%
		% within Reasons for increase (recoded)	.0%	2.3%	.0%	1.0%
	Total	Count	113	131	46	290
		% within Number of Employees (recoded)	39.0%	45.2%	15.9%	100.0%
		% within Reasons for increase (recoded)	100.0%	100.0%	100.0%	100.0%

Table L8-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	33.133 ^a	16	.007
Likelihood Ratio	34.545	16	.005
Linear-by-Linear Association	.258	1	.611
N of Valid Cases	290		

Table L9-a. Number of Employees – Claims in the Previous 5 Years

			Claims in last 5 years		
			Yes	No	Total
Number of Employees (recoded)	No paid staff	Count	7	128	135
		% within Number of Employees (recoded)	5.2%	94.8%	100.0%
		% within Claims in last 5 years	4.1%	17.6%	15.0%
	1 employee	Count	5	95	100

	% within Number of Employees (recoded)	5.0%	95.0%	100.0%
	% within Claims in last 5 years	2.9%	13.1%	11.1%
2 - 4 employees	Count	21	154	175
	% within Number of Employees (recoded)	12.0%	88.0%	100.0%
	% within Claims in last 5 years	12.3%	21.2%	19.5%
5 - 9 employees	Count	15	110	125
	% within Number of Employees (recoded)	12.0%	88.0%	100.0%
	% within Claims in last 5 years	8.8%	15.1%	13.9%
10 - 19 employees	Count	18	63	81
	% within Number of Employees (recoded)	22.2%	77.8%	100.0%
	% within Claims in last 5 years	10.5%	8.7%	9.0%
20 - 39 employees	Count	24	84	108
	% within Number of Employees (recoded)	22.2%	77.8%	100.0%
	% within Claims in last 5 years	14.0%	11.6%	12.0%
40 - 99 employees	Count	21	55	76
	% within Number of Employees (recoded)	27.6%	72.4%	100.0%
	% within Claims in last 5 years	12.3%	7.6%	8.5%
100 - 494 employees	Count	48	34	82
	% within Number of Employees (recoded)	58.5%	41.5%	100.0%
	% within Claims in last 5 years	28.1%	4.7%	9.1%
500 - 10000 Employees	Count	12	4	16
	% within Number of Employees (recoded)	75.0%	25.0%	100.0%
	% within Claims in last 5 years	7.0%	.6%	1.8%
Total	Count	171	727	898

	% within Number of Employees (recoded)	19.0%	81.0%	100.0%
	% within Claims in last 5 years	100.0%	100.0%	100.0%

Table L9-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.596E2	8	.000
Likelihood Ratio	140.345	8	.000
Linear-by-Linear Association	91.876	1	.000
N of Valid Cases	898		

Table L10-a. Number of Employees – Changes in premium Costs for the Previous 2 Years

			Changes in Premium Costs previous 2 years				
			No Change	Increased	Decreased	Some increased, some decreased	Total
Number of Employees (recoded)	No paid staff	Count	57	37	9	5	108
		% within Number of Employees (recoded)	52.8%	34.3%	8.3%	4.6%	100.0%
		% within Changes in Premium Costs previous 2 years	20.8%	10.8%	12.9%	7.9%	14.4%
	1 employee	Count	32	36	11	3	82
		% within Number of Employees (recoded)	39.0%	43.9%	13.4%	3.7%	100.0%
		% within Changes in Premium Costs previous 2 years	11.7%	10.5%	15.7%	4.8%	10.9%
	2 - 4 employees	Count	68	74	7	4	153
		% within Number of Employees (recoded)	44.4%	48.4%	4.6%	2.6%	100.0%
		% within Changes in Premium Costs previous 2 years	24.8%	21.6%	10.0%	6.3%	20.4%

5 - 9 employees	Count	39	47	12	5	103
	% within Number of Employees (recoded)	37.9%	45.6%	11.7%	4.9%	100.0%
	% within Changes in Premium Costs previous 2 years	14.2%	13.7%	17.1%	7.9%	13.8%
10 - 19 employees	Count	26	30	7	7	70
	% within Number of Employees (recoded)	37.1%	42.9%	10.0%	10.0%	100.0%
	% within Changes in Premium Costs previous 2 years	9.5%	8.8%	10.0%	11.1%	9.3%
20 - 39 employees	Count	23	51	9	12	95
	% within Number of Employees (recoded)	24.2%	53.7%	9.5%	12.6%	100.0%
	% within Changes in Premium Costs previous 2 years	8.4%	14.9%	12.9%	19.0%	12.7%
40 - 99 employees	Count	14	32	3	10	59
	% within Number of Employees (recoded)	23.7%	54.2%	5.1%	16.9%	100.0%
	% within Changes in Premium Costs previous 2 years	5.1%	9.4%	4.3%	15.9%	7.9%
100 - 494 employees	Count	12	30	8	13	63
	% within Number of Employees (recoded)	19.0%	47.6%	12.7%	20.6%	100.0%
	% within Changes in Premium Costs previous 2 years	4.4%	8.8%	11.4%	20.6%	8.4%
500 - 10000 Employees	Count	3	5	4	4	16
	% within Number of Employees (recoded)	18.8%	31.2%	25.0%	25.0%	100.0%
	% within Changes in Premium Costs previous 2 years	1.1%	1.5%	5.7%	6.3%	2.1%
Total	Count	274	342	70	63	749

	% within Number of Employees (recoded)	36.6%	45.7%	9.3%	8.4%	100.0%
	% within Changes in Premium Costs previous 2 years	100.0%	100.0%	100.0%	100.0%	100.0%

Table L10-b. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	77.883 ^a	24	.000
Likelihood Ratio	75.841	24	.000
Linear-by-Linear Association	23.292	1	.000
N of Valid Cases	749		

Appendix M. Organizations Participating in Focus Group Meetings

London Focus Group (West Region)

Thames Talbot Land Trust
London and Area Association for Volunteer Administration
United Way
London Community Health

Peterborough Focus Group (East Region)

United Way
Down Syndrome Association
Community Counseling and Resource Center
Community Care Peterborough

Timmins Focus Group (North Region)

United Way
Community Home Support
Seizure and Brain Injury Centre
Volunteer Timmins

Ottawa Interview (East Region)

Volunteer Center of Ottawa

Hamilton Focus Group (West Region)

Volunteer Hamilton
Community Services of the City of Hamilton
Community Safety
Catholic Diocese of Hamilton
Boy Scouts Hamilton Region

Niagara Focus Group (West Region)

Information Niagara
West Niagara Second Stage Housing & Counseling Inc.
Niagara Ina Grafton Gage Village
Heart Niagara
Employment Help Centre
Opportunities Niagara

Distress Centre Niagara
WARM

Toronto (Toronto Region)

Insurance Bureau of Canada
Kids Help Phone, National Office
Canadian Anesthesiologists' Society
Fred Victor Centre Toronto
University of CapeTown Foundation
Volunteer Lawyers Service
COSTI Immigrant Services
CORE
Homeward
Golf Association of Ontario
Ontario Dental Hygienists' Association
Villa Colombo Services for Seniors
LEAF - Women's Legal Education and Action Fund
danceOREMUSdanse
Momiji Health Care Society
Ontario Women's Health Network & Ontario Prevention Clearinghouse (Health Nexus).

Appendix N. Interview Protocol for Focus Groups

Introductory Remarks

- Thanks for taking time to come
- CVSS/ Project/ Survey & Web report to come
- Consent forms, mailing addresses for compensation, and recording permission
- Focus of conversation will be on their concerns about insurance coverage and rates, strategies for resolving their insurance problems and their risk management policies and practices.

Organizational Background

- As briefly as possible, tell me a little bit about your organization, what it does, who it serves, how old it is, how many employees and volunteers

Insurance Questions

- Does your organization have insurance?
 - If yes, what major kinds
 - If no, why not
- Do you have any particular concerns about your insurance coverage?
 - *prompt: high rates, unavailability, insufficient coverage*
- What have you done about these problems/concerns?
 - *prompt: internal resolutions - cutting programs people etc.*
external resolutions - lobbying gov't, forming coalitions etc.

Risk Management Questions

- When I mention risk management, what comes into your mind?
 - *Don't prompt here. Give them a chance to think about it*
- Does your organization have risk management policies?
- How are they implemented?
- What HR policies, financial control mechanisms, board policies have you in place?
- Would you like to know more about risk management?
- What is the best way to get more information on risk management?
 - *prompt: web-based information, workshops, insurance experts, organizational risk audits*
- Would you be willing to attend Risk Management Workshops?
- What, if any, government/industry/sector strategies should be taken?

Closing Remarks

- Is there anything else about insurance and risk management that you would like to tell us?
- Thanks again for your time.

Appendix O: Research Methodology

Literature Review

The search for literature was conducted with a view to get a comprehensive account of all the information and empirical evidence available on the issue of liability and risk management in general and with respect to nonprofits in particular. For a broader environmental scan, the search was expanded to sources from any country or province. Academic and popular references were drawn upon, from international, Canadian and Ontario sources. Prior studies conducted in other provinces on insurance in the nonprofit sector were especially useful. A summary of the literature review was provided in an interim report to the OVP steering committee.

The literature review was conducted with the help of a systematic search strategy as follows: initially 43 key words were identified based on the concepts being studied and several combinations of keywords were developed using Boolean operators. Later, we were able to determine several other keywords and combinations which expanded our search. We included a number of online databases and several article indices. Approximately 300 sources were reviewed, including several articles, research reports, books, newsletters, websites, government and insurance company reports. These references were read and the information in each source entered in an online RefWorks database in order to share comments with the team members on the relevance and importance of the information for the study. A targeted search was also conducted to identify legal cases involving Ontario nonprofit organizations.

Two researchers completed a search of 200 Ontario nonprofit websites to test what kind of mention was made of insurance and/or risk. Using the website list compiled in the sampling process, one researcher looked at the websites of 100 organizations, noting whether or not they made reference in any way to insurance or risk management. Almost none made any reference whatsoever to these topics. The other researcher conducted keyword web searches. Using the Google search engine, and searching only pages from Canada, she reviewed the first 100 hits for keywords [nonprofit + risk management + Ontario], and [nonprofit + insurance + Ontario]. The 'insurance' results included about 420,000 hits with some combination of the keywords. In the first 100 sites listed, 38 were nonprofit organization sites with references to insurance. Another 50 were sites hosted by nonprofits, government, legal firms, or the insurance industry with information on insurance for nonprofit audiences. The other 12 were sites less relevant to the study, such as duplicates or board member biographies mentioning past involvement in nonprofits and insurance. The 'risk management' results included about 349,000 hits with some combination of the keywords. In the first 100 sites listed, 28 were nonprofit organization sites with references to risk management. Another 47 were sites hosted by nonprofits, government, legal firms, or the insurance industry with information on and training opportunities in risk management for nonprofit audiences. The other 25 were sites less relevant to the study, mainly board member biographies. Both researchers 'bookmarked' websites which had extensive information on these issues for further reference.

Quantitative research

Instrument Design

A prior large-scale survey (Meinhard, 2006) of the impact of higher insurance premiums on nonprofit organizations served as a starting point in the design of the current questionnaire. A draft version was then circulated to experts and members of the Ontario Volunteer Partnership (OVP) steering committee. Comments and suggestions from committee members and other experts were incorporated into a subsequent draft of the questionnaire. The questionnaire and introductory text were migrated into Survey Monkey (an online survey host program) and the functionality of the online survey was tested. This draft

was piloted, on-line, with four nonprofit agencies. Their comments led to the addition of a question and some technical changes with the survey layout.

Scripts for initial contact in recruiting participants were developed for: focus group participants; key informant interviews; web-survey responses; and phone interviews. Letters with more detailed information on the project, details on how to participate, and tailored consent agreements were also written for each set of participants. Separate consent forms and interview protocols for each of these data collection modes were also developed. Associations of nonprofit organizations and regional umbrella organizations were subsequently approached in a similar manner to distribute invitations for the web survey and focus group meetings (respectively).

The research design, and all instruments, letters of recruitment and letters of consent were submitted to Ryerson Ethics Board and were subsequently approved. Key informant interviews were conducted in order to pilot questions and test for regional issues. The interviews were one-on-one between a member of the CVSS research team and a senior representative from: (a) an environmental organization, (b) an ethnic social services organization, and (c) an organization serving other voluntary organizations.

Sampling

The Ontario report of the NSNVO survey (Scott, Tsoukalas, Roberts & Lasby, 2006) provided the baseline information on which we built our sampling framework: Types of nonprofit organizations, charitable status, and region of Ontario.

Sampling techniques were established for phone, website, focus group and key informant data sets. Each of these considered the balance of charitable and non-charitable nonprofit organizations across the province and the need to weight the sample to try and reflect the distribution and density of different types of organizations across all sub-sectors and geographical regions. From previous work, it was clear that smaller organizations were more reluctant to do surveys, or were often overlooked in sampling. We made a special effort to reach those organizations through telephone solicitation. Two hundred organizations were contacted directly by phone.

The publicly accessible online Revenue Canada searchable database of charities was utilized with relative ease to locate and sample 60% of organizations to be contacted (although it was labour-intensive). This database allows one to search for organizations both according to type of organization and postal code region, and includes links to tax information returns for many of the organizations listed. Aiming to sample 7500 organizations altogether, we tried to approximate their distribution across the five postal code regions of Ontario: 24% M; 25% L; 19% K; 23% N; and 9% P. Of these 7500 organizations, 5019 would ideally be charitable organizations, and 2481 would be non-charitable nonprofits. Conducting unique searches for each subsector (e.g. welfare organizations) within each of these regions, we created lists of all relevant organizations. We then selected every second organization, thereby securing our weighted sample.

The Revenue Canada information returns often include contact information such as addresses and telephone numbers, and useful details about, for example, an organization's budget, web address, or programming. This was an invaluable resource for us, but resulted in few email addresses and fewer websites. In order to secure contact information for the sample list we therefore had to look to any available "211" lists, and most often, resort to a search on the Google meta-search engine. This alone took much more time than had originally been scheduled for the sampling process. The non-charitable sample set was even more difficult to construct.

To sample the approximately 40 percent of all nonprofits not incorporated as charities, we had anticipated receiving a list from the Ministry of Government Services. This was not possible, and we again had to develop our own sampling list from web searches and lists available from umbrella voluntary organizations and relevant associations. The construction of this list, as with the charitable list, considered the distribution of organizations by type and across postal regions, but was much more labour-intensive and added considerably to our project expenses and timeline.

A new list of nonprofit organizations that were not registered charities was generated from a search of databases limited to Associations Canada, Canadian Environmental Directory, Canadian Almanac & Directory, and the Directory of Libraries in Canada.

Web Survey

Respondents were invited by letter to link to a Survey Monkey website to complete the questionnaire. As an incentive for devoting time and completing the survey, a prize draw was held for distribution of 3 prizes worth \$150 each.

Letters of invitation to participate in the survey were sent to 8556 organizations. Just under ten percent of them were undeliverable, making the final outreach, including the 200 phone calls, to be 7592 organizations. Reminders were sent about 3 weeks after the initial request. 1294 responses were recorded on the Survey Monkey questionnaire, resulting in a 17% response rate. This is within the 10% to 40% rate generally recorded for on-line surveys solicited through e-mail. This rate should be considered good given the specific knowledge that was required to complete the questionnaire. In most cases, the invitation e-mails were not sent to specific individuals; rather they were sent to the organization's general address. There is no way of knowing whether the letters were forwarded to the most appropriate individual. The questionnaire completion rate however, was very high, indicating that most of the organizations that responded were prepared with the data. Out of the 1294 questionnaires commenced, 1184, or 91% were completed. The lowest response rate for any question was 79%.

Telephone Interviews

Assuming that the smallest organizations might not have email access, we were concerned to ensure that organizations without an email or web presence were not left out of our sample. Adapting the sampling matrices used previously, a phone list was compiled starting with the list of charities created for the web survey, and for which contact information had otherwise been collected. Organizations for which no email was found left gaps in the sample list. These were then filled in by finding the phone number. Although it was anticipated that a number of nonprofits would not yet have routine access to email, when calling contacts for whom no email address had been found online, all of the 200 respondents contacted actually opted to have the survey information emailed to them so they could participate online rather than conduct a phone interview.

Qualitative research

Invitations to focus groups outside of Toronto were arranged by a representative from a local volunteer centre or United Way. We used these gateway organizations because of their greater familiarity with the organizations in their region. They were asked to make sure that the group they called together would represent a balance from the different nonprofit subsectors. All focus groups included participants from at least three different nonprofit subsectors, but most were represented by more than three. For the Toronto focus groups, an email list of 2345 Toronto area organizations was compiled. From that a list of twenty-nine organizations, balanced for organizational mandate, was compiled. The smallest group

consisted of four organizational representatives, and the largest consisted of 10, with an average of 6-7 for the others. In all there were forty-three participants. In appreciation of their willingness and cooperation, a \$25 donation was sent to each participant's organization.

An interviewer and note-taker were present for four of the seven focus groups, while the remaining three groups had only an interviewer, who also took notes. The focus group discussions were recorded and the recordings were content analyzed and compared with the notes taken during the interviews. Although an interview protocol (please refer to Appendix N) guided the content and pace of the focus group discussions, the interviewers allowed the discussions to flow in accordance with the needs of the participants. Thus, of the ten themes identified by the content analysis, five arose in the discussions unprompted by the interviewers:

Prompted:

- Insurance and risk management as low organizational priorities
- The role of insurance brokers
- Comments about insurance companies
- Comments about the government
- Organizational risks not related to insurance.

Unprompted:

- Concerns about insurance coverage
- Repercussions of having poor or no insurance coverage
- Risk management
- Advocacy
- Suggestions and recommendations.

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