

## THE NEED FOR INSURANCE FOR LIONS CLUBS

### REPORT OF THE RESEARCH & LONG RANGE PLANNING COMMITTEE (UPDATE JANUARY 2004)

This report by the Multiple District "A" Research & Long Range Planning Committee has been published on the M.D. "A" web-site for several years. This is an up-date presented to the Governors' Council.

#### LIONS CLUBS INTERNATIONAL INSURANCE

The information booklet provided by Lions Clubs International outlines that there is a "Liability Insurance" in place. The booklet provides a general overview of the coverage, the limits, the deductible and restrictions of the policy. The following information on this insurance has been provided by the General Counsel at Lions Clubs International Headquarters.

#### LIMITS OF COVERAGE UNDER THE INTERNATIONAL POLICY

**\$1,000,000 Each Occurrence (The maximum coverage should a liability claim occur)**

**\$2,000,000 General Aggregate Limit**

(The maximum coverage should two or more claims occur in the same year)

#### DEDUCTIBLE

**The Association's deductible under their policy is US \$1,000,000 per claim**

Claims paid by the Association under the deductible are capped at \$7,000,000

(The booklet provided by Lions Clubs International details this more specifically)

CLAIMS COSTS: The booklet indicates that the cost of the "International" insurance program is directly related to the cost of claims. The cost of each claim adds to the amount paid by Lions Clubs International and ultimately by the members through payment of their "International" dues.

#### EXCLUSIONS

There are a number outlined in page 5 of the booklet.

The following are several of the more critical exclusions:

- Operation, maintenance or use of watercraft
- Liquor Liability is excluded

#### IMPORTANT

The booklet by Lions Clubs International recommends that a separate policy be purchased for each event where liquor is involved. In today's insurance environment this would prove to be very costly and does not cover all liquor consumption activity of clubs and club members.

#### NOTE:

**There are activities carried on my clubs, club committees and lion members that do not qualify for a separate Liquor Liability Policy. Examples include alcohol consumption at club meetings, whether in a licensed establishment or not, at committee meetings in any location including homes.**

**Whenever liquor is consumed or offered there is a potential risk exposure to related claims.**

**There are a number of reasons for a Lions Club to carry it's own Liability Insurance including Host Liquor Liability coverage:**

- year round coverage for all activity including year long liquor liability coverage
- to secure insurance coverage with a higher limit of liability
- coverage with a local Insurance Carrier where no deductible applies

In any event, when a Lions Club carries its own liability insurance, the "International" policy is "excess over any other valid and collectible insurance."

#### OTHER INSURANCE REQUIREMENTS

Many Lions Clubs require insurance on owned buildings, contents, club paraphernalia, hold-up insurance (for money), fidelity coverage for all members and special floater coverage on property such as mobile kitchens, trailers, tractors and much more.

#### AVAILABILITY OF INSURANCE WITHIN ONTARIO

This insurance is available through a local insurance broker in most communities as well as available through a specially designed program for Lions Clubs advertised usually in the Lion's magazine.

#### **DIRECTORS & OFFICERS LIABILITY INSURANCE.**

##### CLUB INCORPORATION

Club incorporation remains a challenge. It is recommended that every club incorporate as it provides a measure of financial protection for the members of the Board of Directors and individual members alike.

Clubs should consult a lawyer to complete this process.

For the purposes of insurance a Lions Club is considered a "Non-Profit" organization. In recent years the nature of the responsibility of Directors & Officers has greatly increased. There are two certainties. First, Boards of Directors will be faced with increased frequency of legal actions taken against them following similar experiences in the United States. Secondly, the law is likely to be more strictly interpreted in that Directors will be judged by standards far higher than those expected of the ordinary individual. Lions Clubs board members are not exempt.

Directors in the performance of their duties stand in a position of trust, and are required to act honestly, in good faith and in the best interests of the corporation (club). Like any other fiduciary or trustee a director must not place himself (herself) in a position where the duties to the corporation (club) conflict in any way with his or her personal financial interest.

##### DUTY OF CARE, DILIGENCE AND SKILL

In the interpretation of the duty of honesty and good faith, the courts are relatively strict. This insurance protects the personal assets of the members of the board and those of the organization through affordable and flexible insurance protection.

Included in the coverage are allegations such as employment practices, defamation, misrepresentation, non-disclosure, breach of duty of care, fiduciary mismanagement and bankruptcy related claims.

Detailed information on this type of insurance is available through any Insurance broker throughout the Province of Ontario or through the current Directors & Officers Insurance program available to all clubs in Multiple District "A".

## **MULTIPLE DISTRICT INVOLVEMENT**

Multiple District "A" is not in a position to openly support or recommend one plan or another or one source of coverage or another.

However, the member of the Governors' Council feel obligated to communicate to all clubs in the Multiple District the need for clubs to be aware of the benefits of incorporation firstly and secondly to underline the need for clubs to review their own insurance needs.

The Research & Long Range Planning Committee continues to monitor among other areas relative to the Multiple District the need to stress the need for clubs to incorporate and to secure the insurance protection to meet their own specific needs.

Throughout the province there are Insurance Brokers and Agents capable of providing professional advice on insurance and there are a number of specifically designed programs of insurance available as well. Information on the programs available can be had by contacting the Multiple District "A" Secretary or the Chair of the Research & Long Range Planning Committee. The Multiple District "A" web-site address is [www.mdalions.org](http://www.mdalions.org) and all contact names, phone numbers and email addresses are provided through this facility.