

Liability Insurance:

How Well is Your Club Covered?

The satisfaction was evident on Roger's face. This was the best fundraiser the club had conducted since he had become president. Although he was concerned about how his club would manage all the cars and people associated with the event, Roger beamed with satisfaction over the success they were experiencing. Suddenly the sound of sirens pierced the air as two ambulances pulled into the fairground parking lot. Moments later Roger's mind raced as their club secretary described how an adult and two children were seriously injured when struck by a golf cart used to move the elderly from the parking lot to the fairgrounds.

Would the injured be OK? Had Roger's club done all it could to ensure the safety of those attending the event? Would the association's insurance protect the club and its members for their liability arising out of this incident?

This illustrates one of the many ways in which Lions are exposed to loss, and the concern that arises when such an incident occurs. The International Association of Lions Clubs provides a program of commercial liability insurance which covers Lions on a worldwide basis. The program is designed to protect Lions from claims and lawsuits brought against them or their clubs because of bodily injury or property damage caused by negligence. Coverage is included for the liability of individuals who are members, officers, directors, employees or volunteer workers while engaged in Lions activities. Owners or lessors of premises used in Lions activities are additional insureds for liability arising out of such activities. Public bodies that issue permits to Lions are also additional insureds. The limit of liability is US\$1,000,000 per occurrence with an annual general aggregate limit of US\$2,000,000 per club. A small limit (US\$1,000 per person) of medical expense coverage

is also provided.

A question and answer format will be used to provide more information about the program.

Q: What are some of the liability risks faced by a Lions club or organization?

A: Fundraising and service projects conducted by Lions can include a variety of risks of bodily injury or property damage. Buildings and other premises used by Lions can cause injuries to someone tripping over an object, falling on a stairway or stepping in a hole. Food or beverages served might result in sickness or poisoning. Other products may be sold or donated and can cause injuries. Items such as canes, walkers, glasses or hospital beds can create hazards. Public assemblies of many kinds, particularly the operation of parks, races and contests, pose risks of injury to both participants and spectators. Lions may be faced with allegations of liability for negligence, inadequate supervision or lack of safety precautions. When a club holds an event which might be conducted by others, such as a carnival or circus, it may be held responsible for the acts of the outside promoter of this event.

Q: Who pays for the program?

A: The International Association of Lions Clubs uses part of each member's dues to pay for the program.

Q: How do claims affect the cost of the program?

A: The cost is directly related to the cost of claims and adds to the amount paid by Lions Clubs International and each member's dues. The key to the successful maintenance of the program is to keep it affordable by minimizing claims. Each club should appoint a safety officer as outlined in the insurance information booklet to assure effective safety practices and evaluation of activities from a safety standpoint.

Q: Does the policy apply to zone, district and other Lions conventions?

A: Yes

Q: Our club owns a building (or

park or other facility) at which we conduct activities. These are often open to the public and admission may be charged. We also rent or loan the building to others for various activities. Are these several phases of building operations covered for our legal liability?

A: Yes. However, others who rent or use the building or facility should carry their own liability insurance and include your club as additional insured. If alcoholic beverages are sold, liquor liability insurance should be arranged where necessary.

Q: Our club is leasing a hall for a fundraising event. The lease has a "Hold Harmless Agreement" and other insurance requirements. If we sign the agreement, will the association's insurance policy provide the coverage required?

A: Specific legal advice concerning leases and other agreements should be provided by local legal counsel. Hold Harmless Agreements sometimes require assumption of responsibility for "any and all" liability. Other contractual provisions may not be consistent with the policy coverages. For these reasons, a club should be sure it has the insurance coverage required before it enters into leases or other contractual agreements.

Q: What should our club do when we use an independent contractor such as a caterer, construction contractor, carnival operator or others who provide services for our activities?

A: Determine that they have adequate insurance evidenced by a certificate of insurance issued to your club. At a minimum it should include workers compensation, automobile and general liability insurance including your club as an additional insured.

Q: What liability exposures may clubs have that are not included in the program?

A: Liability arising out of the maintenance, operation or use of automobiles (including buses, trucks

and trailers owned, leased or rented on a long term basis is not covered.

Liability arising out of the maintenance, operation or use of aircraft is not covered.

Liability arising out of the maintenance, operation or use of watercraft owned by Lions is not covered.

If Lions operations involve the use of aircraft, owned automobiles or owned watercraft, separate insurance should be arranged.

Liability arising out of the sale or distribution of alcoholic beverages is not covered. When clubs or districts sell or distribute alcoholic beverages at a fundraising activity or event, separate liquor liability insurance should be arranged locally if available in your state. The association's experience in liquor liability situations is such that it cannot recommend, and in fact discourages, clubs from participating in events involving the sale of alcoholic beverages.

The program does not provide workers compensation or employer's liability insurance.

Pollution and asbestos exclusions apply.

Q: How does the medical expense coverage apply?

A: The medical expense insurance is limited to US\$1,000 per person. It will pay, without regard to fault or liability, medical expenses of persons injured in Lions activities. It does not apply to employees, automobile accidents or persons taking part in athletics. If a Lions club sponsors or conducts athletic activities, separate "sports accident" or similar insurance should be purchased locally.

Q: Our Lions club sometimes joins with other organizations to pursue fundraising or service projects. Does our insurance extend to cover the possible liability of the other organization or the joint venture thus formed?

A: No. Most liability policies exclude coverage for joint ventures and for the insured while participating

in joint ventures. The Lions policy has been extended to protect Lions for their liability in joint ventures, but it does not extend to cover the joint venture entity itself or other participants. They will need to arrange the necessary coverage for themselves.

Q: Because of our broad insurance coverage our club has been asked by another organization to lend use of the Lions name or emblem to them to obtain coverage under our policy for a worthwhile project which would be difficult to insure. Can this be done?

A: No. There have been cases in which Lions clubs have lent their name to a worthwhile local organization in the mistaken belief that this would grant them coverage under the policy, only to be disappointed when a claim arose. The International Constitution and By-Laws of the association provides that no other individual or entity may use the Lions name or emblem without approval from the International Board of Directors as a licensed Lions foundation. Such license may be applied for through the Legal Division of the International Headquarters. The provisions of the liability policy do apply to those organizations currently approved as licensed Lions foundations by the International Board of Directors.

Lions clubs should be cautious in undertaking programs which others find difficult to insure. Exposure of our policy to hazardous events will increase the cost to each member.

Q: What do we do if we have a claim?

A: All claims or occurrences which might lead to claims should be reported promptly to the nearest Royal & Sunalliance claim office as listed in the insurance information booklet. Full details should be provided. DO NOT admit liability or suggest that compensation will be offered. Claim settlements can best be made by insurance company personnel who are

properly trained for this function.

Q: Does our club need to purchase other insurance?

A: Many Lions clubs and organizations have exposures which require other insurance policies. Some example are:

Workers compensation and employers liability insurance is necessary if the club has any employees.

If your club sells or distributes alcoholic beverages, liquor liability insurance should be purchased if required in your area.

Automobile insurance to cover autos, trucks, trailers, buses or similar vehicles owned, leased or rented on a long term basis by the club.

Property insurance is required for loss of or damage to real or personal property owned by, rented, loaned to or used by your club.

If activities are conducted which make it prudent to carry additional limits of liability insurance, you should consider the purchase of an "umbrella excess liability" policy.

Directors and officers liability and crime and dishonesty insurance are other coverages which you should consider.

"Sports accident" coverage should be purchased for athletic events.

Because the needs for other coverages vary significantly, it is usually more effective to arrange for them locally.

Q: Where can Lions address specific questions or obtain further information?

A: Questions or requests for certificates of insurance or other information should be addressed to the Legal Division, Lions Clubs International or to:

T. J. Adams & Associates, Inc.
2021 Spring Road
Oak Brook, IL 60523-1852

Phone: (630) 572-1550

Fax: (630) 574-3278