

Insurance and Risk Management Survey

Summary of results

Spring, 2024

Acknowledgements

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Summary

Anecdotally, a significant number of charities have reported increased difficulty obtaining and affording the type of insurance they need to operate effectively over the past 18 to 24 months. This survey was designed to assess the validity of this anecdotal data by gathering information from a broader, representative sample of charities. Key objectives for the survey include:

- assessing how many organizations are experiencing insurance-related issues;
- determining whether these issues are acute, related to recent changes in the insurance market, or more long-running; and
- identifying potential hotspots, drivers and/or correlations to inform possible solutions.

Overall, results are mixed. There is clear evidence that many organizations are experiencing significantly higher than normal price increases, but little evidence that organizations are having significantly increased difficulty acquiring the types of insurance they require or that there are widespread shifts in the policy coverage on offer.

The recent shifts in pricing appear to be quite broadly based. While some organizations cite particular types of insurance as cost drivers, most do not. Factors such as working with at-risk populations or prior claims history do not seem to be driving price increases and what associations there are with organizational characteristics appear more structural and long-running.

In the main, changes to the scope of insurance coverage are driven by charities seeking out new coverage to ensure against increased risks (e.g., cyber) and/or changing coverage to fit new activities or business lines. Insurer changes to policy coverage, when mentioned, are generally associated with familiar, long-running pain points (e.g., abuse insurance) and do not seem to have markedly increased.

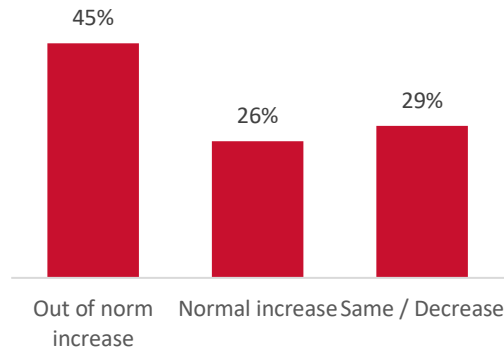
Summary

Beyond recent higher than normal cost increases, the picture painted by the data is of a sector dealing with ongoing structural challenges. While the vast majority of charities are carrying some type of insurance and most have developed some risk management policies and procedures, significant minorities of organizations consider themselves under-insured and/or face limitations on their activities because of the levels and types of insurance they carry. Lack of particular types of coverage and weakly developed risk management policies are clearly linked to being under-insured, as are issues of cost and availability of coverage.

While survey responses do show clear indications of well-known pain points (such as the challenges organizations working with at-risk populations have obtaining abuse insurance), there are few indications of new emerging issues not related to the recent cost increases. Instead, the picture presented is predominantly of a sector facing long-running challenges, with relatively few points of commonality beyond what is already known from qualitative data.

Issues with the cost of insurance

There are clear indications of recent significant increases in the price of insurance. Over two thirds of insured organizations report increases to the cost of their insurance over the past two years, with just under half reporting larger price increases than previously seen. Collectively, these organizations have seen the cost of their insurance increase by an average of 21.5% over the past two years.



These cost increases are across the board and do not seem to be driven by particular organizational characteristics. To the extent there is statistically significant variation, organizations with annual revenues less than \$150,000 are somewhat less likely to report cost increases, as are fundraising and grantmaking organizations, while organizations

primarily dependent on government income and mixed revenue sources are somewhat more likely to report increased costs.

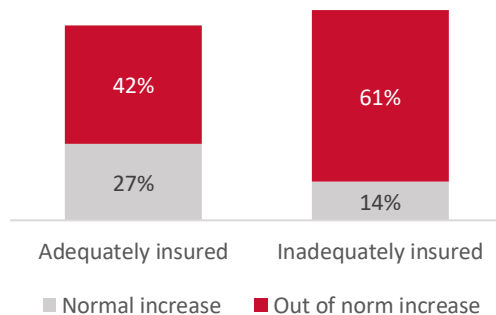
	Out of norm increase	Normal increase	Same / Decrease
Revenue size class			
< \$150K	41%	15%*	43%
\$150K < \$500K	40%	31%	29%
\$500K < \$1.5M	52%	29%	19%*
\$1.5M < \$5M	45%	30%	25%
>=\$5M	53%	31%*	16%*
General activity area			
Arts, Culture & Recreation	50%	19%*	31%*
Education	50%	15%*	35%*
Health	40%	32%*	28%*
Social Service	49%	29%	22%*
Grantmaking, fundraising & voluntarism	29%*	33%*	39%
Other	55%*	...	...
Revenue dependency			
Government	53%	24%	23%
Gifts & donations	39%	23%	37%
Earned income	43%	27%*	31%*
Other	43%*
Mixed revenue sources	39%*	42%*	19%*

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Issues with the cost of insurance

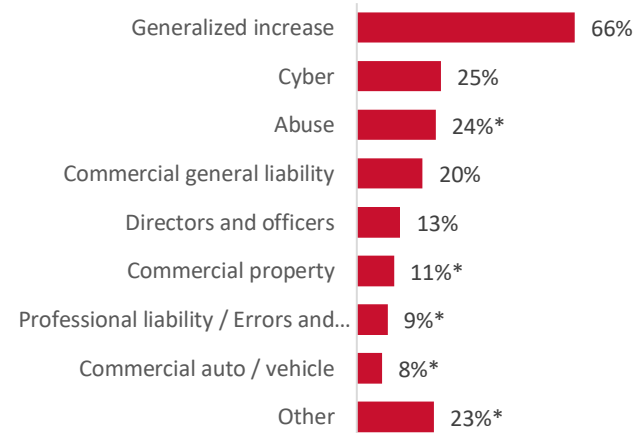
Looking at the amount prices have increased, about the only statistically significant variation is by sub-sector, with culture and recreation groups tending to experience larger cost increases and fundraising and grantmaking and “other” organizations seeing smaller ones.

Price increases do seem to be contributing to respondents’ sense of whether their organization is adequately insured. Those who believe their organization is not adequately insured are markedly more likely to report out-of-norm increases in insurance costs and report larger average cost increases (29.6% vs. 20.3%).



Respondents indicating that costs had increased were asked whether the increase was driven by specific types of insurance they carry or more generalized.

Overall, there is only modest evidence that cost increases are being driven by particular types of coverage. Two thirds of organizations say cost increases are generalized. To the extent that respondents attribute increases to specific policies, cyber, abuse and commercial general liability insurance are most commonly reported.

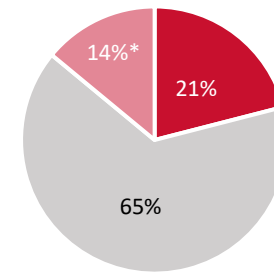


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Issues with the cost of insurance

About a quarter of organizations carrying some form of insurance not specifically mentioned in the questionnaire identified it as a driver. (The percentages identifying drivers not shown in the previous visualization are so small that the estimates are not sufficiently reliable for public release.)

While the price increases experienced to date have been significant, there is some reason to believe that the worst may have passed. The survey asked charities not having experienced an increase in insurance costs whether they anticipate higher costs at their next renewal. The percentage predicting an increase is substantially lower than the percentage that have experienced an increase. Further, they are somewhat less likely to predict larger than norm increases what organizations have already experienced (26%* vs. 45%) and believe that any increases will be slightly smaller than has been the norm to date (14.6% vs. 21.5%).



■ Higher costs ■ Same / lower costs ■ Don't know

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Unfortunately, the number of survey respondents predicting increased costs is too small to identify statistically significant variation by organizational characteristics.

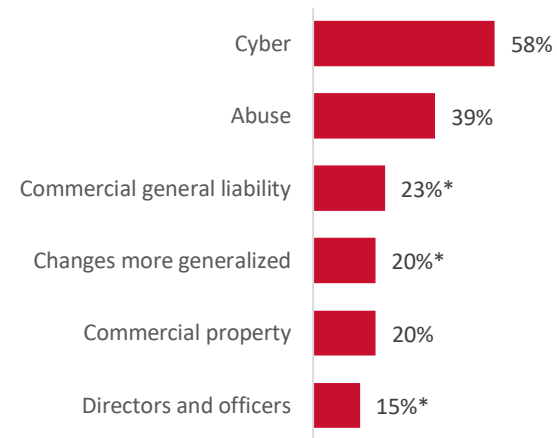
Issues with the scope of insurance

Overall, 15% of insured organizations indicated that the scope of their insurance had changed over the previous two years.

Respondents reporting changes to the scope of their coverage were asked to briefly characterize them. By far the most common change organizations reported was increasing their coverage, most commonly by adding new policies. Cyber insurance was the most common form of new policy mentioned, by a considerable margin.

A small number of organizations mentioned raising their deductible or otherwise changing the scope of their coverage under various types of policies to make existing coverage more affordable, but there was little to no mention made of dropping types of coverage entirely due to cost.

Similarly, while some organizations indicated they had experienced difficulty obtaining some types of policies, none specifically mentioned being completely unable to obtain coverage. A number of respondents from federated organizations did indicate they had experienced reductions in their



* use with caution

group historical abuse coverage as a result of shifting from organization-specific claims limits to claims limits pooled across the federation.

Overall, responses show little indication that acute scope-related challenges have recently emerged. The challenges mentioned seem very much to be long-running and systemic.

Eight percent of organizations having not already experienced changes to the scope of their insurance predict changes at the next renewal while 19% are unsure whether there will be any changes.

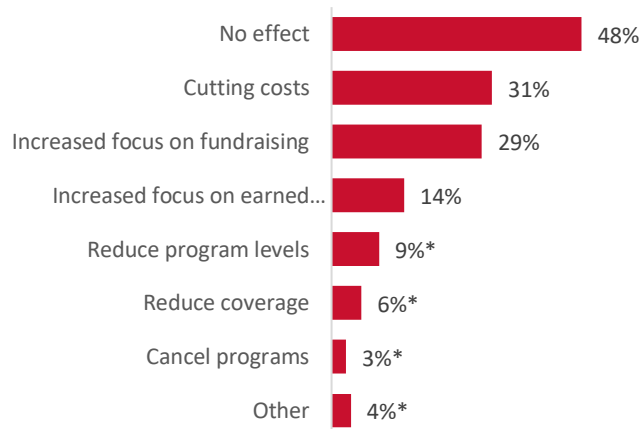
Impact of insurance changes

Organizations that have experienced increases in their insurance costs and/or changes to the scope of their coverage were asked how these changes have or will affect their organization.

The dominant impact of the changes clearly appears to be financial. Just under a third of organizations are cutting costs in other areas and/or increasing their fundraising efforts to cover costs. About half as many organizations are seeking to generate needed revenue from earned income. Comparatively few

organizations have or will reduce or cancel programs and about one organization in five has or intends to reduce their insurance coverage.

The impact of the insurance changes is broad and does not vary greatly by organizational characteristic. About the only statistically significant difference is that organizations working with at-risk populations are more likely to report some sort of change. They are more likely to report some sort of reduction in the services they offer and to seek to increase revenue or cut costs in other areas.

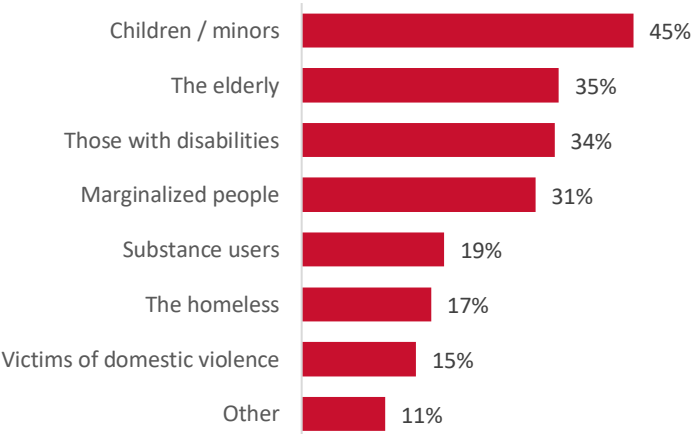


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At-risk populations

Respondents were asked whether their organizations work with any of seven specific populations commonly considered to be at-elevated risk of abuse by insurers.

Overall, two thirds of organizations work with one or more at-risk populations, most commonly children, the elderly, and those with some form of disability. Health and social services organizations are more likely to work with at-risk populations, as are organizations with paid staff and those primarily dependent on government funding.



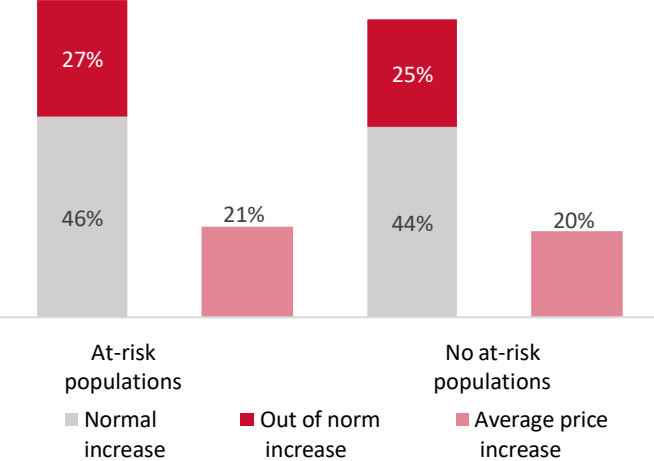
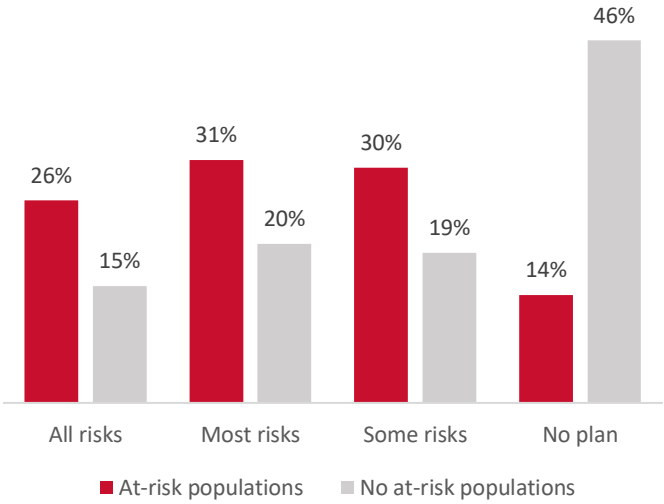
Other population-specific correlations include the association between health organizations and those with disabilities, social services organizations and marginalized people, etc.

	Arts, Culture & Recreation	Education	Health	Social Services
No at-risk populations	28%*	22%*	14%*	10%*
The elderly	35%	14%*	35%*	49%
Children / minors	56%	55%	35%*	55%
Those with disabilities	29%	26%*	54%	45%
Victims of domestic violence	...	12%*	12%*	29%
The homeless	...	13%*	12%*	32%
Substance users	...	...	21%*	33%
Marginalized people	27%*	31%*	26%*	44%
Other	...	...	22%*	13%*
Not applicable	7%*	...	...	...

* use with caution
 ... estimate too unreliable to be released

At-risk populations

Organizations working with at-risk populations tend to have more developed risk management plans, with over half saying they are equipped to handle most or all risks. Similarly, these organizations are more likely to carry most types of insurance. This pattern extends beyond abuse and professional liability / errors and omissions coverage, including both more generic policies such as commercial general liability and more specialized coverage like business interruptions.



Working with at-risk populations does not seem to be a major driver of higher costs. These organizations are no more likely than others to report cost increases, nor is the size of reported increases larger. What is different for these organizations is that when they experience cost increases, the increases are less likely to be generalized and more likely to be driven by specific types of coverage, though exactly what type of coverage is the driver varies greatly between organizations.

Claims history

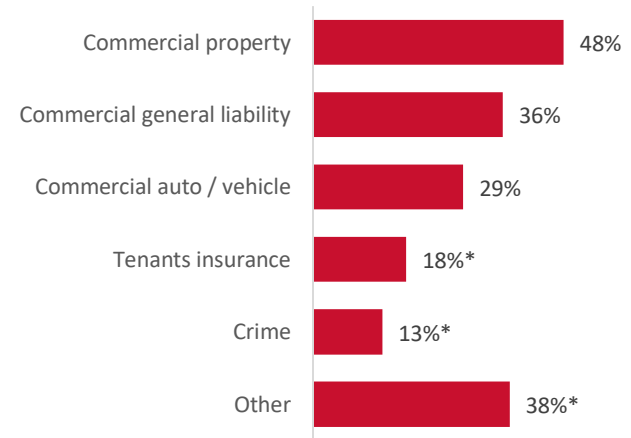
Respondents carrying some form of insurance were asked whether, to the best of their knowledge, their organization had ever made an insurance claim. Overall, just under a third of organizations (31%) have made some sort of claim. On average, 5.2 years had elapsed since the claim.

The likelihood of having made a claim increases with organization size and the number of types of insurance carried. Charities working with at-risk populations are also more likely to have made claims.¹

	Claim	No claim	Don't know
Revenue size class			
< \$150K	16%*	78%	...
\$150K < \$500K	25%	69%	6%*
\$500K < \$1.5M	36%	59%	...
\$1.5M < \$5M	45%	46%	9%*
>=\$5M	62%	30%	...
Serves at risk populations			
No	13%*	83%	...
Yes	36%	56%	8%*

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Respondents indicating their organization had made a claim (or claims) were then asked for the specific policy involved. Claims were most likely to be made against commercial property policies, followed by commercial general liability and commercial auto / vehicle. The incidence of claims against most other types of coverage is so low that the figures are too unreliable to be publicly released.



* use with caution

While organizations that have made claims are more likely to have experienced price increases, multivariate analysis indicates that other factors are the key drivers.

Benchmarking coverage

To understand the context in which organizations were responding, the survey asked respondents which types of insurance coverage their organization currently carries.

Overall, 91% of charities carry some form of insurance. The most common forms carried, by a significant margin are directors and officers and commercial general liability.

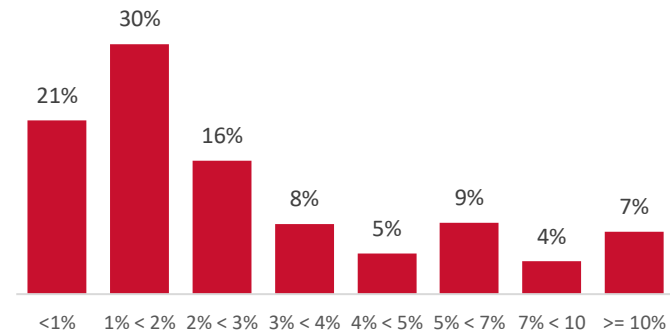
The likelihood of carrying insurance appears to be most affected by organization size and whether the organization works with at-risk populations. Larger



organizations and organizations working with those at-risk are more likely to carry virtually all types of insurance.

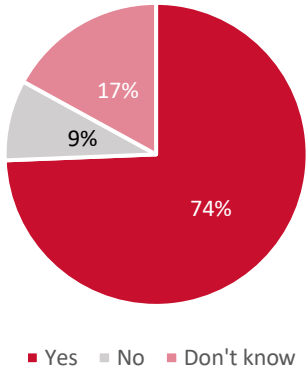
The likelihood of carrying some types of insurance is also linked to the sub-sector in which the organization works. For example, education organizations are more likely to carry professional liability and abuse policies, while culture and recreation organizations are more likely to carry commercial general liability insurance.

The average cost of insurance is 3.3% of annual expenditures and the median cost 1.7%. While costs for most organizations are relatively modest, insurance costs account for 5% or more of total budget for one organization in five.



Adequacy of existing coverage

The survey asked insured respondents whether they believe their organization is adequately insured. While most believe their organization to be adequately insured, a significant minority are unsure.



Organizations identifying themselves as inadequately insured were then asked what types of coverage they are missing and/or what types of existing coverage are below the level they would like. Organizations are much more likely to report they lack some types of coverage than they are carrying coverage below desired levels. The vast majority (96%) of inadequately insured organizations identified a gap in the types of

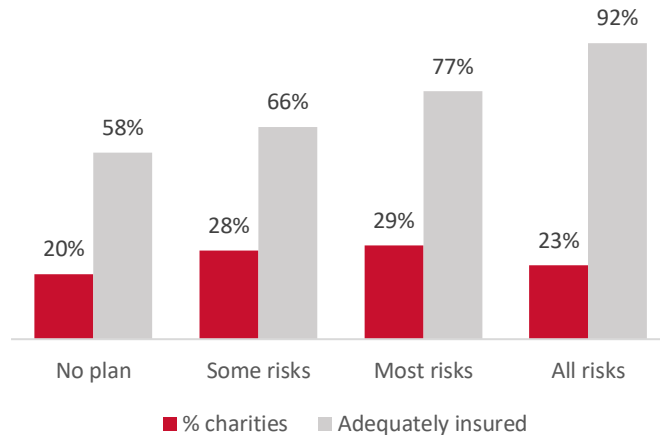
coverage they carry while only about half (45%) said that a carried policy was below desired levels. Directors and officers and cyber insurance particularly stand out as desired coverage for inadequately insured organizations not currently carrying it, while abuse coverage stands out as an area inadequately insured organizations would like to expand their current coverage.



* use with caution
... estimate too unreliable to be released

Adequacy of existing coverage

The state of risk management planning is a key to whether organizations feel themselves to be adequately insured. The survey asked respondents about the extent to which they had formal plans and policies to address organizational risks. About a fifth of organizations have no plans or policies at all, while just under a quarter say their plans and policies allow them to comprehensively manage organizational risk. As organizations feel they have plans to manage risk, so too does their sense of being adequately insured, ranging from just over



half of organizations without formal risk management plans, to just over nine tenths of those with comprehensive plans.

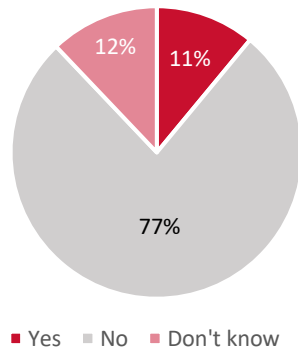
Perhaps not surprisingly, larger organizations and organizations working with at-risk populations tend to have more developed risk management plans.

	All risks	Most risks	Some risks	No plan
Revenue size class				
< \$150K	12%*	19%*	33%	36%
\$150K < \$500K	20%*	33%	26%	20%*
\$500K < \$1.5M	35%	32%	26%	7%*
\$1.5M < \$5M	26%	36%	28%	11%*
>=\$5M	40%	41%	14%*	...
Serves at risk populations				
No	15%*	20%*	19%*	46%
Yes	26%	31%	30%	14%

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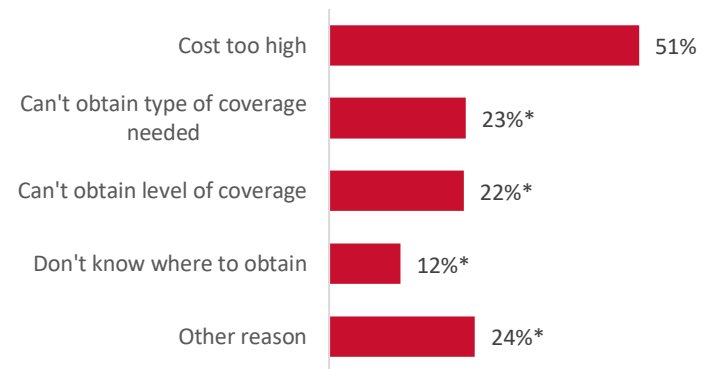
Adequacy of existing coverage

The survey also asked insured respondents whether their activities are limited in any way because of the type(s) or level of insurance it currently carries. Overall, about one organization in nine faces limitations because of the insurance it currently carries, while about one in eight are unsure.



Not surprisingly, inadequately insured organizations are about twice as likely to face activity limitations (19% vs. 9% for adequately insured organizations). Organizations working with at-risk populations are also more likely to face limitations. Organizations do appear to feel that such limitations can be overcome, in that organizations with more involved risk management plans and carrying more forms of insurance are less likely to report limitations.

Organizations lacking adequate insurance were asked why their organization was not adequately insured. The most common concern was the cost of insurance, but concerns related to the type and levels of coverage obtainable were also significant. Most commonly, organizations reporting other reasons cited lack of time or resources to validate their existing coverage against their situation and needs, particularly when they had undergone significant organizational changes. Unfortunately, the percentage of organizations reporting particular concerns was too low to assess variation by organizational characteristics.



* use with caution

Methodology

SUMMARY. The survey was conducted between February 21 and March 28, 2024. Potential respondents received an invitation e-mail directing them to an interactive survey website where they could complete the survey. Participants received up to three reminders spaced at approximately 10-day intervals to help increase response rates.

SCOPE. Registered charities with annual revenues of \$30,000 or more that were not religious congregations were considered in-scope for this survey.

RESPONSE RATES. Survey invitations were sent to 6,872 in-scope charities and we received 853 useable responses. Once e-mails known not to have reached the intended recipient are taken into account, the gross response rate was 14.8%. Based on e-mail open rate data from the survey engine, we estimate that the final response rate was approximately 20%.

Gross response rates varied with organizational characteristics. Organizations with annual revenues less than \$150,000 were less likely to respond, as

were Education organizations, organizations from Quebec, and organizations without paid staff. To adjust for the lower likelihood of responding, these responses would tend to receive higher weights.

WEIGHTING STRATEGY. Survey responses were weighted by revenue size, sub-sector, region, primary source of revenue, and presence of paid staff to account for differences between the survey sample and the population of in-scope charities and for variations in the response rate. Population counts of in-scope charities were based on the 2022 distribution of registered charities.

ANALYTICAL APPROACH. Multivariate regression was used to identify key drivers of variability of response and statistically / behaviourally significant patterns highlighted in the text. Reliability of estimates was assessed using standard Statistics Canada coefficient of variation cutoffs. Estimates with CVs over 16.5 but below 33.3 are marked with cautions while estimates above 33.3 are suppressed.