

## **Insurance BEST PRACTICES**

**LIABILITY INSURANCE.** Liability insurance is required for all responsible clubs. Now the club must decide what to purchase, where to purchase the coverage and what the content and exclusions should be.

Until recently, the insurance companies working through ISO (Insurance Service Organization) were issuing standard liability policies. The annual premium, generally subject to a minimum premium varied by company. ISO filed their rates with the various insurance departments, and individual companies filed rated deviations based upon their internal data (expenses, claims, reserves). In 2019, ISO modified their liability forms, to include a lengthy list of exclusions of dog breeds. Some of the breeds are not AKC-recognized, but many are, including, for example, Doberman Pinschers and Staffordshire Terriers. Most of the exclusions are based upon the historical experience of different companies, reported to ISO, and subsequently incorporated into the exclusions. Unfortunately, if the club does not carefully read the forms, the club may be shocked to find that a dog bite claim will not be honored if there is a breed exclusion.

Best Practices demands the club officer(s) responsible either read the entire form, looking for exclusions, or require the insurance broker to appear in some manner to describe any exclusions or amendments to the policy since the last renewal. Due diligence is important in the review of liability insurance. The rule of thumb is to (a) read the policy, make a list of exclusions, and (b) append that to the front of your policy so the terms are clear to all the officers. A general rule is that, if not excluded it is covered, but that is not always the case. Having a capable insurance reviewer is important, with a detailed report from a board insurance committee.

The location(s) for liability coverage are important. The description of coverage should not just be your show site, but should be, “same and elsewhere in the State of XXXXX.) You need to know that under the AKC definition of a show site, it includes the hotels you list in your premium list, and may include an entire site, even though you are using only a small part. Sometimes exhibitors stretch the rules, go outside your boundaries, cause damage, and the costs come back to haunt you. Keep in mind your storage facility is also an exposure for you. Be certain your liability coverage addresses that contingency.

The elephant in the room for dog clubs is the aspect of personal liability for decision makers. It is important to talk to one’s personal insurance broker and get a written determination if there is personal exposure under the personal insurance held by individuals making decisions for the club. Even if the broker says there is no personal liability exposure, best practices dictate the individual add a personal umbrella liability plan to their personal insurance portfolio.

The liability policies will usually charge a small fee for “Hired and Non-Owned Auto.” Don’t ignore this seemingly insignificant coverage. If members of your club use their own vehicles in support of club functions, you do have an exposure. For instance, if a club member transports a judge, is involved in an accident, and the personal vehicle insurance is involved, so too will be the Hired and Non-Owned coverage. It is important it be reported to the liability insurance company, the same as any other injury. Your member may find their coverage doesn’t pay for a

number of reasons, and you don't want them, for your protection, to be driving around uncovered.

**PROPERTY COVERAGE.** Most clubs consider their property to be inconsequential as individual items. Collectively, the value can be significant. This is especially relevant for parent clubs which might possess invaluable archives and breed historical records. With many clubs, the property may move about, from a storage facility to a show site, or to multiple venues. For that reason, the standard property insurance doesn't provide adequate protection. The club should look to Inland Marine coverage. It is a specialty insurance coverage designed to insure portable equipment, whether stationary or in transit. In a catastrophic event, it is possible for a club to lose all equipment, not just an isolated item. It is important to not only describe each item of equipment, but have pictures of the items insured, and, if possible, copies of invoices showing where and when purchased. Generally Inland Marine coverage is coupled with liability insurance into a package plan, but it does not have to be.

**CRIME COVERAGE.** Unfortunately, too many claims for dog clubs fall into this category. Clubs have faced missing, misappropriated, or embezzled funds. Too many of the claims go unsatisfied because the responsible board members didn't practice due diligence at the outset. It is much too common in dog clubs to elect to positions of responsibility members of longstanding, and many times because too few will step forward to take on the responsibility. The role of custodian of funds is a good example. Club members are often willing to criticize the actions of breeders and club members, but unwilling to speak up about conduct of business, for fear of having the work turned over to them. No club should place in office a member who will handle funds without a background check. As part of the screening process, any applicant or candidate for a position involving handling of funds should be required to answer, (a) Have you been adjudicated bankrupt in the past five years, (b) Are you the subject of any unsatisfied or pending court action or judgment, (c) Have you ever been convicted of a felony, (d) Do you believe you have any material information concerning your financial or personal background you believe you should report to us. You may exclude some members, you may find members unwilling to divulge the information, and they should be disqualified. It might not make them happy, but their happiness is not your goal. Bear in mind that, if you trust them, you are still not in the clear. Only those you trust will have the opportunity to convert your assets.

Internal controls are important as well, for this reason. First of all, no person responsible for signing checks should be permitted to sign a check to themselves, regardless of position. Secondly, all checks should require the signatures of two officers. Thirdly, each request for a check should be in writing, accompanied by a written document (invoice if available) describing the reason for the disbursement, and assigning the account to which it should be applied, and with the name of the requestor. There should be no petty cash account unless it is reconciled by two officers, with no expenditure greater than a minimal amount, determined by the board, and always justified in writing.

The accountability for money is important, but some of the same procedures should apply to club property. Missing property is not uncommon, and Crime insurers want to know if you exhibit best practices in accounting for your equipment as well as your money. Violation of best practices commonly leads to claim denial.

This same coverage includes bonding for your treasurer, but a part of best practices not addressed to this point is the reconciliation of financial records. Too often there is a temptation to cut corners and not have an annual reconciliation of the finances of a club. One must be caution in the wording of bylaws. The term “audit” has an entirely different meaning to a CPA than does a reconciliation. An “audit” can result in unaffordable expense for a club. If a club has a diligent finance committee, independently reconciling bank statements and invoices on a systematic basis, an annual reconciliation by the accountant should be sufficient.

**DIRECTORS AND OFFICERS LIABILITY INSURANCE.** It is always better to have liability insurance and not need it than to need it and not have it. D&O coverage isn’t used often, but when it is, the size of the claim is generally large. The question surrounding D&O is not that of whether to have it, but what limits, and to whom should one look for such coverage. The coverage is designed to protect board members who believe they are acting in good faith. With that, it is important to always have detailed minutes and records, sufficient to provide a standalone document in the event of legal action.

The AKC-endorsed insurance company is the best place to start if one is looking. Their checklist of questions serves as a solid guide to obtaining the right coverage. It is important to determine not only what is covered, but what is excluded. The question should be asked, “Does this product adequately cover my club’s exposures?” It is critical to know what is excluded. AKC recommends Equisure.

One innocent example of a possible D&O claim is incorrectly analyzing the general liability insurance. For example, one liability coverage excluded ten specific breeds from liability coverage. If the Board of Directors had chosen that coverage, D&O might cover the officers and board making the decision to purchase that liability coverage. Those officers and board members have a duty to know what their liability coverage covers, and not just assume.

Know if your coverage is “occurrence” or “claims made.” An occurrence policy has lifetime coverage for the incidents that occur during a policy period, regardless of when the claim is reported. A claims-made policy only **covers incidents that happen** and are reported within the policy's time frame, unless a 'tail' is purchased.

The same D&O may come into play in the event of an event hearing, particularly with a litigious subject, and if the hearing goes against them. In short, know what your D&O covers, what it excludes, and if there are any questions, ask your broker, in writing, and ask for a written response.

**EVENT CANCELLATION.** This is an area of club operations where you can exercise little or no control, other than deciding if circumstances call for cancellation of the event and developing a protocol to proceed with the cancellation. AKC has specific guidelines for event cancellation, and those should be included in your Best Practices manual, and periodic updates noted, with initials and date of the responsible party. The most important concern is to involve AKC Club Operations, advise them of your plans, and see if they impose any requirements on their end. Next, contact the show superintendent or club secretary and start the notification process. You

should have already made provisions for refunds, or adequately communicated that no refunds will occur, or will be moved forward as a credit to a subsequent event. You should also specify what happens if the entrant chooses to not enter a future show and communicate that as well.

The subcommittee thanks Jon Green for his contribution to this section.