

## Gareth Saunders, commercial sales director at Clements Worldwide, explains the importance of high risk insurance for NGO employees

Oxfam is not keen on “pound swapping” so self-insurance is utilised in areas such as catastrophe cover and particularly medical expenses, using consultants Vanbreda as claims manager.

“We did this because we felt it better to have objective criteria to manage difficult choices when we have a limited budget, and this is a very emotional area for an organisation that is very committed to its staff as well as its beneficiaries,” he adds.

Self-insurance is a tool STC is looking at increasingly. The charity’s office content and fleet of motor vehicles across territories are areas Willingham is considering covering internally.

He believes it will be more economical to self-insure own-damage for their vehicles and is in the process of compiling data from across the international branches. The same goes for office content.

“Even if we were to have a total loss somewhere, it is probably cheaper to pay for it when it happens than pay lots of insurance premiums year-by-year,” he says. “Let’s have insurance where we need it, but not if we don’t.”

Self-insurance may only be relevant to the bigger charities that can afford to carry the risk however. STC UK has £300m revenue a year, while STC International has almost \$1bn revenue a year.

“All that money is there for a purpose, it is all spent, but there is enough leeway to be able to take some risks as long as it is managed and capped,” Willingham says.

Gareth Saunders, commercial sales director at Clements Worldwide, says in his experience it is rare for NGOs to self-insure since a strong balance sheet is often needed, but the larger ones, similar to for-profit companies, will choose to self-insure risks with higher pay-outs, such as health insurance.

“Some organisations do also self-insure unknowingly, by electing not to provide coverage for certain areas that are deemed to be a lower risk for the company,” he adds.

AMIDEAST is one example with Bui describing them as in the “sweet spot” of being large enough to purchase essential insurance, but not big enough to self-insure.

Christian Aid only looks to self-insure when traditional forms of insurance in-country are not available – “Afghanistan springs to mind straight away,” Kobelis says.

There is certainly a reluctance to become involved in self-insurance at some charities, but Willingham feels it should be an approach looked at more closely.

“Oxfam is certainly ahead of us with regards to self-insurance, but it is the direc-

As the scope of NGOs become increasingly diverse and globalised, they face a growing set of unique risks associated with operating abroad.

Depending on their target demographic and geographical location, NGOs and their employees may need to consider protection from high-risk issues like personal accidents, the need for political evacuation and even kidnap and ransom incidents.

NGOs should also consider health insurance coverage for medical evacuation including during passive war conditions. This is particularly important as they become involved in the rebuilding of a nation after conflict has taken place and many standard insurance policies do not offer this coverage.

For example, recently an NGO employee was working in an outpost in the Philippines, when members of a local gang broke into the organisation’s compound and kidnapped the man at gunpoint.

Fortunately, the NGO was well-prepared to access the needed funds and experts to safely facilitate the release of the kidnap victim, covered through Clements’ com-

prehensive Kidnap and Ransom Insurance programme.

Clements sent in crisis consultants to negotiate the ransom amount and manage the logistics of the highly sensitive situation. The policy funded travel expenses for the organisation’s local managers to travel to its headquarters in the US to brief members of the board regarding the crisis.

An employee was hired to replace the kidnap victim, and both his and the kidnap victim’s wages were covered by the policy. After a successful negotiation process which resulted in a decrease of the ransom amount, the kidnap victim was safely released.

Medical expenses and counselling for the kidnap victim following his safe return were also covered by the policy.

This incident further underscores why securing high-risk insurance protection is paramount for any NGO considering or already operating overseas. NGOs are therefore advised to always consult with an expert insurance solutions provider that knows and understands their sector.

tion we are going,” he adds. “A lot of NGOs probably don’t even think about it.”

Kobelis however, has delivered similar cost reduction results through good practice. “When I first went into the insurance side with Christian Aid, our premiums came down by about a third because we got the brokers and insurance company involved, talking to them and telling them how we set up our security, how we rate the countries, the training we do for staff etc,” he says.

One area that Save the Children self-insures is for medical expenses, including medical emergency transport and medical evacuation. STC puts a cap on the annual amount it is prepared to pay out with stop loss cover bought as a safety net.

“Each year since we have been doing this, I have asked our brokers to get a quote for standard ground-up cover so I can demonstrate I am saving £50,000 to £100,000 or more each year by self-insuring with a stop loss cap,” Willingham says.

### Private Lessons

The culture and maturity of insurance buying varies from charity to charity, as it does within the private sector, although there is innovation which belies its, at times, inexperienced nature.

“A lot of the people buying insurance are doing it as an extra responsibility as an HR, procurement or facilities person without any formal insurance knowledge,” Willingham says. “They do a good job from what I see, but it probably hinders an organisation from doing the best possible because these people have other responsibilities.”

Bui worked at an insurance company for 10 years before joining AMIDEAST. From her experience, risk management maturity across NGOs varies widely but believes there is more scrutiny on the financial merit of a policy and closer inspection of potential policy duplication than is found in the private sector.

Bui adds: “Budgets are a little tighter, we really try to see what is necessary and what is not.”