BOP'S: ARE THEY RIGHT FOR YOUR NONPROFIT?

Easter Bunny BOP: Business Owners Policies (BOPs) May Bring Unpleasant Surprises

Purchasing insurance can be a lot like an Easter Egg hunt, where one must be on the lookout for hidden policy surprises and exclusions. This is especially true for nonprofit organizations, which are forced to balance budgetary concerns with their need for unique and effective liability coverage. If your organization has a Business Owners Policy (BOP), it may be even more imperative to do some Spring cleaning to ensure you have thoroughly evaluated all of the policy's potential unpleasant Easter Egg surprises.

What is a BOP?

Business Owners Policies (BOPs) bundle general liability insurance and property insurance into a single policy with a reduced premium and are thus often enticing to small businesses and non-profit organizations looking to squeeze insurance into their budgets. However, as with anything, you get what you pay for with BOPs, and the low premium is indicative of its limited coverages. While the majority of insurance companies offer their own BOPs with unique coverages and exclusions, BOPs are typically available only for businesses and organizations that conduct most of their activities on-premises and have limited off-premises activities, such as retail, office, service, apartments, wholesale distributors, contractors, and small restaurants. Non-profits usually qualify under the category of "office."

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What are the potential pitfalls of BOPs?

While insurance carriers can (and do) provide their own unique additional coverages and exclusions to BOP policies, the typical BOP policy will cover limited losses under two general categories: Property and Business Liability. Property coverage under BOP policies typically includes business structures, personal property, and business income and extra expenses resulting from a covered loss. Business liability coverage under BOP policies typically protects against bodily injury and property damage to third parties; personal and advertising injury; fire legal liability; and medical expenses. At first glance, these protections seem broad and exactly what most people think of when they purchase insurance. However, BOP policies do not include coverage for risk categories such as professional liability, auto insurance, worker's compensation or health and disability insurance. Further, most BOP policies do not allow volunteers or members to be added as insureds nor permit other endorsements that expand the provisions with regard to the persons who are insured.

To limit their exposure, some insurance companies attach an endorsement that limits coverage to designated premises or operations, so the policy insures only *incidental* operations away from the organization's property. These provisions can effectively invalidate necessary coverage for a vast number of nonprofit organizations that rely heavily on volunteers and off-property activities. Because BOPs are a "cookie cutter" form of insurance with limited flexibility to add or change coverage provisions, they often do not provide necessary coverage for nonprofit organizations.

What's the alternative?

While some insurance carriers provide the option for add-on coverages, nonprofit organizations should take a close look at their policies, especially BOP policies, to make sure the policies do not contain any unpleasant surprises. Because BOPs are cheaper and are tailored to small organizations and businesses, they may very well provide less coverage than standalone insurance products. As such, nonprofit organizations should seriously consider acquiring additional coverage for the gaps left by BOP policies.

Give us a call at (888) 565-1326 to discuss any insurance needs, including any potential BOP coverage gaps that may affect your organization.