

Liability Insurance for Users of Grange Property

A common issue Granges face in renting out Grange Halls is determining when and what amounts of liability insurance the Grange should require users to carry. What's reasonable and practical to require?

When the user is a for-profit business, requiring the user to provide proof of commercial general liability insurance in specific amounts (often \$1,000,000 single occurrence/\$2,000,000 in the aggregate). Because the for-profit business probably already carries liability insurance, requiring that your Grange be named as an additional insured on the user's liability policy is relatively easy to do and at a reasonable cost (\$50) and with minimal delay. But when the user is a small nonprofit, or an individual engaged in a community or charitable activity, both Granges and the users often resist and struggle with liability insurance requirements.

Consider the specifics.

When a Grange is asked to allow any third party to use the Grange's property, the Grange should consider the specific risks presented by the proposed use. Is the proposed use a church study group, or is it a wedding and reception at which alcohol will be served? Will children be present? Is the Grange Hall in good condition or do its steps or handrails fail to meet today's building codes and, importantly, are they in less than optimal condition? Are there uneven steps into or elsewhere in the building? And, how much liability insurance does the Grange itself carry? The proposed activity, the condition of the premises and the Grange's own liability insurance policy need to be considered.

Is accepting a homeowner's policy a good idea?

In limited, low-risk circumstances, a user's homeowner's policy may provide acceptable risk-mitigation for your Grange. A homeowner's policy, such as the ISO HO 00 03 04 91, typically provides some liability coverage of the homeowner for claims arising on someone else's premises and as to which the homeowner is legally liable. If the homeowner requests, the homeowner's insurer will usually provide an additional insured endorsement for the benefit of your Grange at a cost of approximately \$30-50, depending on the amount of liability coverage required and the risks involved.

Such insurance coverage is better for your Grange than having no insurance protection from the user, but note that, even with an additional insured endorsement, the typical homeowner's policy will not provide coverage if:

- The user agreement is not in the homeowner's name. Make sure that the user's name and signature on your User Agreement match the insured's name on the homeowner's policy you want to rely on.
- The use constitutes a business (for-profit as opposed to nonprofit) activity.

- The use is regularly carried on as opposed to “occasional.”
- The user him- or herself is not otherwise liable within the terms of the homeowner’s policy.

Also note that, unlike a commercial liability policy, a homeowner’s policy probably won’t provide *contractual liability* coverage for rental use, which serves to “back up” the indemnity written into Grange user agreements. In addition, the homeowner’s policy will cover *property damage* in amounts much lower than the policy’s liability limits (for example, 10% or \$500-\$1000).

So, Granges should consider these significant limitations when seeking to rely on a homeowner’s policy to protect the Grange from a user’s activities.

Cost-Effective Event Insurance

As an alternative, cost-effective event insurance is available to the user from other insurers, such as Gales Creek Insurance Services at eventinsurancenow.com. Liability insurance for many common events is available through this and other sources at reasonable cost.

Options

The most conservative approach to risk mitigation is to require the user, no matter who (or what) it is, to provide proof of a commercial general liability insurance policy in the required amount with a certificate naming the Grange as an additional insured. For special events, and for most group users, this should always be required. Event insurance is available and appropriate if the user doesn’t carry commercial general liability insurance or wants additional coverage provided by event insurance. The costs for such insurance and naming the Grange as an additional insured should be reasonable and, except for special underwriting, the insurance and certificate should be readily available. More often than not, the user will understand why the insurance is needed and will also benefit from having the insurance in place.

A less conservative, and at times more practical, approach is to allow the passive, occasional user to provide proof of homeowner’s liability insurance and a certificate naming the Grange as an additional insured. The cost (\$30-50) and delay involved in obtaining the certificate should be manageable.

An approach some Granges may take is to have the individual user simply attest to the fact that he or she carries homeowner’s insurance, including liability insurance, in an amount not to exceed, say, \$300,000. However, this approach promises your Grange very little reliable benefit.

Of course, your Grange may choose, as an Executive Committee policy matter, to rely on its own liability insurance policy for protection and to not expect the user to mitigate risks through insurance. This may be appropriate if the user and prospective use meet identified

policy criteria, such as if the user is a member of your Grange AND the use involves only a small number of adults, is passive in nature and consistent with the Grange's mission, and no alcohol will be served.

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