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ADVISORS



# Fraternity/Sorority Insurance FAQ



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When it comes to advising fraternities and sororities, there are many areas of expertise in which knowledge of detailed information is necessary to be effective in supporting student leaders and organizations. Insurance is one of those areas. Questions about coverage, requests for forms and paperwork, and expectations of knowledge come from students, chapter advisors, inter/national organizations, and various university departments.

In an effort to assist fraternity/sorority advisors in their efforts to fulfill their responsibilities and be helpful in these instances, AFA surveyed three of the major insurance providers working with fraternities and sororities about some of the most frequently asked questions. Each of the providers has compiled responses to the questions and requests they receive most frequently. The resulting information, contained in the following pages, is intended to assist advisors in their work with chapters and chapter leaders.

This document is intended to be a guide and should not be considered a substitute for professional advice. Advisors are strongly encouraged to consult with insurance professionals and legal counsel for specific advice on these matters.



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### Frequently Asked Questions:

- What does an insurance policy cover?

It depends! MJ Insurance has created an expansive resource for its clients that details the various insurance coverages called the *Insurance Summary* (always available on the MJ Insurance-Sorority Division website, [www.mjsorority.com](http://www.mjsorority.com)).

- Why do chapters need a policy?

Chapters need insurance in order to protect them from liability associated with their premises, be it the chapter house or property that they use for meetings and operations, as an organization that participates in numerous social and philanthropic activities. MJ Insurance has seen a huge increase in the number and dollar amount of liability claims for women's groups in the last several years. To give you an idea of why insurance is so important for organizations, check out some [claim examples](#) on the MJ Insurance website.

- Does the college/university receive a copy of a chapter's insurance policy?

Third-parties, such as the college/university do not receive copies of the chapters' actual insurance policies for confidentiality purposes. They may however request a Certificate of Insurance. Once a college/university requests a Certificate of Insurance (also called proof of insurance), MJ Insurance keeps the college/university's information on file and automatically sends an updated Certificate upon each group's respective policy renewal date.

- Why does the campus fraternity/sorority advisor receive a copy of the Certificate of Insurance?

Colleges/Universities request Certificates of Insurance as a way to prove that an organization has insurance. This is important because the college/university needs to have the confidence that should a claim arise from a chapter's operation, the defense of the claim and any ultimate damage is going to be paid by the entity that is the most liable or that had the most control of the situation. The Certificate is written proof that the organization does in fact carry insurance, and the Certificate also provides the Certificate Holder with details about the insurance coverage, including limits and deductibles.

- What is the campus fraternity/sorority advisor's responsibility once he/she receives the copy of the Certificate of Insurance?

MJ Insurance recommends that the advisor file the Certificate in a safe place and make note of the organization's policy renewal date, so that he/she knows when to expect an updated

Certificate of Insurance. Many clients do not make their renewal decisions for the policy year until just before the renewal date, so Certificates for MJ Insurance clients usually arrive within a few days before or after the renewal date.

MJ Insurance also would encourage college/university representatives to make just one request for a Certificate and then distribute copies to the various departments that may need a copy.

- How do chapters or colleges/universities request an Additional Insured Certificate?

Chapters should contact their insurance agent directly in order to request a Certificate of Insurance. For MJ Insurance clients, Certificates of Insurance can be requested directly via the website at [www.mjsorority.com](http://www.mjsorority.com). Chapters can also contact MJ Insurance directly via the toll free number. In order to obtain Additional Insured status, the college/university will need to provide MJ Insurance with an agreement or contract obligating the chapter to list the college/university as an Additional Insured. Because Additional Insured status places significant onus and liability onto the insured, the insurance company requires that any Additional Insured requirements come in the form of a contractual obligation.

- When and why would the college/university be named as a second entity on a chapter's insurance policy?

It is the opinion of MJ Insurance that those who control the exposure should be responsible for paying any claim that may occur. Therefore, if a fraternity/sorority is responsible for a claim occurring, the organization's insurance policy should pay for the claim. Conversely, if the college/university is responsible for the claim, their insurance should come into play.

Colleges/Universities ask to be listed as Additional Insureds on fraternity and sorority insurance policies in order to provide another layer of protection from any potential claims. This has become an increasingly standardized practice, but it is the opinion the insurance professionals at MJ Insurance that it is an unnecessary practice. MJ Insurance's clients maintain adequate insurance coverage and limits to handle their ultimate liability.

- Can chapters request "1 day Insurance" for an event? If yes, is there an additional cost for member groups? If no, why not?

There is no need for an MJ Insurance client to request a one-day insurance policy for events, because they have purchased the most expansive coverage policy to protect their organization, members, and volunteers. There are some rare occasions where there may be a need to secure additional coverage. MJ Insurance handles each Certificate/Additional Insured request individually and can counsel the chapter on the risk management implications. With the support of the clients, the only time MJ Insurance encourages a chapter to pursue an event policy is for a social event in which the venue/individual serving the alcohol is requiring to be added as an Additional Insured onto the women's fraternity/sorority policy.

- Can governing councils obtain insurance? What would the cost be? Why would a council purchase insurance?

MJ Insurance also insures the National Panhellenic Conference, which covers the national umbrella organization and the College Panhellenic Councils. Their exposure is such that they

could be liable for a bodily injury or property damage that may occur during a Panhellenic event, and would need insurance coverage to defend themselves in the claim.

- Can organizations that do not have a national insurance plan obtain insurance for an individual chapter?

MJ Insurance specializes in insurance for National Panhellenic Conference member women's fraternities and sororities, so the company currently does not provide coverage for any other organizations.

- Why is the review of contracts for services or for a venue so important?

Many contracts continue some insurance or risk management obligations that may need to be addressed by the chapter advisors or ultimately the insurance agent. To sign a contract without thorough review could put the entire organization at a higher risk than what is prudent.

- General education on insurance...there are a lot of assumptions made about MJ Insurance plans/policies.

MJ Insurance recommends that advisors review the *Insurance Summary*, which has been created as a "layman's guide" to insurance coverage and some risk management recommendations.

## Willis

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## Frequently Asked Questions:

- What does a General Liability policy cover?

A General Liability policy provides insurance protection for the fraternal organization in situations where a 3<sup>rd</sup> party brings a claim or lawsuit alleging they sustained bodily injury, property damage, or personal injury arising from the negligence of the fraternal organization or an individual defined as an insured under the fraternal organization's liability insurance program.

Coverage is usually written with a minimum limit of \$ 1,000,000 and can be structured excess of a small deductible or large self-insured retention. Claim and legal defense costs are paid in addition to the stated policy limit. Policies can be tailored to meet the unique needs of fraternal organizations providing host liquor liability. They can also provide protection for officers and volunteers in cases involving hazing, sexual abuse, and assault & battery that exempt coverage for the perpetrator of the act and anyone directing and/or acting in concert with the perpetrator.

- Who is covered under the insurance policy?

The insurance policy provides coverage for the following organizations and/or people while performing the duties of their elected or appointed positions within the organization **ONLY IF** the laws and policies of the institution, city, county, state, country, and fraternity/sorority have been followed:

- A collegiate chapter or colony that is recognized by the inter/national organization **when it obeys the laws** of the institution, city, county, state, and country entities and the **policies of the fraternity/sorority**
- Collegiate chapter officers, executive board members, committee chairmen, members, and candidates for membership while performing the duties of their positions within the organization
- All volunteer advisors while performing the duties of their positions within the organization
- Local house corporations/property management teams and house directors while performing their duties
- Alumni/ae chapters, clubs, and associations and chapter-related educational foundations, their officers, and volunteers while performing their duties
- Parents clubs and their volunteers when acting within the scope of their duties

- Who is *not* covered by this policy?
  - Any individual member, alumnus, trustee, or advisor who is performing tasks outside of his responsibility (e.g., spontaneous social function planned by an individual member, chapter advisor consuming alcohol with collegians, hazing of members, etc.)
  - Any member whose illegal or intentional actions result in death or injury to an individual or property damage
  - Members' parents or family members and guests of chapter members
  - College/University administration
  
- Why do chapters need a General Liability policy?
  - More colleges/universities demand it for recognition
  - Opens the door to expansion and growth
  - Perpetuate the organization
  - Recruit and retain alumni involvement
  - Protect undergraduate members when they are acting for and on behalf of the fraternity
  - Responsible thing to do

Suppose that someone is injured during a chapter event and a lawsuit is brought by the injured party in which the chapter officers and the chapter are named as defendants. The General Liability policy will provide coverage for the chapter and the individual chapter officers as long as they did not violate any laws, engage in any illegal activities, intentionally cause harm to the other person, or engage in an activity specifically excluded by the policy and were acting in good faith. An individual is protected when acting in the scope of his/her duties on behalf of the fraternity/sorority while in compliance with its policies.

- Why does the campus fraternity/sorority professional receive a copy of the Certificate of Insurance?

This is proof of insurance for the organization. You may be asked to demonstrate that the inter/national fraternity/sorority as well as its chapters have appropriate coverage. A Certificate of Insurance can be produced by the insurance broker and serves as documentation that appropriate coverage is in place.

- What is the responsibility of the campus fraternity/sorority professional once he/she receives the copy of the Certificate of Insurance?

A Certificate of Insurance is a form that verifies that a chapter has insurance and states the coverage limits and specific policies in place. It is very common for a college or university to request the Certificate of Insurance as proof that chapters have insurance in place which meets the minimum requirements set forth by the institution. The Certificate is typically sent to the Office of Risk Management for the college or university, or other appropriate department. If a chapter is no longer recognized, the campus fraternity/sorority professional should contact the inter/national organization to discuss whether or not the Certificate is still valid and coverage is still in place. Obtaining written confirmation of such from the inter/national organization is advised.

- Does a fraternity or sorority need to contact its headquarters if the college/university asks for a copy of its insurance policy?

Yes, it is very important that the chapter president or chapter advisor contact the headquarters. Insurance brokers generally need permission from the inter/national organization in order to release that information.

- What is an Additional Insured request? How do chapters or colleges/universities request an Additional Insured Certificate?

When someone asks to be added as an Additional Insured, he/she is essentially requesting that the fraternity/sorority add them as an Additional Insured to the applicable liability policy via endorsement. Additional Insured status protects the entity in situations where it is named in a claim or lawsuit in which it is not negligent. In other words, Additional Insured status protects the entity for its vicarious liability and affords it the opportunity to tender the defense and indemnification of the claim or lawsuit to the fraternity/sorority. Additional Insured status can be granted for a specific time period (e.g., adding the college/university for an academic year), or it can be for a single event (e.g., adding the school bus company as an Additional Insured for the duration of a function). A fraternity/sorority can also ask to be included as an Additional Insured to the insurance policy of another entity. A chapter can request an entity be added as an Additional Insured by contacting its inter/national administrative office which will, in turn, request and grant permission for the insurance broker to include the entity as an Additional Insured and document it by producing a Certificate of Insurance to the entity.

- When and why would the college/university be named as a second entity/Additional Insured on a General Liability policy?

Most colleges and universities require collegiate chapters to include the institution as an Additional Insured on their applicable liability policies. This requirement is typically in place to ensure the host institution is protected for their vicarious liability in situations where an incident occurs resulting in injuries to a 3<sup>rd</sup> party that resulted from the negligence of the fraternal organization. It is important to point out that Additional Insured status does not extend for the negligence of the university or college. Coverage is typically documented annually, and the collegiate chapter should notify their headquarters of the college/university's request to be named as an Additional Insured.

- Can chapters request "1 day Insurance" for an event? If yes, is there an additional cost for your member groups? If no, why not?

Special Event insurance can be purchased to cover an event. Special Event coverage is a General Liability policy that is purchased to insure a specific function or activity and usually covers a period of time less than 7 days. The usual and customary minimum limit of coverage is \$1,000,000 with higher limits available. The intent of a Special Event Policy is to insulate the fraternal organization's insurance program due to unique exposures associated with the event or function.

In working with a fraternity or student organization exposure, it is recommended that a Special Event Policy be purchased for the following types of events:



- Any event/function where alcohol will be present, and the guest to member ratio exceeds 3 to 1
- Any event /function involving certain athletic events or competition
- Any event that involves any activity that is deemed to be potentially hazardous by your advisory team, alumni board/house corporation, fraternity headquarters staff, or insurance representative

If alcohol is present at the event, then the coverage purchased should include "host liquor liability" coverage. If the event is an athletic competition, the coverage purchased should include "participant legal liability" coverage.

- Can governing councils obtain insurance? What would the cost be? Why would a council purchase insurance?

Yes, and it is a good idea for them to do so. Liability exposures are present during recruitment events sponsored by governing councils, Greek Week events, and other activities planned and carried out by these councils. Willis currently provides liability insurance for governing councils at colleges and universities all over the country. The actual cost will vary depending on the limits of and scope of coverage requested.

- Can organizations that do not have a national insurance plan obtain insurance for an individual chapter?

Yes, and Willis strongly recommends that they do so. Increasingly, colleges and universities are requiring all their chapters to have General Liability insurance. It protects both the institution and the organization and helps perpetuate their continued success. Willis has designed and can provide liability, property, and other miscellaneous lines of coverage to individual chapters that do not have coverage through a national insurance plan.

- General education on insurance....there are a lot of assumptions made about our insurance plans/policies.

Fraternities and sororities are a high risk market, so our insurance premium, the amount a chapter pays for General Liability insurance, is very expensive. Factors influencing those fees include:

- Lack of interest in insuring fraternities and sororities by the insurance industry in general
- Loss experience for fraternity/sorority organizations as a whole and the individual organizations
- Poor public reputation of fraternities and sororities
- Men's general fraternities are the 6th highest underwriting risk
- A "headline" loss will impact everyone
- Individual loss experience
- Premise exposure

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### Frequently Asked Questions:

- Certificate Basics

Certificates of Insurance and other Evidence of Insurance forms are the basic information communication tools of the insurance industry. Whenever one party requires another party to secure and maintain some form of insurance, they should also require satisfactory evidence that this has, in fact, been done. This circumstance usually arises from various forms of contracts that are related to fraternity or sorority operations and activities. Examples include: relationship statements or college/university recognition requirements, equipment leases, leasing facilities owned by others for social functions or fundraising activities, chapter house leases or housing agreements, remodeling or new construction projects, and especially with any employment or independent contractor agreements.

- Certificates are Information Only

The principal function of any certificate or evidence of insurance is just to provide evidence of and convey basic information about the insurance coverage carried by another party. Insurance certificates do not provide insurance for the party to whom they are furnished. Certificates do not amend, extend, or alter the actual coverage afforded by the insurance policies.

- Requesting Certificates

Certificates of Insurance are available upon request (but may require approval from your underwriters or inter/national organization). They provide additional information such as, the policy numbers, underwriters, policy periods, limits of coverage and deductibles. Write, Fax, or Email requests to James R. Favor & Company, 14466 East Evans Avenue, Aurora, Colorado, 80014-1409, (800) 344-7335, (303) 750-1122, FAX (303) 745-8669, [www.jrfco.com](http://www.jrfco.com).

- Additional Interest Definitions

**Mortgagee:** Added to a property insurance policy. It protects the mortgagee's secured interest in physical loss or damage to the insured property.

**Loss Payee:** Added to a property insurance policy. It directs the insurance company to pay any loss or damage to specified property insured to a designated party other than the insured.

**Additional Insured:** Added to a liability insurance policy. It provides limited coverage to a party other than the insured for liability arising out of the insured's premises or operations.

- Who Needs Certificates?

Everyone needs certificates! Certificates of Insurance are the principal method used to provide evidence of your insurance coverage to the fraternity or sorority's various organizational components (Chapters, House Corporations, Alumni Groups, and Volunteers). They are also used to provide evidence of your insurance to third parties such as (Schools, Lenders, or Landlords).

Certificates are normally issued annually or as required. They may not be altered, but may be copied as repeated use may be needed during the policy year. For chapters we suggest they be retained with a specific officer or with the chapter's important records. For others we suggest retention with the corporate records or other important documents.

From the fraternity or sorority's perspective, there are numerous situations in which you will want to know that the parties you are dealing with have insurance to meet their obligations to your organization. Examples include:

- payment of workers' compensation benefits to injured employees
- payment for any damage to your property
- payment for liability assumed under contract
- proper insurance coverage for responsibilities assumed by others, such as bartenders or security guards

- Added Attention For Special Exposures

We continue to recommend lead time, documentation, and added attention for special fraternity or sorority exposures. Special exposures include:

- For "Independent Contractors", Workers' Compensation, General Liability and Automobile insurance
- For Security Guards, coverage for Personal Injury exposures (False Arrest, Invasion of Privacy, etc.)
- For Alcohol related service providers, coverage for both Host Liquor and true Liquor Legal Liability
- For Transportation Services, adequate Automobile Liability limits
- Have you been protected as an Additional Insured under the other party's insurance coverage where appropriate?

- The "Last Stand" for Risk Management:

While likely not your first risk management opportunity, providing a certificate or evidence of your insurance to others or obtaining a certificate or evidence of insurance from others will almost certainly be the "Last Stand" for risk management. This may be the last chance you will have to apply risk management techniques to a given exposure or potential loss situation.

When providing certificates to others you should again review your exposures. More importantly, review the limitations of your own insurance. Every attempt should be made to avoid the unknowing assumption of risk, and to the greatest extent possible, contain your risks within the scope of your insurance. Not all risks that you may assume are insured.

When you obtain certificates of insurance from others we will be pleased to assist you by reviewing the insurance they maintain to support their obligations. Some frequently found errors include:

- Incorrect Coverage or Insureds
- Inadequate Limits
- Missing Additional Insureds

Proposed contracts or agreements should be subjected to a joint review by your legal counsel and insurance representatives. As your insurance representatives we will work with you and your legal counsel to review the agreement's exposures and insurance obligations. This review process often reveals increased or previously overlooked exposures that may be significantly reduced or totally avoided by revising the related activity plans and contractual, indemnity, or insurance obligations. Your legal and insurance advisors need complete information, documentation and adequate time to perform these functions well. This is particularly true if alcohol or other hazardous exposures exist. Especially if risk management issues have been given little prior consideration, we urge you to use the providing or obtaining of insurance certificates as the "Last Stand" for risk management.

- Hold Harmless & Indemnity Clauses

Risk reduction or transfer to others is another fundamental risk management technique. This is most effective when done via a written agreement containing Hold Harmless and Indemnity Clauses. Effective use of this risk management technique requires that your legal counsel drafts or reviews the legal agreement. We will assist you by reviewing the risk management considerations with your legal counsel.

A Hold Harmless Clause attempts to relieve one party from claims for damages or liabilities that might arise via their relationship with the second party. An Indemnity clause usually accompanies the Hold Harmless clause. The Indemnity clause requires the party providing the indemnity to defend and pay any claims or damages the party being Held Harmless may become legally obligated to pay to a third party.

The opportunity for fraternities and sororities to apply or be faced with this basic risk management technique is almost endless. Some examples include leases, social functions or events, college/university recognition or relationship statements, and independent contractors.

Properly executed, this has been proven to be a very effective risk transfer and loss control technique for fraternities and sororities, and we recommend its use whenever possible. Don't forget to require, ask us to review, and retain in your records the certificates or evidence of insurance materials provided by others to support agreements in your favor. The respective bargaining positions of the parties will usually, to a large degree, determine how risks are transferred. While they remain an effective risk management technique for fraternities and sororities, overly broad Hold Harmless and Indemnity Clauses may be overturned and declared invalid by some courts as being unfair or contrary to public policy. If a Hold Harmless agreement is ruled invalid by a court, the contractual liability insurance carried by the indemnitor may be worthless.

- Additional Insured

Additional Insured status is another basic risk management technique. Hold Harmless and Indemnity Clauses are of greatest value only when supported by insurance or significant assets. When one party transfers risk or is promised indemnity by another, evidence of insurance that is adequate to support the promised indemnity should also be required. Being added as an Additional Insured under another party's insurance, establishes for the Additional Insured a limited but valuable added measure of protection. An Additional Insured can tender suits or submit claims directly to the other party's insurer for handling. Being an Additional Insured can be an effective basic risk management technique to insulate your insurance program from potential losses.

Insurance companies commonly attempt to restrict coverage for an Additional Insured to claims for damage or liability that arise out of the premises or operations of their policy's Named Insured. In order to secure coverage as an Additional Insured you often must allow the insurer to choose defense counsel and control the defense. Becoming an Additional Insured does not increase the limits or otherwise change the coverage that a policy affords. Factors such as insurer solvency, legal decisions, and insurance regulatory actions can set aside even the best risk management plans. If as an Additional Insured your claims are denied or go beyond the scope of the insurance, you must rely on other sources of indemnity or face an uninsured loss. The most important source of protection for you against losses or claims remains your own insurance program.

- Whose Insurance is Primary?

The Additional Insured risk management technique can give rise to other difficulties. When two insurance policies potentially apply to the same claim, the question of which policy is primary or first to pay usually arises. Failure to anticipate and address this topic can result in unexpected losses. Your insurer may have to respond to a claim against you for risks that you thought had been transferred to others. This can result in defense costs or claims costs ultimately being charged against your insurance program. If the potential for loss is significant, insurers attempting to determine the payment priority obligations of their policies may be reluctant to confirm coverage or provide defense for claims that have been presented. To avoid unexpected losses and potential problems in this area we recommend that your Hold Harmless or Indemnity Clauses, Additional Insured arrangements, and the related insurance coverage specifically address the following additional points:

- If a claim is presented, the other party's insurer will be primary (Pay First). Your own insurance will be excess and noncontributory (Pay Only After the Other Party's Insurance)
- The other party's insurer will provide and pay for your defense if a claim is presented
- The other party's insurer will provide and pay for separate counsel on your behalf if considered necessary by your legal counsel

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