

WHY NON-PROFITS NEED DIRECTORS & OFFICERS LIABILITY INSURANCE

A nonprofit organization is operated for the benefit of some group of persons. Those individuals, together with employees, creditors, customers, members, state regulators, etc, are all potential plaintiffs against directors & officers of nonprofit organizations due to mismanagement. The fundamental responsibility of directors & officers is to judiciously represent the interests of the organization's members and other constituencies in directing the business and affairs of the organization with in the law.

D&O insurance responds to protect an organization for the insured perils surrounding an allegation of a wrongful act. An important feature of a D&O insurance policy is defense costs coverage. The costs associated with defending an allegation of a wrongful act can easily and quickly exceed \$50,000.

EXAMPLE CLAIM EXPOSURES FOR DIRECTORS, OFFICERS, OR TRUSTEES

Allegation of Wrongful Acts

Conflict of interests Fraudulent conduct, reports, financial statements or certificates Breach of contract Torts Violation of statute Violation of provisions of articles or by-laws Improper self-dealing Acquiescence in conduct of fellow directors engaged in improper self-dealing Transactions with companies in which officers or directors are personally interested

Allegation of Financial Mismanagement

Inefficient administration resulting in losses Sale of assets for unreasonably low prices Wasting of assets Extension of credit where not warranted Failure to ascertain whether extension of credit is warranted

Allegation of Mistakes or Errors in Judgment

Disclosure of material facts False or misleading reports Dissemination of false or misleading information Permitting organization to make improper guarantees

Allegation of Negligence

Continual absence from meetings Failure to examine reports and documents before sighing Failure to detect and stop embezzlement of organizational funds Failure to file annual report Failure to require withholding tax Failure to inspect organization books and records to keep abreast of its activities Failure to supervise the activities of others in a proper manner Failure to verify facts in official documents before sighing them and filing them Shirking responsibility

If your organization has exposure to any of the items as identified, it is strongly recommended that Directors' & Officers' insurance coverage be secured.