



# Why To Buy Directors and Officers Coverage For Non Profit Organizations

- ▶ Non Profit Director and Officer boards can be sued by donors, employees (prospective, current or former), the general public, third parties, clients, and/or government agencies.
- ▶ The personal assets of the individual board members are at stake! Directors & Officers (D&O) insurance can help protect a board member's home, investments, or other personal assets.
- ▶ The bylaws of the Non Profit may indemnify the Board but does not guarantee the entity has the resources to fund the cost of a claim. The financial backing of a Directors & Officers policy will ensure financial solvency to the organization.
- ▶ Directors and Officers lawsuits can have a devastating impact on the operating budget of the Non Profit organization, and can even put the entity out of business.
- ▶ The average cost of a Directors and Officers policy is often under \$1,000 with a zero retention yet the average cost of a claim is over \$100,000.
- ▶ Directors and Officers claims are not covered under General Liability or any other policy form.
- ▶ Corporate scandals have heightened regulation of accounting practices. The Sarbanes-Oxley Act has also impacted Non Profits.
- ▶ The Internal Revenue Service has increased their scrutiny of Non Profits. Over 400 private foundations have been audited in the past year.
- ▶ Directors of Non Profit boards have the same fiduciary duties as corporate board members. Non Profit Directors and Officers lawsuits may involve a variety of issues related to the daily operations of the board including:
  - Duty of Care – requires Directors and Officers to act prudently and reasonably in regard to the management of the organization's affairs
  - Duty of Loyalty – prohibits Directors and Officers from using their position in the organization to further their own personal interest
- Duty of Obedience – requires Directors and Officers to ensure that the organization is run in accordance with it's charter and bylaws, and that the organization complies with applicable laws

