

# Nonprofit Directors and Officers Liability

## COVERAGE HIGHLIGHTS

The best intentions won't pay runaway legal fees.

### Why you and your organization need protection

Nonprofit organizations of all sizes remain under a threat of litigation. Individuals serving as directors or officers can be held personally liable for the actions and inactions of themselves and the people they oversee.

The responsibilities of directors and officers of nonprofit organizations are similar to those in for-profit companies. Both have fiduciary responsibilities, including the duty of care and the duty of loyalty. And, just like for-profit companies, a director or officer's right to indemnification from a nonprofit organization is only as good as the economic strength of the organization itself. According to a recent survey of nonprofit organizations, more than half of the respondents reported a deficit or break-even financial situation for the past five years.<sup>1</sup>

Without the proper coverage, it can be difficult to indemnify members and cover costs of expensive attorney fees or damage awards if faced with a lawsuit.

### Coverage highlights

Nonprofits provide valuable services to local communities. Lawsuits may not only be expensive and time-consuming to defend, they also may make it difficult to maintain the organization's mission. Even if claims are ultimately proven false, the defense costs could be devastating.

Directors and Officers Liability Coverage from Travelers *Wrap+*<sup>®</sup> for Nonprofit Organizations is a coverage that your organization should not be without. It not only covers the organization's defense costs, settlements and judgments associated with these claims, but also helps protect the personal assets of the organization's directors and officers. With Travelers local underwriting service, local claim services and local legal counsel, we are proud to be part of the community that your nonprofit serves.



**63 percent** of nonprofit organizations experienced a directors and officers liability claim in the past 10 years, which is a higher percentage than for both private and publicly traded companies.<sup>2</sup>

### Claim scenarios

#### Failure to manage a property lease – \$2 million

A membership organization was sued by a group of members who alleged the directors and officers failed to renew an option to extend a lease of the land. As a result, the lessor required the organization to either purchase the land for more than \$10 million or to lease the land for a substantial price. The suit was settled for \$2 million.

#### Misuse of funds – \$5 million

The state attorney general sued a large charitable foundation, alleging the trustees were excessively compensated and devoted insufficient time and resources to support the foundation's intended purpose. The suit was settled for more than \$5 million.

<sup>1</sup> Nonprofit Finance Fund 2013 State of the Sector Survey

<sup>2</sup> 2012 Towers Watson Directors and Officers Liability Survey

### Risk management service included at no additional cost

As part of your coverage, membership is included to *Risk Management Plus+ Online*<sup>®</sup>, an online resource that provides a useful set of tools to help protect your organization from costly litigation. To learn more visit [rmplonline.com](http://rmplonline.com)

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