[WHY YOU NEED NON-PROFIT DIRECTORS & OFFICERS INSURANCE](http://www.steelbridgeins.com/blog-0/why-you-need-non-profit-directors-officers-insurance)



According to the [Bureau of Labor Statistics](http://www.bls.gov/news.release/volun.htm), the United States has over 62.8 million volunteers who graciously donate their time each year to support non-profit organizations. Many of these people serve on non-profit boards. Often they mistakenly think that there are laws in place to protect them if they are sued as a result of their board work. Many organizations do not realize that if there is a claim or lawsuit that results from the decision of the board, the individual [directors and officers can be held personally liable](http://www.blueavocado.org/content/board-members-guide-nonprofit-insurance).

In addition, directors and officers can be held responsible for claims related to employment practices. This includes litigation for harassment, wrongful termination, and discrimination—among other things. In fact, research shows that almost 95% of claims against directors and officers are employment-related. This subsequently leads to lawsuits including harassment, discrimination, and wrongful termination. It is estimated that one in 25 non-profits will have a directors and officers’ claim brought against them. If there is no non-profit directors & officers liability in place, the organizations and their individual board members will have to pay all defense and settlement costs.

 Unfortunately we live in litigious times. Therefore it is essential that non-profits have the correct insurance coverage in place to protect them.

WHAT IS NON-PROFIT DIRECTORS & OFFICERS INSURANCE?

[Non-profit directors and officers insurance](http://www.steelbridgeins.com/blog-0/nonprofit-directors-officers-insurance-basics) protects the organizational entity as well as the individual board members. These policies are meant to respond to claims or law suits that result from the decisions or actions (or lack thereof) made by the board or the management team. Possible claimants include employees, other non-profits, customers, donors, government entities, and others.

For example, a client of mine, charitable foundation, was sued by an individual claiming to be the rightful owner of valuable photographic prints, which were allegedly gifted to him by the famous photographer. The plaintiff was difficult and the case pended for many years as the non-monetary issues could not be resolved. Because of the duration of the claim, the defense costs accumulated. The insurance company paid over $650,000 in defense costs on behalf of my non-profit client.

Another claim we helped with was the result of a long-time employee of our non-profit client who sought redress for wrongful termination. She asserted that management pushed her to resign, go on social security and Medicare, and is now unemployable because the non-profit organization had told others in the community that she had retired. The case eventually settled for $175,000 with defense costs in excess of $200,000.

REASONS TO GET DIRECTORS & OFFICERS INSURANCE

Often boards of directors are made up of volunteers with little or no experience managing non-profits, reviewing financials, or working with employees. Their knowledge of the legal implications of operating an organization and the ramifications of operating as a director is limited. Often they think their actions are protected under the law and/or through the organization’s general liability insurance. This is untrue.

Remember that your organization, your employee, and your board members can be sued anytime for any reason. There are three primary reasons that your non-profit needs to purchase non-profit directors & officers liability Insurance:

1. To protect the assets and finances of the organization
2. To protect the assets and finances of the individual board members
3. To attract and retain quality board members

It’s critical that you have appropriate insurance coverage to protect yourself. Failure to do so could mean financial ruin for you and your own family.

If you need additional information, just email Delaney Insurance at [compliance@delaneyins.com](mailto:compliance@delaneyins.com) or call us at 9090-481-7222. We will be more than happy to provide the answers you need.