



***“How can they sue us???***  
***We are a nonprofit board!”***

# **The Importance of Directors and Officers and General Liability Insurance for your Chapters**

**George Schalick, RPLU**  
**Assistance Vice President, Underwriting**  
**The Philadelphia Insurance Companies**

**Reed Booker**  
**Program Manager**  
**PROinsure**

**PROinsure**

## Q&A

Q) What is D&O Liability Insurance?

A) In the simplest of terms, D&O insurance provides protection for claims and lawsuits alleging damages for wrongful acts, errors and omissions that do not involve bodily injury.

## Q&A

Q) Why is it called Directors and Officers Liability?

A) The coverage was created over 40 years ago to protect directors and officers of corporations from lawsuits (mostly from stockholders) arising from wrongful management of their companies.

## Q&A

Q) Does D&O only cover directors and officers?

A) In the beginning yes. However, evolution and product differentiation has changed that. Today D&O products are available to all types of organizations including not-for-profit organizations to cover everyone as well as the organization itself.

# Q&A

Q) What are some of the types of claims covered by D&O?

A) It provides coverage for (but not limited to) such claims as discrimination, eligibility, wrongful dismissal of employees, breach of duty, failure to provide adequate insurance coverage and sexual harassment. It also provides coverage for Employment Practices Liability (EPL) relating to employees and volunteers.

# SO WHY DO I NEED D&O??

- Many state protection laws do not adequately defend nonprofits or members of nonprofits. A legal defense is still costly
- Personal Assets are on the line for board members
- D&O policy provides coverage when the by-laws cease to protect the individuals.

# D&O Claims Scenarios

**\$75,000 defense costs only** - A group of association members filed a lawsuit alleging the recent election of a new board President did not follow the association bylaws. Members argued that the 51% majority vote required was not obtained for the election to be valid.

**\$55,000 defense and indemnity** - A potential vendor alleged that bidding was rigged when they did not receive a contract for an annual fund raising event.

# OTHER D&O COVERAGES

- Employment Practices Liability (EPL)
- Fiduciary Liability
- Internet Liability
- Workplace Violence

# Employment Practices Liability

Insurance product providing protection from employment related claims and lawsuits brought against an organization, its managers and employees by current, former and prospective employees.

# EMPLOYMENT PRACTICES LIABILITY

- Third party liability can be included
- Definition of claim can include mental anguish or emotional distress
- Leased employees and independent contractors can be included in definition of insured

# EMPLOYMENT PRACTICES LIABILITY

Definition of employment practices act includes:

- Wrongful dismissal, discharge or termination
- Breach of written/oral/implied employment contract
- Failure to promote
- Invasion of privacy
- Sexual or workplace harassment of any kind
- Constructive discharge
- Retaliation and humiliation

# EPL Claims Scenarios

**\$115,000 Defense Costs and Indemnity** - The plaintiff terminated her position with the Insured because they reduced her hours when she returned from maternity leave. She alleged **pregnancy discrimination** and sought damages for lost wages for the 8 months it took her to find another job.

**\$50,000 defense costs only** - A non profit fundraising arm of a state membership association had a stated policy to hire employees from a pool of interns from local universities and high schools. One of the interns alleged she was **sexually harassed** during her end of the summer review and interview for a possible position.

# FIDUCIARY LIABILITY

Errors and omissions made by employers, trustees, plan administrators and the plan itself when administering benefit plans governed by ERISA

# INTERNET LIABILITY

- Libel, slander, or oral or written publication of defamatory or disparaging material
- Invasion of or interference with the right of privacy
- Infringement of copyright, service mark, trademark, trade dress or trade name, title, or slogan
- Improper use of literary or artistic titles, formats or performances

# WORKPLACE VIOLENCE LIABILITY

- Workplace violence act includes actual or alleged intentional and unlawful use of, or threat to use, deadly force with an intent to cause harm
- Damages include business interruption expense and public image restoration expense

## Q&A

Q) I have a General Liability policy (GL) why do I need D&O?

A) General Liability, with a few exceptions, only covers liability claims involving bodily injury and property damage. D&O covers the liability claims not involving bodily injury or property damage subject to certain exclusions.

# General Liability Definition

Insurance policy that covers claims arising from an insured's liability due to damage or injury (cause by negligence or acts of omission) during performance of his or her duties or business.

# Where does this apply?

- On your premises
- On your clients premises
- At an event or meeting you sponsor or hold

# Coverage Offered

- Directors and Officer Insurance (Flexi Five)
- General Liability/Property (BOP)
- Special Event Coverage
- Professional Liability (E&O) for club members

# How do I Get Started?

<http://www.proinsure.net/AAF/>

PROinsure

(866) 577-0355

(866) 518-4186 (FAX)



# QUESTIONS????