



Not-For-Profit Directors and Officers Insurance— With Employment Practices Liability Responses To Frequent Objections

1. Nobody would ever sue a non-profit organization!

Individuals serving as officers and directors of not-for-profit entities are often uncompensated volunteers, willing to donate their time for a worthy cause. Despite their good intentions, the law usually subjects these volunteer managers to the same liability standards as their for-profit counterparts. Litigation brought against an uninsured entity or an individual could have a significant adverse effect on the personal assets of the directors and officers. Without D&O insurance it becomes increasingly difficult to recruit and retain good volunteer directors and officers.

2. We already have enough liability insurance to cover our organization. We don't need any more!

An entity's general liability (GL) policy may provide some protection, but usually covers only bodily injury and property damage. The scope of the general liability coverage does not include most employment-related allegations and other management liability claims filed against not-for-profit organizations.

3. Don't state sovereign immunity laws protect volunteers and eliminate the need to carry D&O insurance?

Not really. Many states have enacted laws pertaining to non-profit legal liability. Few provide adequate protection. You cannot rely on these laws because:

- Protection only applies to a volunteer's personal liability; the organization is still at risk.
- The laws do not limit liability under federal statutes, such as those governing civil rights, labor and taxation.
- Claims can still be filed, requiring the mounting of a legal defense. These costs will be incurred regardless of who wins.

4. Our organization's charter has provisions designed to protect our officers and directors against loss. We don't need D&O insurance.

While your organization may be willing to provide legal costs, defense costs alone may exceed your organization's capacity to do so. If a smart trial lawyer and a disgruntled employee file a discrimination allegation against you, your organization can be financially devastated just defending the allegation.

If your entity relies heavily on government grants, you may be specifically prohibited from using those funds for indemnification. The result may be a significant personal, financial hardship on directors and officers.

5. Why does D&O Insurance cost so much?

The rate charged is based on the characteristics of your organization. Considerations are given to the type of work you do, annual revenues, number of years in operation, etc. We can work with you to tailor coverages, limits and deductibles to fit your unique exposures. Our pricing is very competitive.

NOT-FOR-PROFIT DIRECTORS & OFFICERS INSURANCE

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