



## CHAPTER BOARD LIABILITY INSURANCE

Most experts think that nonprofits need "Directors and Officers" (D & O) liability insurance. It can be costly\*, but members of the board and/or officers of your nonprofit could be sued individually or as a group.

Your board members are volunteers who often make difficult decisions. They should have D & O insurance to protect them. Not having such insurance can make it difficult to attract and retain good board members, who simply cannot afford to serve if they run such risk to their personal assets.

### **What is directors and officers liability insurance?**

Directors and officers liability insurance protects past, present and future directors and officers of for-profit or nonprofit companies from damages resulting from alleged or actual wrongful acts they may have committed in their positions. The policy provides protection in the event of any actual or alleged error, misstatement, omission, misleading statement, or breach of duty. In addition, some policies extend the same coverage to employees.

### **Why buy directors and officers liability insurance?**

Claims from employees, clients and stockholders may be made against any company and against the directors and officers of a company. Since a director or officer can sometimes be held responsible for acts of the company, most directors and officers will want to be covered rather than risk their personal assets.

### **What does directors and officers liability insurance cover?**

Criminal, administrative, civil, and regulatory proceedings based on actual or alleged acts, errors, omissions, misstatements, neglect, or breach of duty committed or allegedly committed by a director or officer are covered with directors and officers liability insurance.

### **Exclusions**

Directors and officers liability insurance policy covers defense expenses and financial damages or settlements. The policy does not cover wages, fines, taxes, penalties, or multiplied damages.

### **Coverage limits**

Coverage limits are available from \$500,000 to \$1,000,000 per claim and annual total limit, with a \$5,000 deductible per claim.

\*Cost depends on location - some states have absolute volunteer immunity, so premiums are lower.