

# Non-Profit Directors and Officers Liability

## COVERAGE HIGHLIGHTS

The best intentions won't pay runaway legal fees.

### Why you and your organization need protection

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

The responsibilities of directors and officers of non-profit organizations are similar to those of for-profit companies. Both have fiduciary responsibilities, as well as a duty of care and a duty of loyalty. And, just like for-profit companies, a director or officer's right to indemnification from a non-profit organization is only as good as the economic strength of the organization itself. In 2018, the Nonprofit Finance Fund's State of the Sector report revealed less than 25% of U.S. respondents had more than 6 months of cash on hand and close to 10% had less than 30 days.<sup>1</sup>

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

### Coverage highlights

Non-profits 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 defence costs could be devastating.

Directors and Officers Liability Coverage from Travelers *Wrap*<sup>®</sup> for non-profit organizations is a coverage that your organization should not be without. It typically covers the organization's defence expenses, settlements and judgments associated with these claims, it also helps protect the personal assets of the organization's directors and officers. With Travelers Canada local underwriting service, local claim services and legal counsel, we are proud to be part of the community that your non-profit serves.



### Claim scenarios

The following claim scenarios are provided for informational purposes only. Refer to the terms and conditions of the applicable policy and the actual facts of the claim to determine coverage.

#### 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 on 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.

#### Breach of fiduciary duty – \$3 million

An organization providing housing for the disabled was sued by the parents of adult disabled children alleging, among other things, breach of fiduciary duty. After a jury trial and an appeal, the plaintiffs won a judgment in excess of \$3 million.

#### Anti-trust – \$175,000

A trade association was sued for anti-trust violations in connection with the rejection of a company's application for membership. Defence costs alone were \$175,000.

As of 2018, **31%** of U.S. companies had a D&O claim in the past five years and the majority (**58%**) were non-profits.<sup>2</sup>

<sup>1</sup> [National Council of Nonprofits](#)

<sup>2</sup> [CoverWallet](#)

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- With offices across Canada, we possess national strength and local presence.
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**Travelers Canada knows non-profit directors and officers liability coverage.**  
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