

# BENEFITS OF D&O INSURANCE FOR NONPROFITS

Presented by: Marshall & Sterling, Inc.

**Nonprofit organizations provide essential social services that benefit the community and their members. These organizations cannot survive without a board of directors to make major decisions on behalf of the organization.**

**However, even when acting in good faith, directors and officers of nonprofits expose themselves to risks with each decision they make on behalf of their organization. In the event of a claim, nonprofit leaders could suffer severe damage to their reputation and personal finances simply based on their decisions. In order to protect themselves, directors and officers (D&O) insurance for nonprofit leaders is crucial and can provide the following benefits:**



**Legal cost reimbursement.** In the event of a claim, D&O policies can provide defense cost coverage for a variety of claims. Specifically, D&O insurance can provide legal cost reimbursement to nonprofit leaders following allegations of wrongful acts, financial mismanagement, errors in judgment and negligence. Because D&O lawsuits can occur without warning and easily reach six figures, it's critical that nonprofit leaders arm themselves with the right policy.



**Peace of mind.** D&O claims can come from a variety of sources, including employees, recipients of services, government bodies and donors. D&O insurance ensures that nonprofit leaders are protected regardless of where claims originate, providing timely and effective coverage.



**Entity coverage.** A number of D&O policies go beyond protecting directors and officers and extend to the organization itself. This is particularly advantageous, as this type of coverage kicks in even if a director or officer isn't directly involved in a claim.



**Flexible limits.** Most insurance companies offer a variety of coverage limits for D&O policies. In some cases, these limits can go as high as \$10 million, depending on the size of the nonprofit.



**Protection beyond indemnification.** While the bylaws of many nonprofits require the company to indemnify and defend directors and officers who are sued, leaders shouldn't expect this protection to be sufficient. That's because a nonprofit's duty to indemnify is only as good as its ability to pay. This means that, if the nonprofit is insolvent or not financially stable enough to cover the legal fees, directors and officers would have to cover these fees themselves.

## Want to Learn More About D&O Insurance for Nonprofits?

Though you may not realize it, board members can be held liable for the actions of the nonprofit organizations they serve. In order for a nonprofit to protect its company mission and its board member's personal assets, D&O insurance is crucial. Contact your insurance broker today to learn more.