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Jeffrey S. Tenenbaum

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Nonprofit Insurance Coverage: You Need More Than a Directors and Officers Policy

This article was originally published in the March 2014 edition of GuideStar.

Question:

How protected is our nonprofit's board if we have directors and officers liability insurance? How can we protect our organization?

Answer:

Having appropriate insurance coverage—not just directors and officers liability insurance but all relevant insurance policies (such as property insurance, commercial general liability insurance, errors and omissions insurance, fiduciary liability insurance, and meeting cancellation insurance [in certain circumstances], among others)—is a critical risk-management tool for any nonprofit. Such policies help to protect both the organization and its staff and volunteer leaders against the risks that arise in the functioning of every nonprofit. These policies function collectively as a safety net in the event that other risk management practices fail, sometimes through no fault of the organization or its management.

Securing and maintaining good insurance coverage—coverage that is appropriately tailored to the organization's risks, provides limits of liability that are reasonable and affordable, that minimizes coverage gaps, and that contains other important features (and avoids the more problematic ones)—is a best practice in the nonprofit community. Importantly, insurance coverage can cover not only the ultimate judgment and settlement amounts, but also the very significant fees that can accompany any lawsuit, investigation, or similar legal process.

Beyond insurance coverage, individual nonprofit leaders—both staff and volunteers—can be protected personally through indemnification (often contained in the nonprofit's bylaws), state volunteer protection statutes (not always applicable to all types of nonprofits or to all volunteers), and the "corporate shield" of the nonprofit corporation itself.

Of course, if volunteer leaders—such as officers and directors—fail to fulfill their fiduciary duties of care, loyalty, and obedience to the corporation, then irrespective of all of the above, the nonprofit can hold them liable for any harm that befalls the organization as a result of their acts or omissions.

For more information on nonprofit insurance coverage issues, see:

Article: [Maximizing a Nonprofit's Insurance Coverage](#)

Webinar recording and presentation: [You're Not Covered for Everything: Making Sure that Your Nonprofit's Directors & Officers Insurance Coverage Matches Your Expectations](#)

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Jeffrey Tenenbaum is a partner at Venable LLP and chairs the firm's Nonprofit Organizations Practice Group.