

Directors & Officers Liability

It Protects YOU !

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Directors & Officers Insurance Overview

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What is D&O Insurance

- Directors & Officers Liability Insurance provides coverage for the directors and officers of nonprofit organizations for the damages and defense costs arising from lawsuits alleging wrongful acts.
- The policy can also reimburse the nonprofit for indemnification of their directors and officers, as required by the organization's bylaws.



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3

Coverage

- Depending on the carrier, there could be up to three parts of the Insuring Agreement
 - Non-Indemnified Individuals – covers directors and officers when the organization does not indemnify
 - Indemnified Individuals – covers the organization when the organization does indemnify the directors and officers
 - Entity Liability – covers the organization for loss resulting from Claims against the organization



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4

Who Is An Insured?

- Exact definition of an “Insured” varies by policy, but it includes the Organization and any Insured Persons.
- Insured Persons are all individuals who were, now are, or shall become a director, trustee, officer, member of the Board, employee, or volunteer of the Organization.



Wrongful Acts

- Wrongful Acts include the following:
 - Any actual or alleged act, error, or omission by individuals in their capacity as a director or officer
 - Any misstatement or misleading statement
 - Neglect or breach of duty by individual directors and officers



Wrongful Acts, continued

- Directors and Officers are susceptible to lawsuits alleging among other things:
 - Inaccurate, misleading or inaccurate disclosure of financial information
 - Discriminatory practices and/or harassment
 - Mismanagement of funds or assets
 - Conflicts of interest
 - Personal Injury (Defamation, Libel, Slander)



Claims

- A Claim is the result of a Wrongful Act committed, attempted or allegedly committed by an Insured Person.
- A Claim can include any of the following:
 - Written demand for monetary damages or non-monetary relief
 - Civil or Criminal proceeding
 - Formal administrative or regulatory proceeding



Why D&O Coverage is Needed

- Litigious society
- Responsibilities of Nonprofit Boards
- Most nonprofit organizations assume a general liability policy will provide coverage for various allegations.
- Who pays the cost to defend allegations?



Marketing



Underwriting Process

- To effectively market the risk, we will require the following information:
 - Completed, signed and dated Directors & Officers application
 - Financials
 - List of Directors and Officers
 - Copy of Bylaws, if applicable
 - Loss History, if any



Key Coverage Features

- Duty to Defend
- Personal and Advertising Injury
- Prior Acts Coverage
- Defense Expenses Outside the Limit



Claims Examples

- A group of association members filed a lawsuit alleging the recent election of a new board President did not follow the association bylaws. Members argued that the 51% majority vote required was not obtained for the election to be valid. **\$75,000 defense costs only.**
- A potential vendor alleged that bidding was rigged when they did not receive a contract for an annual fundraising event.



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13

Claims Examples

- A volunteer case worker filed a claim against a family services nonprofit organization. The volunteer alleged she was given several corrective reprimands based on her age and race. She claimed she was not given assistance to do her volunteer work and had case files taken away from her. The volunteer also alleged the situation caused her severe emotional distress. The case settled for \$10,000 with defense costs exceeding \$50,000.



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14

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