

Nonprofit Management Liability Claims

How Would a \$300,000 Wrongful Termination Claim Affect Your Organization?

How about a \$1,000,000 claim against your organization for a failed grant commitment or a \$60,000 claim for discrimination?

Who would pay for your costs of defense?

Actions brought against directors and officers based upon actual or alleged wrongful acts arising from the execution of their day-to-day duties and management functions can result in a D&O claim. D&O liability insurance can protect the personal assets of directors and officers from catastrophic financial loss in the event of such a claim. The D&O policy also provides coverage for the organization. It's becoming more common for directors to require that an organization purchase D&O liability insurance before they serve on its board. It is easy to understand why. Litigation expenses alone can amount to millions of dollars. D&O coverage can help protect the directors and officers from personal financial loss relating to those expenses.

Here are just a few examples of the damage that a lawsuit can cause:

\$50,000 – A housing authority brought suit against its independent accountants alleging the commission of various errors and irregularities by them after the discovery of infractions in a loan program, including the possible embezzlement and conversion of assets by a former employee. The accountants filed a countersuit for contribution against past and present directors and officers of the authority.

\$275,000 – Two former employees of a nonprofit social agency were fired and charged with theft for stealing from the agency. They were tried and eventually acquitted of the charges. They filed suit against their former employer for false imprisonment and malicious prosecution. The case settled with each employee receiving a monetary award.

\$450,000 – A former director of development for a nonprofit organization alleged sex discrimination and breach of implied contract. The jury returned a verdict in favor of the employee for the sum of \$560,000. The case settled post-trial for \$360,000, with another \$90,000 incurred for defense costs.

\$32,000 – A volunteer firefighter who was also a member of a local water association filed suit seeking a declaratory judgment to void the transfer of the assets of the association to neighboring cities which would result in the loss of his volunteer position. The case was successfully defended to the tune of over \$32,000 in costs of defense.

\$320,000 – A local athletic conference was sued in federal court by a school for alleged discrimination when certain conference members expressed safety concerns with having teams of young basketball players traveling to an inner city school. This very contentious litigation, which made news headlines, settled for nearly \$130,000 and another \$190,000 was incurred to defend the claim.

\$50,000 – A local animal cruelty society was sued by a municipality after the city decided to pull all its funding and handle dog tag and related services through the county. The society was unable to reimburse the funds and this resulted in litigation. Settlement and related costs of defense were incurred.

\$30,000 – A former executive director of a local library district brought a claim for retaliation when she was terminated soon after filing a claim for workers' compensation benefits. She alleged she was injured when books fell on her head. The claim eventually settled for nuisance value, but not before significant defense costs were incurred.

Is your Organization Prepared?
