



Non-profit directors and officers (D&O) liability

Serving on a non-profit board can be risky business

It's common for affluent individuals to take on board positions for non-profit organizations as a way of offering their leadership skills and connections to serve their local communities. These organizations and their directors and officers can be exposed to lawsuits for mismanagement of funds, negligent acts, errors and omissions, breach of duty, misleading statements, or wrongful employment acts such as discrimination, retaliation, failure to employ or promote, or wrongful demotion.

According to the 2014 U.S. Trust Study of High Net Worth Philanthropy,¹ nearly half of all survey participants served on a non-profit board. According to a Towers Watson 2013 D&O survey,² 63% of its non-profit respondents had been subject to a D&O claim in the past 10 years. The Nonprofit Risk Management Center³ reports that 85% of all non-profit insurance claims filed under D&O liability policies are employment related. Even if allegations against you are groundless, you will incur costs to hire an attorney, which can add up very quickly when defending a claim. Adding the non-profit director and officer endorsement to your Nationwide Private Client personal excess liability policy will allow you to focus more time on helping the non-profit and less time worrying about a claim.

How you may be at risk

You sit on a non-profit board and cause an actual or alleged negligent act, error or omission, misleading statement, or breach of duty resulting in a lawsuit against you.

A wrongful act could come from:

- Acts such as employment-related discrimination, slander or defamation, wrongful failure to employ or promote, or wrongful demotion
- Conflict of interest, breach of contract, or fraudulent financial statements
- Mismanagement of funds such as assets being sold for unreasonably low prices or wasting assets
- Errors in judgment such as dissemination of false information, misleading statements or improper guarantees
- Negligence such as breach of duty, failure to review documents before signing, or failure to detect or stop embezzlement

Claims could be filed against you by parties outside of the organization including donors or beneficiaries, organization members or employees, other directors or officers of the organization, or government officials.

How Nationwide Private Client responds

If you serve as a director or officer of a qualifying not for profit organization, Nationwide Private Client offers our optional non-profit director and officer coverage, with limits up to \$1 million, that can be added to your personal excess liability policy.⁴ This coverage includes costs for defense up to the limit.

Why it's important for you

Personal umbrella or homeowners coverage is not intended to respond to non-profit board liability. Such policies do not address many types of alleged wrongful acts seen in non-profit D&O claims. Without non-profit D&O coverage, you may only be covered up to the limits of your organization's D&O policy.

Nationwide Private Client offers these added benefits:

- Our non-profit director and officer coverage allows up to five qualifying organizations to be scheduled for the named insured and spouse to serve on with an annual aggregate limit up to \$1,000,000.⁵
- Our policy form has no retained limit.
- Exceptional claims handling provided by Nationwide Private Client.
- At Nationwide, we strongly believe in being good corporate citizens where we work and live. Since 2000, the Nationwide Foundation has committed more than \$355 million to charitable organizations across the U.S. Nationwide Private Client continues to demonstrate this core value through its Partners in Giving program, helping numerous lives each year.

If you serve on multiple non-profit boards, you may not think to inform your insurance agent right away when you accept a new board position. Verifying this information with your agent can help prevent potential issues if a claim were to arise. Consult with your agent to ensure the organizations qualify and are listed on your excess policy schedule.

Eligibility guidelines

The non-profit director and officer endorsement provides excess liability coverage for persons serving as director, officer, trustee, trustee emeritus, or governor of a qualifying not for profit organization. Eligible organizations need to qualify for tax exempt status under the internal revenue code and may include groups such as charities, homeowner or condo associations, civic leagues, educational or religious organizations, or social recreation clubs. They also need to be in existence for over a year and carry less than \$50 million in assets per their most recent financial statement.

Why Nationwide Private Client

Nationwide Private Client is dedicated to helping protect the assets and reputations of our clients. Our highly personalized insurance products, services and concierge-style claim management are thoughtfully designed to meet the distinctive needs of affluent individuals and families. We are committed to providing you a superior experience whenever you need assistance.

Nationwide, a Fortune 100⁶ company, is one of the largest and strongest diversified insurance and financial services organizations in the U.S. and is rated A1 by Moody's and A+ by both A.M. Best and Standard & Poor's.⁷

Additional resources:

- The Nonprofit Risk Management Center provides tools and information to help non-profit leaders reduce their liability risk at nonprofitrisk.org

¹newsroom.bankofamerica.com/press-releases/global-wealth-and-investment-management/2014-us-trust-study-high-net-worth-philanthro

²advisenltd.com/research/white-papers/spotlight-u-s-private-d-o-market/

³nonprofitrisk.org/search/employment.asp

⁴Coverage only applies to the named insured(s). The organization must have the required underlying liability coverage, which varies by type of organization.

⁵Coverage does not include employment practices liability insurance (EPLI).

⁶Based on revenue, Fortune (June 2015).

⁷Ratings affirmed 9/12/13 by Moody's, 4/2/14 by A.M. Best, and 5/13/14 by Standard & Poor's.

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