



# Directors & Officers Insurance

## Nonprofits

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

Even when acting in good faith, directors and officers of nonprofits expose themselves to risks with each decision they make on behalf of the organization. In the event of a claim, nonprofit leaders could suffer severe damage to their reputation and personal finances. 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. A nonprofit's duty to indemnify is only as good as its ability to pay. If the nonprofit is insolvent or not financially stable enough to cover legal fees or claim payment, directors and officers would have to cover these fees themselves.

Many D&O insurance policies go beyond protecting the directors and officers and extend to the organization itself. This means coverage is available for the organization if a director or officer isn't directly involved in a claim.

In order to protect a nonprofit and its leaders, directors and officers (D&O) insurance is crucial and can provide the benefits highlighted below.

## Private Companies

With today's emphasis on corporate transparency and accountability, an organization's directors and officers face a countless number of exposures. Regardless of your company's size or mission, the legal costs associated with a lawsuit can be crippling for both the organization and your directors and officers.

Many wrongly assume that directors and officers (D&O) insurance is only necessary for nonprofit or publicly traded companies. However, privately held organizations can just as easily fall victim to lawsuits that can impact the company, its officers and board, making D&O a must. D&O insurance can provide the benefits highlighted below.

## Benefits of D&O Insurance

### Legal Cost Reimbursement

In the event of a claim, D&O policies can provide defense coverage to an organization's leaders following allegations of wrongful acts, financial mismanagement, errors in judgment, and negligence.

### Peace of Mind

D&O claims can come from a variety of sources, including employees, recipients of services, customers, contractors, donors, members, and government bodies. D&O insurance ensures that the organization's leaders are protected regardless of where claims originate, providing timely and effective coverage.

### An improved ability to attract new directors

Having a strong D&O policy in place makes board seats more attractive. Purchasing insurance shows prospective leaders that you take D&O risks seriously and are prepared to protect them in the event of a claim.

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