

# THE INSURANCE ADVISOR

For America's Churches and Related Ministries from Brotherhood Mutual and Its Agents

## PROTECT YOUR BOARD MEMBERS

### ISSUE 1—WHAT IS DIRECTORS AND OFFICERS INSURANCE?

*Directors and officers insurance provides legal defense funds and helps protect your leaders' personal assets in the event of a lawsuit.*

**A**s a director or officer, you could be held personally liable for financial damages that result from your actions as a board member. For example, among other situations, you could face personal liability for financial damages arising out of:

- Failing to maintain adequate financial records.
- Discriminating in membership standards.
- Exceeding the authority granted by your organization's charter or bylaws.
- Using budgeted or donated money in a manner different than originally intended.
- Failing to preserve tax-exempt status.

While this is not a complete list of your exposures as a board member, you should know that your actions in that capacity could put your personal assets at risk.

#### DIRECTORS AND OFFICERS DEFINED

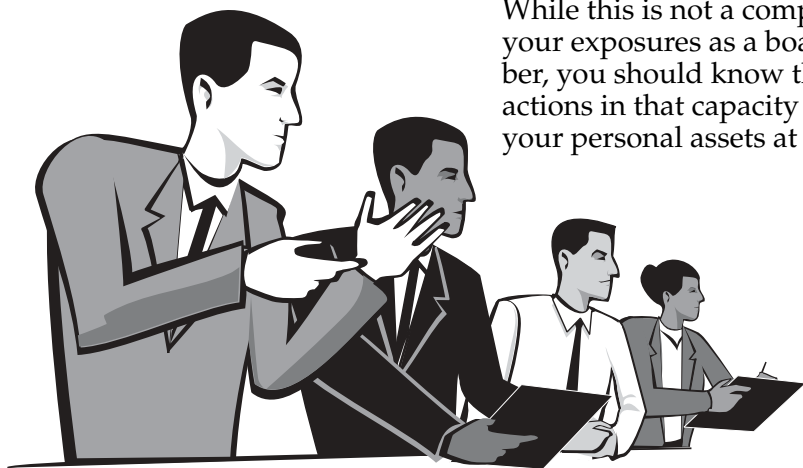
Brotherhood Mutual defines a director or officer as a covered leader serving as your board member, administrator, director, officer, or trustee, acting within the course and scope of the delegated leadership authority granted by your organization.

#### D & O ISN'T GENERAL LIABILITY

D & O insurance provides legal defense funds and helps protect your board members' personal assets in the event of certain financial damages lawsuits. It provides protection for covered financial damages suffered by other parties. These damages must result from the failure of your leaders to perform their duties in a proper way.

D & O insurance shouldn't be confused with general liability insurance. General liability insurance protects an organization against claims alleging bodily injury or property damage resulting from the conditions of the premises or from a sponsored activity.

Your basic Brotherhood Mutual liability policy protects board members if they're sued individually in these kinds of injury claims.



Claims against directors or officers for financial damages resulting from failure to perform their duties aren't covered by standard general liability insurance policies. You must purchase separate directors and officers coverage to protect your leaders from financial damage claims.

## WHY YOU NEED THIS COVERAGE

---

Although many states have enacted legislation providing some protection for directors and officers of nonprofit organizations, your church or related ministry should have this protection for at least three reasons:

- This insurance provides defense funds to refute the claim or to prove immunity under the state law. Defense costs can run many thousands of dollars, regardless of how groundless a claim for damage might be.

If your state has legislation protecting nonprofit directors and officers from lawsuits, this doesn't mean you don't need D & O insurance. In some cases, the statutes specify activities for which immunity is intended. It's possible a covered claim may fall outside the protection intended by the statute.

- Immunity statutes typically don't protect the organization. Brotherhood's D & O coverage includes your organization as an insured. The organization is protected in relation to covered financial damage claims.
- In the event that your state laws don't protect you and a successful suit is brought, this insurance pays for covered claims of financial damages for which directors and officers are held personally liable.

All property and liability coverages are subject to conditions, coverage limits, limitations, and exclusions. For precise details of coverage, please refer to actual policy forms.



**Brotherhood Mutual**  
Insurance Company

**Insuring America's churches and related ministries**

6400 Brotherhood Way • P.O. Box 2227 • Fort Wayne, IN 46801-2227 • 1.800.876.4994 • [www.brotherhoodmutual.com](http://www.brotherhoodmutual.com)