The protections afforded by the Volunteer Protection Act are limited and don’t fully protect the directors or officers of nonprofits who may be on the receiving end of a lawsuit. The Act does not provide for the cost of defense, nor does it apply to harm caused by gross negligence or reckless misconduct.

Anyone involved in the management of a nonprofit organization — including directors, officers, employees and volunteers — could be held personally liable for errors or omissions involved in the management of the organization.

Nonprofit organizations and their directors and officers can be sued for a range of issues including fiduciary duty breaches, failure to fulfill the organization’s nonprofit mission, misuse of donor-restricted funds, or improper conduct of volunteers or employees. These suits can jeopardize your organization’s mission and existence.

Nonprofit organizations may be more at risk of litigation than for-profit companies, as 63 percent of nonprofit organizations reported a D&O claim within the past 10 years compared to 27 percent for private companies.¹

Legal fees and damages resulting from nonprofit directors and officer claims often exceed the organization’s liquid net assets, which may prevent the organization from indemnifying directors and officers and serving the community.

Being on the receiving end of a lawsuit can put a director’s or officer’s reputation and finances on the line and also threaten your organization’s ability to continue serving the community. That’s why Directors and Officers Liability Coverage from Travelers Wrap+® for Nonprofit Organizations is an essential coverage. It not only covers the defense costs, settlements and judgments associated with these types of claims, but also helps protect the personal assets of your directors or officers. With our local underwriting service, local claim services and local legal counsel, Travelers is proud to be a part of the community that your nonprofit serves.

¹ 2012 Towers Watson Directors and Officers Liability Survey