



4 Risk Tips to Reduce Board Member Liability

How are your organization and its board protected against foreseeable risks? Board members serve in order to help solve community issues and assist senior managers of organizations. It is crucial to reduce board members' exposure to legal claims and judgments.

How Nonprofits Can Protect Board Members from Liability

Consider the tips below for reducing nonprofit board member liability from the Nonprofit Risk Management Center and The Nonprofit Times.

Annual Board Orientation

Provide an annual orientation addressing:

- Legal duties of the board
- Board member expectations
- Structure of the organization
- Board policies with governing documents and functions
- Oversight role of the board regarding fiscal health, risk, and employment matters

Regular Communication

Keep the board aware of:

- Programmatic developments
- Major contractual relationships
- Staffing changes
- Stakeholder concerns
- Threatened/ongoing claims and litigation
- Fundraising trends/forecasts

When issues arise, an informed board is an invaluable partner. A misinformed or neglected board won't be able to offer support during a crisis or sustain the confidence of external stakeholders. A poorly informed board could even take actions that make the crisis worse.



Include the bylaws and policy wording of your directors and officers (D&O) insurance policy, in material provided to the board as part of its annual orientation. Make sure this information is readily available throughout the year, and board members are notified of any updates immediately.

Accountability

Board members should be held accountable for their commitments. You can even designate a member of the board to follow up with board members who do not meet their commitments, such as missing an unacceptable number of meetings, failing to submit reports for the committees they lead, etc.

Help the Board Understand Conflicts of Interest

The key questions to address regarding their responsibility here are:

- Do any board members have any existing or potential conflicts of interest?
- If yes, are they conflicts that are required to be reported on the organization's Form 990? Or, are they conflicts that must be disclosed only in the annual conflict of interest disclosure process? Family connections and business relationships must be included on the Form 990, but the fact that a board member is on the staff of a philanthropic foundation from which the nonprofit receives funds, for example, would not need to be included on the 990.
- When conflicts are identified, does the organization have a process in place to address them? For example, should the board member with the conflict be excluded only from the vote, or also from the discussion before the vote?

VIS offers a very broadly written and competitively priced D&O policy. Also, VIS members have 24/7 access to the "VIS Vault" of risk management information, including documents explaining what to look for in a D&O policy, and why the organization should consider separate limits for board members themselves, as protection in a claim involving an employee. Membership is only \$25 a year.

How VIS Can Help Reduce Risk for Volunteer and Nonprofit Organizations

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