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WHAT TO LOOK FOR IN A DIRECTORS AND OFFICERS LIABILITY POLICY

- **All past, present and future directors, officers, employees, volunteers, trustees, committee members, independent contractors and the entity itself are covered**. Also, the severability feature protects all the remaining insureds if it transpires that any individual insured provided false information on the application.
- **The standard limit of liability** is $1 million, and limits of up to $5 million are available.
- **Deductibles begin at $500**. You can select a higher deductible, and therefore lower your premium, if you wish.
- **Broad coverage, including employment practices liability**. Wrongful termination; failure to hire or promote; discrimination, including sexual harassment; and other such practices are covered. So are claims alleging mental anguish and emotional distress. Other risk exposures that are covered include libel, slander or defamation; invasion of privacy; wrongful entry or eviction; false arrest; false imprisonment; malicious prosecution; and infringement of copyright, or trademark or other unauthorized use of title; and plagiarism or other misappropriation of ideas.
- **Single combined limit, or separate**. You can choose a single combined limit for all wrongful acts, or you can choose separate limits – one for employment practices liability, and one for all other covered acts. You can choose a separate limit for directors and officers themselves, so limits are not depleted in a lawsuit involving an employee.
- **Punitive damages can be covered** in states where those damages are insurable.
- **The insurer pays all defense costs up front**. You don't have to hire attorneys or in any other way manage your own defense.
- **Defense costs do not reduce your limit of coverage**. Suppose, for example, you have selected a $1 million limit of coverage. Now suppose there is a judgment against you of $850,000, and legal fees amount to $200,000. Although total costs of your claim exceeded the limit of coverage by $50,000, there would be no "gap," no uncovered expense, with well-designed coverage. In fact, you still would have $150,000 available should there be a second claim during the coverage period.
- **"Claim" is defined very broadly**. A "claim" is triggered as soon as you receive written notice that someone intends to hold you responsible for a wrongful act. When the claim is triggered, so is your defense.
- **Prior acts are covered**.

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- **The policy cannot be canceled by the insurer except for nonpayment of premium**.
- **“Two-way” extended reporting period is standard**. If either you or the insurer chooses to nonrenew coverage, you automatically are provided a 60-day extended reporting period for claims, and you have the option to purchase an additional period of one, two or three years. For former directors, a three-year automatic extended reporting period is standard for employment practices claims.

(Certain exclusions may apply, depending on the individual nonprofit’s circumstances.)