

The following examples demonstrate how a claim can damage a nonprofit organization.

## DIRECTORS & OFFICERS LIABILITY

- ✦ **INSURED PERSON** | A member and former director of a racquet club purportedly convinced a club employee to invest in property in England. The employee committed substantially to the investment, after which, the investment lost all of its value. The plaintiff employee maintained that the soliciting member was acting in his capacity as a Board Member and the other Board Members knew or should have known that inappropriate and fraudulent solicitations were taking place. The matter settled for \$15,000, with an additional \$22,000 in defense costs.
- ✦ **ENTITY** | A foundation was sued by an individual claiming to be the rightful owner of valuable photographic prints, which were allegedly his own work or gifted to him by a famous photographer. The plaintiff was difficult and the case pended for many years as the non-monetary issues could not be resolved, despite numerous settlement conferences with the court. Incurred defense costs were in excess of \$650,000.
- ✦ **INSURED PERSON AND ENTITY** | A pro se plaintiff who was investigating conspiracy of corruption involving prominent politicians and supporters sued both the board of a fraternal organization and the organization itself for conspiracy and deprivation of civil rights. The case settled early for \$9,345, with an additional \$21,800 in defense costs.
- ✦ **PERSONAL INJURY** | A former elected official filed a libel and slander lawsuit after he lost a subsequent election for Mayor, blaming his loss on attack ads sponsored by a nonprofit association. The suit was covered by the policy's Personal Injury Wrongful Acts coverage. The case ultimately settled in exchange for a public apology and \$125,000 in charitable donations. Defense costs were approximately \$190,000.

## EMPLOYMENT PRACTICES LIABILITY

- ✦ **FIRST PARTY** | An executive of a cultural organization filed an administrative charge and suit for alleged harassment and discrimination based on her pregnancy. The claimant also alleged improper termination following her refusal to sign false statements to the government. The matter settled for \$360,000, with an additional \$46,000 in defense costs.
- ✦ **THIRD PARTY** | A third party filed a suit for alleged wrongful termination, whistleblower retaliation and age discrimination against her true employer and three other entities, including the insured foundation. The claimant contended that all of the entities were jointly liable for her damages. The matter settled for \$400,000 with a \$100,000 contribution from the insured's policy and an additional \$85,350 in defense costs.

## FIDUCIARY LIABILITY

- ✦ A lawsuit was filed by an employee over a loan taken out against his 401k plan. The employee claimed the employer and its benefits administrator made errors in the paperwork, causing him to incur tax liabilities, penalties and interest of \$18,000.
- ✦ A small nonprofit moved the assets of its 401k plan from one financial group to another which resulted in a market valuation deduction penalty against each member's account. The non-profit argued that the deduction was improperly charged by the prior fund manager, however, the contract disclosed the penalty. The plan trustees were accused of breach of fiduciary duty for failing to adequately read the contract. The administration error results in a loss payment of more than \$45,000.