

HUB



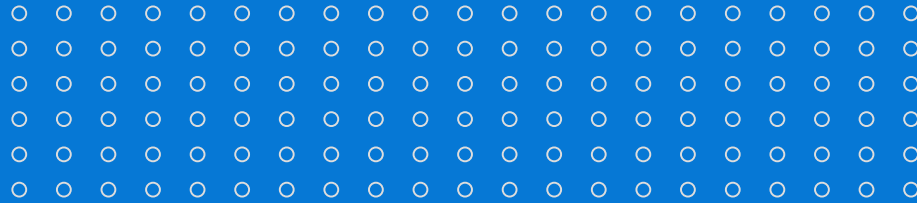
Nonprofit Insurance

Are Your Staff & Organization Covered?

Agenda

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- 2 D & O Liability Exposures
- 3 D & O Liability Insurance coverages & Exclusions
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D & O Liability Insurance

A look at the risks facing Nonprofits

Directors and Officers Liability Insurance



- Surprisingly, nonprofits are not required to have insurance to operate in Ontario
- D's & O's of nonprofits face the same kind of corporate governance and best practices as D's & O's of for-profit corporations
- For most nonprofits, it makes most sense to make regular payments to an Insurer to transfer risk rather than to assume a financial loss that would severely impact their ability to operate
- Insurance is intended to help policy holders cope with the financial consequences of unpredictable events

Directors and Officers Liability Insurance



- Directors and officers are held to an objective standard of care under the Canada Business Corporations Act.
- They are required to act in good faith and in the best interest of the organization.

Directors have three basic duties:

1. Duty of diligence (duty of care): act reasonably, in good faith, in the organization's best interest.
2. Duty of loyalty: place the interest of the organization before your own.
3. Duty of obedience: act within the scope of the organization, within applicable rules and laws.

Why Coverage is Required



- Being a board member can expose individuals to unique risks.
- Directors and officers can be subject to allegations of breach of common law duties, breach of duties owed to their stakeholders or members and statutory liabilities imposed by federal or provincial laws.
- Many nfp organizations have limited resources to indemnify directors and officers or respond to potential litigation, settlements or damage awards, putting the personal assets of directors and officers at risk, as well as the assets of the entity.

Key Dangers for D's & O's



- They can be help personally liable for their decisions
- They can be held liable for acts committed by other directors simply because they sit on the same board
- Damages can extend to their personal estate

Employment Practices Liability (EPL)

- Wrongful dismissal and wrongful discipline
- Discrimination
- Sexual or workplace harassment
- Misrepresentation
- Failure to employ or promote
- Failure to grant tenure
- Negligent evaluation
- Financial mismanagement
- Libel and slander

D and O Exposures (Cont.)



- Copyright and/or patent infringement
- Failure to remit/pay taxes
- Failure to comply with the rules of the association/organization
- Defense costs
- Insolvency
- Training of volunteers
- Defamation

Who Might Sue a Nonprofit Board?

- Current and former staff or volunteers
- Third parties (e.g., funders, partners, students, patients)
- Board members against other board members
- Customers
- Members
- Donors
- Canada Revenue Agency

Common Lawsuits



The most commonly made allegations against D's & O's include:

- Acting beyond the scope of their authority
- Offering the wrong advice
- Breach of fiduciary duties
- Authorizing excessive spending
- Failure to supervise subordinates or affairs properly
- Unauthorized company borrowing

Coverage Provided



- Any actual or alleged negligent act, error, omission, misstatement, misleading statement, neglect or breach of duty arising from the discharge of the duties and responsibilities of the directors, officers, members and volunteers and of the entity itself.
- Legal and defense costs
- Damages
- Settlements and judgments

Common Exclusions



Every Insurer has a different D&O policy, but three areas of general exclusions include:

- Prior or pending litigation
- Other insurance
- Uninsurable under the law

Claims Examples



- A Country Club is sued by a group of its members on the grounds that the directors and officers failed to exercise an option to extend the rent-free lease of the land used as their golf course. As a result of this omission, the lessor required the club to either purchase the land for more than \$10,000,000 or to lease the land for a substantial price. Defense costs and damages reached \$2,000,000
- A holiday parade in a major metropolitan city is sued by a spectator after one of the volunteer performers tossed a free gift into the crowd, injuring the plaintiff. Although the direct damages resulting from the bodily injury may seek indemnity under a CGL policy form, the plaintiff is suing for financial damages of \$200,000 from the directors and officers alleging inadequate safety protocol and training procedures. Defense costs are accumulating and expected to be significant.

Claims Examples (Cont.)



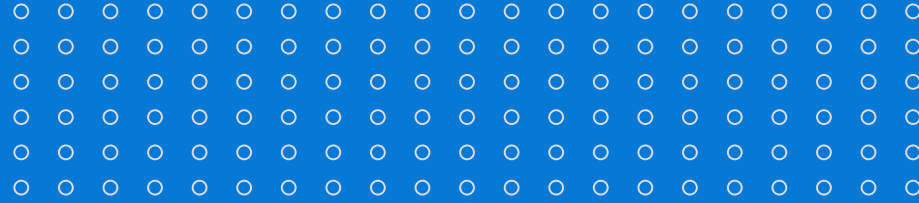
- The parents of a group of disabled adults sued an organization providing housing for their children, alleging a breach of fiduciary duty. As a result of the investigation, it was determined that the disabled were receiving substandard care due to a lack of funding. The D&O's were found to be embezzling from the organization, in addition to mismanaging funds. After the jury trial and appeal, the plaintiff's parents won a judgment in excess of \$3,000,000. Defense costs were significant

Claims Examples (Cont.)



- A philanthropy organization is accused of distancing itself from its legal obligation as an organization specifically devoted to raising money for Charity XYZ. The insured's position is that they can raise money for any organization they wish. Although the insured won the case in court, defense costs were \$159,000.
- The executive director of a day care center was terminated due to unauthorized spending of the organization's funds. The day care center was sued for wrongful termination resulting in a settlement in favor of the former executive director. The suit settled for \$75,000.

2



Personal Insurance: Home & Auto

Making sure you have the proper coverage

- What is liability coverage & how does it work?
 - Liability coverage is what protects you if you're at fault for an accident and you hurt **someone** or cause damage to **someone's** property. It is made up of two components: Bodily Injury and Property Damage
 - It will pay for claims as a result of lawsuits against you, up to the limit of your coverage and will pay the costs associated with settling the claims.
 - Today, many claim settlements are in the millions of dollars. In the event of a court settlement against you higher than the liability limit on your policy, the court judgement would then be applied against you and your assets.

Don't be caught off-guard.



- Standard homeowner and auto insurance policies provide only minimal liability coverage.
 - If you are ever faced with a claim or lawsuit that surpasses your liability coverage, Excess liability or Umbrella Insurance can cover you for the remaining amount.
 - Your home and auto policy includes a specific amount of liability coverage (typically \$1 or \$2 million), but this amount of liability coverage may not always be enough to completely cover you in certain situations.

Examples of how Umbrella Coverage works



- If a fire to your home damages your neighbours' properties in the amount of \$5 million dollars, you could be found liable for the damages. If you purchased \$2 million in liability insurance, the remaining \$3 million could be covered under umbrella coverage.
- If you cause an auto accident and the damages, or cost of the other person's injuries are \$1.2 million and the liability limit on your auto policy is only \$1 million - your auto policy would pay the \$1 million and the excess coverage would pick up the additional \$200,000.
- Without excess coverage, you would not see the benefit of additional liability coverage above the limits of your home or auto policy in these cases and you would be responsible to pay the difference.

Welcome to the ONN Home & Auto Insurance Program



Advocacy

- Represents the interest of the customer, provides trusted advice
- Strong voice during the claims process



Choice

- Access to Canada's largest P&C insurers



Expertise

- 20 active partnerships representing more than 10,000 policies



Breadth of products

- Personal, business, lifestyle, travel and pet



Ease of doing business

- 1-800 number dedicated to ONN Members
- Online Quoting
- Electronic signature

Group Home & Auto Program



- Being a member of ONN allows you and your employees to take advantage of discounted rates through the Group Home and Auto Insurance program
- The program can be used as an employee benefit and works as a great retention tool
- Added value with no extra cost to your organization

ONN Home & Auto Insurance Program



- Auto
- Home/Condo/Tenants
- Motorcycles
- Cottages
- Boats
- ATVs/Seadoos/
Skidoos



Additional savings are available if you bundle home and auto.

- Preferred pricing, products and additional discounts
- Flexible payment plans with no service charges
- Claims Service Satisfaction Guarantee

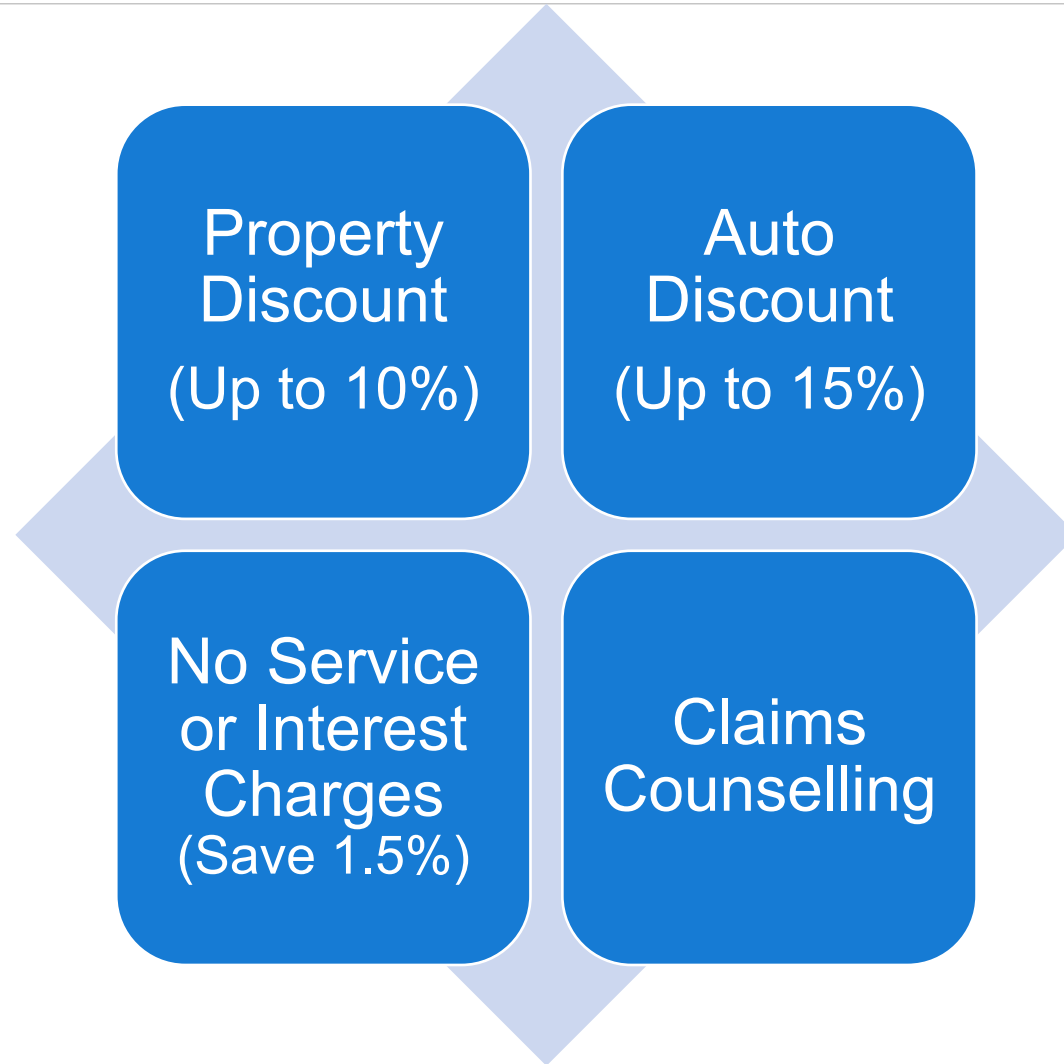
Who Qualifies for the ONN Home & Auto Program



- All ONN members and their employees
- Spouses and dependents residing in the same household



Advantages



Auto/Property Insurance



Auto

Includes:

- Cars
- Vans and Trucks
- Motorcycles
- Snowmobiles
- ATVs
- Campers, Trailers, RVs
- Antique Vehicles

Available Discounts:

- Conviction Free
- Graduated licensing
- Drivers training
- Mature driver/age
- Retiree
- Multi-policy

Up to 15% Discount!

Property

Includes:

- Homeowners
- Tenants/condo
- Personal Umbrella
- Watercraft
- Seasonal Property
- Rented Property

Available Discounts:

- Security/fire alarm
- Claims-free
- Mature homeowner
- Mortgage-free
- Multi-policy

Up to 10% Discount!

We don't like to talk about it, but sometimes pets get sick too.

Pet insurance is:

- Affordable
- Customizable
- Better the earlier you get it

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Offer Code: HUBON for 5% off





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2265 Upper Middle Road E | Suite 700 | L6H 0G5 | Oakville Ontario



Group Home & Auto Sales Team

To get an insurance quote call **1-855-582-3022**

or visit **onn.hubquote.ca**

Thank you.