



Directors and Officers Liability For Non-Profit Entities For PortfolioSelectSM

Non-profit entities face a wide array of exposure as they look to balance the need to further their mission, with the need to adapt to the results-driven focus required by today's economy. Non-profits face greater competition for donations and grants while at the same time their directors and officers are under ever increasing regulatory scrutiny.

Securing the right insurance to fully protect a non-profit and its leaders can be challenging. A single claim can sap cash flow and disrupt the entity's mission and put the personal assets of the entity's leadership at risk as well.

Directors and Officers Liability for Non-Profit Entities (D&O) protects non-profit entities against a wide range of potential claims. Coverage enhancements respond to emerging risks and offer state of the art protection that extends to the entity's existing non-profit and for-profit subsidiaries and the individuals who run them.

Key Coverage Advantages

- Extends coverage to non-profit subsidiaries created or acquired during the policy
- Provides coverage for any for-profit entity acquired during the policy period whose assets are less than 20% of the Named Insured
- Provides the flexibility to add affiliated organizations by endorsement
- Protects a broad range of individuals including:
 - Trustees, directors, officers, employees, leased employees, independent contractors and volunteers¹ operating on behalf of an organization
 - Estates, heirs, spouses or domestic partners of individuals in claims arising from that individual's service to the organization
 - Executives of the insured organization serving at the request of the insured organization, trustee emeritus, governor or an equivalent management position of any non-profit organization, excess of insurance and indemnity provided by the outside entity
- Ensures the most favorable terms and conditions from local AIG policies are applied to claims in foreign jurisdictions
- Offers additional limits for individuals when costs of a claim cannot be indemnified by the company

¹Coverage for leased employees and independent contractors is only provided if the organization indemnifies such individuals in the same manner as it indemnifies its own employees.



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Claims Scenario*

PortfolioSelectSM

PortfolioSelect is a modular policy form that delivers a flexible and efficient insurance solution. Clients can now combine Management Liability, Cyber Liability, and specific Professional Liability coverages to fit their individual needs, conveniently delivered in one policy including:

- Public Company D&O Liability
- Private Company D&O Liability
- Non-Profit D&O Liability
- CyberEdge[®]
- CrimeGuard Choice[®]
- Employment Edge[®]
- Fiduciary Liability Insurance Edge[®]
- Kidnap and Ransom Liability
- Corporate Counsel Premier[®]
- Bankers Professional EdgeSM
- Insurance Company Professional EdgeSM

A doctor and her medical office filed suit in South Carolina state court against a hospital in connection with the hospital's decision to enter into an exclusive contractual arrangement for the provision of anesthesiology services with a different medical group. The doctor was a disappointed bidder of the said exclusive contract, and was a member of the medical staff at the hospital. She alleged that the selection of an exclusive anesthesiologist/pain management physician at the hospital effectively eliminated her privileges without a fair hearing in violation of hospital bylaws. The plaintiffs alleged breach of contract, breach of fiduciary duty, violation of Unfair Trade Practice Act, unfair methods of competition, tortious interference with existing and prospective business/contractual relations, and denial of due process. The plaintiffs also sought both monetary and injunctive relief. The hospital argued that it had a number of legitimate reasons for pursuing an exclusive contract in order to ameliorate the quality of service to patients. It also argued that it did not have to undergo a request-for-proposals process, but did so to be fair to plaintiffs and other potential candidates. The judge granted defendants' motion for directed verdict on all counts except for civil conspiracy count.

A jury awarded the plaintiffs \$1,275,000 on the civil conspiracy count. The trial judge granted the hospital's motion to reduce the verdict to \$300,000. The hospital appealed the trial court's decision to send the civil conspiracy count to jury for trial. Pending the appeal, policy monies were put in escrow to cover the judgment plus interest (\$637,500). In January 2006, the South Carolina Supreme Court reversed the trial court's denial for the hospital's motion for judgment notwithstanding the verdict. The Supreme Court found that a conspiracy could not exist if the conduct challenged was a single act by a single corporation acting through its directors and officer's in the scope of their employment. That being the case, the Supreme Court held that the judgment against the hospital was improper and denied the plaintiffs' motion for a rehearing. Following the appeal, policy monies held in escrow were returned.

**The scenario summarized above are offered only as examples and are not intended to represent an actual claim or insured. Coverage depends on the actual facts of each case and the terms, conditions and exclusions of each individual policy.*

To learn more about D&O For Non-Profit Entities For PortfolioSelect:

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