



Duties Required by Director's and Officer's

Directors and Officers have three main duties they carry out in the governance and oversight of a nonprofit organization.

1. Duty of Loyalty

Directors and Officers are required to refrain from engaging in personal activities which would injure or take advantage of the organization. Conflicts include: Realizing secret profits or unfair gain through personal transactions. Competing with the organization to its detriment. Usurping a organizational opportunity.

2. Duty of Care

Directors and officers must act with the care that a reasonably prudent person in a similar position would use. Conflicts include: Failure to inform themselves of all material information prior to making decisions. Failure to monitor the affairs of the organizations. Failure to exercise proven stewardship of the organization's limited resources.

3. Duty of Obedience

Directors and Officers are required to perform their duties in accordance with applicable laws and the terms of the organization's charter or by-laws. Conflicts include: Failure to abide by statutes affecting fund-raising, political and business activities. Jeopardizing the organization's tax-exempt status. Co-mingling of assets or operations with personal dealings of the D & O's. Failure to adhere to the stated purposes of the organization.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

For virtually any nonprofit, the cost of defending suits against its Directors and Officers can be catastrophic. D & O Liability Insurance is designed to help protect both the assets of the organization and the personal assets of the Directors and Officers.

Potential Claimants

The organization - Claims against former D & O's or by a member asserting a claim on behalf of the organization.

Directors - Claims against fellow directors.

Members - Claims against D & O's to protect the members' interest in seeing the purpose of the organization fulfilled.

Beneficiaries - Claims by the recipients of the organization's services.

Donors - Claims by those who donate money to the organization.

Outsiders - Claims by third parties who transact business with the organization.

Attorney General - Claims to uphold the law and to represent the interests of the public in assuring proper management.