



# Checklist: Nonprofit Directors and Officers

Volunteering on a nonprofit board, such as a school, church or country club, can be a rewarding experience, especially for individuals who are passionate about what the organization does and stands for. However, it can also lead to a host of personal liability risks if the organization lacks risk management, planning and protection. Before joining a board of a nonprofit, there are legal and fiduciary responsibilities, as well as liability and financial risks that need to be considered. For example, a nonprofit board member can be held personally liable in a lawsuit brought against the organization, and be responsible for the cost of hiring an attorney in the event the organization does not carry appropriate directors and officers (D&O) insurance.

Like for-profit organizations, nonprofits can be sued by a host of constituencies, including management, current and former staff, third-party vendors, beneficiaries, donors and even other board members. To limit exposure to such actions, it is important for board volunteers to take the time to understand the various constituencies and contractual relationships that pose a risk to a board member. Learning about the organization, its history, mission and reputation, is highly recommended. Also, individuals are advised to consult a personal risk expert for solutions that can mitigate potential financial risks.

Following is a checklist, compiled by USI's personal risk specialists, with critical advice and considerations for individuals considering joining or currently serving on a nonprofit board.

Before Joining Board	Serving on the Board	Leaving the Board/End of Tenure
<ul style="list-style-type: none"> <li>■ Collect and review bylaws with advisers/counsel</li> <li>■ Understand board member's role, organization's mission, goals and plans</li> <li>■ Review prior meeting minutes</li> <li>■ Review budgets, balance sheets and investments</li> <li>■ Investigate violations or irregularities in the governance of the organization</li> <li>■ Review experience and background of other board members</li> <li>■ Review experience and background of paid staff</li> <li>■ Review experience and background of any advisers, e.g., lawyers, accountants, investment</li> <li>■ Review current insurance with broker and/or counsel: directors and officers, employment practices liability (EPLI), crime, cyber</li> <li>■ Collect any claims history and trend data</li> <li>■ If serving at behest of employer, collect and review employer D&amp;O "outside service provisions"</li> </ul>	<ul style="list-style-type: none"> <li>■ Attend all meetings</li> <li>■ Review minutes from meetings, particularly any missed meetings</li> <li>■ Review financials before voting on budgets</li> <li>■ Abstain from votes when there is not enough information or information was covered in a missed meeting</li> <li>■ Follow "Prudent Person" rule when making decisions regarding investments</li> <li>■ If part of a compensation committee, insist on arms-length negotiations at all times</li> <li>■ Do not allow organization to make personal loans to board members or officers</li> <li>■ Collect and review bylaws every three years or upon any amendments/changes</li> <li>■ Secure annual certificate of insurance for all pertinent coverage, especially professional liability; seek to have broker explain coverage</li> <li>■ Review of D&amp;O for the volunteer board interacts with personal insurance coverage</li> </ul>	<ul style="list-style-type: none"> <li>■ Review bylaws and understand indemnification of <u>past</u>, present and future board members</li> <li>■ Review of D&amp;O policy for coverage of <u>past</u>, present and future board members</li> <li>■ Review and understand any hold-harmless agreements between the entity and board members</li> <li>■ Review any confidentiality agreements and return all proprietary documents</li> </ul> <p><i>This checklist provides basic, practical advice for individuals currently serving or considering serving on a nonprofit board. It is not intended to be an exhaustive list. For personalized assistance, contact your local USI personal risk specialist.</i></p>

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