



## 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.