

# Claims Examples

## Directors and Officers Non-profit Organizations

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### 1. Breach of Trust

A non-profit organization held a fundraising event. The organization received a temporary operating fund or “float” from another organization which was to be repaid from the proceeds of the event. Unfortunately, the funds were inadvertently deposited into the insured organization’s general account by an employee and used to pay general expenses. The organization subsequently filed for bankruptcy and was unable to return the float to the lending organization. A lawsuit was commenced against the insured organization and the allegations made against the directors included negligence for failing to properly supervise the employee and breach of trust. The claim was ultimately resolved by way of a negotiated settlement in the amount of \$75,000. The costs incurred to defend the claim were approximately \$30,000. There was no deductible applicable to the damages or defence costs.

### 2. Breach of Duty, Abuse of Process

The board of a professional association revoked an individual’s membership due to allegations of unethical conduct. The member sued the association alleging that the board of directors had targeted her and that they had not followed the organization’s bylaws. Although the facts did not appear to support the allegation that the board targeted the member, the bylaws were somewhat ambiguous, making it more difficult to defend the action. A settlement was negotiated so as to avoid any embarrassment or loss of reputation to the association. In addition to paying the amount of the settlement, the insurer also paid \$100,000 in defence costs. There was no deductible applicable to the payment of damages or defence costs.

### 3. Wrongful Dismissal Claim

A senior executive’s employment was terminated after several employees complained about the executive’s behaviour toward them, including alleged sexual misconduct and harassment. The executive sued the organization for wrongful termination, and the directors and officers for alleged interference with contractual relations. Although the executive succeeded at trial, the insurer appealed the decision of the trial judge and won the appeal with the result that no damages were paid to the executive. The total defence costs incurred were approximately \$250,000. There was no deductible applicable to this loss.

#### **4. Discrimination**

A woman enrolled in an educational program offered by a non-profit organization. During the course of the educational program, the woman became romantically involved with the leader of the program. The relationship ended before the completion of the program and problems developed between the participant and the leader of the program. The participant filed a human rights complaint alleging that she was being discriminated against and had been denied the services offered through the educational program. The insurer defended the complaint by retaining counsel to file an application to dismiss the complaint which was successful. The insurer paid approximately \$36,000 in defence costs. There was no deductible applicable.

#### **5. Service Club – Breach of Bylaws**

The volunteer board of a small service club voted unanimously to expel a member of the club after several incidents of disruptive behaviour, many of which occurred after the member had consumed several alcoholic beverages. On one occasion, the member became verbally and physically abusive toward another member. Upon receiving the news of the expulsion, the member commenced legal action against the club, alleging that they had acted in breach of the club's bylaws. The insurer retained counsel to defend the action which was subsequently dismissed. The insurer incurred approximately \$15,000 in defence costs. There was no deductible applicable to defence costs.

#### **6. Wrongful Dismissal and Defamation**

As part of a corporate reorganization, a large non-profit organization terminated the employment of an employee who had been with the organization for more than 15 years. The employee sued the organization alleging wrongful termination. The employee also alleged that she had been defamed as a result of a written communication that had found its way into the hands of individuals outside the board of directors of the organization. Although many of the facts were in dispute, the claim was ultimately settled by way of a negotiated settlement. The defence costs incurred were approximately \$50,000. There was no deductible applicable to this loss.

#### **7. Breach of Fiduciary Duty**

A non-profit organization applied for government funding for the purpose of organizing and hosting an event. The organization was successful in obtaining the government funding. Unfortunately, the expenses incurred for the event far exceeded the revenues received. As part of its follow-up to providing funding for the event, the government conducted an audit and determined that the funds had not been used for the purposes described in the funding application. The government commenced an action seeking damages due to the alleged negligent misrepresentations in the application documents and for the alleged breach of fiduciary duty on the part of the directors of the organization. The claim was resolved by way of negotiated settlement. The total costs incurred to defend the claim were \$35,000. There was no deductible applicable to this loss.

## **8. Licensing Dispute**

A member of a professional association sued the association and several of its directors and officers as a result of a disagreement with respect to licensing requirements. The member sought damages as compensation for the alleged breach of fiduciary duty, defamation and interference with economic interests. The insurer retained defence counsel to defend the legal action, but the issues were ultimately resolved without the need for protracted litigation. The insurer paid a nominal amount to the claimant to assist with the resolution. The insurer paid approximately \$100,000 in defence costs. No deductible was applicable to this loss.

*These Claims Examples are for illustrative purposes only. Please remember that only the insurance policy can give actual terms, coverage, amounts, conditions, and exclusions.*