

How To Buy Nonprofit Directors' and Officers' Insurance

What You Need To Know

**By
Scott Simmonds, CPCU,ARM, CMC
Insurance Consulting**

**www.ScottSimmonds.com
Scott@ScottSimmonds.com**

How To Buy Nonprofit Directors' and Officers' Insurance

By Scott Simmonds, CPCU, ARM, CMC

In my insurance consulting work with nonprofits, one area of coverage is a topic of constant concern—directors' and officers' insurance, a.k.a. D&O. There is, in many ways, an air of mystery around this kind of policy. Let's get rid of that!

First, D&O insurance is protection against a breach of "duty" by the directors and officers. D&O pays for actual or alleged wrong decisions, what the policy calls "wrongful acts."

Although each insurer defines coverage in its own way, D&O insurance generally includes: "any actual or alleged act or omission, error, misstatement, misleading statement, neglect or breach of duty by an Insured Person in the discharge of his/her duties."

Claims

Some examples of claims under D&O:

Employment-related issues such as discrimination, harassment, and wrongful termination.

A client claims you have failed to provide services in accordance with your mission.

A funding source claims you have misused funds or mismanaged assets.

D&O does not pay for bodily injury or property damage. Auto insurance, workers' compensation, and general liability are purchased for such claims.

No Standard Policies

As there are no standard D&O policies, each policy and proposal must be evaluated on its own merits. Here are some issues that should be considered:

Claims-Made Coverage

Most liability insurance policies (general liability, automobile, workers' compensation) pay for events that occur during the policy period. For example, an auto insurance policy will pay for an accident that occurs while the policy is in force.

D&O policies, however, pay for lawsuits filed during the policy period; the wrongful act could have occurred years before. Claims-made policies respond only when a suit is filed, or when a strong threat of a suit exists.

Claims-made policy: Pays based on the date of the lawsuit.

Occurrence policy: Pays based on the date of the accident or occurrence.

The downside of a claims-made policy comes if the policy is canceled. Example: A D&O policy is put in force January 1, 2005, and is renewed in 2006 and 2007.

In 2008, however, the organization decides to end the coverage, as the premium has increased. Six months later, a letter from an attorney arrives announcing a lawsuit for discrimination in hiring that occurred in 2007.

No coverage. Although the policy was in force at the time of the alleged discrimination, the policy was not in force when the suit was filed. The solution to this problem is the extended reporting period found in most policies (see the next paragraph).

Extended Reporting Period/Tail Issues

Claims-made policies only provide protection for lawsuits and actions brought during the policy period. In the event that coverage is replaced or cancelled, protection may be desired for events that took place prior to expiration/cancellation but for which no claim has yet been filed. This coverage is called a "tail" or "extended reporting period" (ERP). Here are some issues to consider:

Can you buy the ERP at your option or only when the insurance company cancels the policy?

For what period is the ERP valid? One year? Two years?? Longer???

What is the premium for the ERP? (The cost is usually expressed as a percentage of the current premium.)

In what time frame must the insured decide to buy the ERP? (The usual period is 30 or 60 days.)

Policy Limit

What amount of coverage is provided by your policy? What's the total amount of protection offered for all claims during the covered time frame (also known as an "aggregate limit")? Multiple claims can, in effect, use up the limit of coverage.

Defense within Limit

Most D&O policies include the cost of defending a claim (attorneys' fees, etc.) within the policy limit of liability. That means that the amount of coverage purchased must be enough to cover the awards and the defense costs of all claims. This can be an issue when considering the amount of coverage (aggregate limit) you buy.

Failure to Provide Insurance Exclusion

This exclusion exists in about a quarter of the policies I see for nonprofit organizations. It removes coverage for suits by alleging that you did not buy the right insurance or enough insurance. If you see this exclusion in your policy, ask that it be removed.

Retroactive Date

Claims-made policies respond to claims brought during the policy period. Many policies include a date after which a claim must occur in order for the policy to respond—a retroactive date. When changing insurance companies, it is vital to understand the new policy retroactive date. The use of a "Tail" may be necessary if the retroactive date is not sufficiently in the past.

Employment-Related Practices Coverage

Most nonprofit D&O policies include coverage for employment-related practices—wrongful discharge, harassment, discrimination, etc. Check the policy's definition of "wrongful employment act." Does it include only certain acts, such as sexual harassment? Or is the coverage broad, including workplace harassment, for example? Are discrimination suits brought by third parties covered? Remember that including employment practices claims in your organization's D&O policy could affect the limit of liability available for other claims.

D&O Insurance and Personal Insurance

Strictly speaking, the issue of personal insurance is beyond the scope of this article. In my presentations to nonprofit boards, however, I always get someone asking about using a homeowner's policy or umbrella liability policy for protection.

Personal liability insurance—either homeowner's or umbrella—covers bodily injury and property damage for which the insured—you—are liable.

Business endeavors are excluded. Volunteer activities are covered, but only for bodily injury and property damage. D&O insurance covers damage resulting from wrong decisions but not bodily injury or property damage.

Don't depend on personal liability to protect you from your actions on a board. And don't depend on D&O insurance to protect you from liability for bodily injury and property damage.

Volunteer Immunity Laws

Volunteer service is no defense for improper acts. Many states, however, provide immunity from prosecution if the actions arise out of voluntary service in a nonprofit.

Remember that these laws are at the state level, and that they vary from state to state. State law cannot provide immunity from federal statutes such as ERISA, the Americans with Disabilities Act, or Civil Rights laws.

Regularly Review Coverage with Your Agent

Have an annual meeting with your insurance agent to review the coverage you buy.

How much coverage do you have – what are the limits of liability?

Are defense costs included in the limit of liability?

Do you have coverage for employment practices?

Do you have coverage for prior acts?

What professional services are excluded?

What are the policy exclusions?

Use the coverage comparison chart at the end of this document.

How to Buy It If You Don't Have It

The first step is to contact your own insurance agent. You may find that they have the expertise to provide you with the policy that you need.

If, for whatever reason, you're not comfortable obtaining D&O insurance from your current agent, find an agent who has an interest in your cause.

Directors' and officers' liability insurance for small nonprofits are not particularly lucrative for an agent. Your business may not get their attention. However, an agent who is a supporter can do an exceptional job for your organization.

Another approach would be to use a board member or a strong supporter who owns a business. Have the board member contact her insurance agent, asking that the agent provide the coverage as a favor to them. Most agents will be reluctant to disappoint a good customer.

You'll have to complete an application before your agent can get quotes. Most insurers will have minimum premiums of at least \$1,200. Your premium may be higher depending on your organization's mission and budget.

When your agent comes back with quotes, review the information carefully. Ask the agent to explain the coverage. Ask the same questions from the above section. Ask for a copy of the policy and endorsements. Review alternative limits of coverage and deductibles.

Directors' and Officers' Coverage Comparison Chart

Complete this chart using the information provided by your agent or have the agent fill in the blanks.

Name of the insurance company providing quote/coverage.	
Name of agent providing quote/coverage.	
Insurer financial rating by AM Best Company. (Available at www.AMBest.com)	
The maximum payout for the total of all claims. (Also called aggregate or total limit)	
The maximum payout per claim. (Also called per claim limit)	
How is wrongful act defined? (Usually found in the section of the policy titled definitions.)	
What is the deductible for D&O claims?	
Is coverage included for employment practices liability?	
Is there a separate limit of coverage for employment practices liability insurance? (Some policies have separate limits. Others have a combined limit for D&O and employment practices.)	
What events are included within the definition of a wrongful employment act? (Harassment, discrimination, wrongful discharge, etc.)	

Do employment practices liability claims reduce the limits of coverage unavailable for other claims?	
What is the deductible for employment practices liability claims?	
Are the costs incurred in the defense of a claim included in the limit of coverage provided or in excess of the coverage provided? (Most D&O policies will have defense as part of the limit of coverage.)	
Is the policy a claims-made policy or an occurrence policy? (Most D&O policies will be claims-made.)	
If claims-made, can the insured buy the extended reporting endorsement after cancellation of the policy? (Policies should offer at least 1 year of extended coverage. Three years is better.)	
What is the premium for the extended reporting period endorsement?	
If claims-made, how does the policy insure acts prior to the inception of the original policy?	
Is there an exclusion for claims brought for failure to purchase the correct insurance? (May be a separate endorsement or within the exclusions.)	
Is there an exclusion for claims involving an insured suing another insured? (May be a separate endorsement or within the exclusions.)	
Is there an exclusion for professional services? (Most policies will exclude professional services. If you have an exposure as you provide medical care or financial advice, you will need to purchase separate coverage.)	

<p>Is there an exclusion for the gain of undue personal profit? (May be a separate endorsement or within the exclusions.)</p>	
<p>Is there an exclusion for excess remuneration? (May be a separate endorsement or within the exclusions.)</p>	
<p>Are libel and /or slander excluded? (May be a separate endorsement or within the exclusions.)</p>	
<p>Is pollution excluded? (Most policies will exclude pollution liability.)</p>	
<p>List other policy exclusions:</p> <p>(Review both those included in the exclusion section of the base policy and separate endorsements)</p>	
<p>How are professional services defined?</p>	

<p>Does the policy indemnify or pay-on-behalf of the insured for a claim? (Indemnification means that you will pay the expenses and the insurer will reimburse you. In most cases, pay-on-behalf is preferable.)</p>	

Directors' and Officers' Insurance Terms

ADA Americans with Disabilities Act

Adjuster/Adjustor A person who investigates and settles losses for an insurance company. May be an employee of the insurer or an employee of an independent adjusting firm.

Advertising Injury An injury arising out of an offense committed in the course of advertising activities. For example: libel, slander, defamation, violation of right of privacy, piracy, unfair competition, or infringement of copyright, title, or slogan.

Agent A legal representative of an insurance company. This person's role in the insurance transaction is to sell and service insurance. May be an employee. See also Independent Agent, Direct Writer Captive Agent.

Agent of Record See Broker of Record

Aggregate Limit A limitation in many liability policies stipulating the maximum amount available for the total of all claims paid in a period of time. Aggregates are usually annual.

Application A form completed by the insured and/or the agent, providing information used in the underwriting and pricing process. The application becomes a part of the insurance policy for many lines of insurance.

ARM Professional designation: Associate in Risk Management. A course of study including the management of risks using techniques other than insurance.

Audit Worksheet The document prepared by the auditor that outlines the payrolls of your company. In many cases, the worksheet will show the remuneration of each employee and the classification assigned to that individual. The information on the worksheet is used to calculate the final premium.

BI Bodily Injury

Binder An oral or written statement that insurance coverage has been placed in effect. Usually issued by an insurance agent or the insurance company pending the actual policy being issued.

Bodily Injury Injury or death. Some liability policies include emotional distress in the definition.

BOR See Broker of Record.

Broker An insurance professional who represents the insured in the insurance transaction. Sometimes used incorrectly as a synonym for agent.

Broker of Record Letter A form letter used to indicate to an insurance company a policyholder's preference as to which insurance agent will have exclusive rights to the insured. Excludes all other agents/brokers from accessing the insurance company in question for that policyholder.

Business Insurance A subset of insurance that applies to the risks and hazards of business ventures, as opposed to personal insurance.

Cancellation Discontinuance of an insurance policy prior to policy expiration. May be at the request of the insured or by the insured's action (nonpayment of premium). In extreme cases, the insurance company cancels a policy for an increase in hazard. Cancellations are largely governed by state law.

Captive Agent An insurance agent who represents a single insurer or a single group of insurers. Captive agents may have to give their represented insurers first right of refusal or may be barred from accessing other insurers altogether.

Captive Insurance Company An insurance company owned by one or more non-insurance company formed to provide insurance coverage for the owners.

Carrier The insurance company.

Certificate of Insurance Proof of the existence at a moment in time of an insurance policy. Usually prepared by an insurance agent, listing the coverage included in a program of insurance. Prepared for the information of a business associate of the insured—a subcontractor would have his agent issue a certificate to the general contractor.

Certified Insurance Counselor Professional designation in property and liability insurance administered by the Society of Certified Insurance Counselors.

CGL Commercial General Liability

Chartered Property and Casualty Underwriter Professional designation administered by the American Institute for Property and Liability Underwriters. The course of study includes extensive examinations covering the breadth of property and casualty insurance issues.

CIC See Certified Insurance Counselor.

Claims Made Refers to the trigger of liability coverage. An occurrence policy responds to events that happen (occur) during the policy period. Claims-made policies respond to lawsuits filed (the making of a claim) during the policy period.

Closed Claim A claim that has been resolved. No further payments or treatments are expected.

Coinurance A penalty clause in property insurance policies that requires a certain percentage of the property's value to be insured.

Example: A building with a replacement cost of \$1,000,000 and an 80% coinsurance clause must be insured for at least \$800,000 (80% of the \$1,000,000 value), or a penalty is assessed at the time of a loss.

Coinsurance in health insurance means the percentage of a loss paid by the insurance company.

Liability insurance policies may have a coinsurance clause that denotes the percentage of the loss paid by the insurance company.

Commercial General Liability Policy Provides coverage for bodily injury and property damage either from operations or products.

Commercial Lines Insurance A broad category of insurance indicating insurance for businesses, professionals, and commercial establishments.

Conditions Qualifications on the terms made by an insurance company – insured must pay premiums, insured must notify insurance company of claims, etc.

Coverage The scope of protection of an insurance policy. Used as a synonym for insurance.

CPCU See Chartered Property and Casualty Underwriter.

CSR See Customer Service Representative.

Customer Service Representative An employee of an insurance agency or company that provides administrative and customer support functions.

D&O Directors' and Officers' Insurance

Dec Declarations page – see Declarations.

Declarations The part of an insurance policy that specifically describes the limits, premiums, rates, names, and other information relative to a specific insured.

Deductible The part of a claim paid for by the insured. A \$5,000 deductible means that the insured pays the first \$5,000 of any insured loss.

Definitions The part of an insurance policy that defines many of the words used in the policy. Most policies highlight terms that are defined or place the term in quotation marks to indicate that the word is defined in the policy.

Direct Writer An insurance company that does not work through independent insurance agents. Agents for direct writers are usually employees of the insurance company or in exclusive relationships with the insurance carrier. Liberty Mutual, State Farm, and Allstate are direct writers.

Directors' & Officers' Insurance Policy Provides coverage for allegations of third parties for mismanagement, failure to act properly, and other "wrongful acts" against

directors and officers. Coverage also can be included for the bank, known as Entity Coverage

Discovery Period See Extended Reporting Period.

Dishonesty Insurance See Commercial Crime Policy.

Domestic Insurer An insurer domiciled in a state in which the insured's insurance is written.

Earned Premium The premium used in an insurance policy over the period of the policy. If a policy is two-thirds through its term, the earned premium is two-thirds of the total premium.

Employee Retirement Income Security Act U.S. federal law passed in 1974 that provides regulation over employee welfare plans – retirement funds, group insurance, pensions, etc.

Employers' Liability The second part of workers' compensation insurance policies. Provides protection from liabilities that arise out of the employment relationship but are not covered by workers' compensation. For example: the spouse of an employee who becomes ill because of chemical residues brought home on the employee's clothing.

Employment Practices Liability Insurance Liability insurance for acts of harassment, wrongful discharge, wrongful hiring, and discrimination. Also called EPLI.

Endorsement Additional policy coverage, conditions, or exclusions added to the insurance contract by the insurance company. Sometimes called a Rider.

Entity Coverage An extension of directors' and officers' insurance, providing coverage for legal actions against the insured entity.

EPLI Employment Practices Liability Insurance

ERISA See Employment Retirement Income Security Act.

ERISA Bond Provides the required protection for the assets of a retirement fund under the federal law known as ERISA

Errors and Omissions Insurance See Professional Liability Insurance.

Estimated Premium Premiums determined at the beginning of a policy period based upon estimated payrolls. The insured pays for the policy based upon the estimated premium, and then the audit determines the final premium.

Excess and Surplus Lines See Surplus Lines.

Excess Liability Policy See Umbrella Liability.

Exclusion A part of an insurance contract that removes coverage for a specific set of circumstances. Pollution is excluded from most directors' and officers' insurance policies.

Exclusive Agent See Captive Agent.

Exposure A vulnerability to loss.

Exposure Basis A unit of measuring exposure. In workers' compensation the exposure basis is remuneration. In the case of some rates for domestic help, the unit may be per employee.

A liability policy may use payroll, sales, or area as the basis of premium.

Extended Discovery Period See Extended Reporting Period.

Extended Reporting Period A provision included in claims-made liability insurance policies where, after the expiration or cancellation of a policy, the insured can extend the time to discover a claim that occurred prior to the end of the policy. Also called a Tail or Discovery Period.

Fiduciary A person entrusted with property or the care of an asset.

Fiduciary Coverage See Fiduciary Liability Insurance.

Fiduciary Duty The duties expected of a fiduciary.

Fiduciary Liability Insurance Protects the fiduciaries, directors, and officers of employee welfare plans (group insurance, pension plans, 401k plans) against actual or alleged wrongful acts. Covers liabilities imposed by the federal law ERISA.

First Named Insured The first person or organization listed on an insurance policy as an insured. First named insureds receive all policy notices and bills.

Foreign Insurer An insurer domiciled in a state other than the one in which the insured's insurance is written.

Form The contract of insurance that outlines terms and conditions of protection.

FRIP Fiduciary Responsibility Insurance Policy

Hammer Clause A provision in a professional liability policy or directors' and officers' insurance that limits the insurer's liability should the insured refuse to accept a settlement offer from the plaintiff.

Hard Market A description of the insurance marketplace used to indicate a period of increasing rates and constricting coverage/availability. A sellers' market. The opposite of a soft market.

Hazard A situation that presents a chance of loss or an increase in the severity of a potential loss.

Indemnification An agreement where one party agrees to provide protection for certain legal actions brought against the primary party by another.

Indemnity Contract As to liability – a provision that the insurance company reimburses an insured after settlement of a claim.

Independent Adjuster A contractor of the insurance company who manages insurance claims for the insurance company.

Independent Agent An autonomous business that sells and services insurance policies as a representative of a variety of insurance companies.

Insurance A contractual agreement where an insurance company assumes the risks outlined in an insurance policy in return for payment of a premium.

Insurance Adjuster The person who manages the claim process for the insurance company. May be an employee of the insurer or a contractor hired by the insurer.

Insurance Carrier See Insurance Company.

Insurance Commissioner The top insurance regulatory official in a state. May be called a Superintendent.

Insurance Company A commercial enterprise formed to sell and service insurance policies.

K&R Kidnapping and Ransom Insurance

Kidnap, Ransom and Extortion Policy Pays moneys demanded either for kidnapping or the threat of kidnapping. Also pays for extortion with a threat to property.

Liability A legally enforceable obligation usually due to a breach of some duty or negligence.

Liability Insurance Insurance that responds to a breach or negligence of the insured to another party.

Loss An accident or event that causes damage, injury, or illness.

Loss Adjustment Expenses Monies spent to investigate and settle losses.

Loss Control Practices and procedures used to minimize the severity of a loss. Also used to describe loss prevention activities.

Loss Prevention Practices and procedures used to keep accidents from happening. Prevents frequency of loss. Also used to describe loss control activities.

Loss Ratio Incurred losses (and loss adjustment expenses) divided by net premiums earned. Measures profitability. A measure of losses compared to premiums.

Loss Reserves Estimated amounts for future payments of medical and wage payments for a specific claim.

Loss Run A record of losses for a policy period.

Misrepresentation A false, incorrect, improper, or incomplete statement of a material fact, made in the application for an insurance policy. This constitutes as fraud in many states.

Named Insured Individual(s) and organization(s) listed on the declarations as insured.

National Association of Insurance Commissioners (NAIC) Association of state insurance regulators who administer state insurance rules and laws. NAIC promotes uniformity in regulation throughout the country.

Net Premium Premiums after all fees, charges, and credits.

Noncancelable A policy feature that provides a guarantee of continuation of insurance at the insured's option. Insurers may adjust premiums, however.

Occurrence Defined by most liability policies as "an accident, including continuous or repeated exposure to substantially the same general harmful conditions."

PD Property Damage

Personal Injury Usually a part of the commercial general liability insurance policy. This often provides coverage for libel, slander, false arrest, and defamation of character. Actual definitions of what is covered vary by policy.

Personal Injury Liability Insurance Part of the commercial general liability insurance policy that provides protection for libel, slander, defamation, or violation of right of privacy; and wrongful entry, eviction, or other invasion of right of private occupancy.

Personal Lines Insurance coverage in property and casualty insurance for families and households—personal auto coverage and homeowners' insurance, for example.

PI Personal Injury

Policy The insurance contract. It spells out the terms, conditions, and exclusions of the insurance provided by the insurance company.

Policy Term The period of time that the insurance policy is in force.

Policyholder The person or organization that owns the insurance policy.

Pollution A cause of loss that is excluded by most property and liability insurance policies. Usually requires a special pollution liability insurance policy.

Premium The price of insurance for a specified risk for a specified period of time.

Premium Auditor Work comp – an individual who performs the audit of remuneration at the end of a policy period. May be an employee of the insurance company or a contractor hired by the insurance company.

Premium Finance Finance arrangement for the insured to make payment of the insurance premium.

Primary Insurance The insurance policy that is responsible for paying the first part of a loss. Excess policies pay after primary policies pay.

Product Liability Insurance Protection from legal actions against an insured for bodily injury and property damage caused by a product sold, manufactured, processed, or provided by the insured.

Professional Liability Insurance Insurance against negligent damage caused by a wrongful act of the insured. Usually excludes bodily injury and property damage. Also called malpractice insurance. Also called errors and omissions insurance.

Proof of Loss Presentation by the insured of documentation of the extent of a claim. Usually used in property insurance policies as a condition. Insurers must respond (pay) within a certain time to the presentation by the insured of a proof of loss.

Property Damage Physical damage to tangible property.

Property Insurance Insurance protection for loss of tangible property owned by or in the care of the insured. Includes buildings, personal property, stock, inventory, and time element insurance.

Public Adjuster A person or firm that is a representative of the insured in a claim for insurance benefits.

Reinsurance Insurance purchased by insurance companies to provide a risk transfer mechanism. Also used by self-insurers and self-insured groups.

Remuneration Payroll and other compensation paid to employees. Used to calculate premiums.

Renewal The reestablishment of an insurance policy after the expiration of a prior term of coverage.

Reservation of Rights A response to a claim whereby the insurance company defends a case without any commitment as to the coverage provided by a policy.

Reserve Amount expected to be paid on a claim that is not resolved or closed.

Residual Market See Assigned Risk Plan.

Retention Amount of a claim paid by the insured. The term is usually used in liability insurance. Similar to a deductible.

Retention Plan A loss sensitive insurance plan that adjusts the premium up or down based on losses and associated costs.

Rider See Endorsement.

Risk 1) Exposure to loss. 2) An insured. 3) A portion of an insured operation.

Risk Management The process of addressing in a systematic way the hazards and exposures of an organization. Risks can be avoided, reduced, transferred, and retained.

Insurance transfers the risk (or a part of it) to an insurance company.

Risk Retention Group Alternative risk financing tool where similar businesses band together to share risks. Usually utilizes reinsurance and individual retentions along with regimented loss control and claims management process. Meets the requirements of the Risk Retention Act of 1986.

Self-Insurance Retention of the risk, usually in a formal, calculated way. In workers' compensation, state regulations impose financial and administrative qualifications. May involve reinsurance or very large deductibles to cover catastrophic losses. Self-insurance isn't really insurance—you are retaining the risk.

Self-Insured Retention See Retention.

Short-Rate Penalty A penalty assessed when an insurance policy is cancelled by the insured in the middle of a policy period. Workers' compensation short-rate penalties are high in the early months and gradually decline through the policy period. Short-rate penalties in other property and casualty policies are usually 10% of the unearned premium.

Side A Coverage within a directors' and officers' insurance policy that pays for claims against individual directors or officers when corporate reimbursement isn't allowed.

Side B Coverage within a directors' and officers' insurance policy that pays for claims against individual directors or officers when corporate reimbursement is allowed.

Side C Coverage within a directors' and officers' insurance policy that pays for claims against the bank. Also referred to as entity coverage.

Soft Market A description of the insurance marketplace used to indicate a period of declining rates and expanding coverage/availability. A buyers' market. The opposite of a hard market.

Standard Markets Insurance companies that are not surplus lines insurers.

Standard Policy An insurance policy used by a preponderance of insurance companies to cover similar exposures and operations.

Strict Liability Liability that comes out of an exposure that is so onerous that negligence need not be proven. Some examples are blasting within a city or the keeping of wild animals.

Subrogation The procedure under which an insurance company recoups losses paid from the insurer of the negligent or responsible party. For example, a workers' compensation insurer may subrogate against the auto insurer of the driver who caused an accident in which an employee is injured.

Surplus Lines Insurance written by non-admitted insurance companies.

Tail Coverage See Extended Reporting Period.

Terrorism Risk Insurance Act Federal law outlining the taxpayer-funded reinsurance provided for certain types of terrorism losses.

Tort A civil wrong other than a breach of contract.

TRIA Terrorism Risk Insurance Act

Twisting Inaccurate or incomplete insurance policy descriptions used to entice the surrender or cancellation of an insurance policy in favor of another policy.

Umbrella Liability A form of excess insurance that provides additional limits of liability protection as well as increasing the breadth of the coverage provided.

Umbrella Liability Policy Provides extra liability coverage above the general liability, auto liability, and employers' liability coverage. Also known as excess liability.

Underlying Policies The basic liability insurance policies accessed before excess or umbrella liability policies. Usually include auto liability, general liability and employer's liability.

Underwriter 1) An insurance company. 2) The individual who performs underwriting for an insurance company.

Underwriting The process an insurance company goes through to classify, analyze, and price an insurance policy.

Unearned Premium The difference between the premium paid and the earned premium.

Some Insurers Who Provide Nonprofit Directors and Officers Insurance

The following list is not an endorsement of any kind. It is also not a statement of the quality of coverage provided. To access information use a search tool such as Google.com and input the name of the insurer and the phrase "Nonprofit directors and officers."

Ace / Westchester
American International Group
Arch Insurance Group
Aspen Specialty Insurance Company
Axis Surplus Insurance Company
Carolina Casualty
Chubb
Crum & Forster
Evanston Insurance Company
Great American Insurance Company
Houston Casualty
Lloyd's of London
Maxum
National Casualty
One Beacon
Philadelphia Insurance
RLI Insurance Company
Scottsdale Indemnity
Shand / Evanston Insurance / Markel American
St. Paul / Travelers
Tudor Insurance Company (Western World)
United States Liability Insurance Co. / Mt. Vernon Fire

There are also a broad number of risk retention groups who offer D&O protection. Your best source for information on industry specific programs is to talk with your trade association.

About Scott Simmonds, CPCU, ARM, CMC

Scott Simmonds started in the insurance business in 1979. He has provided insurance advice and counsel to hundreds of companies, large and small, throughout the U.S.

After graduating from Babson College, in Wellesley, Massachusetts, Simmonds entered the insurance business. In 1987 he received the Certified Insurance Counselor designation from the Society of CIC. In 1995, Simmonds completed his studies to qualify for the Chartered Property and Casualty Underwriter designation conferred by the American Institute for CPCU. He completed the requirements for the Insurance Institute of America's Associate in Risk Management designation in 2005.

Simmonds' insurance work has involved companies in a wide range of industries. He has handled insurance and risk management issues for public and private corporations, including many with international operations. His work includes nonprofits, banks, manufacturing organizations, hospitality companies, municipalities, and schools. He is licensed in property, casualty, life, and health insurance consulting.

Scott's writing and comments have appeared in the Wall Street Journal, Forbes, Portland Press Herald, The Boston Globe, Mainebiz, Fortune, Money, Inc. Magazine, the New York Times, Investors Business Daily, Kiplinger's, the Los Angeles Times, and countless trade publications.

The Institute of Management Consultants awarded Scott the Certified Management Consultant designation. CMC represents evidence of the highest international standards of consulting competence and adherence to the ethical canons of the profession.

Scott is a member of the Society for Advancement of Consulting, an organization accepting only the top 1% of consultants nationwide. He is the first insurance consultant granted membership in this prestigious organization. The society recognized his accomplishments in insurance by awarding "Board Approved" status. Scott was only the nineteenth consultant worldwide afforded this honor.

Simmonds lives in Saco, Maine, with his family. He enjoys canoeing, reading, hiking, and playing his Great-Grandfather's 100 year old violin. He is a past president of the trade association, Maine Association of Professional Consultants and of the Biddeford-Saco Rotary Club. He is also active in many trade associations and serves on the adjunct faculty at the York County Community College teaching small business management.

For More Information Contact:

Scott Simmonds, CPCU, ARM, CMC
Insurance Consultant
Email: Scott@ScottSimmonds.com
Web: www.ScottSimmonds.com
Phone: 207-284-0085