



**VOLUNTEER  
BÉNÉVOLES**  
C A N A D A

**AON**

# Directors' and Officers' Liability Insurance

## KNOW THE LEGAL RISKS OF BEING A VOLUNTEER BOARD MEMBER

According to the 2007 Canada Survey on Giving, Volunteering and Participating, about 9% of Canadian volunteers serve on boards and committees compared to 36% of volunteers serving on boards in 2004.

Despite their commitment to countless causes and organizations many board members may be unaware of the legal ramifications of their volunteer work and the possibility of being held personally liable. This liability applies to all non-profit organizations including clubs, associations, societies, leagues, committees and charities.

The basic responsibility of directors is to represent the interest of the organization, their members and their constituencies in directing the affairs of the organization, and to do so within the law. In their role as "trustee", directors have three basic duties:

- **DILIGENCE** to act reasonably, prudently, in good faith and with a view to the best interests of the organization and its members.
- **LOYALTY** to place the interests of the organization first and to not use one's position as a director to further private interests.
- **OBEDIENCE** to act within the scope of the governing policies of the organization and within the scope of the other laws, rules and regulations that apply to the organization.

A volunteer director who fails to fulfill his or her duties as outlined above may be liable.

The term "liability" refers to the responsibility of directors and organizations for the consequences of conduct that fails to meet a pre-determined legal standard. Usually, the term "consequences" refers to damage or loss experienced by someone, and being responsible for such "consequences" can mean having to pay financial compensation.

**Directors and officers may be held personally liable for claims arising from:**

- Activities of volunteers and/or staff in the name of the organization
- Employee discrimination
- Wrongful dismissal
- Breach of duties

**Claims may be made by:**

- Volunteers
- Employees
- Government bodies
- Suppliers
- Customers
- General public

## HOW TO MINIMIZE THE RISK TO BOARD VOLUNTEERS

**The process of risk management is a simple three-part activity. It involves:**

- Examining a situation and asking what can go wrong and what harm could result
- Identifying practical measures that can be taken to keep such harm from occurring; and
- If harm does occur, identifying the steps that can be taken to lessen the impact of harm and pay for any resulting damage or losses.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

A common risk management measure, and one that is particularly important in minimizing directors' personal liability, is that the organization carry Directors' and Officers' Liability Insurance (DOLI). DOLI is like general liability insurance and covers the costs that the directors and officers of an organization might become legally obligated to pay as a result of damages to another party.

However, unlike a general liability insurance policy that covers losses arising from physical injury or property damage, DOLI covers only those losses arising from a director's own "wrongful acts" or those of the board.

Although few claims against directors are substantiated and fewer of these result in large financial awards, the cost of defending any claim can be significant. This is where DOLI tends to prove its value.

This policy extends coverage to subsidiaries of the organization with assets that do not exceed 30% of the total consolidated assets of the organization.

# NATIONAL DIRECTORS' AND OFFICERS' LIABILITY INSURANCE PROGRAM – SIGNIFICANT SAVINGS

(EXCLUSIVE TO MEMBERS OF VOLUNTEER CANADA)

Volunteer Canada strongly recommends that organizations consider the need to carry DOLI. In order to assist organizations with DOLI, Volunteer Canada has partnered with Aon Reed Stenhouse Inc. (Aon) to offer an affordable policy to all non-profit organizations who join Volunteer Canada (with few exceptions).

By joining Volunteer Canada, all participants are subject to significant premium savings. Those organizations whose operation budgets/revenue are under \$5,000,000 per year have pre-set costs as outlined in the chart and are required to complete a simple two-page application form. Organizations with operating budgets/revenue that exceed \$5,000,000 per year are also subject to significant premium savings; please note that the premium is not predetermined and in order to provide a quote, completion of an extended application is required.

## Budgets/revenues under \$5,000,000 per year

See the Membership section of the Volunteer Canada website at [www.volunteer.ca](http://www.volunteer.ca) to download a two-page application or contact Aon directly to receive your copy. Send both the completed application and full payment to Aon at the address supplied. Upon receipt and acceptance of completed application and payment, Aon will issue a certificate of insurance and forward it to you along with a copy of the policy wording.

## Budgets/revenues over \$5,000,000 per year

See the Membership section of the Volunteer Canada website at [www.volunteer.ca](http://www.volunteer.ca) to download an extended application or contact Aon directly to receive your copy.

## Payment details/Shared Liability Limit

The common expiry date of the program is March 31st. Please note that the costs collected are non-refundable and premiums are not subject to pro-rata costs. The full annual cost is due for those certificates commencing March 31st through September 30th and half of the annual cost is due for coverage commencing October 1st through March 31st. Please note there are limited excluded classes of business.

## Limits per Certificate

Annual Budget/Revenue	\$500 K	\$1 MM	\$2 MM	\$3 MM	\$5 MM
\$0 - \$50,000	\$353	\$448	\$733	\$923	\$1,303
\$50,001 - \$100,000	\$543	\$733	\$923	\$1,065	\$1,493
\$100,001 - \$250,000	\$690	\$909	\$1,399	\$1,705	\$2,777
\$250,001 - \$500,000	\$780	\$1,001	\$1,552	\$1,877	\$3,084
\$500,001 - \$750,000	N/A	\$1,123	\$1,724	\$2,060	\$3,390
\$750,001 - 1,000,000	N/A	\$1,246	\$1,897	\$2,262	\$3,697
\$1,000,001 - \$2,000,000	N/A	\$1,491	\$2,275	\$2,716	\$4,003
\$2,000,001 - \$3,000,000	N/A	\$1,797	\$2,716	\$3,255	\$4,310
\$3,000,001 - \$5,000,000	N/A	\$2,152	\$3,255	\$3,905	\$4,615

\*Please note: Included in the insurance cost above is a \$25 administration fee.

The purpose of this brochure is to raise awareness of the legal risks facing directors, and to offer directors and organizations some practical ways to minimize risks. It is not intended to deter people from volunteering as board members with their chosen voluntary organization or charity.

Risk and responsibility are facts of life – and every activity involves a certain amount of risk. The volunteer director needs to understand the risks involved in the position so that he/she can act reasonably and appropriately. Organizations must ensure that volunteers are protected as much as possible from risk in order to protect the organization's quality of service, reputation and volunteer management expertise.



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