



SchoolFoundation Insurance Program

Protecting your good intentions

Coverage for Directors, Officers, Trustees, Employees & Volunteers



About Brokers' Risk

For over 30 years, Brokers' Risk has brought innovative risk management solutions to public schools and other public and not-for-profit entities. Its senior management consists of James L. Sandner, CEO and former Chairman of the National School Boards Foundation and Cheryl Sandner President, and former Vice-Chair of the Board of Trustees for the National School Boards Foundation.

Risk of Potential Litigation

Facts & Figures

- A more litigious legal environment with escalating defense costs has made insurance coverage a necessity for school foundations
- Many directors, officers, trustees, employees and volunteers mistakenly believe they have no personal exposure in their decisions regarding the foundation. The reality is that they can risk their personal assets even while volunteering their services on behalf of the school foundation
- A recent industry survey stated that over one-third of not-for-profits reported being faced with at least one directors and officers liability dispute and/or litigation in the last 10 years
- One study on the not-for-profit industry showed that 1 out of every 6 volunteers withheld their services because of concern about becoming involved in a liability lawsuit
- Research has shown that non-for-profits have significantly more directors and officers claims than privately held or publicly traded companies
- It has been estimated that the average cost to defend an entity and its representatives in a lawsuit is \$100,000 even if no liability is found

Possible Plaintiffs

- Donors
- Board Members
- Ineligible Recipients
- Government Entities
- School Foundation Employees

Potential Allegations in a Lawsuit

- Breach of Fiduciary Duty
- Error or Omission
- Misleading Statement(s)
- Mismanagement
- Violation of Trust Agreement
- Employment Liability

Coverage Items to Look For

- Broad definition of insured
- Broad definition of claim
- Duty to defend policy
- Coverage for punitive damages in a state where they are insurable under the law
- Coverage specifically designed for school foundations
- Ability to protect multi-faceted risks in one policy, including:
 - Directors & Officers
 - Errors & Omissions
 - Employment Practices
 - General Liability
 - Hired and Non-Owned Automobile Liability
 - Special Events
 - Crime

SFIP Program Capabilities

School Foundation Base-Plan Coverage

Directors & Officers and Errors & Omissions Liability Coverage

- Deductibles as low as \$500
- Limits up to \$2,000,000
(D&O and E&O must be selected in order to purchase any optional coverages)

School Foundation Optional Coverages

Employment Practices Liability Coverage

- Deductibles as low as \$5,000
- \$1,000,000 sublimit of Directors & Officers and Errors & Omissions Liability Coverage

General Liability Coverage (including personal and advertising injury)

- \$1,000,000 per occurrence, combined & aggregate limits are available
- Applicable to volunteers

Hired and Non-Owned Automobile Liability Coverage

- \$500,000 combined single limit available

Crime Coverage

- \$25,000 aggregate for employee theft, forgery or alteration, money and securities, robbery or safe burglary
- \$5,000 deductible

Special Events Coverage

- All events must be reported; low risk special events can be added to the general liability coverage upon underwriting approval
- High risk special events may be eligible on a stand-alone basis pending underwriting approval

Eligible 501c(3) Non-For-Profit School Foundations

- Foundations for public, public charter and public magnet schools
- Foundations associated with supporting K-12 education and technical education facilities
- Typical examples of school foundations include: Athletic programs supporting the arts, teacher scholarships, and student scholarships

School Foundation Comparison Checklist

| Coverage & Specialty Program Features: | SFIP | Other |
|--|------|-------|
| Coverage tailored for school foundations | ✓ | |
| Low minimum premiums, many foundations starting below \$1,000 for base coverage on an annual basis | ✓ | |
| Broad definition of insured, which includes volunteers | ✓ | |
| Broad definition of claim, including any demand on the school foundation for damages or services | ✓ | |
| The insurer has the duty to defend you, your school foundation, and other insureds under the policy | ✓ | |
| Carrier is A (Excellent), class XV, as rated by A.M. Best Company | ✓ | |
| Coverage is available for employment practices, general liability (personal injury), hired and non-owned automobile liability, crime and special events | ✓ | |
| A \$25,000 defense sublimit is also available for litigation seeking a recovery other than monetary damages | ✓ | |
| Punitive damages are covered in the states where they are insurable under the law | ✓ | |
| Prior acts coverage is available | ✓ | |
| If a claim does occur, you and your school foundation will benefit from the services of claim specialists who are well versed in specific litigation issues that not-for-profit and public entities face | ✓ | |
| Quick and easy renewal process for qualifying risks | ✓ | |
| The Program is endorsed by the National School Board Foundation (NSBA), and the School Leaders Risk Management Association (SLRMA) | ✓ | |

Frequently Asked Questions

1. Why does a school foundation need liability coverage?

Board members, volunteers and employees of a school foundation should not have to risk their personal assets or the assets of the organization they serve. Litigation can arise out of day-to-day activities that a school foundation engages in, including but not limited to: its relationships with donors, eligible or ineligible recipients, employees, vendors, and competing not-for-profits. Allegations can include mismanagement, inappropriate selection of service providers, negligence in administration of programs, self-dealing, conflict of interest, and employment liability, among others.

2. What is the difference between Errors & Omissions and Directors & Officers coverage?^{1 2}

E&O: Errors and Omissions “E&O” insurance provides coverage that protects the foundation and representatives of the foundation when giving advice, making educated recommendations, designing solutions or representing the needs of others. As the name suggests, it protects a party from legal responsibility due to unintentional errors, omissions and mistakes made during the course of business that result in financial damages to a third party.

D&O: Directors and Officers “D&O” insurance provides coverage that protects the directors and officers of a foundation from liability due to decisions they make and actions they take in their capacity as a director and/or officer of the foundation. Common types of allegations include breach of duty, negligent acts, omissions or misleading statements committed by the directors and officers of a foundation. D&O insurance policies can either be purchased to reimburse the foundation when it indemnifies its directors or officers, or it may pay on behalf of or advance defense costs to specifically cover directors or officers when the foundation doesn’t indemnify them.

3. Is SFIP endorsed by anyone?

Yes, SFIP is endorsed by:



1. "What's The Difference between D&O, E&O and EPLI Insurance?" *FreeAdvice.com*. n.p., n.d. Web. 16 Aug. 2011 <http://law.freeadvice.com>

2. "Difference Between D&O & E&O Insurance" *eHow.com*. Sue-Lynn Carty, n.d. Web.16 Aug. 2011 <http://www.ehow.com>

4. Who manages the School Foundation Insurance Program? What is the carrier's rating?

The program is managed by Brokers' Risk, an expert in specialized risks, including public schools, school foundations, and other public entities. The Policy is issued by Brokers' Risk on behalf of certain Underwriters at Lloyd's (of London), which is rated A (excellent), class XV, by *A.M. Best Company*.

5. What is the average or minimum pricing for Directors & Officer/Errors & Omissions coverage under the School Foundation Insurance Program?

A school foundation with:

- good risk management
- no claim history
- less than \$100,000 in yearly contributions

Could receive pricing as low as \$500 for a \$1,000,000 limit with a \$500 deductible per claim.

6. How do I get a quote?

Complete an application at <https://www.brokersrisk.com/programs/sfip>

Return by mail to:

School Foundations Insurance Program
Brokers' Risk
155 North Wacker, Suite 3700
Chicago, Illinois 60606-1731

Or email to:

submissions@brokersrisk.com



For more information on the
School Foundation Insurance Program
or our other products, call us toll free at **1-800-255-1195** or
visit us on the web at **www.brokersrisk.com**



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