



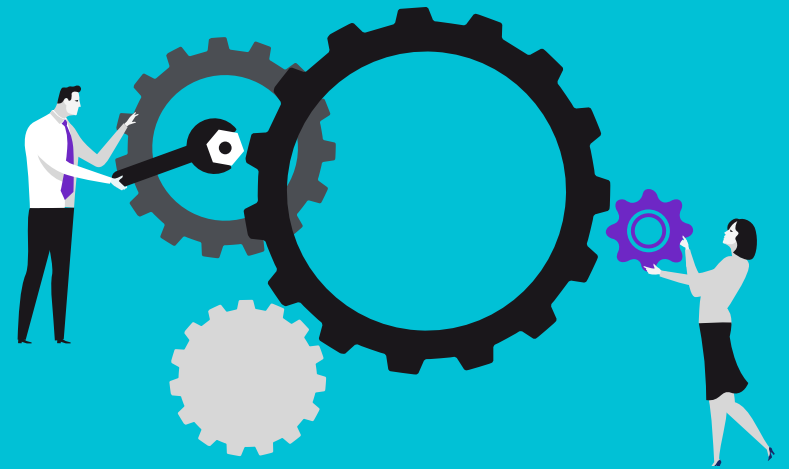
CHUBB®

## Protecting Not-for-Profit Organizations from Financial Loss

Mitigate your management liability exposures



As a leader in management liability insurance, Chubb is determined to provide you with the tools and information needed to mitigate and prevent future losses. Learn more about the seven key areas of corporate risk to be aware of when evaluating potential gaps in your insurance program.



# 1

## Directors & Officers Liability

Not-for-profit organizations are the bedrock of their communities. They provide a myriad of public benefits, are a significant contributor to the economy, and employ 7.5% of the U.S. workforce.<sup>1</sup> Having assumed fiduciary responsibilities as directors and officers (D&O), they also are at risk of being sued. D&O Liability insurance can help provide balance sheet protection to the organization, as well as personal asset protection for the directors and officers should litigation be brought against them. Chubb data shows that the cost to defend and settle these lawsuits has gotten more expensive over the past decade.

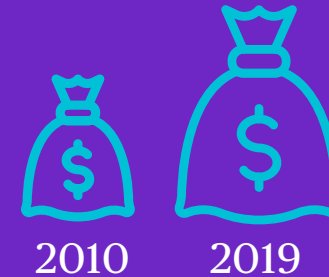


# 2

## Employment Practices Liability

Litigation involving employment practices wrongful acts, such as discrimination and harassment, is a constant exposure for not-for-profit organizations. Such claims present material risk and often include allegations of retaliation, which is a significant driver of increased settlement value. The coronavirus pandemic and subsequent “return-to-office” policies have given rise to novel and increased claims activity, involving allegations of disability, failure to accommodate, and religious discrimination. Economic inflation has caused wages and, consequently, litigation costs and attorneys’ fees to increase. Social inflation, fueled by negative public sentiment toward corporations, has helped drive up jury awards and settlement values.

Costs to defend and settle not-for-profit D&O claims have increased by **100%** since 2010\*.



\*Chubb's internal data shows that not-for-profit D&O claims loss costs have increased 100% between 2010 and 2019 on an on-level premium basis. These claims do not include those of healthcare organizations.



Nationally, nonprofits employed **12.3 million** Americans at the beginning of 2020. Employing **7.5%** of working Americans results in significant spending on wages, salaries, and benefits.<sup>2</sup>

# 3

## Fiduciary Liability

Over the past decade, there have been excessive fee lawsuits brought against defined contribution plans. While initially against large companies with 401(k) plans, they have expanded to include universities, healthcare systems, humanitarian organizations, club associations, and other nonprofit entities that sponsor 403(b) plans.<sup>4</sup> Fiduciaries and plan sponsors are also at risk for being named in ERISA class actions over using allegedly improper COBRA election notices in healthcare plans and actuarial information in defined benefit plans.



Nearly **16%** of all excessive fee class actions filed from 2020 through 2022 targeted not-for-profit entities.<sup>3</sup>

# 4

## Crime

Not-for-profit organizations are vulnerable to crime losses caused by employees, as well as outside criminals. Often operating with lean staffs and focused budgets, not-for-profit organizations may feel the sting of a criminal more acutely than their for-profit counterparts. Embezzlement schemes by employees in positions of power are the most acute and often span multiple years before being uncovered. Furthermore, losses caused by imposters that socially engineer and manipulate employees to transfer funds under the guise of a trusted supplier or fellow employee have risen steeply in the last five years, **yielding more than \$150,000 on average to the criminal.**<sup>5</sup>

180 nonprofit cases of fraud filed with an average loss of **\$851,000.**

That's a **25%** increase since 2020!<sup>6</sup>



# 5

## Kidnap, Ransom & Extortion

Humanitarian aid organizations are aware of the dangers and risks of international travel, including the risk of kidnapping and extortion, and for good reason. Attacks on humanitarian workers have steadily increased each year for the last decade, with kidnapping impacting both local, as well as expatriate staff. Access to qualified security consultant and hostage negotiators is often out of reach to not-for-profit organizations that do not purchase insurance protection. Insurance protection may come with resources to services like The Ackerman Group, LLC, a world-renowned crisis management consulting firm, so that you are never more than a phone call away from help, should it be needed.



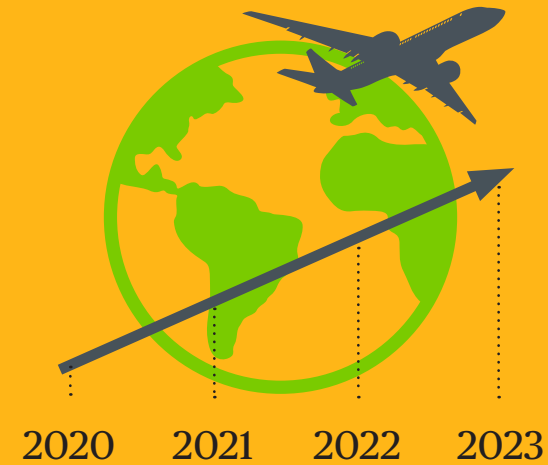
# 6

## Employed Lawyers Liability

According to the 2022 Association of Corporate Counsel Chief Legal Officers (CLOs) Survey, CLOs will continue to play a vital role in nonprofit leadership. In-house counsel have been asked to take on services that were typically delegated to outside firms, which can put them at risk of additional liability exposures. In recent years, third party litigation against attorneys has been on the rise. Further, in-house attorneys, in particular, face increased liability exposure based on a broad range of legal services they perform.



45% of CLOs surveyed anticipate hiring lawyers and 29% expect to hire more paralegals, an increase from 2021.<sup>8</sup>



## Workplace Violence

Employees and volunteers are essential to not-for-profit organizations. Keeping them safe while at work is paramount. Therefore, managing, and intercepting threats of violence directed at your organization and your employees must be a critical component of a workplace violence risk management program. Gun violence directed at employers and their employees is all too common. Disgruntled employees and former employees represent a specific threat which can be difficult to manage, especially if there are signs of instability.



According to a study conducted by the FBI, nearly **75%** of assailants had a personal connection to the location chosen to attack.<sup>9</sup>



<sup>1</sup> [www.nmbstrategies.com/blog/the-economic-importance-of-nonprofits](http://www.nmbstrategies.com/blog/the-economic-importance-of-nonprofits)

<sup>2</sup> [www.nmbstrategies.com/blog/the-economic-importance-of-nonprofits](http://www.nmbstrategies.com/blog/the-economic-importance-of-nonprofits)

<sup>3</sup> [www.chubb.com/content/dam/chubb-sites/chubb-com/us-en/business-insurance/fiduciary-liability-educational-materials/documents/pdf/2021-09-15\\_Excessive\\_Litigation\\_over\\_Excessive\\_Fees.pdf](http://www.chubb.com/content/dam/chubb-sites/chubb-com/us-en/business-insurance/fiduciary-liability-educational-materials/documents/pdf/2021-09-15_Excessive_Litigation_over_Excessive_Fees.pdf)

<sup>4</sup> The internal Chubb data contained in this report reflects excessive fee claims brought against plan sponsors and their internal fiduciaries (i.e. the parties that are typically protected by Fiduciary Liability Insurance). It does not include excessive fee claims made solely against plan service providers, such as recordkeepers and investment managers. This data is based on Chubb's best efforts to monitor these matters industry-wide, but Chubb makes no representations or warranties as to the completeness of the data.

<sup>5</sup> [www.ic3.gov/Media/Y2022/PSA220504](http://www.ic3.gov/Media/Y2022/PSA220504)

<sup>6</sup> [acfepublic.s3.us-west-2.amazonaws.com/2022+Report+to+the+Nations.pdf](https://acfepublic.s3.us-west-2.amazonaws.com/2022+Report+to+the+Nations.pdf)

<sup>7</sup> [www.humanitarianoutcomes.org/sites/default/files/publications/awsr\\_2022.pdf](http://www.humanitarianoutcomes.org/sites/default/files/publications/awsr_2022.pdf)

<sup>8</sup> [www.acc.com/clo2022](http://www.acc.com/clo2022)

<sup>9</sup> [www.fbi.gov/file-repository/pre-attack-behaviors-of-active-shooters-in-us-2000-2013.pdf/view](http://www.fbi.gov/file-repository/pre-attack-behaviors-of-active-shooters-in-us-2000-2013.pdf/view)



The ForeFront Portfolio<sup>SM</sup> is a management liability insurance solution specifically designed to help companies not only survive, but thrive despite the most complex threats of litigation, extortion, and other white-collar crimes that may expose their bottom line.

Tailored to meet the individual needs of private companies, not-for-profit organizations, and healthcare organizations, The ForeFront Portfolio is comprised of seven optional coverage parts, working either as a standalone policy or seamlessly together, providing companies choice and flexibility to help manage their individual and corporate exposures.

Visit [www.chubb.com/us/forefront](http://www.chubb.com/us/forefront)

# Chubb. Insured.<sup>SM</sup>

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