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A Quick Look at Directors & Officers Liability Insurance

Directors & Officers Liability

Schools can purchase Directors and Officers Liability (D&O) coverage as part of an Educators Legal Liability (ELL) policy or as a separate stand-alone program. This coverage protects the individual members of the board of trustees and school officers from claims by employees, parents, creditors and/or third parties alleging that a wrongful act was committed. The wrongful act can include, but is not limited to, allegations of fraud, misrepresentations, and failure to comply with workplace laws. D&O insurance will cover legal fees, settlements, and/or damages.

Fraud and other illegal acts are almost always excluded from this coverage for the perpetrator, but coverage for any other parties not involved in the fraud will be provided.

Schools should also consider purchasing an additional policy, known Side A-Only D&O, which specifically protects members of the board of trustees. The limits of a standard D&O policies are shared with all school employees and can be exhausted in the event of a large claim. This policy can ensure that private assets of the board members are not exposed.

Claim Example:

Student enrollment at a school plummets resulting in a large deficit for multiple years, forcing the school to file for bankruptcy. Multiple lawsuits are brought by donors and creditors alleging misrepresentations of financial information. The D&O insurance carrier provides counsel for the school leaders and members of the board. The assigned counsel negotiates settlements with the individual donors and creditors.



Mark Muscatiello
Managing Director/Leader
markm@ffbinsurance.com
Office: (212) 933-9050
Direct: (646)-265-0662



Kelly Machu
Executive Vice President
kmachu@ffbinsurance.com
Office: (212) 933-9050
Direct: (732) 865-3285

