

# KNOW THE LEGAL RISKS OF BEING A VOLUNTEER BOARD MEMBER

According to the 2000 National Survey on Giving, Volunteering and Participating, about 41 percent of Canadian volunteers serve on boards and committees. 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 nonprofit 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 organizations 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 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.

**A DIRECTORS’ AND OFFICERS’ LIABILITY INSURANCE PROGRAM WITH SAVINGS OF UP TO 30% OF THE ANNUAL COST IS AVAILABLE TO MEMBERS OF VOLUNTEER CANADA. DETAILED INFORMATION IS INCLUDED IN THIS BROCHURE.**

Volunteer Canada has created a resource to inform board members about their legal duties and obligations, and that offers a practical ‘prevention checklist’ to help minimize personal liability. Visit [www.volunteer.ca/DOL](http://www.volunteer.ca/DOL) to download this resource.

**A DIRECTOR OR OFFICER CAN NO LONGER RELY ON THE ASSUMPTION THAT, PROVIDED THEY DO THEIR JOB TO THE BEST OF THEIR ABILITY, THEY ARE FREE FROM PERSONAL RISK.**

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 as described previously

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 (DOLI)

A common risk management measure, and one that is particularly important in minimizing director’s personal liability, is that the organization carry Directors’ and Officers’ Liability Insurance. 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.

## 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 premium savings of up to 30%. Those organizations whose operating budgets/revenue are under \$5,000,000.00 per year have pre-set costs as outlined in the chart below, and are required to complete a simple two-page application form. Organizations with operating budgets/revenue that exceed \$5,000,000.00 per year are also subject to a premium savings of up to 30%; please note that the premium is not pre-determined and in order to provide a quotation, completion of an extended application is required.

**“WE SAVED ALMOST \$1,000 ON OUR ANNUAL D&O INSURANCE THROUGH THIS PROGRAM. IT’S A GREAT MEMBERSHIP BENEFIT!”**

Annette Pinkney  
Executive Director, Volunteer Kingston

## HOW TO APPLY?

### Budgets/Revenues Under \$5,000,000.00 Per Year:

Visit [www.volunteer.ca/insurance](http://www.volunteer.ca/insurance) 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 \$5,000,000.00 Per Year:

Visit [www.volunteer.ca/insurance](http://www.volunteer.ca/insurance) to download an extended application or contact Aon directly to receive your copy. Send the completed application and other requested information to Aon at the address supplied. Aon will provide you with a response within ten working days.

**Aon Reed Stenhouse Inc.** 710-1525 Carling Avenue, Ottawa, ON K1Z 8R9  
**Toll Free:** 1.866.414.7326 **Fax:** 1.613.722.2570 **E-Mail:** [group.programs@aon.ca](mailto:group.programs@aon.ca)

The “shared” limit of liability for the entire program is \$25,000,000.00 and all participants will receive a copy of the policy wording and an individualized certificate. There are limited excluded classes of business and the common expiry date is April 1st. 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 April 1st through September 30th and half of the annual cost is due for coverage commencing October 1st through March 31st.

## VOLUNTEER CANADA MEMBERS

The \$25.00 administration fee and appropriate sales tax are added to the policy costs below.

Annual Budget/Revenue	Limits per Certificate				
	\$500 K	\$1 MM	\$2 MM	\$3 MM	\$5 MM
\$0 - \$50,000	\$350	\$450	\$750	\$950	N/A
\$50,001 - \$100,000	\$550	\$750	\$950	\$1,100	N/A
\$100,001 - \$250,000	\$700	\$935	\$1,451	\$1,773	\$2,902
\$250,001 - \$500,000	\$800	\$1,032	\$1,612	\$1,954	\$3,225
\$500,001 - \$750,000	N/A	\$1,161	\$1,793	\$2,147	\$3,547
\$750,001 - \$1,000,000	N/A	\$1,290	\$1,975	\$2,360	\$3,870
\$1,000,001 - \$2,000,000	N/A	\$1,548	\$2,373	\$2,838	\$4,192
\$2,000,001 - \$3,000,000	N/A	\$1,870	\$2,838	\$3,405	\$4,515
\$3,000,001 - \$5,000,000	N/A	\$2,244	\$3,405	\$4,089	\$4,837
Over \$5,000,000	subject to underwriting				

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.

Volunteer Canada is a registered charitable organization and a national leader with a mission to promote volunteerism in Canada. Volunteer Canada enhances volunteerism through ongoing programs and special projects, and provides leadership on issues and trends that affect civic participation in Canada. We support and guide people from all walks of life — businesses, nonprofits, faith-based organizations, low-income communities, families, youth, and older adults —to enable volunteerism.

## JOIN US!

There has never been a better time to become a member of Volunteer Canada. Not only does membership allow you to create an ongoing connection with the national leader on volunteerism in Canada, it also provides you with the opportunity to take part in the exciting exchange of knowledge and information on issues and trends in volunteering.

*Your \$100 annual membership entitles you and your organization to these tangible benefits:*

- Access to new information on volunteerism and the voluntary sector in Canada through our speaker’s bureau, certified trainers and consultants, print resources and Volunteer Canada’s bi-monthly e-zine “eVOLution”.
- A discount of up to 25% off the purchase price of Volunteer Canada publications and resources, including National Volunteer Week promotional items.
- An exciting partnership with Aon Reed Stenhouse that now qualifies Volunteer Canada member organizations of all sizes for discounted Directors’ and Officers’ liability insurance of up to 30% (with few exceptions).

**AON**

- Access to information and products of the Canada Volunteerism Initiative



- Special discounted rental rates for Volunteer Place Bénévoles, Volunteer Canada’s premier downtown Ottawa meeting space.
- Inclusion in our online members’ directory, with a hyperlink to your own website.
- Participation in Volunteer Canada’s governance, leadership and product development.
- A free sample package for each Volunteer Canada national campaign promoting volunteerism.
- Use of the “Member of Volunteer Canada” logo for your letter head and other publications.

## JOIN VOLUNTEER CANADA TODAY!

Complete and return this form and a Volunteer Canada representative will contact you to confirm your membership application and billing information.

Or join online: [www.volunteer.ca/membership](http://www.volunteer.ca/membership)

INFO: 1.800.670.0401

Whether you are involved with an organization that relies on volunteer energy or you simply want to support successful volunteer development programs in Canada, consider a membership with Volunteer Canada. **You’ll be glad you did!**

## CONTACT INFORMATION

[NAME]

[NAME OF ORGANIZATION]

[MAILING ADDRESS]

[CITY]

[PROVINCE]

[POSTAL CODE]

[PHONE]

[FAX]

[EMAIL]

## LANGUAGE OF CORRESPONDENCE

[ ] ENGLISH

[ ] FRENCH

[ ] BOTH



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