

# Sample Indemnification Provisions for Ministry Bylaws

These **sample indemnification provisions** are available for your ministry to share with your attorney as a starting point for consideration.

## **INSURANCE COVERAGE AND INDEMNIFICATION OF MINISTRY LEADERS, EMPLOYEES AND VOLUNTEERS**

**SECTION 1. INSURANCE.** The Ministry will purchase and maintain liability insurance on behalf of any and all persons who are or were a director, officer, leader, employee, committee member or volunteer of the Ministry (while serving in their capacity as such). Such insurance will be purchased for the purpose of protecting such persons from covered loss resulting in liability asserted against the above individuals in connection with their activities on behalf of the Ministry.

**SECTION 2. INDEMNIFICATION REQUESTS.** Should any director, officer, leader, employee, committee member or volunteer of the Ministry incur any liability as a result of their affiliation with or service to the Ministry that is not covered by the Ministry's insurance policy, and should such liability result in any out-of-pocket cost to such individual, then such individual may request indemnification from the Ministry. The granting of full or partial indemnification shall be at the discretion of the governing board of the Ministry as set forth in Section 3 herein.

**SECTION 3. INDEMNIFICATION DECISIONS.** In relation to any indemnification request that is made pursuant to Section 2 herein, if such request is made by an individual who is not currently serving on the governing board of the Ministry, then the indemnification decision (whether to indemnify the requesting individual, and the dollar amount of such indemnification), will be made by the governing board. Such decision of the governing board will be final. If the indemnification request is being made by a person who is currently serving on the governing board, then the indemnification decision (whether to indemnify the requesting party, and the dollar amount of such indemnification), will be made by the remaining disinterested members of the governing board. A decision on the indemnification request by a majority of disinterested members of the Board of Directors will be final.

### **Our Mission**

Brotherhood Mutual insures America's churches and related ministries. We have for more than 100 years. But there's more. From our perspective, insurance is more than a commercial endeavor. It's a platform to accomplish our mission: to help America's churches and related ministries build the Kingdom.

# Protect Your Ministry's Directors and Officers

As a director or officer, you could be held personally liable for financial damages that result from your actions as a board member. For example, you could face personal liability for financial damages arising out of:

- Failing to maintain adequate financial records.
- Discriminating in membership standards.
- Exceeding the authority granted by your organization's charter or bylaws.
- Using budgeted or donated money in a manner different from originally intended.
- Failing to preserve tax-exempt status.

While this is not a complete list of your exposures as a board member, you should know that your actions in that capacity could put your personal assets at risk.

Directors and Officers insurance provides legal defense funds and helps protect your board members' personal assets in the event of certain financial damages and lawsuits.

## Directors and Officers Defined

Brotherhood Mutual defines a director or officer as a covered leader serving as your board member, administrator, director, officer, or trustee, acting within the course and scope of the delegated leadership authority granted by your organization.

## D & O Isn't General Liability

Directors and Officers (D & O) insurance provides legal defense funds and helps protect your board members' personal assets in the event of certain financial damages and lawsuits. It provides protection for covered financial damages suffered by other parties. These damages must result from the failure of your leaders to perform their duties in a proper way.

D & O insurance shouldn't be confused with general liability insurance. General liability insurance protects an organization against claims alleging bodily injury or property damage resulting from the conditions of the premises or from a sponsored activity.

Your basic Brotherhood Mutual liability policy protects board members if they're sued individually in these kinds of injury claims.

Claims against directors or officers for financial damages resulting from failure to perform their duties aren't covered by standard general liability insurance policies. You must purchase separate directors and officers coverage to protect your leaders from financial damage claims.

## Why You Need This Coverage

Although many states have enacted legislation providing some protection for directors and officers of nonprofit organizations, your church, school, or related ministry should have this protection for several reasons:

- This insurance provides defense funds to refute the claim or to prove immunity under the state law. Defense costs can run many thousands of dollars, regardless of how groundless a claim for damage might be.
- If your state has legislation protecting nonprofit directors and officers from lawsuits, this doesn't mean you don't need D & O insurance. In some cases, the statutes specify activities for which immunity is intended. It's possible a covered claim may fall outside the protection intended by the statute.
- Immunity statutes typically don't protect the organization. Brotherhood's D & O coverage includes your organization as an insured. The organization is protected in relation to covered financial damage claims.
- In the event that your state laws don't protect you and a successful suit is brought, this insurance pays for covered claims of financial damages for which directors and officers are held personally liable.
- All property and liability coverages are subject to conditions, coverage limits, limitations, and exclusions. For precise details of coverage, please refer to actual policy forms.

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