

# ExecutivePerils

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## Non-Profit / Charitable Claims Examples

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### **Sex Discrimination Case Study**

A female employee who had been working for a nonprofit organization for two years discovered that a male employee with no experience had just been hired to work in a similar position at a higher salary than hers. After a year, the male employee was promoted to a position over the female employee. The female employee confronted her supervisor about the situation and the supervisor declined to offer an explanation. The female employee brought a sex discrimination suit against the nonprofit organization claiming she was next in line for a promotion based on seniority. As a result the nonprofit settled out of court and defense expenses incurred exceeded \$70,000.

### **Misappropriation of Funds Case Study**

A donor made a large contribution to a nonprofit. The funds were to be used primarily to aid impoverished children with educational and health care needs. Instead, the nonprofit, through its executive director and board of trustees, decided that the nonprofit needed to expand the building, and committed a portion of the donation to the building fund. The donor then filed suit against the nonprofit itself, alleging misappropriation of funds. The damages included return of the full contribution plus interest. As some of the money was already spent, the nonprofit would be financially unable to return the entire donation.

### **Age Discrimination Case Study**

A nonprofit organization advertised an open position for a bus driver. This individual would transport community members, who did not have a vehicle, to and from appointments and errands. The organization received seven applications. Of the seven applicants, one man was not chosen to be interviewed. This applicant alleged he was not interviewed because of his age, and he filed suit against the nonprofit organization for age discrimination. The nonprofit organization denied any wrongdoing, but settled the case for \$15,000 to avoid full litigation costs.

### **Sexual Harassment Case Study**

An employee of a nonprofit association was out of work for six months on disability leave for back surgery. This employee was guaranteed her position when she returned. Upon her return, she refused to go back to her previous position, claiming she had been sexually harassed by her immediate supervisor, which created a hostile working environment.

According to the nonprofit association, no formal complaint of sexual harassment was ever filed and the employee resigned of her own volition when no other position was offered to her. However, the employee sued the association for lost wages and emotional distress.

The case was decided by a jury and although the association was found not guilty of the charges, defense expenses incurred by the nonprofit association reached \$70,000.

The following situations illustrate several common litigation scenarios faced by nonprofit organizations. Nonprofit directors and officers insurance offers comprehensive coverage, but each claim situation is unique. Whether or not and to what extent a particular loss is covered depends on the facts and circumstances of the loss and the terms and conditions of the policy as issued.