

# The Risk is Real for Nonprofit Organizations

Lawsuits brought against nonprofit organizations range from employment issues — such as harassment, discrimination and wrongful termination — to business practices issues, such as antitrust, misappropriation, copyright, patent infringement and misrepresentation.

This risk for your organization is real and significant. So is the protection you can have with insurance offered by Monitor Liability Managers, LLC. Here are just a few examples of the damage that a lawsuit can cause.

## Defense Costs for Dismissed Case Exceed \$100,000

### *Gender Discrimination*

A class action lawsuit was brought against a nonprofit organization that assisted women seeking refuge from domestic violence. A group of men claimed they had continuously been refused services. They initiated the lawsuit against the Monitor insured organization. Although the lawsuit was deemed by the court to be without merit during the initial stages, it required a strong defense. Ultimately, the case against the nonprofit organization was dismissed; however, this was after defense expenses had exceeded \$100,000. Monitor covered these costs.

## Former Employee Sues Juvenile Rehabilitation and Counseling Services Organization

### *Wrongful Termination/Retaliation*

A nonprofit organization insured by Monitor was sued by a former employee for wrongful termination, retaliation and labor code violations. This organization, which provides rehabilitation and counseling services for juveniles, had terminated the employee. Shortly after being terminated, the former employee alleged that he had been terminated for complaining about the lack of diverse representation

on the organization's board of directors and for notifying government authorities of improper public funds expenditures. Although on the surface this claim appeared to be defensible, the negative publicity surrounding the audit of the nonprofit's financial records presented a difficult litigation environment. The case was settled after defense costs of \$46,000 had been incurred.

## Resident Alleges Homeowners' Association Discriminates Against Families

### *Race Discrimination*

A resident lodged a complaint with the International Fair Housing Council against a homeowners' association for discrimination on the basis of race and family status. The claim made against the insured association alleged that the association's rules unreasonably restricted families with children from installing and using certain playground equipment. The resident further claimed the association enforced these restrictions most stringently against two families with bi-racial children. Even though the insured denied the allegations, after taking time and cost factors into account, the case settled. Indemnity costs alone were \$4,000.

## Terminated Executive Countersues — Defense Costs Could Surpass \$600,000

### *Misappropriation*

An executive was terminated after the organization found that \$55,000 in grant money was misappropriated for his own use. The nonprofit filed suit against the executive to recover the funds. The executive countersued the organization and several individual board members for breach of contract, defamation and copyright infringement. The organization's indemnity costs were \$22,500 and defense costs to-date have reached nearly \$600,000.

