

Insurance: Points to Ponder

by Ken Roberts



Directors & Officers Liability – Can We Afford Not To Have It?

Behind every successful theatre is a hard-working board of directors that goes about the business of managing our theatres, helping with fundraising, set construction, acting and all kinds of volunteer work. These individuals are charged with a great deal of the decision-making responsibility, especially in theatres without any employees. They often play a vital role in the direction our theatres take onstage, backstage and financially, yet many of these unsung heroes are left unprotected in the event that someone decides to make a claim against a theatre for something other than bodily injuries or property damage. We can purchase protection for them in the form of Directors & Officers Liability insurance.

Examples of claims that our boards may be liable for are: mismanagement of funds, mistreatment of volunteers, irresponsible administration or management, and even unfair hiring or termination procedures. Whether intentional or

not, the ultimate responsibility for these types of “wrongful acts” rests with the board of directors. What most volunteers don’t know, including some board members, is that if our theatres don’t have Directors & Officers Liability (D&O) insurance, the personal assets of each member of the board is exposed if a judgment is rendered against the theatre. The courts can order that their personal accounts be frozen and used to pay a claimant if the theatre is found to have committed a “wrongful act.”

Strong boards are often made up of members who generously donate more than their time, and these individuals are often entrenched with the other philanthropic members of our communities, which help us raise the funds we need to perpetuate our art form, both now and for future generations. These are the people who stand to lose the most by offering themselves as board volunteers. To attract and keep these essential

volunteers, we must consider protecting their personal assets with D&O insurance. In fact, many individuals will not serve on a board that doesn’t have this coverage in today’s litigious environment, and we must be prepared to answer the question of whether we offer this protection or not. If the answer is no, can we risk losing these potential volunteers?

The vast majority of non-profit community theatres have small budgets to match their small revenues, and spending valuable programming resources on yet another insurance product that we hope we’ll never have to use is usually a tough decision. We often purchase insurance coverage for our buildings, theatrical properties and even injuries to our volunteers, but when considering whether or not we can afford to purchase D&O insurance, we must consider whether we can afford not to protect one of our most precious resources, our board of directors.

For more information about the AACT Insurance Program, contact:

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