

FREQUENTLY ASKED QUESTIONS

Management Liability / Directors & Officers (D&O) for CQA/ACC Member Guilds

- Q. I have been told that the liability insurance for guilds covers directors. Why then is Director's & Officer's coverage discussed so much and sold separately? What is this all about?
- A. *Commercial General Liability policies respond to lawsuits which result from a bodily injury or property damage, in which it is felt the guild bears some responsibility. Your policy covers this and also covers directors and others associated with hosting guild activities for these types of claims. However there are other things for which a director or officer may be sued which have nothing to do with bodily injury or property damage. Typically these lawsuits are the result of a wrongful act by a director and are filed by another director, guild member or a financial institution. Director's and Officer's liability coverage deals with these situation.*
- Q. What is a "wrongful act"?
- A. *It is an actual or alleged negligent act, error, omission, misstatement, misleading statement, neglect or breach of duty by the Directors and Officers, individual or collectively, in the discharge of their legal duties solely in their capacity as Directors and Officers of the society.*
- Q. Why purchase D&O Liability insurance?
- A. *The purpose of a D&O liability insurance policy is to provide coverage for damages, judgments, costs and defense of legal actions, claims or proceedings. The coverage provides the following protection:*
- 1. Protection of personal assets, as well as spouse's*
 - 2. Defense regardless of whether or not allegations are true*
 - 3. Resources for defending the claim*
 - 4. Reduction in reliance of the society:*
- Bylaws contain indemnification provisions to protect the Directors & Officers. Despite these provisions, circumstances could exist where indemnification may not occur (the society is financially impaired, becomes insolvent or is not capable of providing funds for defense or resulting damages).*
- Q. What are my legal responsibilities under the law?
- A. *Under the law, Directors & Officers must (1) act in good faith and in the best interest of the society (2) act with a duty of care as a reasonably prudent person (3) perform duties in accordance with applicable statutes and your own charter.*
- Q. Under what statutes can a director or officer be liable?
- A. *The following are Federal and Provincial Statutes a Director or Officer can be liable under:*
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|---------------------------------------|--------------------------------------|
| <i>1) Income Tax Act</i> | <i>2) Employment Standards Act</i> |
| <i>3) Bankruptcy Act</i> | <i>4) Pension Benefits Act</i> |
| <i>5) Competitions Act</i> | <i>6) Unemployment Insurance Act</i> |
| <i>7) Discrimination Act and more</i> | |
- Q. What are some examples of claims?
- A. *1. Negligence of account procedures and mishandling of funds;
2. Personal benefit by a Director;
3. Jeopardizing tax-exempt status;
4. Interest that should have been collected and distributed;
5. Failure to adopt and implement appropriate safety and operational procedures at a facility causing the facility to be shut down by regulators*

Commercial General Liability for CQA/ACC Member Guilds

- Q. Is the guild covered for all usual operations including; classes, appraisal sessions, shows etc.?
- A. *Yes. The CQA has developed an insurance policy to cover 'typical' operations of community-based quilting guilds.*
- Q. What does the Commercial General Liability insurance policy actually cover?
- A. *Commercial General liability (CGL) covers the guild for bodily injury and/or property damage claims that are brought against it by a third party.*
- Q. Is there a deductible associated with the CGL policy?
- A. *Yes, there is a \$1,000 deductible for property damage claims. There is no deductible associated with bodily injury claims.*
- Q. What are some examples of claims that would be covered?
- A. **Bodily Injury:** *Ex 1. Someone slips and falls when attending a meeting hosted by the guild.*
Ex 2. At a trade event our quilt display units topple over and injure a person.
Ex. 3. Someone is injured during an instructional event hosted by the guild and the injured person sues the guild.
- Property damage:**
- Ex 1. While attending a trade show one of the committee members inadvertently causes damage to the building or equipment that has been loaned to them for purposes of participating in the event/show and they are held legally responsible for the damage.*
- Q. Does the CGL cover us for operation(s) that take place away from our 'home base'?
- A. *Yes, the coverage **is not** restricted to any one location. We expect guilds to operate their events at a variety of locations and coverage will follow.*
- Q. Our guild uses facilities we do not own to conduct events from time to time. Sometimes, we are asked to add the landowner onto our insurance. Can we do this and is there an additional cost?
- A. *Yes, if the landowner/host requests that they be added, the policy can be amended. Intercity requires the full legal name and full address of the landowner/host making the request. There is no additional cost for this service to be provided.*
- Q. Is there any exclusion or restriction if our guild sells or serves alcohol at a guild function or activity?
- A. *Yes, there is a liquor exclusion in terms the sale or service of alcohol at any event. Please contact our office to discuss the appropriate coverage.*
- Q. Is there any coverage provided for property owned by the guilds or separately owned by a member of the guild?
- A. *Yes, The CQA has established a group "property insurance" policy that members can participate in voluntarily. Coverage is designed to cover "typical assets" that may be owned by each member guild. Additionally, this policy covers property owned by others in some circumstances. We encourage all guilds to participate in this group plan.*