

Management Liability Information Summary

What is Management Liability?

Management liability insurance protects Directors, Officers, managers, and business entities from claims of mismanagement, employment practices violations, fiduciary breaches, and specific crimes.

It covers legal defence costs, judgments, or settlements arising from wrongful acts within the context of operating a business.

Why have Management Liability?

Management liability insurance is essential for protecting your business and its leaders from legal and financial risks. It covers costs related to lawsuits, regulatory investigations, and employment practices claims, ensuring that personal assets are safeguarded. This insurance also helps attract top talent by providing peace of mind and financial security for Directors and Officers.

Three common examples of management liability claims include wrongful dismissal or termination, workplace harassment or bullying, and employee theft or fraud.

What Does Management Liability Typically Cover?

- Employment practice liability
- Directors' and officers' liability
- Crime
- Corporate liability
- Statutory liability
- Defence costs

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What can it cover?

Management liability insurance policies vary in the benefits they provide. To give you an idea, here's the type of cover that your policy may include:

Type of cover	Potential benefits
Employment practice liability	Covers payouts for claims of employment breaches, such as wrongful dismissal, bullying or discrimination.
Directors' and officers' liability	Protects your proprietary limited company's past, present and future directors, officers and managers against claims of wrongful acts, such as misrepresentation or breach of duty (subject to business size).
Crime	Protects your business against claims such as employee or third party fraud (not all criminal activity is covered).
Corporate liability	Covers costs that your business would incur if you need to defend and settle claims from outside parties alleging wrongful conduct, as well as investigation into the affairs of the company.
Statutory liability	Covers the cost of defence, fines and penalties under some statutes (e.g. Work Health and Safety).
Defence costs	Covers your legal costs if your business ends up in court.

What usually isn't covered?

Exclusions and the excess you need to pay can vary greatly depending on your insurer. Generally, your policy won't cover:

- Cyber-crime, unless specifically set out in your policy (you can get cover extensions in some cases).
- Employee entitlements.
- Property damage or bodily injury. There are other exclusions which your insurance broker can outline for you
- Professional Indemnity

CASE STUDY

A former employee claims they were wrongfully dismissed from your business because they were unwell at the time their position was terminated. They want to be reinstated to their role and remunerated for their loss of income while they were out of work. After numerous unsuccessful conciliation attempts, the matter is brought before a court and you have to pay damages to your former employee.

A Management Liability policy allows you to recover some or all of these costs so you can continue to run your business without having to sell your business or personal assets. Depending on your policy, you may be able to make a claim for your legal defence costs, as well as the amount paid to your former employee.



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