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INSURANCE BROKERS

Management liability insurance at a glance

Penalties awarded against companies and its directors or officers for work health safety breaches have increased by 43% to \$22.3 million in one year. Penalties now average \$62,000 per company.

SAFE WORK AUSTRALIA, KEY WORK HEALTH SAFETY STATISTICS, 2014

What is management liability insurance?

When you're running a business, you may be personally liable for any actual or alleged breaches of the Corporations Act. And it's not just large companies that are exposed – small and medium business owners and officers could be at risk as well.

Management liability insurance covers the costs of defending directors, managers and employees against any claims that are the result of their actions or decisions.

Who should consider it?

If you are faced with unexpected liability costs, management liability insurance can protect your business and personal assets, such as your home, from being sold to cover the cost of paying claims.

Did you know?

Many businesses think it won't happen to them, but statistics show otherwise. In fact:

\$25M

The likelihood of a claim that could be covered by a management liability policy has tripled in the last five years, with 50% of notifications resulting in a claim.

(Chubb 2016 Private Company Risk Survey)



The most common claims are for employment practices like bullying, harassment and wrongful dismissal.

(Chubb 2016 Private Company Risk Survey)



Major claims by amount relate to crime – including employee fraud.

(Chubb 2016 Private Company Risk Survey)

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.

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.

Should you wish to speak with an insurance specialist regarding your needs, please don't hesitate to contact your Insurance Broker directly or contact our team via email at insurancebrokers@ioof.com.au or phone on **1300 883 149**.