

Fact sheet

Management Liability Insurance

March 2020



Management Liability Insurance in a nutshell

Management liability insurance* protects directors and officers and the insured company itself from the many exposures relating to the management of a company.

The low-down

No business is immune to allegations of mismanagement, misconduct or legislative breaches. With increased regulation and the high emphasis on responsibilities of directors, officers and senior managers, it is important to protect not only your company, but your management personnel from potential personal liabilities.

Management Liability insurance is different from Professional Indemnity insurance (which covers the 'professional activities' of your business), as it is designed to cover the 'running' of your business. It protects directors and officers and the insured company from the many exposures relating to the management of a company. Owners and those responsible for the management of a company have specific responsibilities which can result in personal liability for alleged or actual wrongdoing.

Typically, there are seven key areas of cover available:

- **Directors and Officers Liability** protects directors and officers from claims of actual or alleged wrongful acts in their role as a director or officer. If the company indemnifies the director or officer for such liability, it will be entitled to cover under the Company Reimbursement section of the policy,
- **Corporate Liability** protects your company against claims of alleged or actual wrongful acts by it (as opposed to claims being made against the directors or officers).
- **Employment Practices Liability** covers the company for claims related to a breach of employment practices laws, such as wrongful dismissal, discrimination, bullying or harassment.
- **Statutory Liability** provides cover for fines, penalties and legal representation to defend against allegations of some legislative breaches, for example, investigations and prosecutions by WorkSafe.
- **Tax Audit** covers the costs associated with a tax audit by the ATO, such as accountancy fees.
- **Crime Protection** covers the company for direct financial loss caused by a dishonest or fraudulent act committed by employees or third parties..
- **Superannuation Trustees Liability** cover for liability arising from any actual or alleged act, error or omission with respect to a superannuation plan; or arising solely because of any person's status as a Superannuation Trustee.

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Benefits of Management Liability insurance

Regardless of how much care you take, the reality is that claims relating to allegations of mismanagement and legislative breaches can happen.

Management Liability is a fundamental form of cover for companies particularly given the increasingly litigious environment, and given that defence costs including legal fees can notably increase the cost of a claim.

With a host of possible benefits under the one policy, a Management Liability policy is an efficient way to protect your business, and your management staff.

What is typically covered?*

✓	Claims by employees for compensation for wrongful dismissal, bullying, harassment etc
✓	Loss due to fraudulent acts by employees or third parties
✓	Claims investigation costs where inquiries or official investigation are conducted by a regulatory body
✓	Damages and claimant costs awarded against your company or its directors and officers
✓	Statutory fines and penalties payable, subject to the terms and conditions of your policy

What is typically not covered?*

✗	Accidental injury and property damage to third parties
✗	Breaches of professional duty in relation to professional services or advice provided
✗	Intentional acts by an insured
✗	Intentional or accidental discharge, dispersal, release or escape of pollutants
✗	Pre policy known claims and circumstances
✗	Superannuation or wage liabilities
✗	Claims arising from insolvency, liquidation, bankruptcy, receivership or administration

Did you know?

- 13,928 unfair dismissal applications were lodged with the Fair Work Commission during the 2018-19 financial yearⁱ
- 20.7% of female workers reported that they were victims of workplace bullying, while 7.9% of male workers reported that they were victims of workplace bullyingⁱⁱ

ⁱFair Work Commission Annual Report, 2018-19 – <https://www.transparency.gov.au/annual-reports/fair-work-commission/reporting-year/2018-2019-9> – Accessed 2020

ⁱⁱSafe Work Australia, 2020, <https://www.safeworkaustralia.gov.au/system/files/documents/2002/psychosocial-health-and-safety-and-bullying-in-australian-workplaces-5th-edition.pdf> – Accessed 2020



Claim Case Study

A real estate agent (the insured) was issued an infringement notice by a government department, alleging a breach of the requirements in section 15(3) Building Energy Efficiency Disclosure Act 2010. The breach was caused by the real estate agent failing to include a valid energy efficient rating when advertising a building for rent. The Statutory Liability section of the policy was triggered and the real estate agent obtained an indemnity for the penalty, \$42,500.

*As with any insurance, cover is subject to terms, conditions and exclusions contained in the policy document. The information contained in this document is general only and should not be relied upon as advice. A copy of BizCover's Financial Services Guide is available on its website.

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