



# Fact sheet Management Liability Insurance

July 2023

## Management Liability insurance in a nutshell

Management Liability insurance\* is designed to provide protection to both the business and its directors or officers for claims of wrongful acts in the management of the business.

## 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.

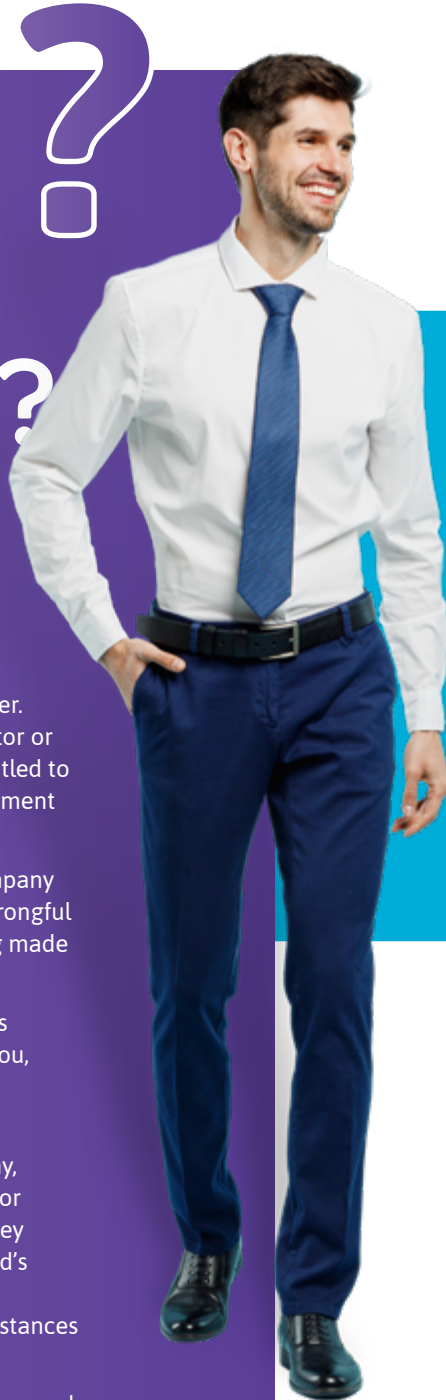
Management Liability insurance is different from Professional Indemnity insurance (which covers the 'professional activities' of your business), as it is designed to cover the 'running' of your business. It protects directors and officers and the insured company from the many exposures relating to the management of a company.

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# So what is covered?

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 employment related claims against you, such as wrongful dismissal, bullying, harassment or discrimination.
- ✔ **Statutory Liability** covers the company, senior management and employees for allegations of wrongful breaches of key legislation in the course of the Insured's business. The policy meets fines and penalties payable in specified circumstances and related legal expenses.
- ✔ **Tax Audit** covers accountant's costs incurred in responding to an audit or investigation by the ATO.
- ✔ **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.



## Did you know?

- 13,096 unfair dismissal applications were lodged with the Fair Work Commission during the 2021-22 financial year<sup>1</sup>
- About 1 in 5 people (19%) were sexually harassed at work in 2022<sup>2</sup>

1 Fair Work Australia Annual Report, 2021-22 Accessed 12 April 2023

2 Australian Human Rights Commission Time for Respect report, Nov 2022 Accessed July 2023

## 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, a Management Liability policy is an efficient way to protect your business, and your management staff.

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## 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
✓	Claims investigation costs where inquiries or official investigation are conducted by a regulatory body

## 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

Always read the Policy Wording to understand the terms and conditions of Management Liability Insurance cover, including any applicable exclusions.

## 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 including 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.



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