

# Management liability insurance at a glance



## What is management liability insurance?

When you're running a business, you will need a range of different liability solutions to protect your business. Management liability insurance can cover the business against claims arising from mistakes or deliberate actions – including fraud – from the company or its directors, officers or employees – both past and present. Management Liability insurance provides a comprehensive suite of different coverages combined into a single insurance policy wording.

It can cover the cost of investigating, defending and settling claims by a third party, as well as paying compensation the business is liable for.

## Who should consider it?

Management liability insurance is important for all businesses, big and small to help protect against unpredictable and potentially large liability claims. 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:

**1 in 4**

One in four New Zealand employees say they have been bullied at work.

(Employment New Zealand, The cost of bullying in your workplace, 2020)

**\$5m**

In the year to 31 July 2020, New Zealand employees committed frauds with a combined value of \$5 million.

(KPMG, Fraud Barometer, 2020)

**2x**

Twice as many frauds are committed by employees than by management.

(KPMG, Fraud Barometer, 2020)

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“COVID-19 has allowed the three fraud factors to coincide. Opportunity, Motivation and Rationalisation. These factors create the perfect storm for fraud to occur.”

**KPMG, Fraud Barometer, 2020**

# 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
Statutory Liability	Covers the cost of defence, fines and penalties under some statutes e.g. Work Health and Safety (fines under Work Health and Safety cannot be covered by insurance).
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).
Employment Practice Liability	Covers payouts for claims of employment breaches, such as wrongful dismissal, bullying or discrimination.
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.

There are other exclusions which your Steadfast 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.

## Contact us today



My Broker

07 571 2144

[info@insurancepartners.co.nz](mailto:info@insurancepartners.co.nz)

[www.insurancepartners.co.nz](http://www.insurancepartners.co.nz)

**ACN:** 7440316 | **AR No:** 1

Insurance Partners Group Limited



### Important note

This general information does not take into account your specific objectives, financial situation or needs. It is also not financial advice, nor complete, so please discuss the full details with your Steadfast insurance broker whether this type of insurance is appropriate for you. Deductibles, exclusions and limits apply. This type of insurance is issued by various insurers and can differ.

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