Management liability insurance at a glance



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.

"Management liability insurance is designed to protect the directors and the company against financial losses in the event they are alleged to have not met their duties"

QBE, Management Liability insurance, 2022

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:

13,281

The number of claims for unfair dismissal that were lodged in Australia in 2020-21.

(Fair Work Commission, Annual Report 2020-21)

55%

Australian boards spend 55% of their time discussing risk and compliance issues.

(Australian Institute of Company Directors, Director Sentiment Index Survey, 2022)

24%

The percentage of frauds at Australian companies that are committed by an employee.

(PwC, Global Economic Crime and Fraud Survey, 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
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 (fines under Work Health and Safety cannot be covered by insurance in NSW, VIC & WA).
Government Inquiry costs	Covers you for the cost of representation at government inquiries.
Defence costs	Covers your legal costs if your business ends up in court. This cover only operates when the underlying claim is covered by the policy.

What usually isn't covered?

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 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

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