



## Management Liability Insurance Product Profile

# What is Management Liability Insurance?

Management Liability Insurance is a tailor made and cost effective solution for key decision makers of a private company. It covers directors and officers liability, employment practices liability and crime under the one policy.

### Key Policy Benefits

- Damages awarded as a result of mismanagement
- Defence cost and related legal expenses
- Cost and expenses for official investigations and enquiries
- Crisis containment and public relations expenses sub-limited
- Employment Practices Liability sub-limited
- Crime cover sub-limited.

### Key Policy Exclusions

- Any criminal act by an insured
- Breach of professional duty
- Ongoing litigation before policy inception
- Bodily injury and property damage.

## A typical Management Liability policy contains:



Cover for Directors & Officers & the Company for Wrongful Acts & Employment Practices Breaches



Cover against theft by employees & third parties



Cover for Workplace Health & Safety Investigations and Penalties



## Investigations & prosecutions

A major benefit of Management Liability policies is the cover against action by regulatory bodies including for alleged breaches of Occupational Health & Safety laws and Pollution laws. The policy will advance defence costs for the attendance at regulatory investigations, as well as defence costs for defending regulatory prosecutions for breaches of legislation, subject to terms and conditions.

## Direct Financial Loss sustained by the Company

### Crime cover extends to:

This clause provides cover for loss suffered by an Insured company through the loss of money, securities or other assets either owned by the company or in the care, custody or control of the company for which the company is liable. This includes a fraudulent funds transfer (meaning instructions provided to a financial institution to transfer money or security without the knowledge of the company), but will not cover loss caused by Cyber attacks such as phishing emails.

Fees, costs and expenses of a fraud investigator are included in the policy coverage.

## Employment Practice Breaches by the Company

### Employment Practice Breaches include:

- Wrongful or unfair dismissal
- Refusal to hire, failure to promote, and wrongful deprivation of career opportunity
- Adverse changes to terms and conditions of employment
- Discrimination, harassment, defamation and breach of privacy
- Retaliation against an employee exercising their employment rights

## Common Misconceptions

### **I have faithfully run my business for years and have done nothing wrong.**

You do not need to commit a wrongdoing while managing the business for aggrieved parties to initiate a legal action against you.

### **We are a small company. Only public listed companies need Management Liability insurance.**

The Companies Ordinance imposes the same standard of care on directors of all companies, regardless of whether they are privately held or listed.

### **People sue companies, not individuals.**

Companies are limited by shares. The directors can be named as co-defendants in the same proceedings, putting their personal assets at risk.

### **Protection against Real World Scenarios**

#### SCENARIO:

The Claimant brought action against the Insured for unlawful sexual discrimination, harassment, victimisation and racial discrimination made towards them in the workplace.

The matter was taken to mediation and a settlement was eventually reached. The EPL section of the policy was triggered and payment was made in relation to the settlement and defence costs in defending the claim.

## Example 1

### Profile:

Engineer, 56 staff, HKD5.3M turnover

### Background:

The Insured agreed to propagate berry fruit varieties for the claimant who in turn provided them with the plant material. At various times, the claimant would place orders with the Insured to propagate blueberry and raspberry plants. There was a contractual dispute as to whether this agreement applied to all orders with the Insured stating that each order created a separate contract. The claimant sought to terminate the Agreement alleging that the Insured failed to fulfill orders that were placed.

### Response:

The plaintiffs accepted an offer from the Insured to the sum of HKD592,000 in full and final settlement of the claim.

**Payment:** HKD592,000

## Example 2

### Profile:

Machinery and Equipment Manufacturer, 8 staff, HKD2.2M turnover

### Background:

A claim was made against the Insured by a competitor, alleging that they used Google AdWords Advertising to misrepresent their ability to provide the same products and services as the Claimant.

### Response:

The Insured was able to claim under the Entity section of the Policy and were covered for legal defence costs and settlement to the Claimant.

**Payment:** HKD420,000

## Example 3

### Profile:

Retailer, 7 staff, HKD5.9M turnover

### Background:

An employee of the Insured lodged a complaint with the Human Rights Commission alleging that she had been sexually harassed by the Manager and sought compensation of HKD1,100,000.

### Response:

The Insured was able to claim under the Entity section of the Policy and were covered for legal defence costs and settlement to the Claimant.

**Payment:** HKD580,000

## Example 4

### Profile:

Food Wholesaler, 40 staff, HKD8.8M turnover

### Background:

Over the course of 1 year, an employee of the Insured voided sales invoices and embezzled funds from the Company into their personal account totalling HKD400,000.

### Response:

The Insured was able to claim under the Crime section of the Policy for reimbursement of the lost funds.

**Payment:** HKD430,000