

Misconceptions | Management Liability

Traditionally known as Directors & Officers Insurance, Management Liability Insurance protects company directors, senior managers and officers of charities, boards and committees if a negligence claim is brought against them in court or at an employment tribunal. The policy also covers legal action against the company itself – at no extra cost.

It's the thing you wish you didn't have to think about, but it's an essential insurance for any limited or LLP company with directors and senior managers.

However, there are a number of misconceptions about the need for ML insurance...



'It's too expensive...'

Generally, for small to mid-market companies, the product is fairly standardised and will therefore be relatively inexpensive.

If a company is publicly traded and operating in multiple territories, their ML requirements will be more bespoke and therefore be much more expensive.



'We're not big enough..'

Irrespective of a company's size, any director or officer can have an allegation of wrongdoing made against them in the course of their management duties which may need to be investigated or defended, even if the case doesn't reach court. Not only can this prove costly, but if a company is unable or unwilling to assist, the director or officer in question may need to foot the costs themselves if ML cover isn't in place to protect them.



'We're a private company..'

Many individuals believe that because a company is private that their liability is limited. However, the limited liability only protects the shareholders to the extent of their investments.

This does not reflect on the directors or officers of a company whose liability is unlimited. Therefore, if they do not have ML insurance and the company is unable or unwilling to protect them, the directors and officers will have to support their own defence.



'We outsource HR..'

Smaller companies will often look to outsource human resources (HR) and may wrongly believe that this will absolve them from liability for employment-related issues. An outsourced HR company will assist with establishing policies and creating an employee handbook, but because they don't sit within the company and aren't immersed in the culture, it's unlikely they will recognise potential issues as they develop. By the time a problem arises, it may be too late to mitigate. Having an insurance policy that helps direct employers can save a significant amount in defence and potential settlement costs.



'We're a family-run business..'

Unfortunately, some of the most contentious claims that insurers see are from family-run businesses, whether this is a husband and wife led company or a second/third generation business. We've seen acrimonious divorces spill into disagreements within companies, as well as multi-generational family businesses where family members are pulling in different directions. These types of organisations can see insured vs. insured, wife vs. husband or cousin vs. cousin claims; they can be emotive and therefore protracted, which leads to significant defence costs.