

Management Liability Claims Scenario

Directors & Officers Liability



Management Liability Insurance is similar to a Professional Indemnity Insurance policy, but instead of covering errors & omissions in relation to the activities of a business, this insurance covers wrongful acts in relation to management of the business itself. Potential complainants can range from fellow shareholders, government bodies to employees and/or suppliers, plus other stakeholders.

Shareholder Allegation



Incident

A Digital Media Company decided to restructure and set up a parent company. An ex-director who had left the business but retained a small shareholding in the company was unhappy with the decision, filed proceedings, and brought a claim against the current directors and the parent company. The ex-director alleged that the current directors breached their fiduciary duties to the company in allowing the business assets to be transferred to the parent company allegedly for an improper purpose and at an undervalue.



Outcome

The matter was concluded in an out of court settlement to which the insurer contributed £38,000 on behalf of the directors. The insurer also paid the current director's legal defence costs of approximately £95,000.



Expert Insight

"It's important to note that Management Liability policies work on what is called a 'claims made' basis, which means the policy will only respond when a claim is made against the insured during the current policy period, regardless of when the alleged wrongful act that gave rise to a claim took place. If the policy is cancelled or lapsed at renewal, unless additional run-off cover is purchased, no further claims can be made against the policy."

Matt Thrupp, Client Manager





Risk less

Key takeaways



Risk knows no size

Even as a small business, Management Liability is still relevant. The cost of defending allegations made against a director or the company can be extremely costly whether a small or large business. Even if you don't have a board of directors in place, you are still at risk for breach of contract, health and safety issues and employment related claims.



How Management Liability Insurance protects you

In the event of a claim against you or your company, Management Liability Insurance would pay your defence costs and any final settlement or compensation following legal action.

Do you have the right level of cover?



Talk to your broker

Make sure you meet with your broker to discuss what level of cover and unique policy features you and your organisation needs. Your broker has the insurance expertise to provide you with the most cost-effective, high-quality cover solutions.



Start the renewal process early

Be sure to start your Management Liability policy renewal process as early as possible. Doing so will give you plenty of time to gather any documentation required for renewal. Insurers may ask more questions than usual before finalising your policy, making it even more vital to get a head start on the process.

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