

# Are your business directors protected from claims made against them?

Management liability insurance protects your company, the individual directors and its officers who undertake these vital roles within the business, insuring them against claims that may arise from within or external to the company. Here's a useful summary of the risks, facts and solutions to help you manage this important issue for your business.

## 17,000

the number of unfair dismissal claims per year

## \$1 billion

the fraud bill for Australian businesses for the 4 years up to 2012

## 37,000

ATO tax audits last year with \$935m in liabilities

Source: University of Canberra via Dual

**What if** a company director is personally sued for incorrect information contained in a financial statement?

**What if** a female employee alleges she wasn't promoted due to her gender and sues her employer for discriminatory conduct?

**What if** an employee financial controller forges a company director's signature on cheques and embezzles thousands of dollars from the company?

**What if** a company receives notice from the ATO of a tax audit and pays an accountant \$10,000 to respond to the audit?

**What if** a construction company is fined \$40,000 for causing pollutants to escape from a building site?

To find out more about how we can protect your business, just contact Brandon Mather on 03 9244 7713 or [brandon.mather@ajg.com.au](mailto:brandon.mather@ajg.com.au)



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# Managing your risk

## Make sure your managers understand the issues

We recommend that you equip your managers with:

- ✓ Regular training on the obligations and responsibilities under employment law
- ✓ An employee handbook and ensure all employees are aware of the procedures
- ✓ A clear process to make sure that decisions regarding layoffs or negative performance evaluation is always subject to prior review by the company's HR team or equivalent (for example, if you have it, an internal legal department and/or external legal counsel).

## Good governance and controls

To minimise the incidence of criminal activity in your business:

- ✓ Conduct background or police checks on prospective employees
- ✓ Rotate employees' responsibilities regularly and ensure they take a minimum of two weeks annual leave each year
- ✓ Every company should ensure that they have segregation of duties so that no one person can control any function from start to finish without referral to another individual for signing cheques or authorising payments, issuing funds transfer instructions, amending funds transfer procedures, opening new bank or supplier accounts and refund of monies or return of goods.

## Know what you're responsible for

We recommend that your management and employees understand any legislation effecting their business that holds them responsible for liabilities which can be wide-ranging.

And last but not least, put a priority on health and safety in your business, especially in the construction industry. For example, make sure all new employees have a thorough induction process.

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# How management liability insurance can help you

- ✓ **Directors' & Officers' Liability Insurance:** this protects a company and/or its directors and officers (such as senior managers) from claims arising out of any decisions and actions of those directors and officers while carrying out their duties.
- ✓ **Employment Practices Liability Insurance:** this protects businesses against claims for unfair dismissal, sexual harassment, discrimination (age, racial, sexual, religious) and other employment-related incidents.
- ✓ **Statutory Liability Insurance:** this protects businesses against claims for breaches of legal provisions which attract fines and/or penalties, such as breaches of work health and safety laws, privacy laws and therapeutic goods legislation.
- ✓ **Crime Insurance:** this protects businesses against fraud and dishonesty by employees and third parties (that is, anyone other than the insurer and the insured).
- ✓ **Tax Audit cover:** this protects businesses against the cost of responding to unexpected tax audits, most commonly a tax audit by the Australian Taxation Office.

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