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For the  
security of  
your company's  
future



Management Liability  
Insurance

For more information, please call MSIG  
or contact your Insurance Adviser at:

Insurance  
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the heart  
in everything  
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## For the security of your company's future

MSIG Malaysia is part of the Mitsui Sumitomo Insurance Co., Ltd. network in Japan. The group has received strong financial ratings from leading ratings agencies, including Standard & Poor's and Moody's, and operates in over 40 global markets of which 16 are in Asia. With a nationwide network of 20 branches, we are one of the largest general insurers in Malaysia.

We know that everything you hold dear has your heart in it. That's why we make every effort to be active, confident, efficient and sincere. We go above and beyond to bring you a wide range of high-quality products and services backed by financial stability, a commitment to service excellence, and global expertise with local knowledge.

A member of MS&AD Insurance Group, MSIG is licensed under the Insurance Act 1996 and regulated by Bank Negara Malaysia.

More details at [www.msig.com.my](http://www.msig.com.my)

Whether you are the business owner or someone entrusted to run it, your company is your pride and joy. It is also where your senior management build their careers and where your employees earn their livelihood. If you are the owner, it may even be your legacy for your children. MSIG understands that you have your heart in its success. That's why we go above and beyond with this MSIG Management Liability Insurance, to help ensure that your company stays robust in spite of any claim or legal action it may face in the future.

### WHAT IS MANAGEMENT LIABILITY INSURANCE?

Management Liability Insurance is an insurance that protects you and your company from the risks and exposures of running the company, i.e. your liability for mismanagement. Most small and medium enterprises (SMEs) are aware of their exposure to property losses or general liability but are not aware of the other types of claims which can result in financial losses and harm the company.

Management Liability Insurance provides cover against those who can bring legal action against an SME company, its directors, officers and employees:

- ✓ Regulators
- ✓ Creditors
- ✓ Employees
- ✓ Competitors
- ✓ Stakeholders
- ✓ Customers
- ✓ Liquidators/Administrators

You may think a claim is completely baseless or without merit, but it will still cost time and money to defend successfully. Without adequate protection, you risk losing, not only your business, but also your personal assets. Besides protecting your company, Management Liability Insurance also covers you personally and thereby protects your wealth and lifestyle.

## FEATURES OF COVER

### ✓ **Directors and Officers Liability Cover**

The policy covers the directors and officers (including where the company can reimburse the directors) for any claim alleging a wrongful act (negligence, breach of duty, misrepresentations) by a director or officer.

### ✓ **Company Cover**

The policy covers the Company where there is a claim against the entity alleging wrongful acts.

### ✓ **Employment Cover**

The policy covers the company for claims alleging breach of Employment Ordinances including wrongful dismissal, discrimination, harassment, deprivation of career opportunity, breach of contract, etc.

### ✓ **Trustee Cover**

The policy covers the trustees of staff retirement fund.

### ✓ **Crime Cover**

The policy covers the company for theft by its employees.

## EXTENSIONS OF COVER

✓ Investigation and Inquiries Costs (Directors & Officers)

✓ Investigation and Inquiries Costs (Entity)

✓ Automatic Reinstatement (Non-Executive)

✓ Discovery Period

✓ Retirement Cover

✓ Outside Directorship

✓ New Subsidiary

✓ Heirs Estates and Legal Representatives

✓ Occupation Health and Safety

✓ Spousal Liability

✓ Public Relations

✓ Order of Payment

✓ Advance Payment of Defence Costs

✓ Continuous Cover

✓ Crisis Containment

✓ Emergency Defence Costs

✓ Additional Coverage for Insured Persons

# WHY YOU NEED MANAGEMENT LIABILITY INSURANCE

## 1. INVESTIGATIONS

Anyone can file a complaint against a company and its directors. A Management Liability Insurance can help cover the cost of mounting a legal defence against the resulting investigation by regulators.

## 2. EMPLOYEE DISHONESTY/FRAUD PROTECTION

Employee theft and fraud is a growing concern of all companies whatever the size. Smaller companies are particularly vulnerable because of their smaller cash flow. A Management Liability Insurance is unique in it includes specific coverage for Dishonest Acts by employees.

## 3. CRIMINAL LIABILITY

Directors may be penalised for their action, inaction or mistakes. A Management Liability Insurance cannot cover for criminal penalty—this would be against public policy—but it can cover the costs of defending the claim until guilt is established.

## 4. FAMILY COMPANIES

The most important asset of a family-run company is its wealth, and the brand, trust, stability and reputation built over the years. A Management Liability Insurance looks after the best interest of your family by protecting family wealth against legal action.

## 5. UNFOUNDED OR FALSE ALLEGATIONS

Many claims against your company's directors and officers may be groundless or lack merit, but legal costs will be incurred to defend litigation and protect the company's reputation. A Management Liability Insurance can help to cover these costs.

## 6. LEGAL COSTS PROTECTION

Small and medium businesses (SMEs) need cash flow to support daily activities and growth, and any legal action can halt operations and severely affect its future. A Management Liability Insurance acts as a form of legal protection and frees the company's resources for its business growth.

## 7. SME'S SET UP

SMEs are fast growing and flexible, but often there is less risk management infrastructure compared to larger corporate companies. With lower resources and fewer formal control processes, SMEs need the additional protection of a Management Liability Insurance to cover possible liabilities.

## 8. PAST, PRESENT AND FUTURE

A company's directors' estate can be pursued even after retirement or death. A Management Liability Insurance protects family wealth and directors' estates against possible claims in the future.

## CLAIM EXAMPLES

The claim examples given here are illustrative and do not in any way indicate how a particular claim will be assessed by MSG. Cover for a particular claim is determined by the terms, exclusions and conditions of the policy depending on the specific facts assessed at that time.

### AGAINST DIRECTORS AND OFFICERS

**SCENARIO:** Company A sued the directors and officers of competing Company B after three employees of Company A left to join Company B. Company A alleged that the three were still in the employ of Company A when they began sharing proprietary information with Company B. Company A claimed theft of trade secrets.

**OUTCOME:** After one year of legal proceedings, the case settled with Company B paying Company A RM760,000 in settlement and incurring RM1,355,000 in defence costs.

### AGAINST DIRECTORS AND OFFICERS

**SCENARIO:** Company A and Company B reached a contractual agreement for the sale and acquisition of Company A by Company B. Several months after the agreement was made, Company B filed legal proceedings against the directors of Company A for breach of contract, fraud, and negligent misrepresentation, alleging them of manipulating its accounts receivable and account payable. The damages claimed were for RM5 million. Company A counter-sued alleging that Company B owed money from earlier dealings.

**OUTCOME:** Both parties withdrew their claims and cancelled the sale of the company. Legal fees incurred by Company A were RM1,200,000.

### SHAREHOLDER DISPUTE - PRIVATE COMPANY

**SCENARIO:** The insured are Mr X and Company A of which Mr X was a director and officer, where both were minority shareholders in Company B in which they were seeking to purchase its assets and business. Upon completion of the sale, Mr X and Company A sought damages, based on allegations that Company B and its directors and officers had made misrepresentations in connection with the purchase and sale of Company B.

**OUTCOME:** Mr X and Company A sought RM5,000,000 in damages and subsequently agreed to a settlement of RM2,000,000 and Company B incurred RM750,000 in defence costs.

### SHAREHOLDER DISPUTE - PRIVATE COMPANY

**SCENARIO:** Shareholders claimed damages when they lost their investments in stocks they purchased in the insured company. The shareholders sued the directors and officers of the company for allegedly making untrue statements of fact and omitting material facts in connection with the stock sale, including press releases and other information relating to claimed patents, products, experience, prior ownership, employment history, and promises of grants from government agencies.

**OUTCOME:** The company negotiated a settlement of RM3,400,000 and paid RM4,978,000 in defence costs. The original cost of the stock to the shareholders was RM4,850,000.

### EMPLOYMENT PRACTICES LIABILITY - WRONGFUL TERMINATION

**SCENARIO:** A worker was terminated by his employer for smoking in a restricted area of the building. The terminated employee sued his employer for wrongful termination based on age discrimination from comments made by his supervisor, such as "You're too old." The employee further alleged that he could only be terminated for good cause, although he had a history of poor performance issues. The dismissed employee sought back pay, front pay, damages, and legal fees totalling an estimated RM1,275,000.

**OUTCOME:** The employer settled with the dismissed employee for RM850,000 and the employer also paid RM130,000 in defence costs.

### EMPLOYMENT PRACTICES LIABILITY - AGE DISCRIMINATION

**SCENARIO:** A company dismissed a 59-year old manager due to poor performance, including alienating employees and customers, and a general lack of interest in his job. The dismissed employee alleged he was dismissed due to his age after a younger employee replaced him, quoting comments by senior management about needing "to replace the old guys". The employee had received regular pay increases based on performance, and poor performance was not noted on the termination form as the reason for his dismissal.

**OUTCOME:** The company felt they were innocent of the allegations but decided to settle out of court rather than defend in court due to the high cost. Settlement was RM1,250,000 and legal expenses totalled more than RM60,000.

### TRUSTEE LIABILITY - CRIME

**SCENARIO:** The insured is a privately held company with two directors. One director fraudulently misappropriates money earmarked for employees' superannuation contributions. Upon discovery, employees claimed against the directors (including the innocent director) and the Company. The claims involved not only loss of the superannuation contributions but loss of opportunity and profits the employees would otherwise have made with the benefit of those monies.

**OUTCOME:** The director was found liable for RM828,000. In addition, the company paid RM287,000 in defence costs.