



Safeguarding Healthcare Leadership:

UNPACKING THE VALUE OF MANAGEMENT LIABILITY INSURANCE



Winston Churchill once said, “Where there is great power, there is great responsibility.” As leaders in healthcare, not only do you have great responsibility, but you also have a significant amount of liability to deal with. As executives or managers, you make decisions daily that directly affect the financial well-being of your organization.

Healthcare professionals not only face professional risks associated with medical malpractice or unfavorable patient outcomes; executives and managers in healthcare institutions face lawsuits for a **variety of reasons** associated with their leadership roles. These include:

- + Violation of fiduciary duty leading to financial losses or insolvency
- + Providing false information about company assets
- + Inappropriate use of company funds
- + Engaging in fraudulent activities
- + Non-compliance with labor regulations
- + Theft of intellectual property and solicitation of competitors’ clients
- + Insufficient corporate oversight
- + Insufficient corporate oversight

The following sections will elaborate on the concept of management liability identify those who need it, discuss when it’s advisable to have coverage, and highlight its significance in protecting your organization from the risks stemming from governance, financial, employee benefits, and administrative operations.



Comprehensive management liability policies can be obtained by privately owned companies, not-for-profit entities, and smaller publicly traded firms.

WHAT IS MANAGEMENT LIABILITY INSURANCE?

Management liability insurance protects directors, officers, managers, and corporate entities from lawsuits that emerge from management activities. Management liability insurance comprises liability insurance for directors and officers (D&O), employment practices liability insurance (EPLI), fiduciary liability insurance, and insurance for specific criminal situations, such as kidnapping, ransom, and extortion. See below for further details:

- + **D&O Liability:** This policy covers claims that stem from managerial choices leading to unfavorable financial outcomes. **D&O coverage** safeguards directors and officers of for-profit businesses, privately held firms, not-for-profit organizations, and educational institutions.
- + **Employment Practices Liability Insurance (EPLI):** Under an EPLI policy, wrongful termination, discrimination, sexual harassment, and retaliation are the types of claims typically covered.
- + **Fiduciary Liability:** Fiduciary liability insurance helps protect trustees, employers, fiduciaries, professional administrators, and the health plan itself related to errors and omissions (E&O) in the administration of employee benefit programs, as mandated by the Employee Retirement Income Security Act (ERISA).
- + **Special Crime Insurance:** Special crime insurance, such as kidnap and ransom coverage, provides coverage for losses resulting from the kidnapping and holding for ransom of a corporate employee.

WHY IS HEALTHCARE MANAGEMENT LIABILITY SO IMPORTANT RIGHT NOW?

- + According to the American Medical Association, 63% of physicians are reporting signs of burnout. **Management liability exposure** is amplified by everything from physician burnout to the runaway frequency and severity of medical malpractice claims.
- + There has been an increased level of risk due to **stricter workplace regulations** that have expanded the rights of employees, particularly in matters concerning discrimination. Workers are now more educated on their rights, requiring companies to maintain updated procedures to prevent conflicts and expensive allegations against them.
- + D&O insurance providers are accepting new business again, and it appears that rates are stabilizing following a period of increases in recent years. Capacity is plentiful as new insurers enter the **market** and are aggressively pricing risks to capture market share. We are also seeing existing carriers expanding their capacity on renewal limits.



WHO SHOULD INVEST IN MANAGEMENT LIABILITY INSURANCE?

All businesses, including not-for-profits, should consider investing in D&O insurance. The necessity for D&O coverage doesn't hinge on the size of the company. Even small companies can face personal lawsuits against their directors and officers for the handling of corporate matters.

WHEN SHOULD I GET COVERED?

Comprehensive management liability policies can be obtained by privately owned companies, not-for-profit entities, and smaller publicly traded firms, specifically those with yearly revenues below \$25 million. If you are looking to obtain venture capital or financial support from investors, you will likely be required to have D&O coverage in place. D&O coverage can also help to attract and retain qualified directors by offering a level of protection to their personal assets.

CONCLUSION

Management liability can take focus away from important managerial decisions for your healthcare organization and cause your leaders to worry about personal financial loss. IMA partners with insurance carriers who provide comprehensive coverage for publicly listed and private company directors and officers. Reach out to your local IMA representative for more details.

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