

# How to Overcome Objections to Purchasing Management Liability Insurance

Because so many owners and managers of privately owned businesses lack complete and accurate information about Directors and Officers (D&O), Employment Practices Liability (EPL) and Fiduciary Liability Insurance, they often fail to understand the full extent of their risks. Solidify your relationship with your clients by pointing out the value of Management Liability (ML) Insurance.

Your clients' objections to purchasing Management Liability Insurance coverage may sound reasonable on the surface. As a trusted advisor, you can educate them and correct any misconceptions so they can make sound decisions based on reliable information. Here are some of the most common objections you may hear and the facts you need for a reasoned response.

## **We aren't a publicly traded company so we don't need D&O coverage.**

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Even a private company's directors and officers can be sued. Legal action can be brought against your company's directors and officers by minority shareholders or former shareholders. Other sources of lawsuits include:

- Competitors
- Customers
- Suppliers
- Vendors
- Banks and other creditors
- Governmental and regulatory agencies.

Although a private company might not have the same exposure as a publicly traded company, a private firm still has serious risks associated with a broad variety of exposures including unfair business practices, exercising poor judgment, securities fraud and claims of business interference and breach of duty.

## **My business doesn't need EPL coverage.**

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Every year, the Equal Employment Opportunity Commission (EEOC) records as many as 75,000 or more charges filed against employers under federal statutes. The majority of these are against companies that have fewer than 100 employees. If you have even one employee, you're at risk.

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### **I already have General Liability insurance. I'm covered.**

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Many business owners assume that their General Liability (GL) or Commercial Umbrella policies cover D&O and EPL exposures. Business liability policies generally exclude D&O and EPL exposures. D&O coverage is never included under GL policies. In most cases, if EPL coverage is included, it is limited in scope and may not provide the protection you need.

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### **If I get sued, I'll just pay the costs myself.**

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The average cost of an EEOC lawsuit exceeds \$105,000. The average D&O claim defense cost is approximately \$800,000.\* For Monitor's private company clients, the cost of defense averages around \$168,000, which is covered by Monitor's policy.

When damages are awarded these figures can skyrocket. That's a heavy financial burden to bear. And it's not always just the company's financial assets. You can be liable as an individual. That makes it a personal and family issue.

And, the dollar figure is just part of the cost. Consider how much time spent away from work a lawsuit would require from you or other staff, the emotional toll, the effect on morale and the potential damage to your company's reputation and yours.

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### **We're a family owned business. All our employees are like family too.**

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People are people, whether they work for a corporate giant or the next-door neighbor. Employees — including relatives and friends — sue their employers every day for everything from discrimination, harassment and invasion of privacy to emotional distress, wrongful termination, breach of promises and much more. Even job candidates you don't hire can sue and win.

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### **My corporate policies and procedures are impeccable and ironclad. No one could win against me.**

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You don't have to be wrong to be sued. You could do everything right — by having unimpeachable human resources policies and corporate governance practices — but you still need to pay for defense of the case. The costs of defense can be just as devastating to a business as a judgment against you. Even frivolous claims can cost you time and money to defend.

*\*Source: Towers Perrin 2006 Directors and Officers Liability Survey.*

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**I'm a good judge of human nature. I can spot employment practice problems right away, in plenty of time to correct them.**

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Resolving issues before they become problems is absolutely the best way to manage employment practices risk. Business owners and managers can sometimes spot potential problems before they escalate. What they may not have is an in-depth knowledge of the intricacies of employment practices law. They also may not understand the proper way to resolve a problem to avoid liability down the road or the consequences of handling an issue improperly. To manage risk and avoid problems in the first place, Monitor maintains a toll-free employment practices liability hotline that provides clients with expert advice on how to handle virtually any kind of loss prevention issue, large or small. Even better, the service is free of charge and you have unlimited usage.

For more information regarding our Management Liability coverage, please send your request to [mlisubmissions@monitorliability.com](mailto:mlisubmissions@monitorliability.com) or fax it to (847) 806-6282.



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