

A broker guide to Management Liability insurance >



Increasing need for Management Liability insurance

The risk environment for companies and their leaders is evolving at pace. Shifting regulations, economic and geopolitical uncertainty, cyber and AI threats, and heightened ESG expectations are creating new challenges for boards and executives. Against this backdrop, directors and officers face increasing personal liability, making robust Management Liability cover a key component of corporate risk management.



Economic & geopolitical pressure

- Regulatory compliance challenges:** Rapid shifts in trade regulations and enforcement can expose executives to liability if compliance frameworks are not agile and robust.
- Operational and financial pressures:** Supply chain disruptions, cost volatility, market access issues, and insolvency-related challenges may lead to claims of inadequate risk management.
- Reputational and Political Risk:** Social and political polarization, both domestically and globally, can amplify reputational risks. Mishandling of politically sensitive issues (e.g., trade with sanctioned countries, public statements on conflicts) can lead to public backlash and legal exposure.



Cyber & AI Governance

- Cyber governance failures:** Boards are expected to maintain appropriate oversight of cyber security, data protection and technology risks.
- Regulatory investigations:** Directors may face scrutiny from regulators following alleged failures in cyber risk management or data governance.
- Stakeholder claims:** Shareholders, investors or other stakeholders may bring claims alleging inadequate oversight of cyber or technology-related risks.
- AI and emerging technology risks:** Decisions relating to the deployment, governance and use of AI can create legal, regulatory and reputational challenges for boards.



ESG Scrutiny

- Greenwashing risk:** Misleading or unsupported ESG claims can lead to litigation, regulatory scrutiny and reputational damage.
- Reporting obligations:** ESG disclosures must be accurate, consistent and evidence-based as reporting requirements continue to evolve.
- Stakeholder challenges:** Activism and legal action relating to climate, governance and social issues are becoming more common.
- Board exposure:** Directors and officers may face personal liability where sustainability-related risks are not appropriately managed or disclosed.

Employment Reform

The new Employment Rights Act represents a major shift in employer obligations, and introduces a host of new legal, financial, and operational risks for employers, especially SMEs.

Key legislative changes and their risk implications:

- **Day-One Rights for Unfair Dismissal** – Potentially increases exposure to unfair dismissal claims by removing the two-year qualifying period for employees
- **Statutory Sick Pay (SSP) Reform** – May create greater risk of sickness absence, capability and disability-related employment disputes.
- **Zero-Hours Contract Reforms** – May drive claims relating to worker rights, contract terms, working hours and employment status.
- **Ban on ‘Fire and Rehire’ Practices** – Restricts employers’ ability to change employment terms, potentially increasing unfair dismissal and employee relations risks.
- **Expanded Family-Friendly Rights and Pregnancy Protections** – Increases the potential for pregnancy, maternity and family-related discrimination claims.
- **Trade Union Empowerment** – May raise the likelihood of collective employment disputes, employee representation challenges and tribunal activity.
- **Sexual Harassment Protections** – Expands employer liability for harassment, including third-party conduct, potentially increasing claim frequency and severity.

Source: Contains public sector information licensed under the Open Government Licence v3.0.
Employment status and employment rights: guidance for HR professionals, legal professionals and other groups – GOV.UK

What does this mean for businesses?

Operational Complexity

The reforms will necessitate updates to employment contracts, HR policies, and training programmes. Businesses must also prepare for increased record-keeping and audit requirements to demonstrate compliance.

Strategic Workforce Planning

Firms that rely on casual labour, flexible contracts, or frequent restructuring will need to rethink their workforce models. The narrowing of informal flexibility may reduce agility and increase fixed costs.

Financial Exposure

Beyond direct costs such as Statutory Sick Pay and compliance investments, the risk of tribunal claims and regulatory scrutiny is expected to rise. This is particularly concerning for SMEs with limited legal and HR resources.

Directors & Officers (D&O) – Core cover

Cover for directors, officers, charity trustees, certain senior managers and some employees against claims and investigations for alleged wrongful acts made against them in their insured capacity.

- ✓ Separate, dedicated limits for board-level claims and ESG-related claims
- ✓ Unlimited run-off for retired individuals
- ✓ Dedicated investigation insuring clause and inclusion of pre-investigation activity
- ✓ Any-one-claim basis as standard

Claims Story: Wrongful exclusion and defamation claim

3 directors faced allegations of wrongful acts causing and/or contributing to company debts of £6,000,000. A letter of claim was received from liquidators pursuing sums due under a purportedly innovated contract, misappropriated property, transactions at an undervalue and proceedings against the directors personally under Section 212 of the Insolvency Act 1986 (“IA 1986”), relating to acts of misfeasance (wrongful trading) and breach of any fiduciary or other duty by directors of companies in liquidation.

Response:

Matter was notified to Insurers where cover was confirmed for defence costs of the directors and specialist insolvency lawyers were appointed to defend the directors.

Cost of loss

- Defence costs incurred responding to the claim of c£7,500.

Outcome:

Swift action taken by the Insured directors in notifying insurers, so we were able to appoint the appropriate defence counsel was key. A successful defence was advanced in the pre-action stages, avoiding proceedings and significant legal fees. The liquidators were persuaded not to take further action against the directors.

Cover is subject to the terms, conditions, exclusions and limits of the policy.



Corporate Legal Liability (CLL) – Optional cover

Cover to protect a business against claims arising from wrongful acts committed by the company itself in the course of its operations.

- ✓ Any-one-claim basis as standard
- ✓ New environmental investigation costs extension
- ✓ Corporate Manslaughter defence costs

Claims Story: Data protection and governance dispute

Allegations are made by the Claimant concerning the Insured’s handling of data protection matters, governance issues and his removal as a director of the organisation. Following extensive correspondence regarding onerous data requests and related complaints, the Claimant issued proceedings against the Insured, a Parish Council, and a former director, whilst also advancing settlement demands in excess of £300,000. In April 2026, the Court struck out the claim against the Insured, finding that it had been issued in the wrong court, disclosed no legally recognisable cause of action and had little or no prospect of success. However, the Claimant later sought to reintroduce the Insured into the proceedings through amended pleadings.

Response:

The matter is referred to Insurers, who confirm indemnity for defence costs and appoint Solicitors to assist the Insured in their defence. There is no admission of liability on the basis that the Claimant has failed to properly particularise their allegations, and neither the Letter Before Action nor the subsequent correspondence has provided sufficient detail, clarity or explanation of the claims being advanced. .

Cost of loss

- Defence costs incurred in responding to pre-action correspondence and defending the proceedings. Costs of c£12,000.

Outcome:

Through early engagement with Insurers and the immediate instruction of defence counsel, with the comfort of legal fees being indemnified, the Insured were successful in getting this claim struck out by the court. Significant legal fees and management time were saved in achieving this favourable result for the Insured.

Cover is subject to the terms, conditions, exclusions and limits of the policy.



Employment Practices Liability (EPL) – Optional cover

Cover for company against employment-related claims, including claims connected with employees, workplace practices and certain related defence costs.

- ✓ Any One Claim basis as standard
- ✓ Broad definition of Employment Wrongful Act
- ✓ Training & Development post-judgment costs

Claims Story: Employment Tribunal Claim: Disability Discrimination Allegations

A claim was brought in the Employment Tribunal against the Insured entity and its individual directors alleging disability discrimination, failure to make reasonable adjustments, discrimination arising from disability, harassment, victimisation, protected disclosure detriment and automatic unfair dismissal. The claim was brought by a former employee against the Insured entity, together with her line manager and the Insured’s founder. The allegations arose primarily from the refusal of a request to work from home, the Insured’s handling of the Claimant’s grievance, and events leading up to her resignation.

Response:

The matter is referred to Insurers, who appointed solicitors to assist the Insured and the named individuals in defending the claim.

Cost of loss

- Defence costs of c£37,000 defending the proceedings.
- Damages of £15,000.

Outcome:

Through engagement with Insurers and the appointed defence counsel and based on the merits of the Insured’s defence a settlement of £15,000 was agreed as an early and cost-effective resolution of the claim. Not all claims are capable of settling but through proactive claims handling and working with defence counsel and our insureds a cost effective and mutually beneficial resolution was achieved for all involved.

Cover is subject to the terms, conditions, exclusions and limits of the policy.



Pension Trustee Liability (PTL) – Core cover

Protection for individuals and organisations involved in the management and administration of pension and employee benefit schemes.

- ✓ A £25,000 aggregate limit is offered as standard at no extra charge
- ✓ Mitigation costs
- ✓ Unlimited retired Insured Persons cover
- ✓ Service provider pursuit costs

Claims Story: Benefit reductions not legally completed

The Sponsoring Employer and Trustees of a defined benefit pension scheme realised that the steps taken to reduce pension benefits were not properly completed until 2020, when they had assumed they were in place from 2015. As benefit reductions cannot be retrospective the cost of funding those benefits for the 5 years was estimated to be over £4m. The Trustees believed that the solicitors and actuary were at fault in not ensuring the requisite formal steps were taken, but were also aware that they may be criticised and be contributory negligent for failing to ensure that appropriate steps were taken.

Response:

The Trustees required legal advice and representation to bring a claim against their former solicitors and actuary, and to defend them in respect of any claim for a shortfall in recovery as a result of their own contributory negligence. Advice was also needed in respect of an exoneration clause under the Scheme trust documentation.

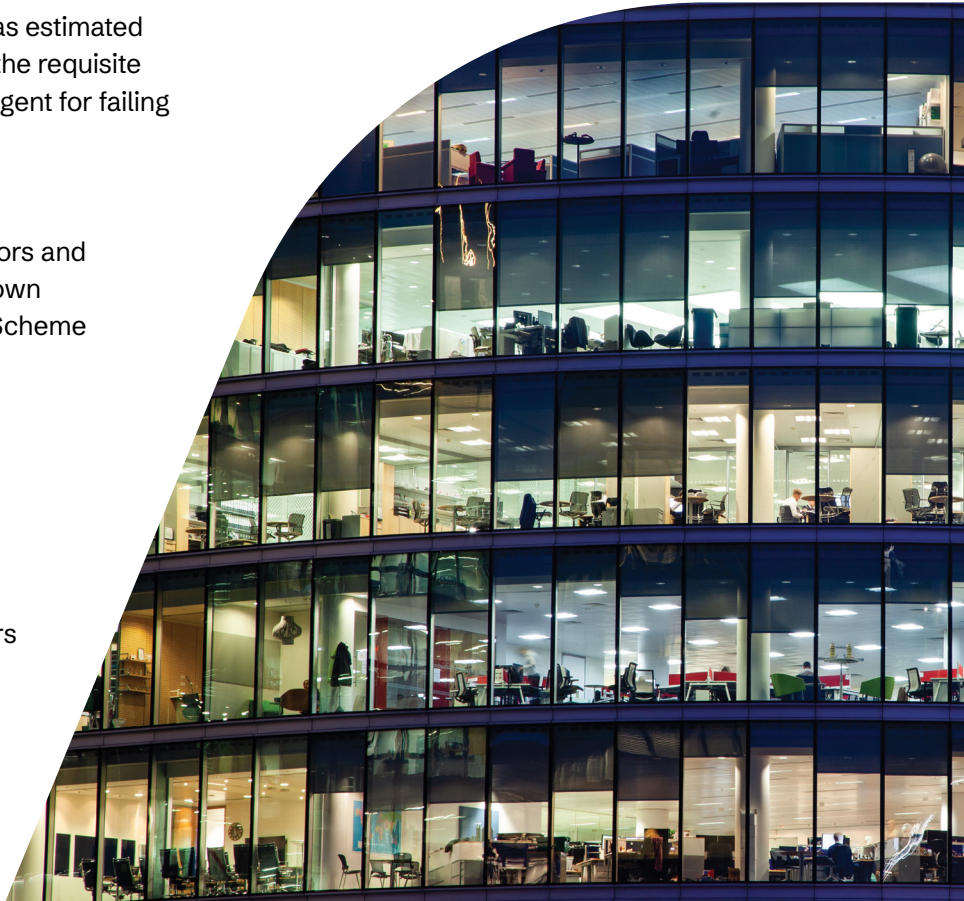
Cost of loss

- The legal fees under the third-party pursuit clause
- The sums the Trustees are liable for as a result of their own contributory negligence.

Outcome:

The recovery action was successful in recouping c70% of the loss. The balance is paid by Insurers as falling to the Trustees because of their own wrong doing.

Cover is subject to the terms, conditions, exclusions and limits of the policy.



Employee Dishonesty – Core cover*

Covers business against direct financial loss caused by theft, fraud or dishonest acts committed by employees or by third parties acting in collusion with an employee.

*Applies where a separate standalone employee dishonesty or crime policy is not in place.

- ✓ A £25,000 limit is offered as standard at no extra charge
- ✓ Includes employee collusion with external parties
- ✓ Assessment Costs, Care Custody, and Control and Crisis & Reputation Costs

Claim Story: Employee theft

A senior employee creates a fictitious account and begins transferring small amounts from customer accounts to avoid detection. After multiple customer complaints relating to unrecognised transactions, the pattern is identified and investigated.

Response:

An internal investigation is launched, followed by notification to law enforcement and the insurer. Forensic analysis confirms that the employee has been systematically diverting funds over an extended period.

Cost of loss

- c.£200,000 in stolen customer funds
- c.£50,000 in investigation and forensic costs

Outcome:

The employee is identified and dismissed, and the incident is reported to the authorities. The insurer reimburses the financial loss and associated investigation costs under the Employee Dishonesty section, subject to the limit stipulated.

Cover is subject to the terms, conditions, exclusions and limits of the policy.



Our Appetite

Within appetite			Out of appetite	
Services - Accountants - Solicitors - Management consultants - Marketing and advertising - Leisure and Hospitality - IT consultants - Recruitment - Primary, secondary education & Universities - Media and publishing	Manufacturing and industry - Food and drink - Textiles - Printing - Metals and machinery - Technology - Chemicals	Wholesale and distribution - Warehousing - Self-storage and removal contractors - Haulage and logistics - Coach operators	- Animal testing - Armaments - Financial institutions – banks and building societies* - Gambling and gaming - Nuclear - Tobacco/ Vaping - Cryptocurrency * Any Financial Institution can be considered separately via our Regional FI team.	
Motor industry - Vehicle service and repair - Motor traders/ dealerships	Construction - Construction/ Property - General builders - Carpenters and joiners - Civil engineers - Tool and plant hire	Healthcare and social care - Care Homes - Pharmaceutical - Optometrists - Veterinary surgeons - Dentists		
Charities and not-for-profits	E-commerce risks and e-service providers	Residents Associations		

Value-added support for clients

Beyond insurance cover, Aviva provides access to practical risk management tools, insight and legal support to help clients identify emerging risks, strengthen controls and support better business resilience.

Aviva Risk Management Services (ARMS)

ARMS provides access to a wide range of risk management insight, guidance and specialist support designed to help business manage operational, regulatory and emerging risks.

-  **Loss Prevention Guides (LPS)** on topics such as fraud, AI governance, cyber governance, and management liability
-  **White papers** on current and emerging trends
-  Access to specialist expertise and **consultancy support**



Explore ARMS resources

Aviva Businesslaw - provided by ARAG

Access to online legal and business tools to help clients manage everyday legal, employment and operational matters more confidently, for example:

-  **Free business self-assessment tool** (ranging from cyber security, data compliance, to fitness to manage staff and more)
-  **Legal Templates** to quickly and easily prepare complex contracts and policies at any time
-  **Business guides and video resources** on a wide range of topics available 24/7
-  **Legal and HR contracts and policies document management**
Create, upload, store, edit, duplicate and share

Learn more

Specialist claims expertise for complex risks

Management Liability claims often involve sensitive employment matters, regulatory scrutiny and difficult boardroom decisions. Our specialist claims team brings together experienced insurance professionals and practising solicitors, providing expert support and commercially focused guidance throughout the claims journey.

1

End-to-end bespoke claims service
A dedicated claims lead supports clients from first notification through to resolution, providing consistent communication, clarity, and a service shaped around their business needs.

2

Swift and proactive claims handling
We act early to identify risks and exposures, agree the right strategy, and reduce uncertainty – with timely coverage decisions that give clients confidence when it matters most.

3

Access to trusted legal partners
Our in-house capability is complemented by a recognised legal partner network, ensuring the right expertise is applied to every claim, no matter the complexity.

4

Specialist Financial Lines expertise
Our dedicated team combines experienced insurance professionals and practising solicitors, supporting complex and sensitive claims with confidence and precision.

Key summary

Our Management Liability proposition provides flexible protection for businesses and their leaders against the legal and financial risks of running an organisation. Clients benefit from comprehensive cover, specialist expertise and practical support to help manage risk and respond when claims arise.



Flexible cover

A comprehensive suite of five covers, helping protect the organisation, directors, trustees and employees when management decisions or workplace issues lead to a claim.



Specialist underwriting expertise

Led by highly experienced Management Liability specialists with decades of combined market experience and with a strong understanding of complex, regulated and evolving boardroom risks and exposures.



Claims expertise

Dedicated specialist Financial Lines claims team including access to trusted legal partners.



Risk management

Access to a wealth of material on loss prevention standard and whitepapers on the latest trends to keep your clients informed.

Find out more about ARMS

Access to practical support to identify exposures and strengthen controls.

The growing threat	Directors & Officers	Corporate Legal Liability	Employment Practice Liability	Pension Trustee Liability	Employee Dishonesty	Our appetite	Additional services
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If you have any questions about any of our Management Liability insurance solutions, please speak to your usual underwriter or sales contact. Alternately, you can visit our **Aviva Broker website**.

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