



Senior and Healthcare Leaders:

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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
- +

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.

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.

- + According to the American Medical Association, 63% of physicians are reporting signs of burnout. **Management liability exposure** 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, expensive allegations against them.
- + D&O insurance providers are accepting new business again, and it appears

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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.

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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

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This material is for general information only and should not be considered as a substitute for legal, medical, tax and/or actuarial advice. Contact the appropriate professional counsel for such matters. These materials are not exhaustive and are subject to possible changes in applicable laws, rules, and regulations and their interpretations.

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