

More cover for
more of your
clients

PrivateEdge

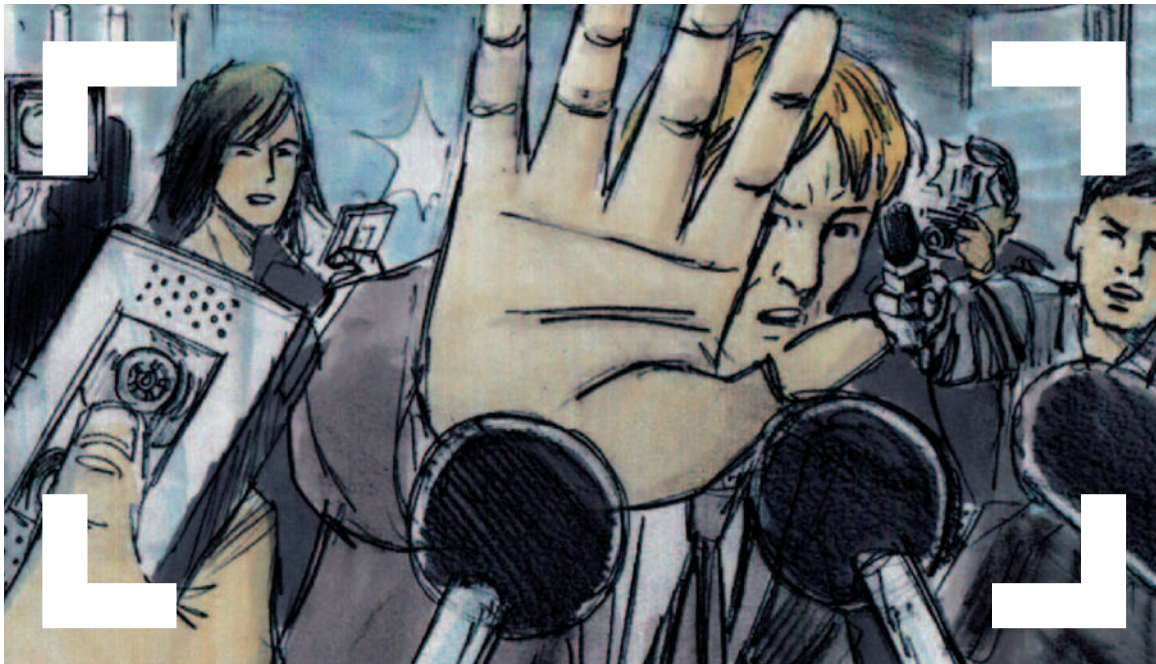
This information is intended for Insurance Brokers
and other insurance professionals only



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With new legislation being enacted all the time, management faces tougher than ever restrictions and obligations, while their employees appear increasingly knowledgeable about their workplace rights.

Meanwhile, in a difficult economic climate, companies can expect increased exposure to liability and fraud. Yet, surprisingly, the majority of directors, company officers and partners may not have adequate management liability and crime insurance in place.



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Breadth...

PrivateEdge is a sophisticated product that allows you to combine critical management liability covers to suit the particular needs of your clients, whether they are private companies, hospitality entities, associations or not-for-profit organisations, like charities.

With built-in supporting services that help directors, managers, partners and trustees to prevent claims or minimise negative impacts, PrivateEdge is designed to provide flexible, comprehensive protection.

For all of these sectors, the following cover modules are available, with wordings that recognise and address the essential differences in their structures, personnel compositions and methods of operation.

...and Flexibility

The core Management Liability and Corporate Liability modules protect key decision makers and the entity itself. Four supplementary modules broaden the cover available.

Entity Employment Practices Liability

Protection for the entity from claims by past and present employees, or visitors like customers or suppliers.

Superannuation Liability

Protection for the trustees, employees, the business and the fund itself against claims brought in relation to wrongful acts involving a plan, whether actual or merely alleged.

Crime Protection

Protecting the balance sheet from fraudulent or dishonest activities carried out by employees or outside third parties.

Statutory Liability

Protecting both individuals and the entity against fines and pecuniary Penalties.

Limits can be set separately, so you can customise the cover to suit the way your clients really operate. So, for example, companies with higher turnover or multiple premises might opt for more Crime cover, while for longstanding operations higher Superannuation Trustee Liability limits could be more important.

Separate limits ensure that a loss from one module doesn't dilute or exhaust the limit of another. For example, an occupational health and safety loss under the corporate liability limit has no impact on the limit available to the managers or the entity for employment practices liability cover.





Management Liability & Corporate Liability

There are some pretty big risks involved with being a company director, partner or trustee these days. They're subject to onerous duties and responsibilities – and if someone thinks they have not lived up to them – rightly or wrongly – then they can be in for serious legal action.

And that could be from many directions. Shareholders who suspect mismanagement. Investors such as banks who feel they've been misled. Trade association investigations. Industry regulatory bodies. Perhaps the liquidator if the company is thought to have traded while insolvent. Not to mention their fellow directors.

With potential penalties that range from hefty fines, all the way to disqualification and possible imprisonment, the need for an immediate and effective response to any threat is clear.

Listed companies would not allow their decision-makers to be exposed in this way. PrivateEdge covers settlements or damages, plus defence costs (which can be very costly) – backed up by the skill and defence expertise of one of the world's leading and most experienced insurer of management (or directors and officers) liability.

Cover highlights

Management Liability & Corporate Liability are the most important modules within PrivateEdge. Management Liability is not just for directors and officers, employees like managers and supervisors are also covered. Corporate Liability is for the entity itself.

The PrivateEdge suite of policies help you ensure cover is in place for the right people, depending on the type of entity.

And the cover each person receives under the policy has been strengthened too.

Cover to defend against prosecution for occupational health & safety incidents.

- If policy limits are exhausted each policyholder board member gets a dedicated, reinstated limit if the company doesn't indemnify them, so they're not left to face other claims alone
- Fines or pecuniary penalties against individuals (unless separately insured under the Statutory Liability module)
- Investigations cover for individuals now goes further than just regulatory matters, it also responds to a disciplinary body, criminal authority or other person having authority to conduct an investigation
- Lifetime RunOff cover for retired directors in perpetuity after retirement, if the company chooses not to maintain management liability cover
- Employment Practices Liability insurance for individual managers

The entity gets broad protection too, including:

- Sub-limits for legal costs of alleged pollution or occupational health & safety incidents
- Breach of contract
- Liability for employee theft and identity fraud
- PR costs for a crisis event
- Accidental Death

Lifetime RunOff for Retired Directors

Contrary to some assumptions, directors may be liable in cases such as fraud, 'latent damages' or overseas claims for a lot more than 6 years. (You can download a summary of some long-term exposures by visiting: www.aig.com.au)

How reassuring for retired directors that PrivateEdge provides lifetime runoff if their company no longer buys PrivateEdge or similar cover after they've left.





Industrial or Workplace Deaths

Occupational health and safety laws in all states and territories in Australia impose obligations on employees and individuals to ensure people (including visitors and the public) are not exposed to risks. Heavy penalties apply and individuals may face strict liability for any changes established against the company.

Trials may be long and expensive. There is also the possibility of trial by public opinion and allegations to consider. PrivateEdge provides your clients with immediate PR expertise to help minimise reputational damage.

All covers are worldwide – and we automatically extend the cover provided by PrivateEdge to any new private subsidiaries acquired during the policy period, so long as they are in a country where the insured already has existing subsidiaries.

AIG companies are among the world leaders for this type of insurance and enjoy a wealth of experience. We understand the importance of how a company responds at the moment a crisis erupts and want to help them make that response as effective as possible.

So PrivateEdge includes emergency legal costs, accessible even if you cannot contact us first. And, in the case of several defined events (say, losing a major contract, a product recall or a man-made disaster) we provide sub-limits for costs of professional PR consultancy to help guide insureds' internal and external communication strategies.

Summary

Key Items

- Advancement of defence costs
- Emergency costs
- Cover for investigations for individuals
- Individual statutory liability
- Employment practices liability for individuals
- Asset and liberty costs for individuals
- Public Relations expenses (sub-limited)
- Broad auto-acquisition cover for new subsidiaries (unless US-listed or US-based)
- OH&S defence and investigation costs (sub-limited for the entity)
- Extradition costs for individuals

Services

BusinessGuard Advisory Panel helpline

Management Liability

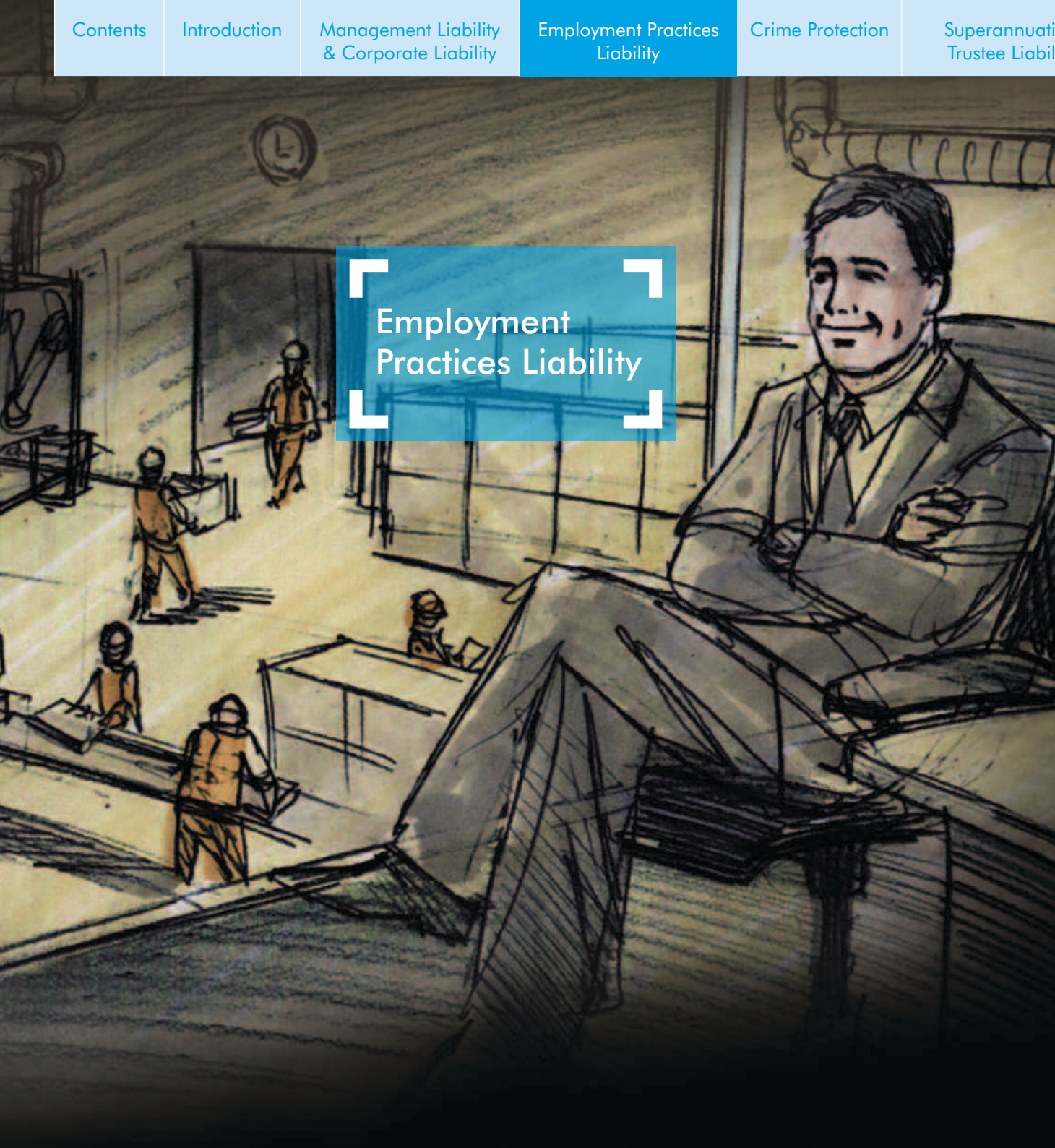
- Reinstated limit for policyholder directors (sub-limited)
- Lifetime discovery period for retired directors (12 years for Trustees)

Corporate Liability

Legal costs for alleged pollution, breach of contract, liability for employee theft, or identity fraud (sub-limited).



Find out more on the PrivateEdge site:
www.aig.com.au



Employment Practices Liability

For small and medium organisations, employment practices actions present a particular risk.

- Employees are becoming more litigious and aware of their rights. This is reflected in tribunal case statistics alone. Our experience tells us that many, many more are settled in private.
- Settlement caps are increasing each year and they are unlimited in discrimination cases. It's not just settlement amounts that are on the rise. Defence costs for discrimination actions are becoming more costly and, if unsuccessful, employers may be required to pay the employees costs as well.
- There are also an awful lot of employment rules to keep on top of. Without large HR departments, smaller organisations still have to deal with age, religious and sexual discrimination, and equal pay issues.
- The burden of compliance rests increasingly on the employer. If strictly defined disciplinary, dismissal and grievance procedures aren't followed organisations can lose cases by default.

It's a lot for managers and their teams to think about. Since there is so much at stake we added a dedicated Employment Practices Liability module solely for the entity.

Cover highlights

This PrivateEdge module covers damages, judgments, settlements and defence costs for a huge range of entity employment practice violations. Like claims from past and present employees, or discrimination and harassment claims from visitors like customers or suppliers to the organisation.

Limits can be up to \$10m, for defence costs, damages, awards and settlements. Unlike the meager security often offered by Legal Expenses cover.

PrivateEdge Entity Employment Practices Liability cover goes much further, with support services that help policyholders stay informed and may reduce the likelihood of an actual claim.

Access is provided to a complementary legal helpline; the BusinessGuard Advisory Panel – who can advise on employment law, health and safety law and general commercial law.

Isn't Legal Expenses cover enough?

Can there be anything worse than thinking you're covered, when you're not? Legal Expenses policies may offer limited protection at small policy limits and with arduous procedural or probability requirements attached. With settlements so high, a form of cover that doesn't meet them, and only comes into effect when the insurer thinks there's a solid chance to win, could be a risky bet.





Entity Employment Practices Liability Services

Better than defending a claim successfully must be preventing it in the first place. With the purchase of this module, PrivateEdge provides employers with the value-added services of a legal helpline for employment law from the BusinessGuard Advisory Panel.

Summary

Broad “all risk” approach

Employee includes part-time, seasonal, and temporary workers

Employee includes independent contractors and secondees when indemnified by the company

Cover extends to all managers

Claims by third parties for harassment and discrimination.

Services

BusinessGuard Advisory Panel helpline



Find out more on the PrivateEdge site:
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Crime Protection

Companies face the threat of fraud every day. Yet, as a major crime insurer, it surprises us how many organisations simply don't buy it. Maybe their directors think they're immune. If so, the statistics don't support this notion. Fraud costs Australian businesses and Government A\$8.5 Billion a year (according to a 2009 report by the Australian Institute of Criminology).

Without large stock holdings to target, they may believe they occupy a 'low risk' sector. All that's needed are deceitful staff with some form of payment authority; but collusive fraud – say involving a staff member and a dishonest supplier – represents a particular threat.

Perhaps they simply trust their staff. Interestingly, it's often the most 'trusted' employees who represent the greatest fraud exposure. They usually have the knowledge to skirt around security measures and set up carefully hidden systems designed to help them steal and keep stealing, time after time.

No wonder so much fraud is usually only eventually discovered by accident.

Cover summary

The Crime Protection module offers some highly innovative features that provide more protection for your clients and rounds out the PrivateEdge management protection suite.

- PrivateEdge extends a sub-limit for costs incurred by professional investigative specialists to quantify a potentially covered loss under the policy – even if it is determined that no loss is incurred – and present the claim on the client's behalf
- Covers frauds discovered within the policy period (see next page)
- Broad auto-acquisition cover for new subsidiaries (unless US-listed or US-based).

Investigative Specialists

Especially in cases where fraud has been going on for some time, it can be extremely difficult to quantify their losses. An internal fraud investigation is specialist work and probably not within an organisation's core skill set. Professional investigation services can save valuable management time – and help in presenting the claim to the insurer.



Losses during the Policy Period

PrivateEdge covers frauds discovered during the policy period, no matter when they might have been committed. This is important precisely because thefts can go on for so long and remain undetected. The resulting cumulative losses can be considerable, so your clients will be covered as long as it first comes to light within the cover period, no matter how long it's been going on.



Summary

Covers dishonest acts occurring prior to and during the policy period which are discovered during the policy period

Extends to employees, third parties and shareholders, plus employees of outsourcing companies

Broad auto-acquisition cover for new subsidiaries – in countries where there is already a subsidiary (unless US-listed or US-based)

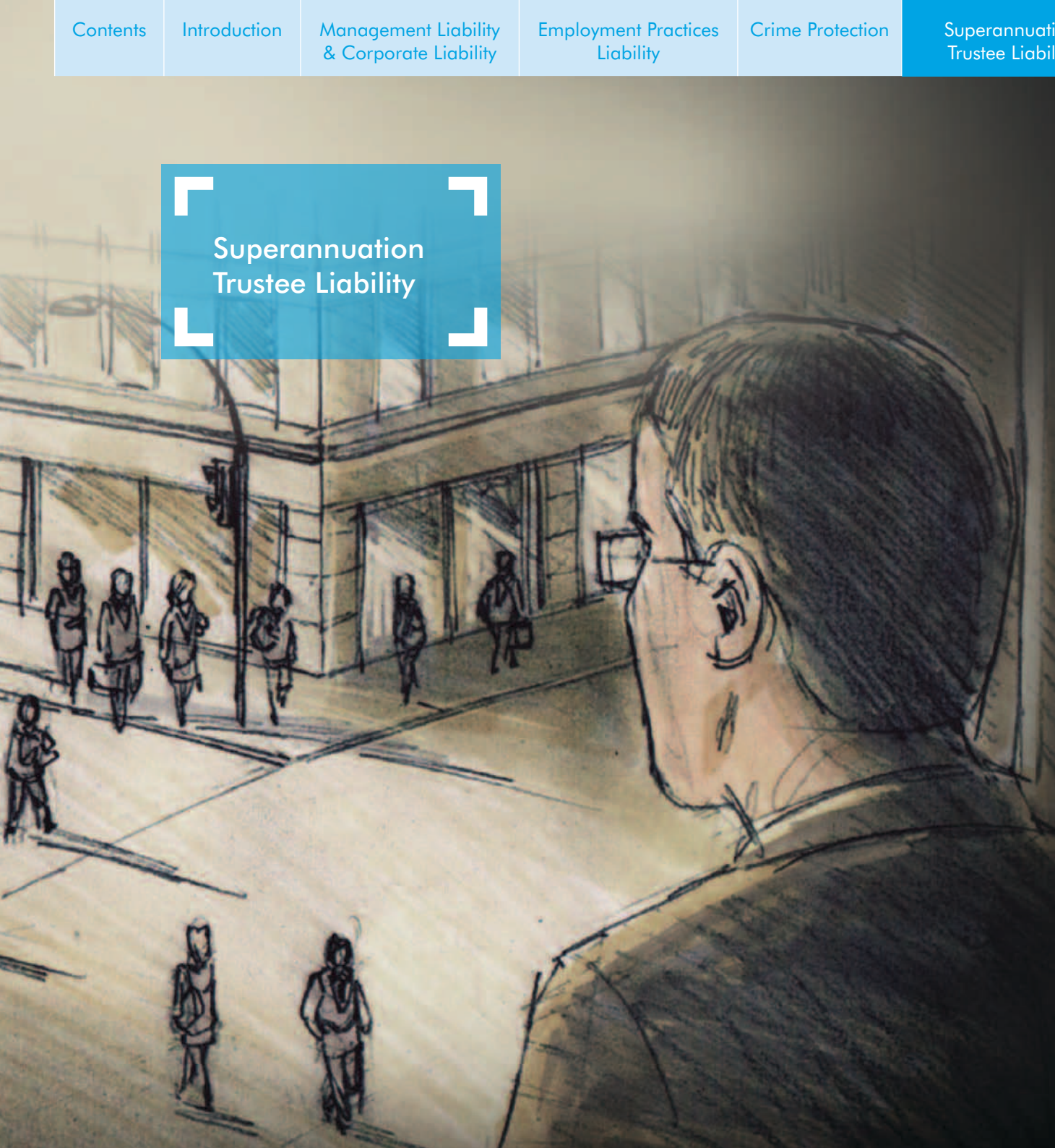
Cover for loss of money, negotiable instruments and other property in the insured's care, custody or control

Broad definition of employee

Cover automatically includes any superannuation plan established maintained or sponsored by the insured



Find out more on the PrivateEdge site:
www.aig.com.au



Superannuation Trustee Liability

Organisations and their superannuation trustees and administrators are under more pressure than ever.

Trustees, who are often unpaid, need to stay up to date with legislation and understand the investment principles of their schemes. More than this, they are expected to challenge not only their professional advisors, but also the organisation that sponsors the plan, if necessary.

It's a difficult situation for trustees. Regulators have powers to request information and enter premises to seize documentation and trustees legally need to co-operate. If convicted of 'wrongful acts' they can be named, shamed and disqualified and have fines and contribution notices issued against them or their organisations.

Cover highlights

The Superannuation Trustee Liability module covers defence costs, awards, damages, and investigation costs of anyone like trustees, secretaries or administrators involved in running the pension scheme who are accused of mistakes or oversights in their duties.

It meets best possible defence costs. And, if this module is purchased alongside the Management Liability module:

- A 12 year claim reporting period for retired trustees protects them against a situation where the company no longer buys superannuation trustee cover
- BusinessGuard Advisory Panel helpline, in case they have concerns
- PR support for their reputation, if they are ever subject to a claim

PrivateEdge recognises the need for swift responses to a crisis. Emergency defence costs provisions mean companies and trustees can get the legal assistance needed to respond immediately to the regulator, even if they can't contact us first.

Plus, \$100,000 for lost documents; since its not unknown for scheme administrators to lose an individual's scheme schedules over time.

Protecting the Employer and the Plan

Although, in theory, trustees are personally liable for how the scheme is run, in practice the risk is often laid off on the employer or plan via indemnities and exoneration clauses. This can become complex and has traditionally been hard to insure. PrivateEdge will reimburse the company or plan if they end up paying for a trustee's loss.



Summary

Trustee liability of individuals and corporate entity

12 year discovery period for retired trustees

Company cover for lost or stolen plan documents
(restoration costs) (sub-limited)

Covers monetary awards by an ombudsman
or superannuation regulator

Services

BusinessGuard Advisory Panel helpline

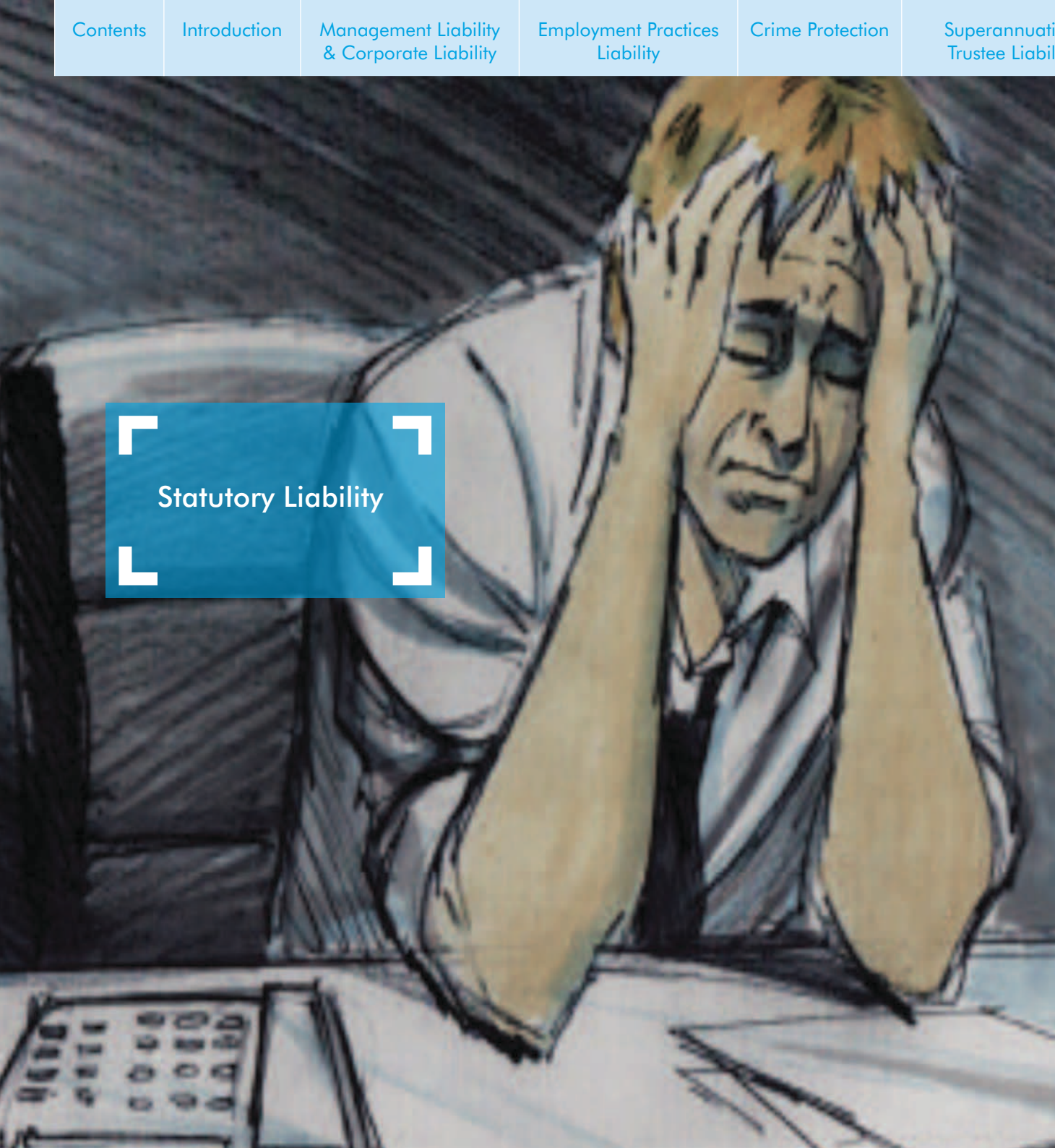


Emergency costs

As well as having the power to enter and inspect premises, the Regulator expects to be told immediately about things like changes to board members or the company's credit rating, or demand information from anyone it wants. Non-compliance can be a criminal offence. At times like these, professional advice can be needed urgently. That's why, in an emergency, PrivateEdge includes provisions that allow companies and trustees to get this assistance, even if they don't have time to contact us first.



Find out more on the PrivateEdge site:
www.aig.com.au



Statutory Liability

Companies and individuals face an increasing emphasis on the use of fines and pecuniary penalties as sanctions for corporate conduct.

Individuals can be subject to strict liability fines or pecuniary penalties for charges established against the company concerning pollution or occupational health and safety incidents.

Directors, officers and trustees can attract statutory liability for failing to discharge their obligations to use care and skill (including in respect of insolvency).

Fines or pecuniary penalties can be awarded regardless of whether any intentional or deliberate conduct is established. In some cases, this is akin to negligence or falling asleep at the wheel.

Cover highlights

The PrivateEdge module covers entities and individuals against fines and pecuniary penalties.

Statutory Liability (fines and pecuniary penalties) cover is provided as a supplement to the defence and settlement costs purchased under the other modules.

For individuals this means fines and pecuniary penalties arising from:

- Management Liability
- Superannuation Trustees Liability

For entities, this means fines and pecuniary penalties arising from:

- Corporate Liability
- Employment Practices Liability
- Superannuation Trustee Liability



Cover for entity and individual statutory liability defence and settlement costs are covered under the relevant companion modules.



Claims

There's more to PrivateEdge than just financial protection. For your clients it means access to the resources and expertise of one of the most experienced financial lines claims teams; just when they need it most.

Whether it's a legal challenge, a fraud or a regulatory investigation, once the organisation or its directors are threatened how quickly and effectively their insurer responds can be critical. Actions can be stressful and protracted.

But there's also so much at risk – including company or professional reputations, personal assets, director disqualification or even a prison sentence.

When you're up against determined opponents, you need to have confidence in the team behind you. AIG companies have long been leaders in management liability claims. This experience helps us appreciate how much is at stake to help get the best outcome.

Our claims team are ready to respond rapidly and appropriately. We've been doing this for years. Even if the situation is new and baffling to your clients, we'll have seen similar cases before, the steps to take and the legal background involved, depending on the threat at hand.

Investigations

These are almost always time-consuming and very expensive if they drag on for months. Perhaps starting with a distressing ‘dawn raid’ on the entity’s premises or directors’ (managers’) family homes, these could end in director disqualification, expulsion from the relevant trade or professional association or prosecution at law.

Once underway they are not easily stopped by negotiation or settlement as investigators may be determined to bring cases to conclusion in the public interest.

Our response could mean preparing directors for what to expect from questioning, along with meeting the cost of legal representation every day, which is always expensive. Alternatively, proactive action may be required in order to head off investigation action.

We know that, when actions kick off, professional legal advice can be needed immediately. Pre-approved emergency costs provide additional reassurance.

Employment Practice actions

These are increasingly common, with staff more aware of their rights than ever – and not backward in acting upon them. With so many laws and rules, smaller organisations without large HR teams can be especially at risk of an accidental breach.

Actions are expensive to settle and defend – and painful and disruptive to the organisation and its employees. Whether the action is settled or proceeds to a tribunal, our claims team can provide the guidance organisations need through the process and individual legal representation for any parties specifically named. All with as little disruption and reputational damage as possible.

Fraud

Uncovering the extent of a fraud, especially if it’s been going on for years, is tricky and requires specialist investigative skills that may not otherwise be available to or understood by the client.

By engaging professional investigative experts, the pressure of investigating and quantifying a loss is taken off the company (saving precious management time) if it transpires that the fraud wasn’t evident.

Other evidence of the wide view of client support taken by our claims team are highlighted elsewhere in this brochure, including PR consultancy services, to refine and manage communications in the event of a specified crisis event, and pre-claim benefits such as, the BusinessGuard Advisory Panel help line for guidance designed to assist directors keep on top of areas of concern – and reduce the likelihood of claims arising in the first place.

Optional Duty to Defend

Some policies require the insurer to handle the defence of a claim. These are called ‘duty to defend’ policies. In many cases, particularly for large, sensitive claims, some organisations may prefer to manage their own defence. With PrivateEdge it is their decision. We’re flexible, since we know no two cases are the same.



Claims Scenarios

These are a great way to help clients appreciate the broad range of situations that might result in actions against them and their organisation. Here is a selection, but you'll find a downloadable version with many more on the PrivateEdge micro site.

Corporate Liability

Breach of Contract

A company is sued by its former agents after it terminates their contracts in order to replace them with full-time staff. The agents sue for non-payment of commission. Overall settlement and defence costs reached 6 figures.

Employee Practices Liability

Misconduct

An employee is dismissed after sending a stream of offensive emails to colleagues about one of his senior managers. However the employer failed to follow proper process in dismissing the employee and the case was settled for a 5 figure sum.

Employee Practices Liability

Unfair Dismissal

An employee is dismissed for non-attendance even though her employer knows she is pregnant. Her employers claim that the manager who dismissed her was not aware of her pregnancy – although the company fails to reverse its decision when the employee produces confirmation from her GP. The case is settled for a 5 figure sum.



Find out more on the PrivateEdge site:
www.aig.com.au

These scenarios are based on actual claims and hypothetical situations to show the potential scope of claims. Note that we have changed any actual claim details to ensure confidentiality and that the examples are illustrative only and not to be relied on to justify coverage in any particular situation.

More Claims Scenarios

Directors & Officers Liability

Environmental Prosecution

Directors are liable for prosecution if their business is suspected of pollution damage. In one case, charges against a director went ahead – even though the company had confirmed their tanks did not even hold the contaminant identified in an adjacent stream.

Fraud

By a lone Employee

An employee who processes invoices also has access to the supplier creation system. The employee sees that when invoices are approved for payment, the financial controller examines the largest payment in detail and then signs the rest. The employee creates a false supplier and makes many small payments totaling thousands of dollars over several months.

Fraud

Collusion with a Supplier

A trusted employee has authority to select suppliers for the company. He channels a large proportion of projects to one particular supplier in return for regular cash payments of several hundred pounds each month. The fraud is only discovered after 4 years and an anonymous tip off.



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Bring on tomorrow

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