BENEFITS OF FIDUCIARY LIABILITY INSURANCE

Presented by: SCS Agency Inc

Offering employees a variety of benefits options, like pension plans, retirement accounts and health care coverage, is expected of today's employers. Organizations that provide these resources to their workforce often task an individual or group of individuals called fiduciaries to oversee benefits plans.

A fiduciary's job is to select advisors and investments, minimize expenses and follow plan documents exactly. Under the Employee Retirement Income Security Act (ERISA), fiduciaries must act in the interest of plan participants in order to avoid liability claims related to the denial of benefits, administrative error, improper advice, wrongful termination of a plan and similar allegations stemming from plan management.

In order for an organization to protect its fiduciaries, fiduciary liability insurance is critical and can provide policyholders with the following:

ERISA liability protection—Under ERISA, a fiduciary is any entity or person that is responsible for the management of benefits plans. Per ERISA requirements, these individuals can be held liable for any breach of duties, errors or omissions. Fiduciary liability insurance is designed to protect plan sponsors and their employees from fiduciary claims -claims that can easily reach six figures or more.

Protection from common fiduciary claims—A number of parties including employees, the Department of Labor and the Pension Benefit Guaranty Corporation, can file fiduciary lawsuits. Claims can arise for a number of reasons, including administrative error, wrongful termination of a plan, improper advice and conflicts of interest. Fiduciary liability insurance can go a long way in protecting employers and plan administrators from these common claims.

Affordable coverage—While the cost of fiduciary liability insurance can vary depending on an organization's assets and the number of plan participants, coverage is generally affordable. On average, fiduciary liability insurance plans range anywhere from $600 to $2,600 per year depending on a company's specific requirements.

Specialty protection not found in similar policies—Companies often wrongfully assume that employee benefits liability (EBL) or directors and officers (D&O) liability policies can provide protection for fiduciary claims. While EBL insurance can defend against claims of errors in plan administration, it provides no protection for more expensive and complex ERISA violations. D&O policies also typically exclude EBL- and ERISA-related claims, making fiduciary liability insurance a must.

Coverage beyond fidelity bonds—ERISA fidelity bonds are required by law and are meant to protect plans against losses related to acts of theft or fraud. While these bonds are critical if someone acting as a fiduciary deliberately defrauds or steals from a plan, they only protect employee benefits and not a fiduciary's liability. Specifically, fidelity bonds do not provide any form of payment for legal defenses or damages related to fiduciary claims, making finding the right policy crucial.

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