Important Reasons For Management and Professional Liability Coverage

Fiduciary Liability Insurance

Competition is tough and companies have to constantly examine expenses including their business insurance. Some companies may even consider going without coverage to save some money. However, going without these important insurance coverages can cost you more than you think. Here's why:

1. **If you sponsor pension, 401(k), ESOP and/or health and welfare plans you are at risk.**
Under ERISA law, directors, officers, trustees, and other fiduciaries can be held personally liable for the decisions they make when managing plans or advising plan participants.

2. **You may not be covered for Fiduciary Liability by another insurance policy.**
Many fiduciaries and plan administrators are under the incorrect impression that they are adequately covered by purchasing GL, D&O and EBL policies and/or an ERISA Bond. In fact these policies usually do not cover the unique exposures facing private companies, who sponsor fiduciary plans, and the individuals who manage and administer them.

3. **People make mistakes.**
Plan fiduciaries can honestly, but mistakenly commit errors and violations of ERISA law. Unfortunately, lawsuits can be based upon an honest mistake.

4. **The Employee Retirement Income Security Act of 1974 (better known as ERISA) is quite complex and contains 3 Subchapters, 11 Subtitles, 14 Parts, 3 Subparts, and 178 Sections.**
Are you confident that you know this law well enough not to commit any violations or to be sued for perceived violations?

5. **You cannot outsource your responsibility.**
Many fiduciaries think that using a third party for plan management removes them from any responsibility. Although using an outside investment expert and plan administrator may be a good risk management tool, it does not completely mitigate your fiduciary liability exposures.

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