



## FIDUCIARY LIABILITY QUICK GUIDE

### Why Buy Fiduciary Liability Insurance?

To attract and retain top talent, organizations often provide benefits like medical, dental, vision, health insurance, and retirement plans. Those overseeing benefit plans are known as fiduciaries. Their responsibilities include selecting, monitoring, advising, and adhering to plan documents, all aimed at reducing costs. Fiduciaries bear significant responsibility and liability. Fiduciary Liability coverage protects both the organization and employees from claims of errors, omissions, or breaches of fiduciary duties related to managing employee benefit plans, as well as breaches of ERISA regulations or any laws governing employee benefit plans.

### Did You Know?

- Nearly 40% of claims filed are against plan sponsors with applicable assets below the “jumbo plan” threshold
- On a per Fiduciary Liability claim basis, settlements have historically ranged from \$800,000 to \$37,000,000 (plus defense costs)
- The average cost of an ERISA case tops \$1,200,000

### How Can You Prevent Fiduciary Liability Incidents?



Record detailed documentation of the procedures your company adheres to



Create and follow an Investment Policy Statement (IPS)



Avoid offering too few or too many options to participants



Meet the Safe Harbor requirements of ERISA



Partner with Sentinel to ensure comprehensive Fiduciary Liability coverage

### How Is Sentinel Dedicated to Safeguarding Your Success?

Our Specialty Lines team is dedicated to tailoring solutions that align with the unique design features of your organization's plan. By focusing on understanding the specific needs and intricacies of your business, we are able to provide customized levels of protection that give you peace of mind.



## **Fiduciary Liability Claims Scenarios:**

### **Scenario 1**

A new employee completed the necessary forms to participate in the company's 401K plan and submitted them to Human Resources. HR personnel entered the wrong contribution percentage in the 401K provider's online enrollment system. At the end of the year, the employee claimed he lost out on investment gains and tax benefits. A settlement was reached for the difference in percentage amounts plus interest.

### **Scenario 2**

Seven Independent Contractors worked for five years at a company. They believed they were eligible for the employer's retirement plan. The company denied that the contractors were eligible. The contractors sued the company for retroactive matching contributions along with the earnings on those contributions. Defense costs were just over \$1,000,000.

### **Scenario 3**

An employee sued their company for unpaid medical bills, as a result of the organization switching medical insurance carriers. The new carrier's plan provided less coverage than the previous plan, and the company did not notify the employee of the reduction in coverage.

## **Sentinel's Fiduciary Liability Resource:**



### **Cassandra Grace, RPLU, CPLP**

Director of Specialty Lines | [cgrace@sentinelra.com](mailto:cgrace@sentinelra.com) | 980.256.7035

With over 20 years of industry experience, Cass leverages her extensive knowledge providing technical support to our clients in addition to program design and implementation of new coverages. She is driven in developing complex risk solutions for a vast variety of risk exposures while demonstrating a "client-first" approach.

### **CONTACT US TO LEARN MORE**

Questions on your Fiduciary coverage, rates, claims, or more? Call or email our team today!