

Executive Risk Newsletter

December 2018: Crime & Fiduciary

Crime & Fiduciary vs. ERISA & EBL: What to Know and When to Purchase

Moreton & Company's dedicated Executive Risk department gets a lot of questions about when to buy ERISA Bonds, Employee Benefits Liability coverage, Crime Insurance (aka Fidelity Bonds), or Fiduciary Liability Insurance.

Below we'll discuss the simpler stand-alone coverages, along with the more complex policies.

ERISA Bond:

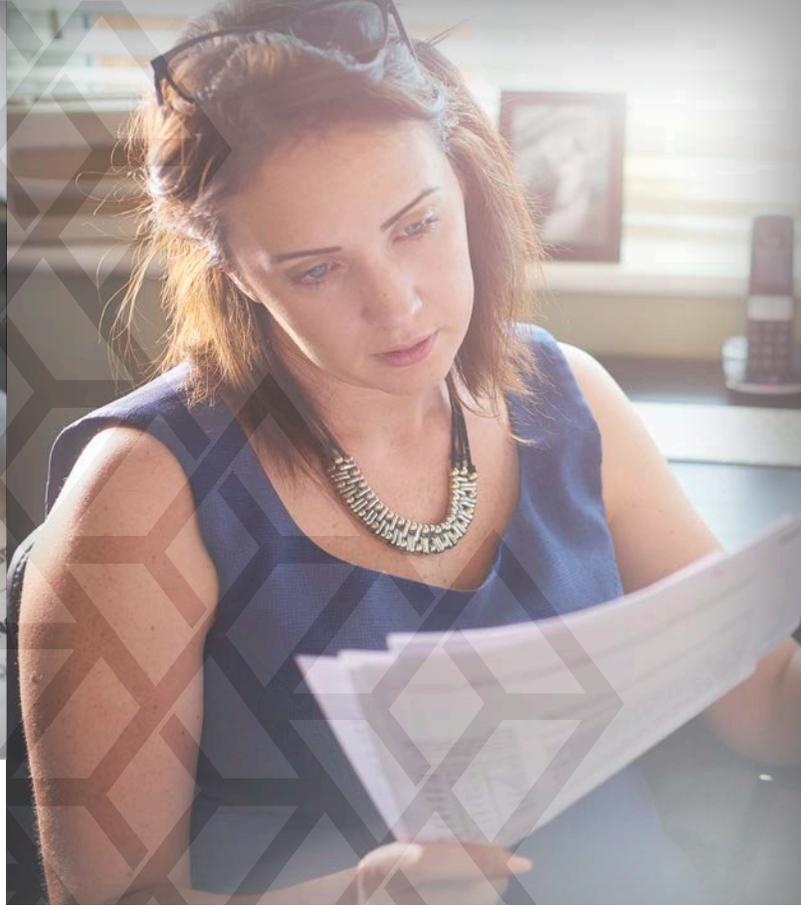
According to the Department of Labor, "An ERISA fidelity bond is a type of insurance that protects the plan against losses caused by acts of fraud or dishonesty." This stand-alone bond must be written for an amount equal to 10% of the assets under management in the fund (with limits of no more than \$500,000, or \$1,000,000 for plans that hold employer securities). The bond is also a requirement of the Employee Retirement Income Security Act (ERISA) of 1974. To put it simply, the bond protects the assets of the plan from fraud or dishonest acts

Employee Benefits Liability (EBL):

Employee Benefits Liability is usually added by endorsement to the General Liability policy. This coverage protects the company from errors or omissions in the administration of any employee benefit. For example, this coverage would step in if someone forgot to sign up an employee for health benefits, failed to notify a carrier in the event of an employee's major life change, or forgot to sign an employee up for paid employee parking.

Crime Insurance (aka Fidelity Bond):

Crime insurance protects the organization from losses intentionally committed by employees and third parties. Crime policies can include coverage for the ERISA bonds and coverage for phishing, Social Engineering, or other scams. These standalone policies have many insuring agreements, and they can be modified to match the needs of the organization and have limits from \$250,000 to \$1,000,000 or higher.



Fiduciary Liability:

This coverage protects the people who make legal liability decisions about the management of employee benefit programs. The exposures of this coverage stem largely from the passage of the Employee Retirement Income Security Act (ERISA) of 1974. Unlike the ERISA bond, however, Fiduciary Liability is not required by the act. Similar to the EBL endorsement on a General Liability policy, Fiduciary Liability can be expanded to include the coverage for errors or omissions in the administration of any employee benefit. It is important to note that Fiduciary Liability is not the coverage for Directors & Officers breach of fiduciary duty; that would fall under D&O Insurance.

It is the practice of most insurance policies to specifically exclude the other coverages, so it can be confusing which coverage will fit your needs. Stand-alone Crime insurance typically includes the ERISA Bond, and Fiduciary Liability can be written to cover the same exposures as Employee Benefits Liability.

Claims, exposures, and would-be criminals are evolving and becoming more common. It is important to have a broker that is well versed in ERISA, Employee Benefits, Crime, and Fiduciary Liability to ensure that you have the correct coverage in place for your company. Moreton & Company can help you address all of your needs.

Please contact your Moreton & Company consultant with any questions.

Please visit www.moreton.com/news-events/ for more information and to view other newsletters. For additional questions, please contact your Moreton & Company representative.

© 2018 Moreton & Company. This newsletter is intended to inform recipients about industry developments and best practices. It does not constitute the rendering of legal advice or recommendations and is provided for your general information only. If you need legal advice upon which you can rely, you must seek an opinion from your attorney.

Moreton & Company - Idaho
2501 East State Avenue, Suite 200, Meridian, ID 83642
208-321-9300

Moreton & Company - Utah
101 South 200 East, Suite 300, Salt Lake City, UT 84111
801-531-1234
www.moreton.com

Moreton & Company - Colorado
4600 South Ulster Street, Suite 610, Denver, CO 80237
303-385-2100