

FIDUCIARY LIABILITY CLAIMS EXAMPLES FOR SMALL BUSINESSES



In today's increasingly litigious society, Employment Practices Liability Insurance (EPLI) serves as a vital shield for businesses navigating the complexities of employment laws and regulations. EPLI offers robust protection against claims stemming from employment-related issues, such as discrimination, harassment, wrongful termination and retaliation. For small businesses, EPLI is particularly crucial as they may lack the resources or expertise to effectively manage these risks. By securing EPLI coverage, small businesses can confidently navigate the challenges of a lawsuit-prone world, safeguarding their financial stability and fostering a thriving, professional work environment.

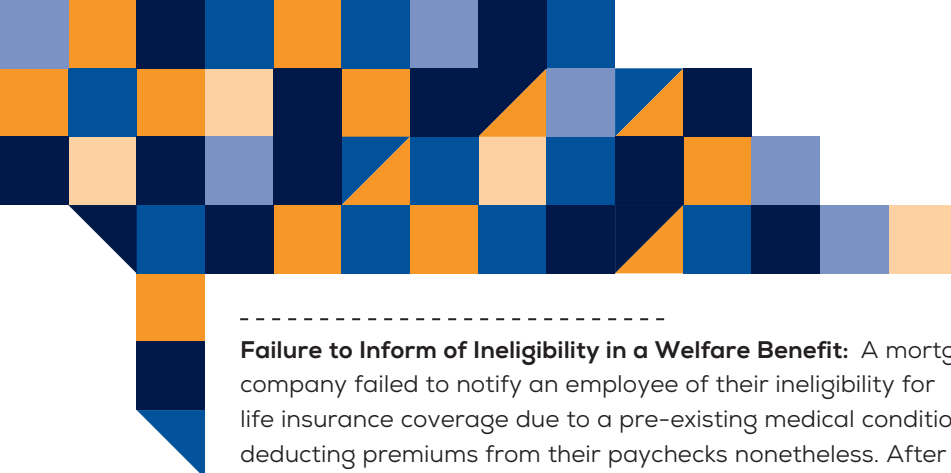
CLAIM EXAMPLES

Regulatory Action: A landscaping company discovered it had inadvertently excluded temporary/seasonal employees from participating in their 401K plan during a transition to a new third-party administrator. The IRS determined that around 2,450 employees were affected, resulting in damages exceeding \$1 million, including fines and penalties. Fiduciary Liability insurance is crucial to protect businesses from the financial impact of regulatory actions and compliance issues, ensuring the proper administration of employee benefit plans.

Payment of Excessive Plan Fees: A software company's employees filed a class action lawsuit against the plan fiduciaries, alleging excessive management fees and underperformance of their defined contribution plan investment options. They claimed that the fiduciaries failed to negotiate lower recordkeeping fees, resulting in an unfavorable fee arrangement. Defense costs reached millions. Fiduciary Liability insurance helps businesses manage the financial burden of such claims and ensures proper management and monitoring of employee benefit plans.

Failure to Monitor the Investment Manager: An accounting firm's defined benefit plan suffered significant losses due to the investment manager's high-risk investments in aggressive funds. Employees filed a lawsuit, claiming negligent retention and monitoring, which resulted in a substantial decrease in benefits and the overall viability of the plan. Fiduciary Liability insurance covers businesses against claims arising from mismanagement of investment options and protects the financial stability of employee benefit plans by emphasizing the importance of diligent oversight.

Failure to Follow Employee's Investment Instructions: A company's HR department misinterpreted employees' 401K contribution percentages during enrollment, leading to incorrect allocations and missed investment opportunities. Employees filed a lawsuit for lost investment gains and tax benefits. The company settled for the difference plus interest earned. Fiduciary Liability insurance safeguards businesses from the consequences of administrative errors and ensures accurate handling of employee investment instructions, emphasizing the importance of proper recordkeeping and communication.



Failure to Inform of Ineligibility in a Welfare Benefit: A mortgage company failed to notify an employee of their ineligibility for life insurance coverage due to a pre-existing medical condition, deducting premiums from their paychecks nonetheless. After the employee's death, the insurance company denied the claim, and the employee's widow sued for the \$100,000 benefit. Fiduciary Liability insurance is vital to protect businesses from claims arising from mismanagement of welfare benefits and ensuring proper communication with employees, highlighting the importance of accurately conveying eligibility information and managing benefit programs.



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