

Fiduciary Liability Insurance

Valuable protection your business can't do without

"I don't sponsor a pension plan – just an employee-directed 401(k) plan – so I don't need Fiduciary Liability insurance, right?"

You've worked too hard and sacrificed so much to build a successful business, so don't let the actions of others put your business at financial risk. As a trustee of any welfare or benefit plan for your employees, you can be held personally liable for your actions or inactions in regard to those plans.

Now is the perfect time to make sure you have Fiduciary Liability insurance to protect your business and your personal financial well-being. The Hartford provides Fiduciary Liability insurance that offers vital coverage:

- With regard to your pension and welfare benefit plans
- For errors and omissions in the administration of your plans
- For allegations of mismanagement, breach of duty, and neglect and violations of the Employment Retirement Income Security Act (ERISA)

About ERISA

In 1974, Congress passed ERISA, the federal law governing employment benefits. ERISA sets min-

imum standards and legal guidelines for most voluntarily established pension and health plans in private industry. As a means to provide protection for participants in these plans, ERISA:

- Requires plans to provide participants with important information about plan features and funding
- Provides fiduciary responsibilities for those who manage and control plan assets
- Requires plans to establish a grievance and appeals process for participants to obtain benefits from their plans
- Gives participants the right to sue for benefits and breaches of fiduciary duty

Claim Example

When the Bubble Bursts

A private company sponsored a 401(k) plan with a company match for its employees, in lieu of a traditional pension plan. The company contracted with an outside investment advisor to manage the plan. During the late 1990s, the employees talked about how well they were doing in the plan, especially those who invested in the risky technology-based mutual fund. When a long-time employee heard other employees, including the Human Resources manager, talking about their great return, he decided to move most of his 401(k) plan money into the same fund.

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The employee was one year from retirement when the value of his plan dropped nearly 40% over a 12-month period. The employee sued his employer and, as a trustee of the plan, the Human Resources manager, alleging misleading statements and violation of fiduciary duty in regards to the 401(k) plan. After a lengthy trial, the employer was found liable, and the Human Resources manager was found to have made misleading statements as a trustee of the plan.

Result

Trial Award \$175,000
Attorney Fees..... \$110,000
Total **\$285,000**

Other Claim Examples

Here are other examples of the types of Fiduciary Liability claims that can be brought against midsize companies:

- Allegations that the conversion to cash-balance plans is discriminatory based on age, denying older workers their benefits
- Allegations of mismanagement as a result of a merger or acquisition
- Claims arising from mergers or acquisitions, especially when employees see plans being changed or terminated, or when benefits are being reduced
- Errors and Omissions claims, alleging miscalculation of benefits during early retirement offerings
- Failure to adequately educate participants about the risks involved in investing in stocks

**"WHY SHOULD
I CHOOSE
FIDUCIARY
LIABILITY
INSURANCE
FROM
THE HARTFORD?"**

Decide for Yourself

To find out, answer these quick questions to see if our coverage meets your needs.

1. *Does your company provide any of the following welfare or benefit plans for your employees?*
 - *Health insurance plans*
____ Yes ____ No
 - *Unemployment insurance benefits*
____ Yes ____ No
 - *401(k) or other self-directed retirement plan*
____ Yes ____ No
 - *Traditional (defined benefit) pension plan*
____ Yes ____ No
 - *Employee Stock Ownership Plan (ESOP)*
____ Yes ____ No
 - *Stock option or preferred executive compensation plans*
____ Yes ____ No
2. *Has your company's 401(k) plan ever decreased in value due to a drop in the stock market?*
____ Yes ____ No
3. *Does your company administer any of these plans in-house, including clerical work or paperwork to enroll employees in these plans?*
____ Yes ____ No
4. *In selecting an outside investment advisor to administer your pension benefit plan(s), did you choose an advisor without seeking professional advice, ratings or recommendations?*
____ Yes ____ No

If you answered "Yes" to three or more of these questions, then Fiduciary Liability insurance from The Hartford is right for you!

To Learn More

For more information about Fiduciary Liability coverage from The Hartford, visit us on the Web at www.hfpiinsurance.com.

The scenarios summarized above are offered only as examples. Coverage depends on the actual facts of each case and the terms, conditions and exclusions of each individual policy. Please refer to the policy to determine all terms, conditions, exclusions, and limitations of coverage. Coverage is provided by The Hartford companies and may not be available in all states.