RISK INSIGHTS

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Today's Stock Market and Fiduciary Claims

Employers who offer investment funds to their employees often see an increase in fiduciary liability claims when the stock market is unstable or has dipped substantially.

Fiduciary Liability Claims

Even if a plan administrator is extremely competent, some employees facing losses will look for someone to blame. Very often they blame the plan administrator, alleging that the administrator's choices have posted greater losses than those of other funds in the market. Employees may also claim that the choices offered were not good or the risks were not adequately explained. If these employees had anticipated retiring soon, they may have to postpone retiring or resign themselves to tightening their retirement spending. This situation is one of many that can prompt employees to take an employer to court over negligent or incompetent plan administration.

Unfortunately, many employers don't fear liability because they mistakenly believe that they have no risk, or that the risk belongs solely to the plan administrator. Typically, a fiduciary chooses the plan administrator and describes the company's investment goals. The administrator selects specific funds subject to the approval of the employer, making the employer an active member in the decision-making process.

An employer may be held liable in the event of a claim, but the plan administrator individually may also be named in a suit. The fiduciary liability policy can protect both the entity and the individual.

Fiduciary Liability Coverage

Fiduciary liability coverage is defined as "protection for those who administer pension and welfare funds, profit-sharing and other employee benefit programs against loss for errors and omissions by the administrator." The need for this coverage was created by the Employee Retirement Income Security Act (ERISA) of 1974, and it is also known as pension trust liability insurance.

If you haven't carried fiduciary liability insurance in the past, now might be the time to look into it. This is a relatively inexpensive insurance policy that will help see you through tough market times.

Often, claims against employers do not surface for one or two years after the market's downturn, when employees realize the impact on their retirement portfolio. You should always be prepared; if you haven't carried fiduciary liability insurance in the past, now might be the time to look into it.

This is a relatively inexpensive insurance policy that will see you through tough market times. Contact TPG Insurance Services for more information.

Provided by TPG Insurance Services