

Another Effect of Today's Stock Market – Fiduciary Liability Claims

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

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.”

Unfortunately, many employers don't fear liability because they mistakenly believe that they have no risk, and that the risk belongs solely to the plan administrator. Not so. 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 the suit. The fiduciary liability policy can protect both the entity and the individual.