ERISA Fidelity Bonding vs. Fiduciary Liability Insurance

Fiduciary responsibilities are dictated by the standards set forth under ERISA (The Employee Retirement Income Security Act, as amended) and other IRS/DOL guidelines. ERISA requires every person who "handles funds or other property" of an employee benefit plan to be bonded with an **ERISA Fidelity Bond** to insure the plan against losses due to fraud or dishonesty.

When a company sponsors a qualified retirement plan for its employees, individuals who are charged with the decision-making authority of their plan will likely be considered a fiduciary under ERISA. This can include plan sponsors (i.e. employers), trustees, directors, officers, and internal investment committee members. ***Any fiduciary that breaches ERISA obligations, responsibilities, or duties may be personally liable to compensate the plan for any resulting losses***. Because standard Directors & Officers and Employment Practices Liability policies exclude claims for ERISA breaches, you cannot rely on those policies for protection in case of litigation.

Fiduciary liability insurance typically insures the fiduciaries (and in some cases the plan) against losses caused by a breach of fiduciary responsibility. Fiduciary liability insurance is not required like ERISA Fidelity Bonding, but may be advisable in order to mitigate personal fiduciary liability. Fiduciary liability insurance may be purchased by the plan for its fiduciaries, or by the employer and/or fiduciary.

ERISA Fidelity Bond

- Required by DOL
- Insures the plan
- Protects from risk of loss due to fraud or dishonesty
- Obtained by surety or reinsurer that is named on the Department of the Treasury's Listing of Approved Securities

Fiduciary Liability Insurance

- Not required by DOL (but available to fiduciaries as a safety net)
- Insures fiduciaries (sometimes the plan)
- Protects against losses caused by breach of fiduciary responsibility
- Can be obtained from most insurance agents
- The plan can pay for the insurance if the policy permits recourse by the insurer against a breach of fiduciary responsibility. Nonrecourse riders are purchased with nonplan assets

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If you have any questions about your investment account, please contact the Schneider Downs Wealth Management Advisors Solutions Center, toll free at (800) 410-2724.