The ForeFront Portfolio[SM]

Fiduciary Liability Insurance

Fiduciary liability insurance plays a vital role in helping to protect companies, executives and employees against a wide range of claims involving the management and administration of their employee benefit plans. *These claims can result in personal liability,* exposing the personal assets of executives and employees. Fiduciary Liability insurance is one of a suite of seven insurance coverage parts under The ForeFront Portfolio policy, providing flexible and innovative coverage with the exposures of private companies, not-for-profit organizations and healthcare organizations in mind.

Why do you need Fiduciary Liability insurance?

Misconception	Reality
Employee Benefits Liability ("EBL") coverage will protect me against any problems with my employee benefit plans.	While EBL provides coverage for certain errors in plan administration, it does not cover breach of fiduciary duty claims. Breach of fiduciary duty claims can involve personal liability. They are typically more severe than administrative error claims, and thus, relying solely on EBL coverage leaves individuals personally exposed to some of the most severe claims involving benefit plans.
I don't have any fiduciary risk because we hire professional administrators and investment managers to handle the plan.	While hiring outside service professionals may help mitigate fiduciary liability, plan fiduciaries remain liable for selecting and monitoring those professionals. Accordingly, they may be held liable for the mistakes of the service provider.
If I am sued for a decision that I made as a plan fiduciary, I can take comfort in the fact that the plan has a lot of assets available to indemnify me.	ERISA prohibits plans from indemnifying plan fiduciaries for a breach of fiduciary duty, which means plans may not pay defense costs, settlements, or awards on behalf of fiduciaries that have breached their fiduciary duties.

Fiduciary Liability Coverage Highlights

- **Fines and Penalties** — Coverage for many ERISA, Pension Protection Act and HIPAA fines, as well as for certain penalties under English, Irish and Canadian law
- **Voluntary Settlement Programs** — First-party coverage for companies that discover an issue and want to address it by participating in a governmental correction program
- **Former Plans and Subsidiaries** —Help protect terminated plans and former subsidiaries for prior conduct if the policy is renewed with Chubb
- **Pre-Claim Investigations** — Coverage for Department of Labor investigations before they become enforcement actions, and even before they allege written Wrongful Acts against Insureds
- **Penalty Suite Additional Sublimit of Liability** — An additional sublimit for fines and penalties that floats above all other fine and penalties sublimits
- **Valuable Claim Reporting and Notice** — Up to 180 days after expiration of a renewed policy, plus waiver of this time period where the Insured demonstrates that it was not reasonably possible to provide notice within 180 days
- **Pre-Engagement Costs** — Ability to credit certain amounts paid towards early settlement or defense towards exhaustion of the retention
- **Failure to Enroll Demand Coverage** — Expanding Chubb's renowned coverage for benefits that would have been due, but for the failure to enroll to situations where the injured party has not yet made a formal claim

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Fiduciary Liability Claims Scenarios

Summary	Claim Details	Resolution
Life insurance enrollment issues	The claimant's husband enrolled for $100,000 in life insurance benefits offered through his employer. When the life insurance company declined the application for coverage due to ineligibility, the employer failed to notify the employee and instead proceeded to deduct premiums from the employee's paychecks. Upon the employee's death, the life insurance company denied the claim and the employee's widow sued the employer.	Fiduciary insurance paid $100,000 to resolve the matter.
Inflated purchase price for ESOP shares	An ESOP purchased company shares for $35,000,000. The Department of Labor claimed that the fiduciaries breached their duties by failing to consider the dilutive effect of warrants and stock options on the share price, thus overpaying for the stock by over 20%.	A $1,000,000 fiduciary insurance limit was exhausted in defense.
Payment of excessive plan recordkeeping fees and investment expenses	A class action was filed against a small 401(k) plan's fiduciaries for agreeing to pay the plan recordkeeper its fees based on an uncapped percentage of assets under management, as well as for including expensive retail share classes in its plan investment line up.	Fiduciary insurance paid $700,000 in defense costs and $2.250,000 to settle.
Missed plan contributions discovered by employer	The company realized that it missed certain deposits of employee salary reduction contributions for the plan, so it entered into a Voluntary Fiduciary Correction Program to address the issue and avoid any claims.	Fiduciary insurance paid $50,000 in filing fees and legal expenses.

The ForeFront Portfolio

The ForeFront Portfolio is part of an evolution in one of Chubb's market-leading series of management liability products that have been specifically tailored to meet the individual needs of private companies, not-for-profit organizations, and healthcare organizations. With up to seven optional coverage parts, each coverage part works as a standalone policy or seamlessly together to minimize gaps and reduce overlaps in insurance coverage, providing companies choice and flexibility to help manage their individual and corporate exposures. It is a comprehensive insurance solution specifically designed to help companies not only survive, but thrive despite the most complex threats of litigation, extortion, and other white-collar crimes that may expose their bottom line.

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The claim scenarios described here are hypothetical and are offered solely to illustrate the types of situations that may result in claims. These scenarios are not based on actual claims and should not be compared to an actual claim. The precise coverage afforded by any insurer is subject to the terms and conditions of the policies as issued. Whether or to what extent a particular loss is covered depends on the facts and circumstances of the loss, the terms and conditions of the policy as issued and applicable law.

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