



# CLAIM SCENARIOS

## FIDUCIARY LIABILITY

### Administrative Error

At the end of an employee's new hire probationary period she was given the option to participate in the company's 401K plan. The employee completed the necessary forms and submitted them to Human Resources. Human Resource personnel incorrectly communicated the wrong contribution percentage to the plan trustee. At the end of the year the employee claimed she lost out on investment gain and tax benefits. A settlement was reached for the difference in percentage amounts plus interest.

### Failure to Disclose

An employee sued her employer for unpaid medical bills as a result of the insured switching medical insurance carriers which offered reduced coverage. The insured did not notify the employee of the reduction or change in coverage. The settlement exceeded \$40,000.

### Failure to Enroll

Plaintiff alleged he purchased disability coverage at work and the premium was deducted from his paycheck. When the employee became disabled, he was told by the disability carrier that they had no record of his enrollment. He sued his employer and the disability carrier for breach of fiduciary duty and fraud seeking the cash equivalent of past and future disability benefit plus attorney fees. The claim settled for over \$100,000.

### Tax Violation

An insured received a notice from the IRS for an investigation into violation of the tax code 502(i) which involves the Insured's establishment and financing of new stock certificates for their Employee Stock Option Plan (ESOP). The IRS prohibited the transaction and assessed fines and penalties against company. The defense cost was in excess of \$25,000.

### Administrative Error

A large retail company recently appointed a new CFO who was listed as the plan administrator for the company's 401K retirement plan. The CFO eliminated the twelve prior investment options and replaced them with three particular mutual funds. It was later determined that his brother was the fund manager of the newly offered investments. The employees sued for breach of fiduciary duty and ERISA violations. A settlement over \$500,000 was reached.

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