



Coverage:

Fiduciary Liability

Segment:

Private Companies

Claims Scenarios

Many private companies are now realizing the value and importance of having a comprehensive fiduciary liability insurance policy in place to protect their organization assets. Fiduciary liability insurance is an important element in an enterprise risk management program. Consider the following claim example:

Breach of Fiduciary Duty

An architectural engineering firm offered a 401(k) plan to its employees. The plan administrator was a financial advisory firm owned by a friend of the CFO. Five investment choices were offered. Four were funds of various types which were each part of large fund groups. One of the funds, however, was managed by a small investment company and made “alternative” investments that had a disastrous performance, losing 80% of its value in less than two years. Employees who had invested in this fund lost over \$250,000, and hired a lawyer to bring action against the plan administrator, the plan, the company, and the CFO. The suit alleged that the risk of this fund was not adequately disclosed, that diligence was not done in the selection of the plan administrator, and that the CFO, in selecting the plan administrator, had a conflict of interest.

Loss

The matter was resolved for \$200,000. The plan administrator had no liability insurance and was financially incapable of contributing to the settlement.

Darwin’s Claims Handling Philosophy

A policyholder buys insurance to protect themselves. They buy insurance to pay a covered claim when they have one. An insurance partner shouldn’t hassle them when they have one that is legitimate. And Darwin will pay claims fairly – that’s what we agreed to do, that’s what policyholders expect us to do, and that’s simply the right thing to do.

Claim examples are based on hypothetical situations or composites of actual cases. It is our policy not to release claim case numbers or any specific claim details. Coverage for particular claims is subject to policy language as issued. (i-bind)sm is a trademark and service of Darwin Professional Underwriters, Inc. Coverage is provided by Darwin member companies which include Darwin National Assurance Company and Darwin Select Insurance Company. For more information about Darwin, visit www.darwinpro.com.