



## EBL Insurance

### *Who needs it? What is it? Should you be worried?*

When Jane left her nonprofit agency on maternity leave, she planned on tapping her employer's group disability plan to help cover her living expenses. After all, she'd met all the organization's requirements for coverage and had indicated her desire to participate in the plan.

It wasn't until she'd gone on her leave and filed her claim with the carrier that she (and her agency) learned she was not covered. It seems her paperwork was misplaced and she was inadvertently not added to the plan. Ultimately, it was determined to be the organization's fault: an administrative error. An error which cost her employer several thousand dollars to cover her legitimate disability claim.

According to John Touchstone, Vice President of Insurance Operations with NIAC (Nonprofits' Insurance Alliance of California), adding an Employee Benefit Liability endorsement to their general liability policy could have saved this agency thousands of dollars and a huge amount of stress.

"If an agency offers employee benefits, there's always the possibility for an administrative error. This coverage is nominal in cost compared with the benefit to your employees and your agency in the event of such an error," states Touchstone.

Employee Benefit Liability or EBL covers your organization's legal liability for claims caused by the administration of employee benefits programs. Administration is defined as "giving counsel," "interpreting," "handling of records" and "effecting enrollment" of employee benefits programs. A few examples of claims that might occur would be failing to offer COBRA to a departed employee, failing to enroll a new employee on a health or disability insurance plan, or failing to change a beneficiary on a group life insurance policy.

Mishandling of paperwork, failure to comply with complex COBRA requirements or negligence in the administration of an agency's employee benefits can result in immense financial exposure for an employer, claims Touchstone, whose organization specializes in designing and administering liability coverages exclusively for nonprofits.

Though EBL claims are infrequent, the cost of defense and indemnity can be staggering. EBL endorsements, on the other hand, can run as little as a few hundred dollars per year depending upon the number of employees.

Not all EBL endorsements are the same. Read your endorsements carefully and consult with your broker to determine your specific coverage needs. A good EBL endorsement should provide coverage for administration of group health, life, disability, and retirement savings plans as well as covering errors, omissions and negligence related to the administration of unemployment insurance, social security benefits, and workers' compensation.

However, EBL does not cover you for any ERISA liability, any failure to comply with the law on workers' compensation, unemployment insurance, social security, or disability benefits, any discrimination claim, or any fiduciary liability for trustees of pension plans. Finally, be sure to check the effective date of your policy because an error occurring prior to this date (or after your policy expires) would not be covered.

Contact CAN Insurance Services for more information on this important protection for your agency and your employees. ■