

If you own a restaurant, chances are that at least some of your employees are offered some employee benefits by your company. These can be in the form of retirement accounts, health insurance, life insurance or even disability insurance. Your management of these benefits for your employees carries some risks for you. If you make a clerical error, or if you give bad advice to an employee, your company could face a lawsuit and the resulting defense costs. It's clear you need some protection, but what is the correct form of protection for you?

This article discusses two different types of protection for employers in the area of employee benefits administration. They are employee benefits liability insurance and fiduciary liability insurance. Let's take a look at each one separately.

Employee benefits liability insurance can often be found as an add on endorsement on your restaurant business owners insurance policy. The coverage limit will often be the same as the liability limit on your business owners policy. This coverage is generally geared toward protecting your restaurant from losses caused by administrative mistakes in the handling of the employee benefits. A good example would be a new manager who joins your team and you forget to add him to the health insurance policy. Several months later he falls ill and the health claim is not covered since this person was never added to the policy. Employee benefits liability can protect your restaurant from having to pay that loss out of your pocket.

Fiduciary liability insurance is designed for a different purpose. This insurance coverage form is for claims arising out of wrongful acts. The wrongful acts are negligent acts, errors, or omissions that result in an actual or an alleged breach of your fiduciary duties as imposed by ERISA in the administration of employee benefits. Some examples of this type of mistake would be giving bad investment advice about which investment choices an employee should use when investing 401k funds. You could even be held liable for your choice of the plan or the plan administrator for your restaurant's 401k plan itself.

So which choice is right for you and your restaurant company? Generally speaking the fiduciary liability insurance is best suited for restaurants that provide a retirement plan of some sort for their employees. And if you provide any other type of employee benefits, then employee benefits liability insurance is an important choice. Some restaurants may need both forms of protection while others may only need one or the other. The important point is to understand clearly the difference in terms of what triggers the protection and then to decide what is best for your particular restaurant.

## **Restaurant Insurance – Employee Benefits Liability or Fiduciary Liability Insurance?**

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