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Fidelity Bond Requirements

[ERISA](#)

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Recently, the Department of Labor (DOL) has issued a Q & A regarding key points that plan sponsors should know about ERISA's fidelity bonding requirements. A fidelity bond is a type of insurance that protects the plan against losses caused by fraud or dishonesty. This is not the same as fiduciary liability insurance. A fidelity bond is required by ERISA for losses due to fraud, whereas fiduciary liability insurance is not required and protects the plan against losses caused by breaches of fiduciary responsibilities. Among other things, the Q & A addresses who must be bonded and for how much.

Any person associated with a plan who handles funds or other property of the plan is required to be bonded. This could include the plan administrator, employees of the plan or plan sponsor or even the service providers. (Service providers may provide their own bond, or the plan fiduciary can elect to add a service provider to the plan's fidelity bond.) The bonding requirement applies to most ERISA plans; however, there are a few exemptions such as completely funded plans, non-ERISA plans and some other regulated institution.

The amount of the bond is based on the amount of funds handled by each person covered under the bond. Each person must be bonded in an amount equal to 10% of the amount of funds he or she handled during the previous year, but can be no less than \$1,000, and the DOL cannot require the plan to be bonded for more than \$500,000 or \$1,000,000 for plans that hold employer securities. If appropriate, the plan can purchase a bond for a higher amount. Since the purpose of the bond is to protect the plan, the cost of the bond may be paid from plan assets. The ERISA bond must be obtained from a company that is named on the Department of the Treasury's Listing of Approved Sureties.

Plan fiduciaries should keep these requirements in mind when reviewing their plan and its fidelity bond. [Read the full DOL's Q&A, Protect Your Employee Benefit Plan with an ERISA Fidelity Bond for more information.](#)

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