Insurance & risk solutions for employee stock ownership plans (ESOPs)

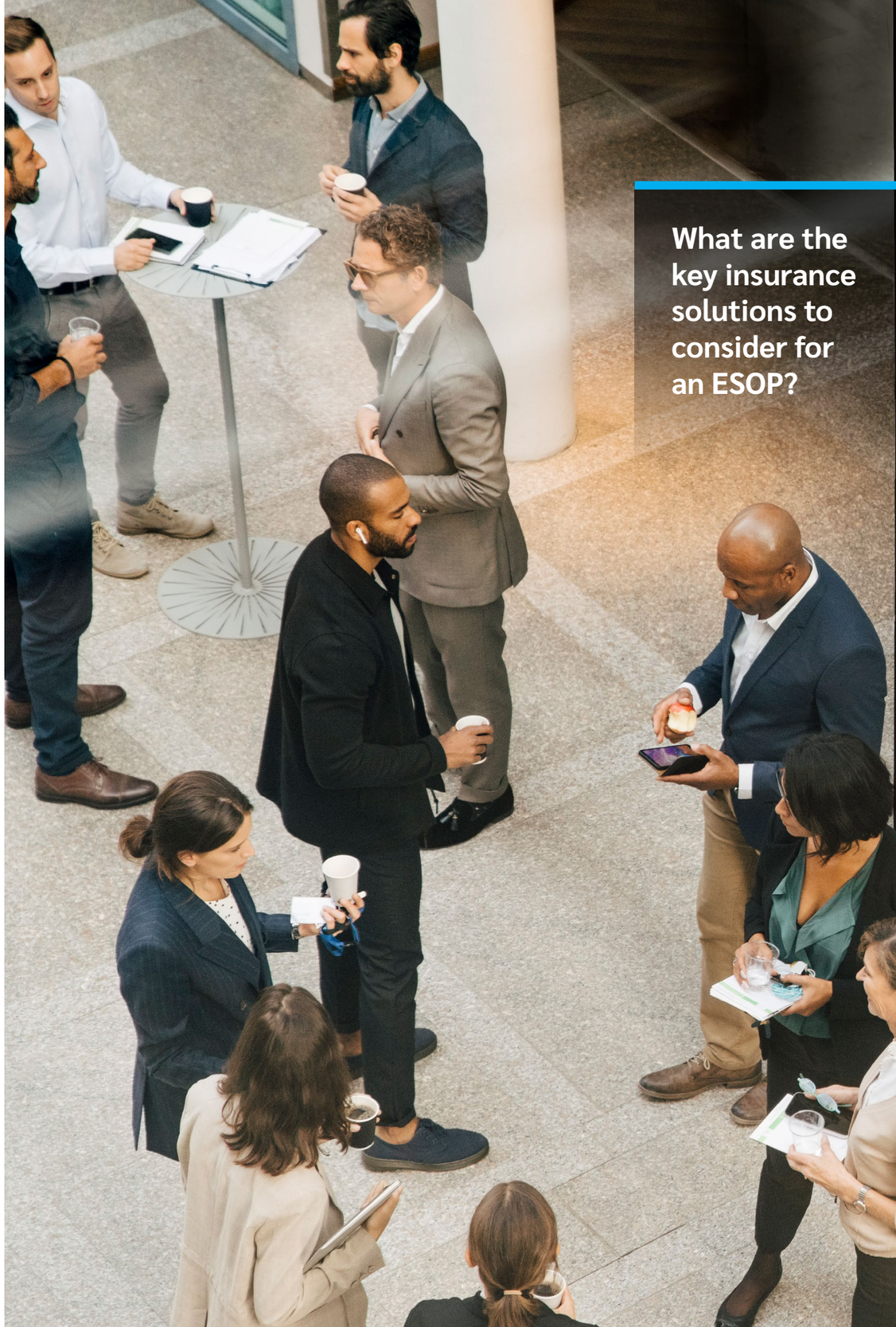
The confidence behind employee ownership

As organizations increasingly embrace employee ownership, ESOPs now cover nearly 14 million participants across approximately 6,500 plans in the U.S.*

At their core, ESOPs give employees more than a role in the business; they give them a stake in its future. However, the same ownership structure that creates a wealth of opportunity for your employees can also introduce complex fiduciary and management liability exposures that require specialized risk and insurance solutions.

Choosing the right risk partner is critical. Lockton's national ESOP insurance solutions group deeply understands the risks that come with employee ownership. We help you anticipate exposures, strengthen protection, and build insurance and risk strategies that support your business and leadership team and ultimately help enable your employee-owned business to keep progressing with confidence.

*National Center for Employee Ownership



What are the key insurance solutions to consider for an ESOP?

Directors & officers liability insurance

Protects the company and its leadership from claims arising from management and governance decisions. For ESOP-owned businesses, D&O insurance helps address exposures related to corporate transactions, regulatory scrutiny, and other leadership decisions that can impact the organization and its employee owners.

Fiduciary liability insurance

Protects ESOP fiduciaries from claims alleging breaches of their ERISA responsibilities. Coverage can respond to allegations involving stock valuations, conflicts of interest, plan administration errors, and other fiduciary decisions made on behalf of plan participants.

+ Additional insurance solutions we deliver for ESOPs

- Network security and privacy liability/cyber risk
- Professional liability/errors and omissions/tech E&O
- Employment practices/wage and hour liability
- Crime/fidelity/social engineering
- Kidnap/ransom and extortion/active assailant
- Reps and warranties transactional risk and tax opinion liability

Where do ESOP claims typically arise?

Whether managing valuations, conducting routine administration, navigating transactions, or responding to regulatory scrutiny, ESOPs face several key exposures that can trigger significant claims and investigations. These include:

- DOL inquiries and investigations
- Fraud/self-dealing
- Disputed valuations
- Mergers and acquisitions
- Breach of fiduciary duty
- Change to plan



Insurance landscape for ESOPs

The unique structure of an ESOP creates distinct insurance challenges that can significantly influence coverage, pricing, and insurer appetite. Here's what you need to know when it comes to insurance buying:

- Claims are infrequent, but often severe, so insurer selection, claims payment reputation and experience with ESOPs is extremely important.
- Underwriters are conducting thorough reviews of ESOP valuation (or related materials), length of ESOPs' existence, repurchase obligations, and cash-out provisions of the plans.
- Only a limited number of insurers are willing to provide D&O and Fiduciary liability coverage for ESOP-sponsored companies. Capacity is even more restricted for newly established ESOPs.
- Corporate governance of ESOPs is often circular, potentially resulting in conflict-driven decisions and/or a lack of checks and balances, which leads insurers to thoroughly underwrite the trustee function.
- Historically, ESOP plans faced heightened regulatory scrutiny due to the DOL's approach to oversight;however, regulatory priorities appear to be shifting in a more favorable directions.

Claims management

Claim performance is the true measure of any insurance program. Lockton's Professional & Executive Risk Claims team is purposely structured to help you maximize your insurance recoveries. Lockton does not silo claims, nor do we treat claims advocacy services as a profit center. Instead, we integrate experienced insurance and claims counsel within your broking team. This ensures that claims strategy and advocacy begin at the very start of our partnership with you, so when a claim does arise, we're fully prepared.

We'd love to hear about your ESOP, risk challenges, and how we can support your future ambitions.

For more information:

Visit our website

To connect directly with our ESOP team:

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About Lockton

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