

in focus

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The Wrap Plan

Why having a wrap plan for your health and welfare plan can simplify administration and reduce compliance costs

A wrap plan is a document that bundles all of the employer's health and welfare plans into a single plan. Wrap plans are an excellent tool to improve legal compliance and simplify administration of an employer's health and welfare benefit plans.

Under ERISA, an employer must (i) establish and maintain each benefit plan pursuant to a written plan document that contains certain required elements; (ii) furnish a summary plan description for each benefit plan to each participant in that plan, and (iii) file a Form 5500 report for each benefit plan every year (certain exceptions apply).

Insurance Company Booklets Alone Often Are Not Enough

For health and welfare plans (e.g., medical, dental, life insurance, and long-term disability), the insurance companies insuring or administering the plan typically will supply booklets or certificates of coverage. While these booklets and certificates describe the benefits provided under the plan, they often do not contain everything that is required to satisfy ERISA's plan document and summary plan description requirements.

It is important to note that ERISA's disclosure requirements are the responsibility of the employer and plan administrator, not the insurance company. If the booklets do not satisfy ERISA's requirements, it is the employer that violates ERISA, not the insurance company. In addition, the booklets and certificates often are not tailored to match the employer's actual administrative practices – a frequent basis for recent litigation.

Are You Filing A Single Form 5500 for Your Health & Welfare Programs?

Most employers must file a Form 5500 for each of its ERISA plans. Generally, a Form 5500 must be filed for *each* health and welfare plan (e.g., medical, dental, life insurance, and long-term disability). However, if there is a wrap plan in place, the employer can file just one Form 5500, rather than multiple Form 5500s. If you are filing one Form 5500 for your health and welfare program but do not have wrap plan in place, strongly consider adopting one.

Benefits of a Wrap Plan

A wrap plan is a document that bundles all of the employer's health and welfare plans into a single plan, while incorporating all of the insurance company booklets and certificates by

reference. There are several advantages to having a wrap plan:

- **Satisfy ERISA Requirements.** A wrap plan allows the employer to include in its plan document those provisions required by ERISA that are frequently missing from an insurance company's booklet and certificates.
- **Reduce Filing Fees.** A wrap plan reduces administrative costs by reducing the number of Form 5500 annual reports that the employer must file. Because the wrap plan is considered a single benefit plan comprised of various health and welfare benefit components, the employer has to file only one Form 5500, with separate Schedules A for each insurance contract maintained for the various health and welfare benefits offered under the wrap plan. Without a wrap plan, the employer would have to file a separate Form 5500 for each health and welfare benefit it offers (*e.g.*, medical, dental, life insurance, and long-term disability).
- **Ensure Consistency.** A wrap plan can be customized so that the plan document contains (i) language that matches the employer's administrative practices and (ii) provisions that clearly set forth definitions, benefits, and "best practices" procedures, which help protect the employer from liability.
- **Simplify Amendment Process.** If a plan amendment is required, the employer will need to amend only the wrap plan, simplifying administration and compliance. Without a wrap plan, the employer must adopt separate amendments for each plan affected by the change.
- **Need Fewer SPDs.** Since the wrap plan is considered a single plan, there is only one summary plan description that needs to be maintained, updated, and furnished to participants, which also simplifies administration.
- **Simplify Documentation.** Creating a wrap plan is an excellent opportunity for the employer to collect and organize all the relevant information, insurance booklets, and certificates so that it has a complete and current plan document that will be readily available for future reference and upon request.

For more information about ERISA health and welfare plan compliance, please contact:

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