WHAT IS A WRAP DOCUMENT AND WHY DO I NEED ONE?

What is a “wrap document”?
A wrap document is a document that sets out information about an employer’s health and welfare plan, and which incorporates (or “wraps around”) other documents that provide more detailed information about the benefits offered (such as insurance policies, evidence of coverage, etc.). A wrap document can be used for:

- Multiple benefit coverages or a single benefit coverage
- Fully-insured and/or self-insured benefits
- Plan documents and/or summary plan documents

If the other documents (e.g., insurance policies) provide detailed information about the benefits, what information does a wrap document have?

- Specific eligibility provisions and exclusions
- General description of all benefits offered under a single plan
- Description of how different benefits interact with other benefits
- Employer’s reservation of right to amend or terminate the plan
- Governance provisions such as specifying who has the power to interpret plan provisions, decide eligibility claims, etc.
- ERISA-required information that may be missing from insurer-prepared documents
- Other information affecting the plan as a whole and that is specific to the employer, such as benefit coverage during a leave of absence

Why does an employer need a wrap document?

- ERISA requires that all plans subject to ERISA have a governing plan document and a summary plan description. Insurance documents generally do not meet all of the specific requirements of ERISA for plan documents and summary plan descriptions.
- A wrap document is an important part of establishing a single ERISA plan, allowing an employer to file a single Form 5500 for multiple benefit coverages.
- Insurance-prepared documents are written from the insurers’ perspective and generally do not contain language which is important or desirable to include from the employers’ perspective.

What are the potential consequences of not having a wrap document?

- ERISA provides for penalties of up to $110 per day that may be assessed where an employer fails to provide plan documents to an employee who has requested such documents in writing within 30 days of the request.
- Without a wrap document to establish a single ERISA plan, an employer could be determined to have multiple, separate ERISA plans, each with its own Form 5500 filing requirement and applicable late penalties.
- Inaccurate or incomplete plan documents can increase the risk of participant claims and lawsuits – having a well written wrap document can help to mitigate these risks.

Please feel free to contact us if you need advice about wrap documents.