
SECURITIES BROKER/DEALERS ERRORS & OMISSIONS LIABILITY INSURANCE

BUYERS PROFILE:

Securities Broker/Dealer
Registered Representatives of the Securities Broker/Dealer

EXPOSURE & RISKS:

Client Suits

An investor who has confided in his broker for investment advice and /or trading services will seek redress from the individual/firm if an investment is misrepresented or a trade is not properly executed.

Capital Depletion

Securities firms are required by the SEC to maintain a minimum Net Capital position as outlined in SEC Rule 15C3-3. A successful client suit, if substantial, could impair the firm's ability to comply with the rule and thus maintain its operations.

Personal Assets

Registered representatives of securities firms are often not entitled to indemnification from the firm and in many instances are themselves required to make the firm whole for loss incurred by their actions. Given present circumstances, the two parties often become adversaries once a claim is made. The insurance provides a unified defense and preserves working relationships.

Defense Cost Expense

Legal costs associated with a defense in litigation and/or arbitration can be quite substantial. Large amounts of time and money can be spent on seemingly frivolous claims.

PROTECTS WHO:

The Securities Broker/Dealer firm and all its directors, officers, employees and Registered Representatives.

INSURES FOR:

Any negligent act, error or omission by an Insured individual acting on behalf of the Insured Securities Broker/Dealer in providing securities trading, investment advice and the sale of securities. Also, the giving of life insurance advice and the sale of life insurance products by a registered representative is covered if the individual is duly licensed to do so.

MISCELLANEOUS:

\$100,000 to \$5,000,000 per occurrence Limit of Liability available up to \$15,000,000 aggregate Limit of Liability.

MAJOR EXCLUSIONS: (This is not an all-inclusive list)

Fee disputes, insider trading, investment banking, R.I.C.O., bankruptcy, commodities, futures, options.

The above is only a summary of certain terms and conditions of the policy(ies) described. Please refer to the actual policy for complete details of coverage. Coverage may not be available in all states.

EXAMPLE OF CLAIMS SCENARIOS BROUGHT AGAINST SECURITIES BROKER/DEALERS AND/OR THEIR REGISTERED REPRESENTATIVES

INSURED: Registered representative and/or the broker/dealer

CLAIMANT: A client of the broker/dealer

DESCRIPTION: A registered representative and/or the broker/dealer is sued for negligence arising from advising a client to buy an investment vehicle that is later seen as "unsuitable" for the client. Suitability is determined by the client's age, tax bracket, current income, and investment objectives, etc. as stated in the client's contract with the registered representative. For example, a retired couple whose main objective is to receive guaranteed current income is persuaded by the representative to purchase shares in an aggressive growth fund or a stock options fund. If the fund fails to perform and pays no dividends, the representative may be sued for the "unsuitability" of the investment because the securities did not fit with the client's objectives.

INSURED: Registered representative and/or the broker/dealer

CLAIMANT: A client of the broker/dealer

DESCRIPTION: A registered representative and/or the broker/dealer is sued by his client for his "failure to effect transaction on a timely basis." A delay between the receipt of an order by the registered representative and the actual transaction is grounds for a suit by the client if such error results in a loss. For example, an institutional client orders the broker to sell its position of a particular stock and the broker waits a few hours or longer to execute the order. If the stock price plummets after earnings news is reported and the client has incurred a loss, the client sues for the difference in stock price.

INSURED: Registered representative and/or the broker/dealer

CLAIMANT: A client of the broker/dealer

DESCRIPTION: A registered representative and broker/dealer are sued for recommending a particular investment without having properly investigated the investment and developing a reasonable factual basis for the recommendation. For example, a registered representative recommends and sells to his customers units of a limited partnership that ultimately decline in value. Later, the customers discover that the general partner had no previous experience in operating the business of the limited partnership or had operated a similar business that had gone bankrupt. The customers sue, either individually or in a class action, claiming that the registered representative was negligent in recommending the investment and that the broker/dealer negligently failed to perform the required due diligence procedures on the recommended investment.

The above summarized scenarios are given as brief examples which may give rise to claims. Existence of coverage depends on the specific facts of each case and the terms and conditions of the specific policy.