BROKERAGE SERVICES LIABILITY

Brokerage Services Liability protects both the bank and employees against losses resulting from errors and omissions claims related to:

- the purchase or sale of securities, annuities, variable annuities, or life, accident or health insurance
- investment advisory services
- financial, tax and retirement planning

when offered in connection to brokerage/advisory services provided through an employee or a third-party service provider under contract with the bank. Coverage extends to claims brought by customers or third parties.

CLAIMS EXAMPLES

Most claims are brought by former or current clients against their financial advisors or brokers because they have suffered a financial loss and blame the advisor or broker for their financial suffering.

- A bank employee provides investment advice to an elderly customer who allows him to purchase securities on her behalf. When the securities do not perform well, family members sue the investment advisor and the bank for negligence in rendering investment advisory services. While depreciation in value of securities due to market fluctuation unrelated to any wrongful act is not covered, defense costs incurred to defend the bank and the advisor are covered.

- A bank works with a securities firm to provide brokerage services to its customers through a dual employee arrangement. The bank relies upon the securities firm to supervise the activities of the broker. The broker changes the mailing addresses on several accounts to a post office box, embezzles funds from these accounts and then mails false statements to the customers to hide the missing funds. Upon discovery of the fraudulent activity, the defrauded customers sue the bank.

- A bank broker failed to process a buy request on a timely basis which resulted in her client losing out on price gains as the stock value increased from the time the order to buy was received and the actual buy was executed. The client sued the broker for failure to provide a promised service.