



4001 Miller Road, Wilmington, Delaware 19802
 Tel: 800-499-7242 • Fax: 302-765-2088 • Web: www.foxpointprg.com

Registered Investment Advisors Professional Liability Marketplace Deficiencies and Claims Statistics

MARKETPLACE DEFICIENCIES

Rockwood Programs serves as the national administrator for a program designed to provide Errors and Omissions (E&O) insurance for Registered Investment Advisors (RIAs). The research we've conducted reveals most RIAs do not purchase this important coverage on their own—relying instead on the sponsoring Broker/Dealer's policy for protection. This reliance can be misplaced. *Consider the following:*

1. **Most Broker/Dealer policies** extend coverage to their RIAs only for those transactions conducted on behalf of the sponsoring firm. Services performed independently or for other securities dealers are not protected.
2. **The coverage is not portable.** RIAs may no longer be protected if they terminate their relationship with an insured Broker/Dealer firm.
3. **There are coverage limitations.** All insurance policies contain a provision which places a threshold on the maximum amount a carrier will pay on any and all claims made, regardless of the number of such claims. Often, this aggregate limit must be shared amongst the Broker/Dealer and all of their Registered Representatives.
4. **Loss of Prior Acts coverage** RIAs affiliating themselves with a new firm may find that coverage is no longer available for the services rendered while acting on behalf of the previous Broker/Dealer. This may be the case even if the new security dealer has a policy.
5. **Potential conflict of interest** To whom does the insuring carrier owe the greatest duty of care to: the Broker/Dealer who places the coverage and pays the premium, or the individual Registered Investment Advisor?

CLAIMS STATISTICS

FREQUENCY BY ALLEGATION TYPE	FREQUENCY BY SECURITY TYPE
Breach of Fiduciary Duty25.4%	Mutual Funds42.3%
Breach of Contract15.0%	Annuities26.1%
Negligence14.0%	Options11.8%
Failure to Supervise13.1%	Common Stock.8.5%
Misrepresentation11.6%	Corporate Bonds.7.6%
Unsuitability10.9%	Limited Partnerships2.0%
Omission of Facts4.3%	Certificates of Deposit1.7%
Unauthorized Trading2.7%	
All Other Types3.0%	

— Source: Financial Industry Regulatory Authority (FINRA)

Interested in learning more? Contact one of our knowledgeable underwriters toll-free at **800-499-7242**. You can also check our web site at www.foxpointria.com to view the latest product updates.