

Other Financial Institutions Claims Examples



The time when your financial institution experiences a loss is not the time to learn how its insurance policy works. The following examples illustrate potential exposures and how AmTrust's policy may respond.

DIRECTORS AND OFFICERS LIABILITY

The SEC ordered that a Midwest Investment Advisor consent to a cease-and-desist order and penalty to settle charges that the firm sold more expensive mutual fund shares for its retail retirement account clients than necessary, and failed to inform clients that the advisor received greater compensation from the sale of such securities. In total, over 1000 clients paid additional fees and expenses related to the more expensive fund purchases. As part of the SEC's investigation, the Advisor identified all affected accounts and reimbursed clients for fees and expenses.

EMPLOYMENT PRACTICES LIABILITY

A former officer at a Consumer Lending Firm filed suit against the Company for wrongful termination and emotional distress. The Plaintiff, the former Chief Operating Officer, made statements that the company failed to pay an employee in his department overtime and terminated the employee for filing a complaint. The Plaintiff was advised that he was terminated due to performance issues. In actuality the court found that his termination was a retaliatory action by the former employer.

PROFESSIONAL LIABILITY

Example 1:

A local community Investment Advisor meets with a client for the first time. After reviewing documents that the client submitted electronically in advance of the meeting the Advisor proposes a diversified portfolio for the client. One of the proposed investments in the portfolio is a registered fund that is managed by a third party. The fund turns out to be a fraudulent scheme and the Advisor is sued by the client. The suit alleges failure to perform due diligence on the fund manager.

Example 2:

In 2014, a large mortgage lender sued a Title Agent based in the Southeastern U.S. claiming an alleged failure to properly secure title following receipt of an order to place title insurance for an Insurance Carrier. The Title Agent was using an independent contractor to handle the search/abstract work on this particular placement, and they were negligent in missing a legal issue on a deed of trust during the search process.

FIDUCIARY LIABILITY

An employee's spouse alleged that her husband had enrolled in supplemental life insurance through his employer. The premium for the insurance was deducted from his paycheck. When he suddenly passed away, she was told by the Life Insurance Carrier that they had no record of his enrollment. As a result, the surviving spouse sued both the employer and Life Insurance Carrier for breach of fiduciary duty and fraud, seeking the cash equivalent of the supplemental insurance plus attorney fees.

CYBER LIABILITY

An employee of an insurance company clicked on a malicious link in an email and malware was downloaded onto the company server encrypting all of the data. A message appeared on the employee's computer demanding that \$10,000 be paid in the next 48 hours in exchange for the decryption key.



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