



Loss Scenario—ForeFront for Investment Advisers

In today's dynamic market, the slightest market adjustment can spawn litigation. Even the most diligent and respected asset managers are susceptible to claims from a wide variety of sources, including dissatisfied clients and stockholders, state and federal agencies, and even their own employees.

Stock Bounces the Wrong Way

Cause of action: Negligence/suitability of investments

Number of employees: Under 10

Assets under management: Approximately \$125 million

DESCRIPTION OF EVENT

An investor placed over \$100,000 of assets with an investment advisory firm. The adviser purchased a certain distressed stock. The investor questioned the investment, but the adviser assured him that this stock always “bounced” back and produced positive returns for his clients. The investor lost over \$50,000 in the investment. The investor sued alleging that the adviser was negligent, that the investments were not suitable, misrepresentation, breach of fiduciary duty, violation of state and federal securities laws, violation of NASD Rules of Fair Practice, breach of contract, and breach of implied covenant of good faith and fair dealing.

RESOLUTION

The claim settled for nearly \$50,000.



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Loss scenarios are hypothetical in nature and for illustrative purposes only. Whether or not or to what extent a particular loss is covered depends on the facts and circumstances of the loss and the terms, conditions, and endorsements of the policy as issued. It is impossible to state in the abstract whether the policy would necessarily provide coverage in any given situation. Consult your agent, broker, or other expert.

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