

Financial Institution Loss Scenarios from Chubb



Stock Bounces the Wrong Way

COVERAGE SECTION	Investment Advisors Errors & Omissions Liability
Cause of action	Negligence/Suitability of Investments
Type of organization	Investment Adviser
Number of employees	Under 10

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.



Chubb Group of Insurance Companies
Warren, NJ 07059
www.chubb.com

Could this happen to your organization? Contact your trusted Chubb agent or broker.

Golsan Scruggs
7320 SW Hunziker Street, Suite 320, Portland OR 97223
Phone: (503)244-0297
Email: info@golsanscruggs.com