



STARKWEATHER & SHEPLEY

INSURANCE BROKERAGE INC.

...An Assurex Global Partner

The COVID-19 Impact

The current world in the wake of COVID-19 has tested all of us personally and professionally. Firms are testing their business continuity plans with remote work being mandated and implemented. In addition to the implementation of business continuity plans, the financial markets have been volatile creating another realm of risks for advisors and funds. This has also created a wave of risks and insurance claims. With over 1,500 clients in the advisory/fund space, we have seen an influx of claims. We wanted to give you an overview of current claims landscape. The most frequent claims that we are seeing are:

- **Trade Errors/Cost of Correction claims**
- **Disclosure Errors**
- **Lay-offs and Employment Related Claims**
- **Cyber Security**

Trade Errors / Cost of Corrections Claims

With the volatility in the market, many advisors are struggling with trade timing and keeping in line with Investment Management Agreements. Trading errors have become more prevalent and more severe. In fact, over the last month we have seen an influx of these errors being noticed to insurers. In order for coverage to apply, the policy form must include or an endorsement must be added granting Costs of Corrections coverage. This coverage allows a firm to address issues prior to any litigation brought by customers or clients.

Disclosure Errors

When the markets are unstable and returns are less than stellar many clients become unhappy. That is when many clients begin, some for this first time, to dig into the underlying portfolio holdings and wonder why they are invested in certain securities or strategies. This means that it is crucial to make sure that disclosures are provided and communication to investors is done on a regular basis in times like these. Even with the best communications and procedures around disclosure, advisors can receive litigation.

Lay-offs and Employment Related Claims

Unfortunately, workforce reductions are also a result of the pandemic environment. With such reductions come allegations of wrongful termination, discrimination, harassment and even hostile work environments. Also, be sure that when implementing remote working that you are implementing the transitioning of employees fairly and consistently so that the perception of favoring a particular ethnicity, religion, gender or other group is not perceived.

Cyber Security

The evolving risks in the cyber world have made the exposures impossible to mitigate. With the addition of the Corona Virus, we have seen hackers become even more savvy and advisors less aware with the various distractions of the current situation. These hackers are capitalizing on these distractions and with the inundation of Coronavirus updates and emails, they have been successful by sending malicious emails with email subjects pertaining to the virus that leads to systems becoming infected.

We are in uncharted territory. Risks and claims could change as the situation evolves, but at the present moment, these are the most prevalent claims that we are seeing advisors face. Insurance could be a proper "backstop" for all of these scenarios and we are available to discuss it with you.

Please contact Jessica Thayer to set-up virtual meeting.

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Stay safe!

