AXIS INSURANCE SERVICES, LLC

Our Products

795 Franklin Ave, Suite 210
Franklin Lakes, NJ 07417
P: 201-847-9175
F: 201-847-9174
www.axisins.com

6/1/15

AXIS INSURANCE SERVICES, LLC

Company Overview

About Us

Axis Insurance Services, LLC is a specialty insurance brokerage with years of expertise in the professional and executive liability space. We offer our clients customized coverage, sound advice and the right level of protection for their business.

Our Mission

To help customers identify and prioritize their professional liability insurance needs, provide the most competitive coverage options available and offer superior customer service. Each and every business has a distinctly unique set of products or services. We are committed to offering flexible and intelligent coverage solutions, tailored to meet our customers' needs.

Our Products

We strive to provide high-quality products and superior customer service. We believe our clients have a right to a qualified, trusted advisor who will give them proper guidance. Our insurance products include:

Errors and Omissions (E&O) liability insurance provides coverage for lawsuits that are a result of the rendering or the failure to render professional services. This coverage protects you or your company from bearing the full cost of defending lawsuits that may occur, including damages for which you may be found liable.

Directors and Officers (D&O) liability insurance protects upper management of most organizations from the business pursuits of the entities they are associated with. Directors and officers can be held personally liable for their management decisions, creating and implementing corporate policies and procedures, investment choices and other duties.

Privacy & Network Security (Cyber) liability insurance provides coverage for first and third party costs associated with not securely maintaining data networks and the unauthorized dissemination of personally identifiable information within them. This can include the theft of data, online breaches, failure to prevent transmission of malicious code, and other significant threats to your network security.

Employment Practices (EPLI) liability insurance provides protection for employers from lawsuits associated with every day employment activities of the company. EPLI lawsuits can arise from:

- Discrimination
- Sexual Harassment
- Wrongful Hiring & Firing
- Advancement & Promotions

Commercial Crime (Fidelity) liability insurance provides coverage for the theft of your company's or a third party's money or assets while in your possession or control. Additionally it can cover other loss from forgery, computer fraud, wire transfer fraud and loss of funds in transit.

Fiduciary Liability Insurance provides protection against claims for mismanaging, mishandling or misappropriating funds of others for which the company maintains control (401K, pension plans and health plans). Fiduciaries are held personally liable under ERISA guidelines.

Our products can be tailored to individual professions and classes of business, based on your needs.

"It has been my experience that this firm has always provided my agency with the highest level of professional advice and service. They have placed coverage for several difficult accounts and their help in clarification of policy details and of certain coverage's issues has been above and beyond"

- Thomas F. McManamon, Thomas F. McManamon & Associates, Inc.

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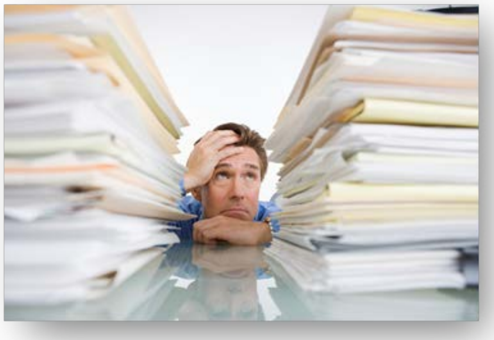
Errors & Omissions Liability Insurance

What is Errors and Omissions (E&O) Liability Insurance?

Errors and Omissions liability insurance offers protection for you and your business from bearing the full cost of defending a lawsuit against you for either providing or failing to provide a professional service. This essential insurance coverage helps protect businesses against allegations of "negligence" in providing your professional service.

Why do I need Errors and Omissions Liability Insurance?

In today's economy, businesses are at risk from many sources. E&O claims happen more often in a down economy, when business professionals and their resources are stretched. If you provide any type of professional service to others, you could potentially face errors and omissions exposure. Anyone in your company could make a mistake, overlook or misplace critical information, forget a crucial step, or be misinterpreted.



What does an E&O insurance policy cover?

E&O policies provide coverage for claims relating to negligence for either providing or failure to provide professional services. This type of policy covers damages and legal fees for negligence claims which may arise from professional services. This type of coverage can also be extended to include protection for independent contractors, part-time employees or even volunteers.

Who Needs Errors and Omissions Insurance?

Professionals who provides services to clients for a fee are exposed to a variety of risks. E&O coverage is essential for protection against these risks.

Here are some professions that need this important coverage:

- Accounting Professionals
- Commercial Real Estate Professionals
- Lawyers/Legal Professionals
- Allied Health/Medical Professionals
- Consultants/TPAs
- Technology Professionals
- Architects & Engineers
- Insurance Agents & Brokers
- Title & Escrow Agents
- Financial Institutions

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Claim Scenarios:

Real Estate
A real estate agent sold a building and, as part of the negotiations, they were asked if the building was ADA compliant. The leasing agent said yes and forwarded a copy of a report from the building manager attesting to its compliance. The building was a residential apartment complex and sold for $25 million. Later it came to light that it was an old report and, in fact, the building needed significant upgrades to become ADA compliant ($3.5M in upgrades). The owner, selling agent and consultant were all sued. The lawsuit was eventually settled for $3 million.

Technology Professional
A software developer sold timekeeping software to a company. After removing all previous timekeeping clocks and installing software, the customer finds out the it does not function properly. It failed to correctly apply the hourly and overtime rate of pay resulting in over and underpaid employees and the need to replace the original time clocks. The company sues the provider of the software for damages and expenses resulting in $550,000.

Insurance Broker
An insurance broker contacted a client and recommended an additional type of coverage to protect him against lawsuits by employees. The client told the broker he wasn't worried about employee-related suits and that he also didn't want to pay any additional premium. A loss occurred and a suit was filed by an employee. The insured claimed in court that the broker never mentioned any such coverage to him. The broker had no record in his files of any conversation, nor did he document the file by sending the insured a letter confirming the conversation. The client was awarded $1,000,000.

Accounting Firm
An accounting firm was hired to set up a client's investment properties. The accountant assigned to the project mistakenly set up the investment properties as a corporation instead of a partnership. The client sued the accountant alleging losses for tax liability. The accountant had to pay the client $375,000.

Architect
A company provided consulting services to architects and developers for large live entertainment venue halls. After the construction of a symphony hall, the owner sued the consulting company and others, alleging the sound quality in the hall was defective. Defending the case was expensive because of the potentially high exposure for the plaintiff's lost profits claim. The suit settled with the architect who had provided faulty specifications for the sound equipment paying the bulk of the settlement.

These are only claims examples: minor changes from actual suits have been made to protect the confidentiality of all clients.

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Directors & Officers Liability Insurance

What is Directors and Officers (D&O) Liability Insurance?

Directors & Officers liability insurance protects the executive management team of public or private, and non-profit companies and organizations from claims against them relating to their daily management decisions.

There are typically three parts to a D&O policy:

- **Part A** – provides protection for the Directors and Officers from personal liability
- **Part B** – provides protection for the company's indemnification of its Directors and Officers
- **Part C** – provides protection for the corporate entity itself

Why do I need Directors and Officers Liability Insurance?

A director or officer can be held personally responsible for their management and oversight of the company. When dealing with stockholders, employees, and clients, claims are likely to be brought against the directors and officers. A properly structured D&O policy can help attract qualified people to the Board of Directors.

What does a Directors and Officers insurance policy cover?

A standard D&O policy typically covers claims relating to unfair business practices, conflict of interests, violations of non-compete agreements, bankruptcy filing, creditor actions, and merger and acquisition related issues. Policies also help provide defense costs associated with responding to lawsuits and investigations. There has been an increase in the frequency of litigation brought against D&Os due to Merger & Acquisition (M&A) transactions. To anticipate these types of lawsuits, insurance carriers are looking to include separate corporate retentions for D&O Liability insurance renewals which deal specifically with M&A activity.

Who needs Directors and Officers Insurance?

Any company, public or private, or non-profit organization needs Directors and Officers liability insurance. There are no organizations immune to liability associated with daily business activities. Many private companies overlook this important coverage. Since directors and officers are personally liable for their actions, this could be a big mistake. The cost of defending corporate lawsuits can possibly exceed the net worth of most private companies.

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Directors & Officers Liability Insurance

Claim Scenarios:

Misrepresentation
Directors and officers failed to disclose material facts and provided inaccurate and misleading information to their investors. It was alleged that the materials did not disclose the high turnover of management and that the company's website had not yet been developed. The company later went bankrupt. The complaint included causes of action for: (1) common law fraud; (2) negligent misrepresentation; and (3) breach of fiduciary duties. Settled for over $1 million and defense costs exceeding another $1.4 million.

Credit Fraud
A creditor filed a complaint against individual directors and officers of a company alleging that its CEO, CFO, and COO conspired to use the plaintiff's services to furnish, install and repair the company's equipment knowing that it was insolvent and was planning to file for bankruptcy protection. Causes of action included: (1) fraud, misrepresentation and non-disclosure; (2) deceptive trade practices; and (3) civil conspiracy. Total settlement and defense of the individually named defendants exceeded $100,000.

Stolen Corporate Secrets
The Vice President of a manufacturer determined that diversification into a different product line presented tremendous sales potential for his company. Instead of presenting that opportunity to his employer, the VP shared it with his brother who formed a new company to produce that product. On behalf of the company, a shareholder sued the VP alleging that he wrongfully took advantage of an opportunity belonging to the corporation. The suit eventually settled for $2.5M.

Recruiting Sales Executives
A company recruited a top sales executive who had an employment contract with a competitor company. The competitor sued the company for damages suffered as a result of losing its top sales producer on the grounds that the company interfered with the competitor’s contractual relationship with its employee. Defense expenses were in excess of $250,000 and the competitor was awarded damages of $600,000.

Investment Agreement
A company signed onto an investment agreement with a third party which agreed not to negotiate with other entities regarding a potential acquisition for a two-week period. During that time, the company engaged with another investment group. The third party alleged that the company performed a breach of investment agreement and intentional and negligent misrepresentation. The total amount of settlement and defense costs exceeded $350,000.

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Employment Practices Liability Insurance

AXIS INSURANCE SERVICES, LLC

What is Employment Practices Liability Insurance (EPLI)?

Employment Practices liability insurance coverage provides protection for an organization or its employees from claims relating to wrongful employment practices by its executives, partners, principals, employees and if necessary, independent contractors.

Why do I need an Employment Practices Liability Insurance policy?

Keeping up with changes in employment regulations and changing public attitudes have created increased liability for employers. Even the most diligent employer cannot control human behavior. A client may have strict employee guidelines in place, but it's impossible to know how an employee will react to their workplace environment. With EPLI coverage, a client can be better protected to sustain the costly expenses incurred for defending an EPLI claim.

Although only a small part of EPLI is related to claims brought by the U.S. Equal Employment Opportunity Commission (EEOC), these statistics show how frequent these type of issues can occur.

- A total of **99,412** discrimination charges were filed with the EEOC during 2011-12
- Retaliation claims have surpassed race discrimination as the most common type of complaint filed and made up nearly **40%** of all claims filed in 2012

What does an Employment Practices Liability Insurance policy cover?

An EPLI policy typically protects against defense costs, damages and attorney fees for claims relating to a company's employment practices. It can address claims relating to:

- Workplace harassment
- Hostile work environment
- Sexual harassment (employees/third parties, clients, vendors, or independent contractors)
- Discrimination (e.g., age, race, or gender)
- Wrongful demotion or termination
- Failure to employ or promote
- Claims from prospective employees/applicants
- Wage and hours (FLSA)
- Family Medical Leave Act (FMLA)

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SOURCE: U.S. Equal Employment Opportunity Commission (EEOC)

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Employment Practices Liability Insurance

Claim Scenarios:

Hostile Work Environment
An airline pilot claimed there were derogatory statements posted by co-workers on the "Crew Members Forum" – an online company bulletin board that was accessible to all pilots and crew members. The airline denied responsibility, arguing that the harassment occurred outside the physical workplace. Employers are not required to monitor all private communications between employees, they do have a duty to stop harassment in settings related to the workplace if they know or have reason to know about it. The pilot sued the airline and other pilots for defamation and emotional distress. The court decided that the employer was liable because this online forum was a setting related to the workplace. Total defense costs and settlement exceeded $600,000.

Wrongful Termination
An executive of a manufacturing company filed a suit against the company for wrongful termination and intentional infliction of emotional distress. The plaintiff, a former Chief Operating Officer, made statements that the company failed to pay an employee overtime and terminated the employee for filing a complaint. The plaintiff alleged that although the company advised him that his termination was due to performance problems, he was actually terminated in retaliation for the honest statements he made in connection with a fellow employee's termination. Total defense costs and settlement exceeded $500,000.

Sexual Harassment
A female employee working for a service company alleged that several employees made inappropriate sexual comments towards her, including suggestions that she was having a sexual relationship with another employee. In addition, she also alleged that her boss and co-workers asked her inappropriate questions concerning her personal life. The plaintiff alleged that after she complained, her manager engaged in a practice of retaliation. She contended that she was excluded from certain meetings, taken off certain projects and assignments, treated rudely and received a negative evaluation. Total defense costs and settlement exceeded $550,000.

Retaliation
The plaintiff alleged she had her employment terminated because she testified on behalf of another co-worker who brought a separate action against the company. Plaintiff alleged that this was a violation of her employment contract which provided that she could only be terminated for good cause. Plaintiff asserted cause of action for wrongful termination, breach of contract, and retaliation. Total defense and settlement exceeded $120,000.

False Representations
In a cross-complaint, a doctor alleged a breach of his employment agreement. Specifically, he alleged that the company failed to pay his wages, provide him with a decent patient load, adequate office space, and the proper support staff needed to perform his job duties. The doctor sued, claiming breach of contract, misrepresentation, unfair competition and failure to pay wages. Total defense costs and settlement exceeded $350,000.

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Privacy & Network Security Liability Insurance

Axis Insurance Services, LLC

What is Privacy & Network Security Liability Insurance?

Privacy & Network Security (Cyber) liability insurance provides coverage for the costs associated with the misuse, loss, or theft of data including personally identifiable information, sensitive health information, proprietary data and financial information stored in an electronic or physical format.

Why do I need a Privacy & Network Security Liability policy?

Business professionals need this protection to cover 1st and 3rd party costs arising from claims of a data breach or theft of personally identifiable information or information subject to HIPAA regulations. Privacy & Network Security insurance is a must for small and large firms to protect against this increasingly wide spread exposure.

What does a Privacy & Network Security Liability policy cover?

This policy covers the defense costs and other expenses for an insured's failure to protect confidential data stored in physical records or electronically on a computer network, data storage unit or device. This typically includes coverage for the following:

- **Network Security –** Covers claims made by 3rd parties arising out of a breach of their computer network and data storage units or devices. This includes coverage for both online and offline information, denial of service attacks, and for the failure to prevent the transmission of a virus or malicious code.

- **Privacy Breach Response Costs** – Includes coverage for the reasonable legal fees, public relations fees, advertising, IT/Data forensic services, credit monitoring, notification costs, identity theft restoration and postage expenses incurred by the insured in response to a privacy breach.

- **Network Asset Protection** – Coverage for the reasonable and necessary sums required to recover and/or replace data that is compromised, damaged, lost, erased or corrupted.

- **Regulatory Defense & Penalties** – Coverage for defense costs and fines or penalties for violations of privacy regulations, including, but not limited to, HIPAA, Red Flags Rule and the Hi-Tech Act.

- **Multimedia Insurance** – Coverage for both online and offline media, including claims alleging copyright/trademark infringement, libel/slander, false advertising, plagiarism and personal injury.

- **Business Interruption** – Coverage for income loss or expenses due to a computer system outage or repair.

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Claim Scenarios:

Stolen Identities
A business was hacked by someone who steals the social security numbers and bank account details of its employees and customers. The information was sold to a website which uses the information to create false identities. The defense and damages resulting from the lawsuits exceeded $900,000.

Lost Data
An employee's company laptop was lost on the train. The laptop contained files of private financial information of their customers. The company had to pay for notification to their customers that their private financial information was no longer secure. Their customers sued the company for damages resulting from their failure to protect their private financial information. The notification costs and settlement totaled $350,000.

Troubled Employee
A problematic employee found out that he was about to be terminated and in response, stole personal account details that the business held on its clients, and published them online. When the clients find out about this, they sued for invasion of privacy and demand remediation. Total settlement and defense costs exceeded $600,000.

Customer Privacy
An employee at an engineering firm found a way through his company's network security defenses and gained access to a customer's trade secret. The employee sold the trade secret to a competitor. The customer sued the engineering firm for the failure to protect the trade secret and was awarded for damages. The customer received over $500,000.

Physical Files
Confidential paper files containing names and checking account information of an organization's donors were found in a dumpster in an organization's parking lot. The press gained access to the documents and published an article in the local newspaper. The organization needed to notify all affected donors and pay for advertising in the local newspaper. The notification and advertising costs added up to around $50,000.

Network Security
An employee inadvertently downloaded a destructive computer virus onto the company's network, resulting in widespread data loss and transmission of the virus to a client's computer network. The client sued the company, contending they should have prevented transmission of the virus. Damages of $750,000 were sought for the lost data and economic loss caused by the network security breach.

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Commercial Crime Insurance

Axis Insurance Services, LLC

What is Commercial Crime (Fidelity) Insurance?

Commercial Crime insurance offers protection against the theft of a company's cash or securities, or their clients' money or assets while in the company's possession or control.

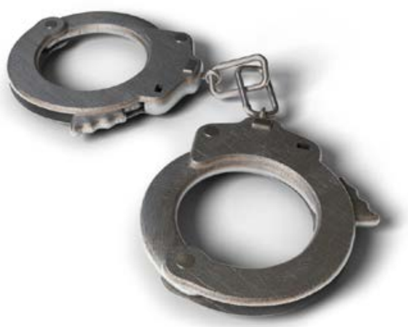
Why do I need a Commercial Crime Insurance policy?

Although most companies work to create solid internal controls and believe they hire trustworthy employees, there's always the chance that those trusted individuals could go astray. Cyber theft is another significant and growing area for commercial crimes. Bank accounts can be compromised by experienced hackers and novices alike. A company's assets are at risk for wire transfer fraud, as well as employee theft. Standard liability policies do not typically cover these exposures. Having a standalone commercial crime policy allows you to customize coverage to the specific needs of your business.

What does a Commercial Crime Insurance policy cover?

A typical commercial crime policy is divided into several coverage parts. A company may buy one or all coverage parts depending upon the industry and the carrier. A summary of the coverage is as follows:

- Employee Theft
- Burglary/Robbery
- Forgery & Alteration
- Fraudulent Money Orders
- Wire Transfer Fraud
- Counterfeit Money
- ERISA/Employee Dishonesty
- Assets/Monies in Transit
- Theft of Client's Property of Securities



Who needs Commercial Crime Insurance?

Any company or non-profit organization is at risk of theft of their money or securities. If a business has commercial bank accounts, it's important to know that their corporate bank accounts are not afforded the same protections under the FDIC as personal accounts. Almost any business with a bank account is vulnerable to wire transfer, ACH fraud or forgery and alterations risk. Any organization that handles monies or securities of others in addition to their own needs commercial crime insurance.

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Commercial Crime Insurance

Statistics

Currently, it's estimated that U.S. companies lose more than $40 billion annually due to employee fraud. Recent studies have confirmed that most of the harm comes from employees, not from a disreputable bookkeeper.

- **80%** of workplace crime is carried out by employees
- One in four employees has either committed or witnessed workplace fraud and abuse
- **25%** of employees who commit fraud against their employer has been with the company for 10+ years
- Only one in three of those who have witnessed a workplace crime bother to report it

Claim Scenarios:

Property Manager

Over a period of 15 years, a successful Property Manager built a following of several Home Owners' Associations (HOAs). He was in charge of all of the financial operations of the HOAs under his management including the collection of dues and payment of expenses. However, he had a severe gambling habit. When his own savings ran low, he began to "borrow" funds from the various HOAs he was managing. His "borrowing" evolved into a Ponzi scheme. At the end of his run the HOAs were out over $1 million. This is a classic example of what happens when there is no separation of duties.

Stolen Corporate Funds

A company executive delegated her secretary to set up travel arrangements and gave the secretary a corporate credit card and account information for payment. The secretary used the given information to make purchases of their own for personal purchases. The executive sued against the secretary for $800,000.

Security Breach

A small escrow company handled transactions primarily for residential sales. There was a breach in their security and a half a million dollars was wired out in 26 individual wire transfers. When the company was finally aware of what was happening, they contacted their bank and put a freeze on the account. The bank tried to recover the funds by contacting the financial institution where the wire transfers had gone directly. The escrow company was held liable for lost funds of their clients. The suit settled for $1.5 million.

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SOURCE: Security Association of America

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Fiduciary Liability Insurance

What is Fiduciary Liability Insurance?

Fiduciary liability insurance pays, on behalf of the insured, the legal liability arising from claims relating to negligence in the oversight or management of others' money or assets. These assets could include 401k plans, pension plans, self-funded health plans or other member benefit plans. The "insured" can be any trustee, officer, director, employee or individual that participates or manages an employee benefit plan.

Who is considered a Fiduciary?

A Fiduciary is an individual owner or officer who makes decisions about your company's 401(k) plan or other qualified employee benefit plan(s), or anyone else with discretionary authority over the administration of those plans or their assets. The term fiduciary is loosely defined as a person within the company who is accountable for plan asset decisions. Fiduciary is a functional title, i.e., if you are performing fiduciary functions, then you are a fiduciary regardless of your title.

Why do I need a Fiduciary Liability Insurance policy?

Fiduciaries may be held personally liable for breach of their responsibilities in the administration or handling of employee benefit plans. Fiduciaries act as advisors to employees often relying on third parties to provide guidance. These third parties may or may not have the employees' best interests in mind and can ultimately impact the fiduciary's ability to offer sound advice. In addition, fiduciaries are not the only ones liable - the employer and the benefit plan provider itself could face liability as well.

What does a Fiduciary Liability Insurance policy cover?

Examples of claims that are typically covered by Fiduciary liability policies are:

- Conflicts of interest
- Irresponsible investments
- Failure to file required reports
- Negligent investment practices
- Failure to diversify investments
- Errors in determining benefit plan eligibility
- Unsuitable election of advisors or service providers

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Fiduciary Liability Insurance

Statistics

Recent studies have found significant increases in claims severity and rate. The frequency of claims against fiduciaries has increased threefold since the late 1990s. Plan fiduciaries now surpass the medical profession as a target for litigation.

- More than **90%** of the claims are filed by plan participants
- Nearly **50%** of the claims arise out of benefits disputes
- Breach of fiduciary duty represents **25%** of all claims against benefit plan advisors

Source: FINRA

Claim Scenarios:

Poor Advisement

Employees were provided an option to invest in a guaranteed investment which was backed by a poorly performing insurance company. The employees sued the plan fiduciaries alleging that they breached their fiduciary duties by offering this option and their duty of disclosure by providing misleading or incomplete communications. The case resulted in a $3,250,000 settlement.

Pension Rights

An employee was given their spouse's retirement funds using a signed spousal release form, which the plan administrator had improperly notarized. The spouse claimed the plan participant forged the signature on the spousal release form. The spouse of the employee sued the plan administrator and the sponsor organization for the spousal pension rights. The case awarded the spouse a with $400,000 settlement.

Administrator Inaction

An employee had announced plans to retire and requested for a pension calculation in writing but the plan administrator took over 45 days to value the plan assets. During that time there was a major drop in the stock market which had a negative impact on the value of the retirement funds. The retired employee sued the plan administrator and the pension plan alleging an error in administration and a miscalculation of plan benefits. The case resulted in an $80,000 settlement.

Missed Calculations

A group of a company's current and retired female employees claimed that their pension plans failed to account for maternity leave when calculating time in active service. The group formed a class action claim and sued the plan administrator, the plan and sponsor organization. The case exceeded $2,500,000 in settlement and defense costs.

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