

# Frequently Asked Questions

## Broker Dealer Firm (BD) and/or a Registered Investment Advisory Firm (RIA)

### Why should I consider this policy for my registered reps or IA's?

- This policy is easily understood.
- Virtually all products and services are covered. Policy also includes protection from identity fraud.
- More affordable because your reps are participating with your peer group with the overall goal of reducing risk and loss as a group.
- We're in it together. Risk mitigation is required so the overall liability is reduced amongst the members.
- Accessible in all 50 states
- Risk mitigation and educational tools that will help reduce liability to your firm.
- Compliance tools document templates, forms and letters
- Regulatory updates for your firm
- Recruitment tool for additional reps
- Individual policy is portable

### What is the coverage?

\$1 million per claim  
\$2 million aggregate

### What are the individual policy deductibles?

The structure is unique to Financial Advisors Assurance Select's policy holders. It is a two tiered structure. The first deductible covers the defense costs with the goal of keeping your out of pocket low and fighting vehemently on your behalf. This deductible is only \$2500.00. In the event there is a settlement cost, you only pay the first \$10,000.00. By providing you this structure, our goal is to keep your cost to the defense piece only, all the while providing you indemnification in the event of a settlement.

### What is the premium that I will have to pay for my firm?

- As a BD or RIA "Entity Firm" you pay **NO** premium, however you are required to pay a one-time non-refundable payment to the Surplus Reserve of \$100 per Rep and/or IA registered licensed under the your Firm.
  - **Example:**
    - If your Firm has 50 Reps your firm will pay an initial fee of \$5000. If you have an RIA and 10 of these Reps are also registered under the RIA you would pay an additional \$1000 -- \$100 for each of the IA's registered under the RIA.
- In the event a claim is filed against one your reps and the firm joined in the claim – your firm will only be required to pay a multiple of the "individual deductible" based on your firms' percentage participation in the group.
  - **Example:**
    - If you have **100%** of your Reps or IA's that are "Individual" policy holders your firm would pay **2 times** the required Individual Deductible(s) which would be \$5000 for Defense / \$20,000 for Settlement.
    - If you have **less than 100%** of your Reps or IA's that are "Individual" policy holders your firm would pay **3 times** the required Individual Deductible(s) which would be \$7500 for Defense / \$30,000 for Settlement



**So my Firm's coverage is based on the percentage of Individual Registered Reps or Investment Advisors that are policy holders?**

That's correct. Your Firm (as an Entity) is co-insured under each Individual Policy holder licensed and registered under the Firm.

**What if I can't get all my Reps and IA's to purchase an individual policy?**

As a Firm you are "co-insured" under the Individual Policy holders registered under your Firm. If you have less than 100% of your Reps covered – your firm would not be covered in the event a claim was filed against one of the uncovered Reps. Also your Firm would be required to pay 3 times the individual deductible on the covered Reps.

Most firms mandate 100% participation so the firm is covered for claims and the deductible to the Firm are 2 times the individual deductible rather than 3 times.

**What is the history of Financial Advisors Assurance Select RRG?**

We started as a continuing education company in 1989 and it wasn't long before we realized the need for an association focusing on litigation prevention exclusively for Financial and Insurance Professionals. There were so many gaps in Errors & Omission insurance that we knew there had to be a better way to preserve the industry from the staggering rise in legal claims. So we expanded our services to provide legal referral services, defense and comprehensive insurance to individuals and firms with a single motto in mind – always place litigation prevention first. Our goal was not only to prepare but to provide resources that would actually increase the potential of prevailing in a claim.

Today we are one of the fastest growing professional associations in the country. Our members enjoy exclusive benefits that are unparalleled in the industry and these extensive benefits have allowed our members to build successful practices apart from the fear of litigation. These gifted Professionals have reversed the frightening trends of this industry and found true protection. We're pleased to offer this one-of-a-kind association and hope that you too will soon be among the elite.

**What is a Risk Retention Group?**

Risk Retention Groups are owner controlled insurance companies, kind of like a mutual insurance company where all the owners are insured and all the insured are owners. However, what is different is it's available specifically to an industry group, not the general public and is licensed for this specific group through the Risk Retention Act of 1986.

**Why must individual applicants contribute to the surplus of Financial Advisors Assurance Select, Risk Retention Group? What do I get in return?**

The deposit is your ownership stake in the group. This contribution also confirms your financial commitment to adhere to the risk mitigation protocol of the group. If the group has low incidents of loss the entire group benefits through dividends, or premium reduction or both. If the group suffers substantial losses, the reserve deposits are drawn to maintain the assurance of payment for losses. In other words your deposit is "skin in the game." Everyone benefits or suffers equally. Everyone is working towards the same goals to mitigate loss!

**What exposures does the policy NOT cover?**

- Claims initiated in civil or federal court (Policy only covers arbitrated/mediated cases)
- Class actions
- Claims initiated with allegations of criminal conduct (civil court, anyway)
- Regulatory attacks: claims initiated by any federal regulatory body, state insurance commission, state regulatory body (UNLESS it is initiated by an individual client or their heirs "natural person")
- No indemnification for an appeal
- Claims brought outside the United States of America
- Claims brought by trusts, corporations and/or any entity (ONLY cover claims brought by individual clients or the heirs of an individual client "natural person")



**When will my policy be effective?**

Your policy will be effective upon underwriting approval and receipt of payment.

**I am currently a member of Financial Advisors Legal Association. Do I still have to pay the same premium?**

Yes. Everyone in the group pays the same premium. Also, everyone has to be a member of FA Legal to purchase the policy.

Current members who become policyholders will be able to have their prepaid membership dues prorated and refunded no later than 30 days after the policy effective date. Members who have paid monthly, quarterly, semi-annual or annual dues will receive a refund on any portion of their prepaid dues.

**How can my Registered Representatives and Investment Advisors pay for their policy?**

Our policyholders have several different alternative methods for remitting their premiums. Individual insureds can pay by check (made payable to our exclusive distributor, Fox Point Programs, Inc). Another option would be to charge the amount via most major credit cards – Visa, Mastercard, American Express, and Discover.

We can also arrange to have the premiums financed. Individuals interested in exploring this alternative are encouraged to call our exclusive distributing agency, Fox Point Programs at 800-499-7242 directly to learn more about installment options, down payment amounts, etc.

**What are the benefits of being a member of FA Legal Association?**

- E&O insurance through Financial Advisors Assurance Select
- Web-based resource with a step by step guide to help bullet-proof your practice
- Over 70 user friendly document, form, and letter templates considered by our members to be priceless
- FINRA Firm Element Training
- Product review
- Compliance tools
- Regulatory updates
- Quarterly newsletter
- Peace of mind

