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## **How Your Assets Are Protected: Explaining the Insurance Coverage Maze**

*Presented by FourFront Advisors*

In times of financial uncertainty, it is natural to wonder how your assets are protected. As a client of a Commonwealth Financial Network® advisor, you should know that there are several insurance coverages in place to protect you and that seek to safeguard your assets in the unlikely event that Commonwealth, its clearing firms, or the banks that hold your cash were to fail. Below is an explanation of what each policy covers.

### **Securities Investor Protection Corporation (SIPC)**

Created by Congress in 1970, SIPC steps in whenever a brokerage firm fails or closes. Fidelity Clearing & Custody Solutions® (FCCS)<sup>1</sup> provides clearing, custody, and other brokerage services to Commonwealth through National Financial Services LLC (NFS). Both NFS and Commonwealth are paying members of SIPC. If either of these firms were to fail, SIPC would protect your brokerage account up to a maximum balance of \$500,000, with a limit of \$250,000 for cash.

SIPC does not protect against institutional failure, nor does it protect against market losses. An explanatory brochure is available at [www.sipc.org/news-and-media/brochures](http://www.sipc.org/news-and-media/brochures).

### **Federal Deposit Insurance Corporation (FDIC)**

Established in 1933, the FDIC is an independent agency of the U.S. government that protects funds that depositors place in banks and savings associations. The standard insurance amount is \$250,000 per depositor, per insured bank, for *each account ownership category*. Joint accounts owned by two or more persons would be covered at \$250,000 per co-owner.

If your cash is invested in Commonwealth's Core Account Sweep Programs (CASPSM), your cash position, if in excess of \$250,000, is allocated among multiple FDIC-insured banks. If any of these banks were to fail, the FDIC would cover the cash deposit up to the FDIC limits.

FDIC insurance does not cover securities nor any market losses in securities; it covers only deposits held in banks in the event one or more of these banks fail. Please also note that CASP deposits are not covered by SIPC.

### **Fidelity Bond**

As a broker/dealer, Commonwealth is required by its regulatory body (FINRA) to maintain a fidelity bond policy. This fidelity bond primarily insures against dishonest acts (forgery or theft)

committed by a Commonwealth advisor, a Commonwealth advisor’s registered staff member, or a Commonwealth home office employee.

If such an event were to occur, Commonwealth currently holds a fidelity bond policy with Great American Insurance Group for total coverage per incident of \$20 million.

**Cyber Liability**

Commonwealth has purchased \$20 million in cyberinsurance through Aspen Insurance and Allied World Insurance, both rated “A” by AM Best, that covers cyberincidents, including data forensic expenses, business interruption coverage, extortion (e.g., in the event of a ransomware attack), notification costs, public relations, and legal services. The policy covers the cost of Commonwealth’s damages incurred in the event of a cybersecurity incident. If a breach were to occur at Commonwealth or through one of our systems, and if it were to affect an advisor’s office and/or clients, the policy would also cover the costs associated with these items for the office, including credit monitoring for the affected individuals. The policy does not, however, cover cyberincidents at or through an advisor’s office that are caused by the advisor’s office.

**Errors and Omissions (E&O)**

Professional liability insurance provides protection against the costs associated with the defense and resolution of claims for errors or acts of omission related to client accounts.

The E&O policy runs from January 1 through December 31 for each year it is in effect. Coverage is provided by Claridge Insurance Company, a “captive” insurance company organized in the state of Vermont. The limits of liability are \$2 million for any single claim and \$20 million aggregate for the policy.

Registered representatives are responsible for the first \$10,000 of defense charges and costs of correction applicable to the covered claim. Additional claims within a five-year period are subject to a \$25,000 deductible and increased premium.

The following table depicts how the separate insurance programs would overlay onto a hypothetical brokerage account held with Commonwealth and in custody at NFS.

Insurance Coverage(s)					
Scenario	SIPC	FDIC	Fidelity Bond	Cyber Liability	E&O
Commonwealth Financial Network fails/closes	Covers \$250,000 in cash and \$250,000 in securities	N/A	N/A	N/A	N/A
NFS fails/closes	Covers \$250,000 in cash and \$250,000 in securities	N/A	N/A	N/A	N/A
ABC Bank fails/closes	N/A	Covers \$250,000 deposited at each bank	N/A	N/A	N/A
A Commonwealth advisor, his or her staff member, or a home office employee fraudulently accesses funds from the account	N/A	N/A	Covers \$20 million per incident	N/A	N/A

A cyberbreach occurs that is deemed Commonwealth's fault and affects an advisor's office	N/A	N/A	N/A	\$20 million	N/A
Commonwealth, a registered representative, or an advisor is sued for actions that arise out of allegations of errors	N/A	N/A	N/A	N/A	\$2 million for any single claim and \$20 million aggregate for the policy

<sup>1</sup>Fidelity Clearing & Custody Solutions® (FCCS) is an independent company, unaffiliated with Commonwealth. FCCS is a service provider to Commonwealth and provides clearing, custody, and other brokerage services to Commonwealth through National Financial Services LLC (NFS), member NYSE, SIPC. [eReview 815989.1.0]

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