

Avantax Financial Professional and Accountants Professional Liability Insurance Frequently Asked Questions

1. Why should you enroll in the Avantax sponsored Errors & Omissions (E&O) Insurance Program?

An important part of running a successful business is ensuring that you are protected from the unexpected. The Avantax sponsored E&O Insurance Program (the “E&O Program”) is underwritten by National Fire & Marine Insurance Company (a Berkshire Hathaway company) which is a premier insurance carrier for Financial Professional E&O programs. The Avantax sponsored E&O program available to you offers some of the most comprehensive and cutting-edge coverage available in the E&O marketplace at a very competitive cost.

2. Who is required to enroll in the Avantax Professional Liability Errors & Omissions Program?

Financial Professionals who are affiliated with Avantax Investment Services, Inc. and/or Avantax Advisory Services, Inc., Avantax Insurance Company, LLC or Avantax Insurance Services, Inc. (hereinafter, “Avantax”) in the following categories are required to participate in the Program by obtaining a minimum of \$1,000,000 in coverage for their securities and insurance business (unless a Financial Professional obtains an alternative E&O policy that satisfies Avantax’s Opt-Out Criteria, as outlined in FAQ Nos.14-15):

- Financial Professionals with a rolling gross production of \$25,000 or more during the prior twelve months;
- Financial Professionals who have transferred from another Broker/Dealer in the past 18 months are required to enroll as of their effective date with Avantax;
- Financial Professionals who sell Alternative Investments approved by Avantax;
- Financial Professionals contracted with Avantax for one year or more as of 2/28/2023; or
- Financial Professionals who are participants of an Avantax referral program.*

If you meet one (or more) of the conditions above, you are required to obtain coverage. If this is the case, the enrollment kit sent to you will have introductory language that indicates you are required to enroll in the Avantax sponsored E&O program.

3. Who is covered under the Avantax Professional Liability Program?

Financial Professionals and Referral Representatives who are affiliated with Avantax and who have enrolled in the E&O Program (electing, at a minimum, the Basic Coverage level, which includes Securities, Insurance and Cyber) and paid the participation fee are covered under the policy. Your corporation, partnership or other business entity which is owned or controlled by you would also be covered, but only for the professional services rendered by you.

4. Are my secretarial or administrative employees also covered under the Program?

Yes, they are covered under the Program for administrative and secretarial professional services they render on your behalf, as long as they are not receiving commission income. If

you elect the Basic Plus coverage level, which includes Accounting coverage, your secretarial or administrative employees are also covered for accounting services done on your behalf and pursuant to your direction and supervision.

The following activities performed by an administrative or secretarial employee on behalf of an Insured Financial Professional are contemplated for coverage if the Basic Plus coverage level has been elected by the Insured Financial Professional:

- Preparing, but not signing, tax returns
- Performing bookkeeping or payroll services
- Performing other ministerial services in support of the Insured Financial Professional's business

Activities rendered by employees working on the Insured Financial Professional's behalf that are **not** contemplated for coverage, regardless of whether the Insured Financial Professional has elected Basic Plus coverage are:

- Providing investment or tax advice
- Signing tax returns
- Going before the IRS as an Enrolled Agent on behalf of a client.

NOTE: this coverage does NOT extend to your tax practice partners or other tax professionals in your office, or any secretarial or administrative employees working on their behalf, unless they are also affiliated with Avantax and enrolled in the Avantax sponsored E&O program under the Basic Plus coverage level.

5. What Professional Services are covered under the Program?

Full-time Financial Professionals are covered for the sale, attempted sale, or servicing of securities products and services approved by and provided through Avantax Investment Services, Inc., investment advisory products and services approved by and provided through Avantax Advisory Services, Inc., and insurance products and services approved by and provided through Avantax Insurance Services Inc. and Avantax Insurance Company, LLC, or any other company, i.e. the sale of life, accident & health insurance and fixed annuities. *[You must list your insurance products on your Outside Business Activity disclosure reporting form.]*

Referral Representatives are covered for the referral of securities products to a full-time Avantax Financial Professional, and if properly licensed and approved, may also sell/service securities approved by and provided through Avantax Investment Services, Inc., investment advisory products and services approved by and provided through Avantax Advisory Services, Inc., and insurance products and services approved by and provided through Avantax Insurance Services, Inc. and Avantax Insurance Company, LLC, or any other company. *[You must list your insurance products on your Outside Business Activity disclosure reporting form.]*

6. Are Accounting and Tax Services covered?

Yes, provided the full-time Financial Professional elects the optional Accounting Coverage extension by purchasing the Basic Plus coverage level during annual enrollment. If elected, Professional Services shall also include: bookkeeping; issuance of compilation reports; reviews of unaudited financial statements; management, advisory or consulting services with

respect to improving business efficiency; providing tax advice; preparing tax returns and acting as an enrolled agent or CPA representing clients before the IRS. *Limited coverage for Audit Services rendered to individual customers is included under the Accounting Coverage extension (audit services for firms/entities remains excluded, refer to the Highlights Guide for details).*

NOTE: (1) Coverage for accounting and tax services is limited to you, your business entity, and your administrative, secretarial, bookkeeping and tax preparation employees strictly for the accounting and tax services done by you or on your behalf, as described in FAQs 3 and 4, above. Tax work done by or on the behalf of any other tax professionals in your office is outside the scope of this coverage and should be separately insured. (2) Referral Representatives who require the Accounting Coverage extension must enroll at the full-time, non-discounted E&O participation cost, for such coverage.

7. Does the E&O Program provide any unique (or additional) coverage benefits?

a. Cyber Liability Coverage

Yes, the E&O Program includes a comprehensive cyber liability extension for first- and third-party Cyber Liability Claims made against you. Cyber events across our industry continue to grow in frequency and complexity and having appropriate coverage for this risk is important for you and your customers. Coverage extends to network security and privacy liability; privacy regulatory defense, fines, and penalties; network extortion; breach expenses and business interruption. Business Interruption coverage is provided solely for a breach and its resulting downtime, subject to a 12-hour waiting period and \$1,000 sublimit per day up to a maximum of 10 days/\$10,000 (this sublimit is included within and not in addition to the Cyber Liability sub-limits referenced below). Coverage for Extortion Demands (e.g. Ransomware) are subject a sub-limit of \$75,000 per Financial Professional. The Business Interruption and Ransomware sublimits are included within and not in addition to the Cyber Liability sub-limits referenced below. Coverage for Cyber Liability claims other than Business Interruption is subject to the following sub-limits of liability: \$150,000 Each Claim/\$150,000 Aggregate per Financial Professional/\$2,500,000 Total Policy Aggregate all Insureds and \$1,000 Retention. This coverage benefit is provided to you at no additional cost.

b. Regulatory Claims Coverage

Yes, the policy also provides a sub-limit of liability of \$50,000 per Insured Financial Professional for claims arising out of governmental and self-regulatory investigations that are related to a Claim (as this term is defined in the applicable policy). Please refer to page 6 of the Highlights Guide for additional details.

8. What are my limits of liability?

There are three limits available to Financial Professionals, \$1,000,000 per Claim/\$1,000,000 Aggregate, \$2,000,000 per Claim/\$2,000,000 Aggregate and \$5,000,000 per Claim/\$5,000,000 Aggregate.

Please note, certain coverage extensions include sublimits of liability that are included within and not in addition to the limits of liability elected by the enrolled Financial Professional, see question VII of the Highlight Guide for more details. There is no Total Policy Aggregate applicable to all Insured Financial Professionals.

9. What is the retention under the Program?

There is a \$5,000 retention per claim for all claims except:

- \$2,500 per Claim for accounting and tax services (other than audit services).
- \$5,000 per Claim for audit services rendered to an individual customer (audit services rendered to firms/entities excluded from coverage).
- \$10,000 per Claim for Trade Errors.
- \$25,000 per Claim involving Fraudulently Induced Client Funds Transfers
- \$1,000 per Cyber Event

10. Does the policy cover Prior Acts Coverage?

a. Financial Professionals Errors & Omissions Liability

Yes, your Prior Acts Date is the **earlier of** your date of affiliation with Avantax, HD Vest, 1st Global or the date you first obtained—and continuously maintained—a “claims made” professional liability policy.

b. Accountants Professional Liability

Yes, your Prior Acts Date is the date you first obtained—and continuously maintained—a “claims made” Accounting professional liability policy.

11. What happens if my affiliation with Avantax terminates during the policy period?

If your affiliation with Avantax terminates during the policy period, coverage automatically ceases on the date of termination. The Participation Fee under the E&O Program is considered fully earned, and, in the event your affiliation with Avantax is terminated during the policy period for any reason, there will be no return of your Participation Fee. However, depending on the reason for your termination, an automatic Extended Reporting Period (ERP) may be available to you at no cost. An ERP allows you to report new claims that are first made and reported during the ERP arising out of an actual or alleged covered negligent act committed on or after your affiliation date with Avantax and on or prior to your termination date.

Please be advised that if your affiliation with Avantax is terminated for:

- General Reasons:** an automatic one (1) year ERP shall be provided to you at no cost;
- Retirement, Disability or Death:** an automatic unlimited ERP shall be provided at no cost; or
- Disciplinary Reasons:** an automatic ninety (90) day ERP shall be provided to you at no cost.

Financial Professionals who terminate due to general reasons may purchase an optional ERP for an additional premium for either a three (3) year or six (6) year term at 150% or 200% of the Financial Professional's last annual premium respectively. A written request for the optional ERP along with the applicable additional premium must be received within sixty (60) days of the termination of the Financial Professional's affiliation with Avantax. Optional ERP is not available to Financial Professionals terminating for Disciplinary Reasons.

FPs who terminate their affiliation with Avantax for reason of retirement from the business of providing Professional Services involving insurance or investment products and are no longer registered with any of the following entities: any Broker/Dealer, FINRA, SEC, state securities department or state insurance department, but choose to continue rendering Accounting Services, shall receive the ERP referenced above, depending on termination reason, for their non-Accounting Services which were rendered after their Prior Acts date and prior to their termination date. In this situation, no ERP shall apply to Accounting Services. It is recommended that any replacement policy obtain include prior acts coverage back to your Accountants Professional Liability Prior Acts Date.

Please Note: FPs planning to retire must terminate their registration with Avantax by April 30, 2023 to be eligible for the ERP. FPs retiring after April 30, 2023 must enroll for 2023-2024 E&O coverage in order to qualify for the ERP benefits referenced above. Enrollment fees will not be prorated for terminations occurring after the new coverage year has begun.

If you have any other Professional Liability policy, any applicable ERP referenced above shall not apply.

12. What happens if I sell, or otherwise discontinue, my accounting practice but continue my insurance, securities, and investment practice?

Berkshire Hathaway will continue to provide prior acts coverage for claims arising out of Accounting Services alleged to have occurred on or after your Accounting Prior Acts Date (see FAQ #10.b.) and on or prior to the date you sold your accounting practice, provided you remain actively contracted with Avantax and enrolled in the Avantax Sponsored E&O program at the Basic level to cover your insurance, securities and investment practice. If you later decide to resume Accounting Services and wish to obtain coverage for Accounting Services through the Avantax Sponsored E&O program, you must re-elect the Basic Plus coverage level, which includes Basic level coverage for your insurance, securities and investment practices, plus coverage for Accounting Services.

Please note, if you terminate your contract with Avantax and at the time of your termination you have not elected the Basic Plus coverage level, any automatic ERP you may be provided under the terms of the policy will not include the Accounting extension. In this circumstance, you may elect to purchase a 3-year or 6-year ERP for 150% or 200% of the applicable difference in E&O cost between the Basic and Basic Plus coverage levels. A written request for this Accounting Only optional ERP along with the applicable additional premium must be received within sixty (60) days of the termination of your affiliation with Avantax. This Optional ERP is not available to Financial Professionals terminating for Disciplinary Reasons.

13. If I am required to enroll in the E&O Program, can I obtain alternative E&O coverage (e.g. Opt-Out)?

Effective 5/1/2022: Only Financial Professionals who are residents of or work in the State of New York will be provided the opportunity to opt out. Any alternative E&O insurance policy you obtain must satisfy Avantax's opt-out criteria and you must follow Avantax's instructions for opting-out (see FAQ #15-16).

15. What are Avantax's Opt-Out Criteria?

A Financial Professional's alternative E&O insurance policy must provide, at a minimum, the following coverage:

- Professional Liability coverage for Avantax Investment Services, Inc.; Avantax Advisory Services, Inc., Avantax Insurance Company, LLC, Avantax Insurance Services, Inc. and their respective owners, subsidiaries and affiliates (collectively, "Avantax Entities"). **This means all Avantax Entities must be listed as an Additional Insured on your E&O policy and on the required documentation you submit to Avantax evidencing your proof of coverage. Please note that many insurance carriers will not do this. By submitting your opt-out form you are attesting that Avantax is covered in the same manner under your alternative coverage and that you will be responsible for any differences in coverage;**
- Coverage for the sale of all securities approved by Avantax Investment Services, Inc. as well as investment advisory services provided through Avantax Advisory Services, Inc., including discretionary trading if applicable;
- Coverage for the sale of life, accident & health insurance and fixed annuities approved by Avantax Insurance Company, LLC and Avantax Insurance Services, Inc.;
- An annual limit of liability of at least \$1,000,000 per claim/\$1,000,000 aggregate per Insured;
- An automatic one-year (minimum) Extended Reporting Period (ERP) for any claims involving acts that are alleged to have occurred while you were affiliated with Avantax. This will cover claims first made and reported during the ERP arising out of acts committed prior to your Avantax termination date; and
- Prior acts coverage dating back to at least the later of (1) the date of your affiliation with Avantax, or (2) January 1, 2008.

16. How do I notify Avantax that I obtained alternative E&O coverage that satisfies Avantax's Opt-Out Criteria?

To opt out of the Avantax E&O Program, Financial Professionals must sign and return an Opt-Out Form with proof that alternative E&O insurance coverage meets the opt-out requirements (e.g. a current certificate of insurance, policy, and all relevant endorsements), no later than May 12, 2023.

Opt-Out Requests and requirement documentation can be sent via email to the Avantax Compliance Department at compliance@avantax.com or by Fax to 972-870-6705. If you



currently have coverage and are comparing your current plan to the Avantax sponsored E&O Program, make sure you understand the coverage, exclusions, retentions, and policy upgrades available to you.

Please do not submit the Opt-Out Form unless you have met all of the alternative coverage requirements and are eligible to opt out.

17. What if I don't enroll, will I be automatically enrolled?

Financial professionals who are required to participate but do not provide satisfactory proof of alternative E&O coverage by May 12, 2023, or do not enroll by May 31, 2023, will be automatically enrolled as follows:

If you were enrolled in the 2022-2023 E&O program you will be automatically re-enrolled at the same coverage level elected during the 2022-2023 policy period.

Financial Professionals who did not participate in the program in 2022-2023 and are required to enroll for the first time effective May 1, 2023 will be enrolled at the basic coverage and limit (securities, insurance and cyber coverage at the \$1,000,000 limit) if they have not already enrolled before May 31, 2023. The full annual E&O Participation Fee will be automatically debited from your commissions in late June.

You are encouraged to enroll yourself in the program as soon as possible to ensure that you receive the level of coverage that you would prefer and that you receive a certificate of insurance timely. FPs who are required to participate but do not enroll on their own before the May 31, 2023 enrollment deadline will receive their certificate via email on or after June 23, 2023.

18. What should I do if a claim is made against me or my business?

As soon as you are aware of any circumstances which may lead to a claim being made, or as soon as an actual claim is made, please report the claim to:

Berkshire Hathaway Specialty Insurance
500 Northpark Town Center
1100 Abernathy Road, N.E., Suite 1200
Atlanta, GA 30328
Phone: (855) 453-9675
Fax: (617) 507-8259
Or by Email to: claimsnotice@bhspecialty.com

And send a copy to the Avantax Legal Department via email at: legal@avantax.com or by fax to: (972) 870-6500.



19. Who do I call with questions about enrollment, billing, coverage and certificates?

Affinity Insurance Services, Inc.
500 Ross Street, 154-0455, Pittsburgh, PA 15251-0455
Phone: (866) 231-1998
Email: info@agents-eo.com

Enrollment & Certificate Reprint Site: <https://avantax.agents-eo.com>

THIS FAQ PROVIDES GENERAL INFORMATION REGARDING THIS PROFESSIONAL LIABILITY PROGRAM. IT DOES NOT REPRESENT ALL THE TERMS AND CONDITIONS OF THE POLICY. FOR MORE INFORMATION, PLEASE GO TO [HTTPS://AVANTAX.AGENTS-EO.COM](https://avantax.agents-eo.com) AND DOWNLOAD THE HIGHLIGHT GUIDE. BY ENROLLING IN THE PROGRAM, YOU ARE ENROLLING FOR MEMBERSHIP IN AGENTS PROFESSIONAL LIABILITY SERVICE ORGANIZATION, A RISK PURCHASING GROUP FORMED AND OPERATING PURSUANT TO THE LIABILITY RISK RETENTION ACT OF 1986 (15 USC 3901 ET SEQ.)