

Corporate Transparency Act/Beneficial Ownership Information Reporting — Coverage Considerations for CPA Firms

CAMICO leads the way for the CPA profession with risk management tools and advice including available engagement letter templates and a sample management representation letter.

CAMICO continues to receive numerous inquiries from policyholders regarding coverage implications of assisting clients with the new beneficial ownership information (“BOI”) reporting under the Corporate Transparency Act (“CTA”) given the overarching concern that CPAs and non-attorney tax professionals helping clients in this arena could be deemed as engaging in the unauthorized practice of law (“UPL”). CAMICO presents this document for reference purposes only to highlight common coverage-related inquiries received from policyholders related to the new beneficial ownership reporting rules under the Corporate Transparency Act.

If you have any specific coverage-related questions, please contact CAMICO at 1.800.652.1772, and ask to speak with your underwriter.

Coverage Implications

Q1. What are the general coverage implications, if any, under CAMICO’s professional liability policy for assisting clients with CTA-related services?

A1. The CAMICO policy responds to a great variety of claims due to its broad definition of covered professional services. The use of a broad definition means that as new service areas arise, the policy does not need to be amended to extend coverage to the new services. Each claim is unique, however, and must be reviewed according to its specific allegations and in conjunction with all the terms and conditions of the policy. CAMICO intends that coverage will respond to the typical CTA claim we anticipate receiving, particularly if at the time the services are rendered both the state in which the firm and client reside have not deemed that providing CTA-related services to be the unauthorized practice of law (refer to **Question 2** below).

However, it is important to note that insurance companies are under strict regulatory guidelines that typically preclude carriers from insuring parties for their criminal acts. As such, professional liability policies, including those for accountants, have an exclusion for any claim based on, or arising from or related to, a criminal act. So, as UPL violations in some states may be treated as criminal matters, any such claims could trigger this exclusion.

Q2. Since no state has yet to provide a definitive statement on whether CTA-related advisory services would be considered the unauthorized practice of law, what happens from a coverage perspective if at a later date our state and/or the state in which the client resides determines that such services are in fact deemed to be the unauthorized practice of law?

A2. As noted in **Question 1** above, CAMICO intends that coverage will respond to the typical claim we anticipate receiving. Every claim is fact-specific, and the pertinent facts

of any claim scenario must be analyzed. As such, each claim would be subject to the policy's terms and conditions, as well as the **legal and/or professional standards of care at the time the services were rendered**. Therefore, **future changes** in the legal and/or professional standards of care for such services would not be a pertinent consideration in determining coverage.

Q3. How does the CAMICO policy respond if there are allegations made against our firm for fraudulent, criminal and/or illegal activity related to CTA services?

A3. How the CAMICO policy responds is not unique just to CTA-related services. Insurance companies are under strict regulatory guidelines that typically preclude carriers like CAMICO and others from insuring parties for criminal acts and fraud. As such, professional liability policies, including those for accountants, have exclusions for any claim based on, or arising from or related to, criminal acts or other acts deemed to be fraudulent in nature.

Regarding defense costs, CAMICO insureds are entitled to legal defense when there is a potential for indemnity coverage, subject to policy terms and conditions. When covered negligent acts are alleged to have occurred during the performance of professional services, CAMICO will provide for your defense, although CAMICO cannot pay damages on your behalf if you admit to or are found guilty of engaging in criminal or fraudulent acts.

If the only allegations against you are uncovered acts, CAMICO will not be able to defend or indemnify you. However, civil complaints that solely allege fraud or criminal activity are uncommon in our decades of defending CPA firms.

Q4. Does CAMICO have additional risk management guidance on the CTA?

A4. Yes. CAMICO has risk management guidance available on this topic, including a Frequently Asked Questions document that highlights many of the common inquiries we have received from policyholders. Click [Frequently Asked Questions](#) to access the FAQ document.

In addition, CAMICO has developed the following templates which are available on the **Members-Only Site's** Engagement Letter Resource Center:

- Client Notification Template: Corporate Transparency Act/Beneficial Ownership Reporting Requirements
- Engagement Letter: Administrative Services — Filing of Initial BOI Report
- Engagement Letter: Limited CTA Advisory Services — Filing of Initial BOI Report
- Management Representation Letter — Filing of Initial BOI Report

CAMICO policyholders with questions should contact the Loss Prevention department by email at lp@camico.com or call 1.800.652.1772 and ask to speak with a Loss Prevention Specialist. Additional risk management resources are available on CAMICO's Members-Only Site (<https://www.camico.com>).