



## HD Vest Financial Advisor and Accountants Professional Liability Insurance Frequently Asked Questions

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### 1. Why should you enroll in the HD Vest 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 HD Vest sponsored E&O Insurance Program (the “E&O Program”) is underwritten by Continental Casualty Company (CNA) which is a leading underwriter of both Accountants and Financial Advisor E&O programs. The policies available to you through this Program offer some of the most comprehensive coverage in the marketplace at a very competitive premium level. For example, if you enroll in the basic Securities & Insurance coverage, you can add the basic Accounting and Tax coverage and your premium would be under \$2,000 a year.

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

HD Vest Advisors who are affiliated with HD Vest Investment Services and/or HD Vest Advisory Services and/or H.D. Vest Insurance Agency LLC (hereinafter, “HD Vest”) in the following categories are required to participate in the Program by obtaining a minimum of \$500,000 in coverage for their securities and insurance business (unless an Advisor obtains an alternative E&O policy that satisfies HD Vest’s Opt-Out Criteria, as outlined in FAQ Nos.12-14):

- Advisors with a rolling gross production of \$75,000 or more during the prior twelve months;
- Advisors who have transferred from another Broker/Dealer in the past 18 months (“Temporary Agent Transfers” or “TATs”);
- Advisors who sell Alternative Investments approved by HD Vest;
- Planning Advisors who are enrolled in HD Vest Partners Program.

**Advisors who are required to enroll in the E&O Program will be automatically enrolled for securities and insurance coverage at the \$500,000 limit on May 31, 2017, if they have not already enrolled before this date, and the E&O Program participation fees will be automatically debited from your commissions.**

### 3. Who is covered under the HD Vest Professional Liability Program?

HD Vest Advisors who are affiliated with HD Vest and who have enrolled in the E&O Program (electing at a minimum the Securities & Insurance coverage) and paid the participation fee are covered under the policy. Your corporation, partnership or other



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business entity, which is owned or controlled by you, would also be covered 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 professional services they render on your behalf, including bookkeeping and tax preparation as long as they are not receiving commission income from any placements.

**5. What Professional Services are covered under the Program?**

You are covered for the sale of securities products and services approved by and provided through HD Vest, investment advisory products and services approved by and provided through HD Vest Advisory Services, and insurance products and services approved by and provided through H.D. Vest Insurance Agency, 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 other business disclosure reporting form.*]

**6. Are Accounting and Tax Services covered?**

Yes, if you elect the optional Accounting Coverage extension, 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. *There is no coverage for Audit Services.*

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

**a. Privacy Claims Coverage**

Yes, unlike many other professional liability policies, there is coverage under the E&O Program for first and third party Privacy Claims made against you. First Party Privacy Injury coverage for claims resulting from rendering Professional Services is subject to a \$100,000 per Claim/\$100,000 Aggregate per Insured sublimit. Third Party coverage for expenses you incur in response to an identity theft or network security breach, such as client notification costs or credit monitoring is subject to a sublimit of \$25,000. Both first and third party coverage parts are subject to a \$100,000 Policy Aggregate sublimit per Insured. If you and/or your business need higher limits, you should consider obtaining a separate Cyber Liability insurance policy.

**b. Regulatory Claims Coverage**

Yes, the policy also provides a sub-limit of liability of \$50,000 per Insured Advisor for claims arising out of governmental and self-regulatory investigations that are related to a Claim (as



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this term is defined in the applicable policy). Please refer to page 7 of the Highlights Guide for additional details.

## 8. What are my limits of liability?

Each Advisor has a limit of liability of \$500,000 per claim/\$500,000 aggregate per Insured for the sale of securities approved by and sold through HD Vest and Accounting Services (as described above, if elected) and a \$1,000,000 per Claim/\$1,000,000 aggregate for life, accident and health and fixed annuities. You also have the option to increase your limit for securities and the Accounting Services to \$1,000,000 per claim/\$1,000,000 aggregate by purchasing the Upgrade Option. There is an overall policy aggregate of \$10,000,000 (not applicable to Advisors who live, or practice, in the state of New York).

## 9. What is the retention (deductible) under the Program?

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

- Accounting claims – the retention is \$2,500 per claim
- Trade Error claims – the retention is \$10,000 per claim

## 10. Does the policy cover Prior Acts Coverage?

### a. Advisors

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

### b. Accountants

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 HD Vest terminates during the policy period?

If your affiliation with HD Vest 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 HD Vest 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 provided 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 actual or alleged negligent acts committed on or after your affiliation date with HD Vest and on or prior to your termination date.

Please be advised that, if your affiliation with HD Vest is terminated for:

1. **General Reasons:** an automatic one (1) year ERP shall be provided to you at no cost;



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2. **Retirement or Disability:** an unlimited Automatic ERP shall be provided at no cost, provided that you no longer provide Professional Services or Accounting Services for HD Vest (or any other broker/dealer, investment adviser or insurance company) or Accounting or Tax Firm.
3. **Disciplinary Reasons:** no ERP will be provided or made available to you.

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

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

Yes, provided that you obtain an alternative E&O insurance policy that satisfies HD Vest's opt-out criteria (see FAQ No.13) and you follow HD Vest's instructions for opting-out (see FAQ No.14).

## 13. What is HD Vest's Opt-Out Criteria?

An Advisor's alternative E&O insurance policy must provide, at a minimum, the following coverage:

- Professional Liability coverage for HD Vest, Inc.; HD Vest Investment Securities, Inc.; HD Vest Advisory Services, H.D. Vest Insurance Agency, LLC., and their respective owners, subsidiaries and affiliates (collectively, "HD Vest Entities"). **This means all HD Vest Entities must be listed as an additional insured on your E&O policy and on the required documentation you submit to HD Vest evidencing your proof of coverage. Please note that many insurance carriers will not do this;**
- Coverage for the sale of all securities approved by HD Vest Investment Services as well as investment advisory services provided through HD Vest Advisory Services, including discretionary trading if applicable;
- Coverage for the sale of life, accident & health insurance and fixed annuities approved by H.D. Vest Insurance Agency, LLC;
- An annual limit of liability of at least \$500,000 per claim/\$500,000 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 HD Vest. This will cover claims first made and reported during the ERP arising out of acts committed prior to your HD Vest termination date; and
- Prior acts coverage dating back to at least the later of (1) the date of your affiliation with HD Vest, or (2) January 1, 2008.



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**14. How do I notify HD Vest that I obtained alternative E&O coverage that satisfies HD Vest's Opt-Out Criteria?**

In order to opt out of the HD Vest E&O Program due to coverage provided through another carrier, Advisors must sign and return an Opt-Out Form, along with proof of alternative E&O insurance coverage (e.g. a current certificate of insurance and/or policy), no later than May 31, 2017. **If you do not provide the required documentation by May 31, 2017, you will be automatically enrolled in the HD Vest Program for securities and insurance at the \$500,000 limit, and the program participation fees will be automatically debited from your commissions.**

Proof of your current alternative coverage can be sent via email to the HD Vest Legal Department at [legal@hdvest.com](mailto:legal@hdvest.com) or by fax to (972) 870-6500. If you currently have coverage and are comparing your current plan to the HD Vest sponsored E&O Program, make sure you understand the coverage, exclusions, deductibles and policy upgrades available to you.

**15. 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:

CNA Specialty Claims  
P.O. Box 8317, Chicago, IL 60680-8317  
Or by Email to: [SpecialtyProNewLoss@CNA.com](mailto:SpecialtyProNewLoss@CNA.com)  
**And Fax a copy to the HD Vest Legal Department at: (972) 870-6500**

**16. Who do I call with questions about enrollment, billing and certificates?**

Affinity Insurance Services, Inc.  
159 E. County Line Road, Hatboro, PA 19040-1218  
Phone: (866) 231-1998  
Email: [info@agents-eo.com](mailto:info@agents-eo.com)  
Fax: (877) 443-9183

Enrollment & Certificate Reprint Site: [www.hdv.agents-eo.com](http://www.hdv.agents-eo.com)

**17. Who do I call with coverage questions?**

Lainee Beigel  
Aon Risk Services Northeast, Inc.  
199 Water Street, New York, NY 10038  
Phone: (888) 592-9922  
Email: [Lainee.Beigel@aon.com](mailto:Lainee.Beigel@aon.com)



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Jeanette Younger  
Aon Risk Solutions  
425 Market Street, San Francisco, CA 94105  
Phone: (844) 495-9362  
Email: [Jeanette.Younger@aon.com](mailto:Jeanette.Younger@aon.com)

**THIS FAQ PROVIDES GENERAL INFORMATION REGARDING THIS PROFESSIONAL LIABILITY PROGRAM. IT DOES NOT REPRESENT ALL THE TERM AND CONDITIONS OF THE POLICY. FOR MORE INFORMATION, PLEASE GO TO HDV.ADVISORS-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.)**