



THIS IS A  
**CLAIMS MADE POLICY**  
READ YOUR POLICY CAREFULLY

# Western Surety Company

## TAX PREPARERS' PROFESSIONAL LIABILITY POLICY

Policy No.

### DECLARATIONS

Insured

Address

Effective Date

12:01 a.m. at the address of the Insured.

Anniversary Date

Limit of Liability

Aggregate Limit	
"Single Loss" Limit	
Insured's Deductible Amount	\$250.00 "Single Loss" \$500.00 Annual Aggregate
If this policy is cancelled, the annual aggregate deductible is not subject to pro rata or short rate reduction.	

### RETROACTIVE DATE

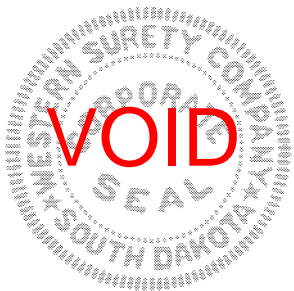
This insurance does not apply to "loss," whenever occurring, from negligent acts, errors or omissions which took place before the earlier of the beginning of the "policy period" or the Retroactive Date, if any, shown below. If no Retroactive Date is shown below, this policy provides no prior acts coverage.

Retroactive Date:

(Enter date if Retroactive Date applies)

Annual Premium

( )



WESTERN SURETY COMPANY

By

*Paul T. Bruflat*  
**VOID**

Paul T. Bruflat, Senior Vice President

### PREMIUM AGREEMENT

In consideration of the premium being paid, it is agreed that this policy shall be in force for the policy period stated, subject to the conditions, provisions, and stipulations of the policy. Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, limits, or conditions of the policy except as herein set forth.

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# Western Surety Company

## TAX PREPARERS' PROFESSIONAL LIABILITY POLICY

Western Surety Company (the "Company") agrees with the Insured named in the Declarations that in consideration of the payment of the Annual Premium and in reliance upon the statements in the Declarations and in the application, which is made a part hereof, and subject to all of the terms of this policy, as follows:

### COVERAGE

The Company agrees to pay on behalf of the Insured all sums in excess of the Deductible and within the Limit of Liability and subject to all of the terms of this policy, including the EXCLUSIONS and DEFINITIONS sections, which the Insured shall become legally obligated to pay for damages on account of negligent acts, errors or omissions of the Insured or of any person for whose acts the Insured is legally liable resulting from the Insured's preparation of individual, partnership, corporate or fiduciary, city, county, state, or federal tax returns as respects claims which are first made against the Insured during any annual period as hereinafter defined. In order for there to be coverage under this policy, the alleged acts, errors or omissions must have occurred (a) after the effective date of this policy; or (b) prior to the effective date of this policy but on or after the Retroactive Date, if any, provided that prior to the effective date of this policy: (1) the Insured did not give notice to any prior insurer of such negligent act, error or omission; (2) the Insured had no knowledge of the negligent act, error or omission; and (3) there was no prior insurance available to the Insured for the alleged act, error or omission, whether or not the available limits of liability on such insurance are sufficient to pay any claim or whether or not the deductible provisions and amount of such prior policy coverages are different from this policy. If no Retroactive Date is entered in the Declarations, this policy provides no coverage for negligent acts, errors or omissions which took place before the effective date of this policy.

### DEFENSE SETTLEMENT

With respect to such insurance as is afforded by this policy, the Company shall, provided the policy limit for the annual period involved has not been exhausted, defend, in the Insured's name and behalf, any claim or suit against the Insured alleging such negligent act, error or omission and seeking damages on account thereof, even if such claim or suit is groundless, false, fraudulent, or for an amount less than the Deductible. The Company, in the Insured's name and behalf, shall have the right to make such investigation, negotiation and settlement of any claim or suit as it may deem expedient.

### DEDUCTIBLE AND LIMIT OF LIABILITY

NOTICE: THE LIMIT OF LIABILITY INCLUDES "DEFENSE COSTS"

- (a) The Insured shall retain as its own deductible loss as respects each claim the amount stated in the Declarations. The terms of this policy with respect to notice of claim and the Company's right to investigate, negotiate and settle any claim or suit shall apply irrespective of the application of the Insured's deductible retention.
- (b) The liability of the Company for loss (defined below) on account of all claims first made against the Insured including all defense costs (defined below) during any one annual period shall be limited to the amount stated in the Declarations as Limit of Liability, Annual Aggregate. This limit shall apply in the aggregate to the named Insured and each additional Insured hereunder, such that the Company's liability for all such claims and/or defense costs shall in no event exceed, in the aggregate, the Limit of Liability, Annual Aggregate.

### DEFINITIONS

Wherever used in this policy, these words shall have the following meanings:

- (a) "Insured." The unqualified term "Insured" shall include the named Insured and:
  - (1) any partner, officer, director or employee of the named Insured while acting within the scope of his duties as such;
  - (2) any additional Insured tax preparer who is acting on behalf of the named Insured, and who is listed on the attached schedule of additional Insureds;
  - (3) the term "tax preparer" as used herein shall include any person who is a partner, officer, director or employee of such "preparer," but only while acting within the scope of his duties as such on behalf of the named Insured.
- (b) "Annual period" shall mean a period of time as hereinafter specified during which this policy is in force. The first annual period shall commence at the effective date and time of this policy provided for in the Declarations and shall end at 12:01 a.m. of the first year anniversary date specified in the Declarations. Thereafter, a new annual period shall commence at 12:01 a.m. on the anniversary date in each year and shall end at 12:01 a.m. on the anniversary date in the next succeeding year.
- (c) "Damages" shall mean any amount which an Insured is legally obligated to pay for any claim to which this insurance applies and shall include judgments and settlements, provided that damages shall not include fines or penalties imposed by law on the Insured. "Damages" shall not include punitive, treble, exemplary or similarly categorized damages.
- (d) "Defense costs" shall mean any and all: (1) expenses, including attorneys' or investigators' fees, paid or incurred by the Company in the investigation, settlement or defense of claims or suits; (2) costs taxed against the Insured in a suit defended by the Company; (3) premiums for bonds required in a suit defended by the Company, which bonds the Company shall have no obligation to furnish, but only for bonds up to the Company's limit of liability; (4) interest on a judgment as required by law until the Company offers the amount due under the judgment; and (5) reasonable expenses incurred by the Insured at the Company's request, other than loss of earnings.
- (e) Subject to all of the Exclusions of this policy (stated below), "loss" shall mean the total of:
  - (1) sums the Insured legally must pay as direct compensatory damages because of claims covered by this insurance;
  - (2) sums the Company agrees to pay in settlement of such claims, whether or not the Insured's legal liability has been determined; and
  - (3) "defense costs" are defined above.

- (f) "Single loss" means a covered claim payable by the Company arising out of a single negligent act, error, or omission or series of related negligent acts, errors, or omissions by the Insured.

#### EXCLUSIONS

This policy does not apply to or provide coverage for:

- (a) any dishonest, fraudulent, criminal or malicious act or omission of any Insured;
- (b) criminal libel, criminal slander, criminal assault or battery, or any claim through civil libel, civil slander, civil assault or battery committed by the Insured in bad faith, or willful violation of any statute or ordinance;
- (c) bodily injury to, or sickness, disease or death of any person, including, but not limited to, emotional or mental distress and related conditions;
- (d) injury to or destruction of any tangible property, or loss of use thereof;
- (e) willful or intentional disregard of the law;
- (f) activities other than the preparation of individual, partnership, corporate or fiduciary, city, county, state, or federal tax returns, including, but not limited to providing bookkeeping services, the giving of tax advice or counsel or the selection or making of any irrevocable election(s) on such returns;
- (g) any claim brought by a claimant who is owned, controlled, managed or operated by an Insured, individually or as a partner;
- (h) any express guarantee, warranty, or assumption of liability of others under any contract or agreement, whether written or oral, except a guarantee to pay penalties, but not additional tax assessments, resulting from negligent acts, errors or omissions of any Insured;
- (i) the performance of professional services for a corporation, association, partnership, joint stock company, trust, cooperative association, unincorporated organization or any similar entity if any Insured was at the time of any of the events giving rise to the claim, an officer or employee, or a director, trustee, partner, investor or filling any similar elective or appointive management position thereof;
- (j) any claims against or liability of an Insured arising out of the performance of professional services related to any offering, purchase, sale, tender, redemption, registration, holding or exchange of any security, or any statement, filing or disclosure made or required to be made with respect to any security or the issuer thereof, or any other security or transaction in connection with any security, or advice with respect thereto in connection with any activities or transactions covered or claimed to be covered by: (1) the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940, the Investment Advisers Act of 1940, the Public Utility Holding Company Act of 1935, any state blue-sky or securities law or any lawful regulations issued pursuant to any of the aforementioned, all as heretofore or hereafter amended or replaced; or (2) the common or statutory laws of the United States or any state thereof, or any nation or other jurisdiction, provided that for purpose of this subsection (j) (2), the term "security" shall include only a security which is subject to regulation under, or covered by, an act, law or regulation referred to in subsection (j) (1) above;
- (k) any claim which the Insured discovers, or has actual or constructive knowledge of, prior to the effective date of this policy.

#### PREMIUM

The named Insured shall pay to the Company in advance annual premium for this professional liability insurance in the amount stated in the Declarations as Annual Premium. At the close of each annual period, the Insured shall pay to the Company the full amount of such annual premium for the next succeeding annual period. Premium as herein provided shall be adjustable in respect of any annual period.

#### INSURED'S DUTIES IN THE EVENT OF OCCURRENCE, CLAIM OR SUIT

- (a) Upon knowledge of any occurrence which may reasonably be expected to result in a claim or suit, written notice containing particulars sufficient to identify the Insured and also reasonably obtainable information with respect to the time, place and circumstances thereof, and the names and addresses of the potential claimant and of available witnesses, shall be given by or for the Insured to the Company or any of its authorized agents as soon as practicable, but in no event longer than forty-five (45) days after discovery.
- (b) If claim is made or suit is brought against the Insured, the Insured shall immediately forward to the Company every demand, notice, summons or other process received by it or its representative.
- (c) The Insured shall cooperate with the Company and, upon the Company's request, assist in making settlements, in the conduct of suits and in enforcing any right of contribution or indemnity against any person or organization who may be liable to the Insured for acts, errors or omissions with respect to which insurance is afforded under this policy; and the Insured shall attend hearings and trials and assist in securing and presenting evidence and obtaining the attendance of witnesses. The Insured shall not, except at his own cost, voluntarily make any payment, assume any obligation or incur any expense except with the prior written consent of the Company.

#### OTHER INSURANCE

If, but for the insurance afforded by this policy, the Insured would have other insurance against a loss otherwise covered hereby, the insurance afforded by this policy shall be excess over such other insurance.

#### SUBROGATION

In case of payment of loss by the Company hereunder, the Company shall be subrogated to all the Insured's rights of recovery against any person or organization and the Insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Insured shall do nothing after loss to prejudice such rights.

#### POLICY TERRITORY

This policy applies only to professional services rendered or which could have been rendered during the policy period providing the original suit for damages is brought within the United States, Alaska, its territories or possessions.

#### CHANGE

Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this policy or estop the Company from asserting any right under the terms of this policy; nor shall the terms of this policy be waived or changed, except by endorsement issued to form a part of this policy.

ASSIGNMENT

Assignment of interest under this policy shall not bind the Company until its consent is endorsed hereon; if, however, an Insured shall die, such insurance as is afforded by this policy shall apply (1) to the Insured's legal representative, as to the Insured, but only while acting within the scope of his duties as such, and (2) with respect to the property of the Insured, to the person having proper temporary custody thereof, as Insured, but only until the appointment and qualification of the legal representative.

ACTION AGAINST COMPANY

No action shall lie against the Company unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this policy, nor until the amount of the Insured's obligation to pay shall have been finally determined either by judgment against the Insured after actual trial or by written agreement of the Insured, the claimant and the Company.

CANCELLATION

This policy may be cancelled by the Insured by surrender hereof to the Company or any of its authorized agents or by mailing to the Company written notice stating when thereafter the cancellation shall be effective. If this policy has been in effect for sixty (60) days or less and is not a renewal policy, it may be cancelled by the Company for any reason upon forty-five (45) days notice to the Insured. If this policy has been in effect for sixty (60) days or more and is a renewal policy, it may be cancelled by the Company prior to expiration upon ninety (90) days notice to the Insured for one or more of the following reasons: (1) nonpayment of premium; (2) conviction of a crime arising out of acts increasing the hazard insured against; (3) discovery of fraud or material misrepresentation by the Insured in obtaining the policy or in perfecting any claim thereunder; (4) discovery of any willful or reckless act or omission by the Insured increasing the hazard insured against; (5) a determination by the Connecticut Commissioner of Insurance that continuation of the policy would violate or place the Company in violation of the law; (6) a material increase in the hazard insured against; or (7) a substantial loss of reinsurance by the Company affecting this particular line of insurance. The time of surrender or the effective date and hour of cancellation stated in the notice shall become the end of the policy period and the end of the annual period.

If the Insured cancels, the premium shall be fully earned. If the Company cancels, earned premium shall be computed pro rata. Premium adjustment may be made either at the time cancellation is effected, or as soon as practicable after cancellation becomes effective, but payment of unearned premium is not a condition of cancellation.

NONRENEWAL

If the Company decides not to renew this policy, the Company will mail or deliver to the Insured a written notice of nonrenewal, stating the reason for nonrenewal, at least ninety (90) days before the expiration date of this policy. The notice will be sent to the Insured's address last known to the Company by registered or certified mail, or mail evidenced by a certificate of mailing. If notice is mailed, proof of mailing is sufficient proof of notice. The Company is not required to send this notice if nonrenewal is due to the Insured's failure to pay any advance premium required for renewal.

EXTENDED REPORTING PERIODS

In the event of cancellation or nonrenewal of this policy by the Company, including cancellation for nonpayment of premium, there shall be an automatic extended reporting period of thirty (30) days during which claims under this policy may be reported to the Company. The Insured shall have the option to purchase an additional thirty-six (36) month extended reporting period, running from the end of the automatic 30-day reporting period. In order to accept the 36-month extended reporting period option, the Insured must notify the Company of such acceptance and pay the appropriate premium for the 36-month extended reporting period option, along with any other unpaid premium for this policy, during the 30-day automatic extended reporting period. The aggregate liability limit for the optional 36-month extended reporting period will be equal to the liability limit for the policy. Claims made to the Company during the automatic 30-day extended reporting period or the optional 36-month extended reporting period (if purchased by the Insured) will be considered to be made during the policy period. In order for there to be coverage for such claims, the acts giving rise to any such claims must have occurred while the policy was in full force.

DECLARATIONS AND APPLICATION

By acceptance of this policy, the Insured agrees that the statements in the Declarations and application are its agreements and representations, that this policy is issued in reliance upon the truth of such representations and that this policy embodies all agreements existing between itself and the Company or any of its agents relating to this insurance.

SPECIAL STATUTES

Any and all provisions of this policy which are in conflict with the statutes of the state wherein this policy is issued are understood, declared and acknowledged by the Company to be amended to conform to such statutes.

IN WITNESS WHEREOF, the Company has caused this policy to be signed by its Senior Vice President.

WESTERN SURETY COMPANY

By

*Paul T. Bruffat*  
**VOID**

Paul T. Bruffat, Senior Vice President

Address claims to:  
Western Surety Company  
P. O. Box 5077  
Sioux Falls, SD 57117-5077