



## Coverage Considerations: Services Related to the Corporate Transparency Act

Accounting firms have raised questions regarding potential coverage for services delivered to clients related to the Corporate Transparency Act (“CTA”). Please note, CNA can only make a coverage determination after considering the specific facts of the individual claim, the express terms and conditions of the policy, and the legal requirements of the jurisdiction in which the claim is brought. Nonetheless, the following is designed to provide some general guidance regarding how CNA’s accountants professional liability policies might respond to these questions.

### **Is coverage available for services related to the CTA?**

CNA’s accountants professional liability policies generally will cover Professional Services associated with the CTA by an Insured accounting firm, subject to other applicable policy terms, conditions, and exclusions.

*However*, two issues presented by the CTA may raise additional coverage implications.

- First, some commentators have speculated that certain activities that may be performed by accounting firms in order to assist a client with their compliance with the CTA could involve the practice of law. In many jurisdictions, practicing law without a law license is considered a criminal offense.
- Second, FinCEN’s Frequently Asked Questions regarding Beneficial Ownership Information Reporting, specifically FAQ K.3ii<sup>1</sup>, states that “an individual who willfully files a false or fraudulent beneficial ownership information report on a company’s behalf may be subject to the same civil and criminal penalties as the reporting company.”

As these two issues involve an accountant’s dishonest, fraudulent, criminal, and/or illegal activity, coverage may be limited or unavailable if one of these issues is the subject of a claim.

**What happens if it is determined at a later date that assisting a client with the CTA is the Unauthorized Practice of Law (“UPL”)? For example, the Insured assists their client with CTA compliance in 2024. In 2025, the applicable state determines that such assistance is UPL.**

If at the time the service was rendered it was considered Professional Services, CNA will continue to consider it Professional Services.

*However*, if fraudulent, criminal and/or illegal conduct is alleged, the same coverage limitations would apply as noted in the next question.

**To what extent is coverage provided if dishonest, fraudulent, criminal and/or illegal activity is alleged against the Insured?**

The policies work the same in this regard as they would with any other claim and are not CTA-specific.

State laws typically prohibit insurance companies from providing insurance for an Insured’s own fraud or criminal activity, and the CNA policies contain exclusions for both.

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<sup>1</sup> See [FinCEN Frequently Asked Questions regarding Beneficial Ownership Information Reporting](#).

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Defense costs are a little different. In general, and subject to all policy terms, conditions, and exclusions, CNA policies entitle Insureds to a legal defense whenever there is a potential of indemnity coverage under their policy.

If a civil negligence claim is made against an Insured stemming from their Professional Services related to the CTA, CNA will not decline to provide a defense merely because the claimant also alleges that the Insured has committed fraud or unlawfully practiced law. However, if the Insured actually admits to, or is found guilty of, fraud or criminal activity, the policy will not provide any indemnity coverage for it, and the policy's defense obligations for that claim may cease.

Additionally, if a civil complaint only alleges excluded fraudulent or criminal activity, neither defense nor indemnity coverage may be available. In our experience, civil complaints alleging only fraud or criminal activity are not typical.

There is also no defense cost or indemnity coverage at all for criminal complaints and charges brought in criminal proceedings.

Again, the policies work the same in this regard as they would with any other claim and are not CTA-specific.

### **Any other recommendations?**

It is important that CPAs stay alert to new developments and written guidance from reliable sources of information related to CTA compliance, such as FinCEN, the AICPA and the American Bar Association. Additionally, CPAs might wish to consult with an attorney if they have questions about their specific situation.

For additional information on CTA risks and strategies to mitigate risks, please review [Risk Alert: Navigating Corporate Transparency Act/Beneficial Ownership Reporting](#).