Tax Liability

Our Tax Liability insurance protects insureds in the event of unexpected liabilities to pay tax arising from certain identified tax positions after a successful challenge by the relevant tax authority.
Common examples of insured tax risks include withholding tax from intra-group payments or other arrangements, the tax treatment of reorganizations (internal and with third parties), S-corporation or REIT status, veracity of certain investment or production tax credits related to clean energy, tax treatment of identified deferred tax assets such as net operating loss carryforwards, and the expenses of legal and tax advisors engaged for the purposes of disputing covered tax matters with the relevant tax authority.

- Covers an identified tax position and protects taxpayers against unanticipated tax assessments (including interest), penalties, or disputes in connection with the covered position, with the intent to make taxpayers whole in the event of a challenge from the tax authority.
- Enhances deal certainty by providing coverage for identified historic risks as well as potential tax consequences of the proposed transaction, thus smoothing the negotiation process.
- May be used to backstop a seller indemnity or eliminate the need for certain seller indemnities completely, permitting sellers to release sale proceeds to their investors more efficiently.
- Safeguards against adverse tax outcomes can help maintain financial stability and protect shareholder value.
- Rather than internally earmarking substantial reserves for potential tax exposures, taxpayers can transfer certain known risks to insurers at a predictable premium.
- Lenders may view tax risk insurance as a positive risk management measure, potentially improving access to financing or more favorable terms.
- Having tax risk insurance in place for certain identified tax positions can make a business more attractive to potential buyers or investors, particularly in complex transactions.