

Tax Liability Insurance is a valuable tool for managing tax risks. It provides companies with financial protection for uncertain tax liabilities (related to historical tax positions — or uncertain positions arising as a result of a merger or acquisition) against a future challenge by a tax authority by transferring risk to an insurance provider.

For example, should specific tax concerns arise during the course of a merger or acquisition, this coverage helps where a traditional representation and warranty insurance policy may otherwise exclude such a risk. In other instances, a company might take a position on a tax issue where no clear guidance from an applicable tax authority or case law precedent currently exists. By transferring some of this potential risk to an insurance provider, the company is able to manage the risk associated with the uncertainty.

Our tax liability team possesses the expertise to develop tax liability insurance policies with coverages for estimated tax as well as any interest, penalties and defense costs. We are also able to offer coverage for a 'gross-up' for the income taxes arising from insurance proceeds received under a policy.

TAX CREDIT RECAPTURE

Tax credits generally reduce, dollar-for-dollar, the income tax liability of a taxpayer. U.S. federal and state tax credits are offered as a means to incentivize investment (e.g., investment in low-income housing, alternative energy projects, rehabilitation of historic buildings, etc.). Often, an equity investment is made in a limited partnership (or limited liability company) with a sponsor. The investment results in an allocation of tax credits and a share of partnership income and expenses.

Our tax credit recapture policy can backstop or replace a sponsor's tax indemnity to a tax equity investor by providing protection where an investment may be outside the core business of the tax equity investor or an asset-backed securitization is sought. We consider contingent exposures related to a tax authority respecting the investment structure, the qualified basis for expenses incurred and recapture of the tax credits.

Capacity: Up to \$50M available

Policy Term: Up to 84 months

TAX OPINION / LIABILITY

We consider contingent exposures related to the tax treatment of tax return positions taken in the ordinary course of business or specific tax issues in connection with broader merger or acquisition transactions (historical or contemplated).

Capacity: Up to \$50M available

Policy Term: Up to 84 months

CONTACTS

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