MERGERS & ACQUISITIONS TAX LIABILITY INSURANCE

Tax Liability Insurance is a valuable tool for managing tax risks. It allows companies financial protection for uncertain tax liabilities related to historical tax positions – or uncertain positions arising as a result of a merger or acquisition – against 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 internal risk processes.

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-fordollar, 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 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
- Capacity: Up to 84 months

A FAIRFAX Company

TAX CREDIT RECAPTURE

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
- Capacity: Up to 84 months

CONTACTS

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UNITED STATES

This information is provided as a general overview for agents and brokers. Coverage will be underwritten by an insurance subsidiary of Allied World Assurance Company Holdings, Ltd, a Fairfax company ("Allied World"). Such subsidiaries currently carry an A.M. Best rating of "A" (Excellent), a Moody's rating of "A3" (Good) and a Standard & Poor's rating of "A-" (Strong), as applicable. Coverage is offered only through licensed agents and brokers. Actual coverage may vary and is subject to policy language as issued. Coverage may not be available in all jurisdictions. Risk management services are provided or arranged through AWAC Services Company, a member company of Allied World. © 2019 Allied World Assurance Company Holdings, Ltd. All rights reserved.