



Management Liability and Professional Lines Tax Indemnity Insurance

Tax laws are complicated and vague, and taxpayers can incur significant costs when a taxing authority questions the legal foundation of a tax position. This can result in serious liabilities years after the original taxes are filed. QBE's Tax Indemnity Insurance protects insureds from this monetary uncertainty. It allows the insured to minimize or remove an anticipated contingent tax risk that results from the tax treatment of a previous transaction or other business activity.

Coverage

QBE's product insures against the financial consequences of an intended tax treatment being disallowed by relevant tax authority in situations where:

- There is no clear precedence or guidance
- Tax authority approval (e.g., PLR) is not available or cannot be received in the required timeframe
- Possible disadvantage is significant relative to transaction size/financial model does not allow for "margin for error"

It's commonly used to insure the conclusion of a tax opinion or backstop/replace the subject matter of a tax indemnity.

- **Pricing:** Can vary depending upon facts and circumstances, but is generally 4% to 8% of the policy limit
- **Deductible:** Varies based on particular risks (often no deductible is required)
- **Underwriting:** Differs by insurer (similar to R&W underwriting process); a tax opinion is not required

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Typical uses

55 spin-offs	Successor liability
338(h)(10) elections/S-Corp issues	Tax-free reorganizations
Cancellation of indebtedness	Liquidating trust status
NOL protection	Capital gain versus ordinary income treatment

Benefits

- Eases M&A transactions since the parties don't need to negotiate allocation of pre-closing tax liabilities
- Defines the financial exposure for specific tax risks in relation to the transaction or the taxpayer's operations
- Simplifies the seller's withdrawal from the business by eliminating the need for seller indemnities and/or escrows for known tax exposures
- Enhances confidence in the transaction when tax authorities do not provide timely rulings on specified tax matters

About QBE

QBE North America is a division of QBE Insurance Group Limited, one of the top insurance and reinsurance companies in the world. **We are rated A+ by Standard & Poor's and A (Excellent) by A.M. Best.*** Located in 37 countries with over 14,000 employees worldwide, we're operational in all key global insurance markets and considered a leading underwriter within our chosen markets.

* Learn more about ratings guidelines at standardandpoors.com and ambest.com.
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