

# Tax Insurance (North America)

## Today's Tax Environment

- Governments are confronted by budget deficits and political concerns that tax breaks favor Wall Street, not Main Street.
- Tax examiners are occasionally overly aggressive with respect to tax positions that are not fully understood.
- Despite the expertise of specialized tax courts (such as the U.S. Tax Court), judicial resolution is fraught with uncertainty.

## Benefits of Ryan Transactional Risk's Tax Insurance

- You are shielded against adverse publicity and reputational harm. Ryan Transactional Risk's tax insurance provides a counter story when a tax authority publishes in the press or social media that a taxpayer unfairly avoided paying its proper share of taxes. An insured taxpayer can assert that the tax position was evaluated and insured by an independent party sophisticated in tax matters.
- You will have created value in your extraordinary transaction by strengthening your balance sheet with tax insurance provided by Ryan Transactional Risk's high-quality insurers, reducing or eliminating the need for indemnities and escrows for tax risks.
- You receive cash to pay additional taxes, interest, and penalties (and typically contest costs) resulting from a successful challenge of a covered tax position by a taxing authority, subject to the terms and conditions of the policy.
- You reduce the risk of shareholder and derivative class actions that may otherwise have resulted from a tax challenge.

## What types of tax risks are insurable with Ryan Transactional Risk?

- Ryan Transactional Risk's North American tax underwriting team focuses on U.S. and Canadian federal income tax risks relating to corporations and partnerships. We also underwrite state income/franchise tax risks, risks relating to state and local property/transfer taxes and sales/use taxes, and risks relating to individuals, estates, and trusts.
- We underwrite tax controversy insurance for positions that have already been challenged by a taxing authority.
- We underwrite transfer pricing insurance as an alternative to securing an advance pricing arrangement with one or more tax authorities, an arduous process involving time, expense, and risk.

## Why Ryan Transactional Risk?

- We are sophisticated tax insurance underwriters that may help to mitigate loss. We will provide suggestions when and as appropriate without officious intermeddling. All strategic decisions remain within the Insured's authority.
- We are global.
- We do not require an opinion from tax counsel.
- We are fair, prompt, and professional in our underwriting and our handling of claims

**We are market leaders. We want to be your financial solution. Our strategic thinking, business savvy and professionalism will impress you. Our underwriting can provide access to insurance capital that will help you achieve your goals.**

For submissions and inquiries, please email [ustaxsubs@ryantrs.com](mailto:ustaxsubs@ryantrs.com).

## Contact Information

### North America

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# Tax Insurance (North America) (cont'd)

## Tax Insurance Examples and Sample Policy Terms

	Transactional Tax Insurance	Tax Controversy Insurance	Transfer Pricing Tax Insurance
<b>Examples of Insurable Tax Risks</b>	Uncertain tax positions that are identified in a transactional context (e.g., company formation, issuance of debt or equity (including hybrid instruments), special allocations, mergers, acquisitions, joint ventures, financings, taxable and non-taxable distributions, spinoffs, FIRPTA, foreign tax credits, etc.). The tax risk may arise from either the structure of the transaction, the value of the distribution or its treatment, or an historical tax position that had been taken by a company being acquired.	Uncertain tax position(s) reflected in a tax return that is under examination by a tax authority. The insured tax position(s) may have been identified in an IDR, NOPA, or notice of deficiency and may be the subject of administrative or judicial review. For Canadian tax risks, the tax position may be the subject of a Notice of Reassessment from the Canada Revenue Agency.	Uncertain tax position(s) arising from "transfer prices" - prices at which one member of a multinational enterprise ("MNE") lends money, provides services, or transfers, rents, or licenses physical goods and/or intangible property to another MNE member.
<b>Covered Loss</b>	Taxes, interest, penalties, and defense costs	Same as transactional tax insurance, but no coverage for defense costs	Same as transactional tax insurance
<b>Retention</b>	\$0 - \$250,000 for defense costs only	Varies but in appropriate circumstances can be zero	Varies but in appropriate circumstances can be zero
<b>Pricing (Subject to change)</b>	1.5% - 4% of purchased limits (assuming the program limits are approximately equal to the total loss exposure)	8% - 15% of purchased limits (assuming the program limits are approximately equal to the total loss exposure)	5% - 10% of purchased limits (assuming the program limits are approximately equal to the total loss exposure)
<b>Insured Duty to Defend</b>	The Insured must actively defend the covered tax position through a "final adjudication" unless the Insured has received the prior written consent of the Insurer(s) to settle the dispute, which consent shall not be unreasonably withheld, conditioned, or delayed.	Same as transactional tax insurance, except that tax controversy insurance generally does not cover settlements	Same as transactional tax insurance, except that transfer pricing tax insurance generally does not cover settlements
<b>Statement of Material Information</b>	A Statement of Material Information ("SMI") is included in each policy and sets forth the key facts (but not legal conclusions) relating to the covered tax position. The SMI is generally qualified by the actual knowledge of the insured. The policy would exclude any loss relating to a material inaccuracy in, or a material omission from, the SMI.	Same as transactional tax insurance, except that the SMI generally will not be knowledge qualified.	Same as transactional tax insurance, except that the SMI generally will not be knowledge qualified.

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