



THE TREASURY DEPARTMENT

Tax Insurance

About Tax Insurance

Tax insurance provides an insured with protection against a loss in the event that a tax position taken on a tax return is challenged by a taxing authority. Tax insurance is often utilized within the context of a merger or acquisition (M&A) when a known tax risk is identified in diligence. Tax insurance is also utilized to minimize risks arising from internal tax planning.

Insurable Risks:

Risks that can be insured include:

- Tax-free reorganizations and spin-offs
- Taxable spin-offs
- Availability/utilization of net operating losses
- Tax credits (investment, production, historic, low income, R&D, etc.)
- Tax status (S-corps, REITs)
- 409A and other deferred compensation issues
- State and local tax issues
- FIRPTA

Key highlights:

Ethos offers commercial terms and pricing coupled with responsive service.

- Risks located in the U.S. or Canada
- Retentions typically between 1.0% and 2.0% of the transaction value
- Premium typically between 2% and 5% of the total limits purchased
- Policy periods of up to 7 years
- Coverage for loss that includes additional taxes, interest, penalties, contest/defense costs and gross up (income tax on the insurance proceeds)

Capacity:

- Up to \$50M in capacity is available
- Secured by a consortium of Syndicates at Lloyd's of London which currently enjoys an A+ rating from Standard & Poor's, AA- from Fitch and A from A.M. Best



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Ethos Specialty is a leading Managing General Underwriter (MGU) that develops industry-specific insurance programs and provides specialized underwriting services on behalf of high-quality carrier and syndicate partners. Ethos benefits from the deep financial capabilities and underwriting expertise of its parent company, Ascot Group, and is able to match risk to multiple sources of capital as well providing the highest quality, independent underwriting service to its industry partners and capital providers.

CPP Investments

Ascot Group is owned by CPP Investments, the largest pension plan in Canada with over C\$425 billion in invested assets, representing the retirement contributions of over 20 million Canadians.

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