



Tax Insurance



Frequently asked questions

What types of taxes can be insured under Ambridge's *InterpretationGap*® policy?

Our *InterpretationGap*® policy can be offered to cover federal, state, and local tax exposures in the United States, as well as tax exposures arising in Canada, the European Union, Australia, New Zealand, and South Africa. Please contact us if you seek insurance for tax exposures in other jurisdictions.

Does Ambridge require that a tax opinion be provided as part of its underwriting process?

While a tax opinion is helpful, it is not required. A memorandum setting out the fact pattern associated with an analysis of the tax exposure by a professional tax advisor will generally provide us with adequate information to provide you with preliminary terms.

Will Ambridge offer its *InterpretationGap*® policy in the absence of a transaction?

Yes. We sometimes offer *InterpretationGap*® Tax Insurance in situations where a taxpayer's auditors require that reserves be posted despite agreeing that the practical risk of a tax liability ultimately crystallizing is unlikely.

What can be the components of covered "Loss" under an *InterpretationGap*® policy?

"Loss" can include the taxes associated with the insured tax exposure, interest on those taxes, gross-up, and in some jurisdictions, civil penalties where they are insurable by law.

How can I advise my client as to what limit of liability they should purchase for their *InterpretationGap*® policy?

As part of the underwriting process, Ambridge will request a description of how the requested limits have been calculated. This should be prepared by the insured together with its tax advisor.

How long does it take Ambridge to perform a preliminary review of an *InterpretationGap*® Tax Insurance submission?

Generally, we can provide preliminary terms within 24 to 48 hours. Completion of full underwriting is dependent upon how quickly detailed information is provided to Ambridge. Ambridge frequently can offer bindable terms within several days after receipt of the initial submission.

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Frequently asked questions *continued*

What type of underwriting submission does Ambridge need so that an initial *InterpretationGap*® insurance proposal can be offered?

We can be most responsive to your request if you are able to provide:

- a description of the tax exposure for which insurance is desired
- an outline of all facts that the potential insured's tax advisors believe are relevant to analyzing the exposure
- a calculation of the quantum of the potential tax exposure, the amount of insurance requested, and the reason(s) for requesting that amount of insurance
- confirmation that the tax exposure is not associated with a tax shelter, "reportable transaction", or "transaction of interest"
- any analysis done by a professional tax advisor.

Will Ambridge offer *InterpretationGap*® Tax Insurance in connection with transactions characterized as "transactions of interest" or "reportable transactions" by the IRS?

No. Ambridge does not underwrite any insurance product in connection with taxes, interest, or penalties that may be incurred with respect to any "reportable transaction" within the meaning of Treasury Regulation section 1.6011-4(b).

Will Ambridge offer *InterpretationGap*® Tax Insurance where a client has taken an incorrect tax position and is concerned about this position being uncovered on audit?

No. Ambridge's *InterpretationGap*® Tax Insurance product is only offered in connection with tax exposures where a taxpayer's filing position is consistent with what it believes to be proper based upon advice from tax advisors.