

## Product: Accountants Tax Liability

Manufacturer Information
<p><b>Product information</b></p> <p>InsureTax offers a specialized tax liability insurance product designed for small businesses and business owners in the US, with more efficient pricing and underwriting compared to existing market solutions.</p> <p>The insurance product covers a tax return for potential costs incurred during an IRS audit, in particular accountant / tax preparer fees and defense costs.</p> <p>The policy excludes coverage for negligence, mistakes, and fraud.</p> <p>The product is currently inappropriate for all domiciles outside of the USA as the product is based on specific knowledge and expertise of US tax laws.</p>
<p><b>Target market</b></p> <p>The Accountants Tax Liability product is specifically designed for small to mid-sized businesses in the United States that want financial protection against the costs of defending an IRS audit. It targets businesses that value certainty and expert support in managing tax audit risks. Key characteristics include:</p> <p>(1) Business Size &amp; Type</p> <ul style="list-style-type: none"> <li>- Microenterprises, Small businesses and mid-commercial entities with annual turnover under \$100 million.</li> <li>- Businesses that rely on professional tax preparation services and have their filings completed by a Certified Public Accountant (CPA).</li> <li>- Typical sectors include professional services, retail, and other industries submitting annual tax returns to the IRS.</li> </ul> <p>(2) Insurance Profile</p> <ul style="list-style-type: none"> <li>- Customers seeking specialist tax liability insurance to cover:</li> <li>- Accountant/tax preparer fees and defense costs incurred during an IRS audit.</li> <li>- Coverage limits range from \$25,000 to \$250,000 per tax return, with a deductible of 15% or \$2,000 (whichever is higher).</li> <li>- Excludes negligence, mistakes, omissions, and fraud, ensuring the product is focused on legitimate audit defense costs.</li> </ul> <p>(3) Customer Needs &amp; Behaviours</p> <ul style="list-style-type: none"> <li>- Likely to value:             <ol style="list-style-type: none"> <li>(a) Financial certainty and protection against unexpected audit-related expenses.</li> <li>(b) Efficient, technology-driven underwriting for quick and transparent pricing.</li> <li>(c) Partnerships with trusted CPAs who understand their tax position.</li> </ol> </li> <li>- Customers who want peace of mind knowing that audit defense costs will not disrupt cash flow or business operations.</li> </ul> <p>(4) Geographic Scope</p> <ul style="list-style-type: none"> <li>- U.S. only distribution, as the product is tailored to IRS audit processes and U.S. tax law requirements.</li> </ul> <p>(5) Distribution Channel</p> <ul style="list-style-type: none"> <li>- Sold via:             <ol style="list-style-type: none"> <li>(a) Specialist broker networks serving small businesses.</li> <li>(b) CPA partnerships, leveraging established client relationships and tax expertise.</li> </ol> </li> <li>- Non-advised sales process, supported by clear product documentation and suitability checks.</li> </ul> <p>(6) Circumstances Where Product Delivers Greatest Value</p> <ul style="list-style-type: none"> <li>- When a business faces an IRS audit and needs to cover professional fees and defense costs.</li> <li>- For companies that outsource tax preparation and want to mitigate the financial impact of</li> </ul>

audit-related expenses.

- Particularly valuable for businesses with complex tax filings or heightened audit risk.

This product appeals to small and mid-sized U.S. businesses that prioritise financial protection and expert support during IRS audits. It is not suitable for individuals, micro-enterprises, large corporations, or entities outside the U.S.

#### Types of customer for whom the product would be unsuitable

The Accountants Tax Liability product is not appropriate for:

(1) Individuals and Non-Business Entities

- Private individuals filing personal tax returns.
- Estates, trusts, farms, cooperatives, and other non-commercial entities.

(2) Large Corporations

- Large corporations with annual turnover exceeding \$100 million, which typically have in-house tax teams and alternative risk management solutions.

(3) Businesses Outside the U.S.

- Any entity not subject to IRS tax audits or not filing U.S. tax returns.
- Companies operating exclusively outside the United States.

(4) Customers Expecting Broader Tax Coverage

- Businesses seeking protection for negligence, omissions, mistakes, or fraudulent acts, as these are excluded under the policy.
- Customers looking for coverage beyond audit-related defence costs (e.g., penalties, interest, or tax liabilities).

(5) Entities Without Professional Tax Preparation

- Businesses that do not use a Certified Public Accountant (CPA) or registered tax preparer for their filings, as the product is designed for CPA-prepared returns.

#### Any notable exclusions or circumstances where the product will not respond

##### Exclusions:

Policy terms sets a list of exclusions, including (but not limited to):

- Omissions (losses arising from not reporting specific income or transaction on the tax return)
- Mistakes (losses from resulting from errors in the information provided in the tax return)
- Fraudulent acts
- Undisclosed information (that was required to be reported)
- Failure to perform by the insured

##### Limit of Liability:

- The coverage is limited to \$250,000 per tax return. the insured can change the requested coverage between \$25,000 and up to \$250,000.

##### Excesses:

- A deductible of either 15% or \$2,000, whichever is higher, applies to every claim

#### Other information which may be relevant to distributors

This product should be sold in line with FCA regulations or local regulations and can only be sold by a regulated insurance distributor.

Distributors are expected to fully understand the eligibility criteria, covers and exclusions of the product.

This product can be sold face to face, via email/online calls, online system, or a mix of these methods, as long as customers are provided with sufficient information to make an informed decision regarding the suitability of the product.

Where Distributor 1 sells this Product via multiple other distributors (via sub-delegation or sub-brokering), it is their responsibility to ensure all distributors have been provided this document, have

reviewed it and understand the content. If there is any additional remuneration, including commissions, fees or other 'non-standard' remuneration charged to the customer by other distributors, it is the responsibility of Distributor 1 to inform TMK of these details accurately and in full.

#### **Commission & Fees**

Brokers are reminded of their own regulatory obligations in relation to remuneration under PROD 4.3.6 as well as the requirements to make all necessary disclosures to the customer.

Where there are any fees charged by any member of the distribution chain these should be:

- commensurate with the service provided by the distribution.
- not have an adverse impact on customer value; and
- distributor should ensure that TMKS is made aware of the fee amount and/ or method of calculation.

#### **How value is assessed**

Value is assessed based on a number of metrics, including underwriting, claims and complaints information as well as through broker and coverholder engagement.

Remuneration paid as set out in our agreements with distributors has been considered as part of the value assessment.

If additional add-ons (including premium finance) are sold alongside this product or additional remuneration is charged, this may affect the value for the customer.

Further information on our product approval processes can be obtained on request.

Date Fair Value assessment completed	January 2026
Expected date of next assessment	January 2027