

The evolving role of tax in insurance

Navigating uncertainty and bracing for change

The changing role of the tax director

Tax considerations continue to play a critical role in the financial health and strategic decision-making for insurers. In an evolving regulatory landscape, tax professionals are tasked with navigating several complex issues, from managing the impact of changing tax laws and regulations to dealing with the C-suite.

Tax directors are no longer solely focused on tax planning and compliance. They are expected to be strategic partners to the business, providing valuable insights and guidance on a wide range of issues. They must possess a deep understanding of the industry, a keen ability to anticipate and manage risk, and the skills to effectively communicate and collaborate with stakeholders across the organization.

Managing uncertainty in the face of potential tax changes

With the possibility of major tax reform, tax leaders continue to work under a sense of uncertainty. From the “fiscal cliff” of expiring tax provisions to proposals for raising or lowering the corporate rate, tax directors need to stay on top of changes that could dramatically impact their companies’ tax positions and liabilities. Modeling potential scenarios and forecasting is critical. However, the lack of clarity makes it challenging to determine appropriate investment levels in preparedness measures.

The global tax landscape is shifting rapidly, introducing new complexities for insurers. The Organization for Economic Cooperation and Development's Pillar Two model rules seek to implement a 15 percent global minimum tax, impacting the multinational insurance industry.

A close-up photograph of a person's hands working on a tax-related document. One hand holds a pen, and the other holds a calculator, suggesting calculations or data entry. The document has printed text and some handwritten notes. The background is slightly blurred.

With the possibility of further US tax reforms, companies face tough decisions around their global footprint and operating models. Maintaining flexibility while engaging directly with policymakers and through industry associations will be critical to navigating an uncertain tax environment.

Dealing with increased tax audits

Insurance companies are facing a rising tide of tax audits and controversies from federal and state authorities. As the Internal Revenue Service gets bolstered funding and staffing, the lull in audit activity during the COVID-19 pandemic is giving way to a flurry of examinations. Insurers are devoting significant resources to responding to wide-ranging information requests, while dealing with ever-evolving complex tax rules and structures governing insurance companies.

State audits also remain a persistent concern, particularly for insurers with a nationwide footprint of acquired entities and legacy issues. Tax teams are proactively tracking audit trends by jurisdiction, analyzing where controversies tend to arise, and adjusting filing positions accordingly.

Robust data management and documentation processes are critical to minimize disruption and substantiate tax treatments. By investing in tax control frameworks, audit response playbooks, and building relationships with auditors up front, insurance tax departments can tackle issues more effectively.

Adapting to new work models and deploying technology

The COVID-19 pandemic acted as a catalyst for insurance companies to embrace remote work and digitalization of the tax function. What was once an office-bound, paper-heavy process had to rapidly evolve as tax teams dispersed. While the shift to a distributed workforce model enables hiring from a wider talent pool, it also creates new challenges around training, giving feedback, and maintaining team cohesion. Leaders increasingly rely on shared project management tools, regular check-ins, and newsletters to help maintain a sense of connection.

Technology has become an imperative rather than a nice-to-have as tax departments are being asked to do more with fewer resources. Robotic process automation, data analysis platforms, and AI-powered software can take over routine tasks that previously tied up valuable human capital. However, there is also an underlying uncertainty around investing in new tax tech with the lingering possibility of major regulatory changes.

The key is flexibility—leveraging outsourcing partners for commodity work, implementing tools that can scale across jurisdictions, and prioritizing data governance. Those who can deftly navigate both the culture shift and digital transformation will be well-positioned for the future tax workforce.

Ensuring tax has a seat at the table

Tax leaders have an opportunity to be seen as strategic partners by providing strategic tax advice up front. This requires building strong relationships across the organization by understanding the responsibilities, fears, and pain points of colleagues in other functions. Taking the time to learn how to communicate tax matters in a relatable way that highlights the value-add, rather than using insular tax jargon, goes a long way.

Tax professionals should seek opportunities to get involved in initiatives early and make others feel that their contributions have a meaningful impact on tax. Even taking on tasks outside their normal purview can foster goodwill and ensure they get looped in next time.



One thing that tax people always like to say is make sure I get a seat at the table. Be it a deal, a restructuring, implementation of a new technology, make sure tax is there because we'll advise you."

**Joe Vaccaro, Tax Sector Leader,
Insurance, KPMG LLP**

Another effective approach is to prove the tax team's role as trusted advisers providing accurate analysis that improves outcomes. Having a robust system for identifying and managing tax risks and opportunities related to transactions, restructurings, and technology deployments can position the tax function as an indispensable partner. With a seat at the table, tax can resolve issues proactively.



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