

Mergers & Acquisitions Transactional Insurance

Overview of Transactional Insurance Solutions

Representations & Warranties Insurance

- Used by private equity and strategic buyers to increase competitive position in auctions – offer sellers a limited or no indemnity deal
- Facilitates clean exits sellers avoid escrows and holdbacks, and distribute proceeds to investors
- Acceptance and use of product has increased dramatically over last five years

Tax Insurance

- Insure tax positions to facilitate transactions
- Covers taxes, penalties, interest and contest costs in the event of a challenge by the IRS or other tax authority
- Wide range of tax issues can be insured, including:
 - Tax-free mergers
 - S-corporation issues
 - Net operating losses
 - Alternative energy credits
 - Sales and use tax

Contingent Liability/Pending Litigation/Other Insurance

- Used by buyers and sellers to transfer risk on contingent exposures to insurers
- Pending litigation
- Environmental
- Successor liability
- Fraudulent conveyance
- Loss portfolio transfer
- Antitrust consent

Legislative contingency

Fund liquidation

REPRESENTATIONS & WARRANTIES ("R&W") INSURANCE OVERVIEW

• Provides insured with coverage for breaches of covered representations and warranties in acquisition agreement

 \bullet One time premium payment typically in range of 2% to 3.25% of coverage limits purchased, plus underwriting fee, excess brokerage fee (if applicable) and applicable taxes

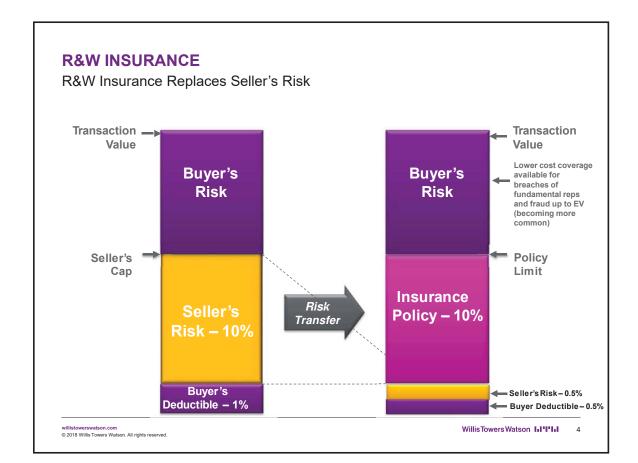
Market Capacity

- Over 20 U.S. underwriting markets including carriers and managing general underwriters that underwrite on behalf of one or more insurers
- In excess of ~\$1 billion in coverage limits available for a single deal
- Global market

Parties

- Deal parties (buyer, seller, respective counsel)
- Underwriters
- Insurance brokers (sophisticated brokers and underwriters now staffed by many former M&A and/or insurance attorneys)

 • Underwriting counsel







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Title search: Transactional Insurance - Market Overview and Key Issues

Also available as part of the eCourse 2018 Mergers and Acquisitions eConference

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