

Transactional Risk Insurance

Market overview & trending topics

18th Annual Mergers & Acquisitions Institute
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Transactional insurance solutions

Our team offers tailored solutions to transactional risk allocation

Representations and warranties insurance:

Offers protection for **unknown breaches** of target and seller representations and warranties in a purchase agreement

Tax liability insurance:

Offers protection against a **known tax risk or uncertain tax position** that is challenged by a tax authority and is not otherwise covered by an RWI policy. Each placement led by an in-house tax expert

Insurance solutions

Contingent liability insurance:

Offers protection for a **broad range of known contingent risks** for which neither party to a transaction will accept financial responsibility

Tailored solutions:

Offers protection across a **wide array of bespoke transactional risks** such as insurance on GP-led secondaries transactions, real estate investments, de-spac transactions, etc.

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Representations and Warranties Insurance (RWI)

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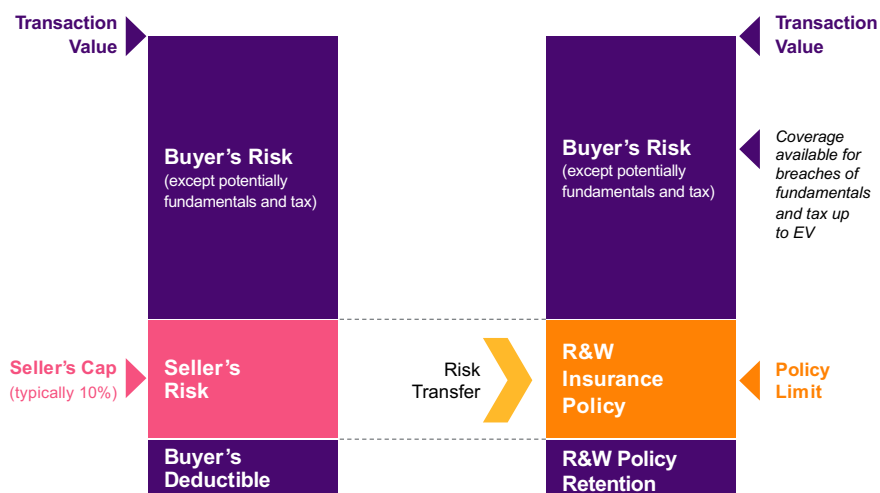
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R&W insurance

Risk transfer to an insurer mirrors a traditional seller indemnity and works “back-to-back” with a purchase agreement



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Benefits and uses

All parties benefit through transferring risk to an insurer

| Buyers | Sellers |
|--|--|
| <ul style="list-style-type: none"> Receive broader representations under a policy than sellers may otherwise offer | <ul style="list-style-type: none"> Collect proceeds up front without funds tied up in escrow |
| <ul style="list-style-type: none"> Benefit from extended survival periods (customarily 3 years for general representations & 6 years for fundamental representations) | <ul style="list-style-type: none"> Avoid post-closing contingent liabilities and proceedings |
| <ul style="list-style-type: none"> Avoid post-closing proceedings with sellers who may remain active at the company | <ul style="list-style-type: none"> Reduce the risk of prolonged or contentious negotiation over representations and indemnification provisions in a transaction agreement |
| <ul style="list-style-type: none"> Benefit from security where there is concern over the ability to collect indemnification | <ul style="list-style-type: none"> For minority and passive investors, receive protection from any indemnity obligations arising out of joint and several liability obligations |

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Overview: Buyer-side coverage

Over 99% of RWI policies are buyer-side policies

| | RWI insurance |
|-----------|--|
| Term | <ul style="list-style-type: none"> 3 years for General Reps 6 years for Fundamental reps Coverage for 6 years for all reps may be available depending on the deal characteristics |
| Limit | <ul style="list-style-type: none"> Insureds select the coverage limit amount according to preference and risk appetite Coverage available for excess fundamentals and tax risk |
| Retention | <ul style="list-style-type: none"> Typically, 1.0% of deal value Most commonly either split 50/50 with seller, or follow a "no seller indemnity" structure |
| Fraud | <ul style="list-style-type: none"> Buyer-side policies cover seller fraud (the definition of fraud is reviewed by underwriters), so long as the insurer maintains subrogation's rights |

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"RWI Update and the Due Diligence and Underwriting Process"