

Transactional Insurance Solutions

Overview and Market Update

September 2023

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About WTW

By cultivating long-term client relationships, we have served many clients from our earliest days. We meet clients with respect, a strong sense of advocacy and an emphasis on excellence. These values define our relationships with our clients now and in the future.

We have
46,000
employees
serving more than
140
countries and markets.



We've been putting
clients first
since **1828**



We work with
449 of the
Fortune Global
500
93 of the
FTSE **100**
893 of the
U.S. Fortune **1000**
and thousands of non-Fortune-listed companies

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Transactional Insurance Solutions

Overview of Placement Lines



Representations & Warranties Insurance

- Offers protection for unknown breaches of target and seller representations and warranties in a purchase agreement
- Used by private equity and strategic buyers to increase competitive position in auctions — offer sellers a limited or no indemnity deal



Tax Insurance

- Offers protection against financial loss arising from a tax challenge of a known tax risk or uncertain tax position
- Wide range of tax issues can be insured, including:
 - Tax-free mergers
 - S-corporation issues
 - Net operating losses
 - Alternative energy credits



Contingent Liability

- Offers protection for a broad range of known legal and regulatory contingent risks
 - Pending litigation
 - Antitrust consent
 - Legislative contingency



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Representations and warranties insurance

Transfers risk of loss for unknown breaches to an insurer

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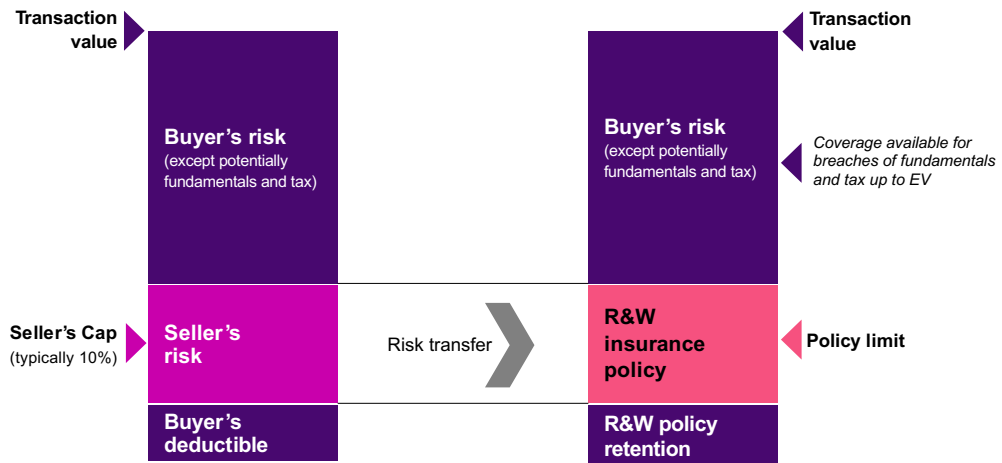
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R&W insurance

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



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Representations & Warranties Insurance


Overview


R&W Basics


 Protects against financial losses from breaches of representations and warranties given by sellers and/or target company.


 Most policies (over 99%) are **Buy-side policies** – provides buyer with indemnification protection while allowing sellers to exit with minimal escrows/indemnity obligations.


 Underwriting based on review of buyer's due diligence process.


 Buyer policies cover seller fraud – subrogation waived against sellers except for fraud.

 Covers breaches of Representations & Warranties for up to six (6) years post-closing.

 Premium: One-time payment, typically in the range of 2.40% - 2.80% of limits insured (e.g., \$240,000-\$280,000 for a \$10 million limit) in the U.S. market (lower pricing in European market).

 Retention: Typically, minimum 0.50% of purchase price/enterprise value subject to carrier 'minimum requirements'; lower for larger (i.e. >\$250M) or competitive deals

 Retention funded either by a combination of the buyer deductible and seller indemnity (in acquisition agreement) or is entirely buyer funded. Typically reduces to match buyer deductible amount 12-18 months after closing (0.5% to 1% of enterprise value).

 Public company-style/no-seller indemnity structures are also most common.

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Also available as part of the eCourse

[2023 Mergers and Acquisitions eConference](#)

First appeared as part of the conference materials for the
19th Annual Mergers and Acquisitions Institute session

"Getting the Piper Paid: Successfully Navigating the RWI Claims Process"