

Insurance can be used as a cost effective way of offsetting risks that arise in the ordinary course of business or that are identified during a transaction or financing.

At HWF we are able to structure insurance backed solutions to ring-fence potential issues providing certainty when that issue crystallises.

What makes a risk insurable?

The key function of Contingent Risk Insurance is to remove the financial uncertainty of an adverse determination or crystallisation of the liability. For a risk to be insurable the following criteria are necessary:

- Advice from a credible advisor. This can include due diligence reports, structure papers or legal opinions.
- The risk must be quantifiable.
- The probability of loss needs to be relatively low and supported by advice.

ISSUES THAT CAN BE COVERED

Balance sheet liabilities/ capital release:

If a business has provided for contingent liabilities, insurance can ring-fence such liabilities removing them from the balance sheet.

Known matters relating to:

- ◆ Pensions
- ◆ Environmental
- ◆ Litigation/ matters under appeal
- ◆ TUPE/Employees
- ◆ Contractual liabilities

Key Points:

- Policy can insure an issue directly or sit behind a contractual indemnity.
- Policy term up to a maximum of 10 years.
- A policy will either insure the whole liability or provide cover in excess of the probable outcome.
- Where full cover is provided there may be a small excess on the policy that relates to defence costs.
- Premiums typically range from 2-8% of the limit to be insured depending on the perceived risk of the issue.
- The policy will exclude fraud of the insured party including wilful concealment of key information from insurers.

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