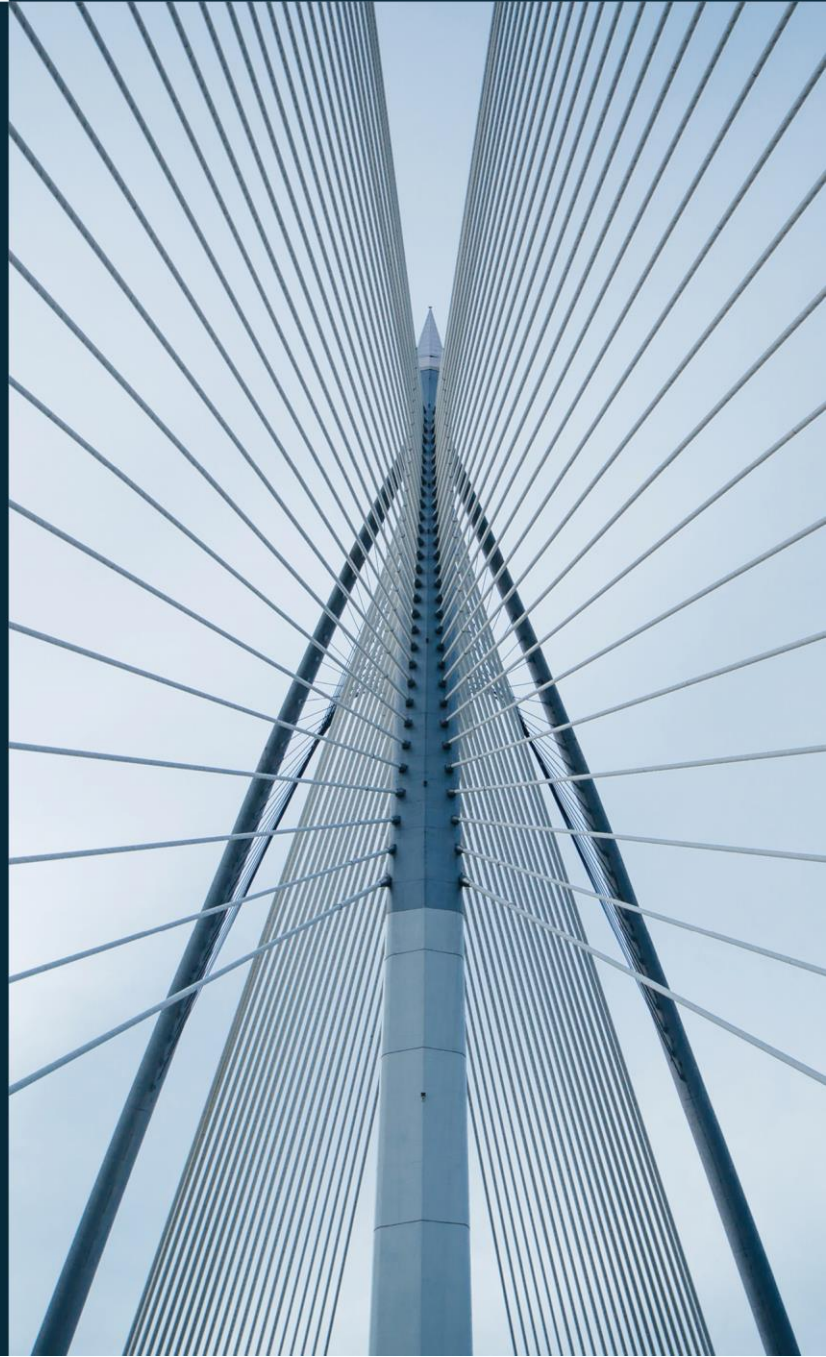




## Insuring Contingent Risks

PROVIDING CERTAINTY



# Insuring Contingent Risks

**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.**

HWF are able to structure insurance backed solutions to ring-fence potential issues providing certainty if such an 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 relevant 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.

### Key points:

- Provides buyers with a recourse mechanism for warranty breaches and claims under the tax indemnity.
- Reduces the likelihood of difficult negotiations.
- The buyer can tactically explore each option in turn with the seller.
- Works best where the limits to be insured are in excess of 10% of the total deal value and over £5m.
- The earlier we are involved, the more value the

### ISSUES THAT CAN BE COVERED

#### Known matters relating to:

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

#### 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.

## About us

**HWF is a specialist independent M&A insurance broker and advisor led by senior professionals with extensive experience in M&A transactions.**

The team works with many leading legal and financial advisors and provides services to private equity, infrastructure funds, corporates, management teams, real estate firms and banks.

The team have over 100 years of combined experience in this market and have advised on over 2,000 global M&A deals, with values ranging from £5m - £10bn.

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