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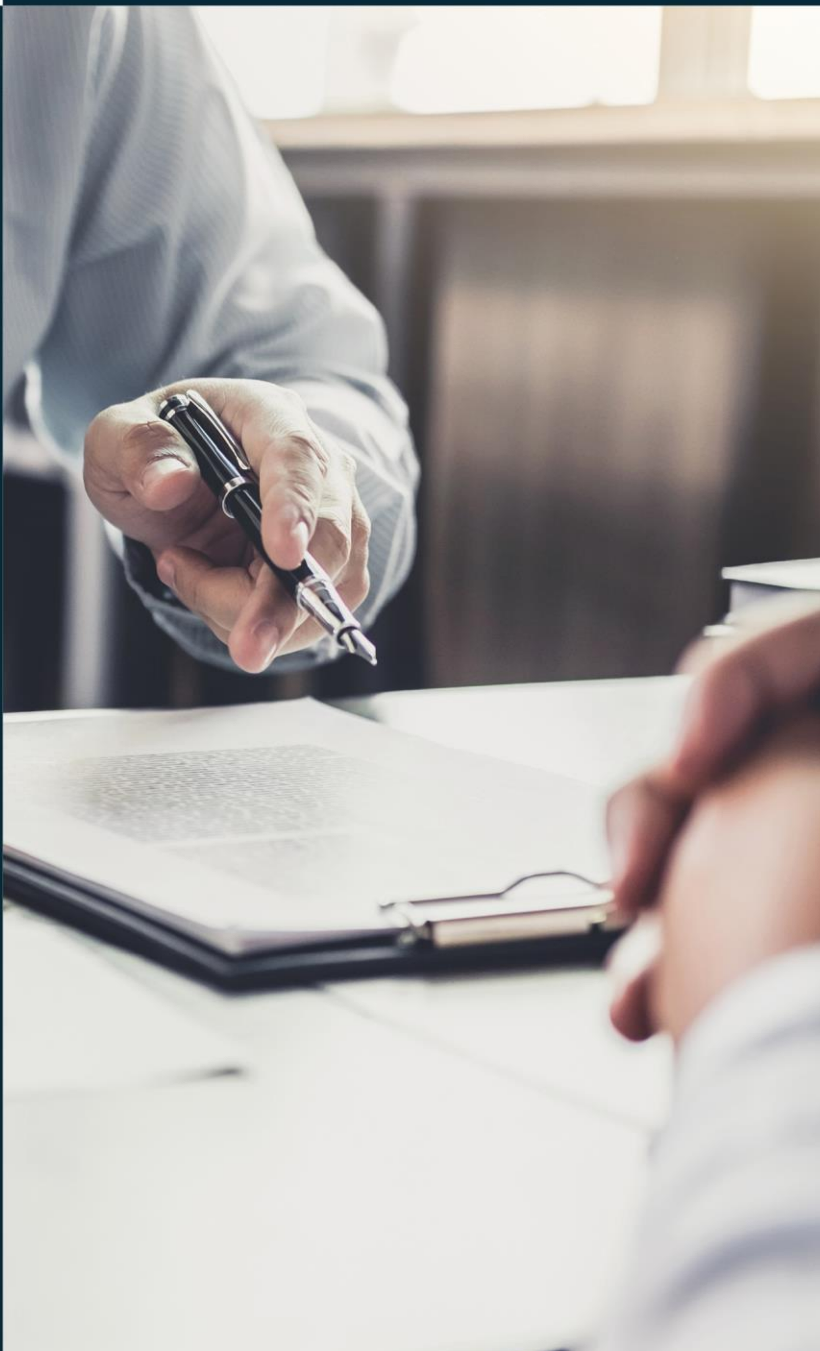
Giving Sellers a Clean Exit



PROVIDING **CERTAINTY**

Giving Sellers a Clean Exit

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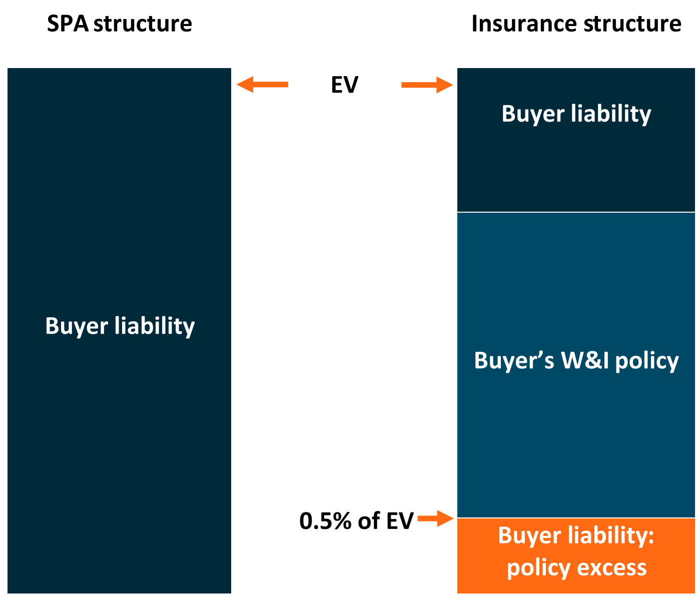
The growth of transactional risk insurance has been driven by buyers and sellers using the products as a strategic tool to materially reduce the contractual liabilities of the seller – enabling them to execute transactions more efficiently.

A seller will typically resist having to tie up sale proceeds or have any residual liabilities post completion. A failure by the parties to reach agreement on liability apportionment can adversely impact the transaction; making negotiation difficult, affecting the target's value, or leading to deadlock.

A seller-initiated buyer warranty & indemnity ("**W&I**") insurance policy is the tool of choice for bridging this gap in the expectations of the parties.



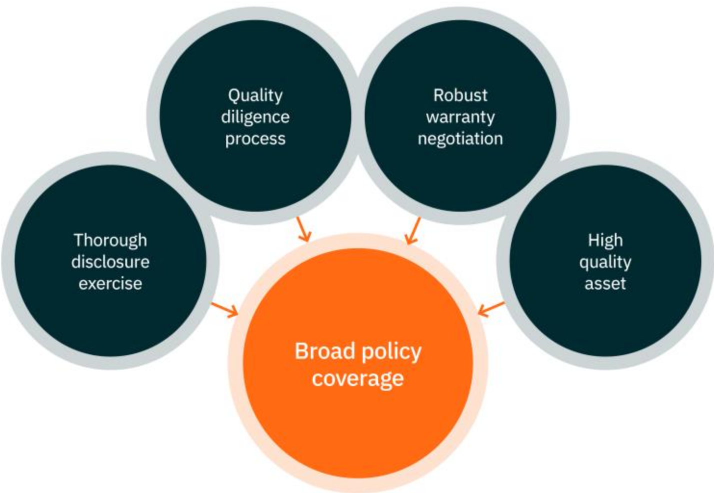
Key Points:

- Sellers and/or management give the warranties (and a tax indemnity) in the normal course but are typically able to cap their liability, often at £/€/$1.
- The policy provides protection over and above a policy excess, typically set at around 0.5% of enterprise value ("**EV**").
- No requirement for the buyer to pursue the warrantors before claiming under the policy. In addition, insurers will waive subrogation rights against the warrantors save for fraud.
- Cover is typically for 2 years for general warranties and 7 years for title and tax.
- The seller will often pay for at least a portion of the premium in recognition of the reduction of their exposure.

Who benefits?

This solution is particularly relevant for the following parties:

- Exiting financial investors who want to distribute proceeds.
- Individuals or management teams who want certainty over sale proceeds.
- Banks, trusts or other institutions selling assets they have had limited or no control of (e.g. loan to own).
- Funds looking to wind up with no residual liabilities.

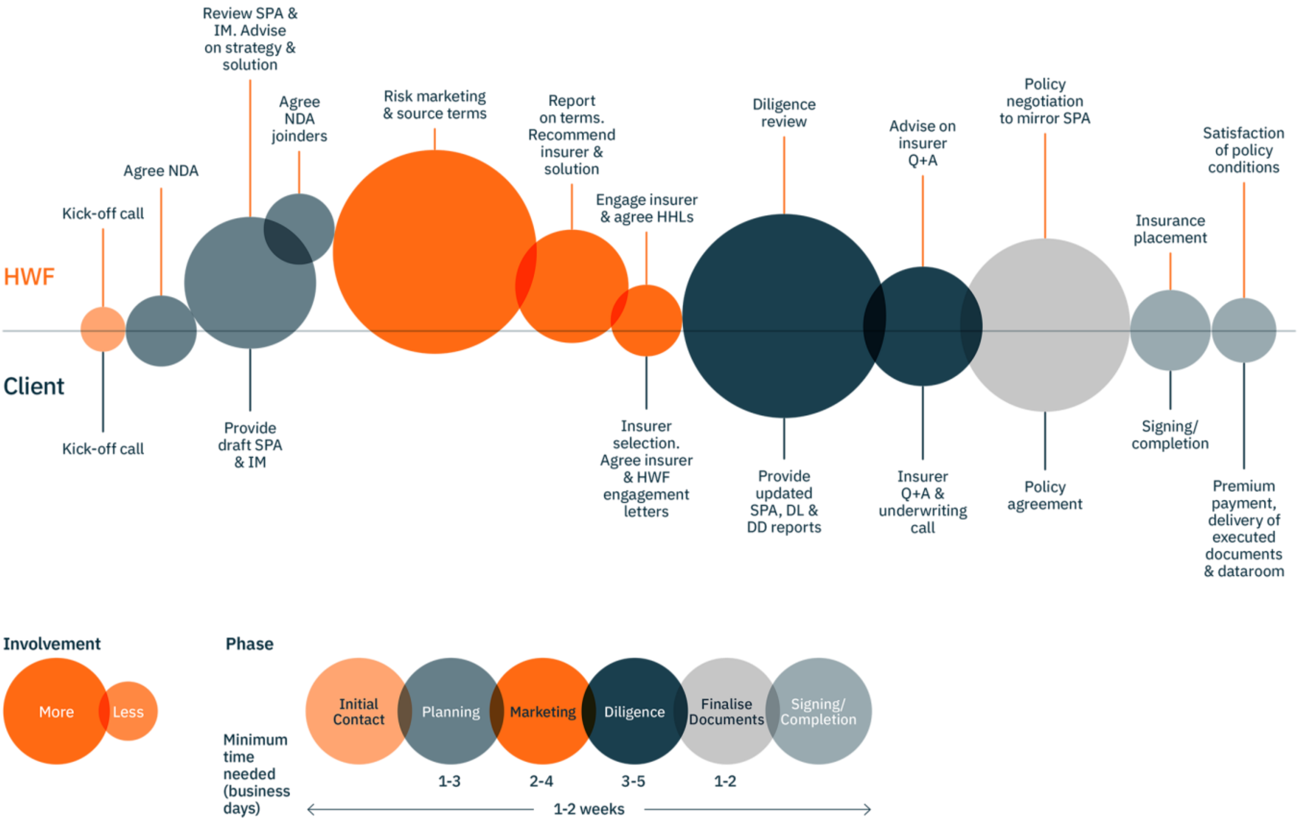


CONTINUED OVERLEAF

Process

There are a number of stages involved in the securing of insurance terms and the placement of an insurance policy. The key aspects of each stage of a standard process are below.

It should be noted that this will always be tailored to the specific requirements of each transaction.



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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