

R&W INSURANCE GUIDE



REPRESENTATIONS & WARRANTIES INSURANCE HELPS FACILITATE BUSINESS DEALS.



THE HARTFORD'S COMPETITIVE ADVANTAGES

- Our underwriting, legal, tax and accounting expertise enables us to provide highly customized coverage.
- Our streamlined, in-house underwriting process enables us to move as quickly as necessary to facilitate a transaction.
- Our experienced, in-house claims handling helps ensure customer satisfaction.

In most merger and acquisition (M&A) transactions, the seller makes contractual representations and warranties to the buyer regarding key facts about the seller's business. The Hartford offers representations & warranties (R&W) insurance to protect against losses arising from breaches of the R&W in a merger or acquisition agreement.

OFFER THE COVERAGE THAT HELPS YOUR CLIENTS REDUCE COMMON M&A RISKS

- Fundamental reps relating to ownership of equity and assets.
- Inaccuracies in the financial statements, such as overstatements of accounts receivable or inventory.
- Inaccurate tax returns and unpaid taxes.
- Issues with ownership or infringement of intellectual property, employee benefits and compensation, and compliance with laws and regulations.

R&W INSURANCE PROTECTS PARTIES ON EITHER SIDE OF A SALE

- **Seller-based policy** – Covers a seller for defense costs and losses resulting from claims made by the buyer for inaccuracies in the R&W.
- **Buyer-based policy** – Enables a buyer to recover losses (including defense costs) from the insurer without having to locate and pursue the seller and its assets.

YOU CAN HELP YOUR CLIENTS OPTIMIZE THEIR TRANSACTIONAL OUTCOMES

- **Enhanced bargaining position** – R&W coverage streamlines negotiations and allows a buyer to enhance its bid by reducing the indemnity ceiling and escrow.
- **Insurance protection that mitigates surprises** – A buyer-side policy provides the insured with assurance that the value of the acquired business will not be reduced by unexpected liabilities. Such a policy even covers loss resulting from seller fraud, provided the buyer had no knowledge of the fraud. A seller-side policy enables the insured to walk away from the closing with confidence that the proceeds it receives in the transaction will not be diminished by subsequent legal claims.
- **Deal facilitation** – R&W insurance can facilitate transactions by eliminating a risk that neither party is willing to assume.
- **Enhanced return on investment** – R&W insurance enables a private equity fund seller to distribute the proceeds of a transaction without putting up internal reserves, thus enhancing its ROI.
- **Smooth risk transfer** – Backed by the financial strength of The Hartford, R&W insurance coverage fills due diligence gaps by indemnifying the seller or providing first-party coverage for the buyer.
- **Facilitate financing or support subsequent resale** – Buyer-side coverage can be assigned to a lender or subsequent purchaser. This feature enhances the value of the acquired assets by facilitating asset-based financing or eliminating concerns of a potential buyer.

WE OFFER FLEXIBLE TERMS

Our maximum policy limit is \$40 million. Although premiums and deductibles vary in accordance with the size and risk of the corresponding transactions, our minimum premium is generally \$150,000, and our minimum deductible is typically \$500,000. The policy term is usually up to six years.

OUR BROAD UNDERWRITING APPETITE CAN HELP GROW YOUR BUSINESS

Coverage is available for most business classes except insurance companies, banks and other financial institutions.

High-risk exposures such as environmental liability for heavy manufacturing, government payor billing compliance for healthcare, and product liability exposure for pharmaceuticals may be subject to exclusions.

HERE'S THE FULL LIST OF DOCUMENTS FOR THE SUBMISSION PROCESS

- (i) A formal application is helpful, though not necessary. The basic underwriting information that is required includes:
 - Names of the potential insured, target company and acquiring company
 - The expected purchase price for the acquisition
 - The requested policy limit and coverage terms
 - The latest draft of the acquisition agreement
 - The most recently audited or reviewed financial statements of the target company
 - Any offering memorandum or other marketing material available.
- (ii) If the insurance is being purchased because a heightened risk has been identified, a brief explanation is required.
- (iii) A nondisclosure agreement can be provided, if required to protect confidential information.
- (iv) A non-binding indication is provided after review of the initial submission documents, generally within two business days. The indication letter will specify: (a) proposed policy terms and conditions, subject to satisfactory underwriting review; and (b) additional steps required to finalize the underwriting process.
- (v) Coverage is generally bound one to two weeks after the initial submission. However, when necessary, we can move as fast as the deal requires.

TO LEARN MORE, CONTACT:

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The above information is not intended to provide legal or accounting advice and is not intended to replace or amend the particular terms and conditions of any insurance policy actually issued. The scenarios summarized above are offered only as examples. Coverage depends on the actual facts of each case and the terms, conditions and exclusions of each individual policy. All information and representations herein are as of January 2018.

In Texas and California, insurance is underwritten by Twin City Fire Insurance Company.



**THE
HARTFORD**

Business Insurance
Employee Benefits
Auto
Home