Representations and Warranties Insurance

Protect your clients’ business deals with Representations and Warranties (R&W) Insurance, brought to you by Great American E&S Insurance Company.

In most merger and acquisition (M&A) transactions, the seller makes contractual representations and warranties regarding its business. R&W insurance protects your clients’ business deals against losses arising from R&W breaches. Great American’s R&W insurance offers:

- On-staff underwriting, legal, tax and accounting experts to provide highly customized coverage
- Experienced claims handling to ensure customer satisfaction
- The backing of an A+ rated carrier, committed to long-term security

Common risks that R&W insurance covers include errors in tax returns and/or financial statements; unpaid taxes; employee benefit package issues; asset and equity ownership; intellectual property; and much more. Your clients also benefit from:

- **Streamlined negotiations.** Less time negotiating can also mean a reduced indemnity ceiling and escrow.
- **Fewer surprises.** Whether seller-side or buyer-side, R&W insurance policies help your clients walk away from closing with confidence.
- **Facilitated deals.** R&W insurance can help eliminate risks neither party is willing to assume.
- **Enhanced ROI.** Transactional proceeds can be distributed without putting up internal reserves.
- **Simple risk transfer.** Backed by the financial strength of Great American E&S Insurance Company, due diligence gaps are filled.
- **Facilitated financing.** Buyer-side policies can help support financing or subsequent resale by assigning coverage to the lender or subsequent purchaser.

**Coverage Highlights**

- Both seller- and buyer-based policies are available
- Minimum premium is generally $250,000
- Minimum deductible is generally $500,000
- Maximum policy limit is $50 million
- Policy term is generally up to six years
- Coverage available for most business classes, including healthcare
- Tax indemnity insurance
- Notable exclusions include insurance companies, banks and other financial institutions. High-risk exposures may be subject to exclusions as well.
To submit a Representations & Warranties Insurance policy:

- Provide basic underwriting information, including:
  - Name(s) of potential insured
  - Target company
  - Acquiring company
  - Requested policy limit
  - Current acquisition agreement draft
  - Acquisition purchase price
  - Desired retention
  - Most recent audited financial statements of the target company
  - If available, an offering memorandum
- A brief explanation of any identified heightened risks
- A nondisclosure agreement, if confidential information protection is needed
- After review of the initial submission, a non-binding indication is provided.
  The indication will specify:
  - Proposed policy terms and conditions (subject to underwriting review)
  - Additional steps required
- Although we can move as fast as the deal requires, coverage is generally bound two to three weeks after full submission is received

**Tax Indemnity Insurance** covers the risk associated with uncertain tax positions, including taxes, penalties and interest that may be incurred after or as part of a merger or acquisition. Generally, submission requirements include a legal opinion or tax memorandum addressing the uncertain tax position, a loss calculation (determination of what the potential additional tax, penalties and interest may be) and the reason that tax insurance is being requested together with associated tax returns.

**To get started or to learn more, contact:**

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