

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.



Where experience meets expertise.

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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Great American E & S Insurance Company Ratings

A.M. Best A+ (Superior)

Standard & Poor's A+

Moody's A1

A.M. Best rating affirmed August 11, 2017. S&P rating affirmed February 8, 2017. Moody's rating affirmed April 19, 2017.

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