



# M&A AUCTIONS: INSURANCE GIVES THE EDGE FOR BUYERS

With the race for prized assets and the increasing number of bidders for them, M&A auction processes are becoming a fast-moving, bidding battle. Dealmakers must work at incredible speeds, whilst maintaining their appropriate level of due diligence and financial objectives.

M&A Insurance provides transaction parties and their advisers a competitive advantage by:

**Offering lower liability caps for sellers without adjusting the purchase price; these can be both time period and monetary value:**

- 🕒 Buyers can offer sellers 1 year for General Warranties and 2 years for Tax Warranties, then have **W&I** top these up to 2 and 7 years respectively
- 💰 Buyers can offer sellers a 1% (or lower) liability cap against the transaction value, then have **W&I** top this up to 20% (or more)

**Removing specific Indemnity obligations from sellers, substituting with insurance:**

- 📄 Residency, SDLT, VAT, CGT and others can be covered by **Tax**
- ⚖️ Litigation, change in regulation and other liabilities can be addressed by **Contingent**

**Providing pre and post-completion protection:**

- 🔒 Alleviates security concerns surrounding sellers' ability to stand behind warranties
- 🤝 Protects buyers' relationship with Management, shifting indemnification process to Insurers



## Insurance Available

### Warranty & Indemnity (W&I)

Covers a breach of warranties made by sellers in a purchase agreement, which are unknown at completion.

### Tax

Covers specific tax exposures identified in due diligence, which may be challenged by a tax authority in the future.

### Contingent

Covers either ongoing or potential legal, regulatory or other contingent issues.