Mergers, acquisitions and disposals are a necessary part of corporate dynamics. However, each one presents a completely new and unique set of risk issues for the company to consider. These issues need to be addressed during the course of negotiations, and risks need to be allocated agreeably between the deal parties. Some aspects of a corporate transaction can be difficult to resolve, and should no solution be found, can impede, hinder or delay its completion.

Transaction risk insurance (TRI) products are often employed to effectively bridge a gap between the deal parties’ positions (typically between buyer and seller) and at times can even enhance them.

Warranty and indemnity insurance (W&I) provides protection against financial loss arising due to the breach of warranties and indemnities given in a sale and purchase agreement (SPA). There are two types of W&I policy, “buyer” or “seller” side policies, which are structured to meet the risk retention and recourse requirements of the deal parties and are set up to follow the SPA closely.

Coverage can:
• Enable the seller to limit exposure to liability for any breach of warranties
• Protect the value of the buyer’s investment in the target
• Facilitate the transaction by removing potential “deal-breakers” over risk allocation
• Reduce greatly, or eliminate, the need for escrow, delayed payments or loan notes
• Enhance the deal by providing security to support the warranties

Tax opinion liability insurance (Tax) and contingent risk transfer insurance (Contingent) are also included in the TRI range and cover areas that fall outside the SPA yet relate to the transaction; for example, tax issues or known circumstances.

HCC Global Financial Products (HCC Global) specialises in customising innovative transaction risk insurance solutions, allowing the seller to protect deal proceeds while the buyer gains adequate recourse should any unexpected losses or liabilities arise once the deal is finalised.

The complexity of risks inherent in a corporate level transaction, such as a merger or acquisition, can be such that they threaten the deal itself.
Transaction Risk Insurance (continued)

Financial Strength
HCC insurance companies are highly rated:
• AA- (Very Strong) by Standard & Poor’s
• AA- (Very Strong) by Fitch Ratings
• A+ (Superior) by A.M. Best Company
• A1 (Good Security) by Moody’s Investors Service

Programme Features
• Financial capacity of up to €40 million (US$40 million or £25 million) per TRI policy
• Primary or excess

A Smart Approach
Our centralised and unified management structure promotes real-time interaction between our transnational teams of underwriting, claims and legal professionals. The fact that our assets are consolidated under “one roof” makes us institutionally quick: quick to respond; to provide intelligent advice, innovative solutions and efficient claims handling.

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Not all coverages or products may be available in all jurisdictions. The description of coverage in these pages is for information purposes only. Actual coverages will vary based on local law requirements and the terms and conditions of the policy issued. The information described herein does not amend, or otherwise affect, the terms and conditions of any insurance policy issued by HCC. In the event that a policy is inconsistent with the information described herein, the language of the policy will take precedence.

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