

Representations and Warranties Insurance

# Unlocking Value through M&A Insurance

**AON**

# Representations and Warranties Insurance helps Secure Investments and Enhance Returns

Concerns about known and unknown risks can prevent a deal from closing or leave buyers with unwanted liabilities, placing both sellers and buyers at risk of not realizing their desired goals. Representations and warranties insurance is a proven tool that can both allow deal professionals to bridge gaps between buyers and sellers and help improve deal outcomes.

Aon leads the representations and warranties insurance market both in terms of limits placed

and policies written. Your deal is supported by a global team of experienced M&A lawyers and professionals who expertly manage your transaction through the entire process.

We understand and appreciate the complexity, time-sensitivity and unique nature of each deal, and will become an extension of your deal team. Aon can help identify red-flag issues before they become deal breakers and, most importantly, we can help you close your deals on time with maximum value realized.

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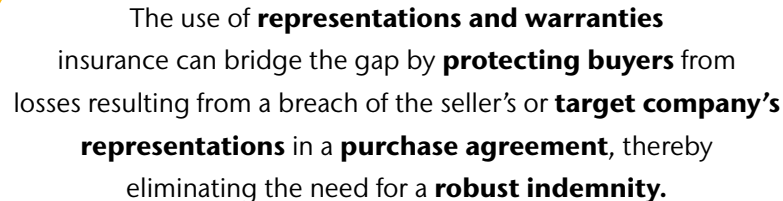
## With Representations & Warranties Insurance:

### Sellers can

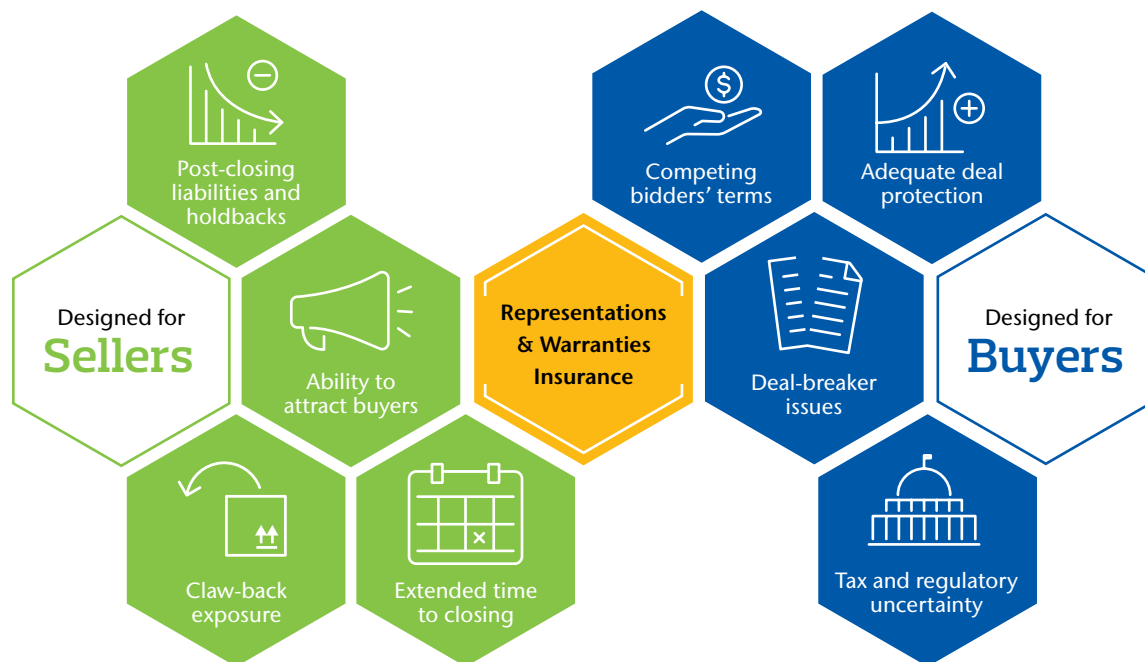
- Expedite the sale process
- Exit deals with increased funds
- Attract best offers
- Reduce or eliminate post-closing indemnity obligations
- Reduce contingent liabilities
- Protect passive sellers

### Buyers can

- Increase maximum indemnification
- Extend survival periods
- Emerge as more attractive bidders
- Protect key relationships with management at the target
- Ease collection concerns from distressed or credit-challenged sellers
- Obtain recourse for unidentified issues



The use of **representations and warranties** insurance can bridge the gap by **protecting buyers** from losses resulting from a breach of the seller's or **target company's representations** in a **purchase agreement**, thereby eliminating the need for a **robust indemnity**.



## Our policies can strengthen outcomes for both sellers and buyers:

### Sellers can

#### Secure a Clean Exit

Representations & warranties insurance typically reduces or replaces a seller's indemnification obligation to a buyer, thereby minimizing its post-closing liabilities and maximizing its distribution of proceeds at closing.

#### How it Works

Sellers offer potential bidders an insurance policy in lieu of an indemnity supported by an escrow. This enables buyers to negotiate similar or even better coverage than the seller would have provided through a traditional indemnity structure.

### Buyers can

#### Improve Competitiveness and Increase Certainty

Representations & warranties insurance covers a buyer as a supplement to, or in lieu of, a seller indemnity. Under a buyer policy, coverage can be crafted to provide a greater dollar amount of coverage than seller is willing to offer, and also to extend the duration of buyer's protection; or the policy can be crafted to provide the buyer's sole source of protection when the seller is simply unwilling to provide any indemnity at all.

These strategies are particularly effective when bidding in an auction or when facing a particularly risk-averse seller such as a family-owned business or late-stage fund.

#### How it Works

A buyer simply incorporates R&W insurance into its bid with or without the knowledge of seller by offering a seller-friendly indemnity package, and then procuring coverage in lieu of that seller protection. The underwriting process is completed without seller involvement and, the parties can negotiate who covers the cost of the coverage; some buyers simply bake the cost of coverage into their valuation, effectively (but not explicitly) shifting the cost to the seller.

# Aon's Transaction Solutions Team

Aon's Transaction Solutions team has been leading the creation and advancement of Transaction Liability Insurance since the market's inception. Comprised of former senior M&A and tax attorneys and other senior M&A leaders, we bring a depth of knowledge and passion for developing tailored solutions to your complex deal risks that is unparalleled in this industry. We know first-hand that the timing and sensitivity of a deal is paramount to its success and work closely with your deal team and our insurance providers to advise and execute solutions that improve your deal outcomes.

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## About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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