

// howden

W&I Insurance The New M&A Standard

**עו"ד אורן ורבר // מנהל תחום עסקאות M&A
האודן // ברוקר הביטוח הבינלאומי הגדול בישראל**



Insurance

"an agreement with a third party, in which you pay them an amount of money and they agree to pay the costs if you lose or damage something."



In the land of the blind, the one-eyed man is king.
(Desiderius Erasmus)

VDR

DD Reports

**Representations
&
Disclosures**

Insurance

M&A Insurance in a Nutshell

Unknown Risks

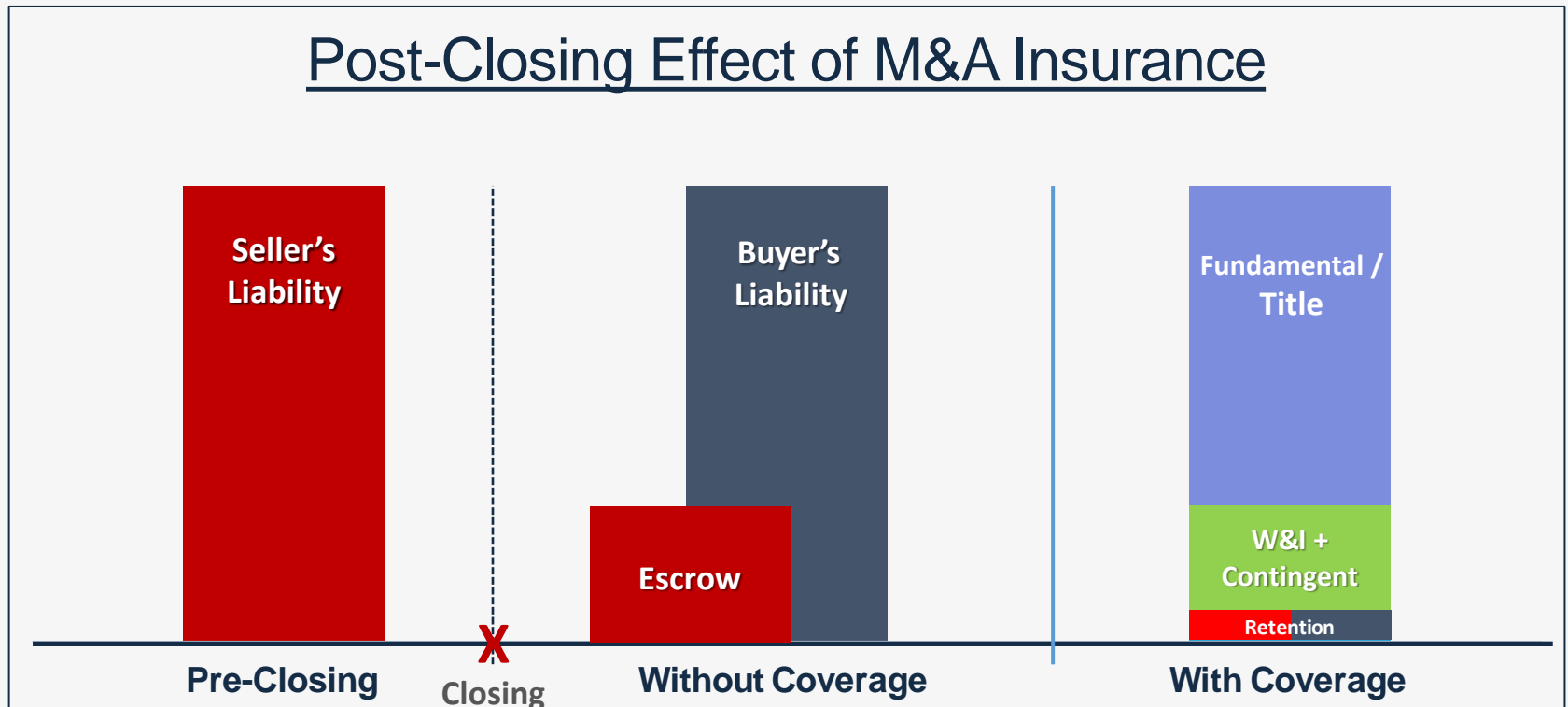
W&I / R&W
Fundamental / Title

Known Risks

Tax
Litigation
Environmental
IP
Etc...

“Contract Breach” Coverage
No need to pursue a claim against sellers

Benefits of M&A insurance

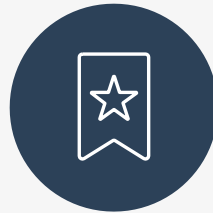


Benefits of M&A insurance

Sellers



More cash on Completion



Favorable terms in SPA

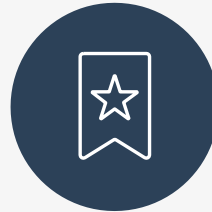


Unlocks negotiations

Buyers



Maintains relationships



Favorable terms than SPA



Bid differentiation



Buy-Side Vs. Sell-Side coverage

- **99.8%** of M&A policies in 2021 were Buy-Side
- Both Parties benefit from Buy-Side Coverage
- Sell-Side Staple → “Flip” → Buy-Side coverage





W&I / R&W Insurance – Benchmark Terms

Process	~ 2-3 week from LOI to Inception	
Required for Indications	LOI / SPA, CIM & Target Financials.	
Inception	Signing (Closing also possible, but less favorable)	
Policy limit	10% – 30% of EV (Market Benchmark is 19%)	
Deductible (in the agg.)	0.25% – 1% of EV	
Policy period	6/7 years for Tax and Fundamental Reps 3 years for General Reps	
Pricing for the period	European Style	1.25% - 2.5% of Policy Limit
	US Style	3% - 4% of Policy Limit

Practical Guidance

Purchase Agreement

- Balanced set of warranties
- Repetition of warranties at Closing
- Importance of definitions
- Limitation Provisions
- Buyer's and Seller's knowledge



Thank you!

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Regulatory information for Howden M&A

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A Snapshot on Claims (2015 – H1 2022)

12%

of policies have received claims

74%

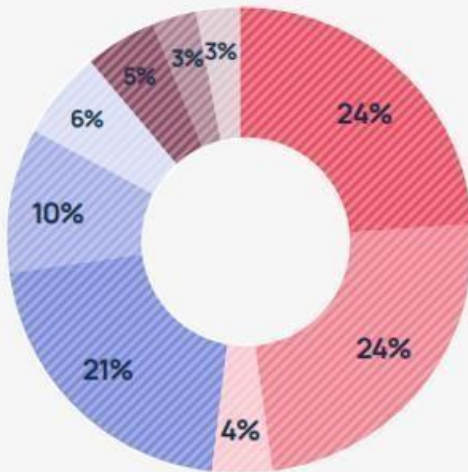
of claims have received coverage

Closed claims with actual loss



● Covered Paid	40%
● Covered Paid Quantum Issues	10%
● Initially Declined and Paid	7%
● Vaidly Declined	26%
● Within Retention	17%
Total	100%

Distribution of Claimed Breaches



- Material Contracts
- Financial Statements
- Compliance with Laws
- Tax
- Litigation
- Fundamental Warranties
- IP
- Information
- Employment

Reasons for declinature



● Actual Knowledge	10%
● Breach Conditions	10%
● Disclosed	20%
● Property Defects Exclusion	40%
● Transfer Pricing Exclusion	20%
Total	100%