

Warranty & Indemnity Insurance



The prevalence of Private Equity has helped fuel large numbers of acquisitions and disposals over recent years, and this activity appears set to continue as we emerge from the recent financial crisis. As a result, many clients are being acquired.

During this tough economic climate, parties in transactions have become much more risk averse. Buyers often insist on greater warranty caps and placement of consideration in escrow. Buyers are also concerned about the financial covenants of some sellers. Many sellers wish to utilise sale proceeds to repay loans but find it difficult when they have significant warranty & indemnity obligations.

Virtually all private sales of businesses require the sellers to provide warranties and indemnities to purchasers. Often these warranties and indemnities are a seven-year obligation.

But what if you wanted to spend the proceeds of your sale but risked a claim from the purchaser during the next seven years?

What if you were to sell-up, retire and were later faced with litigation from an aggressive purchaser of your business?

Insurance can provide a comprehensive solution and for a one-off premium it is possible to purchase a Warranty & Indemnity policy which could provide specific cover for these types of exposures including:

- a policy period of up to seven years
- defence costs cover
- settlement protection
- protection for all warrantors.

If you are faced with a warranty claim, defence costs and settlement protection could be exactly what you need.



Warranty & Indemnity Insurance (W&I) can remove a large amount of risk and uncertainty from the transaction would provide the peace of mind you need and can be used in many situations:

- to enable parties to release or utilise their sale proceeds
- to break a deal deadlock to equalize a mismatch in expectations between the parties on risk allocation
- to allow the parties to “get comfortable” with their negotiated position
- to satisfy lenders

It is important that you make enquiries about Warranty & Indemnity Insurance (W&I) as early as possible in the transaction process. Warranty & Indemnity Insurance (W&I) policies are bespoke to each individual contract and as such the earlier Insurers are involved the more the cover is tailored to your needs.

For further information, contact one of the **Vantage Professional Risks** team members on 020 7655 8020 or pi@vantageinsurance.co.uk

Contact the team on
020 7655 8020

pi@vantageinsurance.co.uk
www.vantageprofessionalrisks.co.uk