

HOW IT'S DONE

REPRESENTATIONS AND WARRANTIES INSURANCE

WHAT IS IT?

Transactional Liability Insurance provides coverage for the representations and warranties that are made in a Share Purchase Agreement (SPA). If any of the warranties are breached the buyer may have a right to financial recourse from the seller. Representations and Warranties Insurance transfers this liability to the Insurance market. In addition, the product can be used to facilitate deals by insuring specific tax indemnities as well as any ongoing litigation or contingent liabilities that may be obstructing a deal.

SELLER POLICY

The seller can insure the liability incurred when selling a business, facilitating a 'clean exit' and peace of mind.

BUYER POLICY

A buyer can insure against their loss for the breach of a warranty, thus making any bid for a business more attractive to a seller. The insurance can also be bought if there are uncertainties surrounding the ability to actually claim against the seller, such as difficulties pursuing a seller in an unfamiliar jurisdiction or the inability of the seller to fulfill its financial obligations.

HOWDEN CAPABILITIES

A specialist provider of insurance solutions to the international Private Equity Industry, Howden has developed a thorough understanding of the insurance requirements in M&A deals in the UK and internationally. Our Transactional Liability Team has developed close relationships with key London insurers allowing us to negotiate terms for our clients wherever they are located.

* Bloomberg Global Legal Advisory Mergers and Acquisitions Rankings Q2 2011

GLOBAL MERGER & ACQUISITION ACTIVITY

Despite an uncertain economic climate we have seen a large increase in the number of worldwide M&A deals; activity in the second quarter of 2011 exceeded \$640 billion in aggregate volume, representing a 40% increase from the same period last year, with cross-border deals accounting for 48%*. With this growth in M&A there is an increasing interest in transactional liability insurance which has more than doubled in the past year.

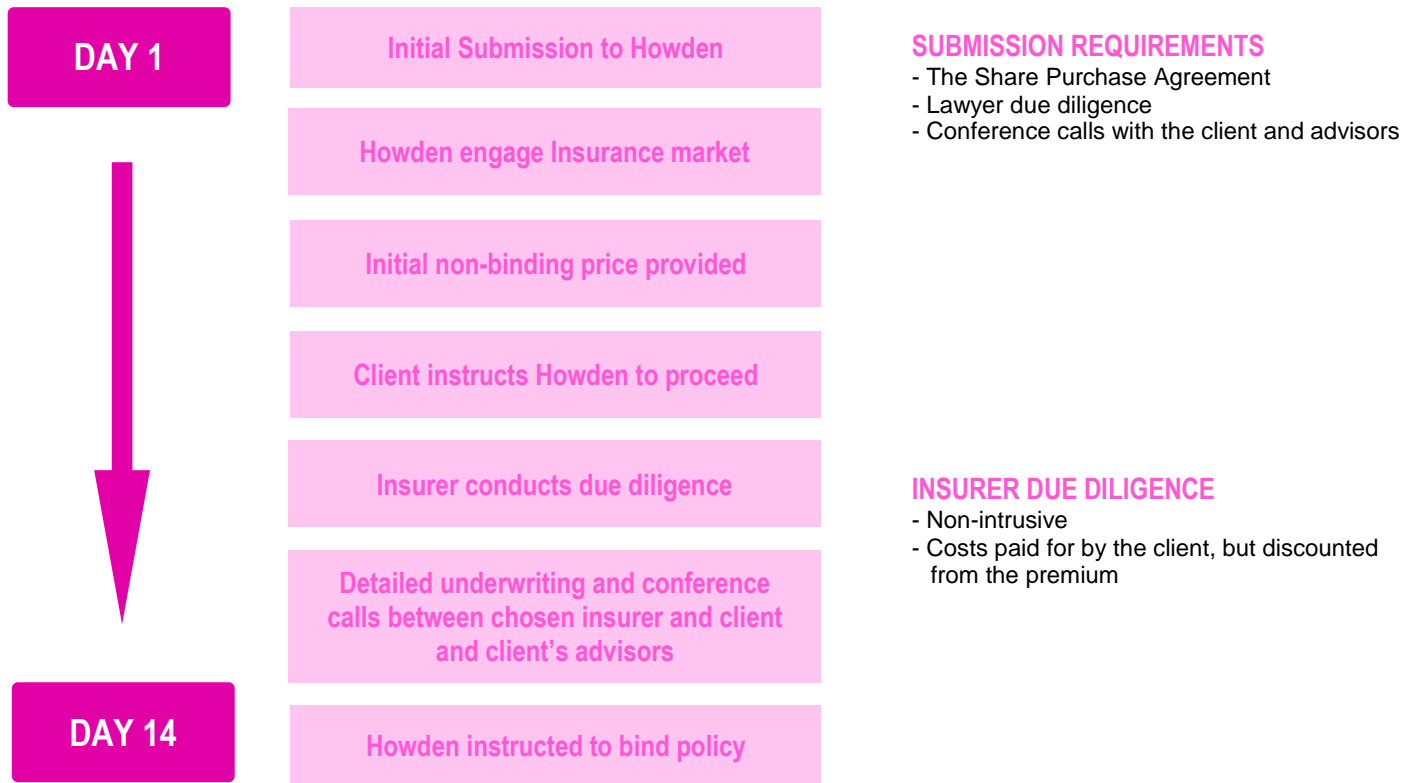
POLICY STRUCTURE

The policy is tailored to the transaction, to match the warranties in the SPA, with the governing law and jurisdiction chosen by the policyholder. Defence costs are covered and paid for upfront and seller fraud is covered under a Buyer Policy. The policy periods will be in line with the SPA, providing back-to-back coverage.

A TOOL FOR PRIVATE EQUITY

In any investment environment, Private Equity Firms are required to mitigate risk. When entering an investment, insurance can help to differentiate a bid and is increasingly required by debt providers to cover the financial obligations of sellers. When exiting an investment, insurance allows the transfer of liability and release of money to investors. Coverage can also be obtained retrospectively and applied to a group of past exits.

THE PROCESS



Above timeline dependent on complexity of M&A deal.

For more information about Representations and Warranties Insurance, please contact:

Charles Langdale

Tel: +44 (0)20 7645 9353

clangdale@howdengroup.com

Richard French

Tel: +44 (0)20 7645 9313

rfrench@howdengroup.com

Tim Crowley

Tel: +44 (0)20 7648 7187

tcrowley@howdengroup.com

Joe O'Brien

Tel: +44 (0)20 7648 7344

jobrien@howdengroup.com

Please note this is a summary for information purposes only, it is not exhaustive and it does not form part of the policy or quotation of cover. Not all of the above will be offered in every case. Please refer to the policy and the quotation of cover provided in respect of a specific case for all terms, conditions and exclusions applicable.

ABOUT HOWDEN

Howden Insurance Brokers Limited is an FSA authorised Lloyd's Broker and part of the Hyperion Insurance Group, a UK headquartered and independent private equity backed insurance business. Howden is a niche insurance broker and has specialised in financial lines products for the financial institutions sector ever since it was first formed.

Howden were named Insurance Broker of the Year at the 2011 British Insurance Awards.