

Insurance Due Diligence

Howden's dedicated Insurance Due Diligence (IDD) team has a wealth of experience in pre-acquisition insurance due diligence and post-acquisition placement solutions. Our main clients include private equity, infrastructure and corporates looking to either acquire a new company or make a divestment.

We offer expert advice on all risk & insurance matters of the target by utilising the skills and experience from our specialist teams throughout the wider Howden business, including but not limited to; Financial Lines Insurance, Health & Care, Global & Corporate Risk, Energy, Real Estate & Construction, Fine Art and Education.

Our diligence will highlight projected balance provisions as well as assessing the adequacy of the insurance arrangements of the target. We will then develop a red/amber/green (RAG) list of insurance recommendations to enable our clients to execute the pre/post-closing strategy.

Benefits of IDD

Whether it is a pre-acquisition buy-side due diligence or a vendor due diligence project, we assess the insurance risks and opportunities of investing in a business. The valuation of the target will be impaired if the insurance costs are incorrect and/or the target company has been under insuring. As such, it is key for both sellers and buyers to focus on understanding the target's insurance programme at the early stages of a transaction.

Structure and content of a Howden M&A IDD Report

At the outset, we will have a discussion with you with respect to the type of report that is required, i.e. red flag or a comprehensive report. As part of any project, we will:

- inform you if:
 - the cost of insurance will decrease, increase or stay the same; and
 - whether there are any additional insurance costs;
- assess the current insurance arrangements of the target and identify any uninsured and under-insured exposures;
- assess the claims experience and identify any adverse trends;
- identify issues that could result in unexpected losses post-completion;
- recommend risk and insurance provisions in the SPA;
- include recommendations for signing and closing in respect of insurance issues;
- comment upon any key insurance information which might impact upon your decision to proceed with the acquisition;
- help achieve post completion reductions/synergies; and
- structure a stand-alone insurance programme, if required.

Case study

A corporate client engaged us on the buy side to deliver an IDD report on a carve-out transaction. Given that the existing insurance policies covered the entirety of the group, including those entities remaining with the seller, the seller was reluctant to provide the policy documents and claims listings. This made a review of the current insurance arrangements almost impossible. By working with the buy-side legal advisors we uncovered a significant claim that occurred prior to completion.

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