

Transaction Risk Insurance



Mergers, acquisitions and disposals are a necessary part of corporate dynamics. However, each one presents a completely new and unique set of risk issues for the company to consider. These issues need to be addressed during the course of negotiations, and risks need to be allocated agreeably between the deal parties. Some aspects of a corporate transaction can be difficult to resolve, and should no solution be found, can impede, hinder or delay its completion.

Transaction risk insurance (TRI) products are often employed to effectively bridge a gap between the deal parties' positions (typically between buyer and seller) and at times can even enhance them.

Warranty and indemnity insurance (W&I) provides protection against financial loss arising due to the breach of warranties and indemnities given in a sale and purchase agreement (SPA). There are two types of W&I policy, "buyer" or "seller" side policies, which are structured to meet the risk retention and recourse requirements of the deal parties and are set up to follow the SPA closely.



The complexity of risks inherent in a corporate level transaction, such as a merger or acquisition, can be such that they threaten the deal itself.

Coverage can:

- Enable the seller to limit exposure to liability for any breach of warranties
- Protect the value of the buyer's investment in the target
- Facilitate the transaction by removing potential "deal-breakers" over risk allocation
- Reduce greatly, or eliminate, the need for escrow, delayed payments or loan notes
- Enhance the deal by providing security to support the warranties

Tax opinion liability insurance (Tax) and contingent risk transfer insurance (Contingent) are also included in the TRI range and cover areas that fall outside the SPA yet relate to the transaction; for example, tax issues or known circumstances.

HCC Global Financial Products (HCC Global) specialises in customising innovative transaction risk insurance solutions, allowing the seller to protect deal proceeds while the buyer gains adequate recourse should any unexpected losses or liabilities arise once the deal is finalised.

Transaction Risk Insurance (continued)

Financial Strength

HCC Global is a subsidiary of HCC Insurance Holdings, Inc., which is rated:

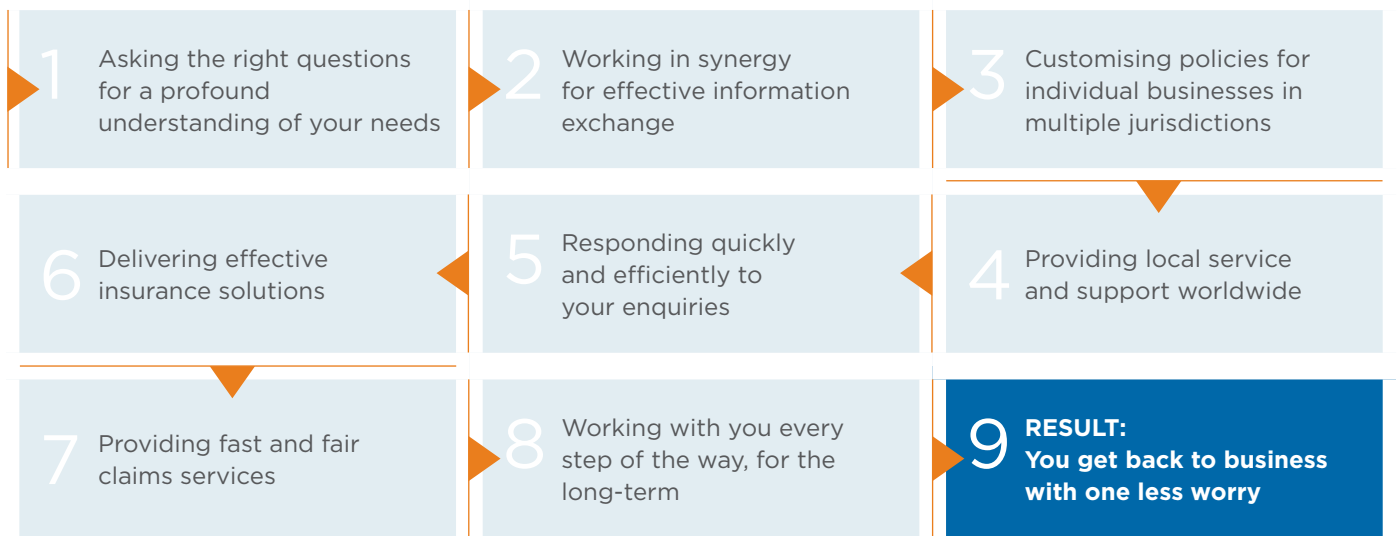
- AA (Very Strong) by Standard & Poor's
- AA (Very Strong) by Fitch Ratings
- A+ (Superior) by A.M. Best Company

Programme Features

- Financial capacity of up to €15 million (US\$15 million or £10 million) per TRI policy
- Primary or excess

A Smart Approach

Our centralised and unified management structure promotes real-time interaction between our transnational teams of underwriting, claims and legal professionals. The fact that our assets are consolidated under "one roof" makes us institutionally quick: quick to respond; to provide intelligent advice, innovative solutions and efficient claims handling.



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HCC Global Financial Products, S.L. -Sole Shareholder Company- is a tied insurance agency acting on behalf of HCC International Insurance Company PLC, registered under the code E0191B61956629 in the Special Register for Insurance Intermediaries, Reinsurance Brokers and their Senior Posts of the Directorate General of Insurance and Pension Funds of Spain (Dirección General de Seguros y Fondos de Pensiones).

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December 2011