



Unlocking Value through M&A Insurance

▶ Securing Investments and Enhancing Returns

Aon's deep understanding of mergers & acquisitions allows us to develop solutions tailored to the unique risks of each deal. In addition to representation and warranty insurance, our services include customized solutions that protect your investments in the face of many uncertainties such as tax or pending litigation.

Effectively using Aon's services, our clients are secure in the knowledge that their deals are managed by a team whose experience and global expertise is unsurpassed in the M&A insurance industry.


Introduction

Concern for known and unknown risks can prevent a deal from coming to fruition or leave buyers with unwanted liabilities, placing both sellers and buyers at risk for not realizing their desired objectives. M&A insurance can help buyers and sellers transfer these exposures to a third party, thereby reducing execution risk and increasing both parties' confidence that a deal is protected and returns will be maximized.

The Aon team delivers a boutique service experience from seasoned former practicing M&A, tax and litigation attorneys and deal professionals who have the depth and experience within a leading global organization to address your deal's financial uncertainty and unlock greater opportunities. We offer the broadest range of solutions in the market and leverage unparalleled insurance carrier relationship on behalf of our clients.

Aon's Transaction Solutions include:

- Representations and Warranties Insurance
- Tax Insurance
- Tax Credit Insurance
- Litigation Insurance
- Bespoke Contingent Risk Solutions



We're with you throughout the life of your deal - from structuring through claim resolution - providing skilled coordination and strategic advice on your timing.

M&A Insurance

M&A insurance solutions have become a standard component of M&A structures. When divesting a company, M&A insurance helps you achieve a cleaner exit, allowing sellers to put money back to work more quickly and providing buyers with comparable or greater levels of protection than traditional indemnification. Buyers who do not consider representation and warranty, tax or contingent liability insurance can find themselves at a disadvantage given today's competitive landscape.

Representation and Warranty Insurance

Aon leads the representation and warranty insurance market both in terms of limits placed and policies written. Your deal is supported by a global team of experienced M&A lawyers and deal professionals who expertly manage your deal through the entire process.

From financial statement errors to potential environmental issues or undisclosed regulatory exposures, unknown risks are inherent in acquisitions. Because of this uncertainty, sellers typically are required to indemnify buyers, tying up a portion of their sale proceeds for a considerable period of time. Conversely, buyers, are looking for certainty to protect against losses should a breach occur.

The use of representation and warranty insurance can bridge that gap by protecting buyers from losses resulting from a breach of sellers' representations in a purchase agreement and eliminating the need for a robust indemnity. Using this approach, sellers can walk away with all of the sale proceeds at closing and buyers start their ownership with the peace of mind that the value of the deal will not be eroded after the close.

Tax Insurance

As the dominant global tax insurance broker, our team of global tax lawyers brings unparalleled experience and depth to help you achieve certainty with respect to the tax treatment of your deal or items uncovered through diligence.

Today's tax structures and their legal, financial and business implications have grown rapidly in both size and complexity. The impact of an unexpected tax challenge can significantly compromise the value from a deal. Tax insurance was designed to protect you in the event that a transaction fails to qualify for its intended tax treatment. Tax insurance can cover losses including taxes payable, interest and penalties, and gross-up amounts for tax due on insurance proceeds. It can also cover contest costs tied to the defense of the position.

In the case of an acquisition of a target with a large tax exposure, tax insurance can help move both parties past a difficult or even insurmountable negotiation. As a strategic financial tool, tax insurance benefits a seller looking to cover its indemnity obligation for pre-close tax exposures, or allow a buyer to insure itself against a heightened tax issue rather than seek a special indemnity that can hinder the deal.

Outside of an M&A transaction, tax insurance has broader uses and concepts and can protect companies without a transaction. It can also protect tax-equity investors from the numerous tax risks to which they are exposed to. It can also be used to manage exposures when no transaction involving other parties is present.

Outside of an M&A transaction, tax insurance has broader uses and benefits and can protect tax-equity investors from the numerous tax risks that these institutional investors are exposed to.

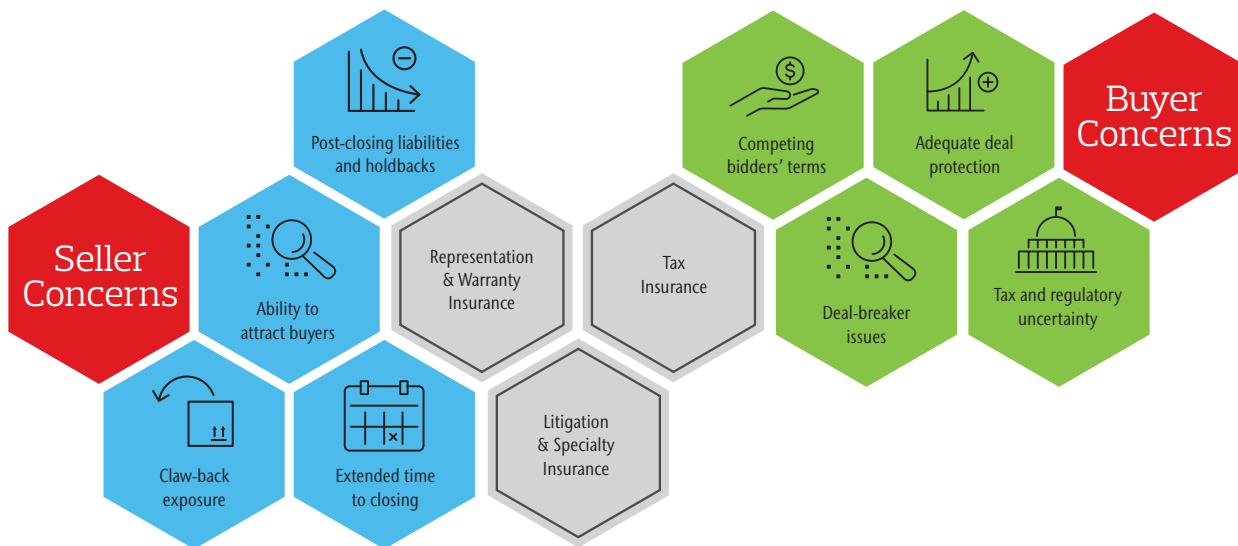
Where Tax Insurance can be applied:

M&A transactions

- S corporations
- Reorganizations (tax-free and taxable)
- Section 355 spin-offs
- REITs/real estate acquisition/sales
- NOL carryforwards
- Partnership issues
- Employee benefits issues

Other transactions and investments

- Tax Risk Management (balance sheet protection without a deal)
- Federal and State Tax Credits
- Cross Border and International Issues



Contingent and Litigation Insurance

When a transaction has a risk exposure with the potential for significant loss, such as pending litigation or successor liability, the potential damages can be hard to measure. Because of the unpredictable nature of such events, sellers may find it difficult to attract a buyer who is unwilling to assume an open-ended exposure to loss. Further complicating this type of situation is the fact that these events are often unique and lack the benefit of history to calculate the scope of the exposure.

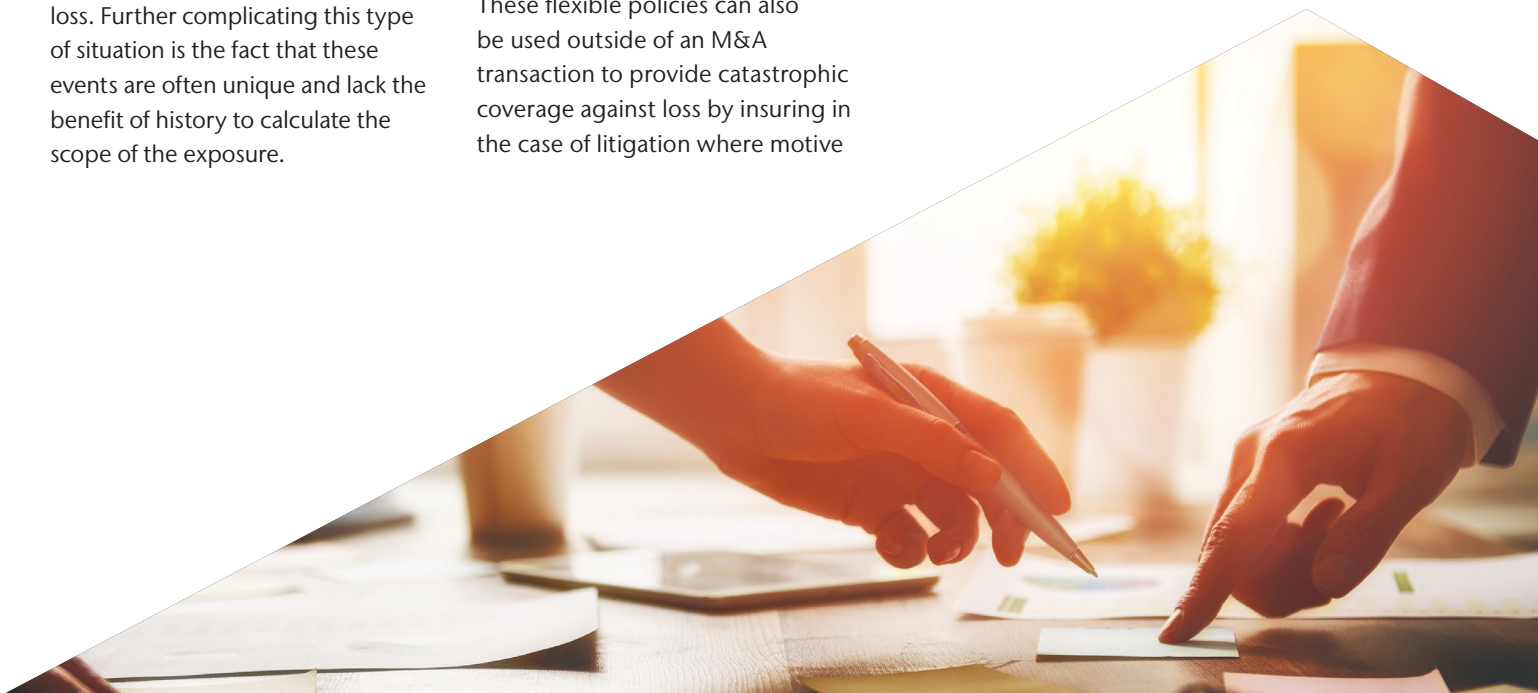
Insurance for contingent liabilities and litigation offers highly customized policies that bring predictability to deals that may otherwise be difficult to close. By using this tool, sellers can avoid a substantial escrow requirement and buyers can transfer the risk with an insurance policy to ring fence the cost of damages from an adverse judgement.

These flexible policies can also be used outside of an M&A transaction to provide catastrophic coverage against loss by insuring in the case of litigation where motive

for seeking insurance is appropriate and the likely range of damages can be quantified.

When to consider contingent or litigation insurance:

- Possibility of a catastrophic outcome
- Pending litigation is preventing a deal from closing
- Litigation arguments are well developed



Dedicated Claims Advocacy

Aon has experienced tremendous growth in M&A insurance over the past several years. Along with the increase in number of policies written, has come a proportionate uptick in the number of claims against those policies where damages occurred.

Aon is committed to providing clients with not only the industry's deepest brokerage team with M&A experience, but also a highly experienced team of claims advocates whose primary role is to support clients throughout the claims process, from the filing of an initial notice to ultimate resolution with the insurer.

Aon is also able to leverage our vast business relationships and deep experience in negotiating a wide array of management liability claims. Together, we bring a seasoned approach to efficiently and successfully negotiating claims on our clients' behalf.



367%

Growth in the number of North American transaction liability insurance policies written from 2014–2019 by Aon

\$45.6B Amount of transaction liability insurance limits placed in 2019 by Aon



75 Dedicated Transaction Solutions team members

41 Number of former practicing M&A, tax and litigation lawyers



#1 Transaction liability insurance industry leader by limit placed and policies written



#1 Tax insurance team by number of policies, limits placed and tax lawyers on staff

Aon's Transaction Solutions Team

Aon's Transaction Solutions team has been leading the creation and advancement of Transaction Liability Insurance since the market's inception. Comprised of former senior M&A and tax attorneys and other senior M&A leaders, we bring a depth of knowledge and passion for developing tailored solutions to your complex deal risks that is unparalleled in this industry. We know first-hand that the timing and sensitivity of a deal is paramount to its success and work closely with your deal team and our insurance providers to advise and execute solutions that improve your deal outcomes.

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About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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