



Warranty and Indemnity (W&I) Insurance

Case Study One

Aon was acting for a buyer for a European telecommunications business. It was a very aggressive auction, with many other organisations interested buying the operation.

While the seller was providing warranties, these were due to fall away as soon as the deal closed. This left the buyer only the time between the deal being agreed and its closure to find any problems with the business that they were buying if they were to get any recompense from the seller.

After consulting Aon, the buyer decided to use insurance to help them do the deal.

We created an insurance policy that became active at closing and would pay out in the event of problems being discovered further down the track. This enabled our client to proceed with buying the company.

Case Study Two

A UK-based private equity house was selling a services business to a North European strategic buyer, but was unwilling to provide warranties on the US\$450m deal.

The buyer of the company wanted a warranty cap (or its equivalent) of 20% of deal value in the event of a warranty claim, but the company's selling management only had 3% to offer, leaving a 17% gap.

Using our market leverage and experience, we quickly put in place an insurance policy that would be worth up to US\$90m to cover the gap, using the seller's 3% to leverage the deal. The coverage was in place two weeks after we began the process, ensuring that the deal went through without a hitch.



Published by Aon Limited

Registered office 8 Devonshire Square, London EC2M 4PL

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