



M&A Insurance in Israel

Representations & Warranties Insurance

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Introduction to WTW Israel

Traded on the [NASDAQ](#) and has [45k+](#) employees across [140](#) countries in the US, Europe and Asia.

Acquired [Leaderim](#) in January 2022, becoming one of the [largest global insurance brokers in Israel](#).

Established [WTW Israel M&A](#) in July 2022, the [first dedicated M&A insurance team](#) in Israel. Collaborating with [50+](#) dedicated insurance experts in Israel as well as [150+](#) M&A colleagues across the US, Europe and Asia.

Clients include most major [financial institutions](#) in Israel as well as leading companies across the [technology](#), [infrastructure](#) and [energy](#) sectors.

Mergers & Acquisitions

Mergers & Acquisitions

How are buyers and sellers protected?

Representations & Warranties

When buying a company or assets, buyers and sellers enter a **sale and purchase agreement (SPA)**, setting out the terms of the acquisition.

Key part of the SPA is the **representations**. These are contractual **statements of fact** given by the seller to the buyer about the company being acquired.

Statements cover all aspects of the company's business, including **ownership, financial accounts, tax, solvency, employment, material contracts, real estate, intellectual property, data privacy and litigation**.



Mergers & Acquisitions

What if a representation is found to be false?

If a representation is found to be **false** following closing of a transaction, the buyer will have **suffered a loss** as the company may not be worth what was paid.

Buyer will bring a **claim against the seller** to recoup losses. Seller can be required to put as much as **20% of proceeds in escrow** for up to **2 years**. Where a loss is found, payment is made from the escrow.

Insurance provides an **alternative** way of protecting both buyer and seller.



Representations & Warranties Insurance (RWI)

Representations & Warranties Insurance

What does it mean?

Contract between the **buyer and insurance company** to indemnify the buyer for loss resulting from **unknown breaches** of the representations in the SPA.

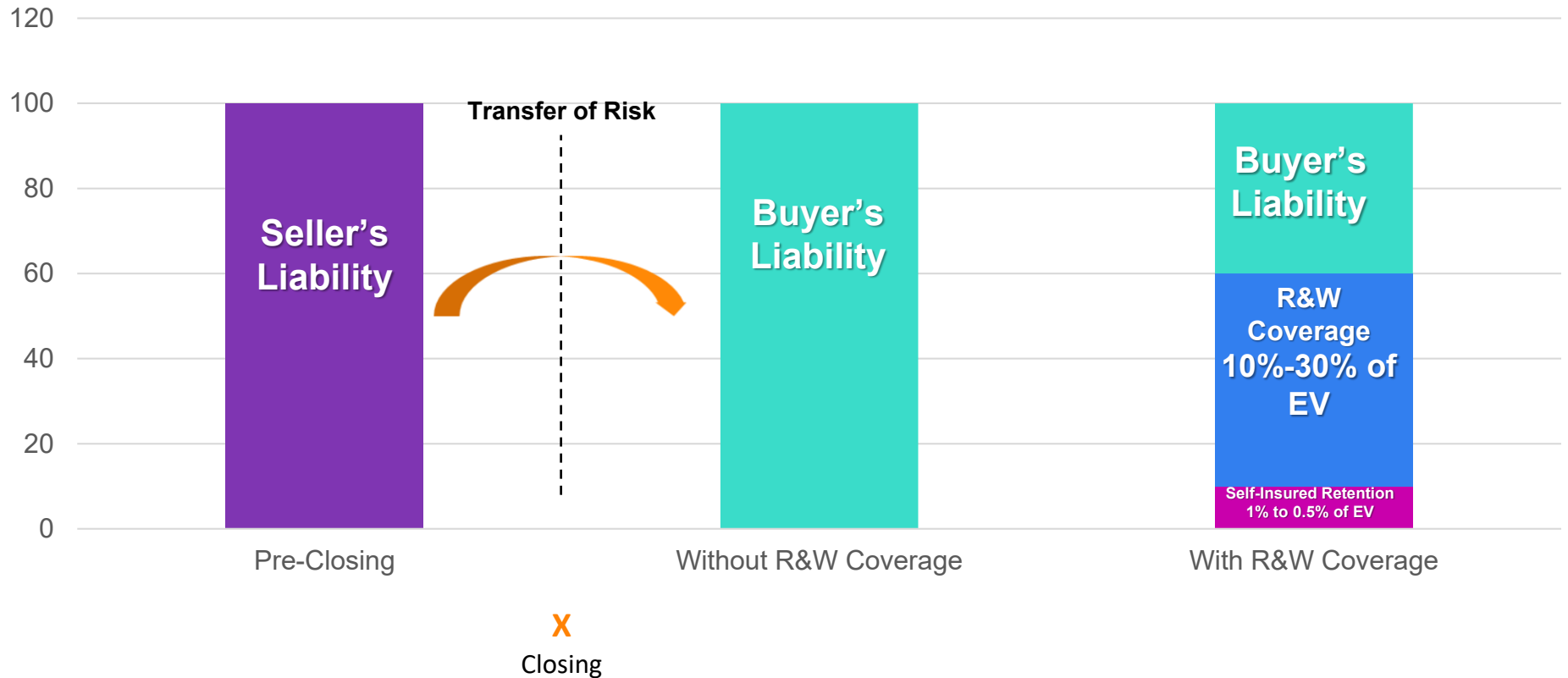
In the event a breach is identified, buyer **brings a claim against the insurance company**. Sellers will have **no liability** for such breaches.

RWI use has increased year on year for past 5 years. In 2021, RWI was used on **65% of US M&A** transactions as compared to 29% in 2017 and 52% in 2019.



Representations & Warranties Insurance

Transfer of Risk



Representations & Warranties Insurance

Benefits for Buyers and Seller

Buyer Benefits	Seller Benefits
Easing of negotiations with limited or no escrow needed	
Extended claim periods under the policy	
Avoidance of length and costly post-closing litigation proceedings	
Benefits from security and 'peace of mind'	
Bid differentiation	Provides a 'clean exit'
Genuine source of recourse against A-rated global insurers	Removes need for apportionment of liability

Representations & Warranties Insurance

Key Terms and Policy Features

Policy Features	WTW Comments
Periods of cover	7 years for Fundamental Reps, Tax Reps and the Pre-closing Tax Indemnity. 3 years for Business Reps.
Liability limits	10% - 30% of target enterprise value (EV) but can be taken up to 100% of EV.
Premium	2% - 4% of the policy limit. Premium is a one-off payment payable at closing.
Deductible	0.5% or 1% of EV
Subrogation	Only in event of seller fraud .
Due Diligence	Primary driver of policy coverage . Insurers expect legal, financial and tax diligence. All reports are shared with insurers on a non-reliance basis .
Process and Timing	2 weeks and policy goes 'on risk' at signing of the transaction .

Contingent Liability Insurance

Contingent Liability Insurance

Insuring 'Known' Risks

- Covers 'known risks' identified in respect of target, including tax, IP, pensions, regulatory and environmental issues.
- Policy converts contingent liability into a known cost (i.e., the premium), providing a buyer with a source of recourse in event of crystallization of risk .
- Premium range of 1.5% to 20% of policy limit.



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Joshua leads the WTW Israel M&A team. Prior to joining WTW, Joshua spent 8 years as a senior attorney at Willkie Farr & Gallagher LLP before joining Marsh as a Senior Vice President, where he established and led the Israel M&A desk. In 2022, Joshua joined WTW to set-up and lead the first on-the-ground Israel M&A team, specializing in advising on the placement of M&A insurance solutions on Israeli nexus transactions.