



GLOBAL FINEX - MERGERS AND ACQUISITIONS

# End of Fund Life Insurance



# End of Fund Life Insurance

A strategic tool for fund managers to:

- Maximise return
- Ensure cleaner exits
- Be more efficient at final distribution
- Promote faster payments

## Who we work with:

Corporate Clients, Funds and Institutional Investors, Law Firms, Corporate Finance and members of the international deal advisory community.

## What do you get:

On every deal, we utilise our strategic relationships with the insurers enabling us to deliver the best achievable results in a timely manner.

## Client benefits of End of Fund Life Insurance

- Enables an effective and efficient fund windup, free from residual liabilities;
- Facilitates voluntary liquidation and avoids or reduces ongoing administration costs (including management, legal and directors' fees) of the original investment corporate structure (particularly if offshore);
- Facilitates maximum and faster distribution of investment returns to investors to improve investor rate of return (insuring against the risk of clawback in the event of over distribution); and
- The premium is often small in the context of the ongoing administrative costs of maintaining the existing structure
- Saves management time signing off/running redundant companies.

## Complementary solutions

Other fund operational risks may potentially arise following the termination of the fund where WTW can assist with a bespoke insurance solution



### Tax insurance

The fund may have provided specific tax indemnities 'after the event' in relation to identified tax issues and where there are issues over the validity of a tax position. Tax insurance policies can provide retrospective cover in respect of the specific tax indemnities.



### Title insurance

Policies usually cover items such as title to underlying real estate assets, title to shares, physical defects and can cover missing permissions, access restriction, defective leases as well as demolition costs.



### Environmental impairment liability

This form of insurance provides cover for historical liabilities associated with real estate assets owned by a fund and would cover remedial work to prevent or limit losses arising out of pollution or contamination.



# Case study

We provide you with a bespoke End of Fund Life policy to indemnify the fund for residual liabilities.



## Background

A global investment company approached us prior to the winding up of a real estate investment fund to explore an insurance solution in relation to, seeking residual liabilities of the fund, pursuant to historic transaction documentation when disposing of assets. We advised that we could negotiate an insurance policy that would cover any residual liabilities remaining in the fund group, predominantly arising out of historic disposals, to enable the fund to be wound up.



## Action

We negotiated an End of Fund Life insurance policy. The insurer agreed to provide 'ground up' cover for residual liabilities which consisted of: (i) potential identified tax exposures including transfer pricing and secondary tax risk; (ii) extant tax warranties and indemnities; and (iii) extant title and capacity warranties. The liquidator was a named beneficiary of the policy to facilitate the voluntary winding up of the existing fund structure.



## Outcome and value

The client was able to wind up the fund faster ahead of the residual liabilities reaching their respective expiry date and thereby save on administration costs, ensuring a greater return on investment.

# Solution summary

A bespoke End of Fund Life, sell-side W&I policy to indemnify the fund for residual liabilities.

- Taken out by the fund manager or general partner of the fund covering: (i) residual liabilities relating to the assets held (directly or indirectly) by the fund and; (ii) all financial losses arising from warranties and/or indemnities provided during different sell-side transactions during the divestment phase;
- Current or future administrators and/or liquidators of the fund entities can be included as insured or loss payees (as preferred) to provide comfort for winding up;
- Can be used to cover both corporate and asset disposals (or a mixture of both);
- A one-off premium is payable for a policy term which matches the exposure period for the residual liabilities;
- Can cover claims brought up to seven years from inception of the policy, encompassing multiple jurisdictions (if necessary due to the location of the relevant assets); and
- The process for arranging such a policy is generally easier if the majority of the liabilities have expired, vendor due diligence was prepared and/or the fund has identified and 'tracked' the life of its liabilities.

## WTW global M&A practice

A market leading team of 170+ M&A practitioners, many of whom are qualified in either Corporate Law, Tax and Accountancy principles or insurance, working together to help our clients navigate M&A transactions safely. We draw on the full resources of WTW to bring Sector expertise, analytics, risk evaluation and insurance placement (where required) to each transaction, in other words delivering the firm and focusing on our client's strategic objectives on a deal-by-deal basis.

We help solve complex risk issues, regularly working to tight deal timeframes. Our transaction related advice and insurance knowledge is valued by our clients, who often use this tactically buy-side and sell-side to enable a successful outcome to an acquisition or divestment.

# Contacts

For more information please contact our regional colleagues shown below:

International (ex North America)		
<b>Alex Keville</b> Practice Leader, M&A and Private Equity, Global FINEX D: +44 20 3124 8187 <a href="mailto:alexander.keville@wtwco.com">alexander.keville@wtwco.com</a>	<b>MENA</b>	<b>Alexandra Wilson</b> Director, Transactional Risks M: + 44 7810 243 172 <a href="mailto:alexandra.wilson@wtwco.com">alexandra.wilson@wtwco.com</a>
<b>UK</b>	<b>Transatlantic and LATAM</b>	<b>Giles Murphy</b> Head of M&A GB D: +44 20 3124 7302 <a href="mailto:giles.murphy@wtwco.com">giles.murphy@wtwco.com</a>
		<b>Andrew Collins</b> Head of W&I GB D: +44 20 3124 7302 <a href="mailto:andrew.j.collins@wtwco.com">andrew.j.collins@wtwco.com</a>
<b>France</b>	<b>Israel</b>	<b>Luolan Dong</b> Head of Tax D: +44 207 170 2953 <a href="mailto:luolan.dong@wtwco.com">luolan.dong@wtwco.com</a>
	<b>Africa</b>	<b>Simla Ramdayal</b> Associate Director, Transactional Risks M: +27 79 536 3532 <a href="mailto:simla.ramdayal@wtwco.com">simla.ramdayal@wtwco.com</a>
<b>Spain</b>	<b>Asia</b>	<b>Raphaël Roditi</b> Head of M&A, France D: +33 1 41 43 62 57 <a href="mailto:raphael.roditi@wtwco.com">raphael.roditi@wtwco.com</a>
	<b>Australasia</b>	<b>Luis Covarrubias</b> Director, Transactional Risks D: +34 91 590 30 09 <a href="mailto:luis.covarrubias@wtwco.com">luis.covarrubias@wtwco.com</a>
<b>Germany</b>	<b>North America</b>	
<b>Italy</b>	<b>Mark.A.Rusas</b> Practice Leader, M&A Group D: + 1 212 915 8328 <a href="mailto:mark.rusas@wtwco.com">mark.rusas@wtwco.com</a>	<b>Steven Torresan</b> Practice Leader M&A, Australasia D: +61 2 9285 4077 <a href="mailto:steven.torresan@wtwco.com">steven.torresan@wtwco.com</a>
	<b>Robert Engels</b> Head of M&A, Germany and Austria D: +49 69 8484 55 1294 <a href="mailto:robert.engels@wtwco.com">robert.engels@wtwco.com</a>	<b>Peter Miraglia</b> Managing Director, M&A Group D: +1 212 915 8324 <a href="mailto:peter.miraglia@wtwco.com">peter.miraglia@wtwco.com</a>
<b>Central and Eastern Europe</b>	<b>North America</b>	<b>Marco Radice Fossati</b> Head of M&A, Italy D: +39 02 4778 7506 <a href="mailto:marco.radice@wtwco.com">marco.radice@wtwco.com</a>
<b>Nordics</b>	<b>Aartie.K. Manansingh</b> Transactional Risks Practice Leader, M&A Group D: +1 212 309 3422 <a href="mailto:aartie.manansingh@wtwco.com">aartie.manansingh@wtwco.com</a>	<b>Magdalena Kluczek</b> Head of M&A, CEE M: +48 695 910 661 <a href="mailto:magdalena.kluczek@wtwco.com">magdalena.kluczek@wtwco.com</a>
	<b>Sheldon Elefant</b> Practice Leader, Tax insurance, M&A Group M: +1 917 796 5884 <a href="mailto:sheldon.elefant@wtwco.com">sheldon.elefant@wtwco.com</a>	<b>Fredrik Dock</b> Practice Leader, Transactional Risks, Nordics D: +46 8 5463 5914 <a href="mailto:fredrik.dock@wtwco.com">fredrik.dock@wtwco.com</a>

#### **Disclaimer**

WTW offers insurance-related services through its appropriately licensed and authorised companies in each country in which WTW operates. For further authorisation and regulatory details about our WTW legal entities, operating in your country, please refer to our WTW [website](#). It is a regulatory requirement for us to consider our local licensing requirements. The information given in this publication is believed to be accurate at the date of publication shown at the top of this document. This information may have subsequently changed or have been superseded and should not be relied upon to be accurate or suitable after this date.

This publication offers a general overview of its subject matter. It does not necessarily address every aspect of its subject or every product available in the market and we disclaim all liability to the fullest extent permitted by law. It is not intended to be, and should not be, used to replace specific advice relating to individual situations and we do not offer, and this should not be seen as, legal, accounting or tax advice. If you intend to take any action or make any decision on the basis of the content of this publication you should first seek specific advice from an appropriate professional. Some of the information in this publication may be compiled from third party sources we consider to be reliable, however we do not guarantee and are not responsible for the accuracy of such. The views expressed are not necessarily those of WTW. Copyright WTW 2022. All rights reserved.



### About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at [wtwco.com](https://www.wtwco.com).



[wtwco.com/social-media](https://www.wtwco.com/social-media)

Copyright © 2022 WTW. All rights reserved.  
FPS3239844 WTW-FINEX 522306/12/2022

[wtwco.com](https://www.wtwco.com)

