Global FINEX - Mergers and Acquisitions

Insurance Due Diligence for Mergers and Acquisitions - acquiring or divesting without surprises

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Understanding critical risk and insurance issues

When considering a potential target business to invest in, sound governance requires an understanding of the risks relating to the enterprise in question.

As we emerge from the initial impact of the pandemic many organisations' risk profiles have changed beyond recognition, whether it's the health and safety risks posed to employees, rethinking supply chain exposure, data privacy and cyber risk, governance, regulatory and fiduciary duties owed, or contingent exposures (particularly tax and litigation) and reputational risk. With revenues, operations and exposures all in flux, clarity on how a target's risk profile has changed is paramount to assessing the effectiveness of mitigation and risk management measures in place.

In Mergers and Acquisitions (M&A) transactions we very often see a mismatch between seller and buyer's risk appetites, which combined with the effects of a hardening insurance market can create a material increase in costs for buyers.

How to address this

A forensic due diligence exercise is an effective means of really getting "under the skin" of a business to:

- Evaluate the current and future (aligned to the business plan) risk profile of the target by utilising a risk matrix; and
- Review the current and proposed risk transfer and risk retention arrangements of the target.

The benefits are:

- Assesses the appropriateness of the current and the future (proposed) insurance arrangements and costs, including confirmation of statutory compliance with insurance regulations;
- Identifies the financial impact of the current and future anticipated total cost of the target's identified risk;
- Establishes areas of potential improvement in the structure of the recommended insurances and identifies opportunities to manage current and future insurance costs; and
- Opines on the insurance clauses within the Sale & Purchase Agreement(s).

Who we work with:

Alternative Asset Managers, Corporate Clients, Institutional Investors, Law Firms, Corporate Finance and members of the International deal advisory community

What do you get:

- Insight, experience and engagement from a team of qualified M&A Practitioners, with access to sector and territory expertise.
- A proven diligence methodology allowing you more informed decision-making.
- Governance comfort that risks have been independently tested, challenged and are well understood.

Why WTW?

We give clients a clearer picture to enable better investment decisions, stronger negotiations with sellers and more successful post-closing integration – all aligned to their strategic plans for the target business.

Analytical tools to support decision making

To enhance our due diligence work we have access to a set of proprietary tools which models risk scenarios, using Artificial Intelligence (AI) to aid client decision making. The insights provided will seek to:

01
- Quantify the value of risk management;

02
- Minimise Total Cost of Risk;

03
- Improve budget certainty; and

04
- Identify the risk financing strategy that provides "best value".

Our technology platform and actuarial expertise deliver innovative risk advisory services that better address your unique needs. Analytics establishes the building blocks of an optimised risk financing strategy that allows you to focus resources on matters of greatest concern.

Global risk perspective

Over half of our diligence engagements involve some form of cross border M&A activity.

Our Global M&A Practice has representation in all of the main financial centres across the globe, providing on-the-ground knowledge and capability. Our experts will:

Engage local colleagues in the jurisdiction of the target business. Our experience shows that local knowledge of the risk issues, insurance market dynamics and local regulatory regimes are key.

Seek support from Industry Sector experts either in country or from our Global Practices. Each Industry sector has a unique set of underlying and emerging risks making sector expertise vital in being able to manage such risks effectively. This can also be the case where Financial Sponsor clients wish to be aware of any potential challenges as they develop their investments post acquisition.

Co-ordinate all members of the dedicated WTW M&A deal team in whichever country, to perform our advisory tasks to tight timeframes and align with clients' deal teams.

Collaboration with Willis Towers Watson global Human and Capital Benefits experts who can help add visibility to a target's past and future HR related risk exposures.

WTW global M&A practice experience, for your benefit

The WTW M&A advisory teams undertook more than 1,100 Diligence engagements in 2020. We use this extensive experience on each engagement to provide:

- Immediate notification of red flags, supporting deal teams in negotiations and modelling;
- Our unique WTW comprehensive due diligence report on which you and financing partners can rely; and
- A team aligned and working closely with your other diligence advisers.

We place risk transfer solutions that include helping our clients manage contingencies uncovered during due diligence. These can include Warranty & Indemnity, Tax Liabilities, Contingent Liabilities and Environmental Solutions.

WTW global M&A practice

A market leading team of 150+ 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 regarding our M&A services please contact one of the representatives listed below.

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