



ETHOS SPECIALTY

Representations & Warranties Insurance

Within the context of a merger or acquisition (M&A), a gap may exist between the level of warranties offered by a seller and the level that the buyer will accept. The Ethos Representations and Warranties (R&W) insurance product bridges that gap by transferring unknown and unforeseen risks to an insurer. The R&W policy provides coverage for losses incurred because of breaches of representations and warranties in an M&A agreement. The use of the policy eases contentious negotiations around the scope of representations and warranties level of indemnity and provides value for both the sellers and buyers in a transaction.

VALUE FOR BUYERS

- Enhances a buyer's bid in a competitive auction process
- Provides recourse for a buyer in acquisitions without seller indemnity (i.e. public company sales or bankruptcy)
- Protects key relationships with employees, share holders, continuing management team

OUR UNDERWRITING PROCESS

Our M&A Team is comprised of experienced underwriting specialists with extensive legal, financial and tax backgrounds, essential when offering tailored transactional solutions. We understand that many accounts are subject to specific deal deadlines. As such, we are structured in a manner that allows for real-time decision making, enabled through an efficient and scalable underwriting process. Our underwriting and secondary due diligence review is typically completed within 4-5 business days of receiving all deal documents, and our policies are drafted and bound concurrently with signing.

CAPACITY

- Up to \$60M in capacity is available
- Secured by a consortium of Syndicates at Lloyd's of London which currently enjoys an A+ rating from Standard & Poor's, AA- from Fitch and A from A.M. Best; and reputable domestic carriers with strong ratings

VALUE FOR SELLERS

- Allows seller to walk away cleanly from a deal without any contingent liabilities
- Protects passive investors
- Eases reputational risk by avoiding extended lawsuits and litigation

KEY HIGHLIGHTS

Ethos offers commercial terms and pricing coupled with responsive service. Policies are tailored to each unique transaction and work "back to back" with the M&A agreement.

- Risks located in the U.S. or Canada
- Retentions typically of 1.0% of the transaction value
- Premium typically between 3.0% and 5.0% of the total limits purchased
- Coverage for a pre-closing tax indemnity
- Following materiality scrapes in the transaction agreement
- On buyer-side policies, survival periods extend beyond those in the M&A agreement
- Broad appetite across industry classes including healthcare and technology transactions

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ABOUT ETHOS

Ethos Specialty is a leading Managing General Underwriter (MGU) that develops industry-specific insurance programs and provides specialized underwriting services on behalf of high-quality carrier and syndicate partners. Ethos has developed, and is the underwriting manager for, multiple niche-programs across Property, Casualty and Transactional Liability Insurance.

DISCLAIMER

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