

# Risk Mitigators



## Strategists

### Merger and Acquisition Insurance – Buyer and Seller Protection

**What is this insurance:** This insurance enables a transfer of (sale) transaction (warranty breach) risk to insurance. This can protect the buyer and seller balance sheets and potentially costly litigation. An efficient risk solution for a seller which also provides enhanced protection for a buyer of a business or assets. Target market A\$1M AUD to \$100M AUD Business assets.

An online platform (io.insure) enables the buyer and their advisors to provide responses to effect due diligence process questions. For a seller policy, the seller and/or their advisors provide online responses to disclosure process questions. This digital experience seamlessly delivers a policy and suite of Mio "Covered Risks™" that:

- sit independently of any warranties in the sale agreement (providing "synthetic" cover through the Covered Risks);
- do not require a sale agreement breach to trigger loss payable under the policy (the Mio policy is triggered where there has been a financial loss suffered due to any one of the Covered Risks not being true).

Critically, there is no requirement for external due diligence reports to be created specifically for underwriting or for underwriting calls to take place, significantly reducing the time and cost of this insurance product.

#### When to use Mio?

- Seller is not willing or not able to give any warranties, or when the level of warranty cover which is required by a buyer is insufficient (for example, private equity sellers or individual sellers who do not have the financial means or incentives to support or provide warranties)
- Seller is providing warranties, but the buyer would like additional reassurance and recourse to a highly reputable insurance company which is backed by internationally recognised and highly rated corporate insurers and Lloyd's markets
- Parties do not have time to engage in the normal W&I insurance process (requiring the preparation of external due diligence reports and underwriting calls to negotiate policy wording)
- Parties do not have the time, resources or appetite to negotiate warranties in the sale agreement and would like to use the policy as the sole avenue for warranty breach recourse.

#### Limits, Pricing, Coverage and Structure

##### Premiums

From A\$20,000\* to low six figures (depending on EV/purchase price, limit and underwriting questions/quality of buyer diligence or seller disclosure)

##### Limits

Fusion can underwrite insurance limits from A\$1m up to A\$15m for Mio policies; however, if higher limits are required (for example for title and capacity warranties), Fusion can offer limits in excess of A\$15m

**All enquiries -call or email Risk Mitigators Pty Ltd**

Mio is a partnership between Fusion (Australia and New Zealand's warranty and indemnity ("W&I") insurer) and io.insure, its technology partner.

\*Exclusive of Stamp Duty, GST, Insurex Pty Ltd may charge placing brokerage and service fees and a io.insure/Fusion management fee 7.5% Insurex Pty Ltd acts in behalf of all client placements

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<b>Excess</b>	A \$ amount “excess” will apply to each policy – the insured can claim for an amount payable under the policy when it exceeds this \$ amount (this applies to each and every claim). There is no retention.
<b>Taxes</b>	GST and Stamp Duty: taxes are payable in addition to the premium amounts
<b>Management Fee</b>	The Management Fee of 7.5% is in addition to the premium, exclusive of stamp duty and GST
<b>Brokerage</b>	The premium pricing is exclusive of any brokerage commission or fees. Risk placement and service fees may be charged for eligible clients. Refer to specific client Ts&Cs
<b>Coverage</b>	<ul style="list-style-type: none"> <li>• Coverage for the following risk categories, or Covered Risks (subject to underwriting):</li> <li>• Title and Capacity</li> <li>• Insolvency</li> <li>• Shares</li> <li>• Assets, Plant and Equipment</li> <li>• Financial position including accuracy of Audited or Management Accounts</li> <li>• Intellectual Property</li> <li>• Computer Systems and Software</li> <li>• Real Property (Freehold and Leasehold)</li> <li>• Superannuation</li> <li>• Litigation</li> <li>• Records</li> <li>• Taxes and Duties</li> <li>• Employees</li> <li>• Insurance</li> <li>• Compliance with Laws</li> <li>• Material Contracts</li> <li>• Accuracy of Information</li> </ul> <p>Full template policy wording may be provided subject to a duly completed NDA and successful registration on the io.insure transaction platform.</p>
<b>Exclusions</b>	A full list of standard/general exclusions is included in the Mio Policy, but examples include purchase price adjustments, restructuring, insured fraud, fines and penalties, matters Fairly Disclosed, Actual Knowledge, public searches, projections/estimates, change of law, underpayment of employees or employment related taxes, usual insurances. Limited specific exclusions may apply (e.g. transfer pricing and pollution risks).
<b>Structure - nexus with sale agreement</b>	<p>Unlike a traditional W&amp;I policy, the Mio policy does not require a loss to occur under the sale agreement, and coverage is not tied to the individual sale agreement negotiated set of warranties. The Mio policy covers financial loss (i.e. the diminution in value) arising post sale if any of the "Covered Risks" are untrue.</p> <p><b>Options for the Insured:</b></p> <ol style="list-style-type: none"> <li>a) "Back-to-back" coverage is available by taking the Covered Risks from the Mio policy and including them in the sale agreement in place of the warranties (with a nil recourse provision).</li> <li>b) The sale agreement can be signed with separate warranties and the policy obtained as an enhancement or to give greater risk protection.</li> <li>c) The sale agreement can be signed with no warranties, placing reliance on the Mio Covered Risks to provide protection in the event of loss.</li> <li>d) A signed sale agreement can be amended to replace the warranties and instead, place reliance on the Mio Covered Risks to provide protection in the event of loss.</li> </ol>