

14. Transactional Risk Insurance (TRI)

Overview

Transactional Risk Insurance (TRI) has become an indispensable tool in modern mergers and acquisitions, private equity transactions, and corporate restructurings. In any deal, the seller makes a series of representations and warranties about the target business — covering its financial condition, legal compliance, intellectual property, tax position, and contractual obligations. If those representations later prove to be inaccurate, the buyer faces financial losses that may not have been anticipated at signing. TRI — most commonly in the form of Warranty & Indemnity (W&I) Insurance — transfers that risk from the transaction parties to the insurance market.

For buyers, W&I insurance provides a direct right of recovery against the insurer for losses arising from warranty breaches, eliminating the need to pursue the seller after deal close. For sellers, it enables a clean exit by reducing or eliminating the escrow holdback that would otherwise be required to support warranty liability, freeing up deal proceeds immediately. Our TRI advisory team works alongside your legal and financial advisors throughout the due diligence and negotiation process to structure a policy that integrates seamlessly into the transaction timeline.

Transactional Risk Insurance turns the unknown liabilities of an acquisition into a manageable, insured risk — unlocking deal value for both buyers and sellers.

Policy Options

40. Warranty & Indemnity (W&I)

Covers financial losses arising from breaches of seller representations and warranties discovered after deal close — enabling a clean exit for sellers and direct insurer recourse for buyers.

41. Tax Liability Insurance

Provides cover for specific uncertain or contingent tax exposures identified during due diligence, protecting both parties from adverse tax authority rulings after the transaction completes.

42. Litigation Buy-Out

Transfers the financial risk of known contingent litigation or regulatory liabilities into the insurance market, allowing a transaction to proceed without unresolved legal disputes clouding the deal value.