

# Legal Indemnities

## Fact Sheet



### **The real benefits of Legal Indemnity insurance**

The concept that an indemnity policy is just “something we must have to complete the deal” is dated as Indemnity policies have a range of applications that add real value to a transaction.

There are a few lesser-known applications of indemnity insurance to provide cost effective solutions in situations where a traditional title indemnity policy does not offer real protection to your client. The use of legal Indemnity insurance does not have to be limited to just loss of value or cost of remedy for a title issue. Many clients stand to lose significant sums in the event of a title challenge which are not always captured in a standard policy.

### **Indemnity insurance as an M&A tool**

Title to Shares policies provide extended cover in M&A transactions allowing certainty of ownership of shares and Real Estate assets. These policies are particularly useful in cross border deals.

### **Indemnity insurance as a finance tool**

Portfolio wrapping is an insurance solution to a real-world problem. The timeframe of a deal or refinance is often short and the due diligence required can be lengthy. By using insurance wrapping to remove the need for title investigation and searches, the due diligence may be accelerated significantly. These policies are very cost effective, particularly on larger transactions where the due diligence process is potentially prohibitive.

### **Indemnity insurance for distressed asset transactions**

Receiverships/auctions require the client to take a view but often the funding for these deals will not. A good title wrapper effectively provides the comfort that a lender needs, ensuring that the title is good and marketable, and the security is valid and enforceable. This removes contingent liability and gives a vendor an insurance backed warranty.

### **Indemnity insurance to unlock funding**

All legal indemnity products are centred around removing risks to ownership and use and therefore benefit lenders. This reduction in transactional risk allows a lender to take greater comfort and potentially enhance available finance terms.

### **Bespoke indemnity insurance to de-risk development**

Title issues can blight development sites and create significant pre-planning losses for promoters and developers. A correctly structured pre planning indemnity policy can:

- Recover consequential losses such as planning costs/contractual obligations
- Ensure that cover is available for future development even where there is a claim. This is essential for sale and finance of a site
- Stage premium payment providing ease of cashflow for deal structure

## **Bespoke cover for real world cost of deals**

Certain types of clients will have very limited use for an insurance policy which covers loss of value or the remedy of the issue when their commercial costs are likely to be well in excess of any loss of value. These include:

- Land promoters
- Property Developers
- Corporate tenants
- Renewables operators and developers

An indemnity policy can remove significant financial risk by offering cover for consequential losses such as:

- Planning costs
- Rent Liability
- Relocation costs
- Fit out Costs
- Loss of profits
- Renewables specific loss – grid connection fees/decommissioning costs

By delving deeper into a transaction, a correctly structured indemnity policy can significantly assist in project financing and lowering the financial risks involved.

## **Hayes Parsons Insurance Brokers**

Hayes Parsons Insurance Brokers provides bespoke Legal Indemnity insurance solutions to Law Firms. We are a truly independent broker with access to a wide range of providers, using our market knowledge to advise our clients on the appropriate coverage at a competitive cost.

We understand the complex nature and timeframes of property deals and will advise and assist you to meet your deadline. We work with our clients to ensure that their indemnity cover is effective and in place in good time.

We would be delighted to advise on your insurance requirements and are able to construct bespoke policies that may make the difference for your client. If you are interested in finding out more or would like to obtain a quote, please contact Paul Guest:

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