



**Lorraine Dicksee**

General Manager, Reason  
Global Insurance Ltd



## Acquisitions

As the economy shows early signs of improvement, many businesses are recommencing their expansion plans which had previously been placed on hold.

Buying and selling businesses and its associated assets can be a complex process. Most people appreciate the need for good legal advice, but many forget the importance of expert professional insurance advice early in the process. Regardless of the type of deal, talk to your broker at the beginning of any purchase process regarding the insurances required.

During your period of due diligence, confidentiality is key. Ensure you are working with a broker whose integrity is unquestioned, and share the information with them on a confidential basis. They should then support you through the entire process to completion and beyond.

Short notice to your insurers can present last minute issues and delays if the insurer has questions or concerns, and getting proper professional insurance related advice is essential to avoid potential longer term problems. It is important to remember that legal advisors are legal experts but not insurance experts.

### What should your broker do to support you?

When purchasing a business, they should guide you on any additional insurances you may need during the purchasing process; for example mergers and acquisitions insurance packages are available where appropriate. These would cover the risks associated with the process such as errors and omissions or professional negligence.

You should tell your broker the nature of the contract and consider the implications of it. If you are buying the assets or goodwill only or the entire operation, consider whether you will be accepting the ongoing liabilities of the previous owner. If your contract stipulates this, the adequacy of your existing insurances needs to be checked to ensure appropriate cover is

in place. Where staff are transferring the impact of TUPE needs to be considered.

Where property purchase is involved, it is important to remember that your existing policies are highly unlikely to automatically provide cover for any works, and cover is only likely to be available once the premises are fully up and running with the relevant security & fire protection measures in place. You may need to think about construction risks insurance where relevant.

Does the business you are buying carry out different business activities to those you currently undertake? If you will be continuing those services, how will that affect your insurances?

If you are taking on the responsibility for customers' goods stored, what agreement do you have regarding customer claims for loss or damage not discovered until after

completion, but where that loss or damage may have occurred prior to completion date? The basis of your cover will need to be dovetailed with the previous operation to allow for this.

Finance providers may want specific clauses included in the policies and this needs to be arranged in advance to avoid last minute delays as sometimes the finance company may request something different to that which the insurer is prepared to give. Your broker should negotiate these terms on your behalf to help the process run as smoothly as possible.

Once the broker understands the key facts, they should discuss the options available to you. Should you look to retain the existing insurances or would it be advisable to have the risks absorbed into your own policies? Consideration also needs to be given to the effect of the transaction on the existing insurances and whether or not they contain exclusions that may be triggered. The broker should look at the type of cover the seller has in place, who the insurers are, consider the claims experience and make comparisons of cover and cost.

---

If you are buying  
the assets or goodwill only  
or the entire operation,  
consider whether you will  
be accepting the ongoing  
liabilities of the  
previous owner

---