

## The Buy-and-Build Approach for W&I Insurance

**The Buy-and Build Approach for W&I Insurance** is the latest trend in 2025: Given that W&I insurance has become a standard tool even for smaller M&A transactions and considering the current relatively cautious market, characterized by a higher volume of smaller deals and the continued prevalence of buy-and-build strategies, investors have increasingly recognized W&I insurance as an area where structured processes can deliver substantial value. By implementing well-defined and standardized procedures - streamlining due diligence scope, warranty wording, and W&I underwriting processes - transaction teams can reduce operational costs, increase efficiency and speed, and optimize workflows across all stages of the transaction. This generates a significant competitive advantage in an increasingly competitive market, where investors are competing for fewer attractive targets.

Although brokers, underwriters, and insurers have developed a highly streamlined process for placing W&I insurance - from the submission phase, where they compare offers from more than 40 insurers and Managing General Agents (MGAs), to the selection of the best offer and a structured underwriting phase - this process still requires significant individual work. It must be adapted to the specific characteristics of each transaction, the workflows of due diligence providers, and the particular structures and wordings of each law firm's SPA. This customization also incurs costs and manpower, which justify the minimum premiums that underwriters and brokers require for placing W&I insurance, as well as the substantial hours that the client's M&A team and advisors must spend reviewing these tailor-made policies.

Based on this experience, W&I insurance was traditionally not regarded as a tool for smaller transactions. Even if a buyer agreed to pay the minimum premium, the coverage was often unsatisfactory, as the due diligence budget had to remain proportionate to the transaction value, and frequently could not cover all areas where the buyer requested detailed warranties.

In response to current market trends in deal flow, deal size, and the increasing number of Buy-and-Build transactions, as well as the need for streamlined processes, POLLUX designed the Buy-and-Build Approach for W&I insurance in collaboration with a selected group of clients, which recognized the need for a more efficient and cost-effective transaction process that includes W&I coverage. Together with the client and their advisors, we develop SPA wordings and a tailored due diligence scope that guarantees insurability and can be presented to a pre-selected insurer or MGA. This approach minimizes underwriting fees and allows the coverage to be easily transferred into a pre-agreed policy based on the client's standardized SPA.

As there is no repeated submission phase and the underwriting process is highly streamlined, the Buy-and-Build W&I product is significantly cheaper than individually tailored W&I policies. It has become a highly effective tool for clients pursuing a Buy-and-Build approach, helping them achieve greater success in competitive auction processes.

Please reach out to POLLUX if you would like to learn more about this innovative approach.

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