CASE STUDY

Reps and warranties review

GLOBAL INSURANCE COMPANY

A Global Insurance Company was looking for a technological solution to improve confidence and accelerate the process of conducting warranty and indemnity insurance. Luminance was chosen by the insurer due to the flexibility of the machine learning algorithms that makes it the first technology able to work with the tight timescales, and broad scope of these reviews. Luminance's ability to work in any language was instrumental in this decision, as the teams consistently deal with data rooms in multiple languages and require a technology that can provide value regardless of the jurisdiction, language or specialisms of a data room.

The intuitive, user-friendly interface was also essential in ensuring users could get an instant snapshot of a set of documents just minutes after upload.

On this particular transaction, an underwriter had less than two days to review thousands of documents for an M&A deal. The review was being conducted under a short transaction timeline, as the client was negotiating a sale agreement where a warranty related to the number of contracts contained a 'Change of Control' clause.

The Warranties and Indemnities team could tell the scope of the review was limited to a sample of the contracts by looking at the due diligence report. Despite being an accepted process, sampling inevitably opens up the possibility of the legal team missing key information,

increasing the risk associated with underwriting the legal advice given to the client. A senior employee pointed out that a significant legal threat to the deal, associated with sampling, was the possibility of a breach of warranty. If the sellers did not specifically disclose all instances of a 'Change of Control' clause, and the buyer failed to conduct diligence on all contracts, the resulting uncertainty could lead to the discovery of evidence contrary to the legal advice given, and therefore a weighty pay-out to the law firm by the Insurance Company. Upon opening Luminance after upload, the team could immediately view every contract containing a 'Change of Control' clause using Luminance's advanced pattern recognition and clustering capabilities, then distinguish which contracts had already been reviewed and filter those out so as not to duplicate work. The team reported that this insight and control over the project gave the user greater confidence to underwrite throughout, in comparison to a manual review. Thousands of documents could be understood at speeds beyond human capacity.

As a result of using Luminance in this case, the Insurer is now rolling Luminance out across the organisation. They are expanding their deployment of Luminance's products, and will be using the technology for policy wording comparisons within the W&I teams, and NDA review, due to their confidence in the abilities of the technology.

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Key result