



Prepared By: Lockton Companies (Singapore) Pte Ltd

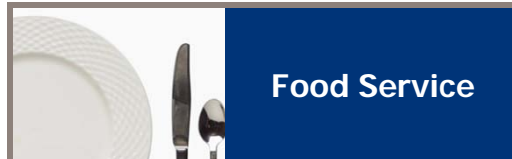
Division: Private Equity and Corporate Acquisitions Practice - PECAP®



Lockton Industry Expertise



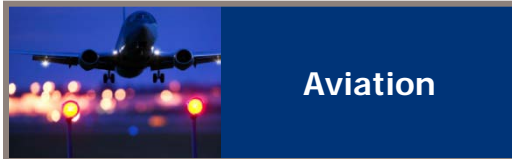
Automotive



Food Service



Non-Profit/Religious Organizations



Aviation



Healthcare



Professional Services



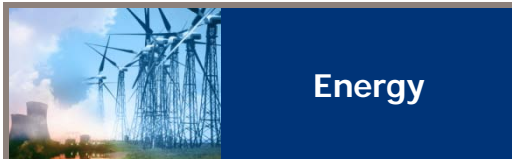
Construction Services



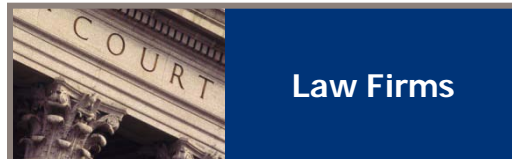
Hospitality



Real Estate



Energy



Law Firms



Staffing



Financial Institutions



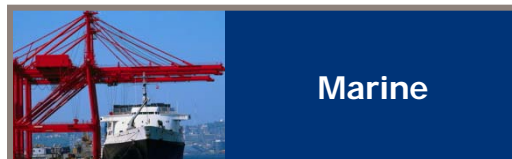
Manufacturing



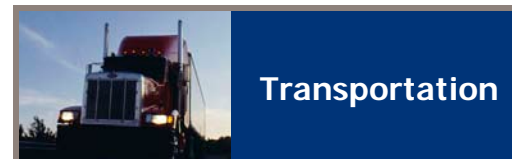
Technology



Food Processing and Distribution



Marine



Transportation

❖ Agenda 1 - Transactional Insurances

Transactional Insurances



- ❖ Identify various insurable exposures of seller/bidder on account of the transactional issues that may crop up during a merger or acquisition.
- ❖ Structure relevant risk mitigation programs to reduce or eliminate transactional risks by making the global insurance industry's capital available.
- ❖ Iron out potential 'deal breakers' by employing suitable transactional products.
- ❖ Address potential legacy issues that may cause severe financial consequence long after the acquisition is consummated.

Transactional Issues

- ❖ Financial loss caused due to the deal being aborted
- ❖ Inaccuracies in Warranties provided in the SPA
- ❖ Lack of credible financial data
- ❖ Financial burden of on-going legal suits
- ❖ Legacy issues on taxation, accounts receivable, environmental exposures, pension fund and employee benefits
- ❖ Issues around survival period of warranties in the SPA, duration and amount of escrow, earn-outs, holdback etc
- ❖ Limitation/apprehension over any contractual agreement
- ❖ Reduction in purchase price
- ❖ Regulator/Governmental issues

Transactional Product Expertise



Solution: An insured can ring-fence its potential liabilities arising out of the proposed acquisition by arranging insurance around various issues that may prove to be a hurdle for a successful transaction. A list of few products is provided for reference

- ❖ Aborted Bid Cost Insurance
- ❖ Litigation Buyout Insurance
- ❖ Representations and Warranties Insurance
- ❖ Contingent Liability
- ❖ Tax Opinion Liability

❖ Agenda 2 – Introduction to Insurance Diligence Services

Diligence Services



- ❖ A PECAP[®] report identifies insurance and employee benefit issues that can impact purchase price. Major issues that we address include:
 - Identify current insurance and employee benefits expense
 - Estimate the go-forward insurance and employee benefits expense and the portability of the current programs
 - Identify contracts that contain Change of Control provisions
 - Identify and quantify Balance Sheet accruals required for any retained liabilities
 - Identify and quantify any collateral needed to support the post-closing insurance/surety program
 - Review the company's historical insurance programs for deficiencies
 - Review the company's acquisition history to identify liabilities assumed
- ❖ Review of the purchase and sale agreement to assure the insurance and employee benefit related issues are properly addressed
- ❖ Provide solutions to deal issues or obstacles that may arise

Diligence Services



The scope of services Lockton applies includes:

- ❖ Red Flag Issues
- ❖ Employee Benefits coverages
- ❖ Commercial Insurance coverages

Red Flag Issues

Notify you immediately of areas of concern that need focused attention to determine whether they should be addressed before or after close.

Evaluate overall insurance costs for type and size of operation to determine EBITDA impact. Determine what improvements can reasonably be implemented after transaction close to improve cost.

Employee Benefits

Confer with client management team to gain an understanding of the strategy and goals for the company's employee benefit plans, including group insurance, pension and profit sharing plans.

Analyze plan documents, demographics, government filings (Form 5500, IRS determination letters) and plan financials, to establish that the plan(s) are compliant with ERISA and IRS regulations.

Request underlying plan documents, employee census, plan financials, etc. from the appropriate party to conduct a thorough examination of the plan(s).

Prepare a detailed report of all findings and recommendations.

Commercial Insurance

Confer with client management team to gain an understanding of the strategy and goals for the company's Commercial Insurance Program and Risk Management philosophies.

Review all current insurance documents and supporting materials to determine appropriateness of coverage.

Review historical coverages, underwriters and claims history by type of coverage to determine if there are any issues or concerns.

Review sample contracts, lease agreements, etc. as they relate to insurance.

Prepare a detailed report of all findings and recommendations.

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