

CONTINGENT LIABILITY INSURANCE – DEAL IN REVIEW

AVOIDING POTENTIAL POST-CLOSING LIABILITY

PROBLEM

A buyer was concerned about the validity of certain stock option grants issued to various employees of the target company. In particular, management of the target company sent letters to certain employees during the early 1990's that arguably outlined "grants" in an amount equal to a percentage of the target's then outstanding capitalization. Although most of the letters in the target's files were not signed and were ambiguous as to whether an actual grant was then intended, the target's board minutes were unclear as to what, if anything, the board was granting or promising, and even though no employee had made a claim that he/she was entitled to such equity, the buyer remained concerned that post-closing it would be assuming a potentially material contingent liability.

SOLUTION

Chartis' M&A Insurance Group underwrote and insured this specific issue, thereby allowing the buyer (and seller) to transfer this contingent liability to Chartis.

HOW TO CONTACT US

To learn more about contingent liability insurance and other transactional insurance products, please visit our website, www.ChartisInsurance.com, send us an e-mail at MAInsurance@chartisinsurance.com or contact your insurance broker.