

CONTINGENT LIABILITY INSURANCE – DEAL IN REVIEW

INSURING AGAINST UNCERTAIN GOV'T APPROVAL

PROBLEM

The potential buyer of substantially all of the assets of a target company that manufactures goods for the Army wants the transaction rescinded if certain governmental contracts included in the purchased assets are not novated to the buyer after the transaction closes. While the seller agrees that the buyer will not be afforded the benefit of its bargain if the contracts are not novated, the seller is concerned that it will incur certain tax losses if the transaction is unwound in a later tax year than the year in which the transaction is consummated. The seller wishes to procure insurance to protect itself from such losses.

SOLUTION

With properly structured contingent liability insurance in place, the seller is assured of its ability to recoup its tax losses if the transaction is rescinded due to the failure by the federal government to novate the contracts.

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.