

INSURING SECURITIES LITIGATION CAN RESULT IN INCREASED SHAREHOLDER VALUE

LITIGATION BUYOUT INSURANCE – Deal in Review**THE CHALLENGE**

A company was forced to restate its quarterly financial results after auditors discovered accounting irregularities during an annual audit. The adverse disclosure caused a major decline in the company's stock price and triggered over a dozen shareholder lawsuits. The company's business reputation, market capitalization, financial condition and employee morale were all negatively affected, and both the President/CEO and the CFO resigned. Additionally, the company's competitors were allegedly telling its clients that the company faced bankruptcy by year end, making it difficult for the company's sales force to close deals.

THE SOLUTION

Despite the fact that the company carried Directors and Officers liability insurance for this exposure, there were still concerns in the marketplace about the company's ongoing viability and weakened financial position. The company approached Chartis' Mergers & Acquisitions Insurance Group (the "M&A Group") to help mitigate these problems through the issuance of an insurance policy. The M&A Group evaluated the complex factors underlying the litigation and was able to propose pricing, limits and retentions that were acceptable to the company.

THE RESULT

Chartis provided a policy to insure the client against liability arising out of the securities litigation not covered by its primary insurance carrier. The company was then able to negotiate an agreement with its primary carrier satisfactory to all parties. In addition, a short term installment plan was structured by the insurer to allow the company to spread out payment of the premium over several months. Public announcement of the company's insurance with Chartis helped to eliminate uncertainty in the marketplace over the company's financial condition and the company's share price rose 12%.

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