

STALLED ACQUISITION NEGOTIATIONS REVIVED BY TRANSFER OF LITIGATION LIABILITY

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

A client in the healthcare industry experienced aggressive growth through an acquisition strategy that failed to achieve critical synergies. The client had one strong core business, but was suffering large losses in many subsidiary operations. Facing serious liquidity issues, a new management team was brought in and substantial downsizing of the company was planned. Meanwhile, a securities class action law suit was pending greatly complicating the reorganization plans. Additionally, several of the businesses that were up for sale were known to have professional errors & omissions (E&O)/malpractice litigation inherent in their operations. These two issues brought negotiations for the reorganization to a standstill.

THE SOLUTION

To revive buyer's interest in the sale negotiations, eliminating future cost for ultimate liability was necessary for both the securities case and the E&O claims, which numbered 200 cases. Chartis' Mergers & Acquisitions Insurance Group (the "M&A Group") audited the E&O claims filed in three different locations around the country and third party administrators were audited and interviewed for historical and prospective understanding of the cases. As a result of those efforts, the M&A Group created a policy providing full coverage for all of the outstanding E&O claims. A policy was also designed to transfer the management and financial exposure of the securities case to the insurer.

THE RESULT

By transferring the liabilities for the outstanding claims to the insurer, the seller was able to complete its reorganization well before liquidity became an issue. The key factors that helped the M&A Group assist in resolving the client's dilemma was its ability to evaluate a number of alternative solutions, deploy a team on a timely basis to complete the due diligence and underwriting, and to respond in a way that was sensitive to the client's recovery plan so the solutions worked efficiently.

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.