

Information on Transactional Risk Insurance

Our Transactional Risk Solution

CHUBB®



A global leader in management and professional liability insurance, Chubb now offers solutions that can help your clients manage exposures related to transactions.

Companies seeking growth or a competitive edge through mergers, acquisitions, divestitures, and restructuring transactions may be exposed to significant financial risks. Chubb can help facilitate these transactions by providing Chubb Representations & Warranties Insurance.

Chubb Representations & Warranties Insurance

Chubb Representations & Warranties Insurance helps protect from losses arising from breaches of representations or warranties made in a merger or acquisition. Each policy is customized for the specific transaction.

Benefits for Buyers:

- Helps protect buyer from losses arising from a specific breach of a representation or warranty made by the seller.

- Allows buyer to enhance its bid by reducing the indemnity requirement of the seller.
- Allows buyer to extend the duration of the representations and warranties.

Benefits for Sellers:

- Helps protect seller for losses if the buyer alleges the seller breached representations or warranties made in the purchase agreement.
- May significantly reduce the seller's indemnity and amount of cash held in escrow.
- May maximize the cash seller can receive at closing.
- Helps protect passive sellers from unintentional breach of representations and warranties.

The Chubb Advantage

1. Concise, transparent policy language easily adaptable for each specific transaction.
2. Financial stability and ability to pay claims rate among best in the insurance industry, as attested by ratings received from the leading independent insurance rating services.
3. Reputation for superior service and fairness in handling claims.

Canadian Claim Example

Type of Coverage:

Sell-side Representations & Warranties
Insurance Policy

Chubb Paid: \$750,000

Policy Limit: \$5,000,000

Policy Retention: \$300,000

Details of Claim:

Chubb provided coverage to the Seller for representations and warranties made during the sale of the family business. Just when escrow funds were due to be released, the Buyer made a \$12 million dollar demand, threatening the Seller's retirement plans. The Buyer alleged breaches of the following representations in the Share Purchase Agreement (SPA):

- **Financial Statements; Financial Records:** failure to fairly and accurately present information in the financial statements; failure to account for property and land taxes in a foreign country.
- **Liabilities:** Cancellation of cheques issued to pay accounts payable.
- **Licenses:** Failure to have the appropriate licenses to operate machinery which formed part of the purchased business.
- **Environmental Matters:** presence of asbestos.

Outcome:

Our insured submitted the claim to Chubb for coverage, and experienced corporate counsel was retained at the Insured's choosing. It was determined that the matter would proceed through arbitration as stipulated in the SPA.

Following the examinations for discovery of the Seller's representatives, the Buyer reduced their settlement demand to \$1.5 million. On the morning of the examination for discovery of the Buyer's representatives, settlement was reached at \$750,000.

Contact Us

To place Transactional Risk Insurance with Chubb, please contact a member of the Transactional Risk Team.

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Visit us online at www.chubb.com/ca

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