

Transactional Risk

Claims Scenarios



When managing claims, Chubb's Claims Specialists are attentive to every detail. Based on our extensive claims experience across our suite of transactional risk products and solutions, we are able to provide early and effective claims handling while maintaining superior customer service.

Buyer-Side Representations & Warranties Insurance Policy

Rep Breached: Compliance with Laws; Sufficiency of Assets

Industry: Manufacturing

Deal Value: \$100M-\$500M

Description of Events: Shortly after closing, the Insured discovered several structural issues with the facilities that it acquired. The Insured had to spend a substantial amount of money to bring the facilities into working order. Based on the facts of this claim, this was a breach of, or inaccuracy in the representations and warranties of the Acquisition Agreement covered by the Insured's Policy.

Resolution: Chubb settled with the Insured.

Buyer-Side Representations & Warranties Insurance Policy

Rep Breached: Financial Statements, Internal Controls, Books and Records

Industry: Health and Wellness

Deal Value: \$100M-\$500M

Description of Events: Soon after the deal closed, the finance department of the Acquisition Target discovered miscalculations in the Target's financials that resulted in a net overstatement of revenue. From Buyer's perspective, the errors had gone undiscovered due to a lack of internal controls and proper record keeping. With revenue overstated and no off-setting increase in expenses, the earnings before interest, taxes, depreciation, and amortization was similarly overstated resulting in an overpayment by the Buyer. Based on the facts of this claim, this was a breach of, or inaccuracy in the representations and warranties of the Acquisition Agreement covered by the Insured's Policy.

Resolution: Chubb paid the policy limit loss on the claim.

Buyer-Side Representations & Warranties Insurance Policy

Rep Breached: No Undisclosed Liabilities and Financial Statements

Industry: Manufacturing

Deal Value: \$100M-\$500M

Description of Events: The Insured purchased a manufacturing company. Shortly after the purchase, the Acquisition Target restated its financial statements to add a reserve for certain product warranties. The warranties had not changed, but the Insured's auditors determined that the Target should have been posting a reserve for the warranty exposure. In addition, the Insured had claims regarding the Target's understatements of certain reserves relating to excess and obsolete inventory. These errors led to an overstatement of the earnings before interest, taxes, depreciation, and amortization as of Closing, resulting in an overpayment by the Buyer. Based on the facts of this claim, this was a breach of, or inaccuracy in the representations and warranties of the Acquisition Agreement covered by the Insured's Policy.

Resolution: Chubb settled with the Insured.

Buyer-Side Representations & Warranties Insurance Policy

Rep Breached: No Undisclosed Liability Material Contracts

Industry: Food and Beverage

Deal Value: \$100M-\$500M

Description of Events: The Acquisition Target had a long-term supply and processing contract with an exclusive material supplier, which contained fixed pricing terms. While the initial term of the contract was nearing expiration, the Seller failed to disclose to the Insured that the contract had been extended. Based on the specific facts of this claim, there was coverage under the Policy, and the Insured and Chubb, working cooperatively, found a satisfactory settlement resolution with the supplier.

Resolution: Chubb consented to the Insured's settlement with the supplier and paid the claim.

Chubb. Insured.SM

The claim scenarios described here are intended to show the types of situations that may result in claims. These scenarios should not be compared to any other claim. Whether or to what extent a particular loss is covered depends on the facts and circumstances of the loss, the terms and conditions of the policy as issued and applicable law. Facts may have been changed to protect privacy of the parties involved.

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