

MERGERS & ACQUISITIONS LITIGATION BUYOUT INSURANCE

Litigation Buyout (LBO) insurance is a specialised contingent risk insurance product which helps clients manage risks arising from pending or threatened litigation. We focus on disclosed contingent issues arising within the context of a wider M&A deal. While both parties agree there is a contingent liability, neither party may be willing to accept the risk allocation of such a liability. Our Litigation Buyout insurance can be used to resolve this deadlock and to allocate the risk away from the parties to the transaction.



LITIGATION BUYOUT PRODUCT OVERVIEW

For Litigation Buyout insurance policies, the insured is typically the target company – as it would usually be the defendant in litigation arising from the insured event (we can also insure the acquirer of the target company). It is important to note that we only insure defendants or potential defendants. Coverage is not available for plaintiff claims.

LBO insurance may be a solution for:

- Securities litigation and other class actions
- Employment practices litigation
- Intellectual property infringement litigation
- Contractual disputes
- Liability issues arising in the context of a distressed sale

KEY FEATURES

Although we start with a 'template', given the bespoke nature of LBO insurance, each policy is specifically tailored to address the unique risks of the particular transaction. Our policy can be structured in many different ways. The key variables to consider are:

- Attachment point – what element of risk is to be retained by the insured? How will the risk be contractually allocated between the parties to the transaction?

- Defence costs – will the policy cover defence costs?
- Scope of insured event – precisely what events will trigger payment under the policy?

INITIAL SCOPING

Given the broad spectrum of risks that can be insured in a Litigation Buyout policy, it is not possible to provide precise parameters and premium costs upfront. We recommend an initial dialogue with the broker to establish the coverage and policy structure that may be available. There is no charge for this initial scoping work.

In order for us to fully understand the potential exposure and provide a comprehensive solution, we may require access to all relevant documentation and advice the proposed insured has received in connection with the contingent risks (confidentiality agreements will typically be signed to restrict disclosure of such information to third parties). We would then outline the key parameters for the insurance (including precise scope of the events to be insured and the attachment point of the policy), together with any provision for payment of defence costs.

CONTACTS

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Allied World

Rated "A" (Excellent)
by A.M. Best Company

Rated "A-" (Strong)
by Standard & Poor's

Rated "A3" (Good)
by Moody's

Lloyd's Syndicate 2232

Rated "A" (Excellent)
by A.M. Best Company

Rated "A+" (Strong)
by Standard & Poor's

Rated "AA-" (Very Strong)
by Fitch Ratings

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(continued)

CAPACITY

- Company Market: up to \$25M / €20M / £15M or local currency equivalent
- Lloyd's Syndicate 2232: up to \$20M or local currency equivalent

MULTINATIONAL COVERAGE

For more information on Multinational Coverage available via our ALLIED WORLDWIDE® platform, please contact the listed underwriters or visit us online at www.awac.com/alliedworldwide.

RISK MANAGEMENT AND LOSS CONTROL

Risk management and loss control is core to Allied World's proactive approach to insurance. It is embedded in our underwriting process and is a key differentiator of our client service offering.

CLAIMS SUPPORT CLIENTS CAN COUNT ON

Our claims team has significant expertise across numerous product lines and is committed to the highest levels of professionalism, responsiveness and good faith in claims handling.

FINANCIAL STRENGTH

We recognise how important it is that a carrier has the financial strength to ensure that it will be there when your clients need it. We believe that our ratings, conservative balance sheet, expanding scope of operations and solid capital base put Allied World in a superior position to withstand future economic upheavals and to provide our insureds with the protection they need.

Allied World's Lloyd's Syndicate 2232 benefits from the ratings assigned to Lloyd's: A (Excellent) from A.M. Best, A+ (Strong) from Standard & Poor's and AA- (Very Strong) Fitch Ratings. In addition, we are part of the Lloyd's chain of security and as a result all policies written by Syndicate 2232 are backed by the Lloyd's central fund.



Coverage is subject to the satisfaction of applicable regulatory licensing requirements and will be provided through appropriately licensed insurance intermediaries. Actual coverage may vary and is subject to policy language as issued. Risk management services are provided by or arranged through AWAC Services Company (Ireland) Limited, a member company of Allied World. **Allied World Europe** Coverage will be underwritten by Allied World Assurance Company (Europe) dac, which is regulated by the Central Bank of Ireland and is rated "A" (Excellent) by A.M. Best, "A3" (Good) by Moody's and "A-" (Strong) by Standard & Poor's. Coverage underwritten within Switzerland is by Allied World Assurance Company, AG, which is regulated by the Swiss Financial Market Supervisory Authority and is rated "A-" (Strong) by Standard & Poor's. **Allied World Syndicate 2232** Coverage will be underwritten by Allied World Syndicate 2232. Syndicate 2232 is managed by Allied World Managing Agency Limited, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Lloyd's market is rated "A+" (Strong) by Standard & Poor's and "AA-" (Very Strong) by Fitch Ratings. © 2017 Allied World Assurance Company Holdings, GmbH, a Fairfax company. All rights reserved.