Transactional Risk Insurance Products

CHUBB®

Chubb's suite of Transactional Risk insurance products facilitate mergers and acquisitions and other transactions by protecting deal participants from risks that arise in connection with the underlying deal.

Comprised of three primary products – Representations and Warranties Insurance, Tax Indemnity Insurance, and Contingent Liability Insurance – Chubb's products allow parties to efficiently allocate risk inherent in transactions, increase deal value and maximize returns, strategically enhance a buyer's bid in competitive auctions and bridge gaps in deals with significant obstacles to closing.

Representations and Warranties Insurance

Available for either buyers and sellers in a transaction, Chubb's Representations and Warranties Insurance provides protection against financial losses[1], including costs associated with defending claims, for certain unintentional and unknown breaches of the seller's representations and warranties made in the acquisition or merger agreement.

Benefits of a Buyer-Side Policy

Offers additional protection to the buyer beyond the negotiated indemnity cap and survival limitations in a purchase agreement.

Provides the seller with a "clean exit" by reducing or eliminating the need to establish escrows or purchase price holdbacks, thereby enabling the seller to more quickly distribute greater portions of the purchase price to its investors in a private equity context or to retain proceeds in an owner/operator context.

Enables the seller to reduce the amount of funds held back in escrow, enhancingthe seller's return on its capital in the current low interest rate environment.

Protects buyers against the collectability or solvency risk of an unsecured indemnity provided by a seller (e.g., a financially distressed or non-U.S. seller or multiple sellers).

Distinguishes a buyer's bid in a competitive auction process by requiring a seller to provide short survival periods, modest liability caps and reduced escrow amounts for breaches of representations and warranties in a bidder's draft purchase agreement.

Preserves key relationships by mitigating the need for a buyer to pursue claims against management sellers working for the buyer.

Affords an alternative recourse to shareholders in public to private transactions.

Benefits of a Seller-Side Policy

Backstops negotiated indemnity obligations – a key benefit for private equity or venture capital funds at the end of their life cycle.

Protects minority/passive sellers concerned with joint and several liability for indemnifying the buyer.

Provides additional comfort for individual or family sellers.

Tax Indemnity Insurance[2]

Chubb's Tax Indemnity Insurance enables taxpayers to reduce or eliminate a known contingent tax exposure resulting from the tax treatment of a past transaction, investment or other legitimate business activity.

Benefits

- Facilitates smoother deal negotiations during an M&A transaction, as the parties do not need to agree on the allocation of known potential pre-closing tax liabilities.

- Defines, quantifies and caps the financial exposure for particular tax risks whether in the transactional context or within a taxpayer's operational framework.

- Avoids the need for seller indemnities and/or escrows for known historic tax exposures, thereby facilitating the seller's clean exit from specific businesses.

- Offers certainty where tax authorities refuse to provide advance rulings to taxpayers on certain identified tax matters, or where an advance ruling will not be obtained in the timeframe necessary to close a transaction.

Contingent Liability Insurance

Chubb's Contingent Liability Insurance provides coverage within the context of the transaction. This differs from Chubb's Representations and Warranties coverage, which covers only unknown exposures.

Risks that might be eligible for coverage include potential:

- Litigation exposures

- Environmental exposures

- Intellectual property infringement claims

- Employment matters and disputes

- Exposures relating to accounting methods adopted in the past

Benefits

The allocation of liabilities for identified contingent risks is typically heavily negotiated between parties. These exposures are often the subject of purchase price negotiations, specific indemnities and/or escrow arrangements. Chubb's Contingent Liability Insurance may eliminate or effectively mitigate the parties' exposures to these risks – enabling the transaction to close more quickly, without either party assuming undue risks or limiting or impairing the sales proceeds from the transaction.

Contact Us

Visit www.chubb.com, or email us at transactionalrisk@chubb.com.

Chubb. Insured.℠

[1]In excess of retention

[2]Chubb does not underwrite any insurance product covering taxes, interest or penalties that may be incurred with respect to any "reportable transaction" within the meaning of Treasury Regulation section 1.6011-4(b).

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